



BUDGET RECONCILIATION

Budget Work Session
April 11, 2023



PRESENTATION OVERVIEW

- Define the starting point
 - Budget and Performance Expectations of the City Manager
 - Adjustments to the Proposed Budget
- Calculate the Budget Gap
- Identify Options for Closing the Budget Gap
 - Legal framework and City Council's Financial Policies
 - Overview of Budget Gap Reduction Strategies
- Next Steps/Takeaways



DEFINE THE STARTING POINT

(BUDGET AND PERFORMANCE EXPECTATIONS)

- Reduce real estate tax rate to \$0.89 per \$100 of assessed value
- Waive refuse collection and vehicle license fees in FY 2024
- Assess vehicles at 90% of FMV to calculate personal property tax
- Lower Business License tax rates to account for the first \$150K of gross receipts exemption
- Provide additional funding for local match for state salary increases for SOQ funded positions
- Implement public safety pay progression and Lynchburg Fire Department compression strategic plan
- Provide a five percent GWI to general city employees - where needed
- Maintain city service levels at or above their current levels



DEFINE THE STARTING POINT

(BUDGET AND PERFORMANCE EXPECTATIONS)

Revenue Adjustments to Proposed FY 2024 Budget

| Description | Change |
|---|-----------------------|
| Reduce RE Tax Rate from \$1.05 to \$0.89 | (\$12,000,000) |
| BPOL tax rate adjusted for first \$150K of gross receipts | (\$650,000) |
| Waive Refuse Collection Fee in FY 2024 | N/A ¹ |
| Waive Vehicle License Fee in FY 2024 | N/A ¹ |
| Assess vehicles at 90% of FMV to calculate PPT | N/A ¹ |
| Total | (\$12,650,000) |

¹Action included in Proposed FY 2024 Budget



DEFINE THE STARTING POINT

(BUDGET AND PERFORMANCE EXPECTATIONS)

Expenditure Adjustments to Proposed FY 2024 Budget

| Description | Proposed | Adjusted | Change |
|---|---------------------|--------------------|----------------------|
| Increased Funding for Lynchburg City Schools | \$3,000,000 | \$2,100,000 | (\$900,000) |
| Five Percent General Wage Increase (GWI) | \$2,620,000 | \$2,620,000 | \$0 |
| Public Safety Targeted Compression/Progression | \$3,020,000 | \$3,020,000 | \$0 |
| Lynchburg Fire Department Compression Adjustments | | | |
| Public Safety Pay Progression (LPD & LFD) | | | |
| Increased Starting Pay for 911 Call Takers | | | |
| Debt Service Reserve | \$1,380,000 | \$0 | (\$1,380,000) |
| Other Org Capacity Positions and Operations | \$950,000 | \$0 | (\$950,000) |
| New Police Positions and Operational Support | \$860,000 | \$0 | (\$860,000) |
| Other New Public Safety Positions and Operations | \$530,000 | \$0 | (\$530,000) |
| New Constitutional Positions and Operations | \$320,000 | \$0 | (\$320,000) |
| Housing Toolkit | \$200,000 | \$0 | (\$200,000) |
| Police Take Home Car Program (Ongoing Costs) | \$170,000 | \$0 | (\$170,000) |
| Total | \$13,050,000 | \$7,740,000 | (\$5,310,000) |



CALCULATING THE BUDGET GAP

| Description | Amount |
|-----------------------------------|----------------------|
| Revenue Adjustments | (\$12,650,000) |
| Expenditure Adjustments | (\$5,310,000) |
| Technical Adjustments* | (\$545,000) |
| Budget Surplus / (Deficit) | (\$6,795,000) |

* Structural Budget Gap is \$6.79M as Proposed FY 2024 Budget includes \$545K of ongoing expenditures above FY 2023 due to department need, not included in the new initiative table and not related to inflation.



IDENTIFY OPTIONS TO CLOSE THE BUDGET GAP

(LEGAL FRAMEWORK AND CITY COUNCIL'S FINANCIAL POLICIES)

Code of Virginia:

All Virginia localities must adopt a balanced budget where revenues are equal to expenditures

City Council Financial Policy:

City Council shall adopt a balanced budget in accordance with all legal requirements

City Council Financial Policy:

One-time revenues shall be used for one-time expenditures only



OVERVIEW OF GAP REDUCTION STRATEGIES

- Implement Budget Strategies
 - Reallocate funding
 - Update expenditure or revenue projections
 - Increase budgetary risk
- Reduce Spending
- Use one-time funds to pay for on-going expenses
 - Use additional funds from the Unassigned General Fund Balance
 - Reduce pay-as-you go capital funding or other one-time expenses
- A combination of the above



OVERVIEW OF GAP REDUCTION STRATEGIES

IMPLEMENT BUDGET STRATEGIES

- Reduce expenses by budgeting for vacancy savings
 - Proposed FY 2024 Budget fully funds all positions
 - Increases budgetary risk
 - **Up to \$2.0M in savings**
- Reduce ongoing funding for vehicle replacement
 - Proposed FY 2024 Budget includes \$5.1M in ongoing funds for General Fund vehicle replacement and depreciation
 - Funding vehicle replacement with ongoing funds is a best practice
 - **Up to \$2.6M in savings**



OVERVIEW OF GAP REDUCTION STRATEGIES

DEPARTMENT SERVICE LEVEL REDUCTIONS

- Budget Office would request three percent cuts from each department
- Would apply to all City departments (General Fund) except public safety
- Will impact service levels
- **Up to \$2.2M in savings**



OVERVIEW OF GAP REDUCTION STRATEGIES

USE ONE-TIME FUNDS FOR ON-GOING EXPENSES

- Use additional funds from the General Fund balance or reduce pay-as-you go capital funding or other one-time expenses
- Complies with Code of Virginia balanced budget requirements
- Does not comply with City Council's Financial Policies
- **\$6.79M (or more) available**



OVERVIEW OF GAP REDUCTION STRATEGIES

SUMMARY OF OPTIONS

| Description | Fin Pol. Compliance | Amount (Up to) |
|--|---------------------|----------------|
| Budget for vacancy savings | ✓ | \$2,000,000 |
| Reduce ongoing vehicle replacement funds | ✓ | \$2,600,000 |
| Department service level reductions | ✓ | \$2,200,000 |
| Use one-time funds for ongoing expenses | ✗ | \$6.79M+ |



NEXT STEPS / TAKEAWAYS

- Need guidance from City Council on What's in/What's out of Budget
- Tax and fee reductions in “Budget and Performance Expectations” will require either:
 - Department service level reductions
 - Use of one-time funds to support current service levels
- Gap reduction strategies are not without risk
 - These are strategies we would typically use in a bad news economic environment
 - Implementing these strategies now will reduce our financial resilience should a recession arrive
- Details on budget reductions will be provided once City Council agrees to a general budget framework



APPENDIX 1 – PROPOSED PAY INCREASES

| Locality | Proposed Pay Increase |
|----------------------|---|
| Amherst County | 7% |
| Appomattox County | 5% - 7% |
| Bedford County | TBD |
| Campbell County | 5% - 7% |
| Charlottesville City | 6% |
| Danville City | 3% + Pay Study |
| Harrisonburg City | TBD |
| Lynchburg City | Sworn public safety step + All other staff 5% |
| Richmond City | 8% |
| Roanoke City | TBD |
| State Employees | 7% |

