



## **FY 2023-24 City Manager's Budget Message**

Honorable Mayor and Members of Council:

Pursuant to Chapter 8, Section 8-6 of the City Charter, I am pleased to present this proposed Fiscal Year 2024 Budget for your review and consideration.

This recommended budget provides a financial plan for the ensuing fiscal year and was developed in accordance with sound fiscal policies. Our budgeting process requires that municipal departments justify every line item and propose no more, or less, than is needed to serve the public at Council-authorized levels. The principles used to develop this budget are:

- Basic City services are continued with funding at adequate levels.
- Revenue projections are estimated at realistic levels.
- Most of the estimated gaming tax and supplemental casino revenue received is proposed to be used to fund activities that were recommended in the Investing in Danville Committee report.

This year's budget includes recommendations on initiatives that will allow continued investment in the City Council's identified focus areas and move toward closing the long-term structural deficit.

### **Major Fund Highlights**

The total proposed budget for FY 2024 is \$325,131,020 for operations, capital, and debt service, which includes all funds minus inter-fund transfers. This is \$39,454,380 more than the FY 2023 adopted budget of \$285,676,640 for an increase of 14%.

#### **Utility Funds**

The total Utility Department budget, which includes electric, gas, water, sewer, and broadband, is \$184,814,510. This is \$20,730,200 more than the current budget of \$164,084,310. There are proposed rate changes for the upcoming year. This year's budget includes implementation of a new rate schedule for all utilities that were recommended by the biennial rate study and the Utility Commission. A schedule of these increases can be found in the Budget Highlights section starting on page 1-7. For the average residential customer, their monthly utility bill would go up \$1.50.

For the Electric Fund, AEP announced another 15% increase to their transmission rate for calendar year 2023, which is expected to add approximately \$3M to the budget. The calendar year 2024 transmission rate announcement will not come until early November 2023. Also, we added additional power supply for Aerofarms and Tyson, as we expect

both facilities to be at full production in FY24. The power supply budget will change from \$87M from Fiscal Year 2023 to \$97M in Fiscal Year 2024.

The budgeted gas supply cost in the Gas Fund is about \$4 million higher for this budget as compared to last year's budget. When the Fiscal Year 2024 budget was assembled, market commodity gas prices were between \$7-8/dekatherm. Thankfully, costs have come down and the City has taken advantage of this by purchasing long term hedges.

### General Fund

This year's proposed General Fund Budget is \$139,698,250, which is \$17,160,670 more than the current budget of \$122,537,580. Most of the revenue associated with this increase comes from gaming tax and supplemental revenue from Caesars Virginia - \$13,000,000. Of this amount, \$8,000,000 is state-collected gaming tax revenue and \$5,000,000 is the local supplement that Caesars Virginia agreed to pay as part of the development agreement with the City. This agreement includes a minimum payment to the City equal to \$5 million per year beginning in July 2023. This guaranteed payment is included in the amount shown above.

This budget recommends using most of the gaming tax revenues to pay for activities recommended by the 2020 Investing in Danville Committee. This includes the following:

- \$2,828,729 for economic development initiatives.
- \$2,553,276 for Danville Public Schools to pay for new positions and to maintain low classroom sizes.
- \$845,000 for lease and debt payments associated with the new police headquarters.
- \$800,000 for removal of blight.
- \$566,240 for our tourism marketing program.
- \$467,250 to pay for our gang prevention efforts, which were previously funded mostly with grant funds.
- \$251,850 for the summer internship program.
- \$105,000 to complete the Plan Danville comprehensive plan.
- \$96,900 to pay for two maintenance code inspectors necessary for implementation of two more rental inspection districts.

Much of the remaining operational budget increase is due to rising inflation and personnel costs - \$6,549,010. The following categories account for most of the personnel-related increases that are included in the proposed budget:

- \$1,525,990 to continue the City's pay-for-performance system, which will provide for an average increase of 3% for employees, depending on performance.
- An additional \$717,840 to pay for a full year of the cost to implement the state's minimum wage, which was only funded for half of the current fiscal year.
- \$2,800,000 to pay for implementation of recommendations from the pay study, which is nearly complete.
- \$1,505,180 to pay for increased health care costs.

The City's revenue forecasts are favorable as compared to last year. We anticipate a \$200,000 increase in current and delinquent real estate tax collection and a \$1,154,330 increase in personal property tax collection. The City is also expecting a nearly \$437,950 increase in sales tax revenue, an increase of \$1,370,000 in business licenses, an increase of \$1,367,220 in meals tax and \$442,150 in hotel/motel revenue.

### Fee Adjustments

The recommended budget includes several fee changes for the General Fund, which can be found starting on page 1-5 of the Budget Highlights section. The purpose of the fees is to capture revenue from the customers who are using this service and to reduce the subsidy that the general taxpayer provides to make these available. This includes establishment of a zoning verification letter fee, increases to Fire Marshal's Office fees, and slight increases to rental fees for Parks and Recreation. Each of the proposed fees were benchmarked against peer cities to make sure they are competitive with what others charge for these services. In the case of the Fire Marshal's Office, these fees have not been adjusted since they were first implemented many years ago.

### Sanitation Fund

This year's budget includes increases to sanitation fees, which are due to the rising cost of providing this service. The Sanitation Fund is a self-supporting operation and there is not enough revenue to cover the cost. A schedule of the fee increases can be found in the Budget Highlights on Page 1-7. The estimated increase in revenue because of the fee increases is \$225,800. The current fees have not changed since 2005. The City has been able to maintain the fee due to implementation of operational efficiencies like curbside automated collection, which the City implemented about 10 years ago. Unfortunately, the rising costs associated with personnel and equipment necessitates this increase.

### **City Council Priorities**

The guiding principles for development of this budget include a focus on the City Council-identified priority areas of:

- Economic and Community Development
- Education
- Public Safety

### Economic and Community Development

For several years, Danville has taken bold action to attract businesses and industry to our community and region. We have invested in industrial recruitment, retention and expansion through incentives, and workforce development. Also, our efforts to revitalize neighborhoods and focus on our award-winning River District has made Danville attractive to residents, businesses, and visitors alike.

Since conceptualizing the River District in 2008, the City and its public partners have invested about \$52 million, resulting in about \$310 million in private investment within the District. This now includes over 1,250 apartments completed or in development, twenty eating/drinking establishments, and multiple retail and entertainment options.

The investments made over the past 15 years have resulted in tremendous new economic opportunity for our residents. Since 2018, Danville and Pittsylvania County announced over \$1.1 billion in new capital investment and nearly 4,000 new jobs, much of it happening in Danville and industrial parks owned by Danville and Pittsylvania County. Site Selection Magazine again ranked Danville as a Top Micropolitan community because of our success in business recruitment.

The Southern Virginia Mega Site at Berry Hill is the largest mega site in Virginia and continues to see a lot of prospect activity and was recently certified by Quest Site Solutions for site readiness. The years of effort that current and past leaders of Danville and Pittsylvania County put into making this property ready for potential large-scale manufacturers has resulted in a substantial increase in prospect activity, which gives me confidence that a major prospect will select this site for operations soon.

To sustain this success, the proposed budget includes:

- Over \$5 million in improvements to the Danville Regional Airport, with over \$4 million paid with federal and state grants.
- Over \$4.4 million for various economic development projects and initiatives that are expected to produce new economic opportunity for our residents and a reasonable return on investment over time. This includes such items as grant programs, already-approved incentives, and investments in sites and buildings.
- \$2 million for phase one of a splash pad for Ballou Park Recreation Center.
- \$905,000 for neighborhood revitalization efforts.
- \$625,000 to pay for Riverwalk Trail improvements.
- \$566,240 to continue the tourism marketing program that will work to encourage new visitors to Danville to explore businesses in our City and region.
- \$251,850 to continue the Experience Works Internship Program.

### Education

The recommended budget provides funding for school operations in the amount of \$25,365,780 – an increase of about \$2,553,276. The increase will go toward the following:

- \$275,429 to pay for three Behavioral Specialist Positions.
- \$1,416,723 to pay for the required local match of the state's 5% salary increase for Standards of Quality (SOQ) funded positions. This increase will enable all non-SOQ funded positions to also get the same increase.
- \$861,124 to pay for implementation of a \$14 per hour minimum wage.

These funds will help Danville Public Schools maintain low classroom sizes, which is necessary to improve student achievement.

### Public Safety

A few years ago, “reducing violent crime” was the City Council’s top priority, and the focus put on this area has produced incredibly positive results. Recently, the Police Department announced that since implementing neighborhood-oriented policing, the City has seen over a 50% drop in violent crime when comparing a three-year window prior to implementation to now. We intend to continue to push initiatives with the goal of making Danville a family-friendly community. These initiatives include:

- Continued implementation of the Office of Juvenile Justice and Delinquency Prevention’s Comprehensive Gang Model.
- \$806,000 to pay for various equipment, expansion of the video surveillance program, and capital improvements.
- Continued efforts in the Police Department to connect with youth of all ages through dedicated youth engagement officers.
- Increased focus on community policing through neighborhood walks, coffee with a cop, added presence in schools, among other activities.

### Multi-Year Financial Forecasting

The budget team continues to use multi-year financial forecasting to guide development of the recommended budget. In the coming years, Danville is poised to experience significant growth that will have a positive impact on the prosperity of our residents and on local tax revenues.

In 2020, the citizens of Danville voted to approve casino gaming, which enabled Caesars Virginia to begin planning for a resort-style casino at the former Dan River Mills industrial property in Schoolfield. Construction is underway and the resort is expected to open during the Fiscal Year 2024 budget.

The City negotiated a development agreement that included a \$15 million upfront payment, \$5 million to purchase IDA-owned property, and a guarantee of at least \$5 million per year in gaming tax revenue. Last year, Caesars announced it plans to invest at least \$650 million to develop the site in the first phase with additional investment likely to come in future years. The expected annual revenue is projected to be over \$35 million per year, once the resort is fully operational.

### Authorized Position Changes

This year’s budget includes funding for five new positions and reclassification of nine positions. The following are brief descriptions of the new position requests:

- Community Development – Two Property Maintenance Inspectors are included to serve the new rental inspection districts at a cost of \$96,900.
- Police Department – The Police Department has used an outside vendor to handle the custodial duties at the new headquarters. It was determined to be more cost-effective to hire two full-time positions to handle this responsibility. The cost savings is about \$42,720.
- Fire Department – A Community Risk Reduction Specialist/Educator position is included at no additional cost. There will be a reduction of one Assistant Fire Marshal position.
- Social Services Department – An Eligibility Worker position, that is funded by the State at 84.5%, is included at a cost to City of \$6,190.

The nine reclassifications were requested by department heads and were justified after a complete analysis of the job responsibilities necessary to provide efficient and effective delivery of services. All personnel changes are included in a chart in the Budget Highlights following this letter.

### **Next Steps**

The preparation of the City Council's Proposed Budget is complete. Public input will be actively encouraged in May and June before a final budget is adopted and associated funds appropriated by June 30.

I am grateful to our budget team for its hard work getting to this point. City staff stands ready to assist the Council throughout the remainder of the budget process. We are all ultimately accountable to the citizens in providing needed municipal services and facilities effectively and efficiently.

Respectfully,



Ken F. Larking  
City Manager