

City Manager's Revised Budget FY 2020-21

RESPONDING TO THE IMPACTS OF COVID-19

Guiding Principles

- ▶ Maintain Current Level of Service with Least Amount of Community/Service Disruption
 - ▶ All new initiatives and programs eliminated or delayed
 - ▶ Some existing programs delayed
 - ▶ Targeted reduction of existing positions
- ▶ Position the Revised Budget for Flexibility
 - ▶ Do not recommend budgeting for attrition
 - ▶ Uncertainty surrounding the short- and long-term economic impacts require budgetary flexibility

Guiding Principles (*cont'd*)

- ▶ Revised budget does not include any major tax increases and maintains tax and fee adjustments shown on p. 76 of the Executive Summary, which include:
 - ▶ ERU rate increase of 3.5 cents a day previously approved by City Council to address recurrent flooding
 - ▶ Two cents reduction in the Sandbridge Special Service District rate
 - ▶ Annual increases in recreation center fees

Revenue Assumptions

Month of Transaction Occurring						
	July	August	September	October	November	December
Sales	75%	80%	85%	90%	95%	100%
Hotel	50%	60%	70%	80%	90%	100%
Meals	25%	80%	85%	90%	95%	100%

- ▶ Revised revenue estimates assume impact of COVID-19 will be longer lasting within our local economy
- ▶ Gradual return to “normal” occurring in December

General Fund Fund Balance

General Fund Fund Balance Policies:

- ▶ General Fund Fund Balance remain between 8-12% of the following year's 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, 2020

- ▶ Originally Proposed FY 2020-21 reflected as 10.30%
- ▶ Revised Proposed FY 2020-21 projects to be 8.45%

Revenue Impacts

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	Originally		
	<u>Proposed FY 21</u>	<u>Revised FY 21</u>	<u>Difference</u>
Real Estate	\$ 626,961,518	\$619,456,650	\$ (7,504,868)
Personal Property	\$ 169,497,601	\$158,213,731	\$(11,283,870)
General Sales	\$ 69,591,147	\$ 63,159,899	\$ (6,431,248)
BPOL	\$ 51,432,832	\$ 46,289,549	\$ (5,143,283)
Hotel	\$ 39,817,872	\$ 27,187,853	\$(12,630,019)
Restaurant Meals	\$ 73,877,745	\$ 58,145,356	\$(15,732,389)
Amusement	\$ 7,223,932	\$ 3,705,707	\$ (3,518,225)
Bank Net Capital	\$ 4,061,214	\$ 3,655,093	\$ (406,121)
Tax on Deeds	\$ 8,020,428	\$ 7,218,385	\$ (802,043)
All Other	\$ 1,095,127,512	\$ 1,091,281,963	\$ (3,845,549)
Total	\$ 2,145,611,801	\$ 2,078,314,186	\$(67,297,615)
Compared to FY 20	\$ 64,999,074	\$ (2,298,541)	

Revenue Impact by Fund

	Originally <u>Proposed FY 21</u>	<u>Revised FY 21</u>	<u>Difference</u>
General Fund	\$ 737,070,021	\$ 709,699,196	\$(27,370,825)
Schools	\$ 458,949,640	\$ 438,551,631	\$(20,398,009)
TIP Fund	\$ 41,943,213	\$ 29,559,555	\$(12,383,658)
TAP Fund	\$ 13,276,751	\$ 9,642,000	\$ (3,634,751)
Sandbridge SSD	\$ 478,031	\$ 478,031	\$ -
Sandbridge SSD Pay-go	\$ 4,576,341	\$ 2,582,922	\$ (1,993,419)
Open Space Fund	\$ 3,398,220	\$ 2,145,629	\$ (1,252,591)
ARP Fund	\$ 5,187,624	\$ 5,133,253	\$ (54,371)
Parks & Rec Fund	\$ 43,627,805	\$ 43,417,814	\$ (209,991)
All Other	\$ 837,104,155	\$ 837,104,155	\$ -
Total	\$ 2,145,611,801	\$ 2,078,314,186	\$ (67,297,615)
Compared to FY 20	\$ 64,999,074	\$ (2,298,541)	

Approaches to Balance Budget

- ▶ Due to anticipated loss of \$67.3 million in revenue, an equal amount of appropriations must be reduced or replaced by an alternative funding source in order to maintain a balanced budget
- ▶ In order to maintain balanced budget
 - ▶ Reductions in some previously approved programs
 - ▶ Emphasis on deferring or eliminating new initiatives
 - ▶ No compensation increases
 - ▶ Reviewing potential use of fund balance to maintain services

General Fund Impact

Reduction of Current Services Operating Budget

- ▶ 15 Vacant Firefighters (Burton Station)
- ▶ 2 Vacant Paramedics (Burton Station)
- ▶ 8 Vacant Police Officers
- ▶ 2 Vacant ECCS Call takers
- ▶ Executive Assistant in CM Office
- ▶ Administrative Support in Budget
- ▶ Human Resources Analyst
- ▶ Vehicle Replacement Program



(\$3 million)



(30 FTEs)

Reduction in Originally Proposed CIP

- ▶ Eliminated Year 1

- ▶ 9-063 17th Street Improvements II
- ▶ 9-081 Strategic Growth Area Projects
- ▶ 3-697 City Software Upgrade/Replacement Plan
- ▶ 2-184 Rural Rd Recurring Flooding, SLR & Resiliency

- ▶ Delayed until FY 2021-22

- ▶ 3-047 Landfill #2 Phase I Capping
- ▶ 3-135 Fire Apparatus IV



\$10.6 million

New Operating Budget Initiatives Deferred Beyond FY 21

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- ▶ All Hillard-Heintze Recommendations
 - ▶ HR Staffing to Centralize Functions
 - ▶ Security Office
 - ▶ Employee Training
 - ▶ Public Safety Training/Exercises
 - ▶ Public Safety Building Access Equipment
- ▶ Disparity Study Recommendations
 - ▶ FTE and Contractual Services



\$3.4 million

20 FTEs

New CIP Initiatives Deferred or Eliminated

Deferred

- ▶ Hillard-Heintze CIP Recommendations
 - ▶ 3-166 Facilities Access Systems
 - ▶ 3-183 City Security Enhancements
- \$ 2.5 million

Eliminated

- ▶ 4-059 Southern Rivers Water Shed Site Acq.
- \$ 5.2 million

New Operating Budget Initiatives Eliminated

- ▶ Human Resources- Registered Nurse
- ▶ HR Training Room Renovation
- ▶ Enhanced Defibrillator Replacement
- ▶ Market Salary Survey
- ▶ Library Supervisor- Oceanfront
- ▶ Stormwater- BMP Crew
- ▶ Stormwater- MS4 Water Quality
- ▶ Short Term Rental Program Expansion
- ▶ Planning Technician- Customer Service



\$1.3 million

14 FTEs

New Operating Budget Initiatives Eliminated (*cont'd*)

- ▶ Sandbridge Lifeguard Services (May-Oct)
 - ▶ Courtroom Audio Video Upgrade
 - ▶ Aquarium Enhancements- Marsh Pavilion
 - ▶ Mobile Co-Responder Team
 - ▶ Child Protective Case Workers
 - ▶ Urban Forestry/ Landscape Maintenance
 - ▶ Court and Sheriff Part-time FTE conversion
- \$1 million**
- 12 FTEs**
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New Operating Budget Initiatives Eliminated (*cont'd*)

- ▶ IT FTEs to Support Time Keeping and Scheduling CIP
- ▶ Mail Clerk FTE
- ▶ Finance Payroll Specialist
- ▶ Homeless Services Analyst and CM Conversion
- ▶ Historic Homes Marketing and Planning
- ▶ Increase to Atlantic Wildfowl and Lifesaving Museum
- ▶ GF Share of Cost for Landfill Grinder Replacement
- ▶ Asset Management Software Data Gathering




\$700 k

8 FTEs

New Operating Budget Initiatives Eliminated (*cont'd*)

- ▶ Commissioner of the Revenue PT FTEs
 - ▶ Real Estate Assessor Office Appraiser
 - ▶ Increased Contributions to regional organizations:
 - ▶ Virginia Arts Festival
 - ▶ STOP Inc.
 - ▶ Hampton Roads Pride
 - ▶ Eggleston
 - ▶ African American Cultural Center
- \$350 K
- 1.8 FTEs
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All Compensation Increases and Programs Eliminated

- ▶ Public Safety Workforce Dev. Program Year 2
 - ▶ Supervisor to Midpoint Year 2
 - ▶ State Court Clerk's Supplement Year 2
 - ▶ Sheriff Pay Parity Year 2
 - ▶ Engineer Recruitment and Retention
 - ▶ 2.5 % Compensation Increase
 - ▶ Eliminates \$5 million attrition/vacancy savings
- \$13.6 million**
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Other Known Revenue Changes

- ▶ Reduction in State revenue for BLD 1, 2, 11 Renovation (\$10 million)
 - ▶ Swap revenue source with Public Facility Revenue Bonds
- ▶ State Recordation Tax Revenue loss (\$1.9 million)
 - ▶ Offset with reduction in payment to HRT

Total Changes in FTEs

- ▶ General Fund Total Reduction:
 - ▶ 30 Existing Vacancies
 - ▶ 55.83 New Positions
- ▶ TIP Fund
 - ▶ 7 New Positions
- ▶ Total reduction of 92.83 FTEs compared to the FY 21 Originally Proposed Budget

Impact on Other Funds

Originally

Proposed FY 21 Revised FY 21 Difference To Balance:

	Originally	Proposed FY 21	Revised FY 21	Difference	To Balance:
TIP Fund	\$ 41,943,213	\$ 29,559,555	\$(12,383,658)	Reduction in new initiatives, reduction in reserve and replace portion of lost revenue with fund balance.	
TAP Fund	\$ 13,276,751	\$ 9,642,000	\$ (3,634,751)	Reduce marketing and advertising contracts.	
Sandbridge SSD	\$ 5,054,372	\$ 3,060,953	\$ (1,993,419)	Reduce pay-as-you-go transfer to CIP Project # 8-026 Sandbridge Beach Restoration.	
Open Space Fund	\$ 3,398,220	\$ 2,145,629	\$ (1,252,591)	Reduce pay-as-you-go transfer to CIP Project # 4-306 Open Space.	
ARP Fund	\$ 5,187,624	\$ 5,133,253	\$ (54,371)	Reduce budgeted reserve.	
Parks & Rec Fund	\$ 43,627,805	\$ 43,417,814	\$ (209,991)	Reduce budgeted reserve.	

Impact on Schools

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- ▶ FY 21 revised revenues result in a loss of \$20.4 million when compared to revenues shared with Schools in the original FY 21 City Manager's Proposed Budget
- ▶ Working with Schools to better understand the impact of this loss and plan to mitigate these losses
- ▶ Recommend School Board provide reconciled budget at April 28 City Council meeting

Getting Back to Baseline FY 20

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	Adopted FY 20	Revised Proposed FY 21	Difference	% Change
City General Fund	\$ 738,976,655	\$ 727,832,304	(\$ 11,144,351)	(1.5%)
City Other Funds	\$ 180,456,497	\$ 166,503,366	(\$13,953,131)	(7.7%)
City Enterprise Funds	\$ 222,993,087	\$ 227,272,164	\$ 4,279,077	1.9%
Total City	\$ 1,142,426,239	\$ 1,121,607,834	(\$ 20,818,405)	(1.8%)

Total Schools	\$ 938,186,488	\$ 956,706,352	\$ 18,519,864	2.0%
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Combined	\$ 2,080,612,727	\$ 2,078,314,186	(\$ 2,298,541)	(0.1%)
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Process Moving Forward

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- ▶ Further discussion and possible refinement of impact on various funds
- ▶ Particular emphasis and additional analysis required for the following funds:
 - ▶ TIP
 - ▶ TAP
 - ▶ Open Space
 - ▶ Sandbridge SSD
 - ▶ Schools

Process Moving Forward (*cont'd*)

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- ▶ Inquiry into appropriating operating budget one quarter at a time
 - ▶ Teacher Contracts
 - ▶ Appropriating portion of CIP projects
- ▶ Ongoing interaction with City Council
- ▶ Virtual Public Hearings - April 22 and April 28
- ▶ School Board Discussion - April 28