

City Council Working Session on the FY 2017 – 2018 All Funds Budget

Presentation to Petersburg City Council

The Robert Bobb Group, LLC

March 27, 2017

Agenda

Working Session to Review the FY 2017 – 2018 All Funds Budget:

1. FY18 Budget Overview & Development
2. How the FY18 Budget provides Fiscal Stability
3. Historical Background
- 4. Revenues**
 1. Overview
 2. Detailed Review
- 5. Expenditures**
 1. Overview
 2. Detailed Review
6. New Organization for FY18
7. Major Budget Highlights

Includes: General Funds, Special Revenue (Grants), Mass Transit, Utility Enterprise, Storm water Enterprise, Dogwood Trace Enterprise & Capital Projects

Transparency

1. Presentations available on City website:
<http://www.petersburgva.gov/index.aspx?NID=846>

FY 18 Budget Overview

- The FY18 Budget represents the comprehensive set of priorities for the City, and defines how the City will spend and manage resident funds.
- It is based on meetings with each department leader, discussions with Council members, and data reports from OpenGov.

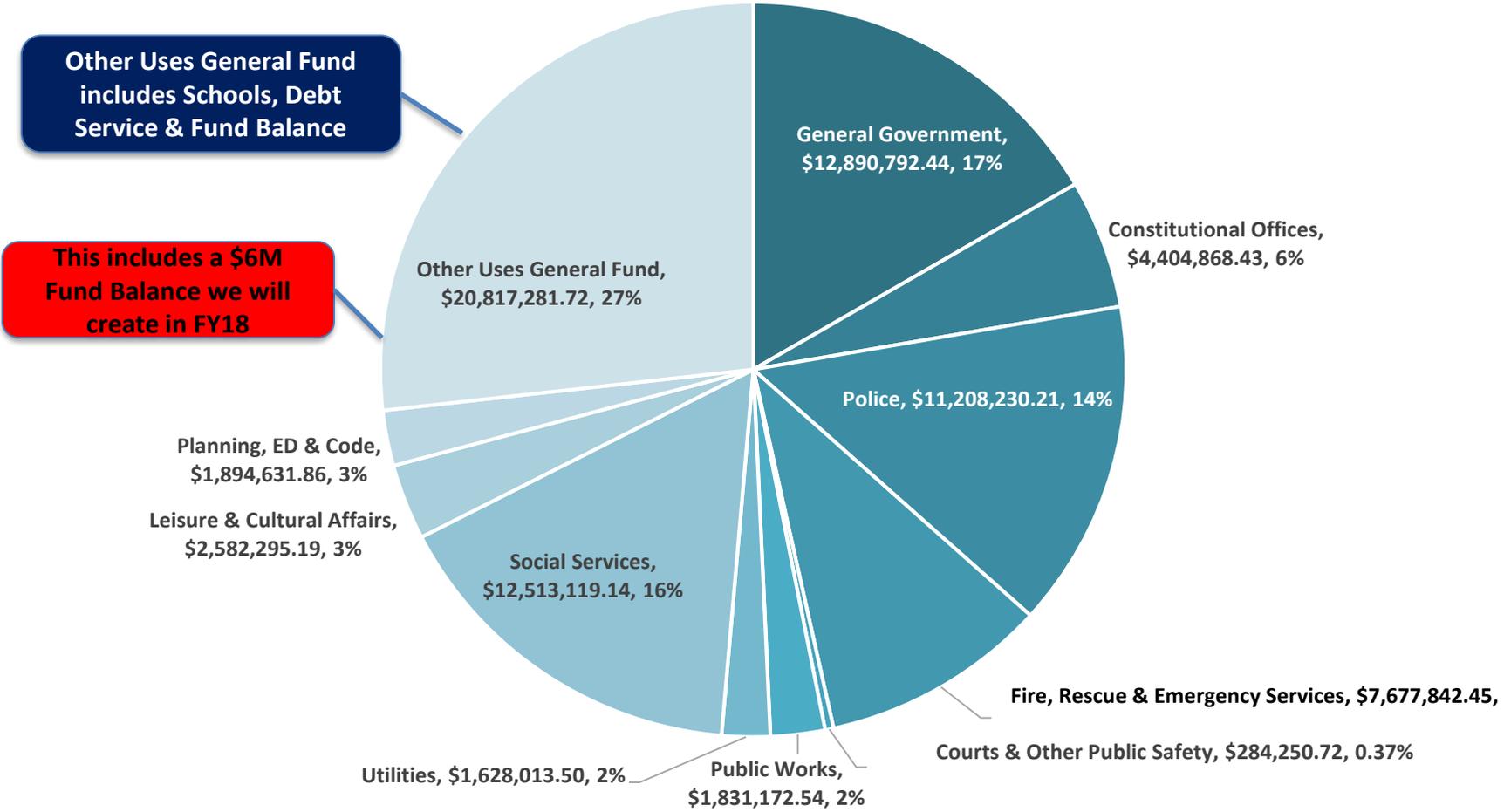
Here's what we did:

1. Reorganized the operating structure of government.
2. Reinstated the 10% pay cut for all employees and raised compensation to at least the minimum pay ranges to compete with other jurisdictions.
3. Planned for modest revenue growth.
4. Outsourced many City operations ***which may result in reduction of force.***
5. Created level funding for schools.

The Budget is available on-line at www.petersburg-va.org

FY 18 Budget Overview

The Proposed Budget for all departments and fund types is \$77,732,448. Note: this includes a one time \$6M revenue event.



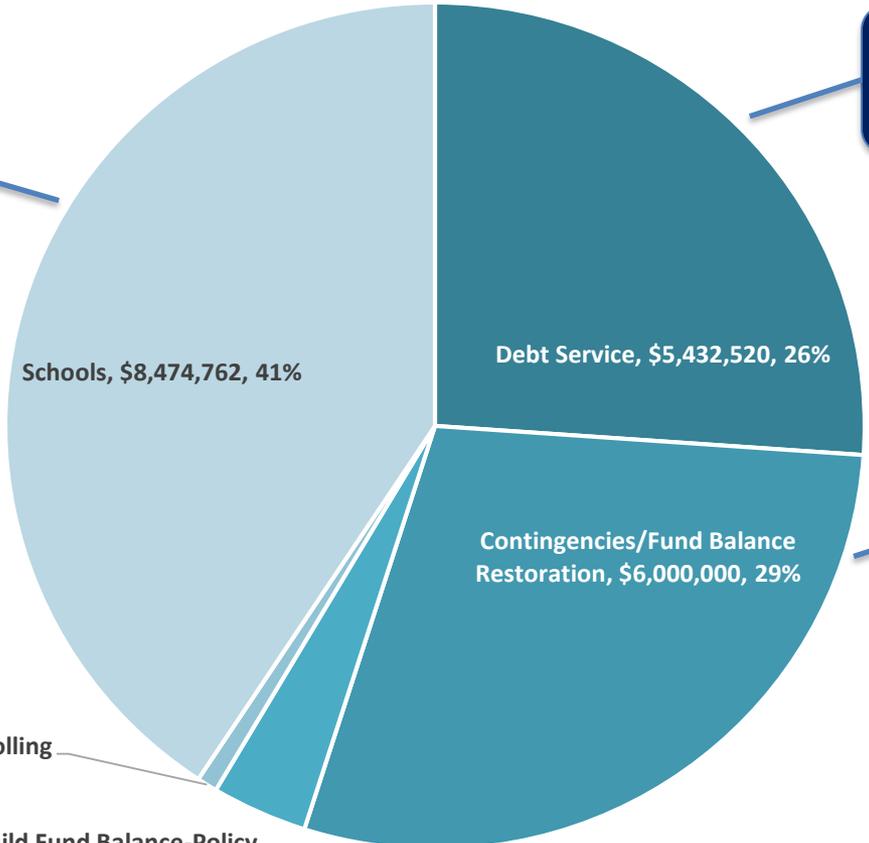
Other Uses General Fund includes Schools, Debt Service & Fund Balance

This includes a \$6M Fund Balance we will create in FY18

We plan to create a \$6M revenue event. These funds will go directly to the City's Fund balance.

FY 18 Budget Overview

The Other Uses General Fund Total is \$20,817,282.
Note: this does include a one time \$6M cash event.



Debt Service payments include payments to the current RAN due October 2017.

School Budget is same as the 2nd Amendment to the FY17 Budget.

We do not have a choice whether or not to create the Fund Balance.

\$6m to the fund balance is a critical imperative that provides the flexibility needed when dealing with variations in the revenue flow, urgent cash requirements for capital, matching funds to leverage newly offered projects, and most importantly – avoiding the use of cascading RANs to provide cash.

FY 18 Budget Development Policies

- 1. The City will strive to maintain diversified and stable revenue streams to protect the government from fluctuations in any single revenue source.**
- 2. Current revenues will fund current expenditures.**
- 3. The City will pursue an aggressive policy seeking collection of delinquent fees.**
- 4. The City will prepare and annually update a 5 year financial forecast model.**
- 5. Expenditure and revenue projections will be developed quarterly and reviewed with Departmental Directors, the City Manager, and City Council.**
- 6. The City will budget for operating subsidies, if any, to its golf, mass transit or other funds requiring annual support from the General Fund.**
- 7. Once the City Manager proposes the budget, the City Council can only make recommended changes that keep the budget in balance.**

How the FY18 Budget provides Fiscal Stability

- It incorporates a \$6M Fund Balance Restoration, ***and this requires a liquidity event***
- It Budgets a **\$750K contribution (3% of Budget)** to the Fund Balance
- It includes **\$160K funding (1% of Budget)** for current or future pay-as-you-go capital
 - Cash funded capital consistent with keeping budgetary flexibility
- **Completely pays back the Virginia Retirement System:**
 - **\$1.5M paid by 12/31/17**

Historical Background

1. RBG learned a key contributor to ongoing fiscal challenges is that the City does not have a “normal” month of revenues and expenditures to monitor.
2. Many continuously recurring costs were inconsistently budgeted in departmental budgets. For example, janitorial supplies, fleet maintenance and cell phone costs were funded (or not funded) across multiple department budgets, due to constant decentralization and centralization of costs.

We address these two factors directly in our proposed
FY18 Budget.

Overview of Revenues

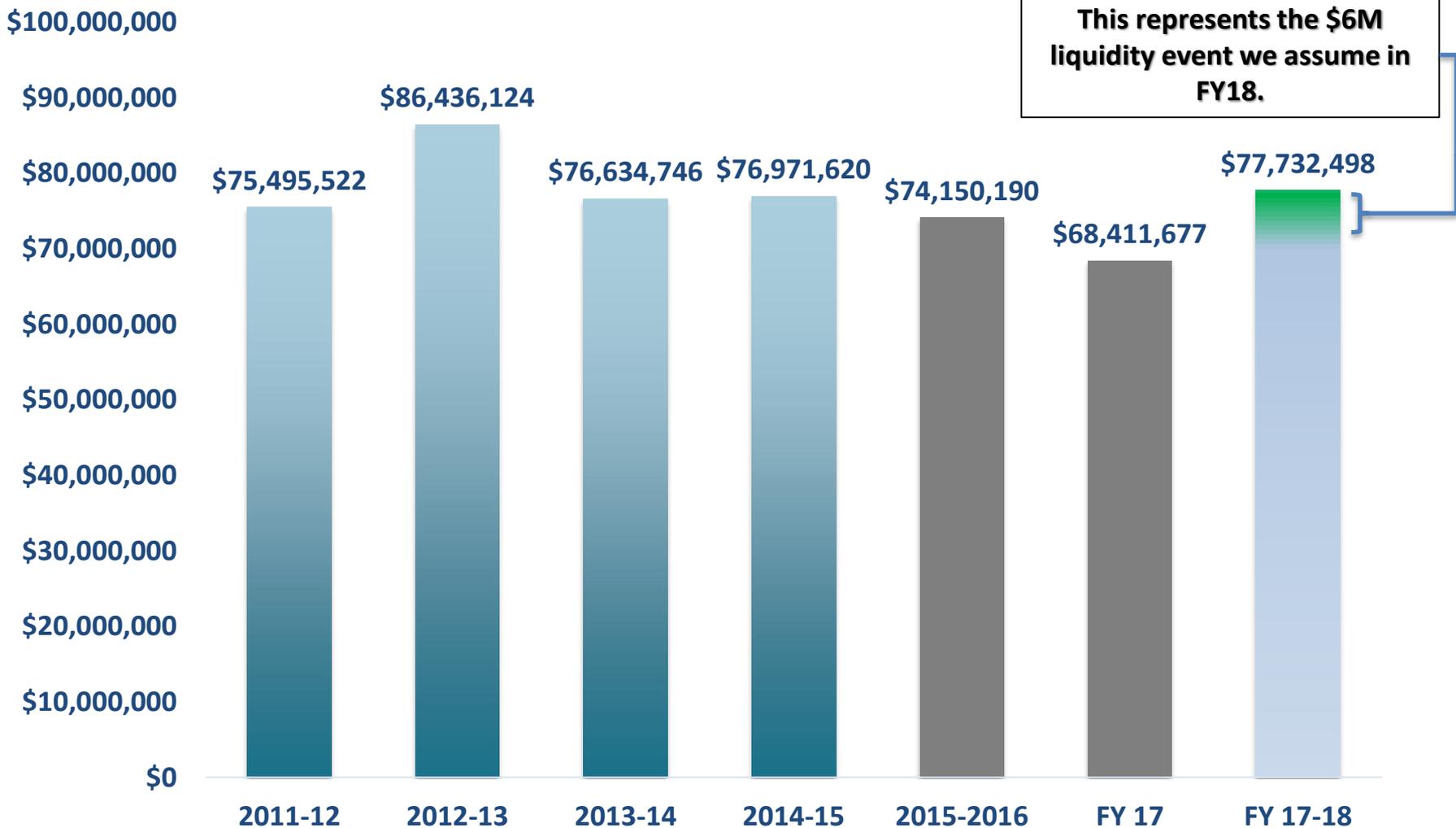
Expected Revenues in FY18

GENERAL FUND REVENUE							
Description	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Unaudited Actual 2015-2016	2nd Amendment FY 17	Proposed Budget FY 17-18
Total Property Taxes	\$33,388,518	\$33,750,636	\$33,289,206	\$32,558,764	\$32,465,672	\$31,907,723	\$34,864,542
Total Local Taxes & Fees	\$13,158,282	\$13,713,707	\$13,644,669	\$14,272,952	\$12,700,595	\$14,258,463	\$15,419,000
Total Permits, Fees, Licenses	\$556,816	\$583,041	\$570,414	\$662,714	\$436,991	\$465,667	\$472,500
Total Fines & Forfeitures	\$786,924	\$889,705	\$753,874	\$813,450	\$444,365	\$548,464	\$683,000
Total Property Rental	\$360,792	\$425,044	\$458,934	\$218,964	\$210,100	\$176,396	\$151,312
Total Charge for Services	\$1,905,535	\$2,395,139	\$2,001,950	\$2,403,659	\$2,622,328	\$2,786,796	\$2,462,520
Total Recovered Cost	\$530,514	\$174,101	\$307,837	\$146,232	\$280,531	\$162,015	\$75,000
Bond Proceeds					\$4,471,876	\$1,300,000	
Total Transfer from Other Fund	\$31,765	\$0	\$0	\$0	\$0	\$0	\$300,000
Total Revenue from Other Agency	\$24,413,846	\$33,592,727	\$25,510,865	\$25,049,111	\$13,494,413	\$16,573,946	\$17,234,625
General Funds Total	\$75,495,522	\$86,436,124	\$76,634,746	\$76,971,620	\$67,248,792	\$68,411,675	\$71,662,499
Total Misc Revenue	\$394,295	\$912,024	\$96,997	\$845,774	\$121,921	\$232,205	\$6,070,000
General Funds Total With \$6M Liquidity Event							\$77,732,499

We assume that a \$6M liquidity event will happen in FY18 to create the fund balance

Overview of Revenues

City Revenues Since FY12



*Note: FY15 is the most recent year the City was audited and has a completed CAFR. FY16 and FY17 are unaudited.

Detailed Review of Revenues

- Real Estate – **5.3% growth**
- Personal Property – **13% growth**
- Other Local Taxes – **8.1% growth**
- Appropriated funds from Perpetual Care to cover Cemetery – **\$100K**
- Appropriated funds from CDBG for Code costs – **\$200K**
- Additional **2% growth** in Compensation Board funds for Constitutional Officers
- **Additional assumed and expected \$6M for sale of property—to be used to establish fund balance**

Overview of Expenditures

Proposed General Fund Expenditures in FY18

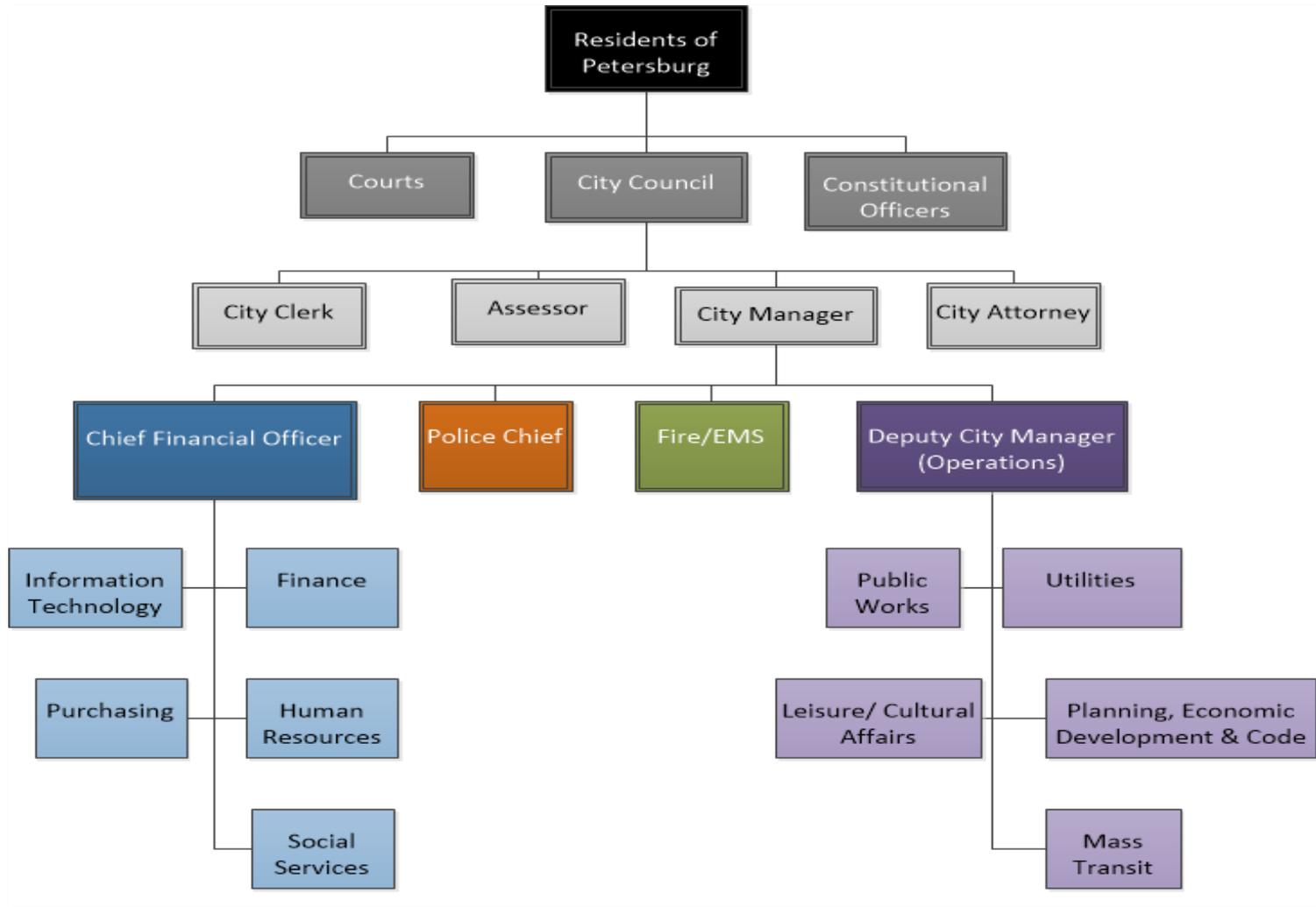
GENERAL FUND BUDGET	
Department\Agency	FY18 Proposed
General Government	\$12,890,792
Constitutional Offices	\$4,404,868
Police	\$11,208,230
Fire	\$7,677,842
Courts & Other Public Safety	\$284,251
DPW	\$1,831,173
Utilities	\$1,628,014
Soc Services	\$12,513,119
Leisure & Cultural Affairs	\$2,582,295
Planning, ED & Code	\$1,894,632
Departmental GF Total	\$56,915,216
Debt Service	\$5,432,520
Rebuild Fund Balance-Policy Requirement	\$750,000
Pay-Go (Per Policy: 5% Rolling Avg)	\$160,000
Schools	\$8,474,762
Non-Departmental GF Total	\$14,817,282
General Funds Total	\$71,732,498
Contingencies/Fund Balance Restoration	\$6,000,000
General Funds Total With \$6M Fund Balance	\$77,732,498

Budget Categories for the New Organization

We will review each section of the budget into 12 categories that will incorporate All Funds, not just General Fund, in their description:

- 1. General Government**
- 2. Constitutional Offices**
- 3. Police**
- 4. Fire**
- 5. Courts & Other Public Safety**
- 6. DPW**
- 7. Utilities**
- 8. Social Services**
- 9. Leisure & Cultural Affairs**
- 10. Planning, Economic Development & Code**
- 11. Mass Transit**
- 12. Debt Service**

Organization for FY18



This figure illustrates the organization of Petersburg City government that will be implemented along with the adoption of the FY 2018 budget.

Major Budget Highlights

- In the next section we will review the major FY18 Budget highlights in the budget that will be discussed in depth during our work sessions.

General Government (1 of 2)

- **Focus on Leadership and Establishing Structure**
 - **City Manager's Office**
 - Established a Deputy City Manager for Operations and a CFO
 - Continue to outsource public information officer duties
 - **Department of Finance**
 - Director of Finance will also serve as the City Controller
 - Two Assistants will report to the Controller: one will be over accounting and compliance operations while the other will focus on accounts payable, cash flow, innovation, and budgeting
 - **Information Services**
 - Provided additional data analytics resources
 - Enhanced network security
- The Contractual line item for the City Attorney's Office was increased.
- **The 10% pay cut was not restored to any Council Approved positions which includes the City Assessor, Council Clerk, City Attorney and City Manager. This is a City Council decision.**

General Government (2 of 2)

- **Healthcare**

- If we did nothing, the City faced a 14% increase in health care costs. Based on our FY18 Health Care Model, this would result in a ~\$300,000 additional cost.*
- To mitigate, two things occurred:
 1. We changed one of the plan offerings
 2. We modified the City/employee cost share to 80/20 from 90/10
 3. **We anticipate an annual Health Care cost to the City of \$2.8M.***

- **Outsourcing functions to streamline processes , provide economies of scale and eliminate redundancy**

- Procure a time and attendance system (currently manual) and outsource payroll processing
- Move to one copier contract (currently every department has at least one contract)
- Review City leases that will lead towards further savings in FY 18
- Outsource Risk Management functions, combine duties with Finance and HR

Police

- Brought base Police Officer pay to be competitive with surrounding jurisdictions and help with recruiting efforts
 - **Now at \$43,900**
- Dealt with the salary compression issues that has impacted retention efforts
- Hiring for 17 vacant police officer positions.
 - **Total Police Department will be 118 (111 FT, 7 PT).**
- Enhanced equipment needs
- Officially consolidated as divisions under Police: Animal Control and Emergency Communications

	FY 18
POLICE	Proposed
Personnel Costs	7,551,931
Non-Personnel Costs	1,190,964
Total Police Costs	8,742,896

Fire

- We will hire 14 vacant positions to staff up the Fire Department to new total of **83 FT & PT**
- We will address the critical fleet and facility challenges of the department
 - Funds available to lease the 3 new fire trucks
 - Funds available to address station needs

DEPARTMENT TOTAL	Proposed
Personnel Costs	6,002,735
Non-Personnel Costs	1,675,107
Total	7,677,842

Department of Public Works

- Includes: Engineering, Facility Management, Fleet Management & Streets
 - Separated out Utilities from DPW
 - Incorporated Fleet Management into DPW
- Move Grounds/Cemeteries to Leisure & Cultural Affairs
- Outsourced facilities maintenance and janitorial services

DEPARTMENT TOTAL	FY 18 Proposed
Personnel Costs	1,583,547
Non-Personnel Costs	5,847,626
Total	7,431,173

Utilities – New Department

- The Utilities Department has been brought out from under DPW given its significant budget and critical public service.
- Utilities maintains the infrastructure necessary to deliver drinking water and is responsible for wastewater collection and conveyance.
- The City’s water & wastewater distribution systems are comprised of 1,400 miles of pipe.
- The City also maintains three elevated and three ground water storage tanks, two water and 19 wastewater pump stations, and 1,837 fire hydrants.

DEPARTMENT TOTAL*	FY 2018 Proposed
Personnel Costs	1,911,883
Non-Personnel Costs	10,875,996
Reserve & Debt Service	1,958,932
DEQ Loan	37,500
Total	14,784,311

Leisure & Cultural Affairs – New Department

- This newly formed department was constructed to provide a variety of high-quality sports, leisure, cultural, and heritage-based opportunities for Petersburg residents and visitors.
- It combines Parks & Leisure, Dogwood Trace Golf Course, Grounds/ Cemetery/ Parks Maintenance, Sportsplex, Special Events/ Tourism, and Libraries
- Combining assets under one leadership goal will bolster leisure and sports
- Outsources recreation programming to the community through local grants with a **\$500K allocation**

DEPARTMENT TOTAL	FY 18 Proposed
Personnel Costs	1,676,151
Non-Personnel Costs	1,635,509
Total	3,311,660

Planning, Economic Development & Code

- We combined all three departments into one
- We continue to deal with the most critical neighborhood needs by increasing investment in securing structures and mowing
- In FY 18, the City is bringing Code Compliance under the direction of the Planning, Economic Development & Code Department Director and appropriating an additional \$200,000 in CDBG money for FY 18.

DEPARTMENT TOTAL	FY 18 Proposed
Personnel Costs	1,185,614
Non-Personnel Costs	709,018
Total	1,894,632

Special Revenue Funds (Grant Funds)

- Special Revenue Funds are more commonly known as Grant Funds that the City receives for specific purposes.
- This year, the level of Special Revenue Funds decreased significantly from **\$8,835,343 to \$6,392,367 – 27.7% decrease**
- **We instituted a new process to administer grants:**
 - 1) First, a department must get approval from Finance to apply for a grant before it goes to the City Manager.**
 - 2) Second, once the grant award letter is received, then the process to appropriate will begin.**
- A root cause of the City overspending its grants was because the grant award was less than what was appropriated.

We Are Changing This!

Capital Budget

- The Proposed Capital Budget and CIP are the means by which the City invests in its future. The Capital Budget addresses critical infrastructure projects that have a long useful life. The projects are generally funded by bonds with 20-30 year terms that match the useful lives of the projects.
- The Proposed FY 2018 Capital Budget and 5-Year Capital Improvement Program reflect the City's fiscal limitations. Issuing new debt at this time is neither prudent nor realistic. Accordingly, the Proposed Capital Budget does not include any new debt-financed projects other than Utility capital projects, which will be financed by previously allocated bond financings of the Virginia Resources Authority (VRA).

Capital Budget

- FY 2018 will be a year to further stabilize the City's finances.
- Highlights of the 5-Year Capital Improvement Program include:
 - There are no General Fund supported projects in FY 2018, including for Petersburg Public Schools.
 - The City's financial advisors (Davenport) have advised that the City can support an additional \$24 million in General Fund supported debt over the next 10 years, or roughly \$10 million over the next 5 years, without increasing the City's debt service burden. As a result, the 5-Year CIP includes only about \$10 million in General Fund-supported projects, allocated between fiscal years 2019 and 2022.

Capital Budget

- The Utility CIP includes \$52.5 million in infrastructure projects and is contingent on the City's ability to issue ratepayer-supported revenue bonds, which is uncertain at this time.
- FY 2018 includes Utility projects amounting to \$6.05 million, which are funded by VRA bonds (\$5.3m) allocated to Petersburg and a DEQ loan (\$750k) – both are contingent on approval by VRA.
- Capital improvements planned by the Appomattox Water Authority and the South Central Wastewater Authority will be financed by the respective authorities (not through the CIP) and will be reflected in rates charged to Petersburg and its utility customers.

Capital Budget

- Storm water capital projects are delayed to years 2021 and 2022 in the CIP, as current storm water fees are already allocated to operating costs and debt service on a previous borrowing.
- Transit projects are included based on anticipated funding from State & Federal agencies to Petersburg Area Transit.
- VDOT Urban Allocation funds for street improvements are reflected in the DPW operating budget, not in the CIP.

CIP for Schools

- The School Board requests for major new construction projects, including three new elementary schools, a middle school classroom/multi-purpose room, and a high school field house have all been delayed.
- Funds for school projects in the pipeline will be funded in **FY19 – FY22 for a total CIP for schools of \$3,919,300**. This will include critical upgrades school bathrooms, windows, gyms, boilers and school buses.

FY18 is the year the City establishes a structurally balanced budget, builds a \$6M Fund Balance, and restructures its long term debt financing. This will lay the groundwork to make much needed school improvements.

CIP for Utilities

These are the most urgent repairs funded in FY18.

Utilities - Key Projects	PROPOSED BUDGET FOR FY18
Water Utility	
Lock's Water Line Replacement	\$2,160,000
Mount Vernon Pump Station Rehab and Upgrade	\$400,000
SCADA Implementation	\$130,000
WATER SUBTOTAL	\$2,690,000
Wastewater Utility	
Poor Creek Force Main Replacement Design	\$250,000
Main Station Upgrade Health and Safety	\$250,000
Main Pump Station pumps and motors	\$300,000
Poor Creek Force Main Phase I	\$1,750,000
SCADA Implementation	\$430,000
Infiltration and Inflow Reduction Projects	\$280,000
Flow Monitoring	\$100,000
WASTEWATER SUBTOTAL	\$3,360,000
UTILITIES TOTAL	\$6,050,000

Sources of Funding include \$5.3M in VRA bonds and a \$750K DEQ no interest loan that will be paid back through rate increases.

Calendar of Budget Events-Updated

Date	Event
March 27	City Manager Proposed Budget to Council
March 27-April 28	Council Work Sessions on Budget
March 27	General Fund Revenues
March 29	Debt/Budget Policies; Capital Budget; Utilities
April 10	Police, Fire and Emergency Communications
April 12	Social Services Agencies; Health Department; Personnel/Benefits
April 24	Schools Operating & Capital
April 26	Leisure and Cultural Affairs
May 2	Public Hearing on the FY 18 Budget
May 12	City Council submits recommendations to City Manager
May 16	City Council to discuss changes to the budget
June 6	Special City Council Meeting to Adopt/Appropriate FY 18 Budget
June	Landbook Finalized
September	FY 18 Landbook Produced/Published
October 17	Public Hearing on the Proposed Tax Rate Adjustment due to Reassessment

Tonight's Work Session Focus: General Fund Revenues

**We will detail General Fund Revenues in the
FY2018 Budget.**

Transparency

- All presentations are available on the City's website:

<http://www.petersburgva.gov/index.aspx?NID=846>

- The budget documents are available on the City's OpenGov website:

<https://petersburgva.opengov.com/transparency#/>