



OFFICE OF THE CITY MANAGER

Noel C. Taylor Municipal Building
215 Church Avenue, SW, Suite 364
Roanoke, Virginia 24011
540.853.2333
www.roanokeva.gov

June 18, 2018

Honorable Sherman P. Lea, Sr., Mayor
Honorable Anita J. Price, Vice Mayor
Honorable William D. Bestpitch, Council Member
Honorable Michelle L. Dykstra, Council Member
Honorable Ralph E. Ferris, Council Member
Honorable John A. Garland, Council Member
Honorable David B. Trinkle, Council Member

Dear Mayor Lea and Members of City Council:

I am pleased to provide you with the Resource Allocation Plan as adopted by City Council for Fiscal Year 2018-2019. The adopted General Fund revenue and expenditure estimates both total \$291,699,000.

There were no adjustments made to the Recommended Budget and the content of the City Manager's message remains the same.

Respectfully submitted,

Robert S. Cowell, Jr.
City Manager

c: Daniel J. Callaghan, City Attorney
Amelia C. Merchant, Director of Finance
Stephanie M. Moon, City Clerk
Sherman M. Stovall, Assistant City Manager for Operations
R. Brian Townsend, Assistant City Manager for Community Development



**FY2018 – 2019
ADOPTED BUDGET
City of Roanoke, Virginia**



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April 16, 2018

Honorable Mayor and Members of City Council:

I am pleased to present to you the Fiscal Year 2018-2019 Recommended Budget, totaling \$291,699,000. As my first budget submittal with the City of Roanoke I can say it has been a rewarding experience to work alongside a talented and dedicated team in the development of a budget that delivers on your priorities. We have worked diligently to ensure the proposals recognize the larger context within which we work, align with established strategies and deliver the results expected by our community. We have done so, while retaining the necessary flexibility to adapt to ever-changing economic conditions ensuring our long-term resiliency.

Budget Context

As the economic, educational and cultural center of Virginia's Blue Ridge, it is essential that our actions build upon past successes and continue to advance priorities. To that end, we recognize that we work within a region undergoing transformational change. Building upon a historical foundation as a manufacturing center into a region built upon the economy of the future – education, life sciences, advanced manufacturing, technology and innovation, tourism and entrepreneurship. Further, we recognize that we succeed best when all have opportunities regardless of where in the City they live or conduct business.

We strive first, to be a part of a region where anyone making choices of where to live, where to open a business, where to seek employment or where to visit consider only Virginia's Blue Ridge. We further strive to build strength from within, where every individual, family, business, corridor or district is as strong as possible and where all have the opportunity to succeed to the fullest of their potential.

Strategies

Within the afore-stated context, we act in accordance with established strategies:

- **Prioritize – time, money and attention**
- **Take Strategic Action – everything should progress toward objectives**
- **Seek and Enhance Collaborative Partnerships – we cannot and should not do this alone**
- **Innovate – new ideas, new approaches, new partners**
- **Empower Organization – free up talent, time, money and resources**

It is my belief that the proposed budget aligns with these strategies ensuring our continued progress toward success.

Revenue Reprieve

The past few years have been challenging from a revenue standpoint. Nearly all sources of revenue stagnated or declined, resulting in reductions in expenditures, altering service levels, and in some instances delays in addressing needed investments. Due to strong policy leadership provided by the Council, dedication of a professional staff and strategic decision-making, even within these conditions the community continues to progress, making strategic investments yielding benefits, now and in the future. Fortunately, Fiscal Year 2017-2018 has provided a reprieve of sorts with estimated growth in local tax revenues of 3.0% over FY 2016-2017. While it is unknown if this reprieve is the beginning of a trend or merely a fleeting opportunity, it has afforded us the ability to progress on some priorities and address deferred issues. While thankful, we remain cautious, acknowledging the volatility of current economic conditions resulting in a conservative approach to projecting future revenues and increasing recurring expenditures.

Strategic Investments

With this budget proposal, we continue to invest strategically to advance Council priorities, yielding a healthy and resilient community. The investments have come primarily in the form of addressing education and public safety but also in the areas of livability and human services. Additionally we have taken the opportunity to fundamentally rethink how we fund our major capital investments, adopting a “just in time” approach in debt financing anticipated to allow us to address our most pressing capital needs while providing funds to enhance our financial reserves thereby enabling us to protect our credit ratings and better equip us for future economic downturns.

A few of the highlights of these investments are the following:

- Increasing the local share of funding to Roanoke City Public Schools by \$1.65 million. With this increase, our community now provides over \$81.2 million in funding, representing 48% of the total investment in local schools.
- Addition of a new Emergency Medical Services (EMS) unit in response to service demands which increased 5% in calendar year 2017 and 3% year-to-date for calendar year 2018 demonstrating commitment to meeting response time targets.
- Partnering with Roanoke City Public Schools and the Roanoke City Sheriff to double the number of DARE Officers ensuring our children are as safe as possible while attending school.
- Increase in base budget for Police overtime and expansion of community policing opportunities.
- 2% increase in salary for City employees.
- Increased funding of social services including additional funding to provide emergency assistance to help avoid homelessness, increased funding for mental health services, increased funding for children’s services and increased funding for foster care services.
- Increased funding for neighborhood enhancements including additional funding for alley repair, removal of dead street trees and their replacement, additional funding for weed/trash abatement and demolition of derelict structures and increased funding for neighborhood activities.
- Inclusion of funding for the Roanoke Cultural Endowment in the annual base budget and a one-time increase in the funding level.
- Funding to update the City’s Comprehensive Plan – the first update in nearly 20 years.

- Increased funding toward efforts at promoting tourism associated with Visit Virginia's Blue Ridge.
- Increased funding for materials and resources for library system.
- Capital Improvement Program including targeted livability investments (Parks and Recreation Master Plan and Libraries) and investments in maintaining capital assets and infrastructure (Bridge Program, Sidewalks, Streetscapes, Stormwater Projects, Civic Center and School Facilities).

Return on Investment

Through investments made by the Council on behalf of the citizens over the past years, we are benefitting from the following returns:

- Rising high school graduation rates, improved third-grade level reading scores, and more children entering kindergarten ready to learn.
- Police response to over 100,000 calls for service, Part 1 Crime rates in downtown decreased by nearly 25% year over year and fire services recognized at an ISO 1 Level, an achievement realized by less than ¼ of 1% of all fire departments in the Nation.
- An economic region with over \$18 Billion in local GDP. Over 600 jobs in Roanoke City announced or created in the last year with nearly \$90 million in new investment announced over the same period. An unemployment rate below that of the US as a whole.
- Reversed 30 years of declining population and for the second year in a row experiencing population growth, placing current population estimates just shy of 100,000.
- Completion and opening of the latest renovated and expanded neighborhood library, Williamson Road Branch and initiated construction of the next, Melrose Branch.
- Visitors to the area continue to increase with an estimated regional economic impact of over \$800 million in direct spending. In 2017 over 36,000 participated in GoFest, the Foot Levelers Blue Ridge Marathon sold out once again, and Roanoke hosted the first Cyclocross event attracting bicyclists from all over the Country.
- Number of children removed from their custodian due to abuse and/or neglect and placed in foster care has decreased from 294 to 237 children in the last year.
- Chronic homelessness has decreased by 25% over the last year and 75.8% since 2012.

Perhaps most significantly, there continues to be a continued sense of optimism and momentum present in the community unmatched in decades!

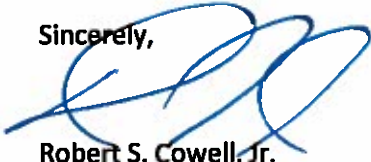
Our Work is Not Complete

The work of building and running a City is never complete. Together, we must face the challenges presented while seizing upon the opportunities that abound. Fortunately, due to the leadership of the Council and investment by the community we face our challenges from a position of strength. We recognize that not all in our community are benefitting equally from the successes occurring and we accept our responsibility to respond accordingly. We recognize that our economy needs to strengthen and our revenues need to continue to expand if we are to address service needs and aging infrastructure. Finally, we recognize that we are in a period of rapid change and with it a certain level of anxiety exists. We cannot address all needs for everyone in one budget year. We cannot solve all the problems that exist within our community but with our partners and with the support of our elected

officials and our citizens we can ensure that we spend their money on what is needed, when needed. It is for this reason that we have seven times; more than any other City, been named an All-American City.

It is a privilege to serve as your City Manager and I thank you for the opportunity to present a budget on behalf of the hardworking employees of the City of Roanoke, demonstrating how we stand ready to address challenges and seize opportunities aligned with Council priorities.

Sincerely,



Robert S. Cowell, Jr.

City Manager

Revenue Adjustments

Fee Title	Current Fee/Rate	Proposed Fee/Rate	Incremental Revenue	Description
EMS Basic Life Support	\$375	\$430	\$100,000	Change in fee structure
EMS Advanced Life Support (Level 1)	450	518		
EMS Advanced Life Support (Level 2)	650	748		
Mileage	9.00/mile	9.00/mile		
Response, Treatment, & Non-Transport Fee	N/A	300		

BUDGET OVERVIEW

The recommended budget for FY 2018-2019 is \$291,699,000. The total budget increase is \$8,914,000, or 3.15% from FY 2017-2018.

	<u>Recommended Funding Level</u>	<u>Dollar Change from FY 17-18</u>	<u>Percent Change from FY 17-18</u>
General Fund Budget	\$291,699,000	\$8,914,000	3.15%

The following items outline incremental cost adjustments which comprise the balanced budget sorted by priority. Additional summary statements for each offer are included in each priority section.

ORGANIZATION-WIDE EXPENSES – \$2,992,448

Medical - \$421,348 – Incremental increase due to anticipated fiscal year medical insurance cost increase.

Reserves - \$405,600 – Increase in budgeted funding for Reserves.

Worker Compensation - \$225,000 – Increase in budgeted funding for Worker Compensation expenses.

Compensation – \$1,940,500 – Increase in funding for compensation including a 2.0% general wage increase.

EDUCATION – \$1,675,526

Roanoke City Public Schools – \$1,654,326 – Operating funding for Roanoke City Public Schools increases by \$1,654,326.

Libraries - \$21,200 – Increase in funding for books for early literacy and core library service enhancements.

SAFETY – \$1,789,814

Fire-EMS – \$394,926 – Increases funding for a new medic unit (6FTEs), additional EMT/paramedics for peak-time ambulance (2 FTEs) and EMS supplies.

Planning – \$40,364 – Provides additional funding for weed and trash abatement as well as demolition of derelict structures.

Police - \$729,495 – Provides funding for a Services Police Captain position, Off-Duty earnings offset by revenue, deer culling, veterinarian services, temporary wages, overtime wages and additional funding for the Community Policing Specialist program.

Sheriff - \$423,692 – Provides funding for the local cost of expansion of the DARE program, reinstatement of three deputy positions, phase III of the career development program, full year implementation of the new Jail Mental Health Unit, incremental funding for inmate phone commissions offset by revenue, and jail service contracts and utilities.

Transportation – \$201,337 – Increase in funding for signs and pavement markings supplies, electricity for traffic signals, and traffic signals maintenance/equipment.

BUDGET OVERVIEW

HUMAN SERVICES – \$2,553,539

Emergency Relief – \$50,000 – Provides funding for the Emergency Relief program to support efforts to help avoid homelessness.

Human Services – \$2,503,539 – Provides additional funding for Children's Services Act, adoption, interpreter services, foster parent training and family services support as well as an Account Clerk.

INFRASTRUCTURE – \$582,000

Fleet Management – \$250,000 – Increase in funding for fuel, vehicular parts and repairs.

Paving – \$300,000 – Increase in funding for paving activities.

Technology – \$12,000 – Increase in funding for databases to serve youth

Transportation – \$20,000 – Increase in funding for contracted alley maintenance.

GOOD GOVERNMENT – \$174,745

City Treasurer - \$72,745 – Provides funding for postage, contract cost increases and Tax/Treasury System implementation support.

Human Resources - \$27,000 – Provides for organizational development activities.

Registrar - \$75,000 – Provides funding for an additional election.

LIVABILITY – \$555,647

Libraries – \$40,359 – Increase in funding for library branch utilities and facility cleaning contract.

Parks and Recreation – \$50,894 – Increase in funding for facility cleaning contract and special event coordination.

Planning, Building and Development – \$3,500 – Increase in funding for support of Roanoke Neighborhood Advocates.

Solid Waste Management – \$450,000 – Increase in funding for tipping fees and temporary employee wages.

Transportation - \$10,894 – Increase in funding for special event coordination.

EXTERNAL AGENCIES – \$1,536,331

Blue Ridge Behavioral Healthcare – \$30,000 – Increase in budgeted funding to support mental health services.

Civic Facilities – Admissions Tax - \$485,000 – Budget for transfer of Admissions Tax collected at Berglund Center, remitted to the General Fund and return to the Civic Facilities fund.

Cultural Endowment – \$125,000 – Incorporation of funding in base budget in support of the Cultural Endowment.

BUDGET OVERVIEW

Health Department – \$114,759 – Increase in budgeted funding for support of the Health Department operating expense.

Hotel Roanoke Conference Center Commission – Sales Tax Remittance - \$400,000 – Incorporation of required additional 1% sales tax for remittance to Hotel Roanoke Conference Center Commission

Regional Center for Animal Control and Protection - \$264,205 – Increase in funding for regional center operations.

Roanoke Valley Television (RVTV) - \$13,867 – Increase in funding to support operations of RVTV.

Service District Taxes - \$28,500 – Increase in funding for district taxes generated in Downtown and Williamson Road districts.

Visit Virginia's Blue Ridge – \$75,000 – Increase in funding for Visit Virginia's Blue Ridge based on 3% of the transient occupancy tax for marketing and promotion of the region based on revenue estimate.

ECONOMY – \$376,050

Performance Agreements – \$376,050 – Increase in budgeted funding for performance agreement expenditures.

Reallocations – (\$3,229,502)

Reallocations – (\$1,929,714) – Reallocation of FY 2017-2018 budgeted lower priority funding to support higher priority expenditures.

Allocation of Solid Waste Fee – (\$1,299,788) – Allocation of first half of Solid Waste Fee revenue previously held during FY 2017-2018 for potential revenue downturn to support other priority expenditures.

OTHER – (\$92,598)

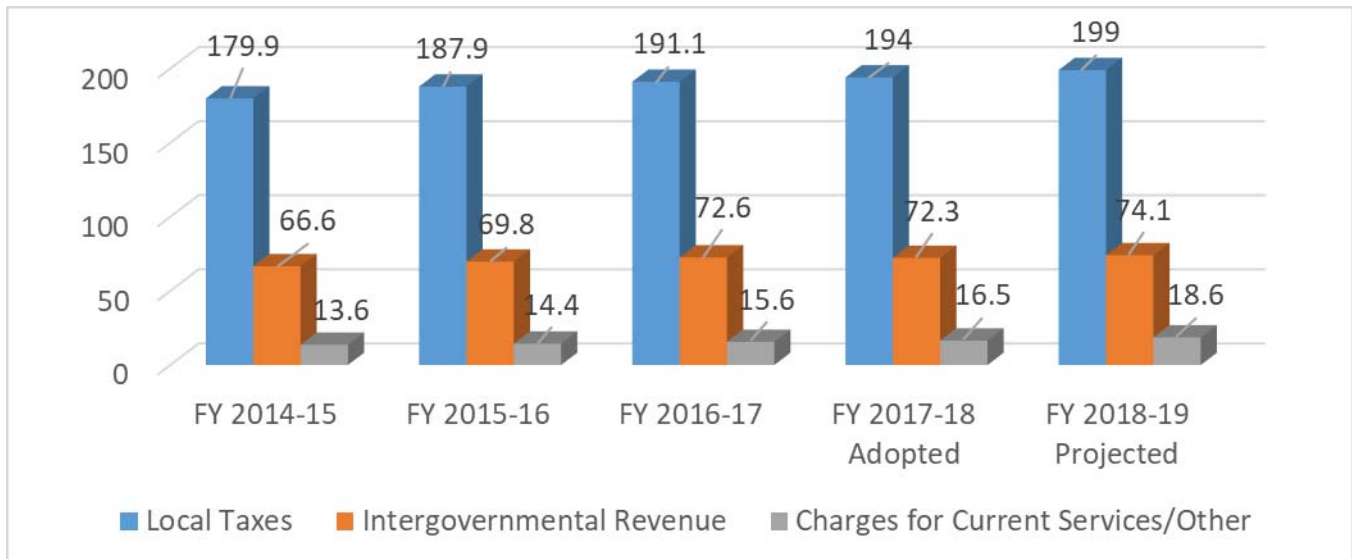
Other – (\$92,598) – Net decrease in budgeted funding for other operating expenditures.

BUDGET OVERVIEW

GENERAL FUND REVENUES:

Revenue estimates are developed using a conservative and practical approach based on general economic conditions, historic experience, and expected changes in activities and services. General Fund FY19 estimated revenues total \$291,699,000, an increase of \$8.9 million, from the FY18 adopted budget. The increase was primarily attributable to increased property values, anticipated consumption tax performance, funding from the Commonwealth and the full implementation of a sanitation fee. General property tax revenues increased \$2.8 million and the fee for solid waste collection generated an additional \$1.48 million in revenues. The chart shown below illustrates a five-year General Fund revenue trend for the City of Roanoke. Revenues are divided into three major categories: (1) Local Taxes, (2) Intergovernmental Revenue (State and Federal), and (3) Charges for Services/Miscellaneous. More detailed trend information for these three categories is presented in the following pages.

(Dollars in Millions)



An analysis of changes in the three major categories of revenue as compared to the Adopted FY18 Revenue Estimate is as follows:

A. LOCAL TAXES \$5,042,366

Local taxes are the largest category of revenues for the City. Local taxes will comprise 68.2% of all FY19 General Fund revenues. Changes in major revenues or categories of revenue are noted below.

1. Real Property – \$2,360,866 -The real estate tax is the single largest source of revenues for the City of Roanoke. Property values increased as the result of the general reassessment and new construction activity, which contributed to a 2.87% revenue increase in FY19. Important elements of Roanoke's real estate taxation system are programs that provide relief to certain taxpayers or on selected types of properties. For FY19 this relief is comprised of relief to the elderly and disabled taxpayers including some Veterans, relief on agricultural properties, and relief for properties under rehabilitation. Additionally, leased and energy efficient properties receive tax exemptions. These relief programs are intended to benefit those on fixed incomes or with limited ability to cover the costs of increased taxes or to provide incentives for owners who invest in the rehabilitation of aged properties. The City's real estate taxes are due annually in two installments, October 5th and April 5th.
2. Personal Property - \$456,000 – The personal property tax is the second largest local tax. FY19 is anticipated to increase by 2% compared to the FY18 adopted budget. Annual assessments of the personal property tax are made in early April, and the tax due date is May 31st.

BUDGET OVERVIEW

3. Sales Tax – \$607,000 - Sales tax is Roanoke's third largest local tax, and it is expected to increase by 3.02% when compared to the FY18 adopted revenue estimate.
4. Business License Tax – \$275,000 – This tax is an economic indicator of the local economy and its performance reflects consumer confidence. The FY19 estimate includes a projected revenue increase of 2.2%.
5. Transient Occupancy Tax – \$200,000 – This tax is a consumer-driven revenue source and its performance is impacted by tourism and consumer confidence. The FY19 estimate includes a projected revenue increase of 4.65%.
6. Prepared Food and Beverage Tax – \$282,000 – This tax is also a consumer-driven source of revenue. This tax is projected to perform higher in FY19, with an estimated increase of 1.74%.
7. Other – \$861,500 – Local taxes not individually described include bank franchise taxes, cigarette tax, penalties and interest, consumer utilities, recordation and probate, admissions, communications tax and franchise fees. The estimated increase in this area is primarily related to increasing motor vehicle license tax and admissions tax revenues in FY19.

B. INTERGOVERNMENTAL REVENUE

\$1,789,234

This revenue category is primarily comprised of State funds designated for specific programs. Generally, there is little local discretionary use of these funds, much of which is paid to the City on a reimbursement basis. This category represents 25.4% of total revenue for the General Fund. The FY19 revenue estimate is projected to increase 2.48% from the FY18 adopted budget and is primarily a result of the reimbursement of social services expenditures and increased street maintenance funding. The major categories of intergovernmental revenues are discussed as follows:

1. Social Services – \$1,373,500 – Social services revenues in FY19 are projected at approximately \$32.0 million, a sizable component of the City's funding from the Commonwealth. This funding covers foster care, the Children's Services Act (CSA), employment services and other social services programs. These revenues are largely reimbursement based, and the City adopts an expenditure budget adequate to fund the state and local share of these programs. The increase in this revenue category is primarily a result of increased reimbursements related to children's services costs.
2. Other Federal and State Aid – \$415,734 - This category consists primarily of street maintenance, personal property tax relief, Compensation Board, rental car tax, Law Enforcement-HB599, E911 wireless and Virginia Juvenile Community Crime Control Act (VJCCCA) funding. The increase in this category is primarily attributed to street maintenance funding from the Virginia Department of Transportation (VDOT).

C. CHARGES FOR SERVICES/MISCELLANEOUS

\$2,082,400

The Charges for Services/Miscellaneous category is the smallest revenue category. Most of the revenue in this category is generated from fees charged for services rendered to our citizens. This category comprises only 5% of General Fund revenues. The major charges for services categories are discussed as follows:

1. Public Safety Charges for Services – \$1,032,000 – This category of revenue is comprised of emergency medical service charges as well as other fees charged by the Police and Fire departments. The increase of 1.2% is primarily a reflection of increased revenues for Off Duty Police Services and EMS.
2. Interfund Services – \$437,000 – This category also consists of services provided to the school board for resource officers, the school share of CSA charges, and audit services. Charges for building maintenance, engineering, employee health and bus shuttle services are also included in this category. The increase in this area is mainly the result of the transfer of previously separate funds' revenues.

BUDGET OVERVIEW

3. Sheriff/Jail, Charges for Services – (\$4,600) – The revenue decrease in this category is mainly due to an decrease in housing of federal prisoners and prisoners from a neighboring locality off-set by an increase in inmate phone commission revenue.

5. All Other Charges/Miscellaneous – \$618,000 - Revenues in this category include sanitation charges, fines and forfeitures, recreational program charges, human services charges, grants and donations, sale of property and miscellaneous revenues which may be nonrecurring. The increase in FY19 is related to full implementation of a solid waste fee off-set by reductions in revenue from employee health services and other combined revenue sources.

PROPRIETARY FUND REVENUES:

A. ENTERPRISE FUNDS:

1. Civic Facilities Fund - Estimated FY19 revenue for the Civic Facilities Fund from the General Fund total \$2,315,721. This revenue will fund operating expenses of \$591,261 and \$1,724,460 in principal and interest payments due in fiscal year 2019.

2. Parking Fund – The City owns seven parking garages and several parking lots to provide for parking in the downtown area. In addition, parking ticket enforcement is included in the Parking Fund to align all parking strategies into one area of responsibility. Estimated FY19 revenues generated from the City's parking facilities through user fees and ticket violations will total \$3,899,000. The projected revenues will fund operating costs of \$2,169,382 and FY19 principal and interest payments of \$1,272,838 with a contingency of \$456,780.

3. Stormwater Utility Fund – Estimated FY19 operating revenues for the Stormwater Utility Fund total \$6,060,000. These revenues will fund total operating expenses of \$5,447,559 and \$612,401 in principal and interest payments due in fiscal year 2019.

B. INTERNAL SERVICE FUNDS:

1. Risk Management - The primary activity of this fund is to record health insurance premiums billed to other funds and related claim payments under the City's employee medical plan. Additionally, the City's self-insured workers' compensation and general and automotive liability plans are recorded in this fund. Projected FY19 revenues and expenses for this fund total \$17,774,880.



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ADOPTED BUDGET
City of Roanoke, Virginia**