



**MEMORANDUM**

*Deidre G. Jett*

**TO:** Timothy J. Baroody, City Manager  
**FROM:** Deidre Jett, Budget Manager  
**DATE:** May 3, 2019 (for May 14, 2019 Council Meeting)  
**SUBJECT:** Fiscal Year (FY) 2020 Operating and Capital Budget Resolution

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**ISSUE**

The City Council is asked to approve the FY 2020 Operating and Capital budget.

**STAFF RECOMMENDATION**

Staff recommends approval of the FY 2020 budget on second read. The first read was approved on April 23, 2019.

A public hearing was held on April 16, 2019. The City's Commonwealth Attorney, Mrs. LaBravia Jenkins, spoke in favor of the recommended increase in her staff. Representatives from various partner agencies came to speak in support of their programs, including two which were not funded in the FY 2020 budget. Three citizens spoke in favor of the \$0.85 cent tax rate and using the additional cent in support of raises for teachers. One citizen was concerned about how the increase in the tax rate will impact affordable housing. In total, sixteen people commented.

**BACKGROUND**

This resolution is the main budget resolution for the City and the Fredericksburg City Public Schools for FY 2020. The revised General Fund appropriation of \$100,174,000 is an increase of \$4,124,000, or 4.29% over the FY 2019 General Fund appropriation of \$96,050,000.

The FY 2020 Budget includes a Real Estate Tax Rate of \$0.85 per \$100 of assessed value, which is an increase of \$0.05 or 6.25% over the rate which was adopted in FY 2018 (and unaltered in FY 2019). The FY 2020 Budget also includes increases in water, sewer, refuse collection, building fees, and adjustments and increases to planning fees. All funds are included in this resolution.

Changes from the FY 2020 City Manager's Recommended Budget were discussed in the memorandum dated April 17, 2019 that accompanied the first read of the budget. A copy of that memorandum is attached. The following is a discussion of additional changes that appear in the second reading of the budget.

1. **General Fund** – The source of funds has changed in the General Fund to reflect additional revenues of \$60,000 from the Commonwealth of Virginia. This increase was offset by two reductions. First, real estate tax revenues were reduced by \$30,000 as a result of an amendment of the City's Elderly and Disabled Tax Relief Program. Second, the use of fund balance for contingency was reduced by \$30,000.
  
2. **City Grants Fund** – There are three changes in the City Grants Fund which increase the appropriation by \$34,500. No additional funding from the General Fund are required.
  - a. Community Development Block Grant Program (CDBG) – The City was notified that the federal revenue estimate for FY 2020 is greater than that included in the FY 2020 City Manager's Recommended Budget. The requested appropriation will increase by \$25,000. The revenues from the federal government will increase by \$27,416. There is also a decrease of \$2,416 in the use of fund balance in the City Grants Fund. A copy of the CDBG funding letter is attached.
  - b. Cash Proffer for Wayside Panels - Per the Voluntary Proffer Statement dated November 15, 2016 related to the Hamptons Phase II - Valor Apartments Phase II project, the City received a voluntary cash proffer of \$4,000 for wayside panels. The two panels will depict Civil War activity along the Fall Hill Avenue area in May of 1863. Work on the panels will begin in FY 2020.
  - c. Tree Restoration – The City received \$5,500 in restitution related to unauthorized tree removal. The funds will be used for the fall tree planting and will include the planting of eleven 2" caliper trees.
  
3. **Transit Fund** – The appropriation in the transit fund will decrease by approximately \$240,000 or 3.7% to reflect the elimination of service in Caroline County. The attached memorandum from Wendy Kimball, the Director of Public Transit, dated May 1, 2019 provides additional information on this change.

### **FISCAL IMPACT**

The attached resolution appropriates a total General Fund Budget of \$100,174,000. This represents an increase of \$4,124,000 or 4.29% over the FY 2019 Adopted General Fund Budget. There are a variety of other funds included in the budget resolution as well, including the main Enterprise Funds:

- Water
- Wastewater
- Transit
- Parking

The budget resolution also includes the Capital Funds, Debt Service Funds, the School Operating and School Grants Funds, the City Grants Fund, the Social Services Fund, the Children's Services Act Fund, the Storm Water Management Fund, the Fredericksburg Opportunity Fund, the Baseball

Stadium Fund plus a variety of other Special Revenue Funds. It also includes the City's fiscal agency funds.

cc: Mark Whitley, Assistant City Manager  
Doug Fawcett, Assistant City Manger  
Robyn Shugart, Director of Finance  
David MacIndoe, Assistant Director of Finance

Attachment: FY 2020 Budget Resolution  
FY 2020 First Read Budget Memorandum Dated April 17, 2019  
CDBG Federal funding Letter  
Memo from Fred Transit



*Deidre G. Jett*

**MEMORANDUM**

**TO:** Timothy J. Baroody, City Manager  
**FROM:** Deidre Jett, Budget Manager  
**DATE:** April 17, 2016 (for April 23 Council Meeting)  
**SUBJECT:** Fiscal Year (FY) 2020 Operating and Capital Budget Resolution

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**STAFF RECOMMENDATION**

Staff recommends approval of the FY 2020 budget on first read. The second read is scheduled for May 14, 2019.

A public hearing was held on April 16, 2019. The City's Commonwealth Attorney, Mrs. LaBravia Jenkins, spoke in favor of the recommended increase in her staff. Representatives from various partner agencies came to speak in support of their programs, including two which were not funded in the FY 2020 budget. Three citizens spoke in favor of the \$0.85 cent tax rate and using the additional cent in support of raises for teachers. One citizen was concerned about how the increase in the tax rate will impact affordable housing. In total, sixteen people commented.

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The General Fund appropriation has been revised to \$100,174,000 from the recommended budget's requested appropriation of \$100,435,000 as a result of two propositions. The net effect of these two propositions was a decrease of \$261,000 in the General Fund. First, there was a \$400,000 increase

related to property tax revenue and the transfer to School operations. Second, there was a \$661,000 decrease in use of fund balance and transfer to the School Capital Funds.

While the attached resolution incorporates changes proposed by City Council, additional changes may be incorporated into the resolution for second read on May 14, 2019, if it is the will of Council. Staff anticipates proposing adjustments which are mostly technical in nature as well as a revised budget from FRED Transit which may reflect the withdrawal of Caroline County from the regional transportation system effective in FY 2020.

The following is a list of changes from the recommended budget based on City Council and staff propositions. The changes impact the General Fund, Schools Operating Fund, Debt Service Fund, as well as Enterprise Funds, Capital Funds and the assignment of General Fund balance.

### **1. Real Estate Tax Rate / Increase School Operating Fund**

The City Council proposes an \$0.85 cent tax rate, which is an addition of \$0.01 cent over the recommended budget. Through this proposition, City Council's intention is that the increase in funds be used to achieve the 5% salary increase for teachers and support staff. The following changes are reflected in the attached resolution.

- a. General Fund Revenues - The budget now reflects a Real Estate Tax Rate of \$0.85 per \$100 of valuation. The General Fund revenue from property taxes will increase by \$400,000 to \$32,550,000.
- b. Transfer to Schools Expenditure – The total operating transfer to the Schools, which includes the transfer for Head Start, increases by \$400,000 to \$30,460,210.
- c. School Operating Fund Revenues - The “City Appropriation” increases by \$400,000 to \$30,244,710.
- d. School Operating Fund Expenditures – The total appropriation of the School Operating Fund increases by \$400,000 to \$47,249,053.

### **2. Eliminate in FY 2020 the \$1 million in funding for the design of the expansion of Lafayette Upper Elementary School (LUES). The use of the General Fund balance for school purposes is also eliminated in FY 2020. As a result, \$1,000,000 for future funding remains on the City's balance sheet for capital projects related to “school capacity needs.”**

The City Council proposed waiting until additional enrollment information is available in the fall of 2019 to determine, along with the Fredericksburg City Public Schools (FCPS) through a broad community conversation, the best solution for addressing school capacity needs.

- a. General Fund Revenues - The budget now reflects a \$661,000 decrease in the use of Fund Balance “Committed for Schools Purposes.” *Again, through this action, the \$1,000,000 “Committed for School Capital Projects” remains in the General Fund for use in the future.*
- b. General Fund Transfer to Schools Capital Funds – The “transfer to the School Capital Funds” decreases by \$661,000 and is now \$764,000.
- c. School Bond Funded Capital Revenue – The total revenues will be reduced by \$1,000,000 and will now be zero. This reflects the \$661,000 transfer from the General Fund and the \$339,000 use of fund balance in the School Capital Fund related to proffers.
- d. School Bond Funded Capital Expenditures – The appropriation in FY 2020 is now zero. The FY 2020 – FY 2025 CIP will be presented to City Council for adoption on May 14, 2019 as a separate resolution. *With the understanding that any capacity related project will be reevaluated prior to the FY 2021 budget process*, the CIP will reflect the \$1,000,000 for the design of expansion of Lafayette Upper Elementary School (LUES) in FY 2021 and the construction in FY 2022.

### **3. Americans with Disabilities Act (ADA) improvements from the VCR Trail Pathway Improvements into Alum Springs Park**

This project was included in the recommended Capital Improvement Plan (CIP) for FY 2021. City Council has moved the project to FY 2020. The project includes the installation of an ADA accessible walkway from the VCR trail to the restrooms at Alum Spring Park. The walkway would also extend from the restrooms toward the parking lot in Alum Springs Park. Both sections of the walkway will likely need switchbacks and landings to be ADA compliant. Alum Springs Park provides the only public restrooms along the VCR trail, and provides a parking area for trail users. The walkway section from the VCR trail to the restrooms would be approximately 70 feet in length. The walkway section from the restrooms to the parking lot would be approximately 50 feet in length. The total appropriation in the Public Facilities capital fund will increase by \$100,000.

The project will be funded through a transfer from the General Fund; however, this change has no impact on the General Fund expenditures. In order to accommodate this proposition, in the Public Works Capital Fund the City will utilize an additional \$100,000 in gas tax revenue for the asphalt program and decrease the transfer from the General Fund in for the asphalt program by \$100,000.

### **4. Allocate \$250,000 in funding to improve the City’s ability to expand the story to better include African – American history & stories.**

A separate resolution assigning fund balance for this purpose will be presented at the May 14, 2019 City Council meeting, which is also the date of the second reading of the budget resolution. While

the FY 2020 Adopted Budget will not appropriate expenditures for this purposes, the funding will be identified and assigned. The City Council will need to appropriate these funds in the future.

**5. Move R-Board Landfill Construction of Cell F3 back one year to FY 2021.**

The improvement will be funded with revenue bonds. As a result of shifting the capital project to FY 2021, the appropriations in the Public Works Capital Fund and the Debt Service Fund will be eliminated.

**6. Water and Wastewater Funds**

As a result of the rate study and rate model process there are several changes related to the Water and Wastewater Funds. The total Water Operating Fund will be decreased by \$8,700 and the Sewer Operating Fund will be increased by \$125,000. All FY 2020 capital projects in the Water System Improvement Fund will be cash funded, a portion was previously identified as debt financed.

**FISCAL IMPACT**

The attached resolution appropriates a total General Fund Budget of \$100,174,000. This represents an increase of \$4,124,000 or 4.29% over the FY 2019 Adopted General Fund Budget. There are a variety of other funds included in the budget resolution as well, including the main Enterprise Funds:

- Water
- Wastewater
- Transit (Revisions to be presented at the May 14, 2019 meeting.)
- Parking

The budget resolution also includes the Capital Funds, Debt Service Funds, the School Operating and School Grants Funds, the City Grants Fund, the Social Services Fund, the Children's Services Act Fund, the Storm Water Management Fund, the Fredericksburg Opportunity Fund, the Baseball Stadium Fund plus a variety of other Special Revenue Funds. It also includes the City's fiscal agency funds.

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Attachment: FY 2020 Budget Resolution