

Multi-Year Budgeting Proposed Format

Board of Supervisors Work Session

October 5, 2021

Work Session Agenda

- Background and Research on Multi-Year Budgeting and Financial Forecasting
- Roanoke County Multi-Year Budgeting Components
- Software Solutions for Forecasting
- Next Steps
- Questions/Comments

Background and Research on Multi-Year Budgeting and Financial Forecasting

Roanoke County Background

- In January 2021, the Board of Supervisors identified Multi-Year Budgeting as a priority
- Multi-Year Budgeting expected to identify future budget issues by planning known budget obligations and including trends
- Staff contacted GFOA for recommendations on best practices and reviewed other local government budget documents

Local Government Models Reviewed

- Centennial City, Colorado –
 - Recommended by GFOA staff for best practices in forecasting
 - Zoom call with budget staff on forecast development and documents
- Castle Rock, Colorado –
 - Received special recognition from GFOA Distinguished Budget Award
- Chesterfield County, Virginia –
 - Call with budget staff on forecast development
- Hanover County, Virginia

Roanoke County Multi-Year Budgeting Components

Multi-Year Financial Assumptions

- Revenue details provided for:
 - General Property Taxes
 - Other Local Taxes
 - Commonwealth & Federal Revenue
 - All Other Revenue Sources
- Expenditure details provided for:
 - Compensation and Benefits
 - Transfers to RCPS, Capital, and Debt
 - County Programs and Regional Services
 - Maintaining Fund Balance and Contingency Policies

Multi-Year Financial Plan Future Commitments

- Increased fleet replacement, fleet repair, and fuel costs
- Increased operational costs including building materials
- CSA program costs increasing
- Years 2 and 3 of compensation commitments for Public Safety step plans and Decision Band Method adjustments

Multi-Year Financial Plan

Future Commitments (Continued)

- Addition of more Firefighters with new Bonsack Fire Station and ending of current SAFER Grant
- Increased Operational Costs for the new Fire Station
- Western Virginia Regional Jail Debt Principal Payments
- Increased Technology costs including cyber security, Software as a Service, and new email platform

Multi-Year Financial Summary (Attachment A)

- Five-Year Financial Plan will include FY 2022 through FY 2026
- Only the first year is balanced, as adopted by the Board of Supervisors
- Based on current programmatic and financial conditions

Percentage Based Changes (Attachment B)

- Section displays year over year percentage changes based on projected assumptions
- Revenues are reflected in major categories
- Expenditures are categorized by Personnel, Operating, and Transfer/Other categories

Revenues & Expenditures Projected Amounts (Attachment C)

- Revenues

- Revenue amounts will be calculated using historical trends and projected changes
- Categories will be reflected as shown in the General Fund Summary

- Expenditures

- Expenditure amounts will be calculated based on assumptions described in the summary
- Amounts will be reflected by department as shown in the General Government Summary

Software Solutions for Forecasting

Software Solutions for Forecasting

- FY 2022 – FY 2026 Multi-Year Financial Plan developed by staff with Excel spreadsheets
- Request for Proposals in development for a software solution that will create projections and streamline other budget processes
- Target implementation planned for August 2022

Next Steps

Next Steps

- Continue the process of developing multi year assumptions and receive input from the departments
- Involve our financial advisors to review and give input on revenue assumptions
- Work with the Board to finalize the FY2023 budget along with the multi year projections

Questions and Comments

Roanoke County Five-Year Financial Plan FY 2022 – FY 2026

Multi-year financial planning is a strategic process examining financial, demographic, and other environmental conditions to understand future service demands and resources available to meet those needs. This process enables government officials to prepare and take actions toward preserving fiscal health and provides the basis for evaluating maintenance of existing services, ability to meet future needs, debt capacity, prioritizing budget issues, and linking budget priorities to available resources.

Background

Roanoke County began a Five-Year Financial Plan for the General Government Fund with the development of the Fiscal Year 2022-2023 Annual Fiscal Plan. Multi-year financial planning was identified by the County's Board of Supervisors as a priority during an annual Board Retreat in January 2021. The plan is intended to play a key role in assisting the County in determining funding priorities and balancing the budget. The plan is also an assurance to our citizens that the County is planning for the long term and financially positioning itself to meet the needs of the future.

When reviewing the plan, it is important to remember that only the first year is adopted and appropriated by the Board of Supervisors. The remaining years of the plan are based on current programmatic and financial conditions. The exact dollars and positions in the plan are likely to change, but, if current needs and conditions remain relatively constant, the overall direction and emphasis reflected in the plan should remain consistent. Additionally, only the first year of the plan is balanced. Remaining years may require revenue enhancements and/or service level adjustments.

The Five-Year General Government Fund Financial Plan assumes conservative revenue growth and illustrates how such revenue growth over current year projections can be reinvested in the County. As fiscal flexibility is limited in meeting current service levels, the County is selective in any enhancements of service levels and directs resources to known obligations. Therefore, service level enhancements are not included in future assumptions, as they will be evaluated annually during each budget development process.

FY 2022 – FY 2026 Revenue Assumptions

This five-year plan continues to forecast growth in our largest revenue sectors of real property and personal property with no changes to the current tax rates. Revenue projections are conservative and are based on historical trends while considering economic factors created by the COVID-19 pandemic. On average, year over year growth of revenues in the Five-Year General Fund Financial Plan is X.XX%.

General Property Taxes

This section would include a discussion on trends we are seeing with Real Estate and Personal Property Taxes. All increases in years FY 2023 – FY 2026 assume that the tax rates will remain level. Staff will develop assumptions using historical data, discussions with County revenue team, and research of national and local trends.

Other Local Taxes

This section would discuss assumptions made for Sales Tax, Business License, Hotel/Motel Tax, and Meals Tax as major items within this section. Other items to include are Communication Sales & Use Tax, Consumer Utility, and Utility License Tax. This section will also include projections on the newly added Cigarette Tax. Staff will develop assumptions using historical data, discussions with County revenue team, and research of national and local trends.

Commonwealth & Federal Revenue

This section would discuss assumptions for state and local revenues that we anticipate to receive for Social Services programs, Compensation Board increases, and HB 599 Law Enforcement funding.

All Other Revenue Sources

This section would capture any other projected increases to include Community Development Fees, Charges for Services, Recovered Costs, and Miscellaneous Revenue.

FY 2022 – FY 2026 Expenditure Assumptions

The five-year plan forecasts known and expected increases for personnel, operating, and capital expenditures. As part of the FY 2022 budget, Roanoke County implemented new pay structures for employees including a new step program for sworn public safety positions and applying the decision band method to assign all other positions. This plan also includes anticipated increases based on staffing needs, revenue-based expenditures, and areas with historical year over year increases.

Compensation & Benefits

This section would discuss the implementation of the Public Safety Step program and related assumptions. Additionally, we would include language regarding the implementation of the Decision Band Method for non-Public Safety positions. We would include a modest 3% increase for non-Public Safety employees.

Additionally, this section would describe assumed increases to benefits including Health Insurance and the employer contribution to the Virginia Retirement System.

County Staffing

In this section, we would only include the addition of known required positions. This includes the addition of fifteen (15) new firefighter positions from the grant fund when the SAFER grant expires. We would also include a calculated assumption for the eighteen (18) new firefighter positions required to staff the new fire station in the Hollins District. We would note that departments submit requests for new positions based on demand and changes to operations. These position requests will be reviewed annually for need and financial capacity.

Transfer for Schools Operating

The transfer to Schools Operating will be calculated using the Revenue Sharing formula. Since it would be difficult to project Average Daily Membership (ADM) and County population changes, staff are considering applying the current formula to the out years. The transfer would increase based on increased revenues in FY 2023 – FY 2026.

Transfer for County Capital Improvement Program (CIP) & Fleet Replacement

The transfer to Capital will be based on the planned General Government Transfer support for the County's FY 2022 – FY 2031 CIP and the Fleet Replacement Program. Additionally, this transfer will continue to assume an additional \$200,000 each year per the Comprehensive Financial Policy requirement.

Transfer for Debt

The transfer for debt will be calculated based on amortization schedules.

Regional Services and Contractual Agreements

This section would include calculated increases for regional service providers based on prior year trends. Regional payments from departmental budgets include RVRA, WVRJ, and RCACP. We would also include non-departmental assumptions for Blue Ridge Behavioral Health, RVTV, Greenways, and Visit Virginia's Blue Ridge.

County Programs and Services

This section would include increases planned for internal and citizen services. Internally, we would include assumptions for technology needs related to Software as a Service contracts. Citizen program assumptions would include planned increases for the County's CORTRAN program and potentially Tax Relief Programs.

Maintaining Fund Balance and Contingency Policies

All future projections would include calculations for maintaining the 12% General Fund Balance policy and the 0.25% Expenditure Contingency Policy.

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Revenue Projected Changes and Assumptions

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
	Adopted	Projected	Projected	Projected	Projected
Real Estate Tax	3.00%				
<i>Based on trends and projected annual assessment growth</i>					
Personal Property Tax	2.32%				
<i>Based on used vehicle values and new vehicle production</i>					
Sales Tax	8.48%				
<i>Based on trends, increased consumer spending, and collection of internet sales tax</i>					
Hotel/Motel Tax	10.00%				
<i>Based on trends in local tourism and events</i>					
Meals Tax	10.00%				
<i>Based on trends in local prepared foods industry and consumer spending</i>					
Business License Tax	7.50%				
<i>Based on trends in economic development and business community</i>					
Recordation and Conveyance Tax	15.75%				
<i>Based on housing market trends, interest rates, and real estate assessment projections</i>					
Cigarette Tax	New Tax				
<i>Cigarette tax established in FY 2022 and projection is for half-year only. Revenue projected to have modest growth after implementation.</i>					
Permits, Fees & Licenses	2.98%				
<i>Based on issuance of building permits along with increased recordation and conveyance taxes</i>					
Commonwealth & Federal	4.01%				
<i>Based on trends in Social Services revenue, Compensation Board adjustments, and HB 599 Law Enforcement Funding</i>					
All Other Revenue Sources	3.69%				
<i>Based on historical and future trends in all other revenue categories</i>					

Expenditure Projected Changes and Assumptions

Personnel	
Salary - Public Safety	9.87%
<i>Based on Public Safety Step Increase plan implemented in FY 2022</i>	
Salary - Non-Public Safety	7.18%
<i>Based on Decision Band Method compensation plan implemented in FY 2022</i>	
VRS Contribution	7.31%
<i>VRS contribution increases assumed bi-annually starting in FY 2023</i>	
Health Insurance Contribution	3.85%
<i>Health Insurance contribution based on historical and future trends</i>	
Operating	
Housing of Prisoners	2.66%
<i>Expenditures based on year-over-year increased usage trends</i>	
RVRA Tipping Fees	4.13%
<i>Expenditures based on year-over-year increased usage trends</i>	
CORTAN	0.00%
<i>Based on historical and future trends in County of Roanoke's transportation program</i>	
Utilities	0.10%
<i>Expenditures based on year-over-year increased usage trends</i>	
Fuel	0.00%
<i>Expenditures based on year-over-year increased usage trends</i>	
Contracted Repairs	0.01%
<i>Expenditures based on year-over-year increased usage trends</i>	
All Other Operating	4.15%
<i>Expenditures based on year-over-year increased usage trends</i>	

Attachment B

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
	Adopted	Projected	Projected	Projected	Projected

Transfers:

Schools 2.22%

Transfer to Schools Operating is calculated using the Revenue Sharing formula based on ADM and County Population

Debt -12.88%

Transfer for debt is calculated based on projected amortization schedules

Capital 83.20%

Transfer to Capital is based on the planned General Government Transfer support for the County's CIP and the Fleet Replacement Program

Other -0.09%

Transfers based on historical and future trends

*FY 2022 shows actual budget % change from FY 2021 Amended to FY 2022 Adopted

Multi-Year Summary of Revenues

	FY 2022 Adopted	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected
General Government					
General Property Taxes					
Real Estate Tax	\$ 102,084,564				
Personal Property Tax	33,500,000				
Payment In Lieu of Taxes	180,000				
Current Public Service Corp	3,710,928				
Penalties and Interest	529,072				
Total General Property Taxes	140,004,564				
Other Local Taxes					
Sales Tax	12,200,000				
Communication Sales & Use Tax	2,900,000				
Consumer Utility	3,650,000				
Utility License Tax	725,000				
Business License	6,364,000				
Motor Vehicle License Fee	2,400,000				
Recordation Taxes	1,400,000				
Hotel/Motel Room Tax	807,597				
Meals Tax	4,270,750				
Bank Franchise Tax	660,000				
Amusement Tax	25,000				
Cigarette Tax	250,000				
Total Other Local Taxes	35,652,347				
Permits, Licenses, Fees	800,000				
Fines & Forfeitures	353,500				
Use of Money/Property	303,600				
Charges for Services	3,850,000				
Miscellaneous Revenue	1,410,000				
Recovered Costs	525,000				
Commonwealth Revenue	12,605,887				
Federal Revenue	5,533,953				
Total General Government, Net Contingency & Beginning Balance	\$ 201,038,851				
Contingencies and Beginning Balance	744,400				
Total General Government	\$ 201,783,251				

Multi-Year Summary of Expenditures

	FY 2022 Adopted	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected
General Government					
General Administration					
Board of Supervisors	\$ 330,283				
County Administrator	\$783,941				
Internal Auditor	\$119,433				
Public Information	\$204,917				
County Attorney	\$620,929				
Human Resources	\$960,184				
Total General Administration	3,019,687				
Constitutional Officers					
Commissioner of the Revenue	881,136				
Commonwealth's Attorney	1,288,751				
Sheriff - Administration & Civil	2,592,960				
Sheriff - Care & Confinement	5,305,520				
Sheriff - WVRJA	3,864,758				
Treasurer	970,636				
Clerk of the Circuit Court	1,183,586				
Total Constitutional Officers	16,087,347				
Judicial Administration					
Circuit Court Judges	\$257,068				
General District Court	\$103,440				
Magistrate	\$1,590				
Juvenile/Domestic Relations Court	\$39,086				
Court Service Unit	\$470,144				
Courthouse Maintenance	\$50,000				
Total Judicial Administration	921,328				
Management Services					
Real Estate Valuation	\$858,850				
Finance and Management Services	\$2,395,395				
Total Management Services	3,254,245				
Public Safety					
Police	\$13,054,888				
Fire and Rescue	\$17,263,575				
Total Public Safety	30,318,463				
Community Services					
Economic Development	\$472,690				
Development Services	\$3,267,447				
Planning	\$1,297,602				
General Services	\$8,341,378				
Total Community Services	13,379,117				

Attachment C

	FY 2022 Adopted	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected
Human Services					
Parks, Recreation, and Tourism	\$5,018,793				
Public Health	\$515,902				
Social Services	\$12,906,909				
CORTRAN	\$742,738				
Library	\$4,315,151				
VA Cooperative Extension	\$87,097				
Elections	\$464,067				
Total Human Services	24,050,657				
Non-Departmental & Transfers					
Non-Departmental					
Employee Benefits	\$3,086,974				
Transfer to Comm-IT	\$9,434,017				
Miscellaneous ¹	\$1,512,923				
Contributions to Outside Agencies					
Discretionary	\$197,600				
Contractual	\$1,754,140				
Dues & Memberships	\$38,003				
Total Non-Departmental	16,023,657				
Unappropriated Balance					
Contingent Balance	\$50,000				
Total Unappropriated Balance	50,000				
Transfers to:					
Debt Service	\$14,252,105				
Capital Projects	\$2,069,098				
Schools	\$71,821,490				
Internal Services	\$1,604,003				
Children's Services Act	\$3,813,000				
Criminal Justice Academy	\$198,600				
Public Works Projects	\$176,054				
Miscellaneous Transfers	-				
Total Transfers	\$93,934,350				
Total Non-Departmental & Transfers	110,008,007				
Total General Government, Net Contingency and Beginning Balance					
	\$ 201,038,851				
Addition to Fund Balance	\$491,803				
General Government Contingency	\$252,597				
Total General Government	\$ 201,783,251				