

Operating Budget FY 2013-14

City of Chesapeake

March 19, 2013

Guiding principles

- No increase in the real estate tax rate
- No new fees (though increases in existing fees may be considered)
- No supplanting of losses in state or federal funds with local revenue
- Review all vacant positions for possible elimination
- Identify operating efficiencies and reduce spending accordingly
- Identify non-core services for possible consolidation, curtailment or elimination

Budget Environment

- Housing prices are showing signs of stability
- Smaller drop in real estate taxes
- Other revenue growth offsets decline in real estate taxes
- Sequestration and uncertainty
- Focus on continuing existing services
- Protection of core city services
- Strategic reliance on city reserves

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Revenue Discussion

- Summary of citywide revenue
- General Fund Revenue – Update 5 year forecast
 - Real estate taxes
 - Personal property taxes
 - Other local taxes
 - Fines and Forfeitures
 - State assistance

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Citywide Revenue

Fiscal Year	General Fund	Citywide
• FY 2009	\$ 527.3	\$950.7
• FY 2010	\$ 517.5 - 1.8%	\$925.4 - 2.7%
• FY 2011	\$ 497.5 - 3.9%	\$903.1 - 2.4%
• FY 2012	\$ 500.9 +0.7%	\$910.4 +.08%
• FY 2013	\$ 488.6	\$888.7
• FY 2014	\$ 506.0 +3.6%	\$910.5 +2.5%

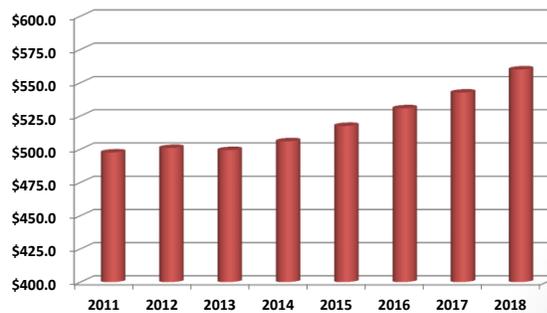
Amounts in millions

Prior years were restated for changes in accounting for Parks and Recreation and Solid Waste Disposal.

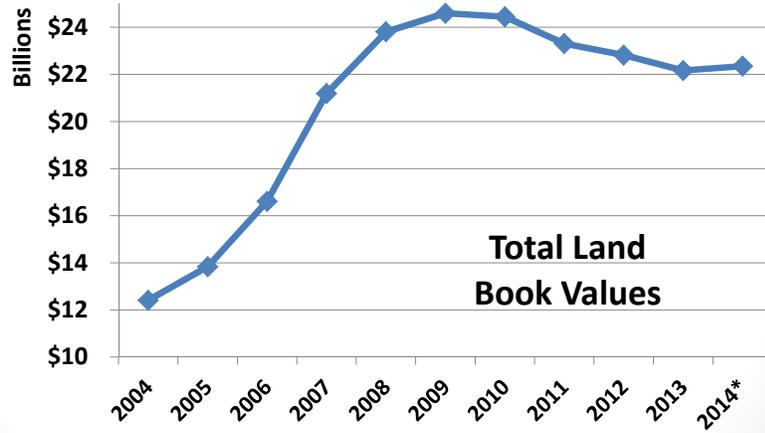
General Fund Revenue

	2011	2012	2013	2014	2015	2016	2017	2018
Budget	\$ 484.8	\$ 488.3	\$ 488.6					
Actual	\$ 497.6	\$ 501.0						
October Forecast		\$ 499.1	\$ 503.6	\$ 511.0	\$ 522.8	\$ 535.1	\$ 555.3	
Current Forecast		\$ 499.4	\$ 506.0	\$ 517.6	\$ 530.8	\$ 542.6	\$ 560.0	
Improvement		\$ 0.3	\$ 2.4	\$ 6.6	\$ 8.0	\$ 7.5	\$ 4.7	

All Amounts in Millions



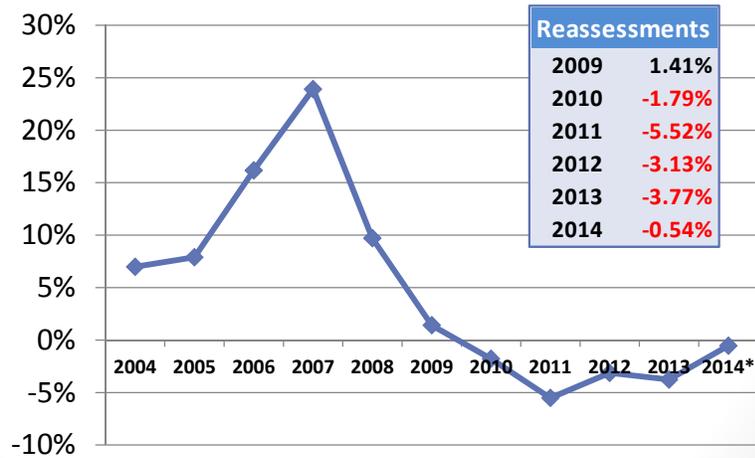
Real Estate Assessments



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Average Reassessment %



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General Fund Revenue (1)

- *Overall – revenue improves \$5.0 million (3.56%)*
- *Improved activity over a broad range of economy*
- Real estate taxes up \$1.30 million (0.6%)
- Personal property taxes up \$470,000 (0.8%)
- Other local taxes up \$10.2 million (9%)
 - Sales taxes up \$2.1 million (6%)
 - Business and Professional Licenses up \$4.9 million (23%)
 - Recordation taxes up \$478,000 (20%)
 - Restaurant taxes up \$1.6 million (8%)

General Fund Revenue (2)

- Permits and Licenses up \$428,000 (22%)
- Fines and Forfeitures up \$513,000 (22%)
- Use of Money and Property up \$473,000 (64%)
- State assistance
 - Categorical Assistance up \$803,000 (2%)
 - Non-Categorical Assistance up \$1.5 million (5%)
 - Elimination of refund to Commonwealth (\$1.25 million)

Revenue Summary (All Funds)

Operating Revenue (millions)	FY 2012	FY 2013	FY 2014	Change from Prior Year	
Property Taxes	\$ 297.23	\$ 291.01	\$ 294.14	\$ 3.13	1.1%
Other Local Taxes	125.12	121.78	132.00	10.22	8.4%
Charges for Services	110.37	104.36	110.43	6.07	5.8%
Other Revenue	20.34	16.02	18.38	2.36	14.7%
Commonwealth of Virginia	299.04	309.12	316.92	7.80	2.5%
Federal Transfers	58.04	46.40	38.69	(7.71)	-16.6%
Totals	\$ 910.14	\$ 888.69	\$ 910.56	\$ 21.87	2.5%

- Improved property taxes
- Strong growth in consumer and business taxes
- Increasing service fees and 4.9% Utility rate increase
- Strong growth in permits, fines/forfeitures, interest, misc. revenue
- Increased state funding for schools
- Reduced Federal funding for schools

Budget Drivers (1)

- Employee health care
 - Cost reductions with new contract – \$546,000 of savings
- Retirement reforms
 - Plan 1 – shift VRS costs to employees – adds \$600,000 to GF
- Other Post-Employment Benefits (OPEB) – add \$750,000
- Street and Road Maintenance – add \$594,000
- Facility Maintenance and Repair – add \$608,000
- Solid Waste Disposal – saves \$1.32 million
- Debt Service – Expressway – defer \$4.4 million
- Hampton Roads Transit Agreement – add \$294,300

Budget Drivers (2)

- Public Utilities – add \$1.71 million
 - Primarily for recurring capital requirements (formerly CIP)
- Stormwater Management – add \$462,000
 - Increased focus on cleaning storm drains/ditches
 - Reduction in transfers to Capital Projects
- Deferred Vehicle Replacements – add \$3.75 million
 - \$3.5 million from Fleet Fund Balance
 - \$250,000 from GF for purchase of police vehicles
- Parks and Recreation – add \$330,000
 - New fee-based before and after child care, adult care

Department Staffing

- Positions Eliminated
 - Deputy City Manager
 - Program Manager (Bureau Community Programs)
 - Mechanical Inspector and PT Engineer Tech (Dev. & Permits)
 - Operations Manager and Office Coordinator (Econ. Develop.)
 - Project Manager and PT Systems Analyst (IT)
 - 2 Office Specialists and 7 Clinicians (CSB)
 - Undersheriff (partially funded in 2013)
- Annual savings approximately \$500,000
 - (CSB and IT positions were vacant and unfunded)

Department Staffing Gaps

- Finance 2 accountants (1 unfunded floater)
- Risk Management Safety Officer
- Human Resources FMLA Technician
- Human Services 7 Benefit Workers, 2 Social Workers
2 Supervisors, 1 IT Specialist
- Parks and Recreation Turf Manager and Grounds keeper
6 Ranger Technicians
Accountant
3 Recreation Specialists
- Purchasing Procurement Contract Specialist
- Sheriff Fund 7 deputy sheriffs
Deputy for inmate labor (garage)
- Additional Costs - \$1.64 million

Significant Reductions

- Solid Waste Disposal (SPSA/Recycling) - \$1.33 million
- Completion of radio replacement project - \$1.00 million
 - Also, FY 2013 use of E911 Fund Balance \$3.05 million
- Chesapeake Expressway debt service - \$4.35 million
 - Deferral of payments
 - Funds remain with Enterprise Fund
- Economic Development Incentives – reduced to committed revenue – down \$481,000 (10% of tobacco taxes committed)
- Debt service – down \$926,000
 - Service existing bonds – reduce by \$246,000
 - Provision for future TIF bonds – reduce by \$680,000

Bureau – Community Programs

REORGANIZATION

- Customer Contact Center – separated from Bureau and included with Governance/Management
- Special Events Coordinator – moved to Parks & Recreation
- Planner and Office Staff – moved to Planning Department
 - Community Development Block Grant
- Remaining functions report to Human Services
 - Youth and Family Programs
 - Homeless Initiative
 - Neighborhood Leadership and Coordination

Depart from Guiding Principles

Two sensitive and extremely critical issues

- Human Services positions
 - Address large increase in case loads
 - Positions formerly funded with Federal grants
 - Federal funding will pay 26%, Chesapeake pays 74%
 - GF Impact = \$486,840
- Deputy Sheriffs
 - Essential for opening of annex
 - Positions are included in complement, but have not been funded since state reduced per diem funding
 - GF Impact = \$474,600

Employee Compensation

- VRS Reforms
 - Plan 1 Employees (VRS members before 07/01/2010) – propose shifting retirement costs of 2% of employees' pay to employees with 2% offsetting increase in earnings
 - Plan 2 Employees – no VRS shift required
 - Plan 3 Employees – Hybrid for post-2013 employees – we expect some savings, but too early to quantify
 - Cost to GF \$600,000 (480/120)
- Mid-Year Pay Raise – All permanent employees
 - Propose 1.6% across-the-board pay raise
 - Effective January 2014
 - Cost to GF \$1.42 million (1,116/304)
- Restore pay cuts to Council and Planning Commission

Reliance on Fund Balances

- Solid Waste Reservation - \$600,000
 - Bulk and Commercial waste
- Debt Service Fund - \$5.91 million
 - Current debt payments - \$5.25 million
 - Prior year prepayment from School Lockbox - \$656,250
- South Norfolk TIF - \$2.5 million
 - 22nd Street Bridge (capital)
- Central Fleet - \$3.5 million
 - Replace vehicles (deferred purchases)
- Mosquito Control Commission - \$767,943
 - Operational supplies and equipment replacements
- Total - \$13.3 million (\$6.0 million for capital outlays)

School Challenges for 2015

- Use of FY 2012 revenue sharing settlement - \$3.22 million
- Use of FY 2013 reversion - \$1.25 million
- Use of School Self Insurance Fund Balance - \$7.96 million
- Use of Textbook Fund Balance - \$5.91 million
- Use of other school funds - \$0.3 million

- **TOTAL USE OF NON-RECURRING FUNDS FOR OPERATIONS**
\$18.64 million

- Budget proposal increased by \$9.38 million

School Challenges

- End of Federal Stimulus and Jobs Funds
 - \$4.8 million
- Funding increases in health care from reserves
 - \$4.0 million (estimate)
- Funding textbook purchases from reserves
 - \$5.4 million
- Reliance on excess revenue from FY 2011
 - \$4.4 million
- No provision for Other Post-Employment Benefits
 - \$50 million per year (estimate)

City of Chesapeake: Proposed Operating Budget March 10, 2013

Budget Overview

Operating Expenditures (millions)	FY 2012	FY 2013	FY 2014	Change from Prior Year	
School Operations	\$ 422.78	\$ 433.32	\$ 442.70	\$ 9.38	2.2%
School Debt Service	36.02	36.19	35.47	(0.72)	-2.0%
City Government Functions	325.72	329.54	335.69	6.15	1.9%
City Debt Service	19.54	19.50	19.98	0.48	2.5%
Public Utilities	51.49	57.39	59.09	1.70	3.0%
Stormwater Management	6.11	8.50	8.96	0.46	5.4%
Chesapeake Expressway	5.44	8.75	4.40	(4.35)	-49.7%
Total Expenditures	\$ 867.10	\$ 893.19	\$ 906.29	\$ 13.10	1.5%

Summary – Operating Budget

- Revenue \$910.5 million, up 2.5% from FY 2013
- Expenditures \$906.3 million, up 1.5% from FY 2013
- Address all of Council’s Guiding Principles
- Continue long-standing revenues sharing with Schools
- Sustainable and strategic use of City reserves
- Revenues have improved and budget drivers have moderated
- New positions proposed to address productivity gaps
- Recognize essential contribution of City employees
- School budget is slightly less than Superintendent’s revised proposal (\$986,000)
- Continued reliance on School reserves is not sustainable

Capital Improvement Plan and Budget

City of Chesapeake

March 19, 2013

Pause

- Focus on completion of existing projects
- Review City's financial position and ensure that CIP is compatible with available resources
- Review priorities and redirect resources as appropriate
- Provide for Council and City Manager to review staff recommendations

Fully Funded Projects

Fully Funded Projects	# of Projects	Previous Approp	Obligations to-Date	Remaining Project Cost	
Community Facilities	14	\$ 14.22	\$ 4.70	\$ 9.52	67%
Economic Development	20	50.54	24.09	26.45	52%
Education	16	79.47	50.41	29.06	37%
Information Technology	16	21.73	9.96	11.77	54%
Parks and Recreation	12	14.71	12.65	2.06	14%
Public Safety	15	70.83	34.26	36.57	52%
Public Utilities	35	88.41	45.08	43.33	49%
Stormwater	29	30.24	13.81	16.44	54%
Transportation	40	520.95	298.40	222.55	43%
Total Appropriations for Fully Funded Projects	197	\$ 891.09	\$ 493.36	\$ 397.73	45%

Amounts are in millions

Staff Focus

- Define project scope consistent with Council's vision
- Refine cost estimates as projects advance through design stages
- Provide adequate and serviceable facilities using conservative cost estimates
- Remove projects not consistent with core mission
- Close projects at completion
- Eliminate low priority projects from unfunded schedule
- Remove unfunded projects that do not require funding during next eight years

New Projects *(5-Year Plan)*

- | | |
|---|-----------------|
| 1. Compressed Natural Gas Station ** | \$ 1.35 million |
| 2. Jordan Bridge Memorial | \$ 0.40 million |
| Funding from Capital Improvement Fund Reserve | |
| 3. 22 nd Street/Wilson Road Bridge * | \$18.35 million |
| 4. Non-Routine School Renewal/Replace ** | \$14.00 million |
| 5. On-Line Permit Processing * | \$ 3.28 million |
| 6. Address Jail Overcrowding * | \$ 0.45 million |
| 7. Public Safety Equipment * | \$ 0.65 million |
| 8. Sewer System Renewal (consent order) | \$12.00 million |

* Funding redirected from completed projects

** Funding from City or School Lockbox

Proposed CIP *(in thousands)*

	General Gov't	Schools	Public Utilities	Storm water	Transp.	Total
Five-Year Plan:						
FY 2014	10,865	3,500	10,270	5,850	10,600	41,085
FY 2015	24,399	2,500	5,098	5,850	14,049	51,896
FY 2016	8,058	2,500	13,269	5,850	14,000	43,677
FY 2017	1,135	2,750	15,992	5,850	-	25,727
FY 2018	1,000	2,750	15,552	5,850	-	25,152
Subtotal	45,457	14,000	60,181	29,250	38,649	187,537
Previous Years	30,987	1,184	16,535	8,070	3,000	59,776
Total Current Plan	76,444	15,184	76,716	37,320	41,649	247,313
Future Requirements	5,525	-	17,164	3,000	-	25,689
Total Project Requirements	81,969	15,184	93,880	40,320	41,649	273,002
<i>22nd Street Bridge is included with Transportation (funding from South Norfolk TIF)</i>						
Other Active and Fully Funded Projects	172,026	79,466	88,408	30,245	520,945	891,090

Proposed Funding Plan *(in thousands)*

Funding Plan	2014	2015	2016	2017	2018	Total	%
Cash from Operations	11,669	9,379	7,470	6,985	6,850	42,354	23%
Developer Proffers	-	181	-	-	-	181	0%
Cash from Lockboxes	6,161	3,188	3,188	2,750	2,750	18,037	10%
Other Fund Balances	5,250	750	2,628	750	6,150	15,528	8%
General Obligation Debt	3,300	34,050	19,750	-	-	57,100	30%
Revenue Bonds	8,021	4,348	10,641	15,242	9,403	47,653	25%
Redirections	6,685	-	-	-	-	6,685	4%
Totals	41,085	51,896	43,677	25,727	25,153	187,537	100%

Proposed Funding Plan *(in thousands)*

Funding Plan	2014	2015	2016	2017	2018	Total	%
Cash - General Fund	3,319	1,780	1,620	1,135	1,000	8,854	5%
Cash - South Norfolk TIF	2,500	1,749	-	-	-	4,249	2%
Cash - Stormwater Fund	5,850	5,850	5,850	5,850	5,850	29,250	16%
Developer Proffers	-	181	-	-	-	181	0%
Fund Balance - City Lockbox	3,661	688	688	-	-	5,037	3%
Fund Balance - School Lockbox	2,500	2,500	2,500	2,750	2,750	13,000	7%
Fund Balance - Expressway	3,000	-	-	-	-	3,000	2%
Fund Balance - Utility Fund	2,250	750	2,628	750	6,150	12,528	7%
GO Debt - City	3,300	5,750	19,750	-	-	28,800	15%
GO Debt - Greenbrier TIF	-	16,000	-	-	-	16,000	9%
GO Debt - South Norfolk TIF	-	12,300	-	-	-	12,300	7%
Redirections	6,685	-	-	-	-	6,685	4%
Revenue Bonds - Utility Fund	8,021	4,348	10,641	15,242	9,403	47,653	25%
Totals	41,085	51,896	43,677	25,727	25,153	187,537	100%

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Unfunded Projects *(in thousands)*

Unfunded Projects	Critical	Other	Total
Community Facilities	\$ 7,995	\$ 64,067	\$ 72,062
Economic Development	-	7,408	7,408
Education	121,824	374,373	496,197
Information Technology	-	12,483	12,483
Parks and Recreation	23,432	-	23,432
Public Safety	159,362	16,039	175,401
Public Utilities	4,598	3,589	8,187
Stormwater	7,050	95,879	102,929
Transportation	15,900	634,943	650,843
Totals	\$ 340,161	\$ 1,208,781	\$ 1,548,942

Critical projects require funding in next 8 years
 Critical Education projects include only roofs and HVAC
 All amounts are in thousands (000)

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Summary – Capital Plan

- Requires \$187.5 million over 5 years
- Requires \$41.08 million appropriation – July 1, 2013
- Funding from cash resources – \$76.1 million
 - Operating Transfers
 - School and City Lockboxes
 - Tax Increment Financing Funds
- General Obligation Debt (full faith and credit) – \$57.1 million
 - School and City Lockboxes
 - Tax Increment Financing Funds
- Revenue Bonds (Enterprise Funds) – \$47.65 million
- Redirections – \$6.7 million
- Addresses affordability and essential capital needs

Council Budget Calendar

- Suggested Council Work Sessions
 - March 26 Review of Resources Available
 - April 9 City Budget Requirements
 - April 16 School Budget Requirements
 - April 23 Capital Improvement Plan
 - *Staff will schedule work sessions as Council wishes*
- Public Hearings on Operating and Capital Budgets
 - April 23, 2013
 - May 14, 2013
- Budget Adoption – May 14, 2013