

FY 2023-24

Tax Reduction Considerations

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CITY OF
**VIRGINIA
BEACH**

Purpose and Outline

1. On March 21, 2023, City Council requested a sliding scale of what the impacts would be if the Real Estate tax rate were to be reduced between 1¢ and 4¢
2. The following presentation includes:
 - Amount of revenue to be reduced for each option
 - Rationale and reasoning in identifying listed reductions
 - List of reductions in expenditures and or services to be eliminated from the Proposed FY 2023-24 City Manager Budget
 - Impact on other areas of Operating Budget
 - Plan to gather public input

Real Estate Revenue

- Total General Fund Budgeted Real Estate Revenue is \$669.7 million
- Dedications and existing policies assumed to remain unchanged
- Each penny reduced results in reduced Non-Dedicated General Fund revenue
- School Funding Formula- Splits non-dedicated General Fund revenue between the City and Schools
- Per Penny= \$7.4 million

Reduction	City Share	School Share	Total Reduction
1¢	(3,949,315)	(3,434,638)	(7,383,953)
2¢	(7,898,682)	(6,869,224)	(14,767,906)
3¢	(11,848,104)	(10,303,755)	(22,151,859)
4¢	(15,797,581)	(13,738,231)	(29,535,812)

Balanced and Financially Sustainable

- State Code: must maintain a balanced budget
- Government Finance Officers Association (GFOA):

“Most state and local governments are subject to a requirement to pass a balanced budget. However, a budget that may fit the statutory definition of a "balanced budget" may not, in fact, be financially sustainable. For example, a budget that is balanced by such standards could include the use of non-recurring resources, such as asset sales or reserves, to fund ongoing expenditures, and thus not be in structural balance. A true structurally balanced budget is one that supports financial sustainability for multiple years into the future. A government needs to make sure that it is aware of the distinction between satisfying the statutory definition and achieving a true structurally balanced budget.”

Operating Budget and Capital Improvement Program

- Operating Budget- sustainable reductions
 - Personnel
 - Services
 - Materials
 - Contractual obligations
- Capital Improvement Program- sustainable reductions all 6-years
 - Projects with on-going cost or programmed funding
 - Challenge: several projects are one-time in nature so just eliminating one-time costs will not result in sustainable reductions

Development of Proposed Expenditure Reductions to Offset Revenue Decrease

- Did not use one-time revenue sources such as fund balance to offset loss in revenue or to support programs/services with on-going costs
- Real Estate rate reductions assumed to result in permanent revenue reduction; therefore, identified reductions in programs and services with on-going cost to remain financially sustainable
- Did not develop proposed budget assuming reductions in baseline services or programs so do not have sufficient time to develop comprehensive list.
- Following list are options for consideration, but are not intended to be represented as the only options
 - For example, closure of a public facility, reduced hours, or elimination of City programs could be a cost saving reduction

Prioritization of Options

- List targets FTEs and Operating Budget plus ups included in the City Manager's Proposed FY 2023-24 Operating Budget and CIP to maintain or enhance services
- Placed Options into the following categories:
 - Tourism
 - Quality of Life
 - Communications/Customer Service
 - Recruitment and Retention
 - Maintenance
 - Public Safety
- Then prioritized based on negative impact or level of risk associated with not funding

1¢ Real Estate Rate Reduction

City= (\$3.9 M) Schools= (\$3.5 M)

Category	Reduction	FTEs
Tourism	\$163,000	-
Quality of Life	\$634,583	-
Communications/Customer Service	\$1,279,923	13.00
Recruitment and Retention	\$455,075	4.00
Maintenance	\$1,100,656	1.00
Housing and Mental Health	\$0	0.0
Public Safety	\$291,028	4.40
Total	\$3,924,265	22.40

2¢ Real Estate Rate Reduction

City= (\$7.8 M) Schools= (\$6.9 M)

	Reduction	FTEs
First 1¢ Total	\$3,924,265	22.40
Category	Reduction	FTEs
Communications/Customer Service	\$494,264	1.00
Recruitment and Retention	\$787,944	2.00
Maintenance	\$1,376,597	-
Housing and Mental Health	\$670,640	5.00
Public Safety	\$644,972	5.57
Additional 1¢ Total	\$3,974,417	13.57
Total 2¢	\$7,898,682	35.97

3¢ Real Estate Rate Reduction

City= (\$11.8 M) Schools= (\$10.3 M)

	Reduction	FTEs
First 1¢ Total	\$3,924,265	22.40
Second 1¢ Total	\$3,974,417	13.57
Category	Reduction	FTEs
Maintenance	\$1,718,781	-
Public Safety	\$2,230,641	16.93
Additional 1¢ Total	\$3,949,422	16.93
Total 3¢	\$11,848,104	52.90

4¢ Real Estate Rate Reduction

City= (\$15.8 M) Schools= (\$13.7 M)

	Reduction	FTEs
First 1¢ Total	\$3,924,265	22.40
Second 1¢ Total	\$3,974,417	13.57
Third 1¢ Total	\$3,949,422	16.93
Category	Reduction	FTEs
Maintenance	\$3,449,477	-
Public Safety	\$500,000	-
Fourth 1¢ Total	\$3,949,477	-
Total 4¢	\$15,797,581	52.90

Other Areas of Consideration

- Sustainable:
 - Reduced Compensation- 1% equals \$5 million in General Fund
- Sustainable but impact not fully known:
 - EMS- 38 Paramedics and A-EMTs- \$2.5 million
 - Sheriff- 22 FTEs Centralized Booking- \$2 million
- Delaying or “kicking the can”
 - Commonwealth Attorney- 12 FTEs Body Worn Camera- \$1.1 million
 - Computer Replacement Program- \$1.3 million

Virginia Beach City Public Schools

- Information provided to Virginia Beach City Public Schools (VBCPS) with request for scalable options.
- Options have yet to be determined; however, they are working on them.
- VBCPS Proposed Budget:
 - VBCPS Proposed Budget placed heavy emphasis and investment in implementation of market salary plan with little investment increases in other areas.
 - State budget is not finalized which could have an altering impact

Revenues Being Monitored

- State Revenue
 - 599 Funding
 - School Revenue
- BPOL Revenue
 - Due March with final collection and actuals yet to be determined
 - Monthly close out underway

Reduction Impact on Other Areas

- Debt Metrics
 - Each 1¢ reduction equals an annual 0.02% increase in Debt Service to General Government Expenditures
- General Fund Balance Calculation
 - Each 1¢ reduction equals 0.06% increase in Undesignated Fund Balance

Budget Adoption Timeline

April 4	Council Workshop – Budget and CIP Presentations
April 11	Council Workshop– Budget and CIP Presentations Post options online, Open Balancing Act Tool
April 18	Council Workshop– Budget and CIP Presentations
April 19	Public Hearing at Virginia Beach Convention Center
April 21	City Council- Friday Packet- Report on Resident feedback
April 25	Council Workshop– Budget and CIP Presentations Public Hearing
April 28	City Council- Friday Packet- Report on Resident feedback
May 2	Reconciliation Workshop
May 9	City Council Votes on Budget

Questions & Discussion