

Budget Projections FY 2014 - 2017 (all funds)

	FY 13-14 Budget	FY 14-15 Budget	FY 15-16 Projection	FY 16-17 Projection
Revenue:				
General Property Taxes	\$ 294,141,850	\$ 301,386,559	\$ 307,138,182	\$ 311,524,708
Other Local Taxes	131,995,698	132,727,140	135,253,960	137,966,380
Charges for Services	109,287,893	111,763,250	112,279,626	112,490,089
Other Revenues	18,316,682	18,558,893	18,843,982	19,007,878
State Aid	317,229,059	321,946,433	322,784,433	323,434,433
Federal Aid	38,857,617	39,343,518	38,843,518	38,843,518
Total Revenue	\$ 909,828,799	\$ 925,725,793	\$ 935,143,700	\$ 943,267,006
Expenditures:				
Governmental Funds				
Governance & Management	\$ 22,454,425	\$ 25,722,383	\$ 27,083,715	\$ 26,992,987
Quality Community of Life	78,600,369	85,238,211	87,978,848	88,681,631
Economic & Environmental Vitality	71,152,519	75,043,371	78,816,567	79,818,840
Chesapeake Public Schools	442,770,692	446,229,880	450,386,056	454,447,709
Public Safety & Justice	133,597,591	145,875,959	146,659,497	148,837,827
Debt Service Fund	56,228,160	53,437,514	45,875,059	43,877,288
Non-Departmental	29,917,310	16,918,578	20,256,417	19,862,859
	834,721,066	848,465,896	857,056,158	862,519,140
Enterprise Funds				
Public Utilities	\$ 59,093,566	\$ 61,136,582	\$ 61,284,403	\$ 61,442,211
Chesapeake Transportation	4,399,485	4,820,768	4,840,338	5,396,390
Stormwater	9,029,911	10,369,087	10,418,473	10,471,788
	\$ 72,522,962	\$ 76,326,437	\$ 76,543,214	\$ 77,310,389
Total Operating Expenses	\$ 907,244,028	\$ 924,792,333	\$ 933,599,372	\$ 939,829,529

Please see the Summary of Significant Assumptions Underlying the Budget Projections appearing next.

Budget Projections FY 2014 - 2017

Summary of Significant Assumptions Underlying Projections

REVENUE

1. Revenue growth in FY 2015 across all funds is projected at 1.6% over FY 2014 budget, primarily the result of a slight downward projection in FY 2014 revenue as compared to the budget. We expect continued modest growth for FY 2015 through FY 2017. This reflects the very slow pace of the national economic recovery from the recession of 2007-2009, restrained by the Federal government's application of policies of fiscal austerity in lieu of a sustained fiscal augmentation of private aggregate demand. These conditions affect not only local revenue, but also revenues collected by the State of Virginia, approximately half of which are distributed localities for schools and local services.
2. Real estate taxes are a major part of local taxes and are projected to grow moderately over the three year projection period. Recovery in the local real estate market is evident by rising volume of construction permits, declining volume of foreclosures, and a rise in both commercial activity and in sales prices residential property. The January 2014 reassessment showed an improvement in property values of slightly below one percent (0.9%). Combined with new building activity, real estate taxes are projected to grow by 2.2% in FY 2015. We anticipate growth in real estate values from a combination of new building and increasing values for January 2015 and 2016 of 1.65% and 2.15% respectively.
3. Personal property taxes are expected to rise by 1.25% during FY 2015. This is principally due to the softening in the used vehicle auction market and of demand for new vehicle purchases. Public service corporation property tax revenues are expected to decline about 2%, with depreciation outstripping new investment and growth in value of existing property. The anticipated shutdown of the Deep Creek generating plant planned for 2015 will reduce property taxes by \$4.7M beginning in FY 2017. Delinquent property tax collections are expected to stable during the projection period.
4. Other local taxes comprise 24% of the City General Fund revenues and 28.8% of its local revenues; they are primarily taxes on business transactions, including retail sales, food service, lodging, utility services, and business gross receipts. Growth in this revenue source is strongly dependent on employment and income. The hesitant nature of the economic recovery and the negative impact of Federal austerity policies (sequestration) on industries that make up half of the regional economy have slowed the growth trend in other local taxes. Current trends indicate that revenue growth in FY 2014 will be slightly below budget, thus FY 2015 collections are only slightly above the FY 2014 budget. Growth of approximately 2% is projected for both FY 2016 and FY 2017.
5. Most remaining local revenues are projected to remain stable during the projection period (growing by less than one percent annually). Federal and state funds are expected to remain flat with the exception of state road maintenance funds which are estimated to grow by \$650,000 annually.

Budget Projections FY 2014 - 2017

Summary of Significant Assumptions Underlying Projections

EXPENDITURES

1. Several City departments have included new positions in their three-year plans. While the City Manager has not indicated support for all department plans, we have included the following new position requests in the three-year projection:
 - Integrated Behavioral Healthcare (CSB) – four Clinicians, one part-time peer support specialist, and one Senior Nurse
 - Community Programs (Human Services) – one Community Program Specialist to serve as senior services coordinator
 - Parks, Recreation and Tourism – full year funding for one Park Ranger and Ranger Technicians at Elizabeth River Park (opens April 2015)
 - Police Department – one criminal intelligence analyst, four Police Officer specialists (2 for gang suppression unit), five Police Officers currently funded with a federal COPS grant (City is required to continue employment of the officers for at least one year after the grant ends in 2016)
 - Social Services – one Family Service Specialist I for quality control, one Benefit Programs Worker II for fraud investigations, and two Benefit Program Aide II for eligibility screening.
 - Technology – one Business Analyst to improve business processes
2. Health care inflation – we expect that health care costs will continue to exceed the general inflation rate and estimate rising employee health costs of six percent (6%) annually. Similarly, Chesapeake Integrated Behavioral Healthcare projects rising costs to treat eligible residents, and the Sheriff will incur additional health care costs for jail inmates.
3. The Fire Department will begin replacing uniforms in FY 2016 and expects to spend \$200,000 in each of the next three years to complete all replacements.
4. Parks, Recreation, and Tourism Department expects to purchase a bucket truck and boom during FY 2016 (\$180,000), and may also need additional funding to address the City-School facility use agreement and the Battlefield Visitor Center maintenance.
5. Police Department – will require additional funds to pay increased licensing costs for the new computer-assisted dispatch system (CAD). It will also require additional funding when the new Public Safety Operations Building comes into service (July 2016). These two issues increase costs by \$1.6 million starting in FY 2017. Additionally, the department will need to begin replacing cameras worn by police officers. The two-year replacement is planned during FY 2016 and 2017 and will cost approximately \$250,000. Finally, the department will begin replacing diving equipment for the Underwater Search and Rescue Team starting in FY 2017 (\$75,800).
6. Information Technology – the department is working on a project to migrate legacy business programs off of the mainframe. The \$5.5 million project is part of the capital improvement plan and is not part of the operating budget. Upon completion of the project, the department anticipates savings of approximately \$850,000 annually. The department proposes improving identity and access management in order to reduce external threats and estimates a need for \$315,000 between FY 2016 and FY 2017. This initiative may be transferred to the capital improvement plan, but is currently included in the operating projections.
7. Future debt payments include required interest and principal on existing debt, plus estimated payments on new debt required to support the Capital Improvement Plan.