



# FY 2021 SUMMARY OF BUDGET CHANGES

April 8, 2020

Town Council Budget Work Session



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# COVID-19 Emergency Spending Plan

- After 5 months of preparation on the FY21 Budget, we now find ourselves in a state of emergency that will impact both FY20 and FY21.
  - The uncertainty of these times does not allow us to reasonably project revenue and unusual emergency expenditures for FY21.
- Due to this emergency, the Town Manager has taken immediate action to:
  - Directed departments to eliminate/defer all non-essential spending.
  - Requisitions over \$5K must be reviewed/approved by TM for the length of the emergency.
  - Implemented an early A/P cut-off.



# FY21 Proposed Budget Methodology

1. The initial FY21 Proposed Annual Budget presented on March 18
  - Refer to [Manager Proposed Budget 3/18](#)
2. In accordance with discussion at the March 24 meeting, the Town Manager is providing a FY21 Revised Annual Budget reducing expenditures by (\$1.2M) and eliminates the need for tax or fee increases
  - Refer to annual [Manager Revised Proposed Budget 4/8](#)
3. Given the current extraordinary circumstances of the COVID-19 emergency, the Town Manager in concert with the Mayor and Vice-Mayor recommend Council consider adoption an Interim Emergency Budget for the first quarter of FY21
  - Refer to [FY21 Interim Emergency 1Q Appropriation](#)
  - No tax, fee or Utility Rate increases
  - This will alleviate the need for many public meetings during this state of emergency at time of uncertainty, health risk and heavy staff workloads due to the emergency.
  - Therefore, appropriations and required Public Hearings related to the Budget plan for the balance of the fiscal year (October 2020 through June 2021) will need to be approved prior to October 1, 2020 (beginning of second quarter).



## FY21 Revised Annual Budget 4/8 Changes

- Town Manager worked with the team to achieve:
  - \$1.2M reduction out of a lean 3/18 proposed budget
  - Goal was to identify expenditure cuts to match proposed tax rate increases
    - Eliminate proposed increases: Real estate, FF special tax district, Meals tax
      - Inability to cut Utility expenditures to eliminate the proposed 5% Utility rate increase
    - The expenditure reductions include:
      - Personnel costs: Pay increase, Overtime, 2 FTE, travel & training
      - Defer Traffic Study and other non-essential programs within departments
      - Deferred some Capital Asset Replacements (FF)
      - Defer CIP that requires Town funding



# Annual Operating Revenue Changes

- Changes to Revenue the Manager proposed on 3/18 to 4/8:
  - (\$300K) in General Fund for 2 cent reduction
  - (\$480K) Meals Tax Revenue reduction was offset by eliminating
    - \$305K transfer to Wastewater
    - \$175K Transportation Study
  - (\$75K) in P&R for half-cent reduction
  - (\$305K) in Wastewater Expense transfer from Meals Tax Revenue



# Annual Operating Revenue and Changes

(excludes CIP)

	Total	General	P&R	Water	Wastewater
<b>REVENUE</b>					
<b>FY20 Current Budget</b>	<b>19,381,256</b>	<b>11,236,153</b>	<b>665,854</b>	<b>3,293,592</b>	<b>4,185,657</b>
Change Y/Y	765,895	582,160	(13,675)	108,729	88,681
<b>FY21 TM Proposed Budget as of 3/18/20</b>	<b>20,147,151</b>	<b>11,818,313</b>	<b>652,179</b>	<b>3,402,321</b>	<b>4,274,338</b>
Property Tax	(375,000)	(300,000)	(75,000)		
Meals Tax	(480,000)	(480,000)			
Meals Tax Transfer to Wastewater	(305,000)				(305,000)
<b>FY21 Revised Budget Reductions</b>	<b>(1,160,000)</b>	<b>(780,000)</b>	<b>(75,000)</b>	<b>-</b>	<b>(305,000)</b>
<b>FY21 TM Proposed Budget as of April 8</b>	<b>18,987,151</b>	<b>11,038,313</b>	<b>577,179</b>	<b>3,402,321</b>	<b>3,969,338</b>
Change Y/Y	(394,105)	(197,840)	(88,675)	108,729	(216,319)
Change %	-2.0%	-1.8%	-13.3%	3.3%	-5.2%



# Annual Operating Expense Changes

- (\$1,160K) Total Expense reduction from 3/18 to 4/8:
  - All Funds
    - (\$93K) Salary Indexed Increase from 3.0% down to 1.5%
    - (\$54K) Travel and Training
  - Governmental Fund expense reduction
    - (\$305K) Meals Tax transfer to Wastewater
    - (\$175K) Transportation Study
    - (\$100K) Re-Organization reducing FTE from 87 to 85
    - (\$75K) P&R Capital Asset Replacement for Fireman's Field
    - (\$65K) Overtime
    - (\$9K) Public Works Admin other expenditures
    - (\$5K) New P&R Shared Parking Agreement
  - Utility Fund expense reduction
    - (\$334K) Wastewater Cash Funded CIP
      - (\$160K) LEAP Aeration Upgrade
      - (\$174K) Membrane Replacement
    - (\$10K) GIS Layers





# Annual Operating Expense and Changes

(excludes CIP)

	Total	General	P&R	Water	Wastewater
<b>EXPENSE</b>					
<b>FY20 Current Budget</b>	<b>19,381,256</b>	<b>11,236,153</b>	<b>665,854</b>	<b>3,293,592</b>	<b>4,185,657</b>
Change Y/Y	765,895	582,160	(13,675)	108,729	88,681
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<u>Employee Compensation</u>					
Indexed Salary Increase	(93,288)	(73,833)	(1,805)	(9,450)	(8,200)
OT	(64,943)	(64,500)	(443)		
ReOrg	(100,000)	(100,000)			
<b>Employee Compensation Changes</b>	<b>(258,231)</b>	<b>(238,333)</b>	<b>(2,248)</b>	<b>(9,450)</b>	<b>(8,200)</b>
<u>Non-Wage Expense</u>					
Transportation Study (Op Project) Contractural	(175,000)	(175,000)			
PW-Admin Contractural	(9,129)	(9,129)			
GIS Layers Contractural	(10,000)			(8,000)	(2,000)
Shared Parking Agreement Other Expenditures	(4,730)	-	(4,730)		
Travel and Training Other Expenditures	(53,538)	(52,538)	(1,000)		
Capital Asset Replacement (CARF Non-Departmental	(75,000)		(75,000)		-
Transfers excl Cash Funded CIP Adj & Transfers	(305,000)	(305,000)			-
CIP-Cash Funded Adj & Transfers	(333,780)				(333,780)
Contingency Adj & Transfers	64,408	-	7,978	17,450	38,980
<b>Non-Wage Expense Changes</b>	<b>(901,769)</b>	<b>(541,667)</b>	<b>(72,752)</b>	<b>9,450</b>	<b>(296,800)</b>
<b>FY21 Revised Budget Reductions</b>	<b>(1,160,000)</b>	<b>(780,000)</b>	<b>(75,000)</b>	<b>-</b>	<b>(305,000)</b>
<b>FY21 TM Proposed Budget as of April 8</b>	<b>18,987,151</b>	<b>11,038,313</b>	<b>577,179</b>	<b>3,402,321</b>	<b>3,969,338</b>
Change Y/Y	(394,105)	(197,840)	(88,675)	108,729	(216,319)
Change %	-2.0%	-1.8%	-13.3%	3.3%	-5.2%



## Interim Emergency FY21 First Quarter Appropriation Assumptions

- Interim Emergency 1Q Appropriation assumes an average quarter for:
  - Revenue - FY20 Budget (excludes Reserves)
    - This assumption allows no FY21 tax rate, fee, or utility rate increase
  - Expenditures - Manager Revised Proposed 4/8 Budget
  - CIP - Manager Revised Proposed 4/8 Budget
  - Must be adopted by June 30, 2020
- Finalize FY21 Budget by adopting 2Q, 3Q, & 4Q Appropriations
  - Revisit Budget in August 2020
    - October 2020 through June 2021 (2Q-4Q)
  - Must be adopted prior to October 1, 2020
    - Allow time for the Public Hearing



# Interim Emergency FY21 First Quarter Appropriation Cash Flow Assumptions

- Inflow

- Estimated the Cash Inflow for informational purposes recognizing the timing implications of the Annual Budget. Assumptions for Inflow including timing such as:
  - PPTRA in 1Q (Aug)
  - Property Taxes are collected in 2Q and 4Q
  - Business License in 3Q
  - Vehicle License in 4Q
  - Meals, Utility, Sales, and Communications tax are in arrears
  - Fines & Forfeitures and investment income are in arrears
  - Events are based upon the specific quarter

- Outflow

- Estimated Outflow equals an average quarter at this time.

- Short-fall

- First Quarter (1Q) Cash Inflow estimate is \$3.0M. When compared to the \$5M average quarter Outflow, this creates a (\$2.0M) estimated cash flow short-fall in 1Q.
- Cash Flow variations are consistent with those seen with a normalized annual budget.
- Operating payments will be maintained through our reserve account and/or Line of Credit.



# Budget Summary

		FY 2020	FY 2021		FY 2021	Change %		
\$M		Current Budget	Manager Proposed (3/18)	Manager Revised Proposed (4/8)	Interim Emergency 1Q	FY21 (3/8) v. FY20 Adopted Budget	FY21 (4/8) v. FY20 Adopted Budget	FY21 (4/8) v. FY20 Current Budget
	GENERAL FUND OPERATING	11.236	11.818	11.038	2.785	6%	-1%	-2%
	PARKS & RECREATION FUND OPERATING	0.666	0.652	0.577	0.148	12%	-1%	-13%
	WATER FUND OPERATING	3.294	3.402	3.402	0.823	5%	5%	3%
	WASTEWATER FUND OPERATING	4.186	4.274	3.969	0.992	5%	-3%	-5%
	<b>OPERATING BUDGET</b>	<b>19.381</b>	<b>20.147</b>	<b>18.987</b>	<b>4.748</b>	<b>6%</b>	<b>0%</b>	<b>-2%</b>
	<b>CIP</b>	<b>12.522</b>	<b>1.523</b>	<b>1.189</b>	<b>0.297</b>	<b>-67%</b>	<b>-75%</b>	<b>-91%</b>
	<b>TOTAL</b>	<b>\$31.904</b>	<b>\$21.670</b>	<b>\$20.177</b>	<b>\$5.046</b>	<b>-9%</b>	<b>-15%</b>	<b>-15%</b>
	<i>Change from FY20 Adopted Budget</i>		-\$2.058	-\$3.552				
	<i>Change from Town Manager Proposed Operating Budget (3/18)</i>			-\$1.160				



## Next Steps

- Town Council achieves consensus on approving proposed FY21 1Q Appropriation for Public Hearing
- FY21 1Q Appropriation Public Hearing on May 12
- FY21 1Q Appropriation Adoption on June 9
  - Code of Virginia § 15.2-2503 requires the governing body to approve the budget plan for the ensuing fiscal year no later June 30, 2020.
- Finalize FY21 Budget by adopting 2Q, 3Q, & 4Q Appropriations
  - If the Town Council adopts an Interim Emergency Appropriation for First Quarter, additional Amendments will be required prior to Oct 1 2020.



# Appendix



# Total Revenue Budgets vs. FY21 1Q Appropriation

	FY 2019	FY 2020	FY 2021 Annual		FY 2021 Qtr	Annual Change	
	Actual	Current Budget	Manager Proposed (3/18)	Manager Revised Proposed (4/8)	Interim Emergency 1Q	FY21 Proposed (4/8) v FY20	% Change
<b>REVENUES</b>							
GENERAL FUND	10,751,497	11,236,153	11,818,313	11,038,313	2,784,964	-197,840	-2%
GENERAL FUND CIP	531,586	9,422,321	789,400	789,400	197,350	-8,632,921	-92%
SPECIAL PARKS & RECREATION FUND	470,698	665,854	652,179	577,179	147,714	-88,675	-13%
PARKS & RECREATION FUND CIP	50,000	44,125	300,000	300,000	75,000	255,875	580%
WATER FUND	3,640,085	3,293,592	3,402,321	3,402,321	823,398	108,729	3%
WATER FUND CIP	1,122,085	1,890,379	100,000	100,000	25,000	-1,790,379	-95%
WASTEWATER FUND	3,965,293	4,185,657	4,274,338	3,969,338	992,336	-216,319	-5%
WASTEWATER FUND CIP	492,608	1,165,500	333,780	0	0	-1,165,500	-100%
<b>GOVERNMENTAL OPERATING</b>	<b>11,222,195</b>	<b>11,902,007</b>	<b>12,470,492</b>	<b>11,615,492</b>	<b>2,932,678</b>	<b>-286,515</b>	<b>-2%</b>
<b>UTILITY OPERATING</b>	<b>7,605,377</b>	<b>7,479,249</b>	<b>7,676,659</b>	<b>7,371,659</b>	<b>1,815,734</b>	<b>-107,589</b>	<b>-1%</b>
<b>TOTAL OPERATING REVENUE ALL FUNDS</b>	<b>18,827,572</b>	<b>19,381,256</b>	<b>20,147,151</b>	<b>18,987,151</b>	<b>4,748,412</b>	<b>-394,105</b>	<b>-2%</b>
<b>GOVERNMENTAL CIP</b>	<b>581,586</b>	<b>9,466,446</b>	<b>1,089,400</b>	<b>1,089,400</b>	<b>272,350</b>	<b>-8,377,046</b>	<b>-88%</b>
<b>UTILITY CIP</b>	<b>1,614,693</b>	<b>3,055,879</b>	<b>433,780</b>	<b>100,000</b>	<b>25,000</b>	<b>-2,955,879</b>	<b>-97%</b>
<b>TOTAL CIP REVENUE ALL FUNDS</b>	<b>2,196,279</b>	<b>12,522,325</b>	<b>1,523,180</b>	<b>1,189,400</b>	<b>297,350</b>	<b>-11,332,925</b>	<b>-91%</b>
<b>TOTAL REVENUES ALL FUNDS</b>	<b>21,023,851</b>	<b>31,903,581</b>	<b>21,670,331</b>	<b>20,176,551</b>	<b>5,045,762</b>	<b>-11,727,030</b>	<b>-37%</b>
Change Y/Y - Operating only		553,683	765,895	-394,105			
Change Y/Y % - Operating only		3%	4%	-2%			
Change from FY20 Total Adopted Budget			-9%	-15%			



# Total Expense Budget vs. FY21 1Q Appropriation

	FY 2019	FY 2020	FY 2021 Annual		FY 2021 1Q	Annual Change	
	Actual	Current Budget	Manager Proposed (3/18)	Manager Revised Proposed (4/8)	Interim Emergency 1Q	FY21 Proposed (4/8) v FY20	% Change
<b>EXPENDITURES</b>							
GENERAL FUND OPERATING	9,655,439	11,236,153	11,818,313	11,038,313	2,784,964	-197,840	-2%
GENERAL FUND CIP	830,800	9,422,321	789,400	789,400	197,350	-8,632,921	-92%
PARKS & RECREATION FUND OPERATING	436,565	665,854	652,179	577,179	147,714	-88,675	-13%
PARKS & RECREATION FUND CIP	5,875	44,125	300,000	300,000	75,000	255,875	580%
WATER FUND OPERATING	3,912,215	3,293,592	3,402,321	3,402,321	823,398	108,729	3%
WATER FUND CIP	92,290	1,890,379	100,000	100,000	25,000	-1,790,379	-95%
WASTEWATER FUND OPERATING	4,158,078	4,185,657	4,274,338	3,969,338	992,336	-216,319	-5%
WASTEWATER FUND CIP	21,000	1,165,500	333,780	0	0	-1,165,500	-100%
<b>GOVERNMENTAL OPERATING</b>	<b>10,092,004</b>	<b>11,902,007</b>	<b>12,470,492</b>	<b>11,615,492</b>	<b>2,932,678</b>	<b>-286,515</b>	<b>-2%</b>
<b>UTILITY OPERATING</b>	<b>8,070,293</b>	<b>7,479,249</b>	<b>7,676,659</b>	<b>7,371,659</b>	<b>1,815,734</b>	<b>-107,590</b>	<b>-1%</b>
<b>TOTAL OPERATING EXPENDITURES ALL FUNDS</b>	<b>18,162,297</b>	<b>19,381,256</b>	<b>20,147,151</b>	<b>18,987,151</b>	<b>4,748,412</b>	<b>-394,105</b>	<b>-2%</b>
<b>GOVERNMENTAL CIP</b>	<b>836,675</b>	<b>9,466,446</b>	<b>1,089,400</b>	<b>1,089,400</b>	<b>272,350</b>	<b>-8,377,046</b>	<b>-88%</b>
<b>UTILITY CIP</b>	<b>113,290</b>	<b>3,055,879</b>	<b>433,780</b>	<b>100,000</b>	<b>25,000</b>	<b>-2,955,879</b>	<b>-97%</b>
<b>TOTAL CIP EXPENDITURES ALL FUNDS</b>	<b>949,965</b>	<b>12,522,325</b>	<b>1,523,180</b>	<b>1,189,400</b>	<b>297,350</b>	<b>-11,332,925</b>	<b>-91%</b>
<b>TOTAL EXPENDITURES ALL FUNDS</b>	<b>19,112,262</b>	<b>31,903,581</b>	<b>21,670,331</b>	<b>20,176,551</b>	<b>5,045,762</b>	<b>-11,727,030</b>	<b>-37%</b>
Change Y/Y - Operating only		1,218,959	765,895	-394,105			
Change Y/Y % - Operating only		7%	4%	-2%			
Change % from FY20 Total Adopted Budget			-9%	-15%			