



CITY OF DANVILLE

City Manager's Office

Fiscal Year 2024-25 City Manager's Proposed Budget

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 2025 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. Danville is a small City with amenities that attract people for several reasons. Those reasons have changed over time. Initially, it was economic opportunity related to agriculture and manufacturing. In our lifetimes, the economic drivers of textiles and tobacco declined significantly. As a result, Danville started losing population because of lack of opportunity.

Strategic efforts to enhance economic development, reduce crime, and improve education have increased opportunities and improved property values. This work includes providing the same level of City services as efficiently as possible and investing heavily in economic development, downtown revitalization, and workforce programs. For the first time in many years, Danville is experiencing growth, but it does not mean that we have reached our goal. There are still people who have not fully participated in the economic opportunities that we have worked hard to bring to our community.

We need to be intentional about encouraging more economic opportunities and providing pathways for people to have the skills and abilities to take advantage of these opportunities. There are four components to this:

1. Take care of the basic needs of community – health, strong neighborhoods, public safety, and good infrastructure. It is the foundation.
2. Provide quality education and workforce development so that people have the skills necessary to take the jobs that provide them with the income to live their preferred lifestyle.

3. Create a quality of life that retains existing residents and attracts new residents who already have the skills needed to support the success of local businesses.
4. Attract new businesses and entrepreneurs who will provide more and better opportunities for our existing and new residents to enable them to achieve the lifestyle they desire.

Because we are an isolated City, we cannot rely on the expansion of a major metro area into Danville to bring growth and opportunity. We need to build it for ourselves with the help of key partnerships, creativity, tough decisions, and hard work. If we are to continue and accelerate the positive momentum, we need to continue to provide quality services, invest in our neighborhoods, support the school system, attract business development, build a skilled workforce, and keep our community safe.

The funding priorities contained within this recommended budget include the funding necessary to continue Danville's success.

Major Fund Highlights

The total proposed budget for FY 2025 is \$347,797,665 for operations, capital, and debt service, which includes all funds minus inter-fund transfers. This is \$22.7 million more than the FY 2024 adopted budget of \$325,131,020 for an increase of 7%.

Utility Funds

The total Utility Department budget, which includes electric, gas, water, sewer, and broadband, is \$180,167,940. This is \$4,646,570 less than the current budget of \$184,814,510. Danville's electric rates are average compared to others in the state. The gas, water, and sewer rates are below average. Residents of Danville benefit from high quality and reliable services at rates that are quite competitive, as compared with others. There are no proposed rate changes in any of the utility funds.

General Fund

This year's proposed General Fund Budget is \$164,751,050, which is \$25,052,800 more than the current budget of \$139,698,250. About half of this increase is attributed to expected additional revenue generated from gaming tax from the casino resort, which is expected to be \$25 million – a \$12 million increase from the current year. More details on recommended uses for this revenue are presented below. Additional increases in major General Fund revenue categories include the following:

- \$3,200,030 in Real Estate Tax Revenue
- \$1,798,530 in Personal Property Tax Revenue
- \$1,232,780 in Meal Tax Revenue
- \$1,278,720 in Interest Earnings
- \$842,000 in Business License Revenue
- \$700,000 in Sales Tax Revenue
- \$701,000 in Delinquent Real Estate and Personal Property Tax Revenue

The above revenue sources represent \$9,753,060 more funding than the current year. This increase in funding is about equal to the major General Fund expenditure categories described below.

The increase in General Fund expenditures is primarily due to rising inflation and personnel costs, totaling \$9,925,131. The following categories account for most of the increases that are included in the proposed budget and are attributed to rising personnel expenses:

- \$5 million of costs associated with funding last year's pay-for-performance increases were paid for using the guaranteed portion of casino gaming revenue. Those personnel costs are incorporated into the proposed operational budget and are funded with increased revenue expected from real estate, sales, meals, and hotel/motel tax.
- \$2,496,681 to continue the City's pay-for-performance system, which will provide for an average increase of 5% for employees, depending on performance.
- \$1,736,890 to pay for increased health care costs.
- \$691,560 to pay for increased retirement contributions.

Danville's tax rate of 84 cents per \$100 value is the third lowest for cities in Virginia. Danville residents benefit from low tax rates and affordable housing values. Whether a homeowner or a renter, this means that people living in Danville enjoy easy access to high quality municipal services at one of, if not the, lowest costs for any other place in Virginia. Since FY 2014, the average annual increase in real estate tax values is 0.85%. This year's reassessment is expected to bring that average up to 1.86%.

Casino Revenue Spending Recommendations

Of the \$25 million expected gaming tax revenue from Caesars, \$16,300,000 is state-collected gaming tax revenue and \$8,700,000 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. Most of this guaranteed payment will go toward the cost of an average of 5% pay for performance increase for City employees, the local portion of pay increases for Danville Public School employees, and increased health insurance costs for both City and School system employees.

This budget recommends using the remaining \$20 million of gaming tax revenues to pay for activities recommended in the 2024 Investing in Danville Committee report. This includes the following:

- \$7,821,450 for capital and special projects.
- \$5,172,203 for economic development initiatives.
- \$2,000,000 to put in reserve for a future balloon payment on an IDA loan, which was used to finance economic development projects in FY2022 and FY2023 in anticipation of future casino revenues.
- \$1,511,990 for lease and debt payments associated with the new police headquarters.
- \$1,249,661 for Danville Public Schools for school bus aids, elementary school security, and early tuition costs.
- \$788,800 for our tourism marketing program.

- \$700,000 for removal of blight.
- \$526,630 to pay for our gang prevention efforts, which were previously funded mostly with grant funds.
- \$91,350 to pay for a Grant Administrator.
- \$97,916 to pay for new park maintenance positions necessary to help maintain Riverfront Park and three new splashpads.
- \$40,000 for the summer internship program.

General Fund Capital and Special Projects

Departments requested over \$73 million in capital and special projects funds. Using a combination of casino revenues, the \$6 million limit on general obligation bonds, IDA bonds, grants funds, remaining American Rescue Plan Act funds, General Fund Balance, and other funds, there is just under \$40 million available to appropriate for this purpose.

Tax Rate Reduction

The recommended budget includes a 10-cent decrease to the Personal Property Tax. The annual impact of this reduction is \$400,000.

Elderly Tax Relief

The recommended budget includes an increase to the Elderly Tax Relief qualifying income threshold from \$35,000 to \$40,000, which will reduce expected revenue to the General Fund.

General Fund Fee Adjustments

The recommended budget includes several fee changes for the General Fund, which can be found in the Budget Highlights section. These fees capture revenue from customers using this service and reduce the subsidy the general taxpayer provides to make these available. This includes establishment of a short-term rental fee, increases to Planning Commission and zoning fees, and slight increases to fees in Inspections. Each of the proposed fees were benchmarked against peer cities to make sure they are competitive with what others charge for these services.

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. The estimated increase in revenue because of the fee increases is \$404,760. This is the second year of a multi-year plan to raise revenue in the solid waste fund to pay for the rising cost of service. This rising cost is due to inflation and less available help from the Adult Detention Center. The rising costs associated with personnel and equipment necessitate this increase.

Cemetery Fund

Fee changes for cemetery services are included in the proposed budget. Refer to Budget Highlights for details of all fee changes. The estimated increase in revenue from the fee changes is \$299,800. Cemetery fees have been at current amounts for the past 12 years. To be competitive, proposed fees were benchmarked against fees charged by peer cities and two privately owned local cemeteries.

City Council Priorities

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

- Education
- Economic and Community Development
- Public Safety

Education

The recommended budget provides funding for school operations in the amount of \$27,846,200 – an increase of \$2,480,420. The increase will go toward the following:

- \$559,549 to pay for the Early College/Dual Enrollment program.
- \$474,047 to pay for an increase for health insurance premiums for DPS employees.
- \$471,079 to pay for the required local match of the state’s 2% salary increase for Standards of Quality (SOQ) funded positions. This increase will enable all non-SOQ funded positions to also get the same increase.
- \$519,367 to pay for security at elementary schools.
- \$285,627 to pay for the local share of the Governor’s proposed 1% bonus for employees.
- \$170,745 to pay for bus aides.

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

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 \$360 million in private investment within the District. This now includes over 1,283 apartments completed or in development, and 97 new small businesses.

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 \$1.27 billion in new capital investment and nearly 3,800 new jobs, much of it happening in Danville and industrial parks owned by Danville and Pittsylvania County.

The Southern Virginia Mega Site at Berry Hill is the largest mega site in Virginia and continues to see a lot of prospect activity. 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 \$9.3 million in improvements to the Danville Regional Airport, with about \$2.3 million paid with federal and state grants and about \$5.5 million to finance construction of an Aviation Training Facility, which will be paid for with lease payments from Averett University.
- \$5,172,203 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. Funding projects in this category help to increase the tax base and improve our ability to have available funds to support the increasing cost of delivering core City services.
- About \$3.9 million to pay for various capital improvements to parks and playgrounds.
- \$1 million to pay for neighborhood street repaving projects, using casino gaming revenue.
- \$788,000 to continue the tourism marketing program that will work to encourage new visitors to Danville to explore businesses in our City and region, using casino gaming revenue.
- \$700,000 for neighborhood revitalization efforts, using casino gaming revenue.
- \$500,000 to pay for zoning and development code changes resulting from the recommendation of the Plan Danville Comprehensive Planning effort, using casino gaming revenue.
- \$200,000 to fund first year programs recommended in the Arts and Culture Master Plan, using casino gaming revenue.
- \$40,000 to continue the Experience Works Internship Program, using casino gaming revenue.

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. We intend to continue to push initiatives with the goal of making Danville a family-friendly community. These initiatives include:

- \$526,631 for continued implementation of the Office of Juvenile Justice and Delinquency Prevention’s Comprehensive Gang Model.
- \$563,650 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.

Authorized Position Changes

There were 25 requests for new positions and 13 requests for reclassifications at an estimated cost of about \$1.65 million. This year's budget includes funding for eleven new positions and reclassification of seven positions. In addition, the budget funds a career development plan for the Juvenile Detention Center that will help with employee retention at a net cost of \$31,180. The following are brief descriptions of the new position requests:

- Parks and Recreation – Two positions, Park Supervisor and Parks Groundskeeper II, are being added to support the additional acreage of parks and increased demand for event support. The total cost for both positions is about \$97,916 which is being funded with casino gaming tax revenue.
- Social Services – A Family Services Specialist is included to help increase child welfare services for the agency. The position is funded with about 84% of State revenue. The local share is approximately \$7,440.
- Public Works – A total of six new positions supporting 4 operational areas are included in the Public Works Department as follows:
 - A Project Engineer is included to support the increase in permitted development projects in Danville that has resulted in additional administration, review, permitting, inspection, documentation, and reporting tasks. The total cost of \$76,870 is shared between three funds with 25% being charged to the General Fund, 50% to VDOT and the remaining 25% to Sewer.
 - A Weigh Master, who will serve as the full-time operator at the compost facility, is included to collect fees and run the recently added scale. The total of cost \$39,340 is included in the Sanitation Fund. The solid waste fee increase included in the budget will support the cost of this position.
 - A total of 4 Public Service Workers is included, 2 for Yard Waste and 2 for Recycling. Adult Detention inmates were used to augment the number of employees needed for these roles. With the decline in inmates, more positions are needed to continue to provide the same level of service. All four positions are included in the Sanitation Fund at a total cost of \$133,680. The solid waste fee increase included in the budget will support the cost of these additions.
- Economic Development – A Senior Secretary is being added to provide administrative support, a role that was previously performed by the Special Project Manager, whose responsibilities have expanded with the department's growth over the past few years. The total cost is \$52,370.
- Commissioner of Revenue – An additional Business Auditor is included at a net cost of approximately \$22,960. The office currently operates with one Business Auditor and an additional position would strengthen enforcement efforts and allow for more thorough and timely reviews potentially resulting in increased revenues.

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The seven 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 Manager's Proposed Budget is complete. I, along with the Department Directors, will now work with you, the City Council, to review what we have developed, and mold it into a City Council Proposed Budget, which is scheduled to be shared with the public by April 30. 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 are ready to assist the Council throughout the budget process. We are all 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