

2020 BUDGET MESSAGE



“Make no little plans, they have no magic to stir men’s blood and probably themselves will not be realized. Make big plans. Aim high in hope and work. Remembering that a noble, logical diagram once recorded will not die, but long after we are gone be a living thing, asserting itself with ever growing insistence.” - Daniel Burnham





Mayor and Members of Council:

I am pleased to present the City Manager's proposed budget for Fiscal Year 2020 (FY20) and the associated five-year Capital Improvement Plan.

Every budget has a theme. The theme for this budget is renewal. We have made strident efforts to renew our budget development process, our appropriation of funds based on needs, our collaboration in meeting the challenges, our commitment to structural balance, and our drive for innovative techniques.

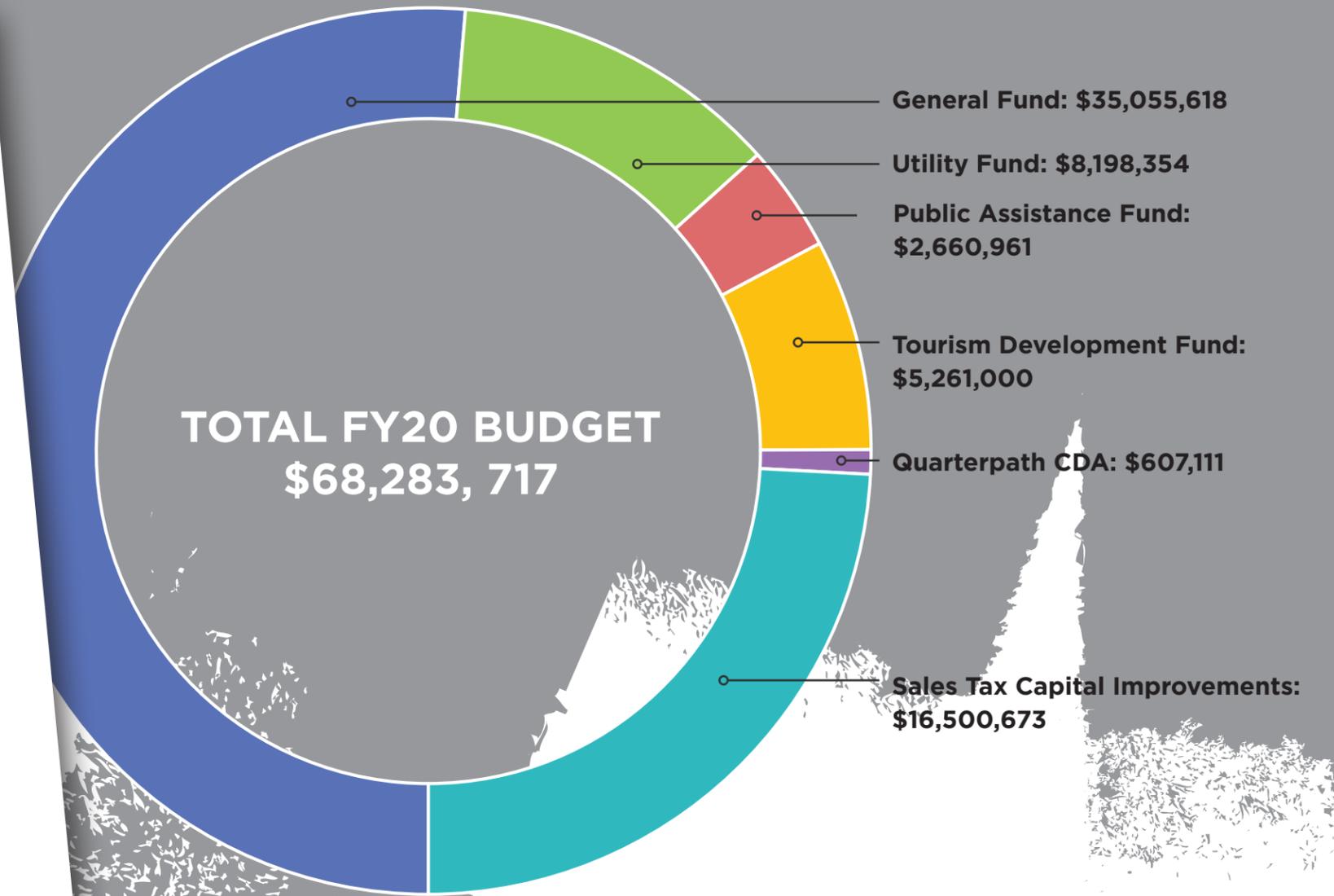
This has resulted in a total operating budget, conservatively balanced, of \$68,283,717 across all six funds.

Renewal as a theme is not just another word for change. The chief architects of this budget are newcomers to the City of Williamsburg. This provides a unique perspective into processes and outcomes. It also grants the opportunity to recommit to those principals that have established the City of Williamsburg as the fiscal model to be followed.

Another association with renewal is relevance. We are committed to redesigning the budget process and its presentation so that it remains a relevant method of communication internally and externally. This Budget Message format is but one example of our efforts to be relevant in an increasingly visual and time-constrained world.

This Budget Message continues on the following pages. However, it is not a synthesized version of the budget book. It will highlight the key elements of this proposed budget for each fund, review what is included, the identified needs not included, provide some insight into revenue trends and rate structures, and offer a glimpse into future renewal efforts.

Williamsburg has been exceptionally wellmanaged by its elected officials and appointed leaders for 320 years. Our financial position is a credit to that leadership. It is my honor to now share in that legacy of prudent fiscal stewardship.



ANDREW OMER TRIVETTE CITY MANAGER

Andrew Trivette was appointed to the role of City Manager in 2018 after joining the City team as Assistant City Manager in 2016. He has 19 years experience in local government.



BARBARA DAMERON FINANCE DIRECTOR

Barbara Dameron was hired as the City's Finance Director in 2018. She brings to the City 20 years of government finance accounting experience. She is a former president of the Virginia Government Finance Officer's Association.



VICKIE HERRICK FINANCE DEPUTY DIRECTOR

Vickie Herrick has had a long career with the City of Williamsburg. A certified finance officer and having served as the Interim Director of Finance, she provides a steady hand to budget development

BUDGET DRIVERS

The FY20 Budget has four major drivers: collaboration, education, assessed value, and the reserve.

COLLABORATION

This budget represents a heightened effort to collaborate with both internal and external partners. Beginning in October of 2018, we started collecting data that would shape this budget. The Goals, Initiatives, and Outcomes process included two public information sessions and several meetings with the City Council designed to solicit input on the next two years of priorities for the City. These priorities help inform budget decisions. Each department was consulted to determine needs and was given the opportunity to help problem solve to achieve financial targets. Finally, as decisions were made regarding funding levels for the Williamsburg-James City County School district (WJCCS), the James City County Administrator, the School Superintendent, and the Williamsburg members of the School Board were included.

EDUCATION

Education costs are always a contributing factor in the overall budget from year to year. The impacts on our overall budget are felt in two areas, operating and capital improvement. The City's 9.48% share of educational costs is based on the City's 972 students enrolled in the system during FY19. FY20's education operational costs have increased by 3.2% over last fiscal year, totaling \$10,134,651. The WJCCS proposed capital improvement plan for FY20 includes new or advanced projects to resolve capacity issues in both the high schools and elementary schools. If funded as proposed, the City's fund balance

will fall below policy mandated levels in FY21. To correct for this, James City County, WJCCS, and the City worked jointly to adjust project time lines. The result is a FY20 CIP that demonstrates full participation in these needed projects over the next five years without increasing the tax rate to fund them.

ASSESSED VALUE

The City's largest single source of revenue remains the real property tax. The assessed value of real property has increased six percent for FY20. There are two potential ways for real property tax revenue to increase. The first is for the assessed value of real property to increase, and the second is for the City Council to increase the real property tax rate. However, the increase of assessed value is preferred because it also means increased equity for property owners. This year's increase is due to a few factors. The City's long-time assessor retired and the new assessor brought renewed methodology including software changes that enabled better capture of property features such as screen rooms and decks. Also property rates in the Commonwealth have trended positively this fiscal year. Despite the predicted assessed-value increase, this budget is based on the conservative estimate of four percent. This allows for adjustment of rates during the fiscal year based on the appeals process. Any realized unexpected revenues can and will be appropriated mid-year through City Council action.

THE RESERVE

The City's strong reserve policy is a major contributor to the overall fiscal health of our municipality. Recent years have seen a significant drop in this balance from a high in 2014 of 80.9% of the total operating budget to a 2018 reported balance of 67.3%. These numbers can be misleading. They include both unassigned funds, meaning uncommitted, and assigned fund balances. The assigned balances are funds appropriated to current projects that are not yet complete and the funding could be reassigned. The true reserve forecasted for the close of FY19 is \$13.9 million, which is 38% of the operating budget. The City Council's policy requires this number not to fall below 35%. To provide resiliency and maintain the policy, our target is 40% and above. This target, if achieved, provides the City with the needed flexibility to address opportunities and emergencies during any fiscal year.



53+
MEETINGS HELD

The FY20 budget development process spans 273 days or nine months. To date it has included more than 53+ meetings designed to determine needs, identify savings, and assemble needed documents.

\$10.4K
COST PER STUDENT

The City's participation in the joint school system is predicated on a five-year contract. FY20 will be year three of the newest version of that contract. During this school year the City has 972 students enrolled. The cost to the City per student for the operation of the school system is \$10,409.

\$56
TAX BILL INCREASE

With the expected real property assessed value increase, property owners can expect to pay a higher tax bill. The average residential property is valued at \$332,050 and will have a new tax due of \$1,992 annually. The City bills twice per year.

14%
RESERVE REDUCTION

Since 2015 the City's reserve has dropped significantly. This drop is primarily due to unanticipated capital expenses. With over \$6 million committed to projects dependent on future grant awards, success with those grant applications is paramount.

SPECIAL FUNDS

TOURISM FUND

Following the passage of SB942 in 2017, the City Council decided to consolidate the tourism funding provided through various departments to a selection of tourism industry partners.

This transition provides for greater transparency in the amount of funding provided to tourism purposes. It also allows for better accountability for grant recipients. Future allocations will be handled similarly to business development prospects considered by the Economic Development Authority. This will mean that each recipient of funds will be required to execute a performance agreement that clearly outlines the expectations for return on investment and the period of expected return.

The Tourism Fund is supported by revenues from the historic \$2 per night per room tax levied in the City, a transfer of revenues from the General Fund that have historically supported tourism partners, and the City's share of half of the newly created Historic Triangle 1% sales tax enabled by SB942. Total revenues in FY20 are expected to be \$5.3 million. This estimate is based on revenue collection during FY19.

The City Council has recognized a need for additional tourism product development to serve as demand generators in the market. To spur private investment in such ventures, \$1.9 million is dedicated from this fund to support the Tourism Development Grant Program. The grant program's first cycle is underway now and a host of applications are expected. Other expenses from the fund include \$800,000 in mandated funds for the operation of the Greater Williamsburg

Chamber and Tourism Alliance, \$1.3 million as a grant to the Colonial Williamsburg Foundation to support their operations, and \$543,000 is transferred to the Historic Triangle Tourism Council pursuant to the terms of SB942. The remainder of the funding supports administration costs, special event funding, and a host of smaller amounts dedicated to local tourism partners.

SALES TAX FUND

The Sales Tax Fund is known by most as the Capital Improvement Fund. The fund is managed using a five-year plan for expenses. Our projection for FY20 is that the Sales Tax Fund will see \$16,500,673 in capital spending which is offset by \$7,523,995 in grant funds and other revenues. The plan is dominated by three elements. The first is the construction of a new fire station along Capitol Landing Road. This new fire station is expected to cost over \$11 million and improve the Fire Department's four-minute response to residents by 18%. The second is an anticipated \$3.5 million renovation of the Police Station. Considering the total of our physical plant, this facility is in the greatest need for replacement. The final project that drives spending in the Capital Plan is the contracted funding of the school system's capital needs. We have allocated \$303,950 to this need in FY20 but it escalates to nearly \$4 million in FY24. New projects added to the Capital Improvement Plan will garner great scrutiny as we strive to rebuild reserve funds that are housed in the fund.

UTILITY FUND

The City of Williamsburg operates a water and sanitary sewer utility using a Utility Fund. In operation since 1927, the utility is well managed and well-funded with historically low rates. As we assembled the FY20 budget we closely reviewed the trends of the utility in the areas of consumption, construction capital, and rates. What we see is that consumption is trending down. This can be attributed to national trends toward conservation and lower demand fixtures being widely available at lower costs. The trend translates to reduced construction capital each year as this reserve gradually begins to support, in greater sums, the operations. Rates have remained low and are, in fact, the lowest in the region. As we move forward we will need to consider a series of gradual rate increases to combat the draw on this fund's reserve. We are identifying initial increases in FY22.

DEBT CAPACITY

The City's current debt totals \$21,960,000. Recent bond issues for the City of Williamsburg include a refunding series in 2010 that totaled \$10,635,000 and a refunding series in 2012 that totaled \$5,180,000. These legacy bonds resulted in a partial payoff date of 2020 and another in 2027. Left unchanged, this would have left the debt balance of \$7,675,000 in 2020 and \$784,000 in 2027. In 2017 a public facilities bond series was issued totaling \$19,480,000. A portion of this refunded the old debt and the remainder is intended to fund renovation of the Police Station and construction of a new fire station. With the new bond issuance, our current pay-off date is extended to 2038. The debt service totals \$2,308,701 during FY20. This amount will decrease in FY21 as a portion of the old debt is retired. Virginia localities are limited to a debt cap of 10% of the assessed value of their real property. In FY19 this limitation was \$186,514,400.

HAMPTON ROADS WATER & SEWER COMPARISON RATES FOR FY19

	Water	Sewer	Total
Williamsburg	\$5.30 / 1000 Gallons	Included	\$5.30 / 1000 Gallons
James City County	0-15: \$3.61 / 1000 Gallons 15-30: \$6.36 / 1000 Gallons 30+: \$16.95 Fixed Quarterly Charge \$10.56	\$3.08 / 1000 Gallons Fixed Quarterly Charge \$5.95	\$6.69 / 1000 Gallons + Fixed Charges
Newport News	\$4.93 / 1000 Gallons Fixed monthly fee \$5	\$4.50 / 1000 Gallons Fixed monthly fee \$5	\$9.43 / 1000 Gallons + Fixed Charges
Portsmouth	\$4.41 / 1000 Gallons Fixed monthly fee \$5	\$4.11 / 1000 Gallons	\$9.35 / 1000 Gallons + Fixed Charges
Virginia Beach	\$4.41 / 1000 Gallons Fixed monthly fee \$4.41	\$3.69 / 1000 Gallons Fixed monthly fee \$30.81	\$8.10 / 1000 Gallons + Fixed Charges
Norfolk	\$6.83 / 1000 Gallons	\$5.75 / 1000 Gallons	\$12.58 / 1000 Gallons
Hampton Roads Sanitation District	N/A	\$7.18 / 1000 Gallons	\$7.18 / 1000 Gallons



WHAT'S INCLUDED

PERSONNEL

The largest operational increase for the FY20 budget is due to a wage improvement for City staff. The budget includes a two percent cost of living increase (COLA) to offset the 2018 Consumer Price Index/COLA formula increase of 2.8%. Additionally, this year we wanted to connect the annual evaluation process to salary in a meaningful way. We established a merit-based pay increase of up to three percent. In preparation for this we adjusted the evaluation schedule from April to October to better align with budget development. Each employee is evaluated on five groups of 12 performance dimensions. Ratings range from “falls below”, “meets”, or “exceeds expectations.” Depending on these ratings each employee has been awarded 0-3% as a merit increase. The average merit increase for 208 employees is one percent and the average total salary increase is three percent which is consistent with regional local governments.

NEW FULL TIME POSITION

The FY20 Proposed Budget includes only one new full-time-equivalent position. As we accept responsibility for road maintenance in the Historic District, a new Streets Division employee will be required. That position will be funded using VDOT Road Maintenance funds. This moves the total authorized FTE count to 205.5.

MAJOR INCREASES

Departmental spending has increased from FY19 by 2.6% or \$516,149. This is not an unreasonable or even unexpected increase given the Cost of Living Increase of 2.8% during 2018. Additionally, the preparation of the FY17 budget included implementation of the 2016 pay-and-class study recommendations. This resulted in over \$600,000 in additional personnel costs that were absorbed by each Department's operating budgets. During this year's review of each department's needs, adjustments were made to line items that had been artificially reduced in 2017 to accommodate the increased personnel costs. These Departmental expenses represent the largest expenses of the general fund. They total \$20,517,339 or 55.1%.

\$175,004
SOLID WASTE

Citing reduced interest in the international recyclables market, the current recycling contractor requested a renegotiated contract. The resulting request for proposals culminated in a new contractor being selected at a rate that will increase the annual costs for Williamsburg by \$175,004 in FY20.

\$112,544
HUMAN SERVICES

The City maintains a reserve to offset annual operational overruns of the Human Services Department due to increased service demand. A yearly trend of using this reserve has been observed over the last few fiscal years. To reduce this need, an increase of \$112,544 in operations of this department is now budgeted.

\$53,895
INFORMATION TECHNOLOGY

The increase in the IT budget of \$53,895 is due to new software and the associated maintenance agreements. As the industry trends away from single-sale software licenses, this need will continue to rise but is offset by the loss of expensive periodic updates or renewals.

\$32,392
WILLIAMSBURG JAMES CITY COUNTY LIBRARY

Library increases of \$32,392 are largely due to James City County salary increases and modernization of IT infrastructure.

\$39,250
CITY ASSESSOR

The Assessor budget increase of \$39,250 is due to modernization of the assessment process, including new software required for improving the assessment capture and defense.

WHAT'S NOT INCLUDED

REMAINING NEEDS

Unfortunately, even with some additional revenues expected, not every identified need can be met. During budget development, all of the Departments and Constitutional Officers were consulted as to their identified needs beyond the capacity of the FY19 budget. These needs totaled \$2,200,506. We were able to accommodate \$783,506 of these requests leaving \$1,417,000 in needs unmet.

Chief among these unmet needs are new positions in public safety. Beginning in FY17, we pursued new facilities for both the Fire and Police Departments. This forced questions regarding both call volume and response times to be answered. Both Departments have identified needs for additional personnel. However, current facilities leave no place for new hires to be housed. Additionally, we are cautious in adding new operational costs such as personnel because of the compounding increases that come with salary. This is driven by a need to build the reserve balance by finishing each fiscal year with a healthy surplus. Adding personnel reduces that potential surplus.

Earlier, I noted that we anticipate budget amendments to appropriate funds mid-year during FY20. When this occurs our first priority will be to address the needs in public safety.



REQUESTS UNFILLED

\$300,000
FIRE DEPARTMENT

To address higher-than-acceptable call volumes, new staffing is needed to offer downtime and training opportunities. Adding four new Firefighter/Medic positions will cost \$300,000 in salary and benefits.

\$84,000
CITY MANAGER'S OFFICE

As we search for new and improved ways to reach our audience, our residents and visitors, we have to modernize. In communications, that means graphic design and video production. Adding a video/graphic editor position would cost \$84,000 in salary and benefits.

\$105,000
POLICE DEPARTMENT

Regional police departments offer a take-home vehicle benefit to their employees. In Williamsburg this is challenging given the number of our employees who do not live within or near the city limits. Adding a vehicle allowance for our patrol would increase the operating budget \$105,000.

\$300,000
POLICE DEPARTMENT

To combat rising needs in the community for safety and patrols, the Police Department has requested four new officers. Adding those positions will add \$300,000 to the operating budget.

\$35,000
CITY MANAGER'S OFFICE

During the FY19 budget development, the positions of City Clerk and an Administrative Assistant were combined. This is challenging given the workload of the Clerk and the need for additional personnel to assist with Human Resources functions. Restoring a part-time Administrative Assistant would add \$35,000 to the operating budget.

\$54,162
PUBLIC SERVICE AGENCIES

The outside-agency requests reviewed by the Human Services Advisory Board asked for a total increase of \$54,162 over last year's allocation. This includes \$20,000 requested by Olde Towne Medical and Dental Center and \$18,000 requested by Colonial Behavioral Health.

\$40,000
COMMISSIONER OF THE REVENUE

The Commissioner of the Revenue requested an additional \$40,000 in personnel compensation. The basis for the request is to help remain competitive and attract the best candidates for future positions.

THE FUTURE

THINGS TO WATCH

A budget process provides ample opportunity to consider the future. The fiscal future of Williamsburg is as promising as its past. We will need to continue our efforts to be good stewards of the public trust. This will entail keeping a watchful eye on certain indicators and adjusting or planning for potentially negative circumstances.

The first such indicator to watch is our decreasing annual surplus. The City has long depended on an annual surplus at the end of the fiscal year to rebuild the reserve and fund new capital projects. At the end of FY18 the surplus was \$1,515,612 which is down from historic numbers like \$2.6 million. The FY19 forecast includes \$784,00 in surplus. As this number decreases, preparations for other sources of revenue to rebuild a weary reserve balance will need to be made.

The reserve is a second point of concern. This trend is an indicator that additional spending, outside of budgeted projects, should be carefully considered. A plan should be put into place to add to the reserve not just maintain the current balance.

A third trend to be mindful of is the flat revenues associated with the tourism taxes. It is unusual that in a tourism economy the meals, lodging, and sales taxes are not the largest sources of revenue. This is especially true given the low real property tax rate.

Increasing school costs is a fourth trend to note. Operational and capital costs will continue to rise and be a primary driver of city budget demands.

THINGS TO CONSIDER

To combat these items of note, we have developed the following four strategies that should be considered. Some, the Council has already acted upon.

A budget stabilization line would be a first step toward addressing the reserve and declining surplus. By budgeting a percentage of any new revenues toward a budget-stabilization line, a contribution toward fund balance would be certain in each year. This would make it easier to forecast balances and predict additional needs.

Secondly, a school-planning-project line in the Capital Plan would allow for major school capital projects to be funded without new revenue sources. Contributing a percentage of sales tax growth each year would build an ample source for such projects in future years.

A third suggested action would be to start a five-year planning horizon for the General Fund. We are already doing a five-year plan for capital needs, which helps identify major funding needs and enables long range planning. The same strategy could be applied to departmental needs.

Renewed strategic planning is the fourth strategy. By working on a new vision statement and goal set, we can revive the connection between the Goals, Initiatives, Outcomes, and the budget. This will make determining funding priorities easier and help in identifying areas of potential slimming.

FINAL THOUGHTS

The City of Williamsburg has earned a prominent position in the Commonwealth of Virginia and, indeed, in the United States. It is known both for its contribution to American and world history and also for its superb management.

When I speak to groups of employees or civic clubs, I always try and include my perspective as a newer arrival. I like to remind long time residents that Williamsburg is not the standard in local government but is the model. I often say that somewhere in another locality a City Manager and their staff are huddled around a conference table discussing the challenge of the day. They are looking at examples of how to solve it or sample policies and Williamsburg is the source. It is our everyday challenge to maintain that reputation. Thankfully, it is not difficult.

Recently, I was interviewed by a William & Mary student studying public policy. She asked what makes the City of Williamsburg's culture unique. After pondering it for a minute I offered this observation:

In Williamsburg, employees are working to satisfy the community and not just their supervisor.

After I said it I realized just how accurately it describes the City's culture. We are public servants motivated by the desire to serve. It is powerful to consider and even more so to observe.

Great things are happening in Williamsburg, and we are indeed cultivating a renewal that will undoubtedly yield a colorful garden.

It is my honor to offer the City of Williamsburg's 2020 Fiscal Year Budget for adoption by its City Council.

Andrew O. Trivette
City Manager

BUDGET MESSAGE



williamsburgva.gov