



CITY OF DANVILLE

City Manager's Office

Fiscal Year 2025-26 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 2026 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 fund activities 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, while continuing to provide core services at levels our residents are accustomed to receiving.

Strategic efforts to enhance economic development, reduce crime, and improve education have increased opportunities and improved property values. This work includes, investing heavily in economic development, public education, housing, 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. Some still have not fully participated in the economic opportunities 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 the 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 their desired lifestyle.

Because we are an isolated City, we cannot rely on expanding 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.

After years of investments by City leaders both present and in the past, Danville is recognized as a model for how to rebuild, reinvent, and reimagine a community. Since 2015, Danville has received dozens of regional, statewide, and national awards, recognizing innovative practices, sustained efforts, and the resulting positive outcomes, including All America City awards in 2020 and 2024.

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 2026 is \$379,320,710 for operations, capital, and debt service, which includes all funds minus inter-fund transfers. This is \$32.2 million more than the FY 2025 adopted budget of \$347,124,390 for an increase of 9%.

Utility Funds

The Utility Department budget, including electric, gas, water, wastewater, and broadband, is \$190,772,470. This is \$11,594,530 more than the current budget of \$179,177,940. 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 competitive rates, compared to others. There are proposed rate changes in electric, gas, water, and sewer. A schedule of the rate changes can be found in the Budget Highlights. A typical residential customer in Danville will see about a \$10 monthly increase, if they have electric, gas, water, and wastewater service.

Unlike most cities, Danville residents pay for all their household utilities in one bill. Typically, this means electric, water, wastewater, natural gas, and sometimes broadband. In most other cities, residential customers pay separately for electric, water and wastewater, and natural gas. When you add up the typical costs for each of these utilities and compare Danville to Lynchburg, Roanoke, Charlottesville, Richmond, Durham, and Greensboro, our costs are:

- The least costly by about \$28 per month as compared to the next lowest city

- \$57 per month lower than the average for the other cities

As the smallest of each of these cities, one would think that economies of scale would result in Danville's utilities costing more than each of these cities. The fact that Danville runs an efficient and reliable system at a lower cost is a remarkable achievement.

Unfortunately, due to older housing stock, which is often poorly insulated and temperature-controlled with inefficient heating and cooling systems, some residents use more electricity than people who live in more modern homes, due to increased utilization. To assist with families in this situation, I am proposing to use unanticipated casino revenues from the current fiscal year to provide the following assistance:

- \$10 per month credit on a city resident's utility bill, which is equal to the typical increase in costs related to the rate adjustments, should City Council adopt the proposed rates.
- A \$200,000 contribution to the Neighbors Helping Neighbors program, which helps qualifying families pay for overdue utility bills.
- A \$500,000 investment in an energy efficiency program that will help qualifying city residents pay for insulation and heating/cooling upgrades at their homes, which will reduce consumption.

This \$3.1 million investment will enable Danville Utilities to continue to maintain a reliable system and make investments in infrastructure that will encourage future growth, spreading the cost of service over more customers, which will help keep costs down.

General Fund

This year's proposed General Fund Budget is \$184,010,470, which is \$19,434,760 more than the current budget of \$164,751,050. About half of this increase is attributed to additional revenue generated from gaming tax from the casino resort, which is expected to be \$35 million – a \$10 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:

- \$3,669,760 in Real Estate Tax Revenue
- \$1,800,000 in Meals Tax Revenue
- \$940,000 in Business License Revenue
- \$1,000,000 in Sales Tax Revenue

The above revenue sources provide \$7,409,760 more funding than the current year. This increase 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 \$7,686,140. 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 increased personnel costs, worker's compensation insurance, outside purchased services, maintenance service contracts, and inflationary cost increases for other operational costs.
- \$2,172,980 to continue the City's pay-for-performance system, which will provide for an average increase of 5% for employees, depending on performance.
- \$513,160 to pay for increased retirement contributions.

Danville's tax rate of eighty-three cents per \$100 of assessed value is the fifth 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 the lowest costs for any other place in Virginia.

Casino Revenue Spending Recommendations

Of the \$35 million expected gaming tax revenue from Caesars, \$21,700,000 is state-collected gaming tax revenue and \$13,300,000 is the local supplement Caesars Virginia agreed to pay as part of the development agreement with the City. This agreement includes a minimum payment to the City of \$5 million annually. Most of this guaranteed payment will go toward an average of 5% pay for performance increase for City employees, the local portion of salaries and additional raises for Danville Public School employees, and increased health insurance costs for School system employees.

This budget recommends using the remaining \$30 million of gaming tax revenues to pay for activities recommended in the 2024 Investing in Danville Committee report. This includes the following:

- \$7,823,090 for economic development initiatives.
- \$7,383,240 for capital and special projects.
- \$4,012,570 to Danville Public Schools for the local match for bonuses, school bus aids, elementary school security, early tuition costs, utility and transportation expenses, and security enhancements.
- \$4,000,000 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.
- \$1,700,000 for housing programs, which includes \$300,000 for the Danville Neighborhood Development Corporation.
- \$1,511,990 for lease and debt payments associated with the new police headquarters.
- \$1,202,950 for our tourism marketing program.
- \$850,000 for removal of blighted properties.
- \$761,110 to pay for our gang prevention efforts, which were previously funded mostly with grant funds.

- \$564,420 to pay for City personnel including a Grant Administrator, Park Maintenance positions necessary to help maintain Riverfront Park and three new splashpads, an Economic Mobility & Opportunity Manager, Cultural Arts Manager, Housing Coordinator and Public Works Senior Project Manager.
- \$279,270 to provide support for regional industrial facility authorities.
- \$237,840 for the summer internship program.

General Fund Capital and Special Projects

Departments requested over \$85.6 million in capital and special projects funds. Using a combination of casino revenues, the \$10 million limit on general obligation bonds, IDA bonds, grants funds, the General Fund Balance, and other funds, just under \$50 million is available to appropriate for this purpose.

VDOT Fund

A new fee for large event street closure permits is included in the proposed budget. This fee would apply to large, private, and commercial events and would be calculated based on the actual cost to close a street per VDOT traffic control requirements and will include labor, vehicles, equipment, materials, location, details of closure plus a permit application fee of \$75. Because this is a new fee, the increase in revenues is difficult to predict, however, a conservative estimate of \$5,000 is included in the proposed budget. A schedule of the new fees can be found in the Budget Highlights.

Sanitation Fund

This year's budget includes an increase to sanitation fees due to the rising cost of providing this service. The Sanitation Fund is a self-supporting operation with insufficient revenue to cover the cost. A schedule of the fee increases can be found in the Budget Highlights. The estimated increase in revenue is \$210,120. This is the third 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, rising personnel costs, and less available help from the Adult Detention Center.

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 \$32,483,680 – an increase of \$4,637,480. The increase will go toward the following:

- \$2,215,700 to fund pay increases resulting from pay study.
- \$956,650 to pay for required local match of the State's 3% salary increase for Standards of Quality (SOQ) funded positions.
- \$491,260 to pay for non-SOQ position bonuses to match the Governor's proposed bonus for SOQ positions.
- \$255,590 to pay for bus monitors.
- \$252,910 for utilities, i.e., electricity, water, sewer, and waste removal.
- \$195,000 to pay transportation expenses, including fuel, supplies, and bus replacement parts.
- \$170,370 to pay for increased health insurance premiums for DPS employees.
- \$100,000 to pay for security enhancements which include staff training, security software upgrades, and equipment.

These funds will help Danville Public Schools maintain low classroom sizes and provide a safe and supportive learning environment, 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 have 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 \$375 million in private investment within the District. This now includes over 1,283 apartments completed or in development, and ninety-seven 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 \$2.9 billion in new capital investment and nearly 7,000 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 Danville and Pittsylvania County leaders put into making this property ready for potential large-scale manufacturers resulted in one of the largest economic development announcements in the country – Microporous' \$1.3 billion investment with over 2,000 jobs.

To sustain this success, the proposed budget includes:

- \$15.1 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. 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 \$5.2 million to pay for various capital improvements to parks and playgrounds.
- \$1 million to pay for neighborhood street repaving projects.
- \$1,202,950 to continue the tourism marketing program that will work to encourage new visitors to Danville to explore businesses in our City and region.
- \$237,840 to continue the Experience Works Internship Program.

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:

- \$761,110 for continued implementation of the Office of Juvenile Justice and Delinquency Prevention’s Comprehensive Gang Model.
- \$342,000 to pay for various equipment and expansion of the video surveillance program.
- 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 seventeen requests for new positions and thirteen requests for reclassifications at an estimated cost of about \$2.45 million. This year’s budget includes funding for nine new positions and reclassification of eight positions. The following are brief descriptions of the new position requests:

- **Community Development** - Two positions are included as follows:
 - A Plans Examiner is being added to the Inspections Division to help address the substantial increase in construction. The position is funded for half of the fiscal year at a total cost of \$47,312. Most of this cost is covered by anticipated increases in building inspections revenue.
 - A Housing Grant Coordinator is being added to administer the new residential grant programs. The position is funded with casino gaming tax revenue for half of the fiscal year at a total cost of \$38,820.
- **Finance** - An Accounting Supervisor is added to improve oversight and efficiency. This position is funded for half of the fiscal year at a total cost of \$46,000.
- **Fire** - A second Assistant Fire Marshal is being added to address an increase in workload due to the City’s growth. The position is funded for half of the fiscal year at a total cost of \$44,075. Most of this cost is covered by anticipated increases in permit fee revenue.

- **Parks and Recreation** - A Cultural Arts Manager is being added to support the Arts & Culture Commission, which is being established by the City Council. The total cost is \$73,650, which is funded with casino gaming tax revenue.
- **Public Works** - Three positions are included in the Public Works Department as follows:
 - A total of 2 Public Service Workers is included to help address the significant increase in landscape areas. Over twenty new or improved landscape areas throughout the city have been added in the last few years. Both positions are included in the VDOT Fund at a total cost of \$81,310.
 - A Senior Project Manager is included to support the increasing volume of building improvement projects and assignments. The position is funded with casino gaming revenue for half of the fiscal year at a total cost of \$57,720.
- **Social Services** - An Eligibility Worker is included to help manage the increased case load. The position is funded by about 84% of State revenue, and the local share is approximately \$7,230.

The eight reclassifications were requested by department heads and justified after a complete analysis of the job responsibilities necessary to provide efficient and effective service delivery. 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 collaborate 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.

Thank you to our budget team for their 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 for providing needed municipal services and facilities effectively and efficiently.

Respectfully,



Ken F. Larking
City Manager