


FY 2023


City Manager's Recommended Budget

City of Fredericksburg

March 22, 2022



City of Fredericksburg, VA
Recommended Budget
Fiscal Year 2023

FXBG 
City of Fredericksburg, Virginia

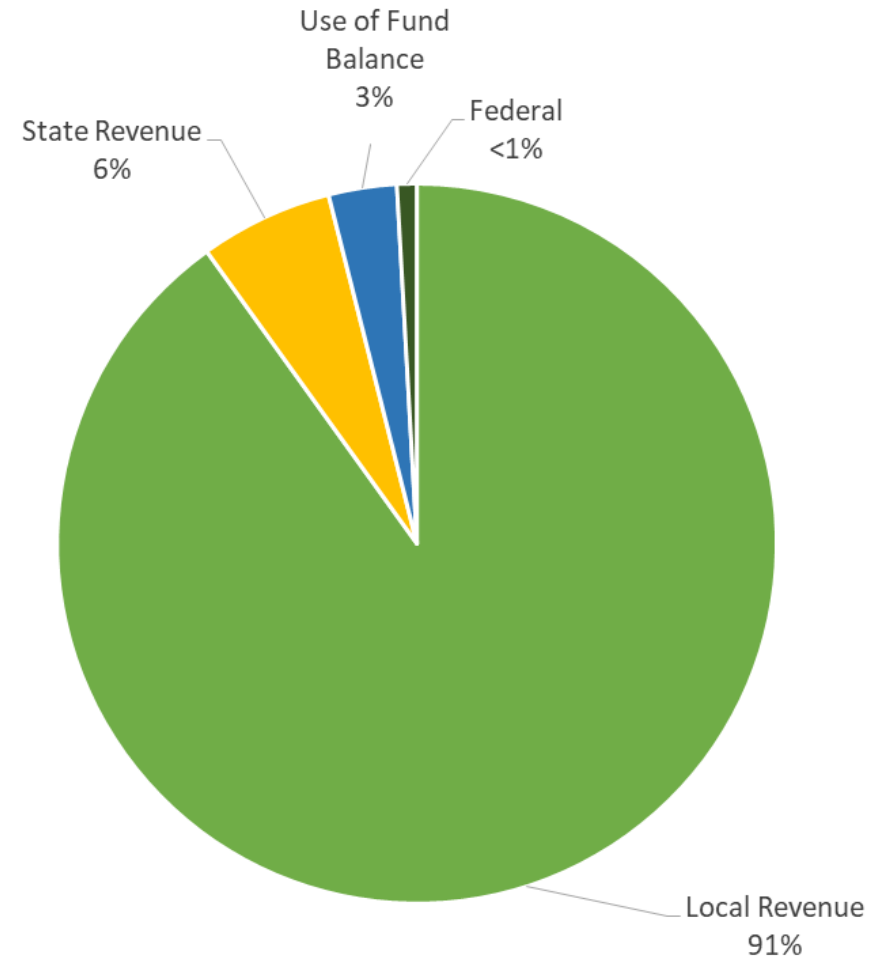
Agenda

FY 2023 Recommended Budget

- Revenue
 - Real Estate Tax, Personal Property Tax, Other Local Taxes, Water & Wastewater Rates, Community Planning & Building Department Fees
 - State & Federal Revenue
- Personnel
 - New Positions and Compensation
- Operating Expenditures
- Debt Service
- Capital Improvement Plan (CIP)
- Fredericksburg City Schools Approved Budget
- Next steps and upcoming budget meetings

\$110.9 General Fund Revenue

- \$100.7 million local
- \$3.4 million use of fund balance
- \$6.7 million state
- \$95,000 federal



Real Estate Taxes:

- Proposed 3 cent rate increase from \$0.83 to \$0.86/\$100 valuation
- Estimated FY 2023 revenue generated is approximately **\$1.35 million**
- The following chart shows the impacts to a homeowner on an annual basis:

Value of Property	Annual Taxes at current rate \$0.83	Annual Taxes at recommended rate \$0.86	Annual increase
\$200,000	\$1,660	\$1,720	\$60
\$250,000	\$2,075	\$2,150	\$75
\$300,000	\$2,490	\$2,580	\$90
\$350,000	\$2,905	\$3,010	\$105
\$400,000	\$3,320	\$3,440	\$120
\$450,000	\$3,735	\$3,870	\$135
\$500,000	\$4,150	\$4,300	\$150
\$550,000	\$4,565	\$4,730	\$165
\$600,000	\$4,980	\$5,160	\$180
\$650,000	\$5,395	\$5,590	\$195

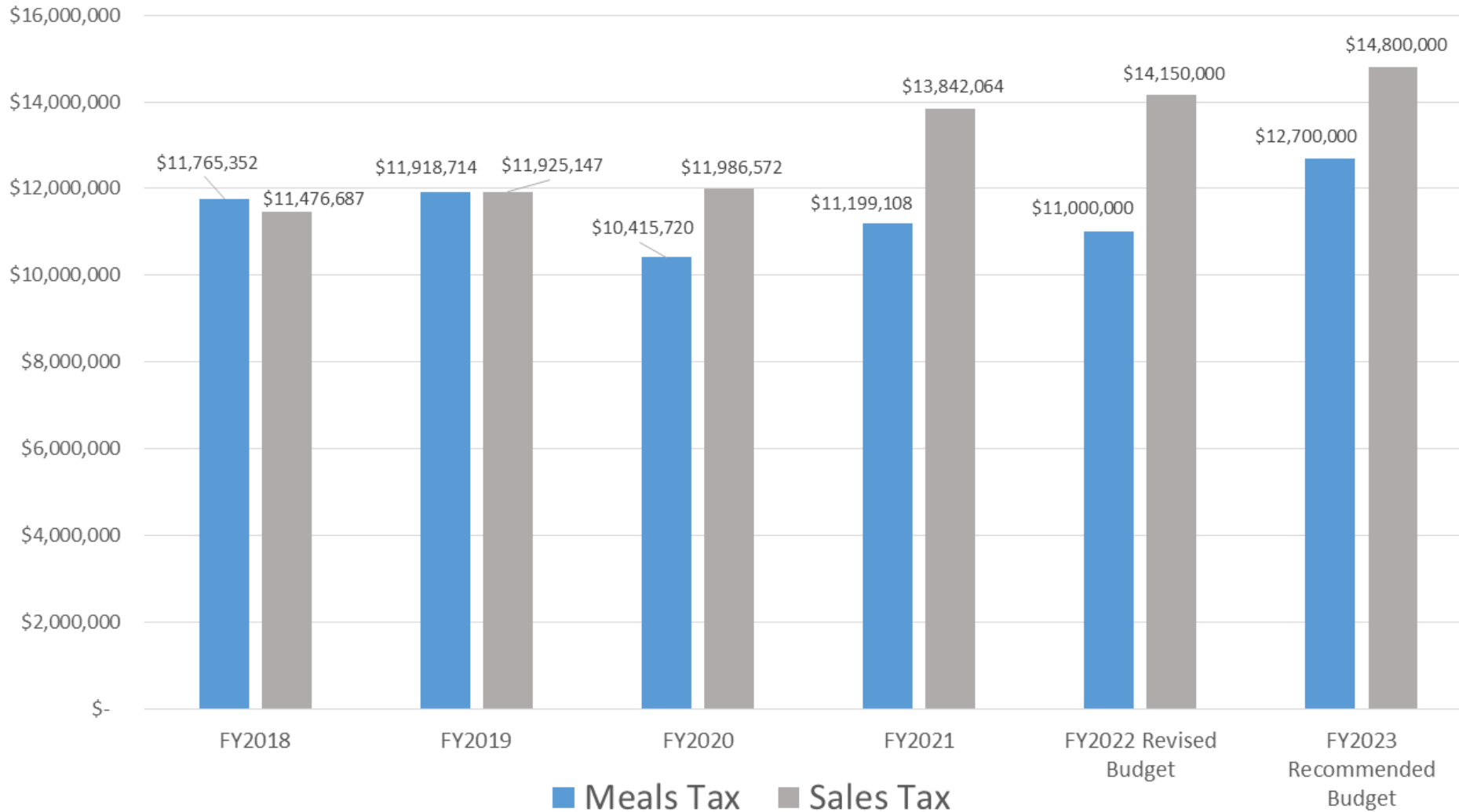
Other Local Taxes:

The FY 2023 budget includes projected growth in consumption revenues. The increase is reflective of upward revenue trends we are seeing as the economy continues to recover from the pandemic.

Key consumption taxes include:

- Meals Tax
- Sales Tax
- Lodging Tax

Meals and Sales Tax



Water and Wastewater Rates:

- Recommended rate implementation effective July 1, 2022:
 - 8% Water rate increase
 - 10% Wastewater rate increase
- Increases formulated using rate model commissioned by the City and updated last month
- Largest driver for rate increase is investment in capital infrastructure

The following chart shows the impact to a customer for a residential 5/8” meter bi-monthly billing cycle.

Current Rates:

Gallons per billing cycle	Water Flat Fee	Water Usage Fee	Sewer Flat Fee	Sewer Usage Fee	TOTAL
5,000	\$14.95	\$15.25	\$23.46	\$29.80	\$83.46
10,000	\$14.95	\$30.50	\$23.46	\$59.60	\$128.51

Recommended FY 2023 Rates (including 8% Water and 10% Sewer increases)

Gallons per billing cycle	Water Flat Fee	Water Usage Fee	Sewer Flat Fee	Sewer Usage Fee	TOTAL
5,000	\$16.15	\$16.45	\$25.81	\$32.80	\$91.21
10,000	\$16.15	\$32.90	\$25.81	\$65.60	\$140.46

State and Federal Revenue:

State Revenue:

- The recommended budget includes \$27 million dollars for the Wastewater Treatment Plant and sewer conveyance system improvements.
- There is currently increased revenue projections for the State Compensation Board of 5%, along with increased projections for Police related funding and VDOT.
- The sales tax projection does not exclude the grocery tax which has been proposed to be eliminated by the state.
- The state has not finalized the budget, therefore these numbers are subject to change. Staff will be monitoring progress and report that information as it becomes available.

Federal Revenue:

- American Rescue Plan Act Funds (ARPA)

The City received \$10,782,748 in a direct allocation from the Federal government

<u>FY 2022 Use of Funds*</u>	<u>\$5,200,000</u>
• Homelessness	\$2,000,000
• Wastewater Project	\$500,000
• Fire Station	\$500,000
• Downtown Streetscape	\$1,000,000
• Operating – Pandemic Response	\$1,200,000
 Remaining ARPA funds FY 2022	 \$5,582,748

*These funds have previously been appropriated by Resolution 21-75

• <u>FY 2023 Proposed Use of ARPA Funds</u>	<u>\$5,582,748</u>
• Wastewater Treatment Plant	\$3,000,000
• Fire Department	\$255,000
• Public Works	\$896,110
• Water & Sewer	\$80,000
• Police	\$192,000
• IT	\$218,000
• Parks	\$59,000
• Planning	\$16,000
• Public Facilities	\$65,000
Remaining ARPA funds FY 2023	\$801,638

Personnel:

New Positions included in the Recommended FY 2023 budget:

<u>Department</u>	<u>Position</u>	<u>Salary</u>
<u>GENERAL FUND</u>		
Fire	Administrative Support Specialist IV	\$48,795
IT	Network Support Specialist	\$60,000
Police	Communications Officer	\$43,684
Police	Administrative Support Specialist I- Records	\$34,153
Transportation	Transportation Project Manager	\$110,000
<u>ALL OTHER FUNDS</u>		
Social Services	Benefits Program Supervisor	\$75,975
Utilities	Utilities Project Manager	\$90,000
Utilities	Wastewater Treatment Plant Operator	\$57,593
Parking	Parking Garage Technician	\$32,240
Transit	Transit Operator x 2	\$82,250
Transit	Mechanic	\$51,235
Transit	Safety Specialist	\$60,000

Other Salary and Benefit costs included are:

- 4% Salary increase for City Staff
- 13% Health Insurance increase
- VRS rate increase from 14.13% to 16.06%
- Advanced Life Support compensation:
 - \$1,500 Fire
 - \$3,000 EMS

Market Update Analysis and Classification/Compensation Study:

- Berkley Group recently completed an analysis for the City to see where we are generally compared to the market.
- There is significant variation in terms of the City's workforce compared to the market. The City is generally behind the market – as an average of averages – of about six percent.

Here are some of the recommendations from the study:

- Consider a general wage increase to maintain current market competitiveness
- Consider additional adjustments based on “milestone” years
- Continue to study two areas of benefit policy – paid time off and the ability to work remotely
- The City will be engaging in a more detailed classification and compensation effort as phase two of the process. This process will review existing job descriptions, benefits, and policies and validate the comparisons with the market.

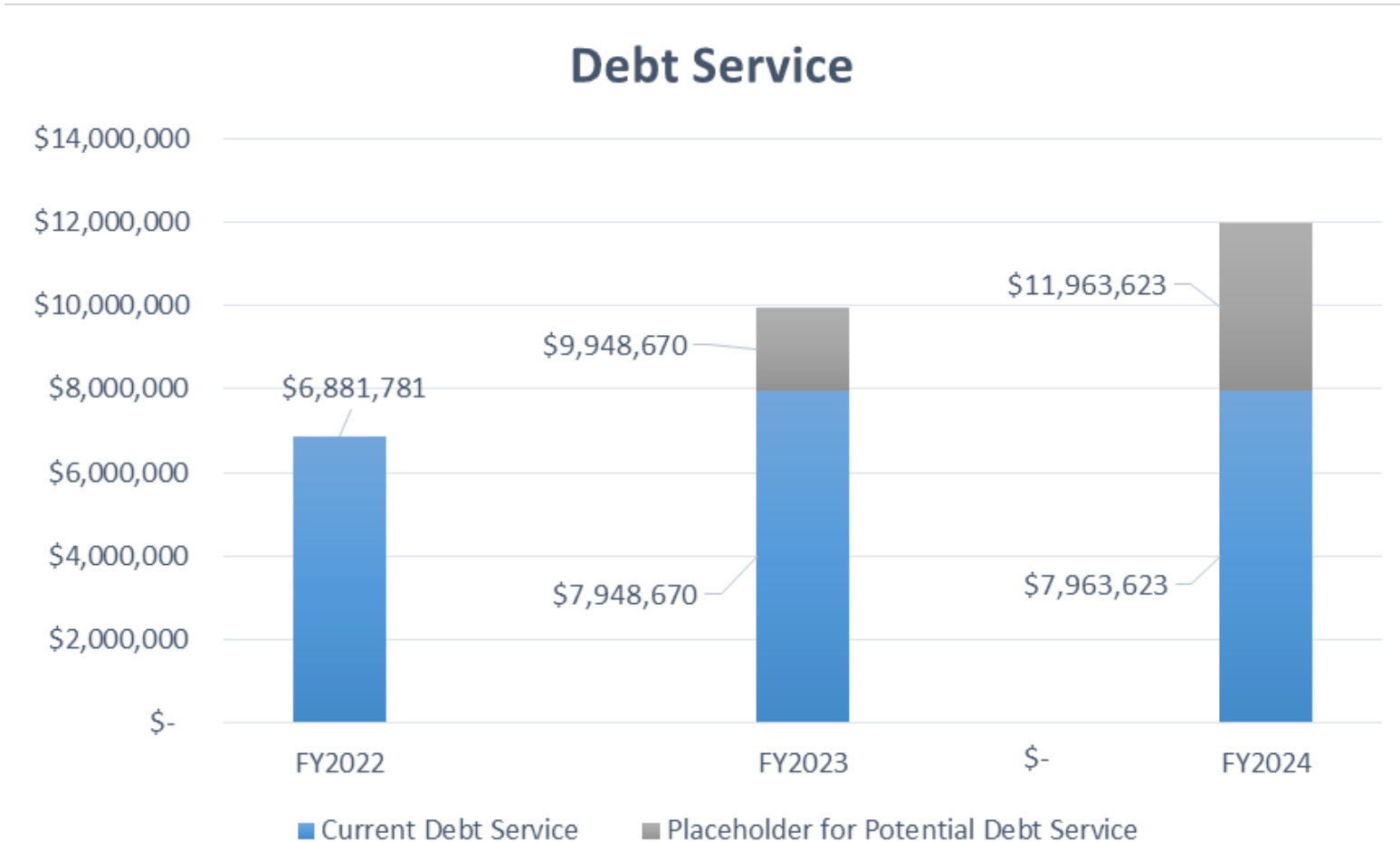
Operating Expenditures:

The inflation rate as of February is at a new 40 year high of 7.9%. This is having impacts to City operations and the FY 2023 budget does include increases to the following:

- Personnel
- Fuel
- Energy Costs
- Materials and Supplies
- Operating Capital

Other increases of note are training/education and telecommunications.

Debt Service:



- The FY2022 budget is the second year we are recognizing significant savings from the refunding done during the pandemic. The debt service level for FY2023 gets back to a comparative level of what it was previous to that refunding
- The “Placeholder for Potential Debt Service” includes a borrowing for a potential middle school, fire station, and stormwater projects
- The FY2023 budget includes the payment for one-half year (due to estimated timing of issuance) and the FY2024 budget shows a full year of debt service payments

FY 2023 CIP – Potential New Middle School

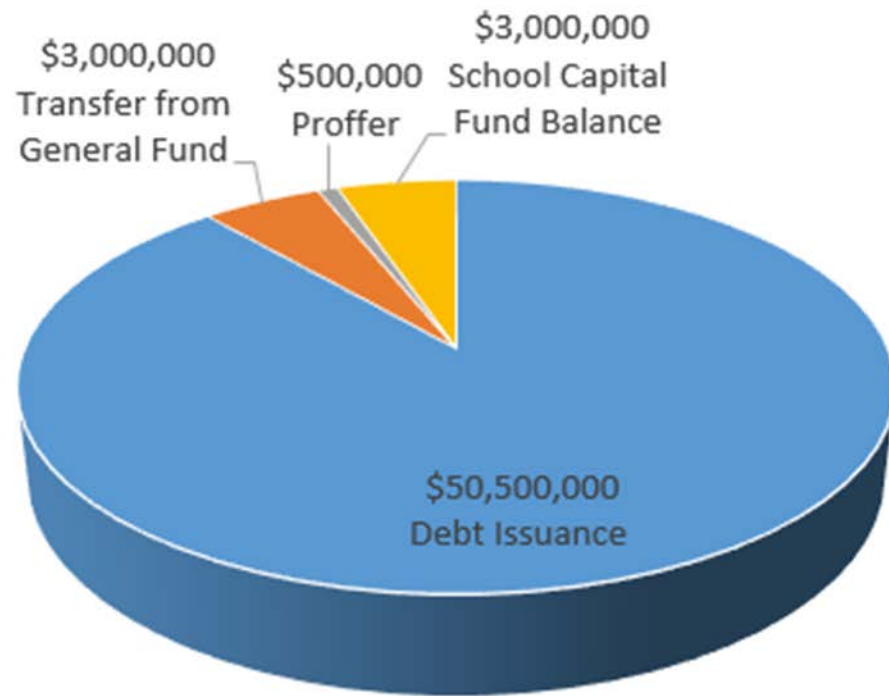
Core capacity of 1,100 students

140,000 square feet new building space

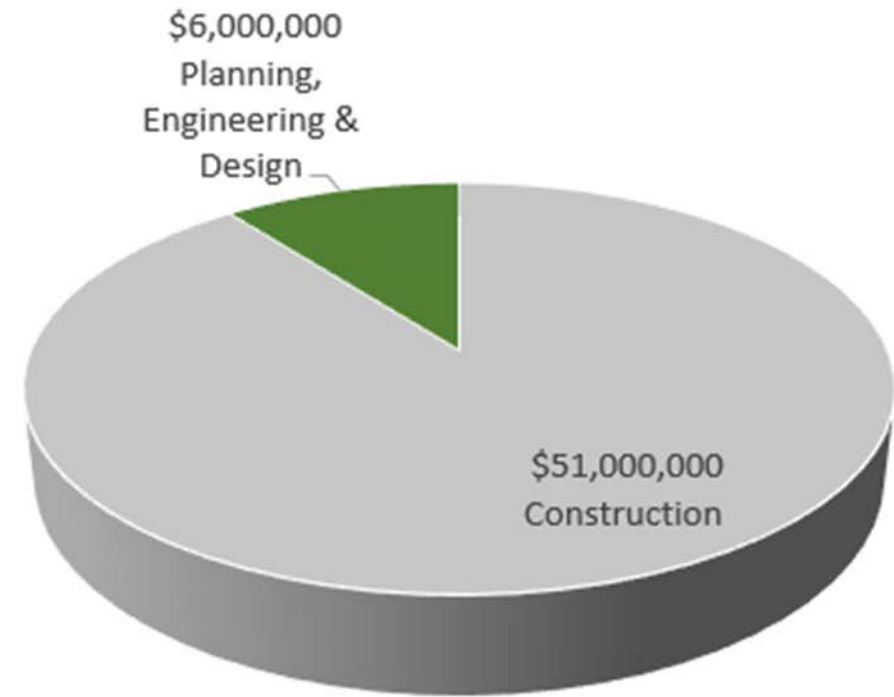
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
New Construction*	\$ 57,000,000	\$ -	\$ -	\$ -	\$ -	\$ 57,000,000
Construction	\$ 51,000,000	\$ -	\$ -	\$ -	\$ -	\$ 51,000,000
Planning, Engineering, & Design	\$ 6,000,000	\$ -	\$ -	\$ -	\$ -	\$ 6,000,000
Source	\$ 57,000,000	\$ -	\$ -	\$ -	\$ -	\$ 57,000,000
Debt Issuance	\$ 50,500,000	\$ -	\$ -	\$ -	\$ -	\$ 50,500,000
Transfer from General Fund	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000
Proffer	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ 500,000
School Capital Fund Balance	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
Operating Impact*	\$ 1,450,000	\$ 4,400,000	\$ 4,400,000	\$ 4,400,000	\$ 4,400,000	\$ 19,050,000
Operating Impact - Debt	\$ 1,450,000	\$ 2,900,000	\$ 2,900,000	\$ 2,900,000	\$ 2,900,000	\$ 13,050,000
Operating Impact - Operations	\$ -	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 2,200,000
Operating Impact - Personnel	\$ -	\$ 950,000	\$ 950,000	\$ 950,000	\$ 950,000	\$ 3,800,000
Operating Impact - Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- This is a placeholder pending approval

FY 2023 CIP – Potential New Middle School



Sources



Uses

FY 2023 CIP – New Fire Station

- Replaces Fire Station 2
- The FY 2022 budget included \$500,000 for design and engineering expenditures funded by ARPA federal revenue
- Personnel costs are included under Operating Impacts

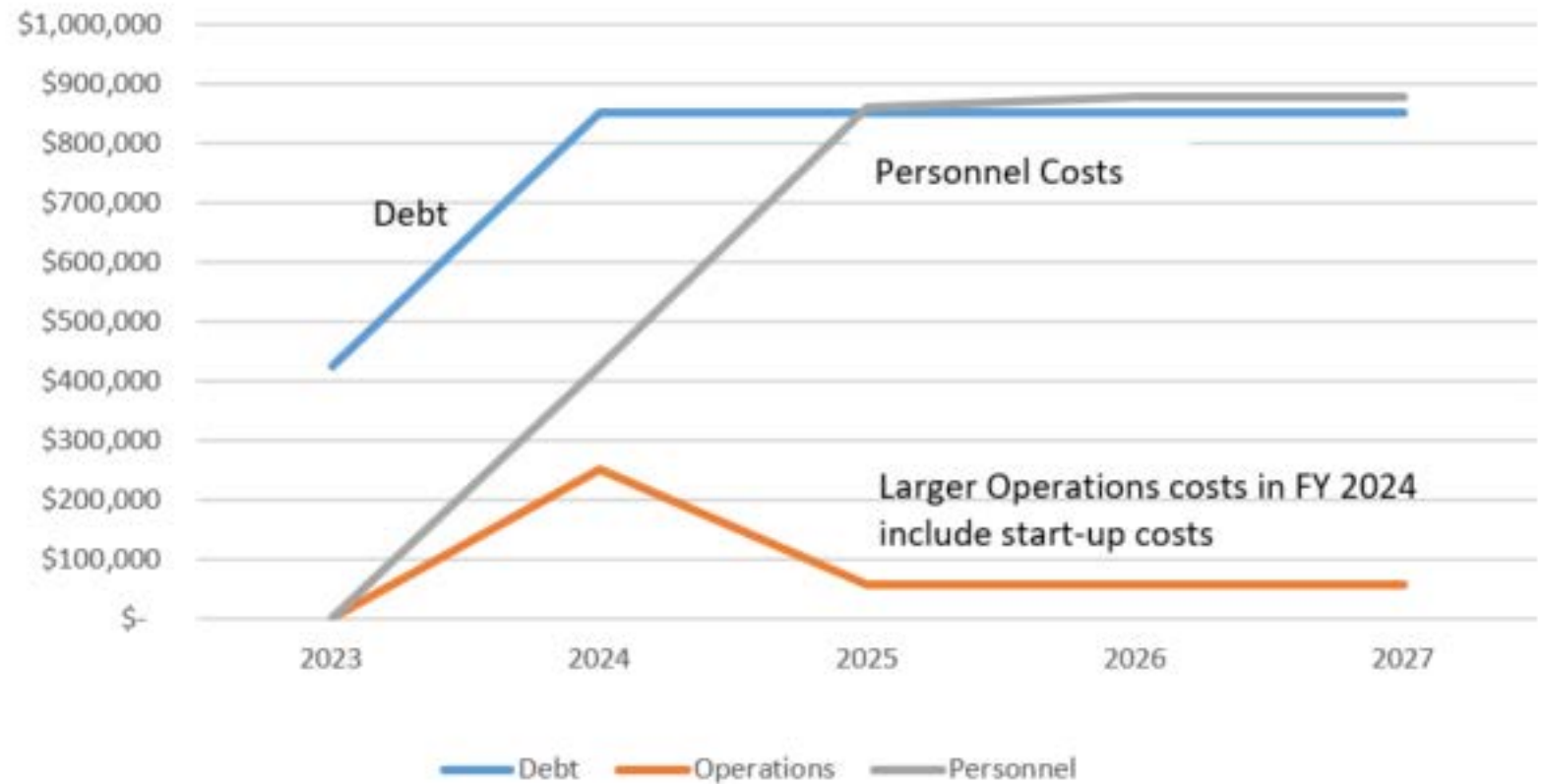
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
New Construction	\$ 14,000,000	\$ -	\$ -	\$ -	\$ -	\$ 14,000,000
Construction	\$ 14,000,000	\$ -	\$ -	\$ -	\$ -	\$ 14,000,000
Source	\$ 14,000,000	\$ -	\$ -	\$ -	\$ -	\$ 14,000,000
Debt Issuance	\$ 14,000,000	\$ -	\$ -	\$ -	\$ -	\$ 14,000,000

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
Operating Impact	\$ 426,000	\$ 1,530,438	\$ 1,722,223	\$ 1,741,735	\$ 1,741,212	\$ 7,161,608
Operating Impact - Debt	\$ 426,000	\$ 852,000	\$ 852,000	\$ 852,000	\$ 852,000	\$ 3,834,000
Operating Impact - Operations	\$ -	\$ 253,000	\$ 57,000	\$ 58,000	\$ 58,000	\$ 426,000
Operating Impact - Personnel	\$ -	\$ 425,438	\$ 860,236	\$ 879,265	\$ 879,265	\$ 3,044,204
Operating Impact - Savings	\$ -	\$ -	\$ (47,013)	\$ (47,530)	\$ (48,053)	\$ (142,596)

FY 2023 CIP – New Fire Station

- \$14,000,000 construction in FY 2023 from bond issuance. Debt service budgeted in FY 2023 for a half - year and will require a full year starting in FY 2024

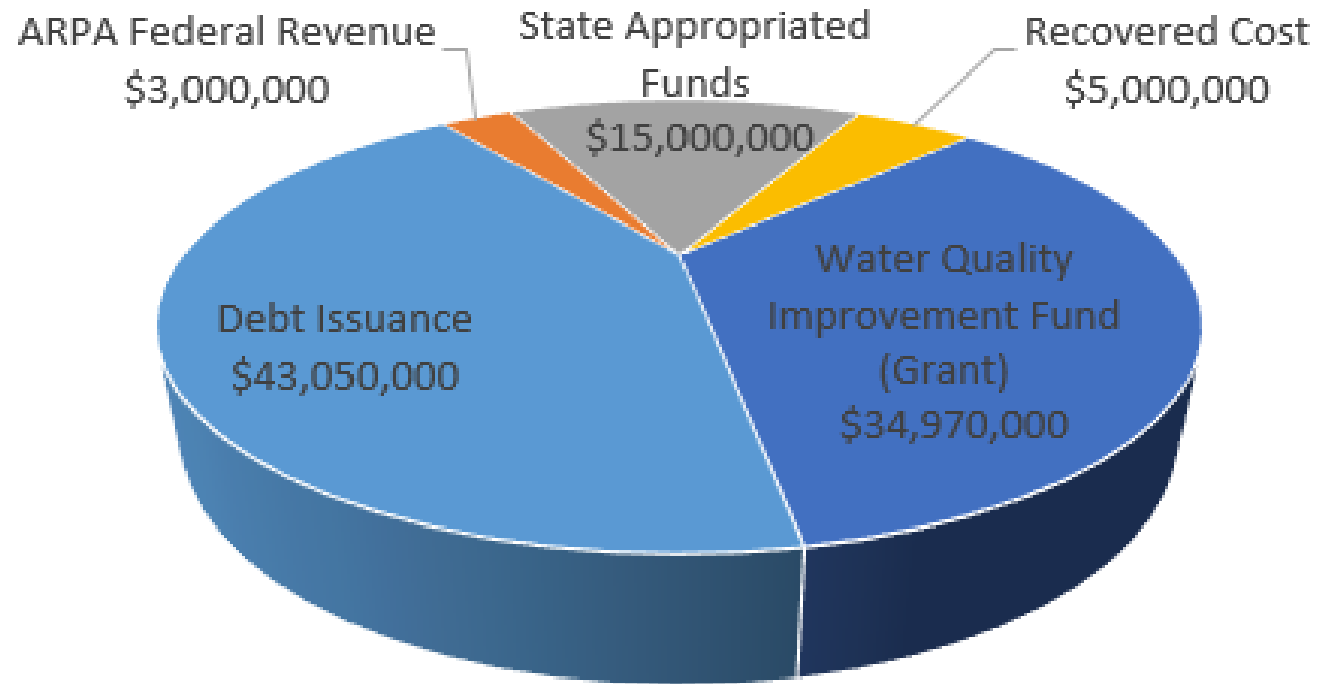
Operating Impact -- New Fire Station



FY 2023 CIP – Wastewater Treatment Plant Upgrade

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
Infrastructure	\$ 101,020,000	\$ -	\$ -	\$ -	\$ -	\$ 101,020,000
Engineering/Design	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
WWTP Influent Pump Station	\$ 18,518,519	\$ -	\$ -	\$ -	\$ -	\$ 18,518,519
WWTP Plant Upgrade & Expansion	\$ 81,501,481	\$ -	\$ -	\$ -	\$ -	\$ 81,501,481
Source	\$ 101,020,000	\$ -	\$ -	\$ -	\$ -	\$ 101,020,000
Debt Issuance	\$ 43,050,000	\$ -	\$ -	\$ -	\$ -	\$ 43,050,000
ARPA Federal Revenue	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000
State Appropriated Funds	\$ 15,000,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000,000
Recovered Cost	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000
Water Quality Improvement Fund (Grant)	\$ 34,970,000	\$ -	\$ -	\$ -	\$ -	\$ 34,970,000
Operating Impact	\$ 1,111,381	\$ 2,222,762	\$ 2,222,762	\$ 2,222,762	\$ 2,222,762	\$ 10,002,429
Operating Impact - Debt	\$ 1,111,381	\$ 2,222,762	\$ 2,222,762	\$ 2,222,762	\$ 2,222,762	\$ 10,002,429
Operating Impact - Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Impact - Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Impact - Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FY 2023 CIP – Wastewater Treatment Plant Upgrade



Sources

FCPS FY 2023 School Board Approved Budget:

Operating Fund Revenue Highlights:

- Increase in State funding (tentative - based on Governor Northam’s Proposed State Budget Dec 2021)
- Increase in City funding request of \$850,000

Operating Fund Expenditure Highlights:

- Focus on School Board Goal #1 Attract and Retain Excellent Staff and Teachers
- 6.5% Salary increase for all staff (partially supported by State funds)
- No new positions funded unless required for VDOE compliance
- Expand Preschool Programs
 - Increase contract length for Head Start teachers resulting in longer days for Head Start students
 - Increase Early Childhood Special Education enrollment

Special Revenue Fund ESSER Highlights:

- Continue to address learning loss and graduation rates
 - Fund extra duty instructional pay and short-term positions
 - Fund student support specialists
 - Maintain staff incentives for bus drivers and high-need teaching areas (math, SPED, world language)
 - Continue to offer expanded summer school
- Replace HVAC at LES and W-GMS
- Install double learning cottage at W-GMS

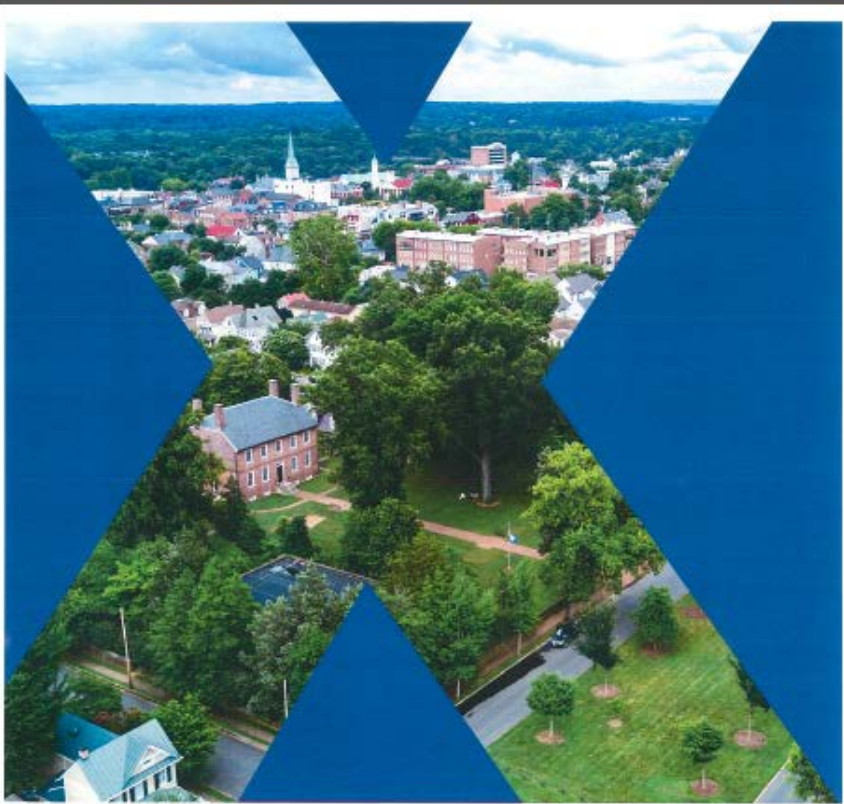
Proposed Operating Fund Revenue	
Local Revenue	\$ 328,925
State Revenue	22,049,077
Locality Funding	30,899,266
Use of Fund Balance	1,000,000
Total Operating Fund Expenditures	\$ 54,277,268
Proposed Operating Fund Expenditures	
Human Capital	\$ 47,326,831
Professional Services	1,679,725
Maintenance & Repairs	1,967,664
Supplies	1,476,120
Capital Assets	854,800
Contingency & Debt Service	972,128
Total Operating Fund Expenditures	\$ 54,277,268

Upcoming Budget Meetings

March 22, 2022	5:30 p.m.	Budget Work Session	FY 2023 Budget Discussion
March 24, 2022	7:00 p.m.	Joint Work Session with Schools	Schools Construction Interim Agreement
March 29, 2022	6:00 p.m.	Special Budget Work Session	FY 2023 Budget Discussion
April 5, 2022	6:00 pm	Joint Work Session with Schools	FY 2023 Budget Discussion
April 12, 2022	5:30 pm	Budget Work Session	FY 2023 Budget Discussion
April 19, 2022	6:00 pm	Budget Work Session	FY 2023 Budget Discussion
	7:00 pm	FY 2023 Budget Public Hearing	FY 2023 Budget Discussion
April 26, 2022	5:30 pm	Budget Work Session	FY 2023 Budget Discussion
	7:30 pm	Regular Session	1 st Reading of the FY 2023 Budget
May 10, 2022	7:30 pm	Regular Session	2 nd Reading of the FY 2023 Budget

Thank you

Questions?



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