

FY2019 Budget Overview & Multi-Year Budget *Fiscal Years 2019-2023*

March 6, 2018

Agenda

- ❖ Current Year FY2018 Projection
- ❖ Overview of FY2019 Budget Planning
- ❖ Impacts of Financial System Simplification
- ❖ 5-Year Revenue & Expenditure Forecast
- ❖ Managing Long-term Challenges
 - Focus on CIP Funding

FY2018 Projection

FY2018 General Fund Projection

Revenue Surplus	\$1,700,000
Expenditures Savings:	
Personnel	860,000
Non-Personnel	<u>830,000</u>
Total Projected Savings	\$3,390,000
Commitment FY2019 CIP	<u>(1,250,000)*</u>
Projected Year-End Surplus	<u><u>\$2,140,000</u></u>

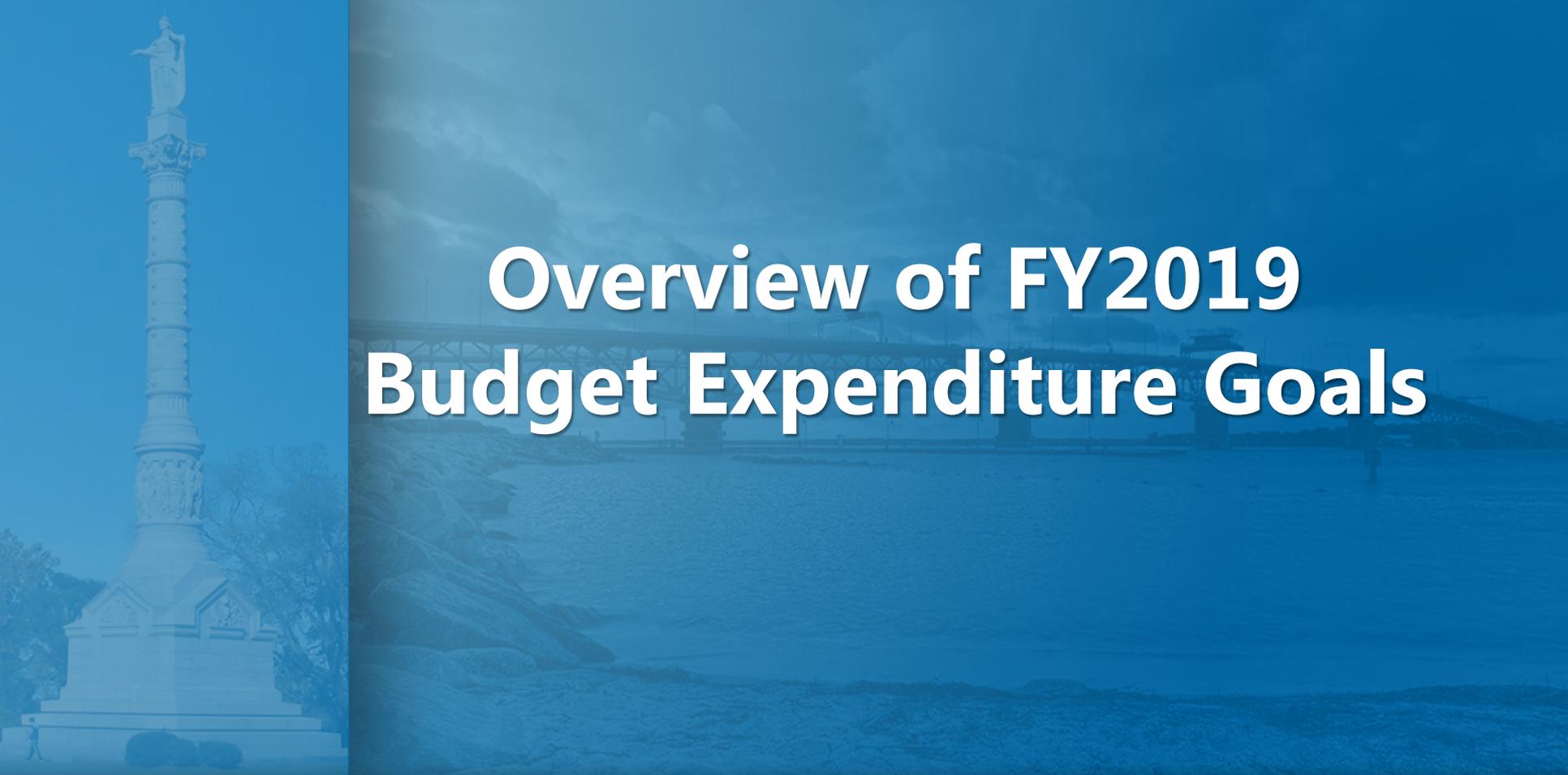
FY2019 Revenues

FY2019 Preliminary Revenue Outlook

2.20% Increase

Revenues

Real Estate	\$ 460,000
Public Service Corp. (Power Plant - Reverse \$800,000)	1,020,000
Personal Property	(400,000)
Occupational Licenses	420,000
State	280,000
Sales, Lodging, and Meals	680,000
Other Taxes & Fees	<u>540,000</u>
Available Growth in General Fund Revenues	<u>\$ 3,000,000</u>



Overview of FY2019 Budget Expenditure Goals

Building the FY2019 Budget

Starts with the Board's Strategic Priorities

1. Quality Economic Development
2. Effective Outstanding Communications and Civic Engagement
3. Excellent Customer Service
4. Quality Educational Opportunities
5. Exemplary Public Safety
6. Environmental Stewardship

FY2019's Budget Emphasis

Schools

Public Safety

CIP - County & Schools

- **Quality Economic Development**
- **Effective Outstanding Communications and Civic Engagement**
- **Excellent Customer Service**
- **Quality Educational Opportunities**
- **Exemplary Public Safety**
- **Environmental Stewardship**

Compensation & Benefits

Salary Increase:

2% General Salary Increase

+ \$750 for Employees Earning Less than \$100,000

Range 4.5% for lowest paid employee to 2%

Health Insurance:

Employees' Costs Frozen

Employer's Costs - 2.5% Annualized Increase

- Excellent Customer Service
- Exemplary Public Safety

New Positions

- 4 Fire & Life Safety (6 positions Safer Grant)
- 2 Sheriff Deputies
- 1 Assistant County Attorney
- 1 Administrative Assistant in Information Technology

- Excellent Customer Service
- Exemplary Public Safety

FY19 Expenditure Highlights

Schools Contributions (Working Number)	\$ 1,500,000
County Employees' Compensation Increases	1,200,000
Health Insurance	200,000
Public Safety	600,000
Debt Service Commitment (Payoff of Debt)	(300,000)
Various Regional Support and Operational Costs	?
Internal Savings	?
Increase in CIP Funding ?????	<u>1,000,000</u>
Available for Expenditure Increases	<u>\$ 3,000,000</u>

The background of the slide features a blue-tinted photograph of a river with a bridge in the distance. On the left side, there is a tall, ornate monument with a statue on top. The text is overlaid on the right side of the image.

Impacts of Financial Simplification New Financial System

Financial Management System Implementation

- July 1, 2018, Financial Module Goes Live
- FY2019 Budget Built Around New Structure



Some Enhancements are Behind the Scenes and
Some You will See in the Budget

Financial System Enhancements

A Few Differences

Changes	Positive Impacts
Elimination of General Fund pass-throughs: <ul style="list-style-type: none">• Meals Taxes dedicated to sewer projects• Lodging Taxes dedicated to tourism fund	Increases in General Fund Revenues no longer require reduction for revenues dedicated to another fund
Elimination of Carryover Fund	General Fund year-end balances appropriated to specific funds with final balance appropriated to capital projects
Multi-year CIP appropriation available for project managers	No longer a delay in posting CIP carryovers resulting in enhanced project management

Financial System Enhancements

A Few More Differences

Changes	Positive Impacts
New Grant Fund	Non-personnel or non-recurring grants will no longer distort general fund revenues
New Information Technology Fund	Enhanced multi-year project process resulting in elimination of general fund carryover process. Enhanced year-end reserve management.

New Information Technology Internal Service Fund

Components of Allocated Costs:

Maintenance & Software	\$ 447,000
Computers & Phone Hardware	396,000
Network Hardware, Security & Circuits	<u>381,000</u>
Information Technology Users Costs	<u>\$1,224,000</u>

5-Year Financial Plan

Building Our Multi-Year Plan

**Our 4th Year for
Revenue
Forecasts**



**York County
Five-Year Revenue Forecast
FY2019-FY2023
March 6, 2018**



America's Future Since 1781

York County

**York County
Five-Year Revenue Forecast
FY2018-FY2022
March 7, 2017**



America's Future Since 1781

York County

**York County
Five-Year Revenue Forecast
FY2017-FY2021
January 15, 2016**



America's Future Since 1781

York County

**York County
Five-Year Revenue Forecast
FY2016-FY2020
January 30, 2015**

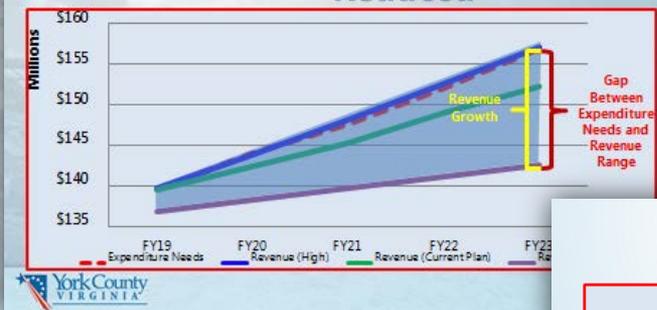


America's Future Since 1781

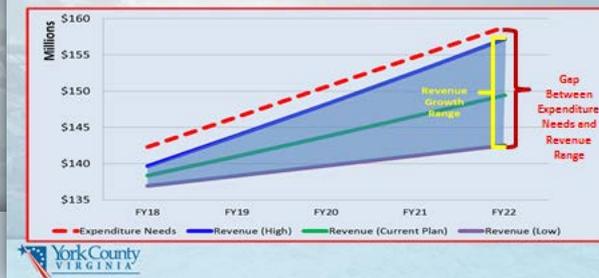
York County

Focus on Developing Multi-Year Expenditure Forecast

5-Year Plan Expenditure Gap is Reduced



Last Year's 5-Year Plan Expenditure Needs Exceed Projected Revenues



Expenditures 5 Year Projection

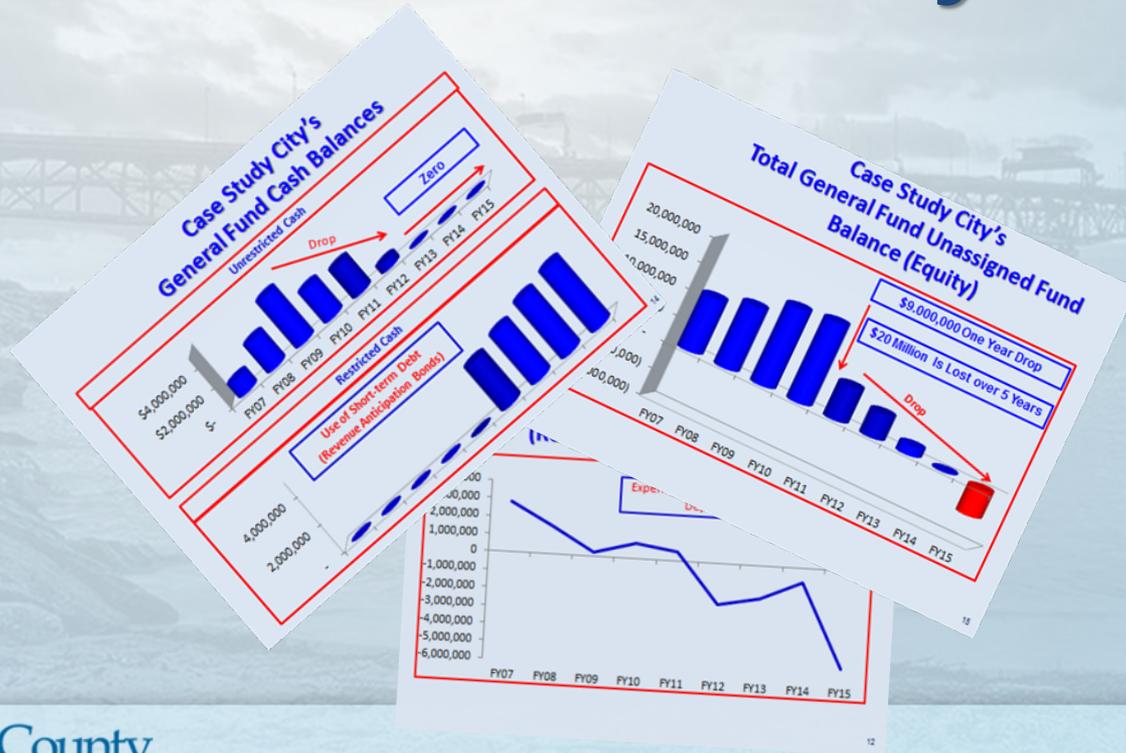


Why Is a Multi-Year Financial Plan Important

Objectives:

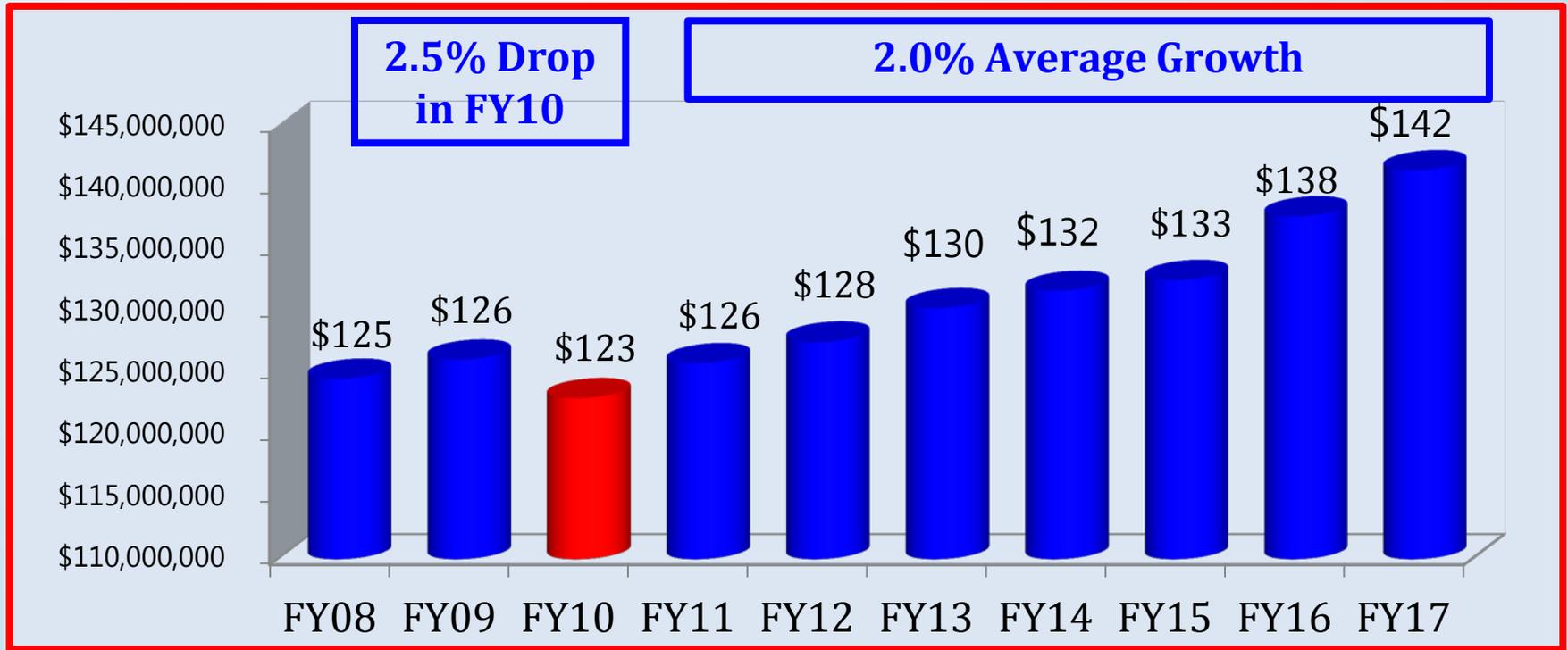
- Maintain Financial Stability Over the Long Term
- Identify Current Trends and Future Challenges
- Provide **Board** and Senior Management with Information:
 - For Multi-Year Planning to Reduce Risk of Being Reactive (Identify Future Risks and Prepare to Respond)
 - **To Demonstrate How Decisions Made Today Impact on the Future**
- Encourage Consistency and Financial Integrity
- Demonstrate Strong Fiscal and Operational Management
- Long-term Plan and Policy are One Key to **Bond Rating**

Learning from the City in Crisis Case Study



5-Year Revenue Forecast

Total General Fund Revenues

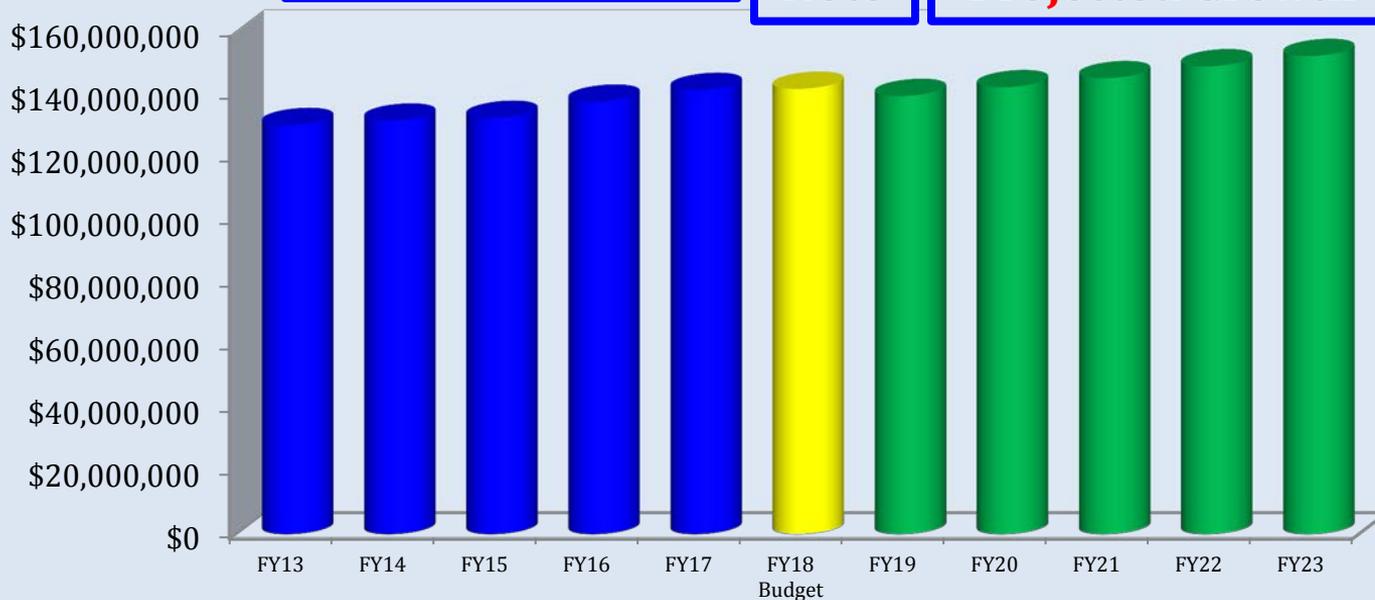


Total General Fund Revenues 5-Year Projection

2.1% Average

**See
Note**

**2.2% Average
Projected Growth**



**FY19
Revenues are
Projected to
Increase by
2.2%.**

The Graph's Drop from FY18 to FY19, is Due to the New Financial System. Revenues Previously Passing Through the General Fund have been Removed.

Financial Simplification

FY2018's Adopted Budget	\$141,889,500
Less Revenues Budgeted in Other Funds:	
Meals (50% Sewer Funds)	(3,100,000)
Lodging (60% Tourism)	<u>(2,220,000)</u>
FY2018's Budget for Comparisons	<u>\$136,569,500</u>

Preliminary General Fund Revenue Increase

FY2018's Budget (restated)	\$136,569,500
FY2019's Revenues	<u>139,582,000</u>
Estimated Increase in Revenues	<u>\$ 3,012,500</u>
Estimated Percentage Increase	2.2%

Significant Factors Impacting on Revenue Budget

- ❖ Power Plant (Public Service Corp)
 - ❖ FY19 - \$1,000,000 increase
 - ❖ FY20 & FY21 - \$400,000/year decrease
 - ❖ FY23 - \$200,000 decrease
- ❖ Decrease in Personal Property Budget (\$400,000)
- ❖ Increase Interest Income (Other) – Higher Interest Rates
- ❖ Positive Trend in Occupational Licenses
- ❖ Positive Trends in Consumer Taxes (Sales, Meals & Lodging)

Understanding the Past 12 Years

Shift in Real Estate and Personal Property Funding for General Fund (FY07 = 53%, FY19's Budget = 62%)

- **State**
 - FY07 = 12%, FY19's Budget = 10%
- **Occupational Licenses**
 - Have Not Returned to Pre-Recession Level of \$6.6 Million
- **Permits and Regulatory Fees**
 - 55% Drop During Recession
 - Remains 150,000 (18%) Below FY08
 - Optimistic Revenue Forecast – New Construction in Pipeline

Understanding the Past 10 Years

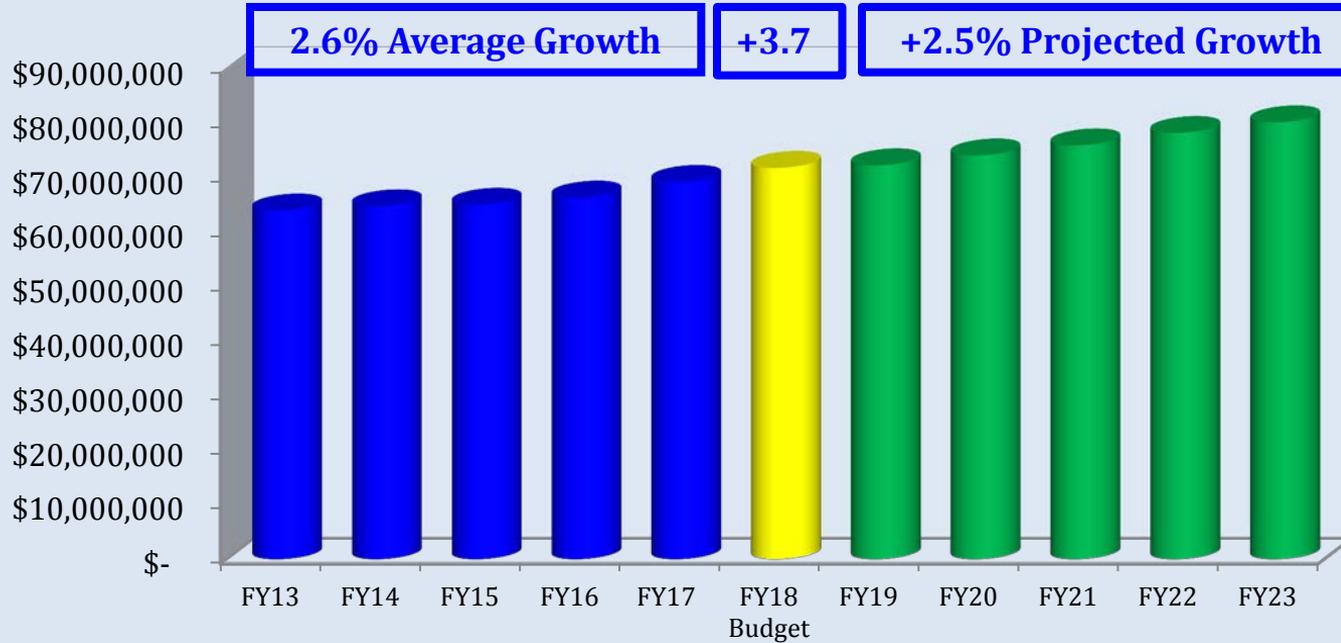
- **Sales Taxes**

- 10% Drop During Recession
- Only Restored to Pre-Recession Level in FY16
- FY15 & FY16 Strong Growth with FY17 Leveling at 1% Growth, FY18 to Date at 1%
- **Watching – Internet Sales Risk**

Summary Chart – Increases (Decreases) to FY19 Budget – **2.2% Growth**

	Revenue:	FY2018 Restated	FY2019	Change	% Change
1	Real Estate	\$ 71,769,000	\$ 72,230,000	\$ 461,000	0.6%
2	Public Service Corporation	2,476,000	3,500,000	1,024,000	41.4%
3	Personal Property Taxes	14,700,000	14,300,000	(400,000)	-2.7%
4	State - PPTRA	8,742,000	8,742,000	-	0.0%
5	State - Other	4,925,000	5,200,000	275,000	5.6%
6	Sales Tax	9,577,000	10,000,000	423,000	4.4%
7	Occupational Licenses	6,150,000	6,570,000	420,000	6.8%
8	Motor Vehicle Licenses	1,595,000	1,600,000	5,000	0.3%
9	Lodging	1,480,000	1,550,000	70,000	4.7%
10	Meals Taxes	3,100,000	3,290,000	190,000	6.1%
11	Permit Fees and Regulatory Licenses	750,000	800,000	50,000	6.7%
12	Charges for Services	2,103,000	2,235,000	132,000	4.6%
13	Other (Everything Else)	9,202,500	9,565,000	362,500	4.3%
	Total Revenues	\$136,569,500	\$139,582,000	\$3,012,500	2.2%

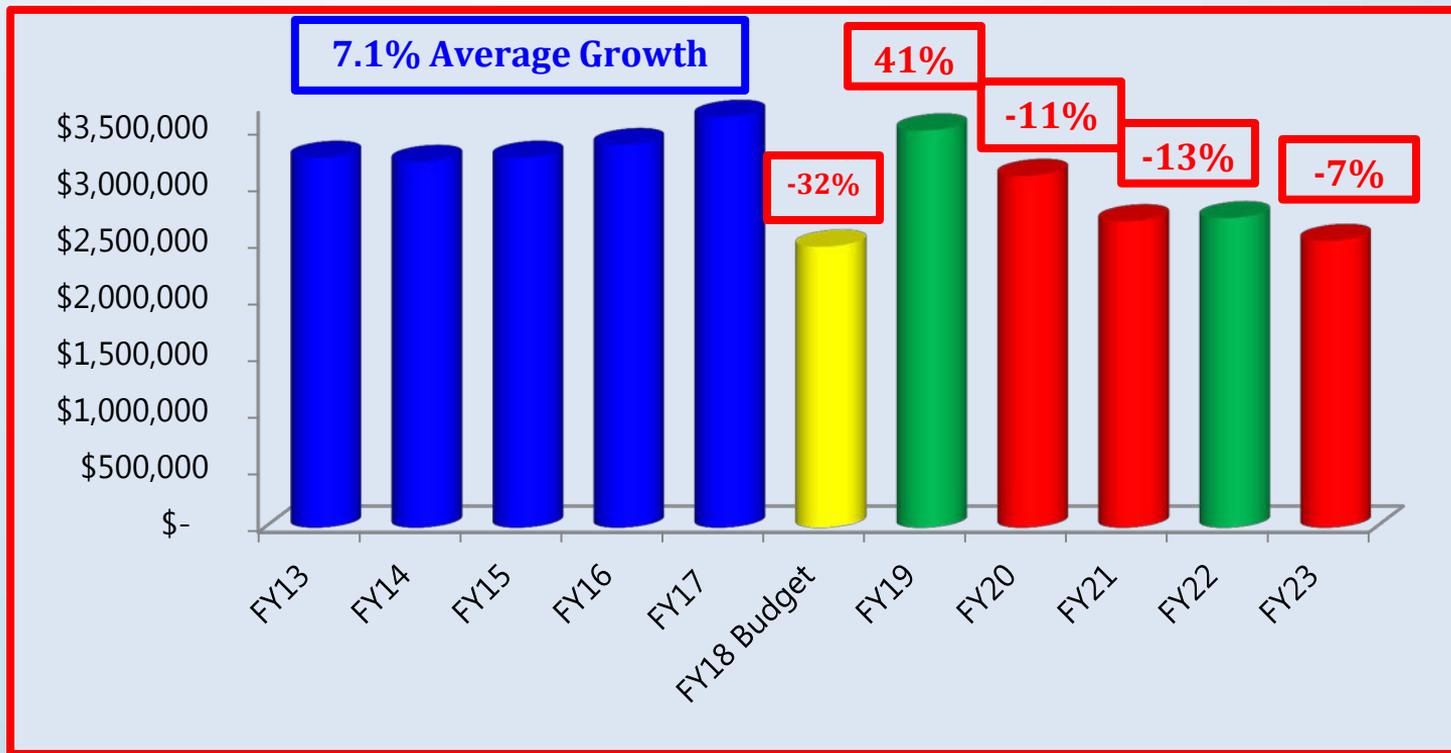
Real Estate Revenues 5-Year Projection



While Reassessment Growth Occurs Biennially, Each Fiscal Year is Impacted Due to the Timing of Billings.

This Projection Reflects .5 to .7% New Construction Growth, and a Range of 4% to 5% Biennial Growth.

Public Service Tax Revenues 5-Year Projection



The Impact of Dominion Power Shutting Down 2 Coal-Fired Power Generation Units Included a Projected Revenue Reduction of \$200,000 in FY17 and \$600,000 in FY18.

Due to the Delay, the \$800,000 has been Added Back to FY19 with \$400,000 Reductions in FY20 & FY21. The Timing for Retiring the Oil Unit is Anticipated to be in FY23 with the Impact Expected to Reduce Revenues by an Additional \$200,000.

FY2019's Budget Reflects a Reprieve from the Initial Plan.

Personal Property Revenues 5-Year Projection

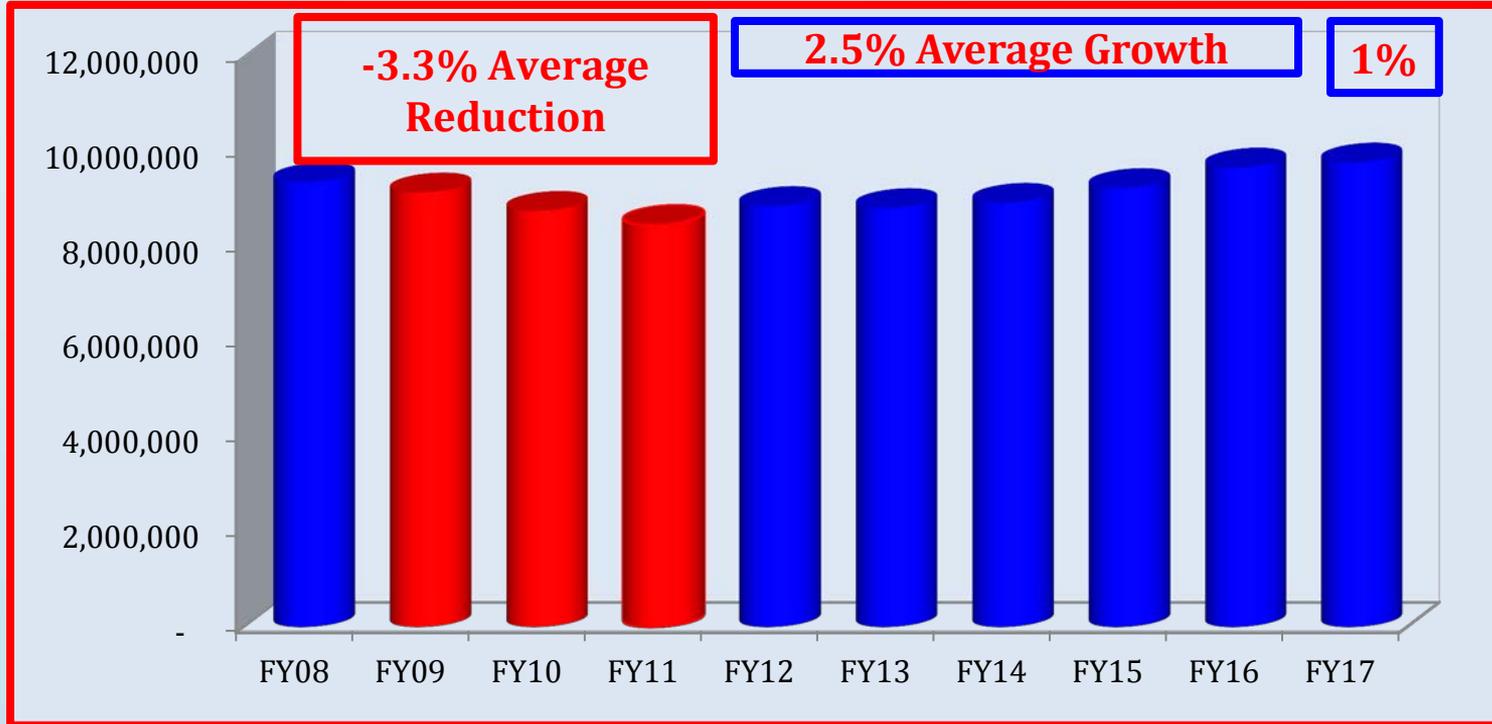


FY2016 Experienced an Unusually High Increase of 15.3%, Followed in FY17 by a 0.6% Reduction as Vehicles Purchased in the Prior Year Depreciated.

FY2019's Budget is Projected to Decrease by \$400,000 (2.7%) Due to Expected Continuing Depreciation.

Note: \$500,000 of the growth in FY16 related to a nonrecurring collection of prior year taxes.

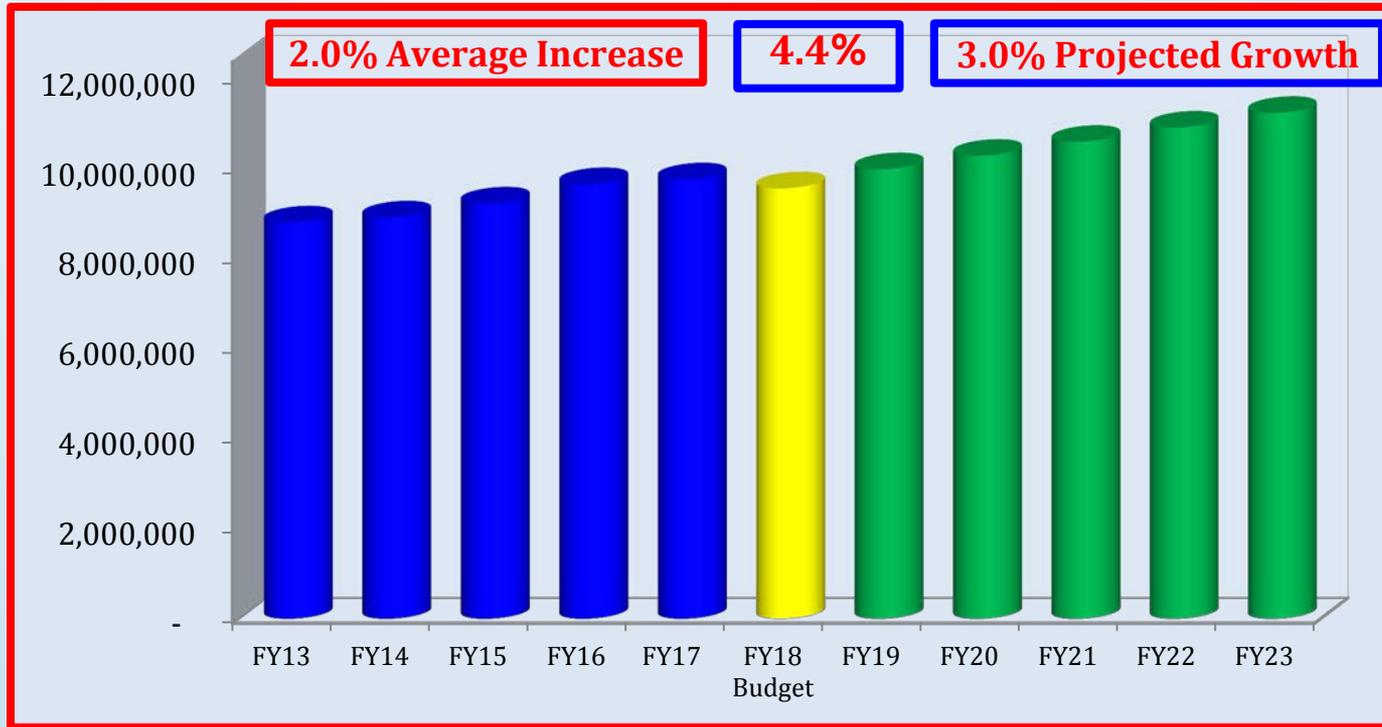
Actual Sales Tax Revenues



Revenues Returned to the FY08 Level in FY16.

Since Hitting the Bottom in FY11, Revenues have Increased by \$1,300,000. However, FY17 Only Experienced a 1% Increase

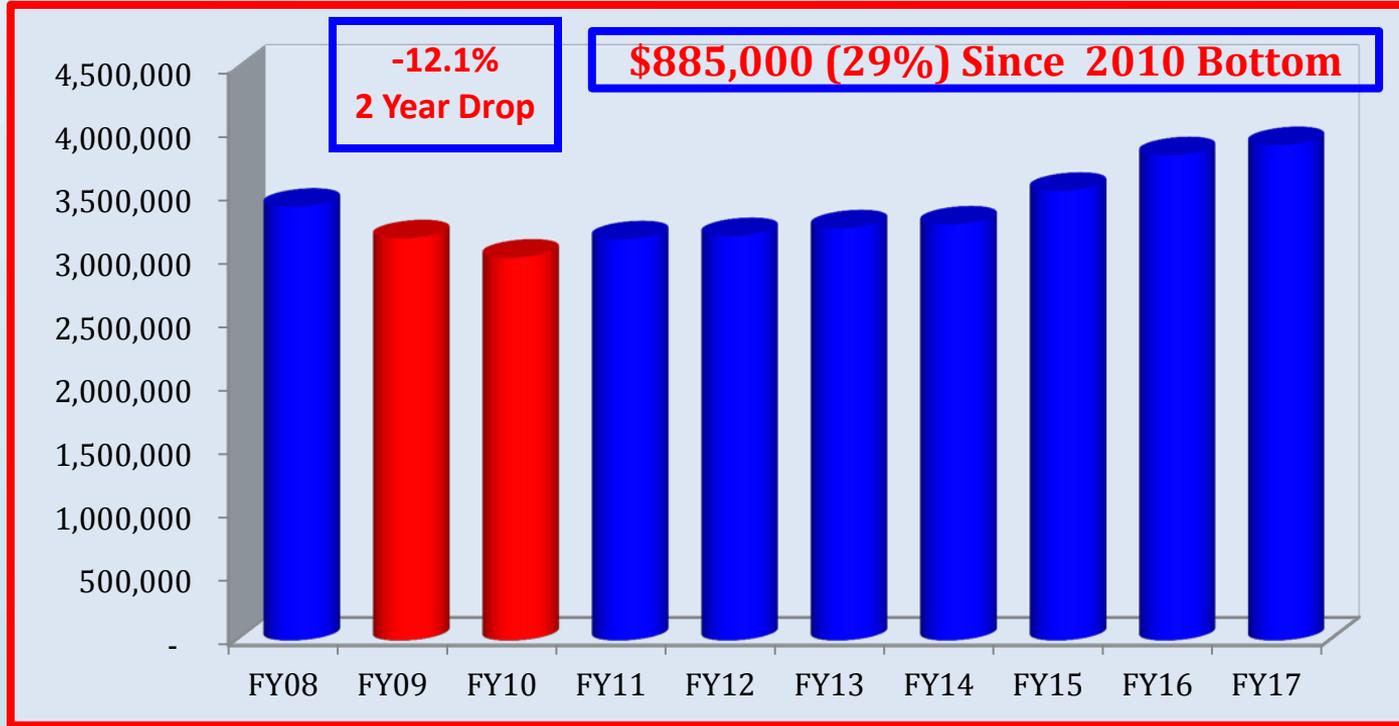
Sales Taxes 5-Year Projection



Sales Tax Revenues are Highly Volatile and Subject to the Higher Risk of Lost Revenue Related to Internet Sales.

However, Since Hitting the Bottom in FY2011, the Trend has been Favorable, and the Economy is Expected to be Strong Over the Next Several Years.

Actual Lodging Taxes



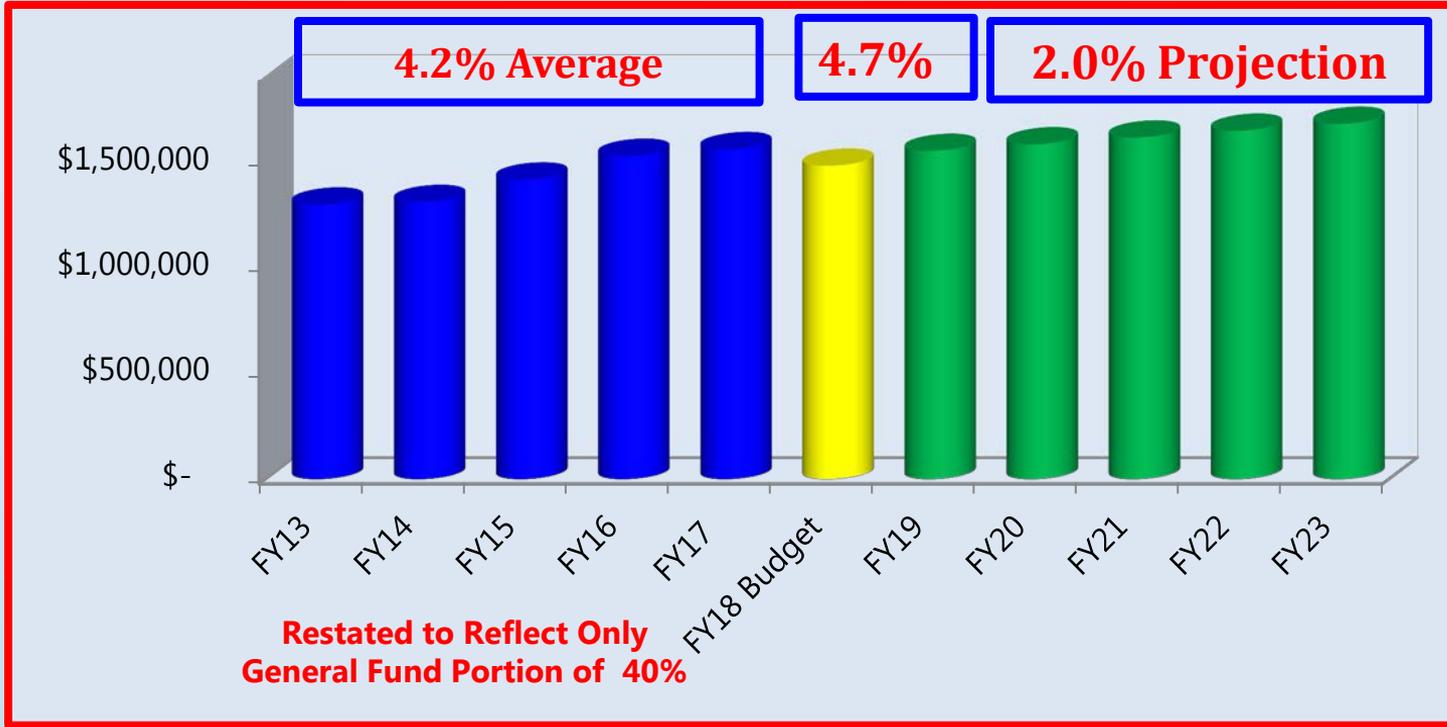
FY08's Revenues were High Due to the Jamestown 400-Year Anniversary Celebration

Steady Average Growth Since 2010 = 3.8%

Extraordinary Growth in FY15 (8.1%) & FY16 (7.9%)

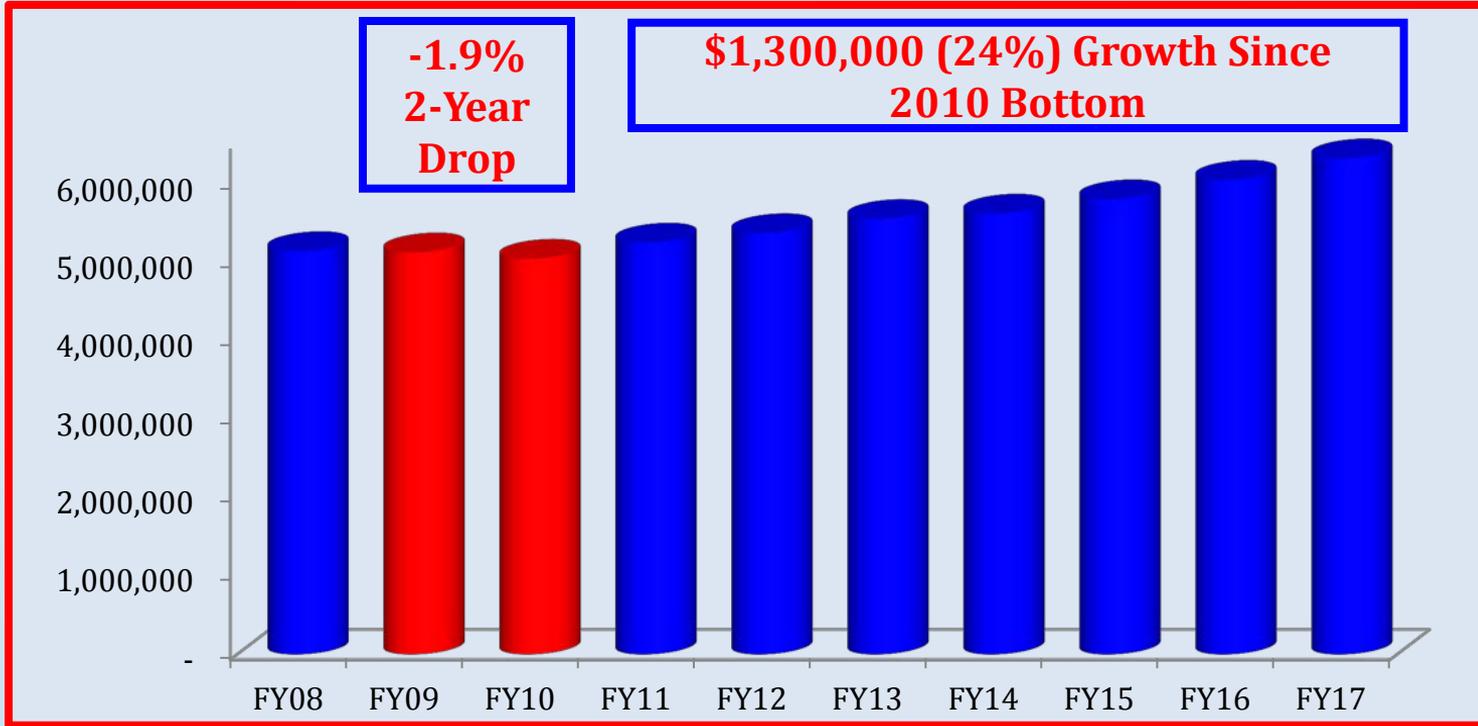
Lodging Taxes

5-Year Projection – Positive News



The Increase in Lodging Taxes Revenues is a **Positive Economic Indicator** that Tourists Continue to Visit the Historic Triangle.

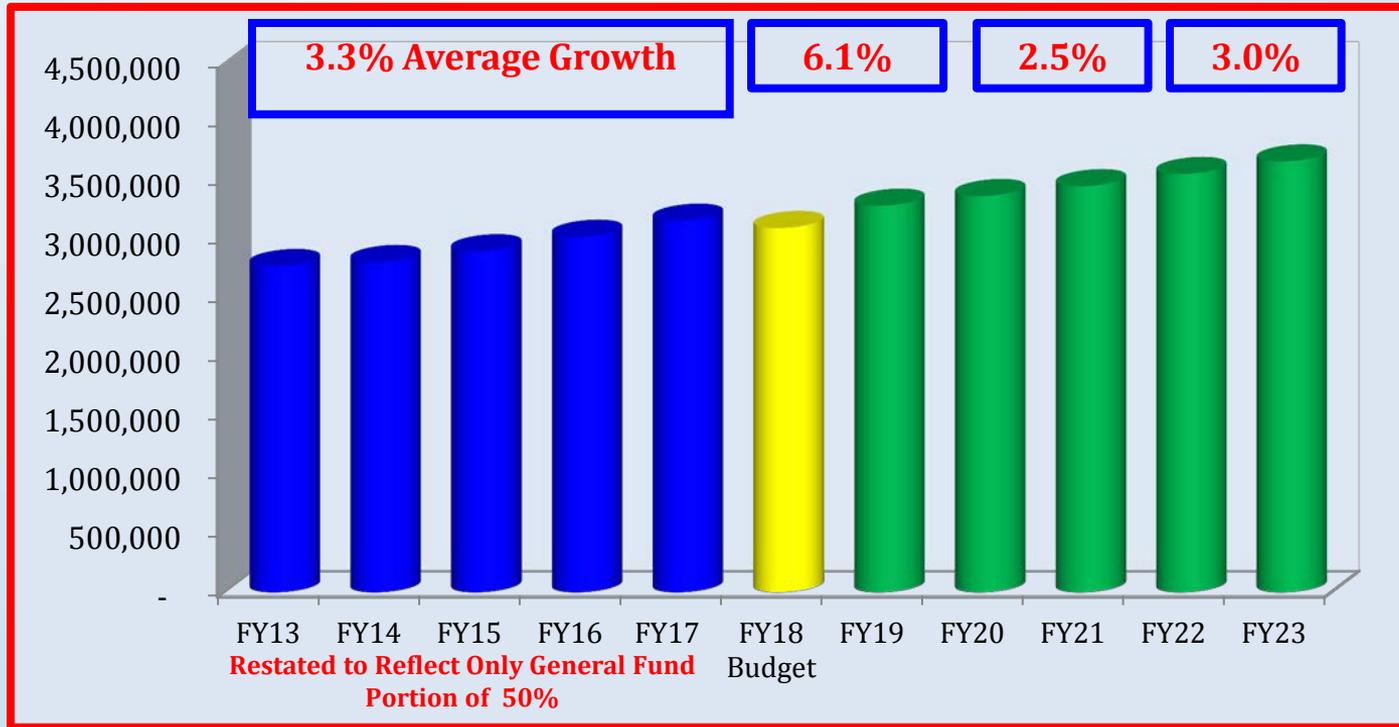
Actual Meals Taxes



Steady Growth Since 2010.

Average Growth Since 2010 = 3.3%

Meals Taxes 5-Year Projection



The Continuous Increase in Meals Tax Revenues is a **Positive Economic Indicator** that Citizens and Tourists have **Discretionary Income to Dine Out.**

Developing the Multi-Year Model

Snapshot of 5-Year Revenue Forecast

		FY2018 Current Year Budget		Proposed Budget FY2019	FY2020	FY2021	FY2022	FY2023
Revenues:								
Real Estate	53%	71,769,000	52%	72,230,000	74,036,000	75,887,000	78,164,000	80,118,000
Public Service Corporation	2%	2,476,000	3%	3,500,000	3,100,000	2,700,000	2,727,000	2,527,000
Personal Property Taxes	11%	14,700,000	10%	14,300,000	14,729,000	15,171,000	15,626,000	16,095,000
State - PPTRA	6%	8,742,000	6%	8,742,000	8,742,000	8,742,000	8,742,000	8,742,000
State - Other	4%	4,925,000	4%	5,200,000	5,252,000	5,305,000	5,358,000	5,412,000
Sales Tax	7%	9,577,000	7%	10,000,000	10,300,000	10,609,000	10,927,000	11,255,000
Occupational Licenses	5%	6,150,000	5%	6,570,000	6,701,000	6,835,000	6,972,000	7,111,000
Motor Vehicle Licenses	1%	1,595,000	1%	1,600,000	1,608,000	1,616,000	1,624,000	1,632,000
Lodging	1%	1,480,000	1%	1,550,000	1,581,000	1,613,000	1,645,000	1,678,000
Meals Taxes	2%	3,100,000	2%	3,290,000	3,372,000	3,456,000	3,560,000	3,667,000
Permit Fees and Regulatory Licenses	1%	750,000	1%	800,000	824,000	849,000	874,000	900,000
Charges for Services	3%	2,103,000	2%	2,235,000	2,280,000	2,326,000	2,373,000	2,420,000
Other (Everything Else)	7%	9,202,500	7%	9,565,000	9,852,000	10,148,000	10,452,000	10,766,000
Total Revenues		136,569,500		139,582,000	142,377,000	145,257,000	149,044,000	152,323,000
Total Increase				3,012,500	2,795,000	2,880,000	3,787,000	3,279,000
Projected Annual Increase				2.2%	2.0%	2.0%	2.6%	2.2%

Developing Multi-Year Model

Assumptions for 5-Year Revenue Forecast

	FY2019	FY2020	FY2021	FY2022	FY2023
Assumptions:					
Revenues:					
Real Estate	0.6%	2.5%	2.5%	3.0%	2.5%
Public Service Corporation	41.4%	-11.4%	-12.9%	1.0%	-7.3%
Personal Property Taxes	-2.7%	3.0%	3.0%	3.0%	3.0%
State - PPTRA	0.0%	0.0%	0.0%	0.0%	0.0%
State - Other	5.6%	1.0%	1.0%	1.0%	1.0%
Sales Tax	4.4%	3.0%	3.0%	3.0%	3.0%
Occupational Licenses	6.8%	2.0%	2.0%	2.0%	2.0%
Motor Vehicle Licenses	0.3%	0.5%	0.5%	0.5%	0.5%
Lodging	4.7%	2.0%	2.0%	2.0%	2.0%
Meals Taxes	6.1%	2.5%	2.5%	3.0%	3.0%
Permit Fees and Regulatory Licenses	6.7%	3.0%	3.0%	3.0%	3.0%
Charges for Services	6.3%	2.0%	2.0%	2.0%	2.0%
Other (Everything Else)	3.9%	3.0%	3.0%	3.0%	3.0%
Total Revenues	2.2%	2.0%	2.0%	2.6%	2.2%

5-Year Expenditure Forecast

Summary of Expenditure Increases (Decreases)

FY19 Budget – 2.2% Growth

	Expenditures:	FY2018 Restated	FY2019	Change	% Change
1	Schools	\$52,987,000	\$ 54,487,000	\$ 1,500,000	2.8%
2	Salaries	43,370,000	44,570,000	1,200,000	2.8%
3	Health Insurance & Dental	6,488,500	6,651,000	163,000	2.5%
	Operations & Regional				
4	Organizations	22,308,000	21,733,000	(575,000)	-2.6%
5	CIP Pay-As-You-Go Funding	1,250,000	2,300,000	1,050,000	84.0%
6	Debt Service	<u>10,166,000</u>	<u>9,841,000</u>	<u>(325,000)</u>	-3.2%
	Total Expenditures	<u>\$136,569,500</u>	<u>\$139,582,000</u>	<u>\$ 3,013,000</u>	

Developing the Five-Year Expenditure Model

		FY2018		Proposed				
		Current Year		Budget				
		Budget		FY2019	FY2020	FY2021	FY2022	FY2023
Expenditures:								
Schools	39%	52,987,000	39%	54,487,000	55,577,000	56,689,000	57,823,000	58,979,000
Salaries	32%	43,370,000	32%	44,570,000	45,461,000	46,370,000	47,297,000	48,243,000
Health Insurance & Dental	5%	6,488,500	5%	6,651,000	7,183,000	7,758,000	8,379,000	9,049,000
Operations & Regional								
Organizations	16%	22,308,000	16%	21,733,000	21,950,000	22,170,000	22,392,000	22,616,000
CIP Pay-As-You-Go	1%	1,250,000	2%	2,300,000	2,400,000	2,500,000	2,600,000	2,700,000
Debt Service	7%	10,166,000	7%	9,841,000	11,386,000	12,181,000	13,639,000	15,273,000
Total Expenditures		136,569,500		139,582,000	143,957,000	147,668,000	152,130,000	156,860,000
Total Revenues				139,582,000	142,377,000	145,257,000	149,044,000	152,323,000
Surplus (Shortfall)				-	(1,580,000)	(2,411,000)	(3,086,000)	(4,537,000)



Managing Long-Term Challenges

Challenges for FY2020 & Beyond

- Continued Growth in Funding Needs for Education and Public Safety
- Ability to Pay for CIP Needs
- Closure of Power Plant
- Weak Regional Economy
- Next Recession

“Virginia local governments are at a crossroads. Should another recession arrive in the near future, Virginia local governments appear to be in an especially vulnerable position given that many of them are still feeling the squeeze of the Great Recession.”

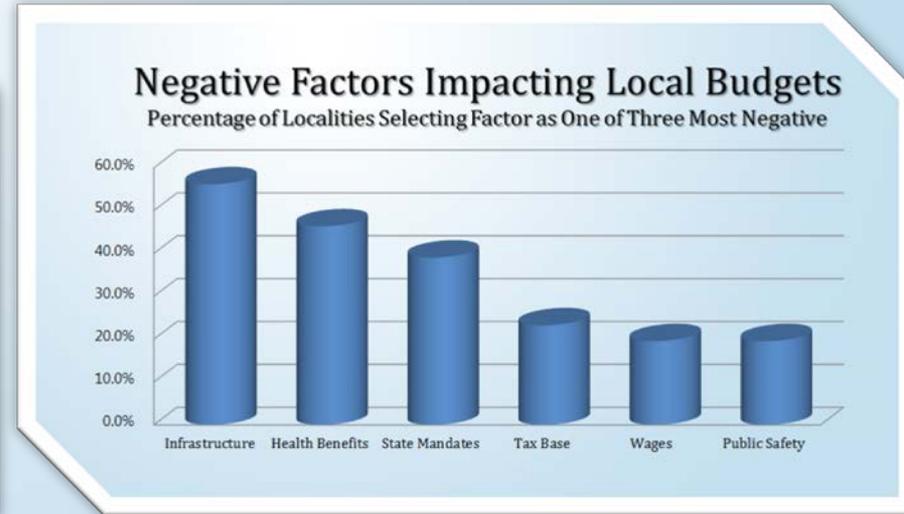
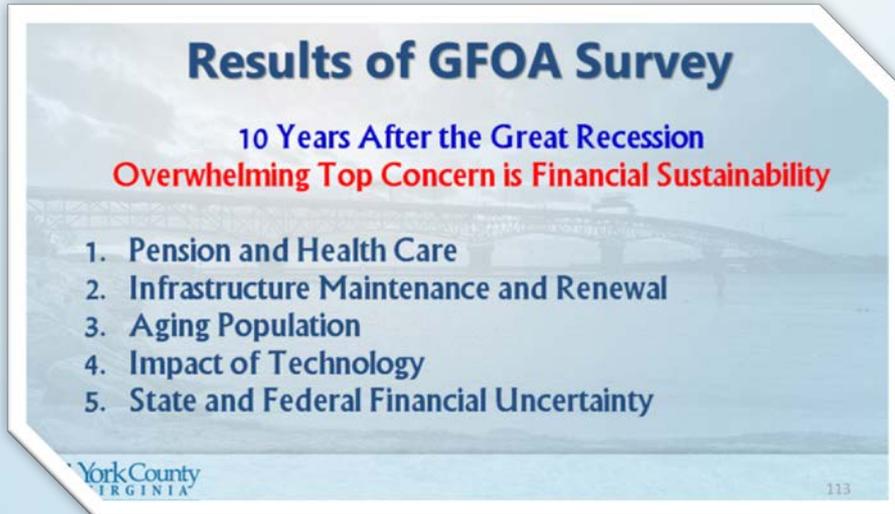
Source: Virginia Town & Cities Magazine, February 2018
*“Feeling the squeeze local governments struggle to keep pace
with service and infrastructure needs”*

Our Challenges are Shared with Others

National & State Study Results

Board Retreat – National Study *

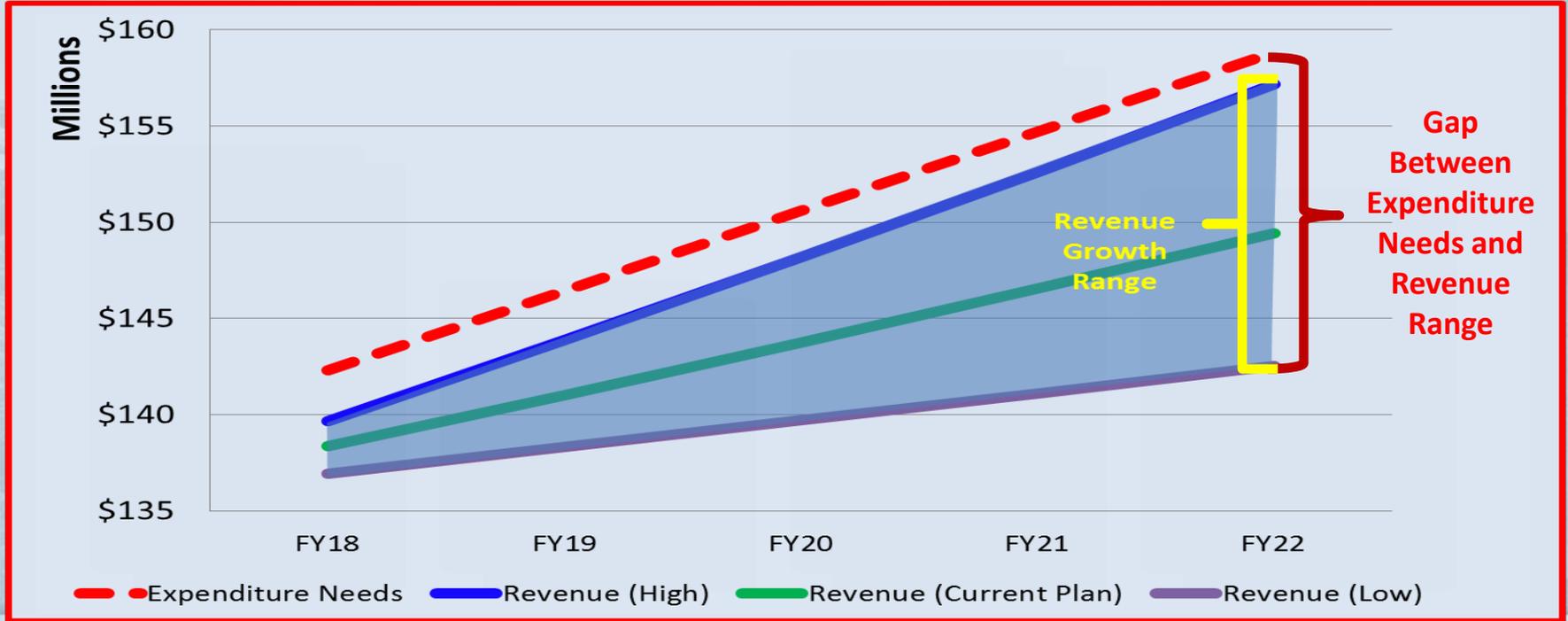
State Study **



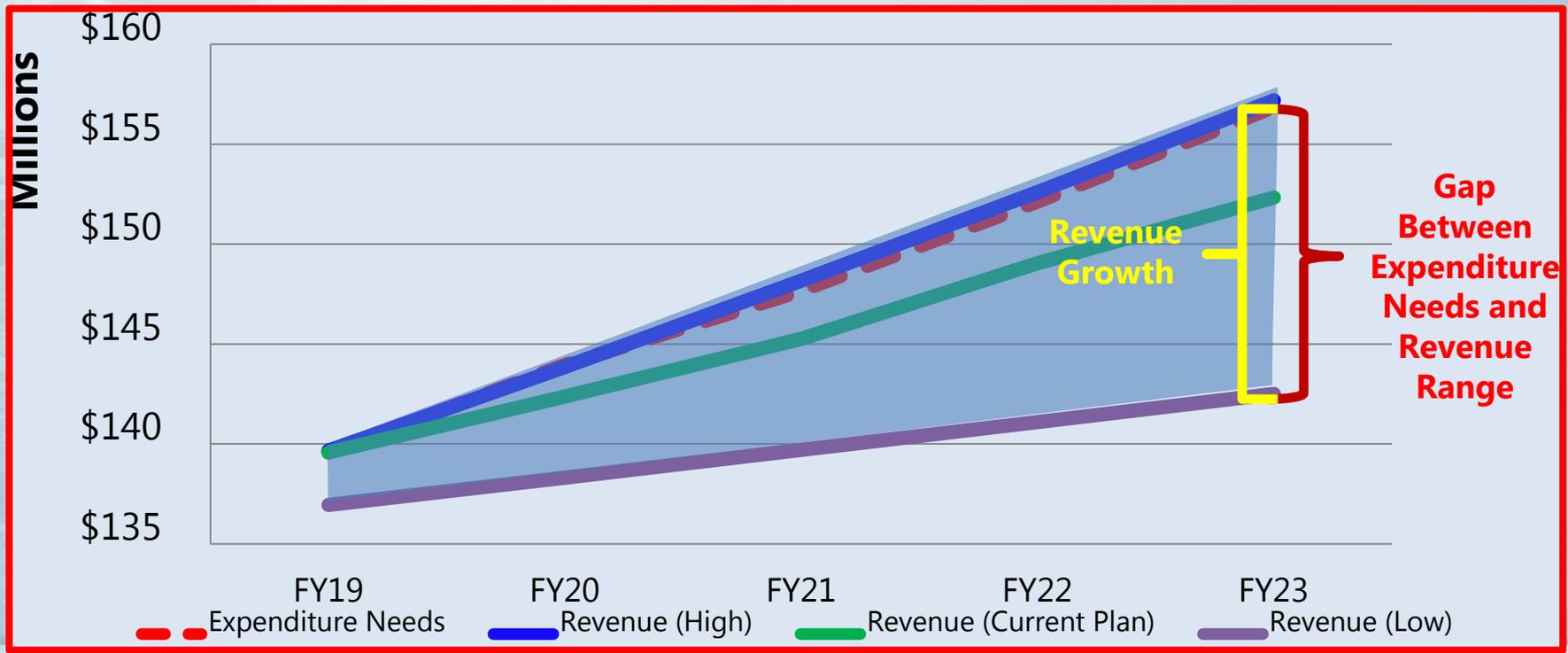
* Government Finance Officers Association survey

**VML/VACo Finance study, Feb. 2018 Virginia Town & City Magazine.

Last Year's 5-Year Plan Expenditure Needs Exceed Projected Revenues



5-Year Plan Expenditure Gap is Reduced



Plan for Funding - FY 2019 to 2024 CIP

Pay-As-You-Go Funding from Operating Transfer, Carryovers, Grants, and Use of Reserves

	2019	2020	2021	2022	2023	2024	Total	% Total
COUNTY	5,590,000	4,785,000	4,483,000	5,352,000	4,880,000	3,531,000	28,621,000	43%
SCHOOLS	450,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,450,000	8%
TOTAL	6,040,000	5,785,000	5,483,000	6,352,000	5,880,000	4,531,000	34,071,000	25%

Planned Debt Financing

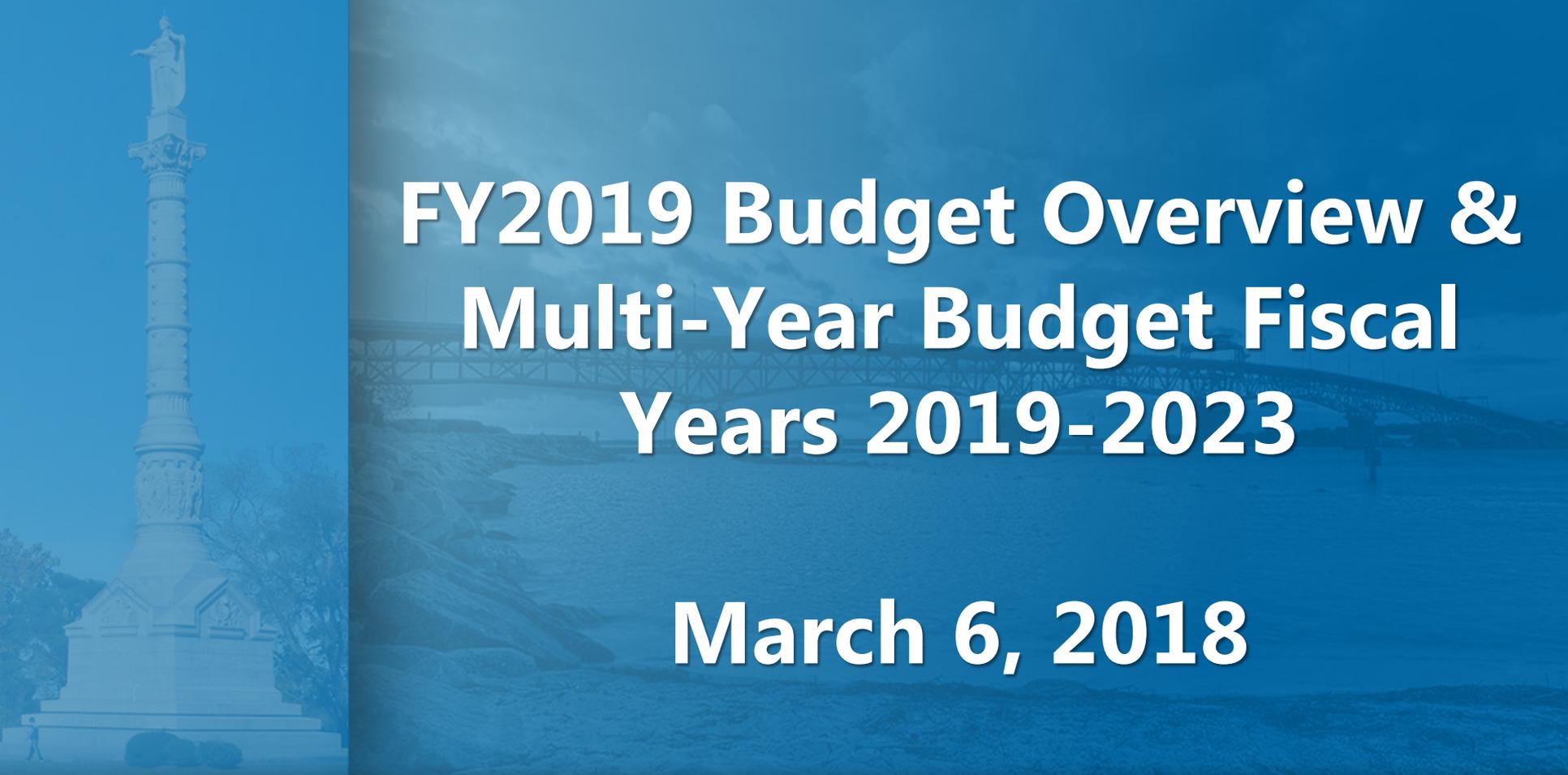
	2019	2020	2021	2022	2023	2024	Total	% Total
COUNTY	1,450,000	6,950,000	1,900,000	16,000,000	980,000	10,920,000	38,200,000	57%
SCHOOLS	8,550,000	16,500,000	14,000,000	8,000,000	8,000,000	8,000,000	63,050,000	92%
TOTAL	10,000,000	23,450,000	15,900,000	24,000,000	8,980,000	18,920,000	101,250,000	75%

Amounts financed will be reduced by School Projects not eligible for 20-year bond financing.

Increased CIP Funding and Debt Service

Cumulative General Fund Expenditure Increases

	2019	2020	2021	2022	2023
Transfer to CIP	1,000,000	1,100,000	1,200,000	1,300,000	1,400,000
Debt Service	<u>(200,000)</u>	<u>1,300,000</u>	<u>2,000,000</u>	<u>3,600,000</u>	<u>5,200,000</u>
TOTAL	<u>800,000</u>	<u>2,400,000</u>	<u>3,200,000</u>	<u>4,900,000</u>	<u>6,600,000</u>

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FY2019 Budget Overview & Multi-Year Budget Fiscal Years 2019-2023

March 6, 2018