

City Council has since for the FY 2007 budget annually adopted a resolution that provides the City Manager with guidance for the preparation of the forthcoming budget and multi-year Capital Improvement Program. The proposed Budget Guidance Resolution for the FY 2021 Operating budget and FY 2021 to FY 2030 Capital Improvement Program reflects the same principles and features as the FY 2020 Council adopted Budget Guidance Resolution with the following changes:

- Section (b) **Taxes, Fees, Fines and Services Charges**, incorporates general language that allows the City Manager the flexibility to consider changes to tax rates, tax designations/reservations, and other fees as part of the City Manager Proposed Budget.

The preliminary estimate of FY 2021 General Fund revenue growth is only 2.1 percent. At the current real estate tax rate, that growth rate would produce approximately \$16 million in total City-wide new General Fund revenue. While this is an improvement over recent years, the City faces potentially significant expenditure challenges in the upcoming fiscal year, including the ACPS operating transfer, debt service and cash capital costs to fund increased City and Schools CIP costs, City employee merit pay adjustments, public safety competitive pay adjustments, shortening City employee pay scales, absorption of the DASH collective bargaining agreement funded from one-time sources in FY 2020, and new or expanded services to implement City master plans, strategic plans and other City Council priorities. The total projected budget gap is estimated as between \$6 million and \$10 million before adding the costs of program initiatives and City employee needed compensation increases. When those are added in the gap could grow by another \$10 million to \$20 million total.

As always, staff will seek to absorb as many cost increases as possible within the existing tax rate by identifying efficiencies, increasing cost recovery, and reducing lower priority services to fund higher priority needs, however the flexibility to consider a real estate tax rate increase would provide greater opportunity to address currently unmet or underserved needs, particularly in the areas of environmental responsibility, racial and social equity, technology and recruiting and retaining a high quality workforce.

While every reasonable effort will be undertaken to avoid a real estate tax rate increase, if a real estate tax rate increased is proposed, it will be accompanied by a prioritized list of programs, services and costs, including compensation, that would be reduced or eliminated if a proposed real estate tax rate increase is not approved.

FISCAL IMPACT: None.

ATTACHMENT: Setting Guidance for FY 2021 General Fund Operating Budget and Capital Improvement Program for FY 2021 to FY 2030

STAFF:

Laura Triggs, Deputy City Manager
Morgan Routt, Director, Office of Management and Budget