

FY21 BUDGET MESSAGE



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 20 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 having served as the Interim Director of Finance, she provides a steady hand to budget development.

CITY MANAGER'S STATEMENT

Mayor and Members of Council:

I am pleased to present the City Manager's proposed budget for Fiscal Year 2021 (FY21) and the associated five-year Capital Improvement Plan.

This year we began budget preparation 30 days earlier than our typical schedule. We did this to provide more time for development with the goal of having a balanced budget by the end of December. We presented that budget outline to the City Council in February. That proposal included new positions, a cost of living raise for employees, new capital equipment, and increasing our average salary for starting employees. The resulting six fund budget total of \$57,823,319, is conservatively balanced expecting the average assessed value to increase for real property by three percent. While this budget does not include an increase in the real property tax rate, it does include a small increase in the cigarette tax rate.

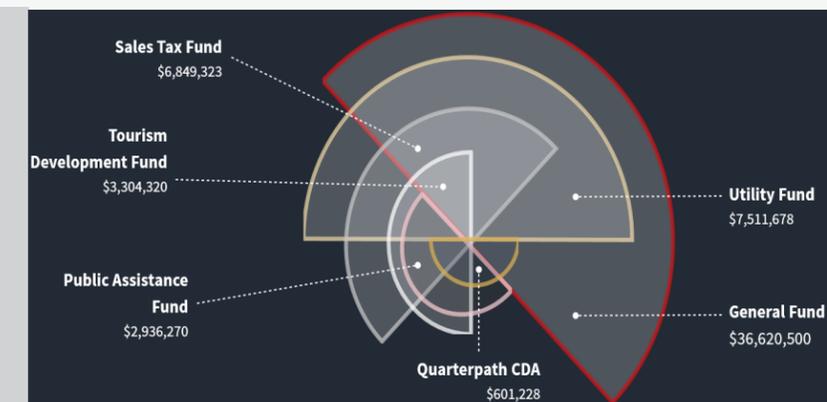
March of 2020 brought a pandemic and national restrictions on commerce and movement, completely changing revenue assumptions. For many local governments this will mean drastic revisions to budgets already developed. Williamsburg is unique in that we have a commitment to fiscal stability that spans over 320 years. Leaders past and current have prioritized building and maintaining reserves to help sustain the government in tough times.

These calculated strategies started with seeds planted by those who knew the shade they would eventually provide would comfort future generations. Now we benefit from the shade provided by a well funded pay-go Capitol Improvement Plan, a generous General Fund Reserve, and a flexible Tourism Development Fund. These enable the proposed budget, the plans of your city, and the progress envisioned to continue without setback.

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, and identify needs not included. The message will also provide some insight into revenue trends and rate structure, as well as other details for meeting the challenges of uncertain revenues.

I am proud to present a budget that, despite the uncertainty, honors Williamsburg's core values as a top tier local government, a premier employer, and steward of the public trust.

I am grateful to those who have helped plant the seeds, water the rows, and weed the field so that we may now harvest the bounty in a time of need.



FY21 TOTAL BUDGET

\$57,823,319

THE FY21 BUDGET HAS FOUR MAJOR DRIVERS: COVID-19, EDUCATION, ASSESSED VALUE, AND THE RESERVE.

It is impossible to prepare a FY21 budget message and not address **COVID-19**. The public health emergency that has resulted from the COVID-19 pandemic will impact the FY21 budget. The commercial and travel restrictions implemented in the last quarter of FY20 will reduce the revenues realized in that fiscal year and will ultimately impact the General Fund balance used to calculate the FY21 starting point for that fund. Additionally, the lingering dampened consumer confidence after restrictions are lifted has the potential to reduce revenues in the first few quarters of FY21. The unique challenge of being a fiscal manager in this emergency is gauging the duration and severity of these impacts. Staff briefed the City Council and community on the estimated worst-case scenarios resulting from COVID-19 mitigation efforts. This included reducing the tourism tax set (meals, lodging, sales) to 20% of the expectations for the April, May, and June months of FY20. It also included outlines of possible primary and secondary impacts to FY21. The primary impacts included graduating the tourism tax set from reduced returns (25-30%) of expectation in the first quarter of the fiscal year to 100% in the last quarter. These revenue reductions, if realized, will be offset during the year through spending constraint, and fully recovered as transfers into the General Fund from the Capitol Improvement (sales tax) fund of \$2,150,992 and the Tourism Fund of \$1,598,530. Any remaining needs will be met using the general fund reserve.

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 9.6% share of educational costs is based on the City's 1,005 students enrolled in the system during FY20. This FY21 budget includes an increase in the school system operating budget of four percent over the last fiscal year, totaling \$10,367,902. The WJCCS proposed capital improvement plan for FY21 includes new or advanced projects to resolve capacity issues in both the high schools and elementary schools. If funded as proposed, the City would need to identify new funding sources or rely on fund balances to continue a pay-go policy for these projects. To correct for this, James City County, WJCCS, and the City will work jointly to adjust project timelines. The result will be a FY21 CIP that demonstrates full participation in needed projects over the next five years.

The City's largest single source of revenue remains the real property tax. **Assessed value** of real property has increased three percent for FY21 totaling nine percent over two fiscal years. 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. An increase in assessed value means increased equity for property owners. This year's increase is due to a few factors. 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 2.8%. Also the FY21 budget includes additional adjustments to the real property tax revenue estimate to reflect potential impacts resulting from COVID-19 mitigation strategies.

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. Last year we committed to renewal of the reserve and set a course to grow the balance. The audited balance of the reserve for FY19 was \$14.3 million or 38.4% of operating revenues, and at the close of FY20 this balance is expected to be \$14 million or 43% of that year's operating revenue. This decrease in balance with an increase in the percentage of revenues reflects reduced revenue forecasts due to COVID-19 impacts. At the close of FY21, this budget proposes a reserve balance of \$11.3 million or 35% of the expected revenues. While this reflects a decline in the reserve balances, we are proud of the fact that the balance remains healthy and the percentage of revenue remains strong despite a heavy reliance on the reserve for COVID-19 recovery. 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. In future fiscal years, we will strive to grow the balance as we recover from the impacts of COVID-19.

BUDGET DRIVERS

COVID-19 Impact

\$10.5M

The worst case scenarios for impact prepared by staff for both the FY20 and FY21 fiscal years will be offset by constrained operational and capitol spending, unspent and uncommitted tourism funding, and by using the healthy general fund reserve balance.

Cost / Student

\$10.3K

The City's participation in the joint school system is predicted on a five-year contract. FY21 will be year four of the newest version of that contract. During this school year the City has 1,005 students enrolled. The cost to the City per student for the operation of the school system is \$10,316.

Tax Bill Increase

\$28

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 \$307,214 and will have a new tax due of \$1,843 annually. The City bills twice per year.

Reserve Policy

35%

Since 2015 the City's reserve has dropped significantly. This drop is primarily due to unanticipated capital expenses. Last year a commitment was made to renew those balances and strive for 40% or more.

SPECIAL FUNDS

TOURISM FUND

The City's Tourism Fund is the newest fund in the overall budget. 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.

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 FY21 are expected to be \$4.9 million. This estimate is a reduced figure from FY19 due to the fact that the sources of revenue for this fund will be among those most impacted by COVID-19 restrictions.

The Tourism Fund has several primary functions. The fund houses the administrative expenses of our Tourism Office, which will total \$245,095 in FY21. This is a reduction of 23% from last year. The reduction results from using the contingency funding included in FY19 to help with outside agency needs.

The fund also provides the structure for tourism-based outside agencies. These expenses 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, \$80,000 for Williamsburg Live, and \$543,000 is transferred to the Historic Triangle Tourism Council pursuant to the terms of SB942. New in FY21 is \$215,000 for CultureFix events. The remainder of the funding supports administration costs, special event funding, and

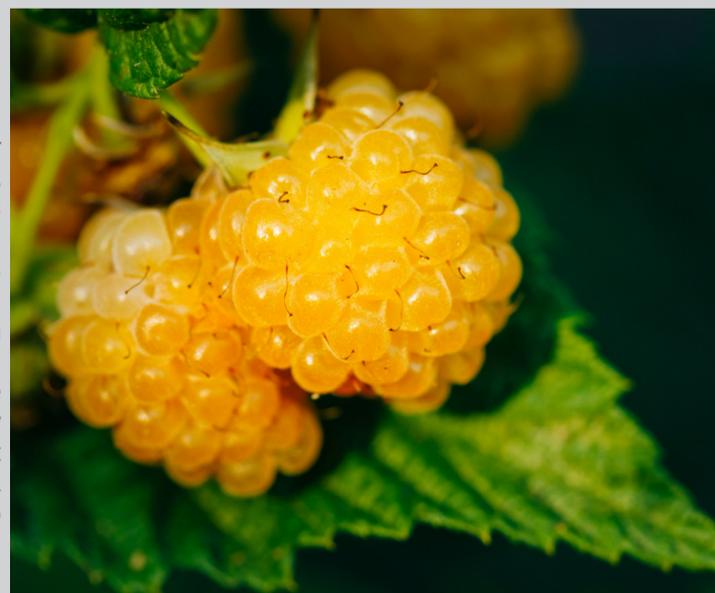
a host of smaller amounts dedicated to local tourism partners. The Tourism Contingency Grant Program is awarded from the fund. This is a grant available for funding new, expanding, or to accommodate unforeseen expenses related to tourism products and events. In FY21, the grant program will have \$150,000 for award.

Finally, the largest expense of the fund is the Tourism Development Grant Program. Launched in FY19, the program had more than \$2.3 million available for grant awards. After nearly 25 applications were considered, several were awarded the bulk of the funds. These projects include a regional sports center multiyear project (\$250,000), the completion of a fourth lighted softball field at Kiwanis Park (\$1.2 million), downtown wayfinding signage (\$250,000), City Square furniture (\$10,000), and a portable stage for Parks and Recreation (\$100,000).

During FY21, the realities of COVID-19 will force the Tourism Development Grant Program to now offer a new function. This budget anticipates that the un-awarded revenues from the Tourism Development Grant program will be transferred to the General Fund at the close of the year to offset revenue reductions. It is difficult to predict the total amount of this transfer due to the uncertainties of mitigation measures along with the recovery grants that may be considered by the City Council. As we progress through the close of FY20 and the start of FY21, we will be considering business relief efforts that will rely on the Tourism Development Grant Funds as a source of recovery opportunities made available to local businesses.

SALES TAX FUND

The Sales Tax Fund is known by most as the Capital Improvement Fund and is managed using a five-year plan for expenses. Our projection for FY21 is that the Sales Tax Fund will see \$6,849,323 in capital spending, which is offset by \$6,552,487 in grant funds and other revenues. In this year's budget, we have rearranged our presentation of the CIP by dividing it into three distinct sections. First, we detail revenues for the Sales Tax Fund. Second, are the municipal government capital expenses, and third are the school district capital expenses. The planned \$6.8 million in capital expenses includes \$745,069 in school construction projects. The City's share of school district capital expenses is based on the annual contract amount (9.6% of total project costs in FY21). It is likely that these planned expenses will adjust down as the school budget is finalized. Additionally, the City will transfer as much as \$3,979,522 from the CIP (savings and postponed projects) to the General Fund to offset COVID-19 revenue shortfalls over FY20 and FY21.



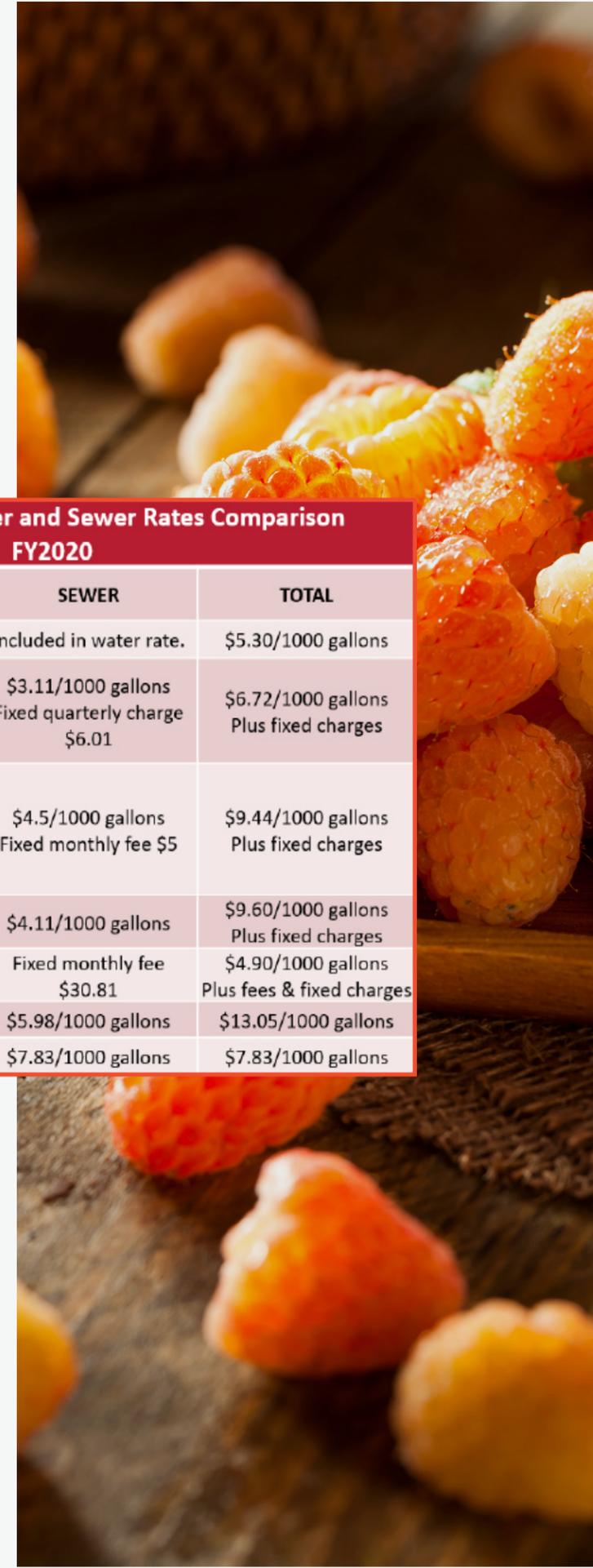
UTILITY FUND

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 FY21 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.

Locality	Hampton Roads Water and Sewer Rates Comparison FY2020		
	WATER	SEWER	TOTAL
Williamsburg	\$5.30/1000 gallons	Included in water rate.	\$5.30/1000 gallons
ICSA	0-15 - \$4.10/1000 gallons 15-30 - \$8.19/1000 gallons 30 and + - \$19.24 Fixed quarterly charge \$11.99	\$3.11/1000 gallons Fixed quarterly charge \$6.01	\$6.72/1000 gallons Plus fixed charges
Newport News	\$0-1,496 - 4.29/1000 gallons 1,96-18700 - \$4.93/1000 gallons 18700+ - \$9.87/1000 gallons Fixed monthly fee \$13 Fire Protection Svc Fee - \$1.35	\$4.5/1000 gallons Fixed monthly fee \$5	\$9.44/1000 gallons Plus fixed charges
Portsmouth	\$5.49/1000 gallons Fixed monthly fee \$5	\$4.11/1000 gallons	\$9.60/1000 gallons Plus fixed charges
Virginia Beach	\$4.90/1000 gallons Fixed monthly fee \$4.41	Fixed monthly fee \$30.81	\$4.90/1000 gallons Plus fees & fixed charges
Norfolk	\$7.07/1000 gallons	\$5.98/1000 gallons	\$13.05/1000 gallons
HRSD	N/A	\$7.83/1000 gallons	\$7.83/1000 gallons

DEBT CAPACITY

The City's current debt totals \$20.7 million. 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 scheduled to fund police station and fire station projects. With this latest bond issuance, our current pay-off date is extended to 2038. The debt service totals \$1,713,869 during FY21. This amount decreased from FY20, as a portion of the old debt has been retired. Virginia localities are limited to a debt cap of 10% of the assessed value of their real property. In FY20, this limitation was \$166 million.

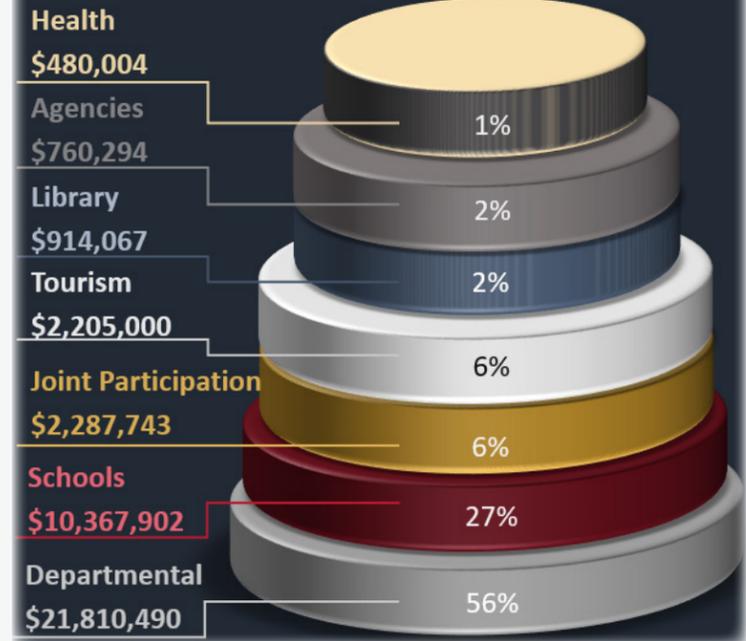


WHAT IS INCLUDED

SIGNIFICANT INCREASES

Departmental spending has increased from FY20 by 5% or \$1,219,151. These Departmental expenses represent the largest expenses of the general fund. They total \$21,810,490 or 56%. Despite a larger increase in departmental spending than last year, the overall budget grew in similar proportion. In FY19 the Departmental expenses made up 55.1% of the total General Fund budget, meaning that the total departmental expenses increased .9% as a portion of the whole. The increase is in large part due to the cost of living adjustment for wages and the addition of new full-time equivalent positions. Many of these additional positions are funded partially by outside sources or are the result of alternate staffing plans. When these offsets are considered, approximately 5 FTE positions are newly funded in the FY21 budget.

General Fund Expenditures



General Government

\$541,727

General Government expenses include most of the traditional municipal departments and constitutional officers. 75% of the 10.9% increase from last year for this category of spending is due to the accounting of insurance costs. The grouping of these standard costs allows for greater transparency in actual departmental spending.

Public Safety

\$494,699

This substantial increase in public safety costs results from additional personnel. The FY21 budget adds two new police officers to patrol and five new firefighters. One firefighter was added midyear during FY20 but is new to the FY21 budget, and four additional firefighters are 75% grant funded.

Education

\$327,650

The Williamsburg James City County School Division ranks low on the starting teacher salary scale for the region, which impacts recruitment and retention. The proposed division budget includes a salary increase of four percent to help improve salary standing.

Human Services

\$160,876

The Human Services Department is partially funded by state aid and grants. This includes some staff positions. The FY21 budget provides for two new social workers and one new eligibility worker. These additions were planned to relieve caseload prior to COVID-19 and will now be essential.

Parks and Recreation

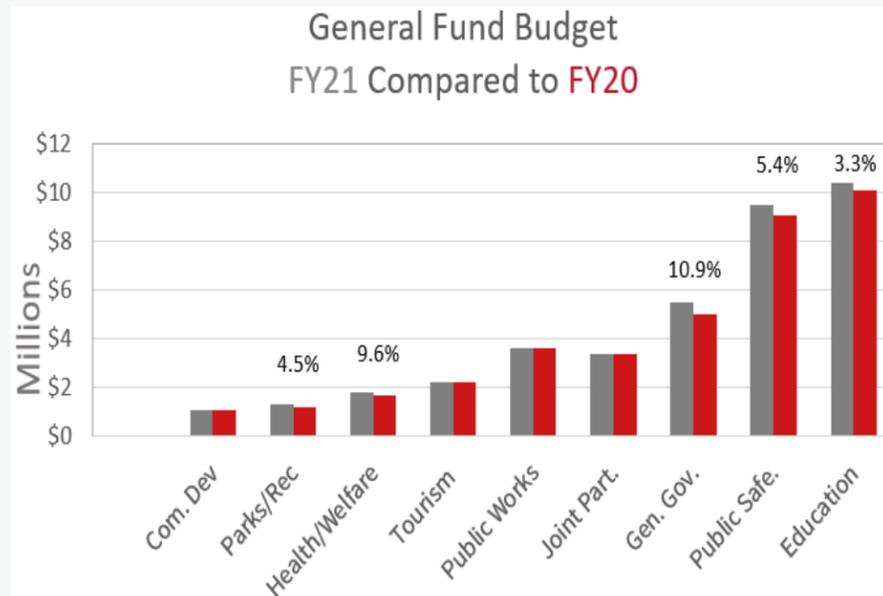
\$57,276

Including the WJCC Library, this category provides for traditional parks expenses and culture, such as the Williamsburg Area Arts Commission. Additional library costs and equity adjustments in parks and recreation salaries account for the majority of this increase.

NEW FTE POSITIONS

+12

The FY21 Proposed Budget includes 12 new full-time equivalent positions. Included are five firefighters, two police officers, one accountant, one eligibility worker, two social workers, and one property maintenance inspector. Many of these positions are partially grant-funded or are converted part-time employees to full-time status. Adding these positions is essential to the stability of our workforce due to the workload. This moves the total authorized FTE count to 217.5.



Personnel

The largest operational increase for the FY21 budget is due to a wage improvement for City staff. The budget includes a two percent cost of living increase (COLA). This offsets the two year Consumer Price Index/COLA formula increase of 2.4%, including the unfunded (.8) FY19 percentage and the FY20 COLA of 1.6%. Unfortunately, we will not offer a merit increase this year due to spending constraints. The City completed a pay and class adjustment for the organization in 2017, costing nearly \$700,000. Failing to provide COLA erodes the value of this costly adjustment. Additionally, COVID-19 has our employees working harder than ever before to meet the demands of personal and professional commitments. It is important that we assign value to these contributions and not further contribute to the hardships imposed by COVID-19 on our local economy.



REQUESTS UNFULFILLED

POLICE DEPARTMENT

\$180,000

To combat rising needs in the community for safety and patrols, the Police Department has requested four new officers. Two were included in the FY21 budget and two were not.

POLICE DEPARTMENT

\$105,000

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

POLICE DEPARTMENT

\$75,000

The city operates a gun range for the training and benefit of our certified officers. It is now time to do some needed repairs and upgrades of the facility. This has been postponed to a future year of the CIP to allow for revenue recovery resulting from COVID-19 mitigation measures.

PARKS AND RECREATION

\$84,000

The Parks and Recreation Department requested an additional part-time park employee and a full-time park attendant. These two positions would help meet the needs of park maintenance and improve stability of existing staffing resources for one of the largest departments, when seasonal part-time staff is considered.

INFORMATION TECHNOLOGY

\$84,000

As the way we consume information changes from print to short-format video, the staff needs to grow to include those skills. Adding a position to the IT staff would provide for stronger broadcast programming as well as allow for internal video development in an effort to improve community engagement.

PUBLIC WORKS

\$59,640

We continue to grow the demands placed on our existing facilities through additional programming, security, and service requirements. The staff of facilities maintenance includes two FTE positions. One additional position is needed to continue to address the growing expectations.

CITY MANAGER

\$40,000

Each year the City follows thousands of bills introduced during the General Assembly. Annually we adopt a legislative agenda that outlines our goals for that session of the Assembly. A consultant in Richmond would provide needed staff resource augmentation without the total cost of a position.

REMAINING NEEDS

Unfortunately, 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 FY20 budget. These needs totaled \$1,186,324 in operating needs and \$1,973,402 in capital purchases. We were able to accommodate \$772,864 of the operating expenses and \$236,760 of the capital needs. This leaves \$413,460 of the identified operating and \$1,736,642 of the identified capital needs unmet.

The majority of the unfunded operating needs consist of new positions including two additional police officers, IT staff, legislative consultants,

and several part-time administrative functions. The needs will continue to be met using existing staff and will be front of mind in the development of the FY22 budget.

The capital needs unfunded included many projects that during the first draft were included in the spending plan for FY21. They have now been postponed for at least one year to accommodate needed relief for the General Fund revenue shortfalls resulting from COVID-19. As the fiscal year progresses and the revenue picture becomes more clear, projects may be advanced to the original schedule.



THE FUTURE

“ Make big plans, aim high in hope and work, remembering that a noble, logical diagram once recorded will not die.
 Daniel Burnham

FINAL THOUGHTS

As we concluded our budget review in early January, it seemed that our theme this year would be retooling. The theme was appropriate, given our efforts to re-envision strategic planning, improved collaboration with our vital partners, and the addition of critical staffing. Unfortunately, this plan was upended by a global pandemic.

I have been daily amazed at both the capacity of our staff and our community to meet the needs presented by this unexpected global event. As a community we have rallied and proven that our bond is stronger than the temporary separation imposed by a spreading infection.

During the last few months as we watched a disease spread from country to country and continent to continent, we focused less on needs and more on capability. The City hosted regional discussion of preparedness and began internal analysis of resiliency very early.

Since 1699, the hallmark of Williamsburg has been leadership. As we shared our implemented safety protocols, policies for virtual meetings, and technological solutions we have proven the Colonial Capitol is still that leader. I know we will continue to earn that legacy every day of FY21.

These efforts proved invaluable as we enacted protocols that protected the community and our staff. As COVID-19 began to impact Hampton Roads and specifically Williamsburg, our preparedness as an organization allowed our impacts to be lessened. I am so grateful to a staff who believes in planning and rises to meet challenges.

It is my honor to offer the City of Williamsburg’s 2021 Fiscal Year Budget for adoption by its City Council.

Andrew O. Trivette
City Manager

THINGS TO WATCH

Last year as we completed drafting the budget, we discussed some indicators to watch. They included a decreasing annual surplus, the reserve balance, flat revenues, and educational costs. During the current fiscal year, we have focused on improving revenue performance, growing the reserve, and keeping a healthy surplus.

We have had considerable success as the reserve has grown from 35% to 38% of annual operating revenues. Our revenues have increased slightly and sales tax is performing well.

COVID-19 mitigation efforts will dominate our indicators moving through FY21. These are both physical and financial.

The first consideration is **duration**. We need to be mindful that the worst-case scenarios that this budget is based on may not be severe enough, if COVID-19 mitigation efforts, such as social distancing and commercial restrictions, are warranted deep into the summer and fall months.

Consumer **confidence** will be another factor to carefully monitor. As we exit COVID-19 restrictions, consumers and travelers will slowly adjust to a new normal. This will slow the growth of tourist taxes. We have adjusted for graduated returns, but we will need to watch if they will be slower than expected.

Finally, we will need to be sure **capacity** has been sufficiently accounted for. Closure of businesses due to COVID-19 losses is likely, which will potentially reduce revenue.

THINGS TO CONSIDER

The General Fund reserve is a focus of any city manager. This unassigned fund balance is the true bellwether of a locality’s health and previous decision making.

In Williamsburg, we have benefited from fiscal conservancy that has allowed for a very healthy General Fund reserve at times exceeding 80% of operating revenues. In recent years we have recommitted to growing this reserve so that our strength can be our fiscal resiliency. Now we see these efforts bearing fruit that we can harvest.

This budget forecasts revenue shortfalls as a result of COVID-19 and recognizes that this is a temporary condition. The budget utilizes savings from postponed and under-budget capital

projects to meet revenue deficits. The budget also relies on unspent tourism grant funds to continue accomplishing the goals set by the City Council and the community without interruption. All of this is accomplished while meeting the long-standing fiscal policy of having 35% of operating revenues in reserve.

The protection of the reserve is imperative to help weather the next emergency that impacts revenues. We do not know when it may come, but we can be sure that we are as prepared as we have been for over 320 years. Utilizing our fiscal strength now is the right strategy for preparing to meet tomorrow’s challenge.