



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Mark Whitley, Assistant City Manager
RE: City Budget Public Hearing
DATE: May 21, 2020 (for the May 26, 2020 City Council Meeting)

ISSUE

The City Council is asked to conduct a remote public hearing on May 26, 2020 for the FY 2021 City Budget.

RECOMMENDATION

No City Council action is required at this meeting. The goal of the public hearing is to hear public comments, provided remotely, on the City budget. Comments will be accepted at this meeting and will continue to be accepted until 4:30 p.m. June 9, 2020, in accordance with Ordinance 20-05, *An Ordinance to Address Continuity of City Government During the Pendency of a Pandemic Disaster*.

BACKGROUND

Remote Public Hearing Background

The City Council has been meeting remotely in response to the COVID-19 pandemic. State law requires that before the FY 2021 budget is adopted, a public hearing is to be held. The procedures for the public hearing on the budget are as follows:

- The City Council shall open the public hearing comment period, receive any comments that may have been submitted in advance, and continue the matter to the next meeting (in this case, the City Council meeting of June 9, 2020).
- Public comments may be reviewed in writing up to 1 hour prior to the next meeting, addressed to the Clerk of Council or other official designated by the Public Entity, by U.S. Mail, e-mail, hand delivery to the drop box located by the front door of City Hall; and by form on the City Web site: www.fredericksburgva.gov/877/public-commentor.
- Public comments will be compiled by the Clerk of Council and delivered to the City Council for review at or before the meeting, and be made part of the meeting record.

Advertisement for the City Budget

The City staff advertised the public hearing on the City Budget on May 19, 2020. It is essential to note that the advertisement is for fiscal planning purposes only, and the staff is still working to refine budget recommendations for FY 2021.

Funding for Fredericksburg City Public Schools has been approved by City Council on May 20, 2020. The public hearing will cover the remainder of the City budget, including the main operating fund, the General Fund. Other operating funds included in the public hearing include the City

Grants Fund, the Stormwater Management Fund, the enterprise funds (Water, Sewer, Transit, Parking), the Social Services Operating Fund, the Children’s Services Act Fund, and several smaller special revenue funds. Debt Service funds and fiduciary funds, where the City serves as the fiscal agent for other entities, are included as well.

Capital Funds are also included in the advertisement. The City proposes to adopt a much-reduced capital budget for FY 2020, and bring forward for City Council’s consideration a full capital improvements plan that is amended based upon the pandemic later this summer.

The Funding for the City School Operating Fund was approved at 75% appropriation, and staff will recommend a similar plan for the City’s General Fund. The City Council retains the option to amend the budget at any time, as new information or conditions warrant.

Here is a table that includes proposed revisions to the City Manager’s Recommended Budget presented March 10. These are for the City’s General Fund sources – revenues, transfers in, and fund balance usage.

	FY 2021 Rec. (March 10)	Revised FY 2021 Rec.	% Change from March 10	% Change FY20-FY21
GENERAL FUND SUMMARY				
<u>Sources</u>				
Real Property Tax	33,750,000	32,450,000	-3.9%	-1.6%
Sales Tax	12,825,000	10,900,000	-15.0%	-6.8%
Meals Tax	12,450,000	9,400,000	-24.5%	-23.6%
Lodging Tax	1,550,000	1,250,000	-19.4%	-21.9%
Personal Property Tax	9,650,000	8,435,000	-12.6%	-9.8%
PPTRA	1,728,800	1,728,800	0.0%	0.0%
Business License Tax	6,575,000	5,832,500	-11.3%	-9.9%
Telecommunication Sales Tax	1,475,000	1,400,000	-5.1%	-11.1%
Consumer Utility Tax	1,875,000	1,850,000	-1.3%	0.0%
Charges for Services	3,009,900	2,732,300	-9.2%	-5.2%
Permits & Fees	900,700	769,950	-14.5%	12.5%
State Revenues	6,267,500	6,231,250	-0.6%	-0.3%
Federal Aid	90,000	90,000	0.0%	200.0%
Other	6,578,825	6,093,375	-7.4%	-0.5%
Transfers	930,000	930,000	0.0%	0.0%
Fund Balance	3,823,000	5,633,554	47.4%	5.7%
Total	103,478,725	95,726,729	-7.5%	-5.9%

There are several major revisions to the expenditures in City Manager’s original Recommended Budget, which was presented on March 10, 2020, to balance the advertised budget. Highlights of these changes include the following:

- Elimination of the new positions.
- Elimination of the recommendation to increase salaries for City employees by 4% in October.

- Reduction in the City Transfer to Fredericksburg City Public Schools.
- Reduction in the Transfer to Debt Service as a result of a refinancing of the 2011 (A) GO Bonds.
- Inclusion of a one-month premium freeze for health insurance premiums.
- The public safety pay plan allowance of \$500,000 has been reduced to \$100,000.
- Salary reductions have been continued in the advertised budget for the entire fiscal year.
- Reduced support for the Central Rappahannock Regional Library, the Rappahannock Regional Jail, the Rappahannock Juvenile Center Commission, and other partner agencies.

There are no tax rate increases included in the revisions to the recommended budget. The staff does recommend postponement of consideration of fee increases for water and sewer rates and recycling until January of 2021.

Next Steps

The City Council should hear public comments on the newly revised budget.

The first read of the budget is scheduled for June 9, 2020, and second reading is scheduled for June 23, 2020. The staff is continuing to finalize recommendations on the budget, and will incorporate any changes that City Council wishes to make either at first reading or second reading.

FISCAL IMPACT

The public hearing itself does not have a fiscal impact. The recommendations for the advertisement will be modified as determined by City Council for the final FY 2021 budget.

cc: Robyn Shugart, Director of Finance
Doug Fawcett, Assistant City Manager
Brenna Erford, Budget Manager

Attachment: Public Hearing Advertisement