

# FY 2024-25 City Manager's Proposed Budget

Kevin Chatellier, Director of Budget and Management Services

March 19, 2024



CITY OF  
**VIRGINIA  
BEACH**



# FY 2024-25 Operating Budget Highlights

- Overall budget growth is 2.77%

Total Net FTE Change	(17.15)
City	19.25
Schools	(36.40)

- **Expenditures**

- Proposed Budget is positioned to maintain most baseline services

- **Revenues**

- Reduces Real Estate tax rate 2¢ to **97¢**
  - Establishes a penalty and interest 5-day grace period
  - Real Estate revenue growing 4.6% but others remaining relatively flat
  - A few fee adjustments are proposed to maintain services

- **Policy Discussion**

# Long History of Tax Relief Policies

Real Estate Tax Relief	Relief Provided
Elderly and Disabled (annual local program)	\$15 million (FY 2024-25 est.)
Veterans Tax Relief- Mandated	\$27.5 million (FY 2024-25 est.)

Personal Property Tax Relief	Relief Provided
Reduced Personal Property Rate Disabled Veterans	Lowered rate of \$1.50 per \$100 Assessed
Reduced Personal Property Rate- Personal Boats	Lowered rate of \$0.000001 per \$100 Assessed
Reduced Personal Property Rate- Machine and Tools	Lowered rate of \$0.000001 per \$100 Assessed

Business, Professional, and Occupational License (BPOL)	Relief Provided
Two-year Exemption Program	Qualifying new businesses \$0 license for two years

# Fiscal Relief Initiatives Since March 2020

Real Estate Tax Relief	Relief Provided
Reduced Real Estate Tax Rate by <del>2.75¢</del> <b>4.75¢</b>	\$37.4 million (FY 2024-25)
Absorbed \$567 million bond referendum = 4.1¢	\$32.3 million (FY 2024-25)
<b>Total</b>	<b>\$69.7 million</b>

Personal Property Tax Relief	Relief Provided
Reduced Personal Property Rate for EMS Volunteers	\$70,000
Reduced Personal Property Rate for new business (2 years) and Individuals over 65 or disabled	\$336,000
CY22 Personal Property Fair Market Value Adjustment	\$38 million (est.)
CY23 Personal Property Fair Market Value Adjustment	\$20 million (est.)
<b>Total</b>	<b>\$58.4 million</b>

# Fiscal Relief Initiatives Since March 2020 (continued)

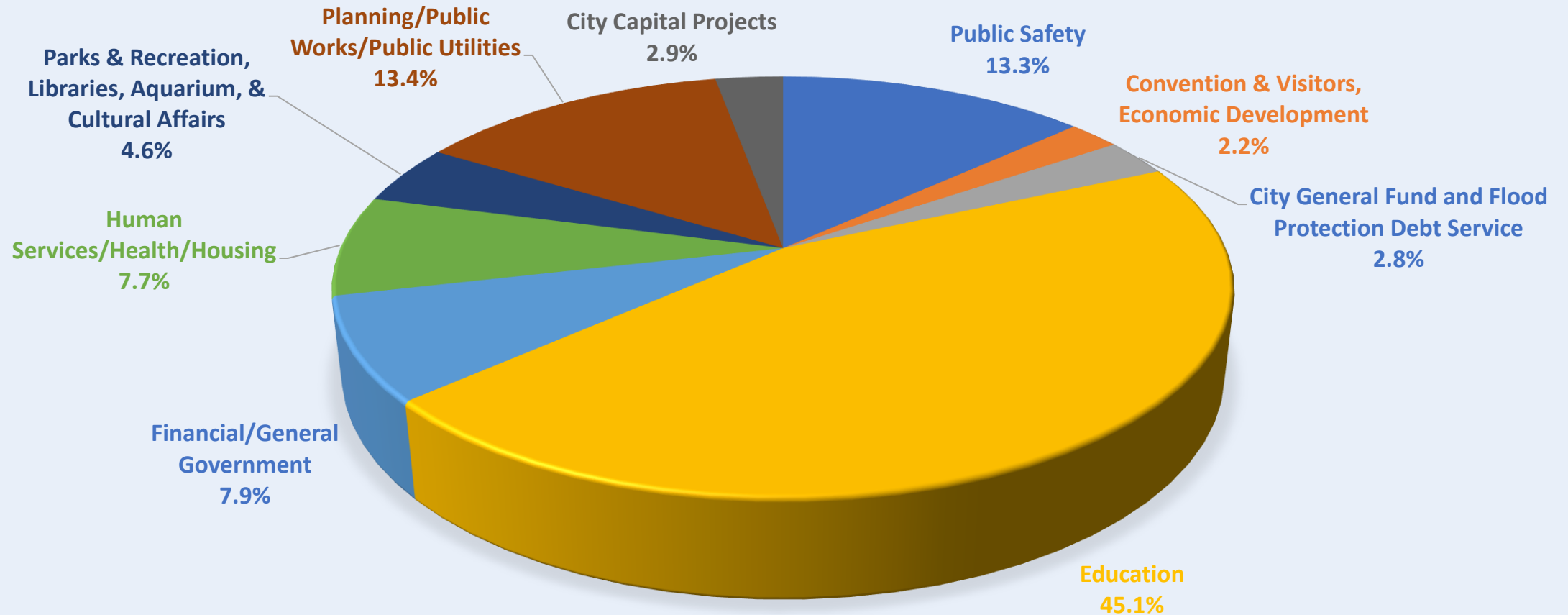
Local Business Tax Relief	Relief Provided
Suspended ABC license tax	\$325,000 (est.)
Reduced BPOL Taxes	\$1.1 million (est.)
<b>Total</b>	<b>\$1.4 million</b>

Other Citizen Tax Relief	Relief Provided
Meals Tax Holiday	\$12 million (est.)
Local fiscal relief initiatives	\$43.5 million
Federal fiscal relief initiatives	\$34.3 million
<b>Real Estate and Personal Property Penalties and Interest</b>	<b>\$500,000</b>
<b>Total</b>	<b>\$90.3 million +</b>
<b>Grand Total of Local Tax Relief</b>	<b>\$219 million +</b>

# Guiding Principals in Budget Development

- Maintain current services
- Focus on preserving public safety and health
- Utilize Public Feedback in decision making
- Focus Action Plan (FAP) Adopted by City Council
- **Reduce Real Estate Tax Rate 2¢**
- **Minimize new spending**
- **Redistribute resources**
- **Identify one-time costs**
- **Eliminate vacancies before filled positions (if necessary)**
- **Share reduction with existing policies and dedications**

# FY 2024-25 Operating Budget



**\$2,634,032,570 total**

# FY 2024-25 Budget - Unlike Previous Years

- Lower overall general government tax revenue growth
  - General Fund- \$35 million (\$21 million City and \$14 million VBCPS)
- Revenue growth used to cover cost of budget drivers or “must do’s”
- Additional investment in Focused Action Plan initiatives minimal per direction to minimize spending and reduce taxes
- Reduction in operating budget accounts, redirection of vacancies, identification of one-time costs used to address recently identified needs
- Responsive to City Council’s request to discuss public policies in more depth



# Baseline Budget Drivers

**Balance  
\$2.1 M**

• Virginia Retirement System -	\$6.0 million
• Debt Service-	\$3.6 million
• Risk Management-	\$2.3 million
• Elderly and Disabled Tax Relief-	\$2.0 million
• City Garage Charges-	\$1.5 million
• Sheriff's Office Body Worn Camera-	\$2.3 million
• Police Technology Licenses-	\$0.9 million
• Line of Duty Pay-	\$0.3 million

# Maintain Public Safety and Health

Balance  
-\$3.0 M

- Fire Department- 17 FTEs \$1.7 million
- Emergency Medical Services \$0.5 million
  - 4 FTEs, Operational Supplies, equipment
- Virginia Beach Rescue Council Grant \$0.8 million
- Emergency Communication and Citizen Services
  - Technology Services and investments \$0.3 million
- Sheriff- Medical Contract/Food Services \$0.5 million
- City Department's Security Contract increases \$1.3 million

# Maintaining Other Baseline Services

Balance  
-\$25.3 M

- Voter Registrar- 2024 Presidential Election \$1.2 million
- Housing- Owner Occupied Rehabilitation \$0.1 million
- Compensation/ Retaining Qualified Workforce
  - Recommend approx. 3.5% compensation increase \$19.5 million
    - Allows one step increase and 0.5% general increase
    - Allows 3% merit increase and 0.5% general increase
  - 3% Employer health insurance contribution \$1.5 million
    - Employees premiums remain flat

# Reductions and Redirection of Resources

**Balance**  
**-\$20.3 M**

- Elimination of 17 vacant FTEs- ECCS (\$1.3 million)
- Elimination of 10.5 FTES and closure Kentucky Ave ICF (\$1.15 million)
- Economic Development- Bio-medical (\$1.0 million)
- Reduction of Fuel (\$0.9 million)
- Reduction Operating Supplies accounts (\$0.6 million)
  - Human Services, City Treasurer, Courts, Finance, etc.
- Switching Budget Software tools (\$0.5 million)
- Elimination of 5 FTEs- Libraries (\$0.3 million)
- Elimination of Housing Maintenance FTE (\$0.1 million)
- Elimination of Planning Right of Way FTE (\$0.1 million)
- Reduction in Non-Departmental Grants (\$0.1 million)

# One-time Costs Identified

**Balance**  
**-\$7.5 M**

- General Fund- Fund Balance \$2.5 million
  - Presidential Election
  - VB Rescue Council
  - Fire Department Equipment, etc.
- Attrition \$10 million
  - Utilized \$10 million to balance General Fund
  - Projected Fund Balance does not fall below 8-12%
  - Between use for Attrition and Year 1 CIP- Estimated 9.97%



# Reduction in General Fund- Pay-go to CIP

Balance

-

- General Fund- Pay-As-You-Go (\$7.5 million)
  - Put more fund balance toward one-time projects
  - Eliminated some projects no longer priority
    - Example: MOCA Building, Roadway Cost Participation, Aquarium Parking, etc.
- Relied on some dedications to avoid project reductions:
  - Agriculture Reserve Program- \$500,000
  - Open Space- \$500,000
  - Tourism Advertisement Program- \$500,000
  - Tourism Investment Program- \$800,000
  - Economic Development Investment Program Project

# “Modest” Redirection and Sharing Reduction

- Methodology was three pronged:
  1. Does dedication/fund have a budgeted reserve or positive fund balance?
  2. If redirected, will capacity remain to cover existing obligation/intent?
  3. If redirected, will fund balance remain above 15%?
- Narrowed focus to ARP, Open Space, TAP, TIP and EDIP
- Increased pay-go from each dedication reduced General Fund obligation by \$2.3 million
  - Example, TIP \$800,000- “Oceanfront Capital Project Reinvestment” and “Virginia Beach Amphitheater Capital Maintenance”

# Department Specific Revenue Increases

- Aquarium and Convention and Visitor Bureau
  - Increase covered security cost increases
- Human Services
  - Growth in State and Federal Revenue for specific programs
- Public Works
  - VDOT Revenue increase supporting 16 additional FTEs and equipment needs
- Parks and Recreation
  - Fee increases supporting park maintenance, 10.5 Out of School Time (OST) FTEs, and 4 Lifeguard FTEs

# Waste Management- Recycling

Resident Satisfaction Results	Virginia Beach	Atlantic Region	National Average
Bulky items pick-up and removal services	72.9%	43.8%	47.3%
City waste disposal and recycling centers	66.5%	42.9%	46.2%
Residential yard waste/leaf/brush collection services	65.8%	59.7%	54.6%
Residential curbside recycling services	70.7%	65.3%	56.6%
Residential trash/garbage collection services	76.2%	76.8%	68.6%
Services offered at the City landfill	70.8%	N/A	N/A

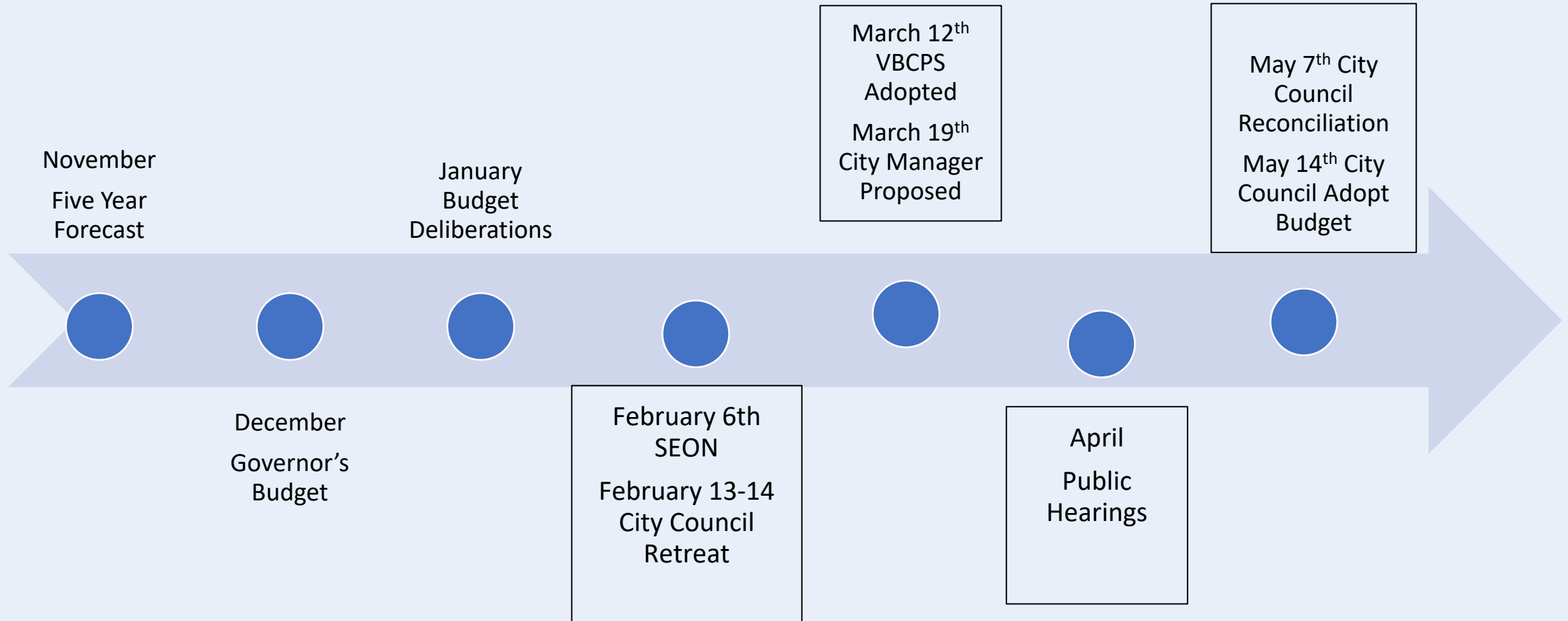
- Curbside Recycling contract doubling in cost
- February 20, 2024 City Council briefing on issue
- Proposed Rate Increase of \$3.05 is included to maintain this service
  - Including as part of Proposed Budget will afford the public time to provide input at Budget related Public Hearings

# Citywide Funding Requests

- Listed in Operating Budget document in the “Requested But Not Funded” Report
- Current Services and New Services
  - Across all funds
  - Total unmet funding request by Departments of \$32.7 million and 242.34 FTEs



# Budget Process Timeline- City and VBCPS



# Virginia Beach City Public Schools

- Superintendent Estimate of Needs (SEON) is reflected in the FY 2024-25 Proposed Budget- (February 6, 2024)
- Growth in revenue:
  - Local Revenue Sharing Formula \$13.3 million
  - State Revenue \$0.5 million
  - Federal Revenue \$1.2 million
- Annualized compensation equal to 3.5%
  - Annualized additional 2% pay increase provided in January 2024
  - Provide resources for step increase 1.5%
- Net Reduction of 34 FTEs
- City Manager negative reserve balancing budget as Proposed

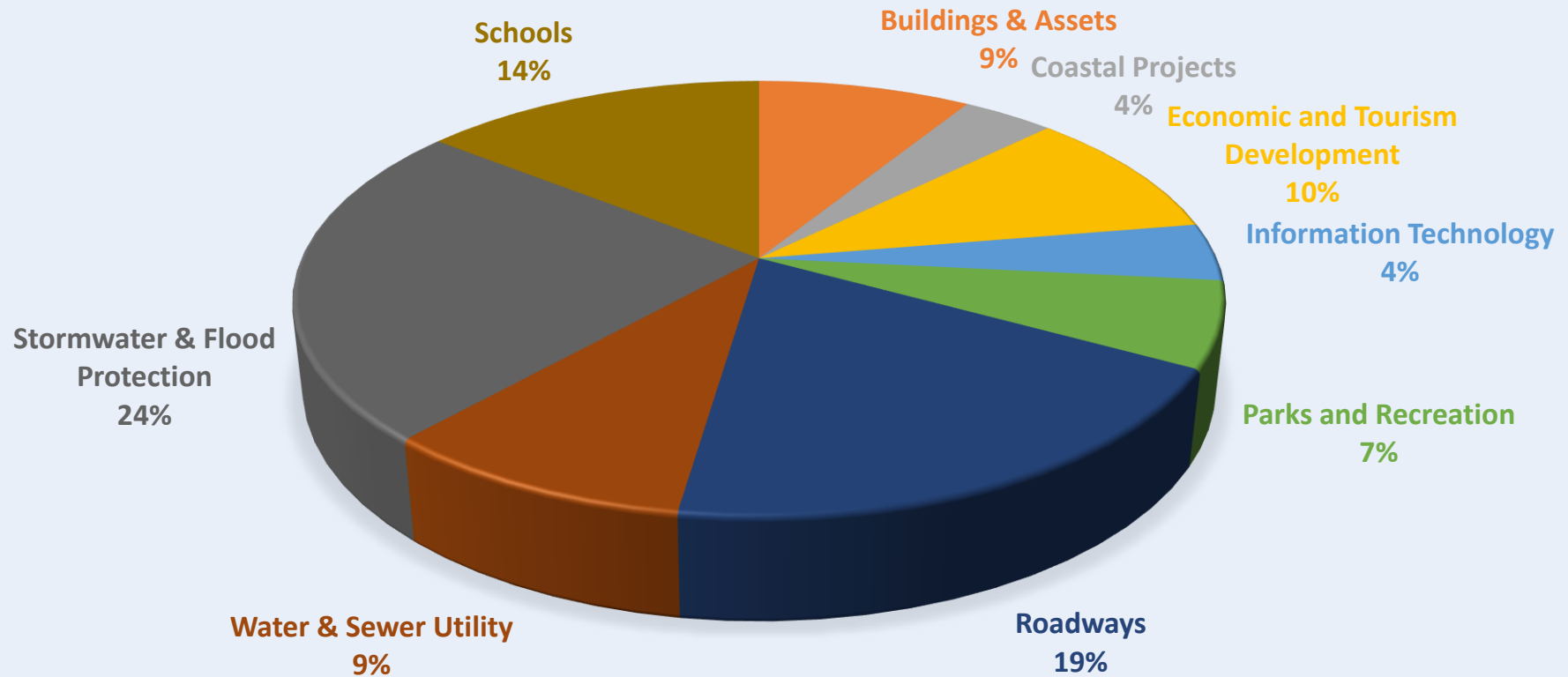
# **FY 2024-25 to FY 2029-30 City Manager's Proposed Capital Improvement Program**

# CIP Guidance

- **Council Retreat**
  - Maintenance of existing infrastructure and assets
  - Modernization of existing facilities and infrastructure
  - Expansion of existing infrastructure to meet community needs
  - New Facilities and Infrastructure
- **Added Guidance to Consider**
  - Construction timelines
  - Match funding obligations
  - Age of project in terms of public expectations
- Insufficient funds to meet all CIP needs

# Programmed CIP

## PROGRAMMED FUNDING



\$5.4 billion total, including appropriations to date



# CIP Highlights- Roadways

## Infrastructure and Transportation

Resident Satisfaction Results	Virginia Beach	Atlantic Region	National Average
Overall conditions of major City streets	60.1%	60.5%	50.9%
Ability to predict travel time to places in Virginia Beach	64.4%	N/A	N/A

- Roadways leverage State and Federal funding: \$155 million over 6-year Program
- Projects Previously Delayed-
  - Cleveland Street- additional programmed funds now reflected as fully funded
  - Shore Drive Phase IV- additional State, Federal, and Local out year- BTC \$48.4 million remains....
  - Elbow Road Extended Phase II-D- additional State, and Local out year- BTC \$25.5 million remains....
- Notable new projects or projects now fully funded:
  - Great Neck Bridge
  - Pacific Avenue Turn Lanes- federally funded
  - 17<sup>th</sup> Street Phase I- TIP Funded

# CIP Highlights- Stormwater and Coastal

Resident Satisfaction Results	Virginia Beach	Atlantic Region	National Average
Stormwater management and flood control major City streets	47.3%	64.8%	51.0%
Overall efforts to protect natural resources and environment	45.8%	N/A	N/A
Quality and condition of trees and open space in the City	64.9%	N/A	N/A
Condition and Maintenance of Virginia Beach Beaches	82.8%	N/A	N/A

- 17<sup>th</sup> Street Regional Stormwater Management Facility- State funding, fully funded
- USACE Regional Coastal Storm Water Risk Management Study (3x3x3)- Local share \$3 million

# CIP Highlights Parks, Recreation, Library and Human Services

Resident Satisfaction Results	Virginia Beach	Atlantic Region	National Average
Availability of trails and pathways	75.0%	N/A	N/A
Overall quality of parks and recreation programs and facilities	88.6%	50.0%	50.6%
Physical conditions of City parks, trails and outdoor facilities	88.4%	68.6%	67.3%
Overall quality of City Library services	89.1%	71.9%	65.6%

- Rudee Loop Park Development- Fully Funded \$60 million (TIP)
- Southern Rivers Watershed Site Acq. Program- \$7 million State Funding (redirection possible)
- Recreation Center Modernization- Increase \$4 million (P&R Special Revenue)
  - Accelerate \$10 million previously programmed
- Library Automated Materials Handler- \$3 million

# CIP Highlights- Others needs won't find on survey

- Central Plant Loop Replacement- \$29 million
  - Beach Maintenance Facility- BTC
- Mosquito Control Replacement- \$4 million (Stormwater Dedication)
- Waste Management Facility- \$2.2 million (Waste management Fund)
- 21<sup>st</sup> Century Enterprise Resource Planning (HCM)- additional \$4 million

# Unfunded Needs and Delayed/Deferred Projects

- Insufficient funds to meet additional funding requests for existing and new projects totaling more than \$634 million
- Including Flood Protection Section requested need grows to \$991 million



# FY 2024-25 Revenues

# FY 2023-24 Revenue Highlights

<b>Real Estate Tax</b>		Rate reduced to \$0.97
<b>Real Estate and Personal Property</b>		Extension of time before penalties and interest
<b>Gills Cove Dredging SSD</b>		Increased to \$0.16
<b>Schilling Point Dredging SSD</b>		Increased to \$0.58
<b>Parks and Recreation Fees</b>		Increase Various Fees
<b>Stormwater ERU Fee</b>		Rate remains 49.3¢ per day
<b>Waste Management Fee</b>		\$3.05 monthly increase
<b>Water &amp; Sewer Fees</b>		Various Service Fee Increases

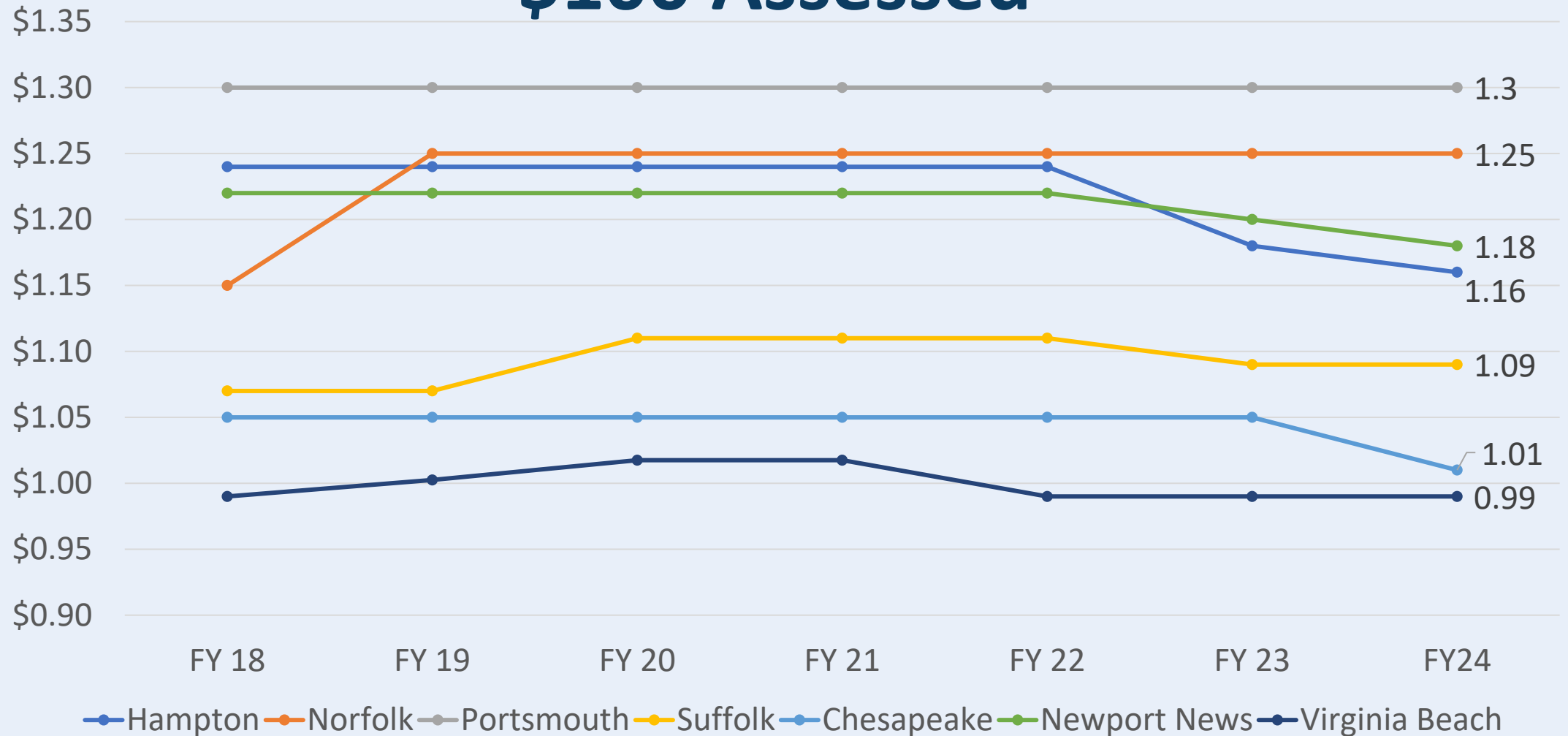
# Tax Burden and Measures

Resident Satisfaction Results	Virginia Beach	Atlantic Region	National Average
Overall value that you receive for your City tax dollars and fees	52.8%	33.8%	33.8%

Tax or Fee	FY 2023-24	FY 2024-25	Monthly Change	Annual Change
Single Family Median- Real Estate	\$3,621	\$3,766	\$12.08	\$144.96
Waste Management Fee	\$27.50	\$30.55	\$3.05	\$36.60
Water Utility	\$26.00	\$28.70	\$2.70	\$32.40
Sewer Utility	\$31.58	\$32.37	\$0.79	\$9.48
		Change	\$18.62	\$223.44

Real Estate tax avoidance median home value \$388,200: (\$78) annual or (\$6.50) per month

# Hampton Roads Real Estate Tax Rates per \$100 Assessed



# Comparison of Tax Rates

	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
Real Estate (per \$100 /A.V.)	<b>\$0.97</b>	<b>\$1.01</b>	<b>\$1.25</b>	<b>\$1.30</b>	<b>\$1.09</b>	<b>\$1.16</b>	<b>\$1.18</b>
Personal Property (Vehicles & Business)	<b>\$4.00</b>	\$4.08	\$4.33	\$5.00	\$4.25	\$4.50	\$4.50
Personal Property (Machinery & Tools)*	-	\$0.64	\$1.70	\$1.50	\$0.63	\$1.23	\$1.25
Personal Property (Boats)*	-	\$0.09	-	\$0.50	\$1.50	-	\$1.00
Automobile License Registration	<b>\$30.00</b>	\$26.00	\$31.00	\$32.00	\$26.00	\$35.00	\$26.00
Cigarette (per pack)**	<b>\$0.75</b>	\$0.65	\$0.95	\$0.95	\$0.75	\$0.85	\$0.85
Solid Waste Fee (per month) ***	<b>\$30.55</b>	-	\$28.51	\$29.16	\$25.25	\$31.42	\$31.63
Meals	<b>5.5%</b>	6%	6.5%	7.5%	6.5%	7.5%	7.5%
Admissions	<b>10.0%</b>	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Hotel ^	<b>8.0%</b>	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Hotel Flat Tax	<b>\$2.00</b>	\$1.00	\$3.00	\$3.00	\$1.00	\$2.00	\$1.00

# Budget Adoption Timeline

<b>March 26</b>	Council Workshop – Budget and CIP Presentations
<b>April 2</b>	Council Workshop – Budget and CIP Presentations
<b>April 9</b>	Council Workshop– Budget and CIP Presentations
<b>April 16</b>	Council Workshop– Budget and CIP Presentations
<b>April 17</b>	Public Hearing at Virginia Beach Convention Center
<b>April 23</b>	Council Workshop– Budget and CIP Presentations Public Hearing
<b>April 30</b>	Council Workshop– Budget Presentations & Discussions
<b>May 7</b>	Reconciliation Workshop
<b>May 14</b>	City Council Votes on Budget

# Questions & Discussion