Staunton City Council Budget Work Session March 24, 2022

FY2023 Budget

Pandemic Adjustments - FY2020 Reduction Plan

Actions to address projected **$2.6 million** funding gap.

Items 1 – 3 have already occurred:

1) Freezing of all vacant positions with limited exceptions as approved by the City Manager
2) Elimination of all unnecessary non compensation expenditures
3) Deferral of CIP projects

Items 4 – 5 are in process:

4) Delayed opening of summer park programs and services until July 1, 2020
5) Involuntary termination of all part time employees who are unable to work a scheduled shift

Pandemic Adjustments - FY2020 Reduction Plan- Continued

A summary of Action Items 1 and 2 appears below:

FY2020 Identified Savings

Description	**Amount**
Salaries - Turnover / Vacancies	$ 503,567
Part Time/Overtime/ On Call	$ 74,478
Benefits	$ 288,787
Insurance	$ 110,295
Professional Services / Contracts/Other	$ 103,430
Training & Travel	$ 100,311
Maintenance	$ 226,755
Equipment	$ 14,001
Utilities	$ 27,451
Fuel & Tires	$ 47,101
Total Projected Savings	**$ 1,496,176**

Pandemic Adjustments - FY2020 Reduction Plan- Continued

Action Item 3 – Deferral of CIP Projects = $1,400,000

Action Item 4 – Delayed Summer Park Activities = $45,000

Action Item 5 – Involuntary termination of part time employees unable to be scheduled to work = $75,000

FY2020 Actions to Close Projected Funding GAP	Amount	
Freeze of Open Positions/ Only Essential Expenditures	$	1,496,175
Deferral of CIP Projects	$	1,400,000
Delayed Summer Park Activities	$	45,000
Involuntary Termination of Part Time Employees	$	75,000
Total	**$**	**3,016,175**

Pandemic Adjustments - FY2021 Revised Budget Path

FY21 projected shortfall = $4.2 million

Staff has identified five areas to address this shortfall:

1) Elimination of the 2% salary increase which was to have been effective on January 1, 2021 = $183,000
2) Reduction of Local Transfer to Schools as per traditional revenue sharing formula = $~~1,695,000~~ 1,805,000
3) Deferral of FY21 CIP Expenses = $941,000
4) Reduction in other line items (Non-Compensation and Part Time labor) = $434,341
5) Reductions due to personnel actions = $944,409

Pandemic Adjustments - FY21 Revised Budget Plan – Personnel Actions

- Option A uses a combination of furlough days and savings associated with current vacant positions

Furlough Days and Adjustments									Amount
Furlough Days	$	61,822		Per day			10 Days	$	(618,220)
Police Furlough Reduction			$	6,674			10	$	66,736
E 911 Furlough Reduction			$	1,635			10	$	16,350
Fire Furlough Reduction			$	13,494			6	$	80,961
Part Time Fire Reductions								$	(74,000)
Furlough Waiver EE's @ or under $15 per hour			$	3,497			10	$	34,968
Open Positions	**Salary**		**Benefits**		**Total**				
4 Patrol Officers	$	39,015	$	15,635	$	54,650		$	(218,601)
1 E 911 Operator	$	32,029	$	13,985	$	46,014		$	(46,014)
.5 Comm. Manager	$	38,575	$	12,217	$	50,791			
Comm. Manager - Consultant					$	(26,000)		$	(24,791)
1 Traffic Main. Worker	$	38,434	$	15,498	$	53,932		$	(53,932)
2 Streets Equip. Operators	$	38,434	$	15,498	$	53,932		$	(107,864)
Total Savings								**$**	**(944,409)**

FY2021 Budgeting

CITY OF STAUNTON
FY 2021 GENERAL FUND EXPENDITURES

FUNCTION	FY 2020 ADOPTED BUDGET	FY 2021 PROPOSED BUDGET	FY 2021 ADOPTED BUDGET	$ VARIANCE
TOTAL GENERAL GOV'T ADMIN	$ 6,381,791	$ 6,426,021	$ 6,100,461	$ (281,330)
TOTAL JUDICIAL ADMINISTRATION	$ 2,050,032	$ 2,370,602	$ 2,239,756	$ 189,724
TOTAL PUBLIC SAFETY	$ 12,087,308	$ 12,615,783	$ 12,043,521	$ (43,787)
TOTAL PUBLIC WORKS	$ 6,288,654	$ 6,222,664	$ 5,971,764	$ (316,890)
TOTAL HEALTH AND WELFARE	$ 7,088,026	$ 7,371,023	$ 7,362,381	$ 274,355
TOTAL EDUCATIONAL AGENCIES	$ 8,000	$ 9,000	$ 9,000	$ 1,000
TOTAL PARKS, RECR, LIBRARY	$ 3,897,262	$ 3,865,683	$ 3,670,219	$ (227,043)
TOTAL COMMUNITY DEVELOPMENT	$ 1,938,462	$ 2,347,265	$ 2,088,774	$ 150,312
TOTAL TRANSFERS	$ 19,535,465	$ 19,719,625	$ 16,888,825	$ (2,646,640)
Total	$ 59,275,000	$ 60,947,666	$ 56,374,701	$ (2,900,299)

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TOTAL PARKS, RECR, LIBRARY	$ 3,897,262	$ 3,865,683	$ 3,670,219	$ (227,043)
TOTAL COMMUNITY DEVELOPMENT	$ 1,938,462	$ 2,347,265	$ 2,088,774	$ 150,312
Total	$ 39,739,535	$ 41,228,041	$ 39,485,876	$ (253,659)

FY2020 / 2021 Disconnect
Impact of State Mandated / Outside Agency Costs

Description		Amount	Comment
Commonwealth Attorney	Judicial Administration	$ 193,115	State Mandated / Predominately Pass Thru Revenue
Juvenile Detention	Public Safety	$ 1,005	Unfunded
Middle River Regional Jail	Public Safety	$ 449,465	Unfunded
Office of Youth	Public Safety	$ 8,000	Unfunded
Children Serrvice Act	Health and Welfare	$ 50,000	State Mandated / Predominately Pass Thru Revenue
Department of Social Services	Health and Welfare	$ 265,673	State Mandated / Predominately Pass Thru Revenue
Economic Development Agreements	Community Development	$ 367,546	FY2020 Budget vs. Actual Expense
Total Uncontrollable Costs		$ 1,334,804	

Per Pupil Cost Comparison – School's FY2022 Waynesboro Example

Additional Considerations when calculating a per pupil cost:

A part of the Waynesboro calculation includes their new high school debt resources. When the difference in support is calculated, using the schools methodology, the gap closes the reported FY2022 by $383 per student.

The second point is the City pays for 100% of the staff assigned to perform the school's accounts payable, procurement, payroll, audit preparation, and state reporting tasks. We estimate this value to be nearly $300,000. When this is factored, we see gap closing by an additional $109 per student.

Based upon Staunton's projected FY2023 increase in local transfer, we feel this gap may close even further.

Year on Year Total Revenue Variance – 2021/2022

FY2021 and FY2022 City / School Variances		
Description	City	School
Year on Year GF / EF Revenue Variance	$ 5,379,273	$ 2,782,025
Less :		
Year on Year Fund Balance/Reserve Use Variance	$ (1,038,378)	$ 526,250
Year on Year School Transfer Variance	$ (1,581,840)	
Economic Development Agreements	$ (40,000)	
Additional Year on Year Revenue	**$ 2,719,055**	**$ 3,308,275**

Year on Year Total Revenue Variance – 2022/2023

FY2022 and FY2023 City / School Variances				
Description		City		School
Year on Year GF / EF Revenue Variance	$	3,438,966	$	2,657,340
Less :				
Year on Year Fund Balance/Reserve Use Variance	$	180,653	$	(497,250)
Year on Year School Transfer Variance	$	(1,073,750)		
Economic Development Agreements	$	(356,845)		
Year on Year Revenue Variance	**$**	**2,189,024**	**$**	**2,160,090**

Increase in City Uncontrollable Costs

ADDITIONAL UNCONTROLLABLE COSTS SINCE FY2020			
Description		**Amount**	**RE Tax Equivalent**
Middle River Regional Jail	$	1,122,357	5.17
Economic Development Agreements		735,500	3.39
VRS Rate Increase		532,786	2.46
SAFER Firefighter Grant Funding		177,786	0.82
CSA/Department of Social Services		160,603	0.74
Commonwealth Attorney		170,448	0.79
Health Insurance FY2022 & FY2023 20% Increase		504,000	2.32
Animal Shelter		39,695	0.18
Juvenile Detention		136,895	0.63
Major Year on Year Uncontrollable Impacts	**$**	**3,580,070**	**16.50**

FY2020 / FY2023 - City / School Revenue Comparison

FY2020 - FY2023 Revenue Variance Comparison

Description	City	Schools	Variance
Total Revenue	$ 5,917,940	$ 4,273,188	$ (1,644,752)
Less:			
Use of Fund Balance/Reserves	$ (1,007,725)	$ (721,000)	$ 286,725
School Transfer	$ (850,000)		$ 850,000
Economic Development Agreements	$ (737,500)		$ 737,500
Variance	$ 3,322,715	$ 3,552,188	$ 229,473

Two Year Summary Comparison

FY2022 and 2023 Two Year Budget Summary			
Fiscal Year	**Description**	**Schools**	**City**
FY2022 & FY2023	Net New Positions	26	-3
FY2022 & FY2023	General Wage Wages Increases	11%	8%
FY2022 & FY2023	Bonus Provisions	$ 269,125	$ -
FY2022 & FY2023	Use of Fund Balance / Reserves	$ 944,750	$ 2,196,013
FY2022 & FY2023	Negative Contingency	$ -	$ 293,758
FY2022 & FY2023	Employee Portion of Health Insurance Increase	9%	14%

Major Budget Drivers – Education Transfer

- For the last quarter century the stated goal of the City has been to provide Staunton City Schools with fifty percent of incremental, year on year revenue, associated with local tax growth.

- The Schools are prohibited by State law to raise taxes and must lobby their governing body for resources. Given this, a 50/50 share in allocation of increasing local revenues appears to be a fair solution.

- As reported last week by the Schools, the perception has been that Schools have always received a 50 percent allocation of additional local revenues.
  - The following slide shows an updated schedule of information was shared and discussed with school administration at our January 4, 2022 meeting.

Slide first Presented at February 2, 2022 Budget Work session

Twenty Year History of School Transfer

City to School Transfer History

Fiscal Year	Calculated Transfer	Budgeted Transfer	Variance	% of Calculated Transfer
2003	$ 9,870,887	$ 9,676,525	$ (194,362)	-1.97%
2004	$ 10,094,193	$ 9,620,941	$ (473,252)	-4.69%
2005	$ 10,185,903	$ 9,620,941	$ (564,962)	-5.55%
2006	$ 10,544,509	$ 10,280,280	$ (264,229)	-2.51%
2007	$ 11,267,511	$ 11,087,100	$ (180,411)	-1.60%
2008	$ 12,378,826	$ 11,787,773	$ (591,053)	-4.77%
2009	$ 12,364,548	$ 11,787,773	$ (576,775)	-4.66%
2010	$ 11,337,220	$ 10,722,257	$ (614,963)	-5.42%
2011	$ 10,319,270	$ 10,571,891	$ 252,621	2.45%
2012	$ 10,854,641	$ 10,710,366	$ (144,275)	-1.33%
2013	$ 11,214,116	$ 10,797,257	$ (416,859)	-3.72%
2014	$ 11,386,257	$ 11,098,000	$ (288,257)	-2.53%
2015	$ 11,608,550	$ 11,714,000	$ 105,450	0.91%
2016	$ 12,381,238	$ 11,989,100	$ (392,138)	-3.17%
2017	$ 12,386,813	$ 12,371,800	$ (15,013)	-0.12%
2018	$ 13,326,648	$ 12,750,000	$ (576,648)	-4.33%
2019	$ 13,308,470	$ 13,200,000	$ (108,470)	-0.82%
2020	$ 14,253,183	$ 13,850,000	$ (403,183)	-2.83%
2021	$ 11,925,420	$ 12,044,410	$ 118,990	1.00%
2022	$ 14,254,244	$ 13,626,250	$ (627,994)	-4.41%

School Fund Balance History

School Fund Balance is at record levels. The follow chart outlines the budgeted use verses actual change of the school fund balance since 2016:

	A	B	- A + B		
Fiscal Year	**Budgeted Use of Fund Balance**	**Year on Year Actual Change in Fund Balance**	**Actual Variance From Budget**	**Balance @ June 30**	**Year on Year Percentage Variance**
FY2022	$ (223,750)				
FY2021	$ (750,000)	$ 1,504,769	$ 2,254,769	$ 4,665,588	47.6%
FY2020	$ -	$ 1,429,318	$ 1,429,318	$ 3,160,819	82.5%
FY2019	$ (100,000)	$ (76,776)	$ 23,224	$ 1,731,501	-4.2%
FY2018	$ (250,000)	$ 477,228	$ 727,228	$ 1,808,277	35.9%
FY2017	$ -	$ (36,421)	$ (36,421)	$ 1,331,049	-2.7%
FY2016	$ (225,000)	$ 172,505	$ 397,505	$ 1,367,470	

SCS Path to Balancing

The majority of School's path to balancing their funding gap is well within their control. The following chart outlines a path which will potentially their balance while leaving intact every single position which is currently budget and without the utilization of any additional reserves:

Description	Amount	Cumulative
Revenue:		
Perkins Revenue	$ 68,614	
Title II Revenue	$ 90,489	
SOP Administration Fee	$ 99,773	
Medicaid (FY21 Act.)	$ 63,200	$ 322,076
Expense:		
Professional vs. Non Professional VRS Rate Savings	$ 82,399	
Transporation VRS Rate Savings	$ 66,946	$ 149,345
Combined Adjustments		$ 471,421
Less Funding Gap		$ 624,113
Revised Variance		**$ (152,692)**

Going Forward

- Both City and School staff both agree its time for a new methodology
- Last week City and School staff briefly discussed alternative methods of school allocation. A model similar to Waynesboro’s where a factor is applied to the actual revenues as reported on their most recent audited statements will extract the subjectivity from the process and allow for early certainty of the transfer for the school’s budgeting process.
- To implement, we would need to baseline back to the FY2020 budget for a transfer percentage and work towards funding the schools at that level.

DISCUSSION