

City Council Budget Briefing FY 2016-2017

Monday, January 4, 2016



Agenda

- Guiding Principles
- FY 2016-2017 Local Tax Projection
- Preliminary Identified FY 2016-2017 Expenditure Adjustments
- Five-Year Operating Financial Plan
- Next Steps

Guiding Principles

- Operate with a long-range view on resiliency and community impacts
- Adhere to sound fiscal policies and procedures
- Maintain current assets
- Engage in partnerships that advance the region
- Invest in initiatives to grow the community and region
- Invest in employee development and compensation
- Engage the community in long-range planning
- Utilize best practices in decision making

Estimated Local Tax Revenue

Fiscal Year 2017

| | FY16 Adopted | FY17 Preliminary | \$ Growth (Decline) | % Growth (Decline) |
|--------------------------|-------------------------|-----------------------------|--------------------------------|-------------------------------|
| Real Estate Tax | \$ 81,650,000 | \$ 82,900,000 | \$ 1,250,000 | 1.5% |
| Personal Property Tax | 20,682,000 | 21,935,000 | 1,253,000 | 6.1% |
| Sales Tax | 20,500,000 | 20,949,000 | 449,000 | 2.2% |
| Prepared Food & Beverage | 15,476,000 | 15,940,000 | 464,000 | 3.0% |
| BPOL Tax | 12,513,000 | 13,000,000 | 487,000 | 3.9% |
| Transient Occupancy Tax | 4,267,000 | 4,500,000 | 233,000 | 5.5% |
| Other Local Taxes | 32,859,000 | 33,198,000 | 339,000 | 1.0% |
| | | | | |
| Total Local Taxes | 187,947,000 | 192,422,000 | 4,475,000 | 2.4% |

Dates to Watch for Refinement of Local Tax Estimates

- 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

Funding to Schools Up \$1,672,800 or 2.1% in FY17

| Category | Adopted Budget FY 2016 | Preliminary Estimate FY 2017 | Amount Difference | Percent Difference |
|---|------------------------------|------------------------------------|----------------------|-----------------------|
| Local Tax Estimate | \$ 187,947,000 | \$ 192,422,000 | \$ 4,475,000 | 2.4% |
| Personal Property Tax Relief Provided by Commonwealth | 8,076,000 | 8,076,000 | - | 0.0% |
| Total Revenue Subject to Sharing with Schools | 196,023,000 | 200,498,000 | 4,475,000 | 2.3% |
| <u>Deduct Dedicated Taxes:</u> | | | | |
| Service District Taxes - Downtown and Williamson Road Districts | 657,000 | 659,000 | 2,000 | 0.3% |
| Local Taxes Dedicated to Regional Tourism Marketing | 533,000 | 563,000 | 30,000 | 5.6% |
| Local Taxes Dedicated to Ivy Market Performance Agreement | 120,000 | 190,000 | 70,000 | 58.3% |
| Local Taxes Dedicated to Roanoke River Investments | - | 170,000 | 170,000 | 100.0% |
| Local Taxes Dedicated to South Commonwealth Partners (Downtown Hotel) | - | 221,000 | 221,000 | 100.0% |
| Local Taxes Dedicated to Cambria Suites Performance Agreement | 200,000 | - | (200,000) | (100.0%) |
| Total Deductions | 1,510,000 | 1,803,000 | 293,000 | 19.4% |
| Adjusted Revenue Subject to Sharing with Schools | 194,513,000 | 198,695,000 | 4,182,000 | 2.1% |
| Percentage Allocated to Schools | 40.00% | 40.00% | 40.00% | |
| Funding of Schools | \$ 77,805,200 | \$ 79,478,000 | \$ 1,672,800 | 2.1% |

Preliminary Identified FY 2016-2017 Expenditure Adjustments

Total: \$3,157,490

- Medical – \$333,587
 - Five months of CY 2016 increase
 - Seven months of CY 2017 anticipated increase of 5% in employer share
- Dental - \$11,928
 - Five months of CY 2016 increase
 - Seven months of CY 2017 anticipated increase of 3% in employer share
- Retirement – \$312,600
 - Increase in rate from 15.64% to 15.81%
 - Additional employee contribution of 5%
- Reserves - \$250,000
 - Increase in base funding above current \$1M level
- Life Insurance
 - Current rate of 1.19%

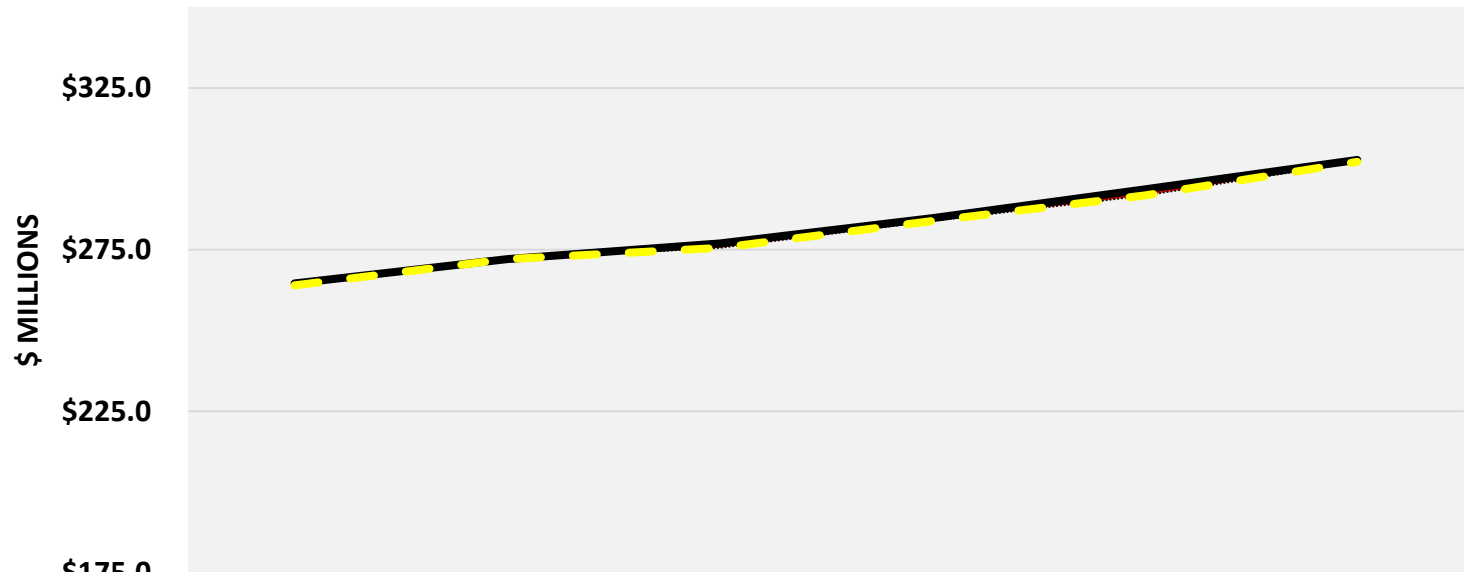
Preliminary Identified FY 2016-2017 Expenditure Adjustments (continued)

- VRS – Sheriff
 - Current rate of 17.42%
 - Additional employee contribution of 5%
- Employee Compensation - \$1,900,000
 - 2% Salary increase
- Debt Service - \$250,000
 - Multi-year plan to restore debt service funding for future years
- Roanoke Valley Convention and Visitors Bureau - \$87,375
 - Incremental share of Transient Occupancy Tax based on current estimate
- Downtown and Williamson Road District Taxes - \$12,000
 - Incremental share of Downtown and Williamson Road District Taxes based on current estimate

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

REVENUES, EXPENDITURES & UNASSIGNED FUND BALANCE



| | FY2015A | FT2016B | FT2017F | FT2018F | FT2019F | FT2020F |
|--------------|---------|---------|---------|---------|---------|---------|
| VARIANCE | \$0.6 | \$- | \$1.4 | \$0.9 | \$1.9 | \$0.6 |
| VAR BASE | \$264.0 | \$272.1 | \$275.6 | \$283.9 | \$291.8 | \$302.2 |
| REVENUE | \$264.6 | \$272.1 | \$277.0 | \$284.8 | \$293.7 | \$302.8 |
| EXPENDITURES | \$264.0 | \$272.1 | \$275.6 | \$283.9 | \$291.8 | \$302.2 |

Next Steps

- Budget Offers due today (January 4, 2016)
- DMB Staff and Priority Team Reviews
- Council Briefing – February 1, 2016
 - Price of Government
 - Offers by Priority
 - Capital Planning
 - 5 Year Operating Planning