

# Multi Year Planning Update

March 19, 2019



# Overview

- Goals of Multi-Year Financial Planning
  - Be as efficient as possible delivering City services
  - Continue to make key strategic investments to enhance City's ability to meet council priorities:
    - Increase public safety
    - Improve education
    - Improve the local economy
  - Develop a target in order to implement initiatives to meet these goals



# Initiatives

- Increase Public Safety
  - Police Headquarters - \$1.8 million annual debt service
  - Comprehensive Crime Reduction - \$100k annually
  - Ensure competitive pay and benefits - \$600k annually
  - Increase use of technology - \$100k annually
  - Create community resource centers - Partnerships
  - Hire additional Animal Control Officer - \$50k annually



# Initiatives

- Improve Education
  - Increase operational budget for DPS - \$4.2 million
  - Expand Smart Beginnings - \$500k annually
  - Address school infrastructure needs - \$9 million in annual debt service (possibly paid with 1% local option sales tax)
  - Teacher recruitment - \$2 million annually (pay increases)
  - Create workforce pipelines – Grant funded
  - Improve private sector partnerships - Grants



# Initiatives

- Improve the local economy
  - Economic Development Strategic Plan with Housing Focus - \$150k (one time)
    - Market Danville to niche markets
    - Create a sense of place
    - Create desirable communities
  - Sustain Economic Development - \$2 million annually
  - Sports Tourism – Unknown initial investment; \$100k annually to staff
  - Riverfront Park – Major gift fund raising underway



# Economic Development Outcomes

- Total number of performance agreements signed: 43
  - River District: 33
  - Industrial: 10
- Total of jobs and investment committed:
  - Capital investment - \$129,419,334.00
  - F/T Jobs: 637
  - P/T Jobs: 79
- Grant Funds:
  - Total amount of grant funds committed: \$7,237,587.00
  - Total amount of grant funds distributed: \$4,905,535.96
- Anticipated ROI:
  - River District Development Grants: 5 Years
  - River District Enhancement Grants: 7 Years
  - Industrial Enhancements Grants and Technology Enhancement Grants: Up to 10 Years



# Economic Development Outcomes

- River District Projects:
  - Total amount of grant funds committed: \$5,089,321
  - Total amount of grant funds distributed: \$3,830,896
  - Total net new revenue generated to date: \$1,774,402
  - Average age of projects: 3.23 Years
  - Average time between date of performance agreement and start of operations: 0.97 Year



# Economic Development Outcomes

- Industrial Projects:
  - Total amount of grant funds committed: \$2,148,266.00
    - Note: Some grant commitments are shared between the City of Danville and Pittsylvania County. The amount above only includes the City's commitment.
  - Total amount of grant funds distributed: \$1,074,639.50
    - Note: Some grant commitments are shared between the City of Danville and Pittsylvania County. The amount above only include the City's contribution.
  - Total net new revenue generated: \$175,446.21
    - Note: Some grant commitments are shared between the City of Danville and Pittsylvania County. The amount above only include the City's revenue.
  - Average age of projects: 2.67 Years
  - Average time between date of performance agreement and start of operations: 1.4 Years





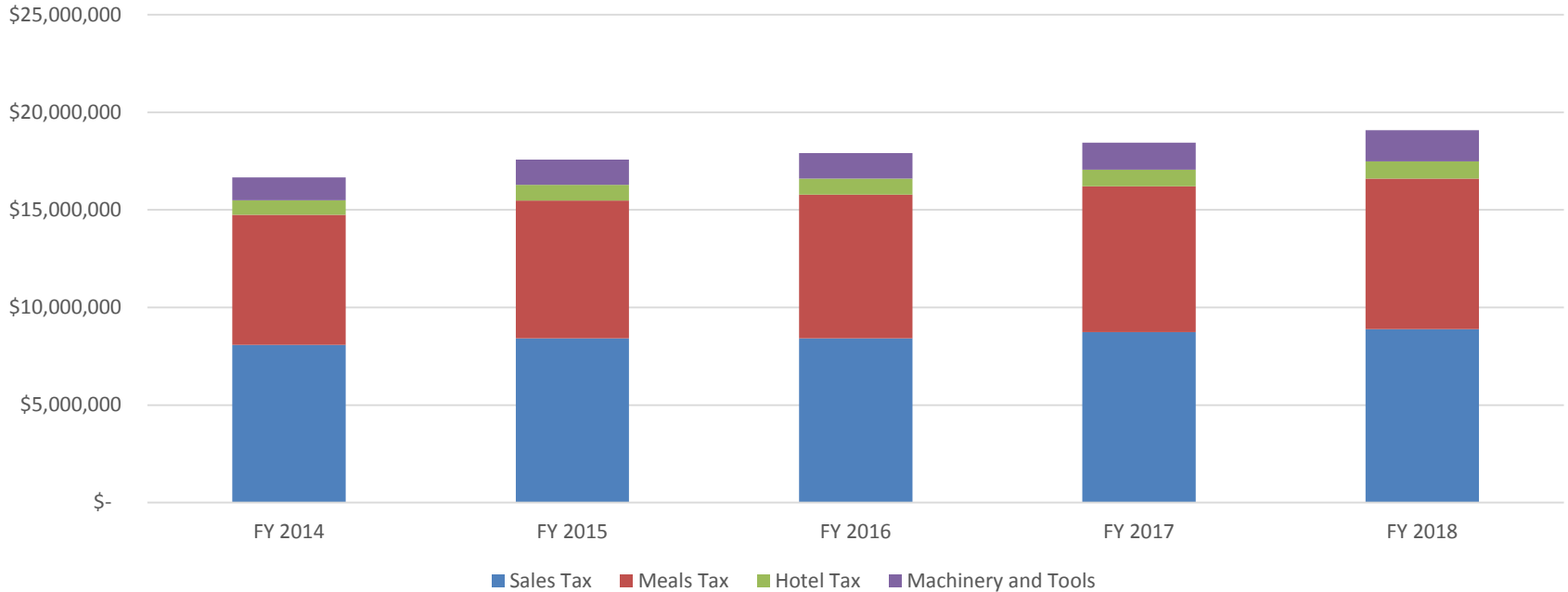
# Economic Development Outcomes

- To-Date:
  - Four companies have non-performing grants (\$0 net new revenue and jobs to the City) totaling \$299,445.46. The Office of Economic Development is taking legal measures against these companies and is confident that the City will be able to get at least one half returned.
  - Eight companies have passed the break-even point compared to the total amount of grant funds distributed.
  - Five companies have passed the break-even point compared to the total amount of grant funds committed.
- Break-Even Projections:
  - Based off of forecasted tax revenues, the Office of Economic Development anticipates a break-even for total grant funds committed in 2024.



# Tax Revenue Trends

Economy-Driven Local Taxes

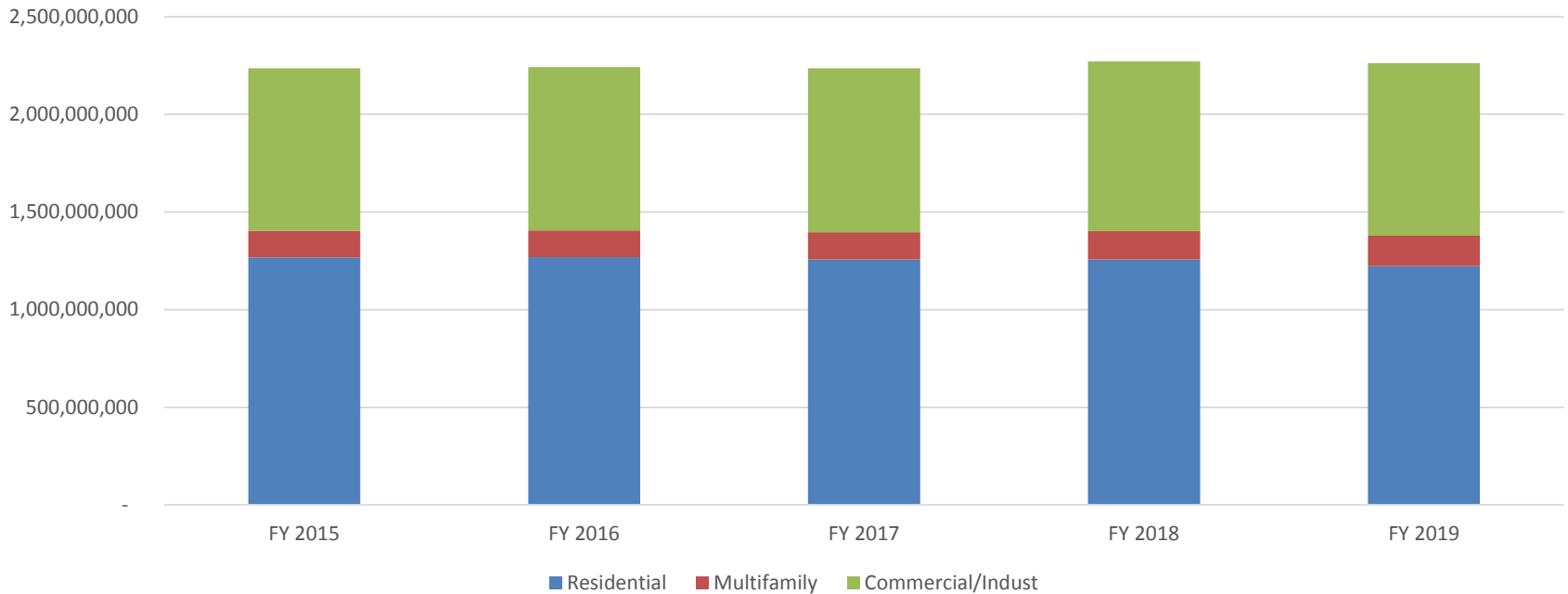


- FY 2018 Adjusted to exclude hotel occupancy tax rate increase (-\$134,517)
- \$2,426,443 increase over five years



# Tax Revenue Trends

Real Estate Tax Base



- Overall tax base decreased by 0.41% in the last revaluation. Residential decreased by 2.65%.
- Over the past five years, residential tax base dropped 3.41%, multi family increased 13.14% and commercial/industrial increased 6.26%. The overall increase over 5 years was 1.2%



# Subcommittee Reports

- Cost Savings
- Personnel Benefits
- Revenues

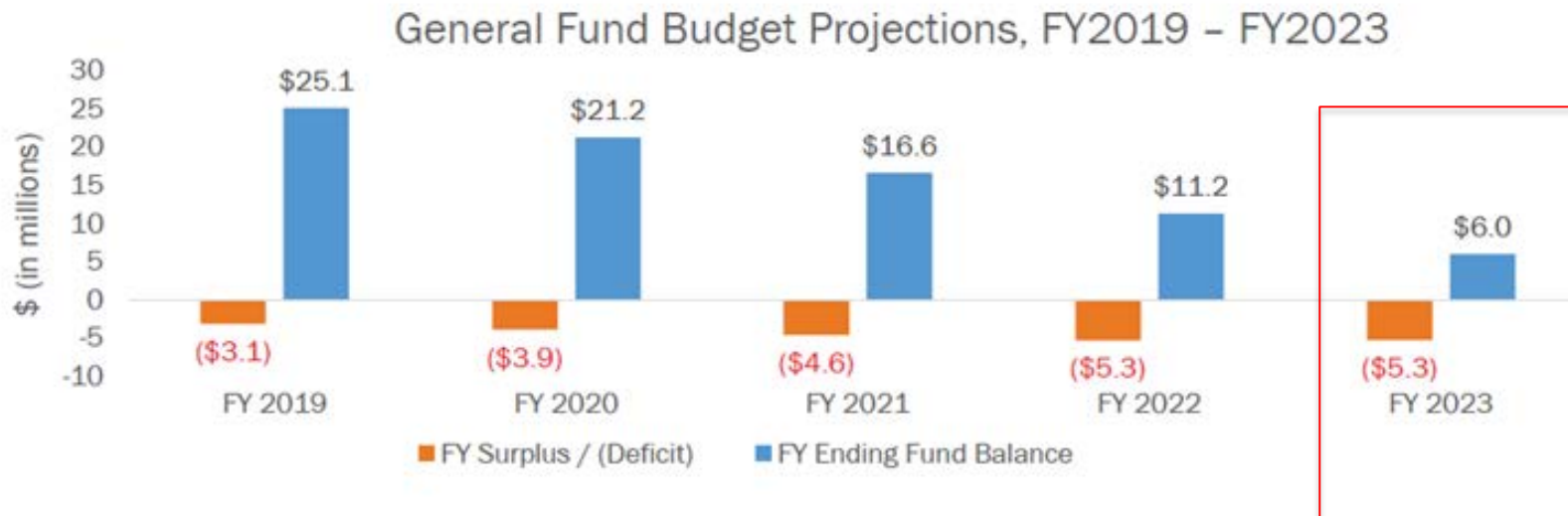
*– Reports and current status at end of presentation*



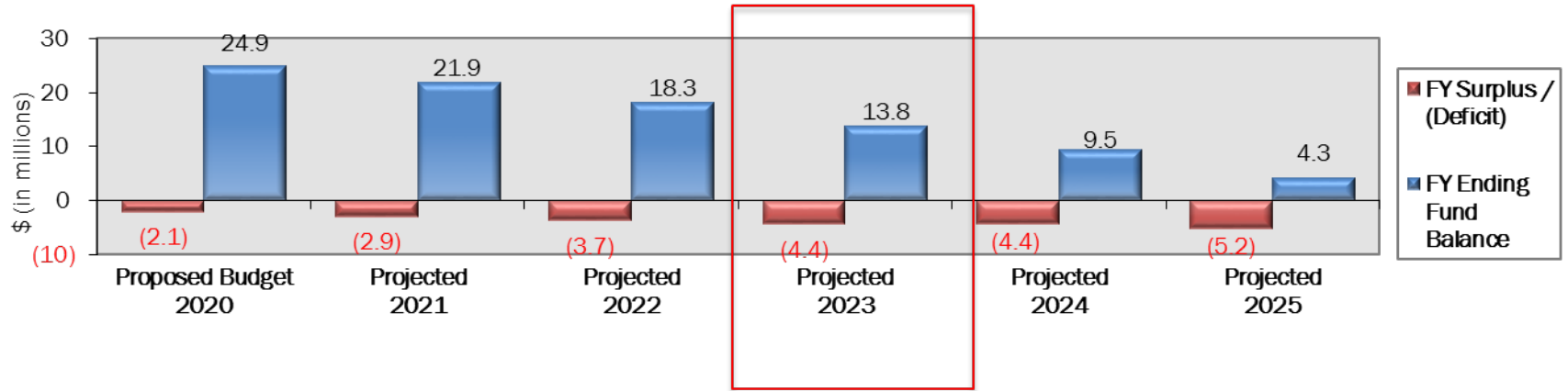


# Danville's Fiscal Gap

- The Network baseline indicates Danville is projected to end FY 2023 with an annual General Fund deficit of \$5.3 million and a fund balance of \$6 million. The projected cumulative deficit over the next five years is \$22.3 million.



# Current Outlook



- FY 2023 Project is \$7.8 better than expected, based on implemented gap-closing techniques
- There is still a long-term gap that needs to be addressed



# Implemented Cost Savings Measures

- Health Insurance Plan Design Changes – *eliminated projected cost increase (\$879,409)*
- Dependent Eligibility Verification Audit nearly complete – *We anticipate 200,000/year in premium savings*
- Employee Health Clinic – *A site is selected and will be open by the end of this fiscal year. Premium savings will be realized in future years.*
- Reduction in public safety salary costs – due to retirement - *\$353,684/year*
- Fire - Eliminate Kelly Shift Replacement - *\$234,570/year*
- Police – Consolidate Span of Control – Reorganization of the Police Department by reclassifying three captains and one lieutenant to sergeants - *\$58,000/year*
- Repurpose unspent capital funds – *reduced current revenue spending by \$466,861 from the current year – (likely not sustainable)*
- Create Tiered Retirement System – *Beginning July 1, newly-hired employees will share in the cost of their retirement. By FY 2024, the savings would be as much as \$670,000 per year and would continue to increase by as much as \$120,000 each year into the future.*



# FY 2020 Draft Budget Highlights

- \$600,000 increase for Danville Public Schools from \$20,385,570 to \$20,985,570
- \$2 million in bond proceeds to be provided to DPS for capital needs
- Additional \$280,000 for Danville Life Saving Crew paid for with proceeds from a 30 cent per pack cigarette tax.
- Average 2% pay for performance increases for City employees (\$628,000)
- \$75,000 to conduct updated pay study





# Challenges

- Danville Public Schools initial draft budget calls for \$25,647,935 – a \$5,263,365 increase over the current year
- Danville Life Saving Crew requested additional \$280,000
  - Recommend implementing cigarette tax to fund with any additional revenue targeted to Danville Public Schools
- Retiree Bonus - \$500,000



# Budget Model

- Some recommended measures already included in draft recommended budget



# Cost Savings Subcommittee

- While skeptical that transitioning the Adult Detention Center would produce actual savings and/or increased revenue from the State Compensation Board, the committee was in favor of studying the issue further to determine cost/benefit. *City Council approved studying this issue. A report will indicate whether this recommendation is worth consideration. It is not included in the recommended budget.*
- Work with the Commonwealth Attorney to determine if there is any real opportunity to save money by sentencing more people to community service rather than the Adult Detention Center. *This recommendation would be implemented along with the one above.*
- The Police Chief has already reduced the number of captains, which will produce a cost-savings in the upcoming budget. There were eight retirements, two of which will not be filled (captains) because of the reorganization of the department. *This will produce an estimated annual cost savings of about \$300,000. This is included in the recommended budget.*



# Cost Savings Subcommittee

- The Police Department and Human Resources should explore opportunities for civilianization of certain positions. Staff will explore opportunities to reduce personnel costs by implementing civilianization. *Staff recommends we wait to see the effects of the reorganization before moving with civilianization.*
- The Fire Department had four retirements in high-salary positions. *It is estimated that their replacements will be paid less, which will result in an annual cost savings of \$55,000. This is included in the recommended budget.*
- Currently, there is a hiring freeze for fire fighters in place and there are seven open positions. If the Fire Department reduced personnel by six firefighters, the annual cost savings will be about \$280,000. *The recommended budget includes holding off hiring of six firefighters until after the staffing study is complete. The positions would remain authorized, but funding would be eliminated.*



# Cost Savings Subcommittee

- Hire an expert to study the fiscal and service impact of reducing the number of fire stations. A fully-staffed fire station consists of 12 positions. Reduction of a fire station may limit the amount of positions that could be reduced under #5. *Staff has engaged ESCI to conduct a study.*
- The mayor, City Manager and key staff should meet with judges to develop a strategy that would result in fewer foster care placements. *This will be scheduled. The impact of this cost savings is not included in the recommended budget.*
- The City should consider alternatives to maintaining only one outpost library that serves an outlying section of the City. *Closing the Westover Library is not included in the budget recommendation.*
- Public Works and Parks and Recreation should explore opportunities for outsourcing tasks, if it results in cost-savings. *Both departments are utilizing this strategy for cost-avoidance purposes.*



# Employee Benefits Subcommittee

- Wage Freeze- This Committee is not recommending this as an option. The Committee agreed the long-term consequences of a wage freeze are not worth the short-term gain. *This is not included in the recommended budget.*
- Retirement System Contribution- If this is recommended, the Committee would like to institute it for new employees and not current. Also, a further investigation would be needed to determine the appropriate contribution amount. Michael explained that ERS is recognizing previously unrecognized gains and anticipates less contribution requirements in the next few years for current employees. *Implementation of a hybrid plan for new employees is included in the recommended budget.*
- Dependent Coverage Changes (spousal carve out)- Committee recognizes the concern of losing healthy dependents, which are needed to balance out utilization/size of membership. *This is not being recommended.*



# Employee Benefits Subcommittee

- Dependent Eligibility Audit- Committee agrees City should move forward with current plan for a dependent audit, which will take place with 2019 benefits. *This is nearly complete and will result in some cost savings.*
- Contribution Adjustments- Committee agrees with contribution strategy changes for 2019 and agrees that moving forward contribution should not be based on richest benefit plan. Committee agrees that the City's current contribution strategy is in line with other localities reviewed by the firm. *Adjustments to the contributions for health insurance were implemented and resulted in a savings of about \$880,000.*
- Enhanced Vacancy Control- Committee discussed the need for departments to continually review vacancies and ensure positions are needed. Committee is comfortable with CM reviewing and approving positions prior to hiring. *This management process will continue.*
- Onsite/Near site Clinic- Committee recommends the City move forward with plans for an onsite/near site clinic and should select a model that provides the most long-term potential savings for the City. *A vendor was selected and a location is being developed to implement a clinic in the near future.*



# Revenue Subcommittee

- Future real estate tax increases should be reserved to underwrite debt for school and other public facility upgrades. *Halifax County will likely receive authority to have a referendum to implement a one percent local option sales tax to fund school improvements. This would be a good source of revenue for school construction debt service, if approved. It would generate \$8.8 million and would fund 30 years of debt service payments for \$150 million in capital improvements. The School System recently identified \$120 million in needs to renovate just four of its schools.*
- Goal for Personal Property Tax should be to match Lynchburg over three years (from \$3.50 to \$3.80 at \$0.10 per year for three years). *This is included in the recommended budget as a means to reduce reliance on fund balance to pay for economic development projects.*
- Cigarette Tax should be recommended as a revenue source in the upcoming FY 2019-20 budget. *This will be included in the recommended budget primarily as a means to fund an increase for the DLSC and K-12 Education*





# Revenue Subcommittee

- The group was unclear on current City Investment Policies. Would like Michael to attend next meeting to review. *Michael Adkins provided information at a previous Multi Year Planning Committee meeting.*
- Real estate tax increase from River District properties that have been purchased and completely renovated was questioned. *The real estate appraisal office provided information at a previous Multi Year Planning Committee meeting.*
- Accuracy of current real estate valuation process was questioned. Mr. Leggett mentioned several recent sales where the real estate value is less than what was paid for the property. He suggested a periodic sampling to ensure that the real estate tax value is at least as much as what was paid for the property. *Staff will explore this issue further to determine if there is an opportunity to increase the tax base.*

