

FY 2020-21 PROPOSED CITY MANAGER'S BUDGET

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Acting Co-Directors of Budget and
Management Services

March 24, 2020

WHERE WE ARE IN THE BUDGET PROCESS.....

September 2019

Revenue Review and Department Targets Established

October 2019

City Operating Kickoff

November 19th 2019

City and School Joint Five-Year Forecast

January 2020

Departmental Budget Hearings

February 24th-25th 2020

City Council Retreat

March 24th 2020

Budget Presentation

CHALLENGES DURING BUDGET PROCESS

- ▶ Renovation of Buildings 1, 2, and 11
- ▶ High increase in VRS Rate
- ▶ Implementation of several Hillard Heinzte recommendations
- ▶ Implementation of City Council Priorities
 - ▶ Short term Rental Program
 - ▶ Disparity Study Recommendations
- ▶ **Emergent Trends from COVID-19**

FY 2020-21 MAJOR HIGHLIGHTS AND THEMES

- ▶ No new tax increases
- ▶ Recovering from the 5/31 Tragedy
- ▶ Maintaining Citywide assets and infrastructure
- ▶ Resourcing emerging City Council priorities
- ▶ Recruitment and retention

RECOVERING FROM THE 5/31 TRAGEDY

Operating Budget and CIP includes resources to implement Hillard Heintze recommendations

- ▶ Human Resources – 15 FTEs and resources totaling \$1.7 million
- ▶ Public Safety – supplies and training \$350,000
- ▶ Facility Security- 4 FTEs and contractual services \$1 million
 - ▶ Creation of two CIP projects year 1 budget \$ 2.5 million

Budgeted funding for other recovery efforts

- ▶ Build out cost and temporary lease space for over 400 displaced employees \$1.7 million
- ▶ Recovery Manager
- ▶ \$83 million for renovations to Buildings 1, 2, and 11

MAINTAIN CITY ASSETS AND INFRASTRUCTURE

Stormwater

- ▶ Scheduled ERU rate increase of 3.5¢
- ▶ Addition of 5 FTEs for a Stormwater maintenance crew
- ▶ Redirected \$10 million in funding within CIP to enhance maintenance efforts

Buildings

- ▶ Resources to gather data and perform City facilities condition assessments

EMERGING COUNCIL PRIORITIES

Implementation of Disparity Study

- ▶ Small, Women, and Minority-Owned (SWaM) Businesses
- ▶ Establishes new office within Finance
- ▶ Additional Financial Specialist and resources to better meet set goals

Short-Term Rental program

- ▶ Additional 4 FTEs for implementation of the program

RECRUITMENT AND RETENTION

Continues phased implementation of:

- ▶ Public Safety Workforce Development Program
- ▶ Sheriff Pay Parity with Police Department equivalent
- ▶ Moving supervisory positions to midpoint of salary range

Establishes a new Engineer Recruitment and Retention Program

- ▶ 5% Increase for Engineers
- ▶ Signing Bonus
- ▶ Enhanced training to earn P.E.

Provides a Merit Increase of 2.5% (based on range mid-point)

- ▶ Increases the minimum and maximum of each pay range by 1.25% increase of range midpoint

RECRUITMENT AND RETENTION CONTINUED

Health Insurance Premiums

- ▶ Employee increase 2% - effective January 1, 2021
- ▶ City increase 3%

Paid Time Off (PTO)

- ▶ Accrue extra 1.5 days per year
- ▶ Expands the maximum allowable carryover days by 6

Maternity and Paternity Leave

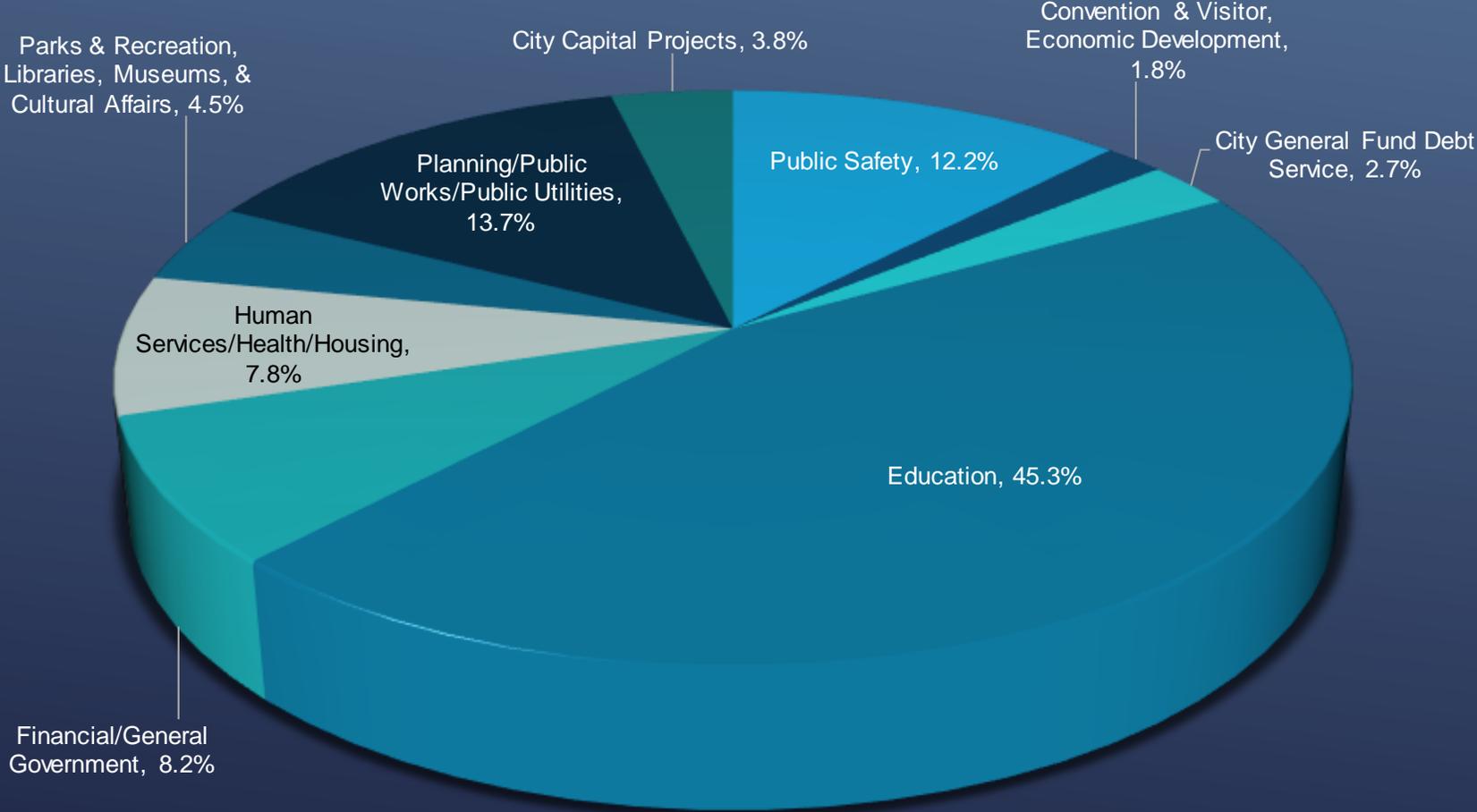
- ▶ Increase leave to 6 weeks

MAINTAINING QUALITY EDUCATION SYSTEM

- ▶ First year of new funding formula
- ▶ Full-day kindergarten implementation
- ▶ Recruitment and Retention:
 - ▶ Employee compensation increase of 3.5%
 - ▶ Early commitment signing incentives

FY 2020-21 OPERATING BUDGET

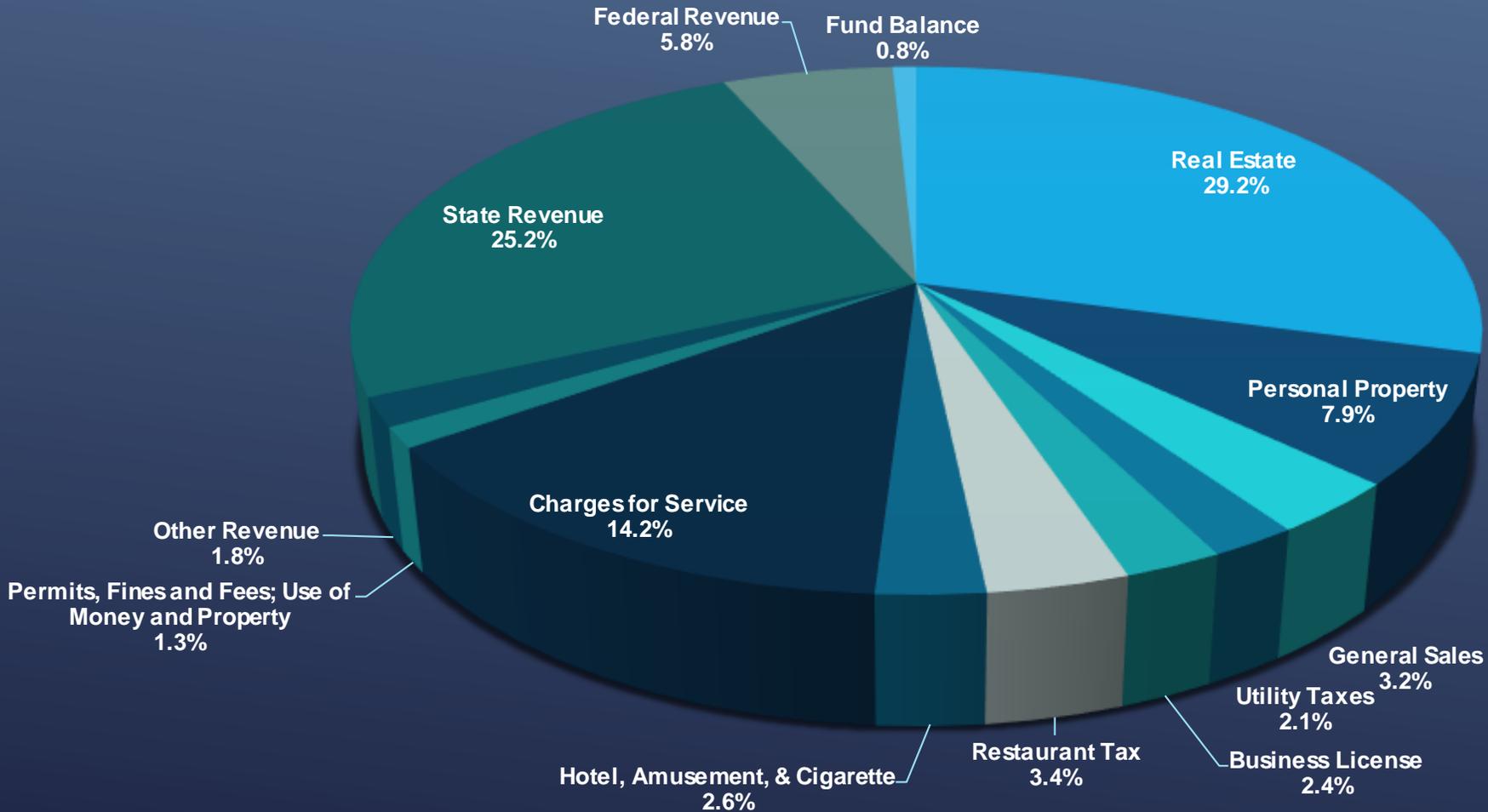
\$2,145,611,801 TOTAL



OPERATING BUDGET BY APPROPRIATION CATEGORY

| | FY 2019-20 Total City & Schools Adjusted Budget | FY 2020-21 City Budget | FY 2020-21 Schools Budget | FY 2020-21 Total City & Schools Budget | % Change | \$ Change |
|---------------------------|---|---------------------------|------------------------------|--|-------------|---------------|
| <i>Personnel</i> | 944,538,378 | 418,884,190 | 550,977,787 | 969,861,977 | 2.68% | \$25,323,599 |
| <i>Fringe Benefits</i> | 342,244,790 | 150,615,522 | 213,043,123 | 363,658,645 | 6.26% | \$21,413,855 |
| <i>Operating Expenses</i> | 496,261,784 | 351,129,263 | 156,983,692 | 508,112,955 | 2.39% | \$11,851,171 |
| <i>Capital Outlay</i> | 21,304,611 | 15,137,906 | 7,725,842 | 22,863,748 | 7.32% | \$1,559,137 |
| <i>Debt Service</i> | 168,463,343 | 134,060,338 | 47,873,917 | 181,934,255 | 8.00% | \$13,470,912 |
| <i>Pay-As-You-Go</i> | 80,080,187 | 78,283,026 | 500,000 | 78,783,026 | -1.62% | (\$1,297,161) |
| <i>Reserves</i> | 27,719,634 | 20,397,195 | - | 20,397,195 | -26.42% | (\$7,322,439) |
| <i>Total</i> | \$2,080,612,727 | \$1,168,507,440 | \$977,104,361 | \$2,145,611,801 | 3.12% | \$64,999,074 |

FY 2020-21 ESTIMATED REVENUES



FY 2020-21 REVENUE BY CATEGORY

| | Adjusted FY 2019-20 Revenues | Proposed FY 2020-21 Revenues | Percent Change |
|--|---|-------------------------------------|-----------------------|
| Real Estate | 605,709,974 | 626,961,518 | 3.4% |
| Personal Property | 163,497,601 | 169,497,601 | 3.5% |
| Consumer Revenues | 306,038,236 | 308,971,933 | 0.9% |
| Permits, Fees, and Charges for Service | 344,503,667 | 358,820,238 | 4.0% |
| Fund Balance (City and Schools) | 16,949,282 | 17,432,830 | 2.8% |
| State Revenue | 518,043,947 | 540,285,581 | 4.1% |
| Federal Revenue | 125,870,020 | 123,642,100 | -1.8% |
| Total Operating Budget | 2,080,612,727 | 2,145,611,801 | 3.1% |

MAJOR TAX, FEE AND REVENUE CHANGES IN FY 2020-21

| | | |
|--|---|--|
| Stormwater ERU 49.3¢ per day | ↑ | 52.8¢ per day Approved by City Council in FY 2019-20 |
| Sandbridge SSD Real Estate Tax Rate 6¢ | ↓ | 4¢ |
| Sandbridge TIF | → | 1.85¢ General Fund Dedication |

SANDBRIDGE SSD AND TIF

The Sandridge Special Service District (SSD) was established in November 1994 as a funding source for beach replenishment

- ▶ SSD rate is currently 6¢
- ▶ Additional dedications of 6.5% hotel and \$1 per room night

In December 1998, the Sandbridge Tax Increment Financing (TIF) was established as a “backstop” to the SSD to ensure adequate funding

- ▶ All revenue above the base year assessment is retained by the TIF

Any TIF revenue beyond the amount needed for sand replenishment is declared surplus and transferred to the General Fund

- ▶ Historically shared 50/50 with Schools and used primarily in the CIP

SANDBRIDGE SSD AND TIF

In FY 2019-20 an audit and financial analysis were conducted of the SSD and TIF. The analysis concluded:

- ▶ The SSD's revenues alone have been healthy enough to support beach replenishment
- ▶ Capacity within the fund to reduce the existing SSD rate by 2¢
- ▶ Most Sandbridge TIF revenue has been declared surplus for the last 14 years (between \$7 and \$9 million)

FY 2020-21 Proposed Budget eliminates the TIF

- ▶ Revenue will now be directed to the General Fund to establish a 1.85¢ dedication (\$11.1 million)
- ▶ Dedication for Debt Service Bld 1, 2 and 11, Hillard Hientze Implementation, and City Council Priorities

GENERAL FUND 1.85¢ REAL ESTATE DEDICATION

| | | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 |
|---------------------|------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|
| 5/31 | Leases-Buildout, Other | \$1,808,708 | \$1,211,981 | \$1,215,353 | \$1,099,600 | - | - |
| | BLDG. 1, 2, 11 Debt | - | - | 3,800,000 | 3,710,000 | 3,620,000 | 3,530,000 |
| Hillard-Heintze | Human Resources | 1,690,147 | 1,734,851 | 1,780,897 | 1,828,324 | 1,877,174 | 1,927,489 |
| | Public Safety | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 |
| | Facility Security | 3,520,585 | 4,307,837 | 1,860,900 | 1,892,727 | 1,925,509 | 1,959,274 |
| Emerging Priorities | Disparity Study Imp. | 396,541 | 398,791 | 401,041 | 403,291 | 405,541 | 407,791 |
| | Short Term Rental | 253,433 | 261,036 | 268,867 | 276,933 | 285,241 | 293,798 |
| | MCRT and Child Services | 219,170 | 225,745 | 232,517 | 239,493 | 246,678 | 254,078 |
| | Building Asset Mgmt. | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| | Homeless Services Admin Specialist | 68,306 | 70,355 | 72,466 | 74,640 | 76,879 | 79,185 |
| | Engineer Incentive | 667,230 | 687,247 | 707,864 | 729,100 | 750,973 | 773,502 |
| | 0.5% Compensation | 2,000,000 | 2,060,000 | 2,121,800 | 2,185,454 | 2,251,018 | 2,318,548 |
| | Total Exp. | \$11,124,120 | \$11,457,844 | \$12,961,705 | \$12,939,562 | \$11,939,012 | \$12,043,666 |
| | 1.85¢ Real Estate Dedication | \$11,124,120 | \$11,457,844 | \$11,801,579 | \$12,155,626 | \$12,520,295 | \$12,895,904 |
| | Difference | - | - | \$(1,160,126) | \$ (783,936) | \$ 581,283 | \$ 852,238 |

BUDGETING FOR ATTRITION

| | |
|----------------------------------|------------|
| 15 Year Average Execution | 97% |
|----------------------------------|------------|

| Fiscal Year | Budget Execution | Vacancy Savings | Budgeting for Attrition |
|-------------|------------------|-------------------|-------------------------|
| FY 2014-15 | 96% | \$15,845,953 | \$0 |
| FY 2015-16 | 94% | \$20,529,465 | \$0 |
| FY 2016-17 | 95% | \$19,205,716 | \$0 |
| FY 2017-18 | 95% | \$21,328,305 | \$0 |
| FY 2018-19 | 95% | \$18,049,030 | \$5,300,000 |
| FY 2019-20 | Assumed 95% | Est. \$19,200,000 | \$5,100,000 |
| FY 2020-21 | Assumed 95% | | \$5,000,000 |

GENERAL FUND FUND BALANCE

General Fund Fund Balance Policies:

- ▶ General Fund Fund Balance remain between 8-12% of the following years revenues.
- ▶ Use of Fund Balance is for one time occurrences and not to support on-going needs.

Estimated General Fund Fund balance as of June 30, 2021 is reflected as 10.30% within the document.

THE FY 2020-21 TO FY 2025-26 CITY MANAGER'S PROPOSED CIP

Jonathan Hobbs

Acting Co-Director

Budget and Management Services

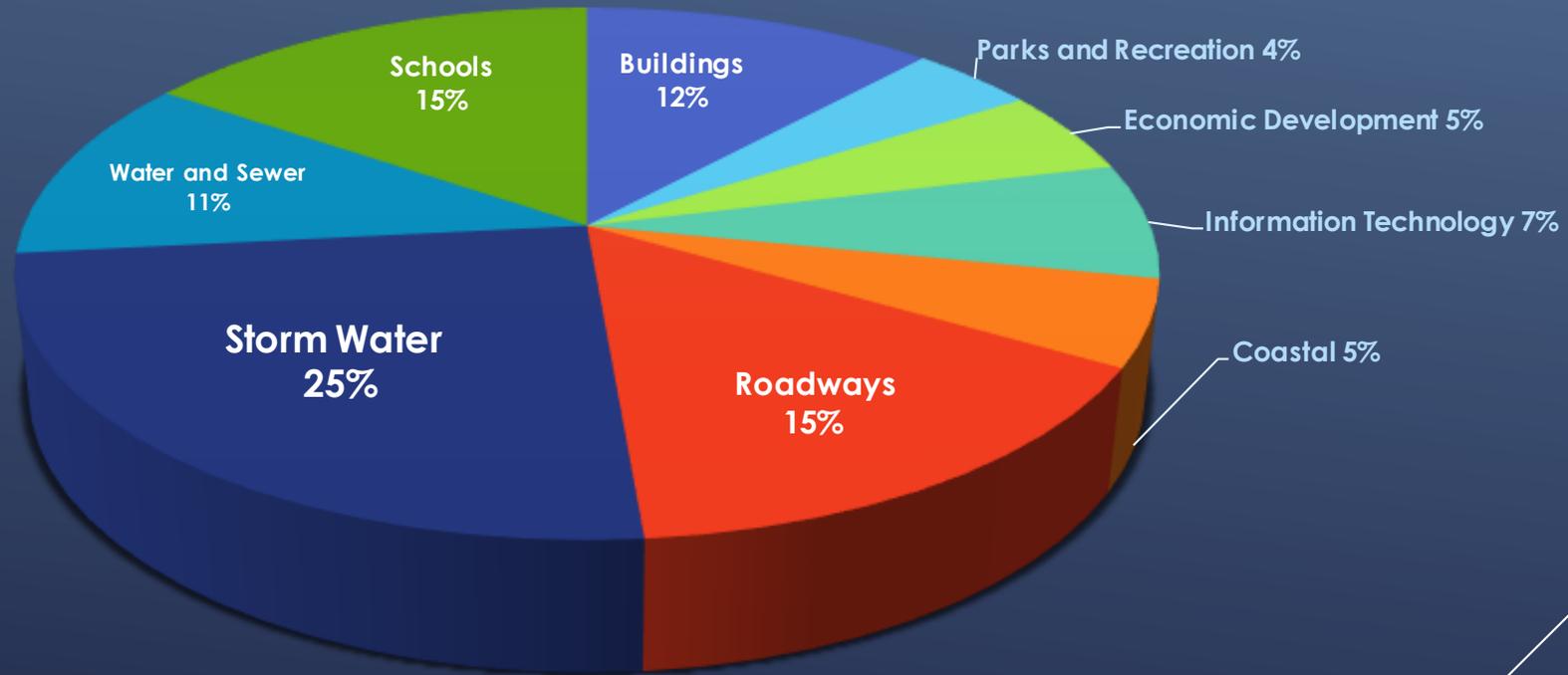
SIX-YEAR PROGRAM BY SECTION

(ALL AMOUNTS IN MILLIONS OF DOLLARS)

| Section | Appropriations to Date | FY 2020-21 Capital Budget | Remaining Years of the Capital Program Budget Years 2 - 6 | Programmed 6 Year Funding |
|---|-------------------------------|----------------------------------|--|----------------------------------|
| Buildings & Assets | \$190.4 | \$46.3 | \$152.7 | \$389.4 |
| Coastal | \$80.3 | \$9.4 | \$78.6 | \$168.2 |
| Economic & Tourism Development | \$254.9 | \$32.7 | \$53.9 | \$341.5 |
| Information Technology | \$77.7 | \$27.2 | \$90.7 | \$195.6 |
| Parks and Recreation | \$84.1 | \$16.5 | \$54.1 | \$154.7 |
| Roadways | \$441.2 | \$48.5 | \$208.4 | \$698.1 |
| Schools | \$221.2 | \$63.9 | \$195.5 | \$480.5 |
| Stormwater | \$301.4 | \$62.8 | \$352.5 | \$716.7 |
| Utilities | \$132.6 | \$25.9 | \$163.4 | \$321.9 |
| Total CIP | \$1,783.7 | \$333.2 | \$1,349.8 | \$3,466.7 |

CAPITAL IMPROVEMENT PLAN BY SECTION

FY 2021 to 2026 Proposed CIP



Excludes ATDs

CIP REVENUE BY SOURCE

| Funding Sources | FY 2020-21 Year 1 | FY 2022-2026 Years 2-6 | Total 6-Year CIP |
|---------------------------|----------------------|---------------------------|------------------|
| Bond Financing | \$163.1 | \$819.6 | \$982.7 |
| Pay-Go Financing | \$78.8 | \$339.1 | \$417.9 |
| General Fund Fund Balance | \$35.9 | \$71.8 | \$107.7 |
| Other Fund Balance | \$22.9 | \$39.8 | \$62.7 |
| State Contribution | \$20.1 | \$17.9 | \$38.0 |
| Federal Contribution | \$2.1 | \$53.0 | \$55.0 |
| Other | \$10.4 | \$8.7 | \$19.0 |
| Total | \$333.2 | \$1,349.8 | \$1,683.0 |

IMPACT OF DISSOLVING SANDBRIDGE TIF ON CIP

- ▶ Use of General Fund - Fund Balance from the Sandbridge TIF No Longer available beginning in Year 2 (FY 2022) of the CIP
- ▶ Both City and Schools use this as a means of Financing
- ▶ City Manager's Proposed CIP replaces Use in Years 2 through 6
 - ▶ City CIP – Various other sources including non-TIF related General Fund-Fund Balance
 - ▶ Schools CIP – Recommend use of Fund Balance from the School Reserve Special Revenue Fund

CIP HIGHLIGHTS

- ▶ Few New Projects Added to the Six-Year Program
- ▶ Shifting of Numerous Projects to Fully Fund Renovations to Buildings 1, 2, and 11
 - ▶ **\$29 million**
- ▶ Several Existing Projects Received Additional Funding

NEW PROJECTS ADDED

- ▶ City Security Enhancements - \$2.2 million
- ▶ Safe School Improvements - \$200K
- ▶ Southern Rivers Watershed Site Acquisition Program - \$5.2 million

EXISTING PROJECTS RECEIVING ADDITIONAL FUNDING

- ▶ Maintain and Secure Corporate Data - \$230K*
- ▶ London Bridge Commerce Center Infrastructure Improvements I – \$1.8 Million
- ▶ Facilities Access Systems - \$425K

**Includes \$30K in Year 1 and \$200k ATD Transfer*

ALIGNING THE PROPOSED BUDGET TO CITY COUNCIL GOALS

GROW THE LOCAL ECONOMY

Cultural Affairs Event Coordinator – 1 FTE

- ▶ Offsetting reduction to Contracted Manpower
- ▶ Increase in Revenue

Funding to Implement RASAP Recommendations

- ▶ Mobility Study
- ▶ Atlantic Avenue Street Improvements

MAINTAIN A FINANCIALLY SUSTAINABLE CITY PROVIDING EXCELLENT SERVICES

Implementation of Enterprise Resource Planning (ERP) Financial System

- ▶ Financials going live in July 2020
- ▶ Budget Module to follow in October 2020

IMPROVE THE TRANSPORTATION SYSTEM

Pungo Ferry Road Improvements

Increased funding for roadway programs

- ▶ Traffic Signal Rehabilitation Project
- ▶ Traffic Signal Retiming Project
- ▶ Traffic Calming

REVITALIZE NEIGHBORHOODS & PLAN FOR THE FUTURE

Projects to Improve Citywide Water Quality

- ▶ Stormwater Green Infrastructure Project

Investments in Stormwater operations and maintenance

- ▶ Five-person Stormwater Management Facilities crew
- ▶ Redirection of \$10 million from flood control projects to maintenance projects

BE A COMPETITIVE, SUSTAINABLE, YEAR-ROUND DESTINATION FOR RESIDENTS, BUSINESSES, & TOURISTS

Support for the short-term rental program

- ▶ Additional planner and zoning inspectors

EMS lifeguards at Sandbridge Beach

- ▶ Coverage in shoulder months of May, September, and October

BE THE SAFEST CITY IN THE NATION

Two New CIP Projects

- ▶ Corrections Center Renewal and Replacement Project - \$500K annually
- ▶ Study for Creeds Training Center Renovations/Replacement

BE AN INCLUSIVE COMMUNITY THAT IS WELCOMING AND EMPOWERS ALL

Implementation of Disparity Study Recommendations

- ▶ \$400,000 in funding to establish office including dedicated Financial Specialist

Mobile Co-responder Team (MCRT)

- ▶ Two additional Human Services staff members dedicated to the MCRT

HAVE WORLD CLASS SCHOOLS AND EDUCATIONAL PROGRAMS

Complete Implementation of Full-Day Kindergarten

- ▶ John B. Dey Elementary School
- ▶ Hermitage Elementary School
- ▶ Thoroughgood Elementary School

Capital and Operating funds for expansion of An Achievable
Dream Academy

Environmental Studies Program

LEVERAGE DATA AND TECHNOLOGY TO ENHANCE COMMUNITY LIVABILITY, PROSPERITY, AND SUSTAINABILITY

Positions for New Timekeeping and Scheduling System

- ▶ Two Systems Analysts to support the deployment of timekeeping and scheduling system

Human Capital Management (HCM) System Fully Funded

- ▶ \$13.9 million to purchase and implement new HCM system

MODERNIZE CITY ASSETS AND INFRASTRUCTURE

Marsh Pavilion Grand Reopening

- ▶ Newly renovated facility will house veterinary care and marine animal care centers
- ▶ Three new positions for enhanced programming
- ▶ \$1.7 million for a new Parking lot

TRANSPARENCY INITIATIVES CONTINUE

▶ Open Budget - data.vbgov.com

▶ Balancing Act - <https://virginiabeachva.abalancingact.com/>

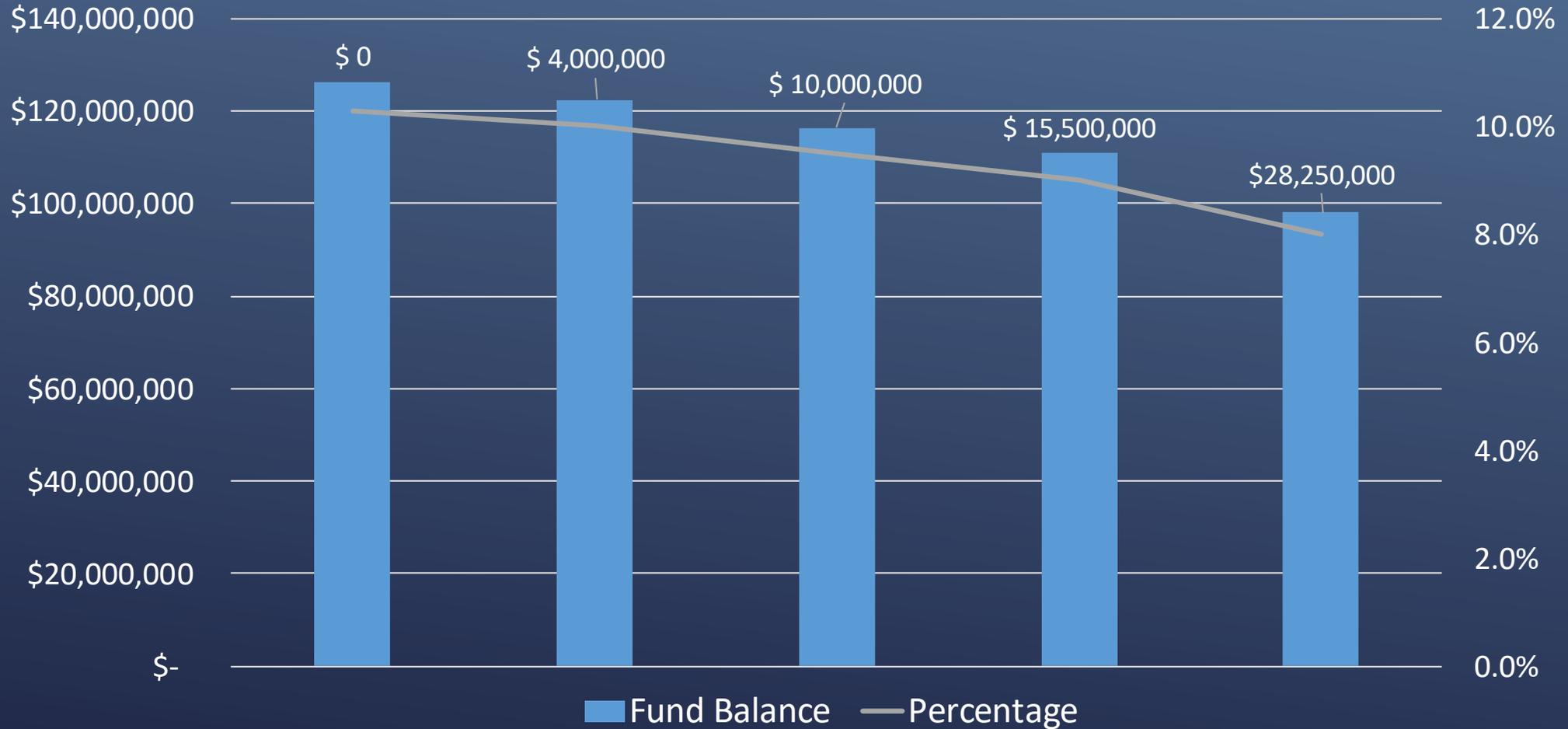
SCHEDULE OF WORKSHOPS AND PUBLIC HEARINGS

| | | |
|----------|--|--------------------------|
| March 24 | Budget Presentation to Council and CIP Briefings | VBTV |
| March 31 | CIP Briefings | VBTV |
| April 7 | Council Workshop | Council Conference Room |
| April 14 | Council Workshop | Council Conference Room |
| April 21 | Council Workshop | Council Conference Room |
| April 22 | Public Hearing | Convention Center |
| April 28 | Council Workshop and Public Hearing | TBD Convention Center |
| May 5 | Reconciliation Workshop | Council Conference Room |
| May 12 | Council Votes on Budget | City Council Chambers |

EMERGING ISSUES IMPACTING THE CURRENT BUDGET AND PROPOSED FY 2020-21 BUDGET & CIP

Options to mitigate potential impacts of COVID-19

UNRESTRICTED GENERAL FUND BALANCE



ACTIONS ALREADY TAKEN.....

- ▶ City travel ban in place
- ▶ Finance Purchasing Division established level 1, 2, and 3 restrictions
- ▶ Hiring Freeze effective immediately
- ▶ Reviewing inventory of major design & construction contracts through December 31st
- ▶ Continues to review and determine impact on employees due to changes in State and Federal law
 - ▶ Human Resources developed “Public Health Emergency Operations and Leave Policy”

GENERAL FUND INITIATIVES CONTINGENT ON REVENUE COLLECTIONS

| Program | Potential Savings |
|--------------------------------|-------------------|
| Pay Raise 2.5% | \$ 10,000,000 |
| Engineer Recruit and Retention | 667,230 |
| Market Salary | 200,000 |
| Position Freeze* | 9,825,000 |
| PS Workforce/Sheriff Pay | 1,938,714 |
| Dredge Replacement | 1,291,536 |
| Traffic Calming/Signal Rehab | 350,000 |
| Beach Replenishment | 2,550,000 |
| Southern River Watershed | 5,222,694 |
| Total GF Deferment | \$ 32,045,174 |

* Excludes 8 HR employees and 2 FTEs Security Division

TIP FUND- POSSIBLE RECOMMENDATIONS

TIP FY 21 Major Increases

| Operating Budget | |
|--|--------------|
| Atlantic Avenue Central Management | \$ 250,000 |
| CVB Grounds Crew (3 FTEs) | 305,403 |
| Resort Maintenance Staffing (4 FTEs) | 294,497 |
| MOCA Marketing | 180,000 |
| Boardwalk Art Show | 125,000 |
| CIP | |
| Increase for Resort District Parking (9-045) | 3,000,000 |
| Atlantic Avenue Street Improvements (9-074) | 1,000,000 |
| Resort Mobility Planning (9-073) | 500,000 |
| <hr/> | |
| Total | \$ 5,654,900 |