



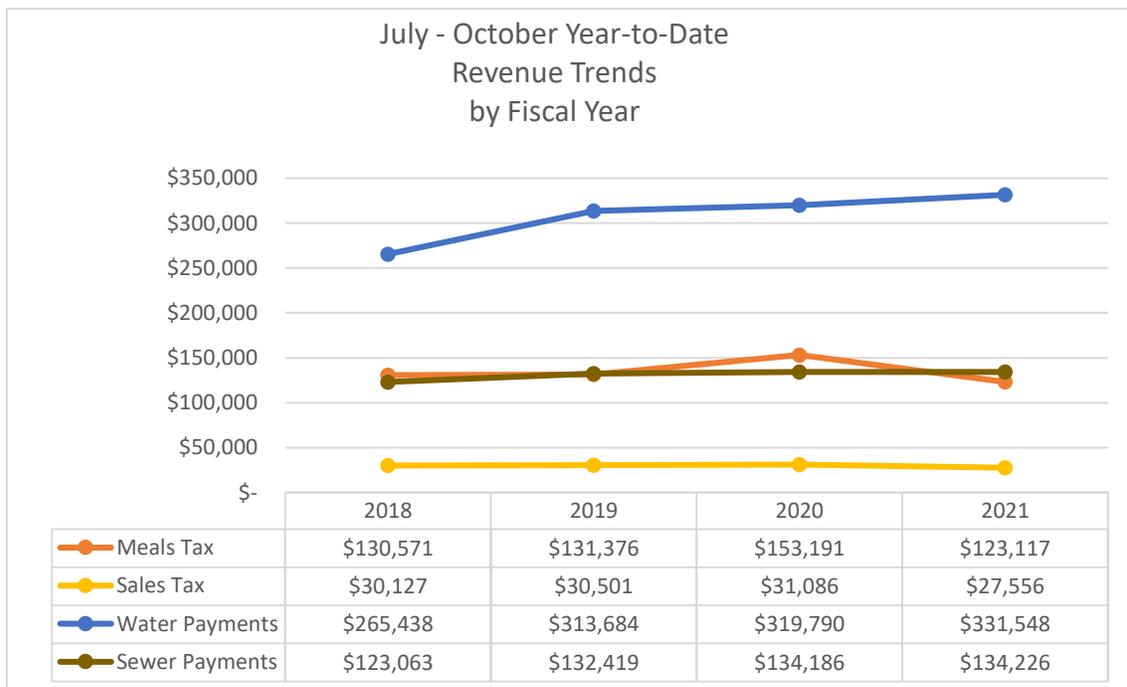
**Town of Gordonsville, Virginia  
Agenda Item Summary  
November 16, 2020**

<p><b><u>AGENDA ITEM 12c</u></b> New Business</p> <p><b><u>AGENDA TITLE:</u></b> Consideration of FY21 budget review</p> <p><b><u>PRESENTER:</u></b> Mayor Robert Coiner</p>	<p><b><u>DISPOSITION:</u></b>  <input checked="" type="checkbox"/> Action Required    <input type="checkbox"/> For Discussion  <input type="checkbox"/> Consent Agenda    <input type="checkbox"/> Closed Session  <input type="checkbox"/> Informational</p> <p><b><u>ATTACHMENTS:</u></b>  <input type="checkbox"/> yes                      <input checked="" type="checkbox"/> no</p>
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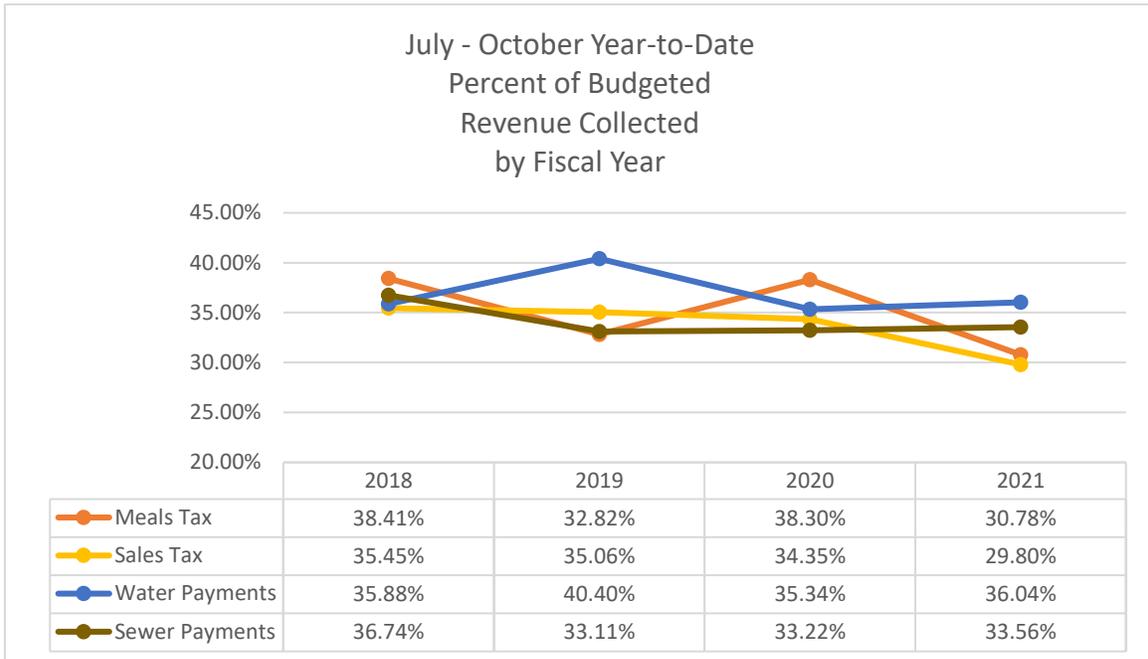
**BACKGROUND:**

Upon adoption of the FY2021 budget in May, Town Council asked that a review of the budget be provided in the late summer/early fall of 2020 to determine whether modifications are needed as a result of the impact of COVID-19 on the Town’s fiscal status.

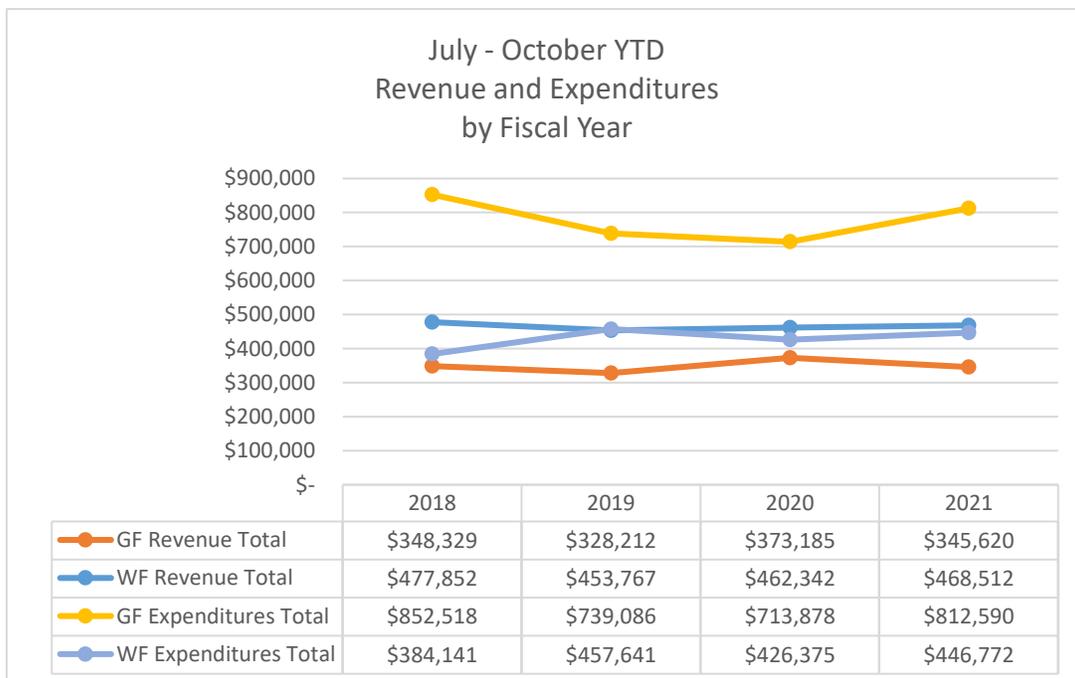
Overall, the impact of the coronavirus has been less severe on the Town’s budget than initially projected. The graphs and charts that follow illustrate various revenue trends for the first four months of the fiscal year, for FY2018 – FY2021, as compared to pre-COVID-19 levels. The graph below illustrates July through October year-to-date revenue trends by fiscal year.



It should be noted that sales tax figures for FY21 reflect values received through the end of *September* and, therefore, appear lower than values shown for past fiscal years. The graph below shows that the amount of revenue collected by the end of October 2020, as a percentage of the total amount budgeted for the fiscal year, is also trending fairly consistent with that of prior years. Meals tax revenues are down 7.5% over that collected in FY20 at this time, and sales tax revenues are down 4.6% over that collected during the same time period.

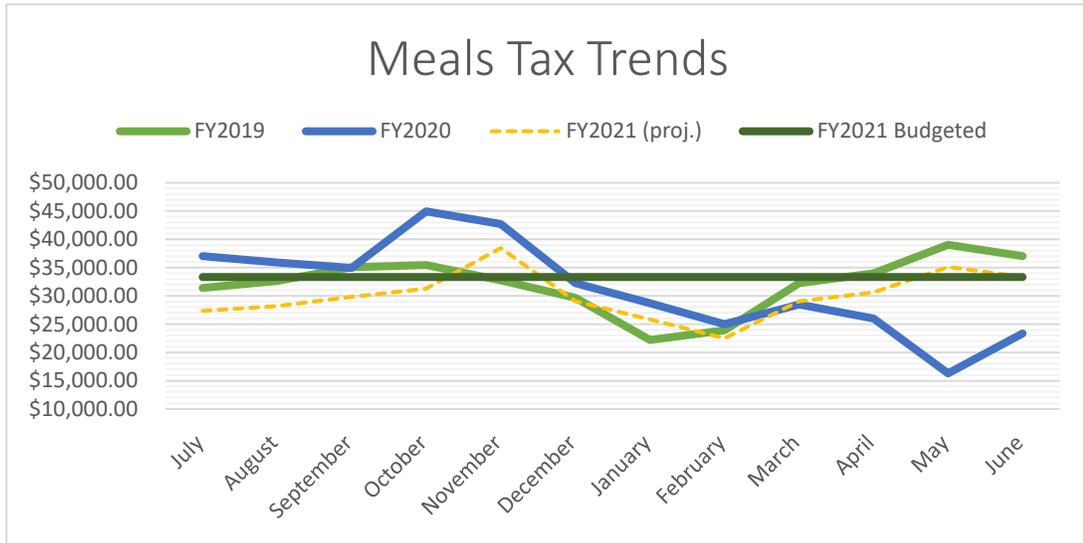


Year-to-date total revenue and expenditure levels for FY21, as shown in the graph below, are also fairly consistent with those of the past three fiscal years.

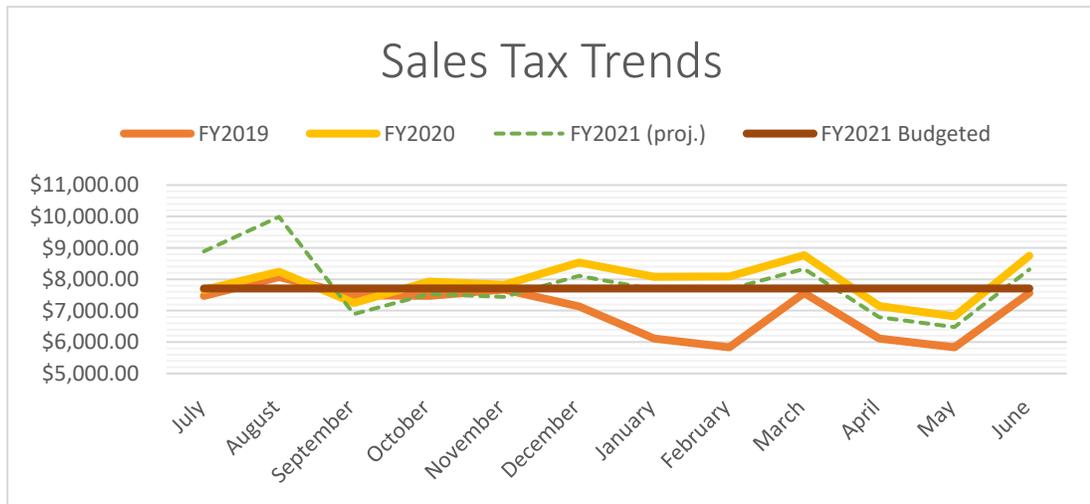


The following provides a more detailed review of various revenue streams thus far.

**Meals Tax:** As previously reported, meals tax revenue for the Town for FY20 was 6.1% less than what was budgeted—a shortfall of approximately \$24,221. While some of this decline was due to the overall reduction in restaurant patronage during COVID-19, the closure of two of the Town’s larger meals tax generators—Rochambeau and Tastee Freez—was also to blame. So far, for FY21, meals tax revenues are down an average of 23.3% for the July – October time frame. This equates to a shortfall of approximately \$16,642.26, year-to-date. However, it is expected that the late fall/winter opening of Champion Ice House brewpub, as well as East of Maui coffee and bagel shop, will help to reverse this trend for FY21. The graph below illustrates trends in Meals Tax as compared to the FY2021 budgeted amount (graphically shown as an average monthly amount):

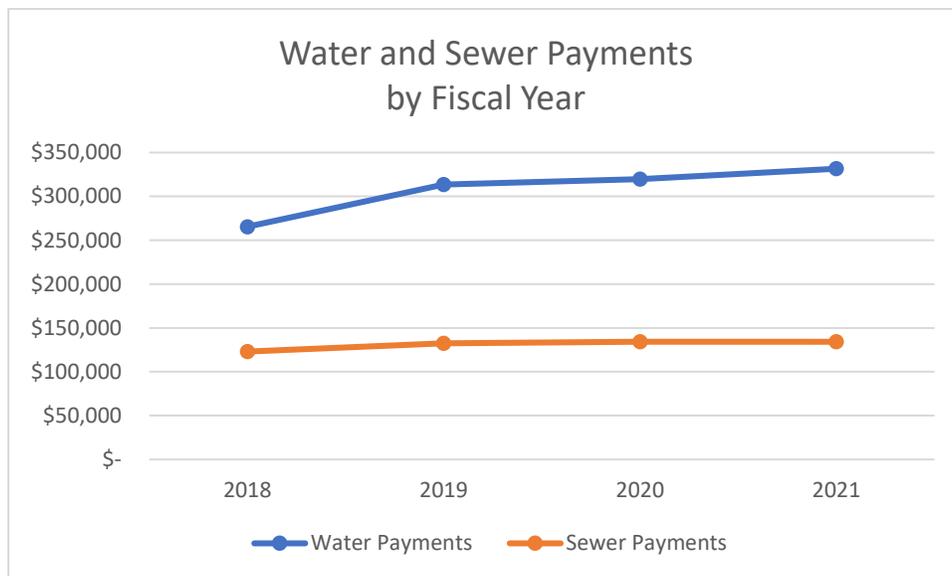


**Sales Tax:** Year-over-year, sales tax revenue was up 12.8% from FY19 to FY20. Sales tax received in July and August of 2020 were 16% and 21.2% above what was received in July and August of 2019. It is expected these trends will remain positive for FY21 as businesses continue to expand their hours to “normal” levels and patrons become more comfortable with shopping in the wake of COVID-19. The graph below illustrates these trends as compared to the FY2021 budgeted amount shown on an average monthly basis:



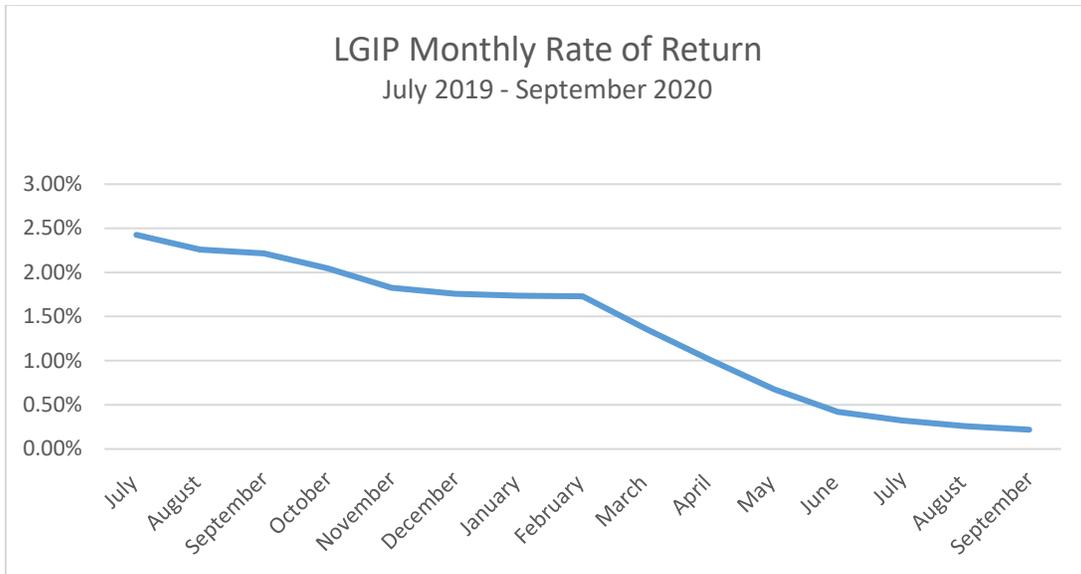
**Utility payments:** As reported by the Treasurer in her monthly report for October, the number of delinquent utility accounts are up in the wake of COVID-19. Initially, 80 water customers were on the cut-off list for October. Water cut-offs occurred on November 6<sup>th</sup>, prompting most people to pay their past due balances by the November 5<sup>th</sup> deadline. At the end of the day on November 6<sup>th</sup>, the cut-off list had been whittled down to 11 water customers.

While water and sewer payments are trending at an amount consistent with past fiscal years, and most water customers have brought their water accounts current, another moratorium on utility cut-offs as proposed by Governor Northam may cause many of them to again let their accounts become delinquent. While CARES Act funding from the federal government has helped some families with their utility payments, those funds will go away at the end of December, and at this time the likelihood of another federal funding relief package is in question. The graph below illustrates trends in water and sewer payments.

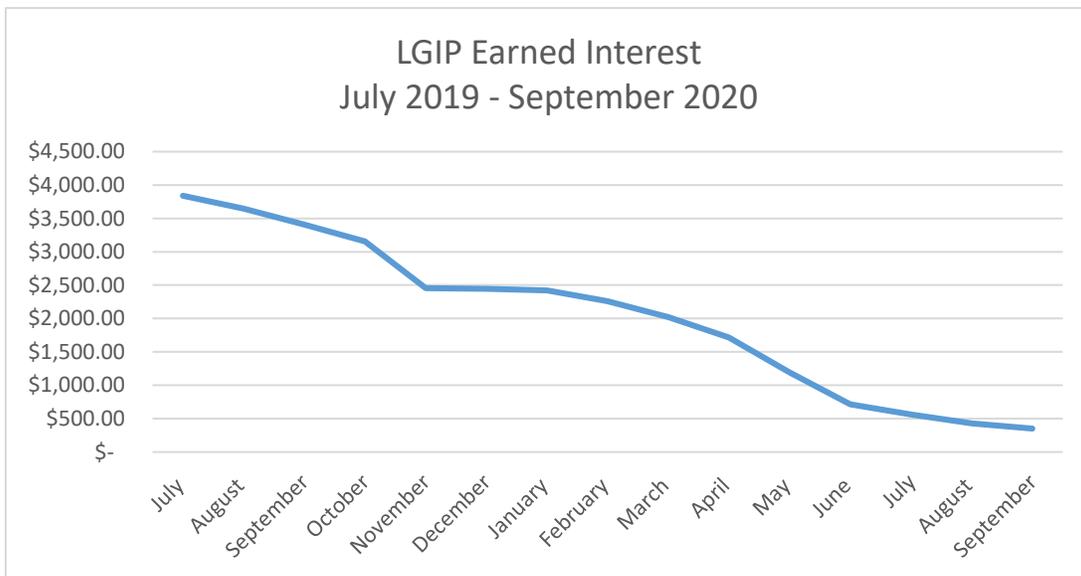


### Local Government Investment Pool

Even before COVID-19, interest rates were dropping to stimulate the national economy. Since the onset of COVID-19, interest rates have been slashed. The Town’s Local Government Investment Pool has been negatively affected—since July 2019 interest earned on the Town’s holdings has decreased 88.9% due to the significant drop in interest rates. In July 2019, the interest rate was 2.43% and the amount of earned interest was \$3,839.39; in September 2020, the rate had dropped to 0.22%, and the amount of earned interest was \$351.27. Interest rates are not expected to increase in the foreseeable future. The graph below illustrates the change in rates since July 2019.



The graph below illustrates the change in earned interest since July 2019.



Additionally, staff moved funds from LGIP to the operating account in August in order to keep the desired \$400,000 minimum balance for expenses. The current balance of LGIP is \$1,964,976.56, down from \$2,083,628.92 at the end of June.

### Moving Forward

Generally speaking, the Town's revenue and expenditure figures are currently on track with trends from years past, and for the most part, we expect them to continue to do so in the months ahead, barring any return to business shut-down due to COVID-19. In the months ahead, staff

recommends continued pacing of expenditures, pursuing only those items that are essential to job function and holding off on large purchases until the spring.

With regard to capital projects, staff expects their budget impact to be minimized for the balance of FY21. Specifically, the timing of state grant funding availability for the airport runway project will likely delay that project into FY22. Additionally, despite the Commonwealth Transportation Board’s allocation of grant funding for the Town’s Safe Routes to School project, the actual expenditure of funds for that project may not begin occur until late spring of 2021. The timing of these projects leaves approximately \$349,280 of budgeted funds untouched.

The chart below illustrates the difference between staff’s projected reduction in revenues and expenditures for FY21.

Revenues				Expenditures			
General Fund	FY21 Proposed	FY21 Adjusted	Reduction	General Fund	FY21 Proposed	FY21 Adjusted	Reduction
Property Taxes	\$ 250,900	\$ 250,900	\$ -	Town Attorney	\$ 20,550	\$ 20,550	\$ -
Other Local Taxes <sup>1</sup>	\$ 698,130	\$ 464,940	\$ 233,190	Town Council	\$ 18,420	\$ 18,420	\$ -
Permits and Other Licenses	\$ 1,250	\$ 1,250	\$ -	Administration Salaries	\$ 106,600	\$ 106,600	\$ -
Fines and Forfeitures <sup>2</sup>	\$ 160,000	\$ 96,000	\$ 64,000	Administration Expenses	\$ 149,620	\$ 149,620	\$ -
Revenue From Use of Money & Property	\$ 566,420	\$ 566,420	\$ -	Town Treasurer Salaries	\$ 98,350	\$ 98,350	\$ -
Transfers & Miscellaneous Revenue	\$ 569,742	\$ 569,742	\$ -	Town Treasurer Expenses	\$ 52,920	\$ 52,920	\$ -
Revenue from Commonwealth	\$ 116,490	\$ 116,490	\$ -	Police Salaries	\$ 537,940	\$ 537,940	\$ -
Federal Revenues	\$ 678,200	\$ 678,200	\$ -	Police Expenses	\$ 82,200	\$ 82,200	\$ -
Loan Proceeds	\$ -	\$ -	\$ -	Asset Forfeiture	\$ -	\$ -	\$ -
				Public Works Salaries	\$ 250,250	\$ 250,250	\$ -
				Public Works Expenses	\$ 187,700	\$ 187,700	\$ -
				Health & Welfare Refunds	\$ 2,800	\$ 2,800	\$ -
				Grant Projects	\$ 808,162	\$ 808,162	\$ -
				Visitor Center Salaries	\$ 36,400	\$ 36,400	\$ -
				Visitor Center Expenses	\$ 11,000	\$ 11,000	\$ -
				Funds Donated	\$ 14,250	\$ 14,250	\$ -
				Capital Outlay <sup>3</sup>	\$ 254,300	\$ 141,500	\$ 112,800
				Debt Service	\$ 146,120	\$ 146,120	\$ -
				Transfers <sup>4</sup>	\$ 263,550	\$ 27,070	\$ 236,480
<b>Total</b>	<b>\$ 3,041,132</b>	<b>\$ 2,743,942</b>	<b>\$ 297,190</b>	<b>Total</b>	<b>\$ 3,041,132</b>	<b>\$ 2,691,852</b>	<b>\$ 349,280</b>
			<b>Projected fund balance</b>	<b>\$ 52,090</b>			
<sup>1</sup> Reflects anticipated reduction in meals and sales tax							
<sup>2</sup> Reflects anticipated reduction in court fines							
<sup>3</sup> Remove Town's SRTS match							
<sup>4</sup> Remove Transfer to Airport Fund							

In summary, FY21 revenues, year-to-date, are trending at levels consistent with that of the past three fiscal years, despite COVID-19 challenges, and are anticipated to improve by the spring. Continued conservative spending into the winter and spring months, along with delayed capital expenditures, will leave the Town in a financially stable position.