

# Operating Budget

## Fiscal Year 2019-2020

City of Chesapeake  
Council Work Session – March 26, 2019

# Topics for Review

- City Council’s Guiding Principles
- Budget Process
- Major Cost Drivers
- Revenue Trends and Projections
- Reserve Requirements
- Budget recommendations
- Remaining Action

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## City Council's Guiding Principles

- No increase in the real estate tax rate
- No new fees
- 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

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## Budget Process

- Revenue projections completed by budget office
- 3 year budget plans prepared by departments
- Analytical inquiry and review by budget office
- Budget Review Committee
  - Includes City Manager, Deputy City Managers, Chief Information Officer, Purchasing Officer, and Directors of Budget, Finance, and Human Resources
  - Rotating Members for 2019: Police Chief and Director of Parks, Rec and Tourism**
- Reconcile budget plans with available resources
- City Manager Recommendation
- Council Appropriations

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## Service-Based Budget

- Continuation of effort started for FY 2019 – refinement and updating of performance measures for three years
- Link services to annual budget and performance measures
- Provides better understanding of how resources impact services
- Helps identify performance gaps
- Requires allocation of costs among the services each department performs

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## Major cost drivers

- Employee recruitment and retention in a full-employment environment
- Rising costs of employee health care
- Community mental health services
- Rising fuel costs
- Vehicle replacement backlog

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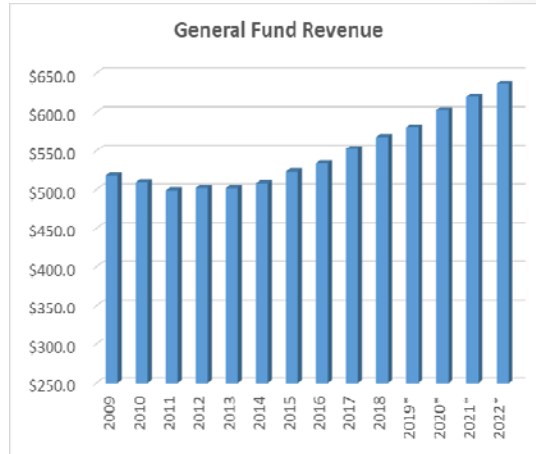
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## Revenue Trends *(in millions)*

Fiscal Year	General Fund		All Funds	
2009	\$ 518.8		\$ 940.1	
2010	\$ 509.0	-1.9%	\$ 925.3	-1.6%
2011	\$ 499.0	-2.0%	\$ 902.8	-2.4%
2012	\$ 502.2	0.6%	\$ 910.2	0.8%
2013	\$ 501.9	0.0%	\$ 896.0	-1.6%
2014	\$ 507.6	1.1%	\$ 913.5	2.0%
2015	\$ 523.9	3.2%	\$ 937.5	2.6%
2016	\$ 534.1	1.9%	\$ 956.7	2.0%
2017	\$ 552.4	3.4%	\$ 1,003.1	4.9%
2018	\$ 567.7	2.8%	\$ 1,045.6	4.2%
2019*	\$ 580.0	2.2%	\$ 1,073.7	2.7%
2020*	\$ 602.6	3.9%	\$ 1,119.6	4.3%
2021*	\$ 619.5	2.8%		
2022*	\$ 636.5	2.7%		

\* Projected Revenue



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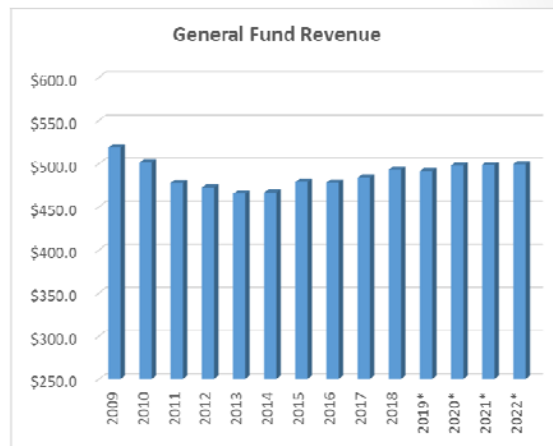
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## Inflation Adjusted Revenue *(in millions)*

Inflation Adjusted (2009 Dollars)				
Fiscal Year	General Fund		All Funds	
2009	\$ 518.8		\$ 940.1	
2010	\$ 501.5	-3.3%	\$ 911.6	-3.0%
2011	\$ 477.5	-4.8%	\$ 863.9	-5.2%
2012	\$ 472.3	-1.1%	\$ 856.1	-0.9%
2013	\$ 465.1	-1.5%	\$ 830.2	-3.0%
2014	\$ 466.8	0.4%	\$ 840.1	1.2%
2015	\$ 478.3	2.5%	\$ 855.9	1.9%
2016	\$ 477.7	-0.1%	\$ 855.7	0.0%
2017	\$ 483.9	1.3%	\$ 878.7	2.7%
2018	\$ 492.8	1.8%	\$ 898.8	2.3%
2019*	\$ 491.2	-0.3%	\$ 900.4	0.2%
2020*	\$ 497.5	1.3%	\$ 915.1	1.6%
2021*	\$ 498.5	0.2%		
2022*	\$ 499.1	0.1%		

\* Projected Revenue

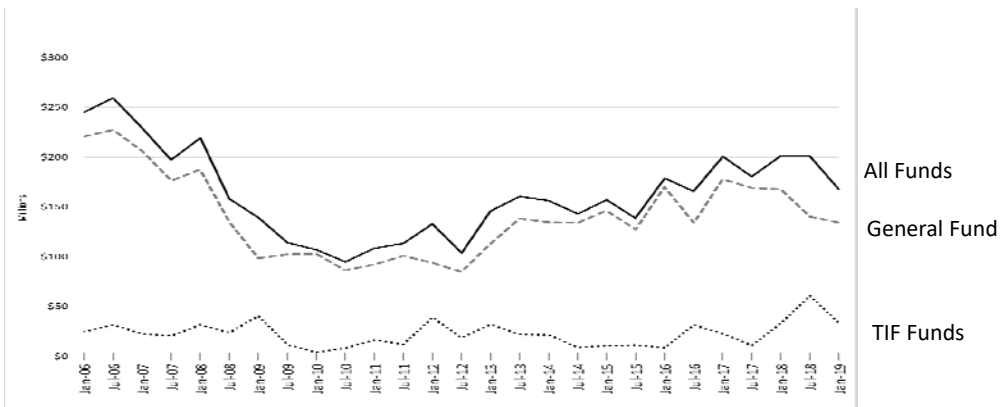


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## New Construction Activity (Assessor)



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## Current Real Estate Taxes

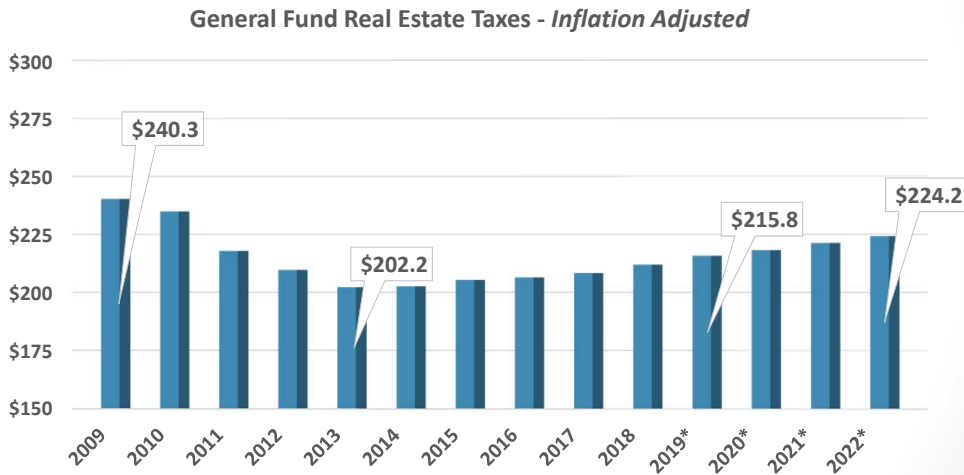


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## Current Real Estate Taxes



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## Improvements in Revenue

- Entity wide revenue increases by \$46.0 million (4.3%)
- General Fund revenue increases by \$22.6 million (3.9%)
- Property tax revenues increase by \$17.5 million (5.0%)
  - \* No change in tax rates
  - \* Real estate assessments up 3.14%
  - \* Net new construction adds 1.4%
  - \* Personal property taxes up 5.7%
- Other local tax revenues increase \$4.86 million (+3.4%)
  - ✓ Strength in sales, business licenses, admissions, and lodging
  - ✓ Modest growth in restaurant taxes (2.4%)
  - ✓ Slight decline in collections of tobacco and recordation taxes
  - ✓ No changes recommended in tax rates are recommended

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## Improvements in Revenue, continued

- Permits down (2.1%)
  - Relatively small source of revenue (\$2.7 million in FY 2019)
  - Collections are closely related to construction activity
- Charges for services up slightly (3.8%)
  - General Fund – increases \$155,000 (1.2%)
  - Integrated Behavioral Healthcare – increases \$1.3 million (13.5%)
  - Public Utilities – increases \$1.4 M (2.0%)
  - Chesapeake Transportation System – increases \$1.8 M (6.8%)
- Chesapeake Public Schools increases \$11.7 million (4.0%)
  - Primarily state revenue – primarily sales taxes and salary compensation

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## Revenue Summary– All Funds

Revenue (in millions)	FY 2017 Actual	FY 2018 Actual	FY 2019 Budget	FY 2020 Budget	Increase from FY 2019	
Local Revenue						
General Property Taxes	\$ 325.40	\$ 339.36	\$ 352.75	\$ 370.26	\$ 17.51	5.0%
Other Local Taxes	137.47	141.23	142.31	147.18	4.87	3.4%
Charges for Services	132.75	141.38	144.12	148.73	4.61	3.2%
Other Local Revenue	25.19	29.02	29.79	34.01	4.22	14.2%
Subtotal	\$ 620.81	\$ 650.99	\$ 668.97	\$ 700.18	\$ 31.21	4.7%
State Revenue	339.90	350.67	360.35	375.95	15.60	4.3%
Federal Revenue	42.34	44.11	44.34	44.85	0.51	1.2%
Total Revenue	\$ 1,003.05	\$ 1,045.77	\$ 1,073.66	\$ 1,120.98	\$ 47.32	4.4%

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# Reserve Requirements

- Charter and Policy Reserve – add \$3.2million
  - Add \$0.92 M of GF revenue to reserve required by Charter (6%)
  - Add \$1.84 M of GF revenue to unassigned fund balance by policy (12%)
  - Add \$430,000 of TIF revenue to reserves (18%)
- Locked Revenue for Capital – Schools – \$30.8 million
  - Includes \$1 million annual transfer from SN TIF
  - Debt service and cash funding of capital – \$28.63 million
  - June 2020 balance - \$26.6 million
- Locked Revenue for Capital – City – \$24.2 million
  - Debt service and cash funding of capital – \$22.2 million
  - June 2020 balance - \$15.6 million

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# BUDGET RECOMMENDATIONS FY 2019-2020

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## Expenditures and Transfers – All Funds

<b>Expenditures (in millions)</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Actual</b>	<b>FY 2019 Budget</b>	<b>FY 2020 Budget</b>	<b>Increase from FY 2019</b>	
Governance/Management	\$ 24.30	\$ 25.04	\$ 29.65	\$ 32.52	\$ 2.87	9.7%
Quality Community of Life	82.90	86.80	98.25	104.76	6.51	6.6%
Economic/Environmental						
Vitality	155.19	163.48	187.96	200.46	12.50	6.7%
Public Safety and Justice	146.18	150.43	170.09	178.68	8.59	5.1%
Education	469.74	474.08	505.23	532.60	27.37	5.4%
Debt Service Fund	34.66	42.00	42.77	42.61	(0.16)	-0.4%
Non-Departmental/ISF	19.80	19.79	25.57	16.04	(9.53)	-37.3%
<b>Total Expenditures</b>	<b>\$ 932.77</b>	<b>\$ 961.62</b>	<b>\$ 1,059.52</b>	<b>\$ 1,107.67</b>	<b>\$ 48.15</b>	<b>4.5%</b>
Capital/Grant Transfers	91.68	73.01	52.14	53.68	1.54	3.0%
<b>Expenditures + Transfers</b>	<b>\$ 1,024.45</b>	<b>\$ 1,034.63</b>	<b>\$ 1,111.66</b>	<b>\$ 1,161.35</b>	<b>\$ 49.69</b>	<b>4.5%</b>

*Anticipate savings from employee attrition of approximately \$9.2 million annually*

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## Address Service Demands and Capacity

- Homelessness – establish Day Center
- Fire Department Training – add positions and reduce backfill practice
- CIBH Administrative Gap and vacancies – new positions and lower vacancy provision
- Body Worn Cameras – added staffing for Commonwealth Attorney
- Technology Capacity – added staffing for Information Technology
- Recreation Center Hours – end closing one morning each week
- Municipal and right-of-way mowing – added staffing for Sheriff’s work crews
- Public Utilities Capacity – added staffing for FOG inspections, maintenance crews, and collections
- Aging fleet – increased annual replacement provision by \$500,000 (8.6%)

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## City Portion of Operating Budget

*Significant Changes in Budget from FY 2019* *Part 1*

<ul style="list-style-type: none"> <li>• Chesapeake Public Schools (operating transfers) <span style="float: right;">add \$8.8 million</span> <ul style="list-style-type: none"> <li>• Revenue sharing formula adds \$9.85;</li> <li>• Prior year included true-up (not included in FY 2020)</li> </ul> </li> <li>• Employee compensation <span style="float: right;">add \$8.9 million</span> <ul style="list-style-type: none"> <li>• Across board general wage increase – 3.25% <span style="float: right;">\$7.9 million</span></li> <li>• Recognition of superior performance <span style="float: right;">\$0.7 million</span></li> <li>• Estimates include adjusting all pay scales by 2.0%</li> </ul> </li> <li>• New positions added (30.75 FTE net) <span style="float: right;">add \$1.5 million</span></li> <li>• Employee health care <span style="float: right;">add \$1.7 million</span></li> </ul>	<p style="font-size: small; margin-top: 0;">03/26/2019</p> <p style="font-size: small; margin-top: 0;">City of Chesapeake</p> <p style="font-size: small; margin-top: 0;">19</p>
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## City Portion of Operating Budget

*Changes in Budget from FY 2018* *Part 2*

<ul style="list-style-type: none"> <li>• Human Services – Interagency contract payments <span style="float: right;">add \$1.3 million</span></li> <li>• Central Fleet – vehicle maintenance, replacements and fuel <span style="float: right;">add \$1.4 million</span></li> <li>• Sheriff – regional jail and medical contract <span style="float: right;">add \$1.1 million</span></li> <li>• Public Utilities – infrastructure maintenance, equipment <span style="float: right;">add \$2.1 million</span></li> <li>• Chesapeake Transportation System (Dominion debt) <span style="float: right;">add \$7.8 million</span></li> <li>• Chesapeake Land Bank Authority – remove 1-time items <span style="float: right;">down \$2.5 million</span></li> </ul>	<p style="font-size: small; margin-top: 0;">03/26/2019</p> <p style="font-size: small; margin-top: 0;">City of Chesapeake</p> <p style="font-size: small; margin-top: 0;">20</p>
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## Move Costs from Non-Departmental

Approximately \$8.3 million was shifted from non-departmental section to departments who have oversight or whose mission most closely fits the budget provision. The budget shift includes:

- HS Community Programs           Community Service Grants/Comp Plan (\$399,000)
- Fire Department                    Rental and maintenance of fire hydrants (\$1.2 million)  
HRPDC – Medical Response support (\$48,540)
- City Manager                        Process Improvement Initiative (\$500,000)  
Regional organization (including HRPDC, \$414,745)
- Public Works                        Hampton Roads Transit subsidies (\$2.8 million)
- Economic Development           EDA payments and Regional Alliance (\$1.9 million)
- City Attorney                        Outside counsel (environmental issues, \$159,250)
- Public Safety                        Line of Duty Payments (\$900,000)

## New Positions Recommended

- Citywide
  - Requests of 72.4 positions costing \$4.20 million
  - Recommend 30.75 positions costing \$1.47 million
- Sheriff
  - Internal Services (mowing for PW and Parks) – 3 FTE
  - Facility maintenance technician – 1 FTE
- Public Works
  - Motor Equipment Operator Apprenticeship – 1 trainer
  - Trades Helper for Facilities Division – 1 FTE
  - Project Manager with funding from Capital Projects – 1 FTE
  - Convert part-time Stormwater clerk to full-time status

## New Positions, continued

- Chesapeake Integrated Behavioral Healthcare
  - Office specialists (scheduling) and reimbursement specialists – 2.38 FTE
- Public Utilities
  - 7.0 positions recommended with \$72,000 overtime offset (\$328,900 net addition)
  - Motor equipment operator, trades helper, crew supervisor, wastewater inspectors for FOG program (2), utility electronics tech, and collection agent
- Fire Department
  - Fire Lieutenants for Fire Academy – add three positions with offset to overtime provision (ends practice of temporary assignment of personnel from field). Department is seeking grant to cover a portion of new costs.
  - Convert PT office coordinator to FT storekeeper

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## New Positions, continued

- Other positions:
  - Central Fleet – replace contract services with full-time welder
  - City Attorney – add legal secretary (several attorneys were added w/o support)
  - City Manager – convert PT office specialist to full-time status
  - Commonwealth’s Attorney – add attorney and legal secretary
  - Human Services: Community Programs – add homelessness case manager
  - Human Services: Interagency – add utilization program specialist
  - Parks, Rec and Tourism – add HR technician and increase hours at community centers to eliminate practice of closing 1 morning each week (3 FTE)
  - Police – add two part-time positions: police information associate at Greenbrier precinct and veterinarian with partial offset to purchased services.

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## Employee Benefits

- Employee healthcare increases \$1.6 million
  - Improvement compared to \$5.4 million increase last year
  - Approximately \$330,000 attributed to new positions
  - Remainder attributable to participant utilization and health care inflation
  - Budget based on December 2018 employee selections with 9.0% increase
  - Project 9.0% increase starting December 2019
  - 9.0% of Employer’s annual subsidy = \$2.8 million
- Other benefits – increased costs consistent with pay raises and added positions
  - Social Security and Medicare – no change in rates (7.65%)
  - Virginia Retirement System – no change in rates (currently 14.24%)
  - Worker compensation – modest increase based on claims (\$0.5 million)
  - Other Post-Employment Benefits (OPEB) – funding tied to healthcare costs

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## Public Utilities

- Revenue History and Projections:

Fiscal Year	2016	2017	2018	2019	2020
Revenue in Millions	\$ 73.05	\$ 76.50	\$ 78.92	\$ 75.75	\$ 78.26
Change from prior year	4.1%	4.7%	3.2%	-4.0%	3.3%

- Significant increases (decreases) in spending:
  - Wages and Benefits \$ 0.84 million
    - Pay and benefit changes - \$462,400
    - 7.0 new positions - \$329,000
  - Repairs and maintenance (infrastructure) \$ 0.77 million
  - Supplies and materials \$ 0.34 million
  - Capital outlays \$ 1.27 million
- Reduced transfers to Capital Projects Fund \$ 7.0 million

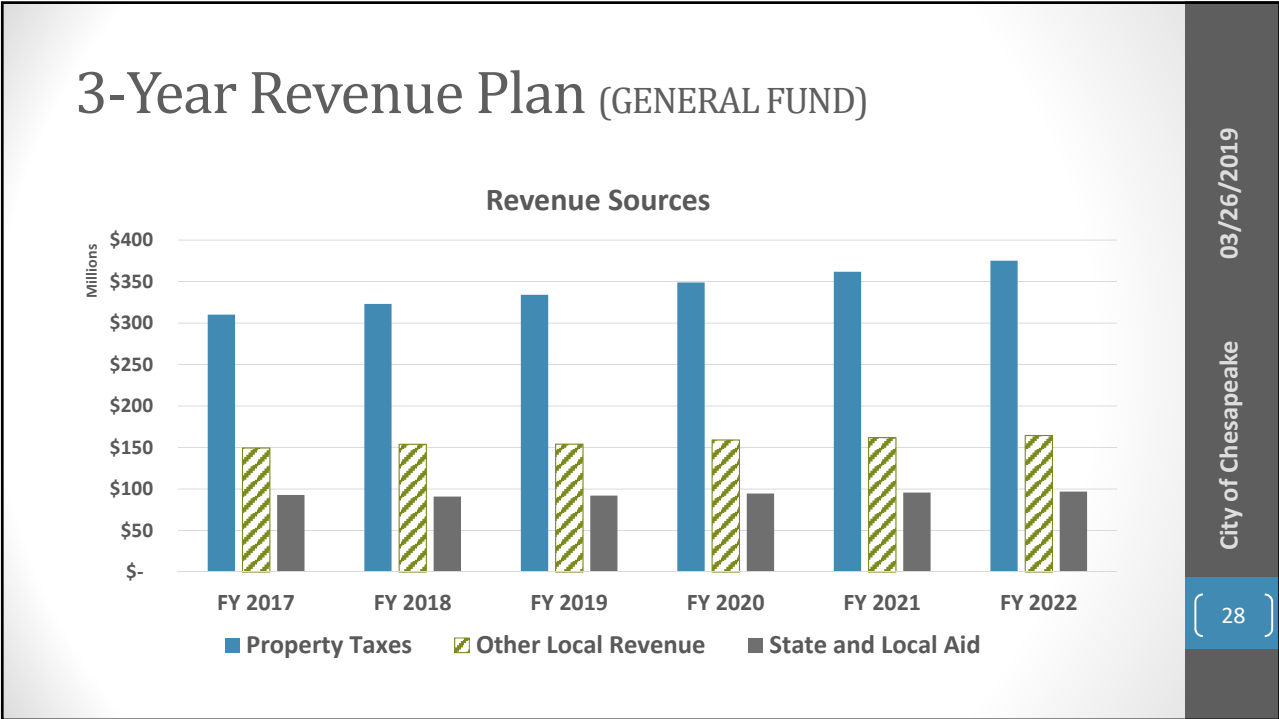
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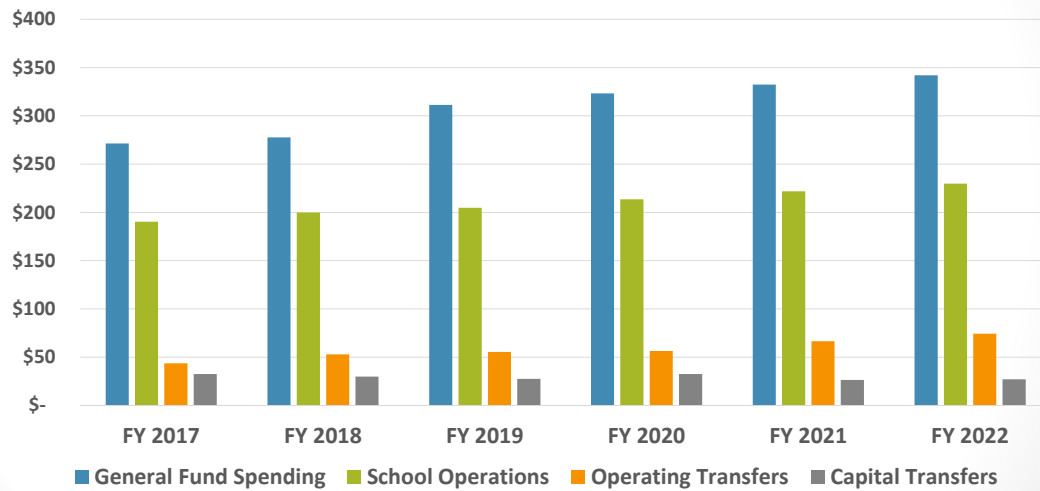
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3-YEAR PROJECTION

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### 3-Year Spending Plan (GENERAL FUND)



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### Recap of 3-Year Plan – General Fund

<i>Amounts in thousands</i>	Actual Results		Budget		Projections	
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Beginning Fund Balance	\$ 184,447	\$ 203,094	\$ 217,518	\$ 211,444	\$ 202,754	\$ 190,176
Revenue	552,414	567,672	580,014	602,617	619,508	636,495
Transfers in	3,997	6,971	3,963	5,156	5,491	5,029
<b>Total Funds Available</b>	<b>\$ 740,858</b>	<b>\$ 777,738</b>	<b>\$ 801,495</b>	<b>\$ 819,217</b>	<b>\$ 827,752</b>	<b>\$ 831,700</b>
City Expenditures	\$ 271,435	\$ 277,669	\$ 302,257	\$ 313,975	\$ 322,905	\$ 332,281
School transfers	190,266	199,717	204,814	213,593	221,896	229,851
Operating Transfers	43,568	52,987	55,406	56,412	66,440	74,252
<b>Subtotal - Operations</b>	<b>\$ 505,269</b>	<b>\$ 530,373</b>	<b>\$ 562,477</b>	<b>\$ 583,980</b>	<b>\$ 611,240</b>	<b>\$ 636,384</b>
<b>Percent of Revenue</b>	<b>91%</b>	<b>93%</b>	<b>97%</b>	<b>97%</b>	<b>99%</b>	<b>100%</b>
Capital transfers	32,495	29,848	27,573	32,484	26,336	27,004
<b>Total funds used</b>	<b>\$ 537,764</b>	<b>\$ 560,220</b>	<b>\$ 590,051</b>	<b>\$ 616,464</b>	<b>\$ 637,576</b>	<b>\$ 663,388</b>
<b>Ending Fund Balance</b>	<b>\$ 203,094</b>	<b>\$ 217,518</b>	<b>\$ 211,444</b>	<b>\$ 202,754</b>	<b>\$ 190,176</b>	<b>\$ 168,312</b>
<b>Percent of Revenue</b>	<b>37%</b>	<b>38%</b>	<b>36%</b>	<b>34%</b>	<b>31%</b>	<b>26%</b>

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## Uses of Fund Balances – *For Operations*

<u>Purpose</u>	<u>Source</u>	<u>Amount</u>
• Pre-lockbox debt payments	Debt Fund	\$ 3.62 million
• Human Services	Social Svc Funds	\$ 2.69 million
• Human Services	Juvenile Services	\$ 0.26 million
• CIBH – City share	CIBH Fund	\$ 1.47 million
• CPS – Operations	School Funds	\$ 8.17 million
<b>• FY 2019 Uses of Fund Balances for Operating Costs</b>		<b>\$ 14.95 Million</b>

*FY 2019 Uses of Fund Balances for Operating Costs*      \$14.91 Million

*FY 2018 Overall results were positive, but included \$2.8 million of deficits in 3 city funds and a \$6.4 million deficit in school funds.*

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## Chesapeake Public Schools

### School Budget - Funding Sources

<u>Amounts in thousands</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Change</u>
City-School revenue sharing formula	\$203,491	\$213,593	\$10,102
State funding	243,404	254,593	11,189
Reliance on fund balances:			
From City General Fund	1,322	35	(1,287)
From School Funds	6,291	8,175	1,884
Federal and state grants	34,338	34,867	529
Other Sources	16,383	21,335	4,952
<b>Totals</b>	<b>\$505,229</b>	<b>\$532,598</b>	<b>\$27,369</b>

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## Recap of What's in the Budget

- Continued growth in City revenue with no increase in tax property tax rates
- Address immediate school funding issues
- Strengthen city's financial reserves
- Provide 3.25% pay raise to all city employees
- Secure employee healthcare

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## Remaining Action

- Council work sessions – April 9, 16 and 23
  - As requested by Council
- Public hearings – April 23 and May 14
  - Charter requires public hearing at least one public hearing
- Adoption of budget and appropriations ordinances – May 14
  - City Charter requires adoption 45 days before year begins
- Amendments and corrections – June 11 or 25
- First day of new fiscal year – July 1

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