



FY 2022-23 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 2023 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.

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 2023 is \$285,676,640 for operations, capital and debt service, which includes all funds minus inter-fund transfers. This is \$5,396,780 more than the current budget of \$280,279,860 for an increase of 1.93%.

Utility Funds

The total Utility Department budget, which includes electric, gas, water, sewer and broadband, is \$164,084,310. This is \$3,519,490 less than the current budget of \$167,603,800. There are no proposed rate changes for the upcoming year.

General Fund

This year's proposed General Fund Budget is \$122,537,580, which is \$7,821,160 more than the current budget of \$114,716,420. Most of the increase is due to rising personnel costs, including implementation of the State's minimum wage increase, funding our pay-for-performance system, implementation of a more efficient payroll system using best practices, a retiree bonus, and increased costs necessary to attract and retain talent.

This year's budget includes a recommendation from the Airport Commission to adjust hangar rental rates and the tax on aircraft to be consistent with nearby airports. It also includes establishment of a \$25 rental rate for space in the Ruby B. Archie Public Library.

There is \$1,217,000 budgeted to continue the City's pay-for-performance system, which will provide for an average increase of 3% for employees, depending on performance. The budget also includes \$650,000 to pay for a retiree bonus, per the policy that allows for a bonus whenever the consumer price index increases 5% over the previous bonus and there are sufficient funds available to pay for this bonus.

Last year, we stopped the practice of using General Fund Balance to pay for economic development special projects. This year's plan is to use a combination of American Rescue Plan Act funds, upfront casino payment funds, and remaining bond anticipation notes to pay for capital, special projects, and economic development program costs. The FY 2024 budget will be the first year with new casino resort-related revenues. Per the recommendation of the 2020 Investing in Danville committee report, we plan to use these revenues to pay for investments in education and initiatives to improve economic opportunity and prosperity for our residents.

The City's revenue forecasts are favorable as compared to last year. We anticipate a \$340,000 increase in current and delinquent real estate tax collection and a \$1,273,580 increase in personal property tax collection. The City is also expecting a nearly \$846,170 increase in sales tax revenue, an increase of \$1,028,680 in meals tax and \$513,450 in hotel/motel revenue due to the rebounding economy.

City Council Priorities

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

- Education
- Economic Development
- Public Safety

Support for the Success of our Youth

Each of the categories above touches on an over-arching priority that has always been held by City Council and City staff. For Danville to have the kind of success we desire, we need to invest in the success of our youth. In the following narratives, you will see initiatives that make it clear that the City is determined that young people are provided every opportunity to participate in the growth and wealth-building that is coming to our area. This includes leveraging partnerships with Danville Public Schools to implement a robust athletics program that gives children a positive outlet for their energy, increased resources for crime prevention through the expansion of successful programs like Project Imagine, and continuing support for economic development initiatives that expand opportunities for all parts of our community. Also included is dedicated funding for the "Experience Works" internship program that is a partnership between the City of Danville, Danville Public Schools, the Institute for Advanced Learning and Research, West Piedmont Virginia Career Works, and Goodwill of the Valleys.

Education

While the state has not yet finalized its budget for the following year, all signs are pointing toward increased funding for all school systems and additional funds for high-poverty districts. The recommended budget provides flat funding for school operations in the amount of \$22,812,500.

According to Superintendent Dr. Angela Hairston, Danville Public Schools can sustain its operations with flat funding for the second year in a row because of how they've allocated new federal dollars through the various Covid-19 grant programs. This enabled them to maintain face-to-face instruction throughout this school year, increased enrollment, allowed for five additional instructional days to address learning loss, and contributed to the reduction in class sizes. Their planned capital improvements, utilizing a combination of federal and local funds, include using the Langston High School campus for Galileo Magnet High School, the Central Office, and the Maintenance Department. These moves are projected to save a minimum of \$285,000 per year.

Dr. Hairston has acknowledged that the school system needs improvement. They are currently working closely with the Virginia Department of Education to implement changes that will, over time, improve student performance. The goal is to make Danville Public Schools a destination school system in our region. To monitor the progress more closely, City Council requested that the Superintendent request local funding by category. When the DPS budget is presented for adoption by City Council, I recommend that it be adopted by category, so that the funds may only be used for purposes specified by City Council. Should changes need to be made mid-year, DPS will need to submit a justification and get approval to transfer funds between the categories.

The proposed budget also includes \$2 million to be used by Danville Public Schools to pay for capital expenses such as roof and HVAC equipment replacements and other building repairs. This will be funded using bond proceeds and represents the only planned General Fund borrowing in the upcoming year.

Last year, voters approved a referendum to establish a 1% local option sales tax for school construction and renovation and the ability to borrow funds to pay for projects. Based on current estimates for interest rates and sales tax revenue, we expect to generate about \$129 million in bond proceeds to pay for projects. Danville Public Schools is currently holding public information sessions to receive input from the public on planned projects.

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 \$50 million, resulting in \$252 million in private investment within the District. This now includes over 1,100 apartments completed or in development, 17 eating/drinking establishments, and multiple retail and entertainment options. Last year, the City Council approved over \$5 million in outside funding for the Riverfront Park, which is currently in the State and Federal permitting phase of development.

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 recently ranked Danville as a Top 10 Micropolitan community because of our success in business recruitment.

The Southern Virginia Megasite at Berry Hill is the largest megasite 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 in the near future.

To sustain this success, the proposed budget includes:

- \$1,000,000 for neighborhood revitalization efforts.
- Over \$5 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.
- \$650,000 for enhancements to Coates Recreation Center
- \$410,000 to pay for design services related to converting the White Mill bridge to a pedestrian bridge with access to the Riverwalk Trail.
- \$300,000 to continue the Experience Works Internship Program
- \$200,000 to continue the tourism marketing program that will work to encourage new visitors to Danville to explore businesses in our City and region.
- \$100,000 to establish an Arts' Council that will focus on diversity in performing arts events for the community.

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. The City has received over \$200,000 in grants to help fund this effort over the past few years. This has enabled the program to hire outreach workers to assist at-risk youth. The recommended budget includes funding two new positions, which will be discussed in further detail in the “New Positions and Reclassifications” section of this document.
- \$686,580 to pay for various equipment related to the new Police Headquarters, video surveillance program, and replacement of other equipment.
- 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 \$500 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.

The challenge for this recommended budget is that, while we know new significant revenue sources are on the way, it will not be available until the FY 2024 budget. In addition, since not all the projected revenues are guaranteed and there are no trends to use to forecast revenues, it is difficult to make long-term plans for the funds.

Thankfully, the City expects to receive the second half payment of the over \$29 million in American Rescue Plan Act funds in the coming months. The budget team looked for a variety of ways to use our ARPA allocation in ways that both qualify as allowable costs and have long-term benefits for City operations. These funds, remaining bond anticipation note revenue from the current year, and remaining upfront casino funds will enable the City to bridge the gap between now and when the casino resort is producing ongoing revenues.

Authorized Position Changes

This year's budget includes funding for 11 new positions and elimination of two positions. It also includes reclassifications of 15 existing positions and establishment of two more positions, with no funding. The following are brief descriptions of the new position requests:

- Gang Prevention – Two new positions are included to continue our effort to reduce gang activity and quickly respond to gang-related crime at a total cost of \$112,303. A Community Liaison position will assist the office with outreach efforts at a cost of about \$33,000 per year. An Outreach Director, at a cost of about \$79,000, will assist in managing the three Outreach Workers and the Community Liaison.
- Social Services – A Senior Administrative Specialist is included to assist with the increase in supportive services for the agency. The increase has put a burden on administrative staff. This position is funded with about 84% of State revenue. The local share is about \$4,312.
- Information Technology – The City's computer hardware and software assets have increased substantially. IT currently hires outside consultants to manage the work. This position will eliminate the need for outside consultants and will have no impact on the budget.
- Community Development – An Electrical Inspector is added to make sure we have enough staff to meet the demands of growth at a cost of \$56,230. Currently, we have one electrical inspector and the demands on that position's time is about double of other inspectors.
- Police Department – The Police Department has used temporary personnel to handle the duties of a records clerk. It was determined to be more cost-effective to hire a full-time position to handle this responsibility. The cost is about \$30,000.
- Transit - An additional evening dispatcher is included due to the limited number of available office staff who work during the afternoon and evening throughout the week. The cost is about \$32,000.
- Parks and Recreation – There are two new position requests included for Parks and Recreation in this budget. A Parks and Recreation Project Manager, at a cost of about \$68,000, will ensure that projects are completed on time and to specifications. In addition, a Parks and Recreation Program Coordinator for Athletics will assist the department in building and sustaining a robust community-based youth and adult recreation program. The cost of this position is about \$47,500.
- Economic Development – As tourism becomes a larger part of Danville's economy, promotion of tourism-related assets is of increasing importance for our community. A robust tourism program requires more than one person handling all the activity necessary for success. In addition, the current Marketing and Research Manager is already overwhelmed providing marketing material in response to a nearly 100% increase in industrial prospect activity. A Tourism Sales Coordinator will provide administrative support to the Tourism Manager and a Marketing Coordinator will assist the Marketing and Research Manager in creating tourism content and

industrial recruitment material. The cost of these positions is about \$43,000 and \$51,200, respectively.

The 15 reclassifications of positions include moving three part-time positions to full time. Two are within the Parks and Recreation Department – a Recreation Program Supervisor and an Administrative Specialist for Athletics. Both positions will assist in implementing more robust athletics and other programs offered to youth and adults. The other is upgrading an Auditor position from part-time to full time in the Commissioner of Revenue’s Office.

There are two reclassifications that come at no additional cost to the City. This includes converting a Police Officer position into a Public Relations Specialist. The fact that we can reduce the number of Police Officers and reallocate that position to serve in the capacity of promoting community engagement is a testament to the success we’ve had in reducing crime. The other position is converting a Recreation Supervisor position to a Program Coordinator in the Parks and Recreation Department. The Department has seen an increase in requests to rent facilities and it is anticipated to grow as our community grows. This position will help to ensure rental of facilities is managed efficiently.

The remaining reclassification requests that are included in this budget 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 City Council’s Introductory 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,

A handwritten signature in black ink that reads "Ken Larking". The signature is written in a cursive, flowing style.

Ken F. Larking
City Manager