

Expenditure Forecast

27

GENERAL FUND

This forecast is focused on the City's General Fund. It excludes revenue and expenditure projections for Special Revenue or Enterprise Funds.

General Fund – Summary of Operations

28

RECAP (millions)	Year Ended June 30,					
	2012	2013	2014	2015	2016	2017
Resources Available	\$ 530.2	\$ 515.3	\$ 523.1	\$ 537.8	\$ 563.1	\$ 582.0
Expenditures:						
Wages and salaries	\$ 109.1	\$ 109.1	\$ 109.1	\$ 109.1	\$ 109.1	\$ 109.1
Employee benefits	54.3	64.1	67.3	73.4	76.3	78.9
Debt service	52.0	58.2	57.9	52.3	38.7	35.2
School operating transfers	169.6	168.3	170.7	175.6	185.3	194.0
Capital projects and lockboxes	30.7	23.6	24.7	28.0	29.4	30.9
Other city expenditures	111.7	106.3	106.6	109.5	111.2	111.5
Total Expenditures	\$ 527.4	\$ 529.6	\$ 536.4	\$ 547.9	\$ 550.0	\$ 559.6
Surplus (Deficit)	\$ 2.7	\$ (14.3)	\$ (13.3)	\$ (10.1)	\$ 13.1	\$ 22.4

Forecast does not include provisions for pay adjustments.

Capital projects and lockboxes:

2012 – includes \$8.4 million cash funding of school projects from lockbox for next three years (2012-2014)

2013-2014 – no cash transfers from school lockbox

2015-2017 – anticipate approx. \$2.0 million per year of cash funding for school capital projects

Budget Drivers – Expenditures

29

- Virginia Retirement System
- Employee and retiree health care
- Constitutional tax relief for disabled veterans
- Capital and infrastructure demands
- Debt service
- Line of Duty Payments
- Wage pressures
- Energy costs

Virginia Retirement System

30

- Recognition of market gains and losses
- Decline in expected rate of return
- Current and projected retirement rates (plan 1 employees):
 - FY 2010-12 17.27% of base pay
 - FY 2012-14 23.13%
 - FY 2014-16 25.99%
- Proposed rate for FY 2012-14 is 34% above current rates
- Impact on General Fund – \$7.6 million annually (starting in 2013)

Impact on General Fund includes wages of personnel funded by General Fund and increased transferred required of Special Revenue Funds (Human Services, Parks, etc.).

Expected rate of return declined from 7.5% to 7.0%

Virginia Retirement System, CONTINUED

31

- **Plan 1 v. Plan 2**
 - Hired before July 2010 – employer pays all costs
 - Hired after June 2010 – employee pays 5% of earnings
- **Regular Employees v. Hazardous Duty Employees**
 - Regular Employees
 - ✦ Estimated cost is 17.90% of salaries
 - ✦ Current cost is 12.47% of salaries
 - Public Safety Employees (LEOS)
 - ✦ Estimated cost is 30.97% of salaries
 - ✦ Current cost is 24.59% of salaries

Chesapeake adopted 1.85 multiplier for public safety employees on 07/01/2007

Multiplier for regular employees is 1.70

Total Cost of Typical Position

32

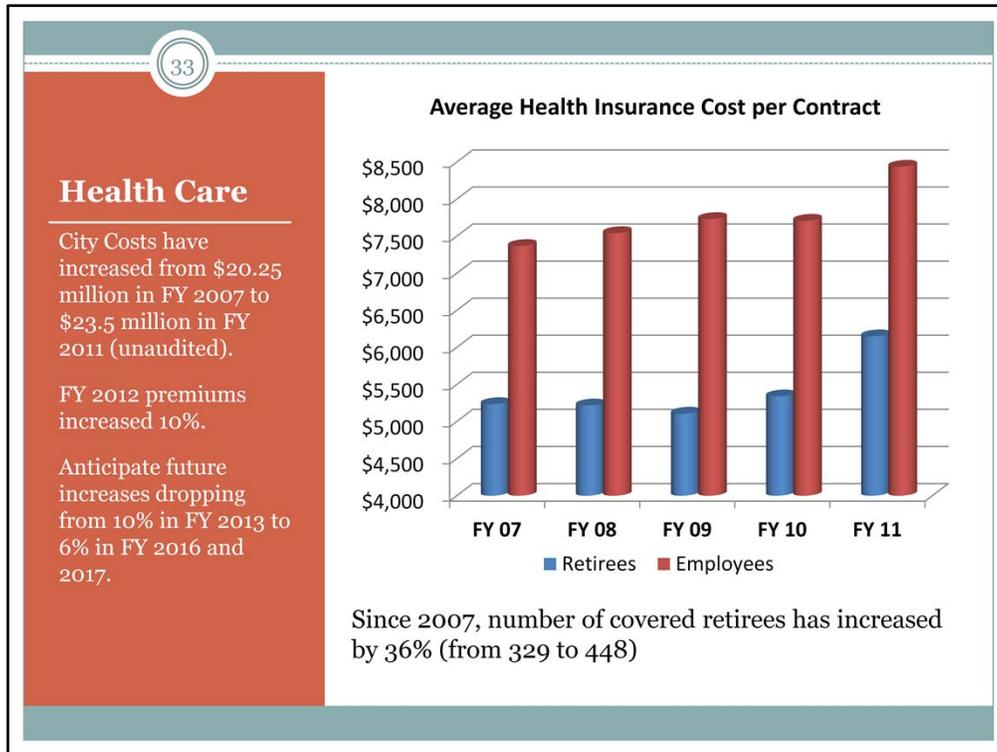
TYPICAL EMPLOYEE	PUBLIC SAFETY		REGULAR EMPLOYEE	
	Plan 1	Plan 2	Plan 1	Plan 2
Wages	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Social Security taxes	3,348	3,348	3,348	3,348
Medicare taxes	1,242	1,242	1,242	1,242
Retirement benefits	14,754	11,754	7,482	4,482
Group Life Insurance	168	168	168	168
Health Insurance	7,500	7,500	7,500	7,500
Line of Duty	234	234	-	-
Worker Compensation	2,200	2,200	2,200	2,200
Total pay and benefits	\$ 89,446	\$ 86,446	\$ 81,940	\$ 78,940
Benefit Ratio	49%	44%	37%	32%

Omitted: OPEB costs, value of leave, and unemployment compensation

Line of duty scheduled to rise from \$234 per person to \$642 per person in FY 2015

FY 2012 - VRS: LEOS Rate = 24.59%
 General Rate = 12.47%

P:\Documents\FY 2013 Budget\Forecast-5 Year\5-Year Expenditure Forecast.2013-17



Costs Per Contract

- Retiree costs up 17% over period
- Employee costs up 15% over period

Number of retirees up 36% (+119)

Number of employee contracts declined 2% (down 57)

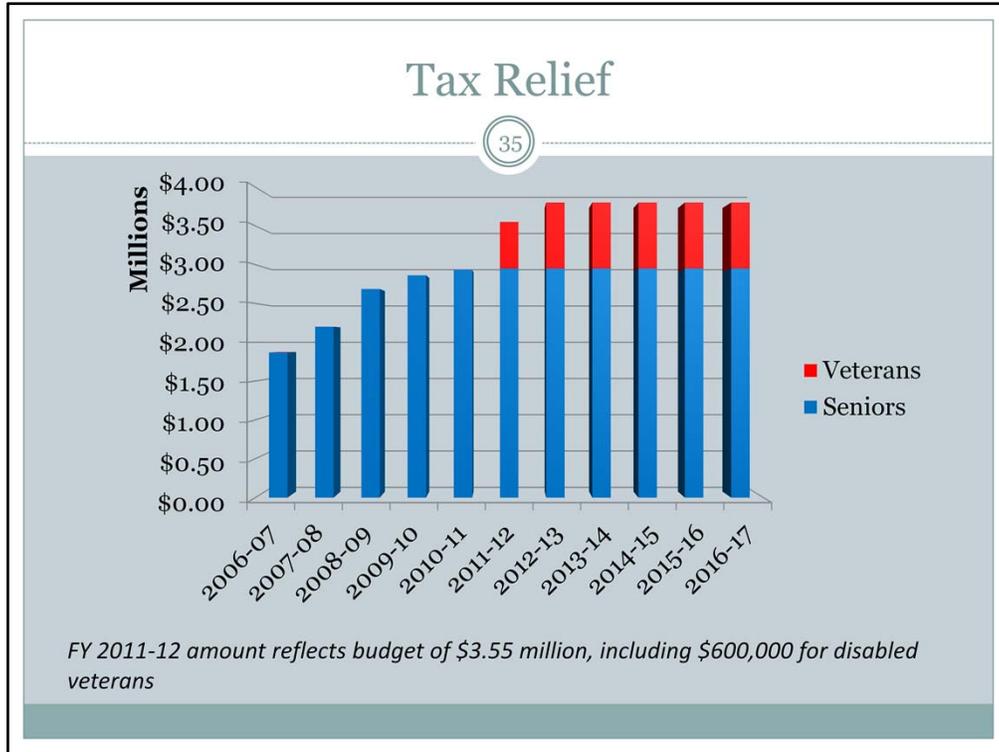
Funding of retirees has climbed 59% (combined growth in health costs and growing number of retirees) over last 4 years

Funding of employees has climbed 12.7% by comparison

Tax Relief

34

- **Provided to eligible senior citizens for several years**
 - Relief is based on income criteria
 - Administered by Commissioner of Revenue
 - Since FY 2006-07, relief has grown from \$1.87 million to \$2.95 million
- **Amendment to Virginia Constitution**
 - Applies to eligible veterans
 - Must be 100% disabled from service-related injury
 - Also applies to those who are not employable
 - FY 2011-12 Budget is \$600,000
 - Upper range of relief is \$1.3 million



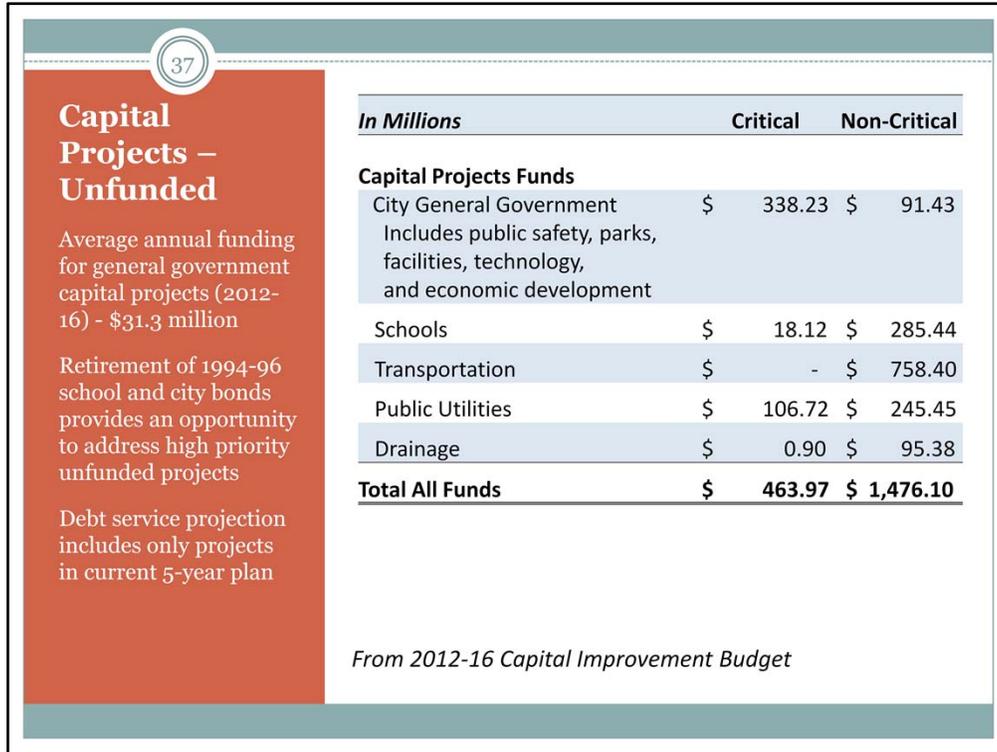
FY 2011-12 amount reflects budget of \$3.55 million, including \$600,000 for disabled veterans

FY 2013 forward – add \$250,000 for veteran benefits

Capital and Infrastructure Demands

36

- Aging City infrastructure and facilities
- Renovation and renewal v. expansions
- Significant number of unfunded projects are identified
- School capital requirements



Capital back log (unfunded lists) – approximately \$2 billion
 Annual funding = \$31 million (1.55% of backlog)

Examples of unfunded projects – Critical (\$463.9 million)

- Community Facilities and Drainage - \$9.18 million
 - Public Health Center Renovation and Expansion
 - Human Services Center alterations
 - Drainage projects
- Parks - \$4.8 million
 - Park lighting and renovations
 - Park land acquisitions
- Public Safety - \$225.5 million
 - Jail
 - Public Safety Training Facility
 - 3 new fire stations and relocation of one station
 - Replace Deep Creek Police precinct
- Public Utilities - \$106.7 million
 - Sewer renewal (phase IV) and HRSD - \$65 million
 - Lake Gaston Plant upgrades - \$6.3 million
 - Great Bridge transmission main - \$5.8 million
 - Water renewals phase III - \$12 million

- Schools - \$18.1 million
 - Technology Upgrades at 4 high schools
 - Design modernization – Crestwood Middle

Examples of unfunded projects – Non-Critical - \$1.48 BILLION

- Community facilities - \$65.2 million including new arts and performance center/hall, Crestwood library, WCTV studios, and parking ramp
- Community drainage - \$95.4 million for numerous outfalls, BMPs, ditches, and culverts
- Technology/Public Safety – microwave radio system upgrade - \$10.1 million
- Parks and Recreation \$15.7 million including day care center and natatorium in Campostella and Centerville Turnpike Park upgrades
- Transportation - \$750 million to improve vehicular transportation throughout City
- Public Utilities - \$245 million to include:
 - \$48 million for upgrade of Lake Gaston treatment plant
 - \$69 million for 36” finished water transmission pipe
 - \$93 million for unserved areas (water and sewer)
 - \$35 million for sundry improvements/expansions/renewals
- Schools - \$285 million to include:
 - \$75 million for HVAC and Roof replacements/renewals
 - \$43 million for modernization of Crestwood Middle and Intermediate
 - \$54 million for 2 new elementary schools (design/build)
 - \$20 million for modernization of Great Bridge Primary
 - \$41 million for modernization of Indian River Middle
 - \$20 million for modernization and expansion of Chittum Elementary
 - \$23 million for design of one new high school, one new middle school, Deep Creek HS, Caver Intermediate, and Western Branch MS (the construction of these projects does not appear on the unfunded list, but they are not funded)
 - \$7 million for parking/storage facility for school buses and warehouse for food service program

Line of Duty

38

- Benefit originally provided to volunteers by Commonwealth
- Later expanded to include paid responders
 - Approx. 1,175 covered positions in Chesapeake
- State transferred funding responsibility localities
- Rates and annual cost

	2012	2013	2014	2015	2016	2017
Per Person	\$ 233.89	\$ 365.70	\$ 503.33	\$ 642.47	\$ 770.96	\$ 886.61
Annual Cost	\$ 275,000	\$ 430,000	\$ 591,800	\$ 755,400	\$ 906,500	\$ 1,042,500

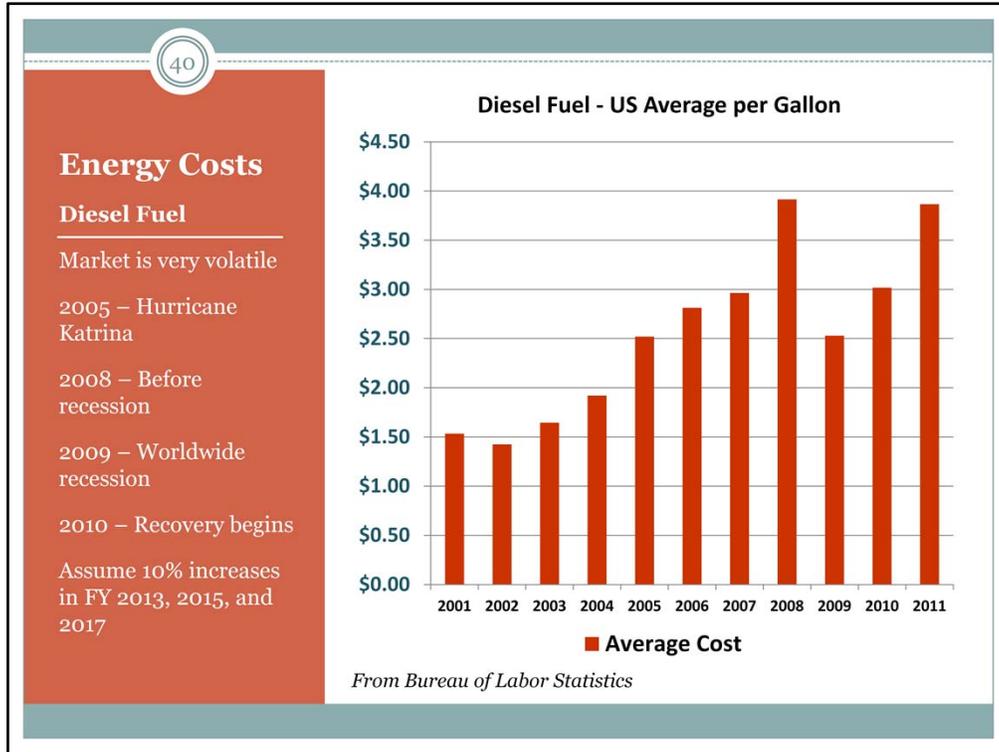
2012-15 rates were provided by VRS, 2016 and 2017 rates reflect a continuation of 2012-15 trend.

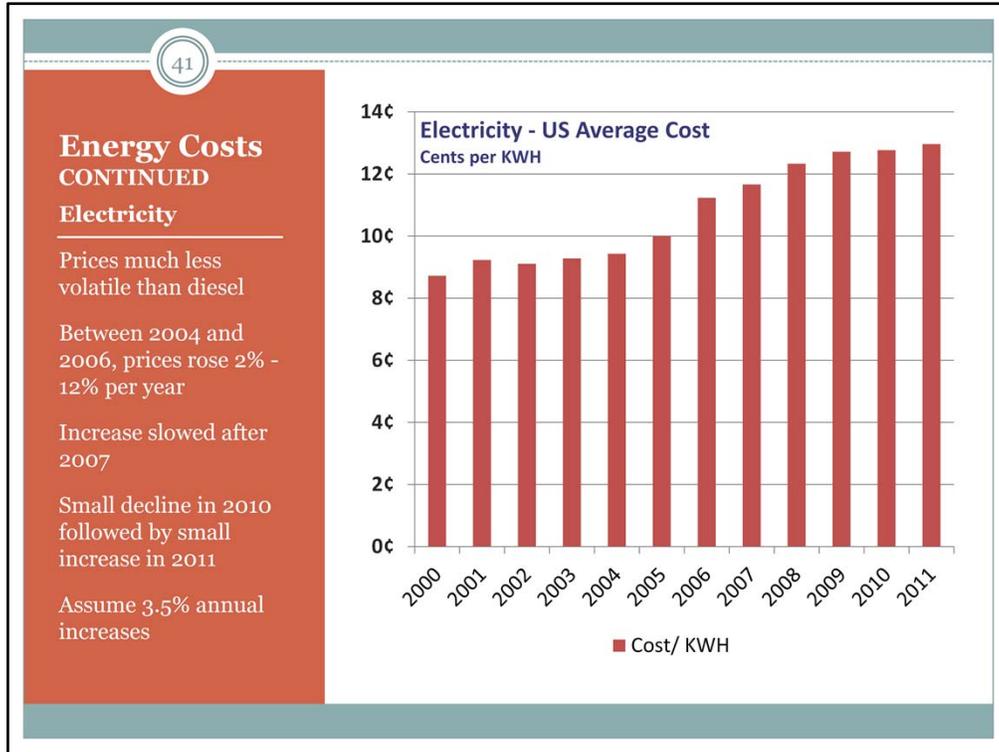
Line of Duty Act is a State statute that provides benefits to survivors of uniformed public safety personnel injured or killed in the line of duty. Disability health benefits are provided to injured personnel. Cash benefits are paid to survivors. Until FY 2012, this program was funded by the Commonwealth. Starting in 2012, localities are responsible for state benefits accruing to local personnel. We estimate 1,175 individuals in the Police, Fire, and Sheriff Departments are covered by the Act.

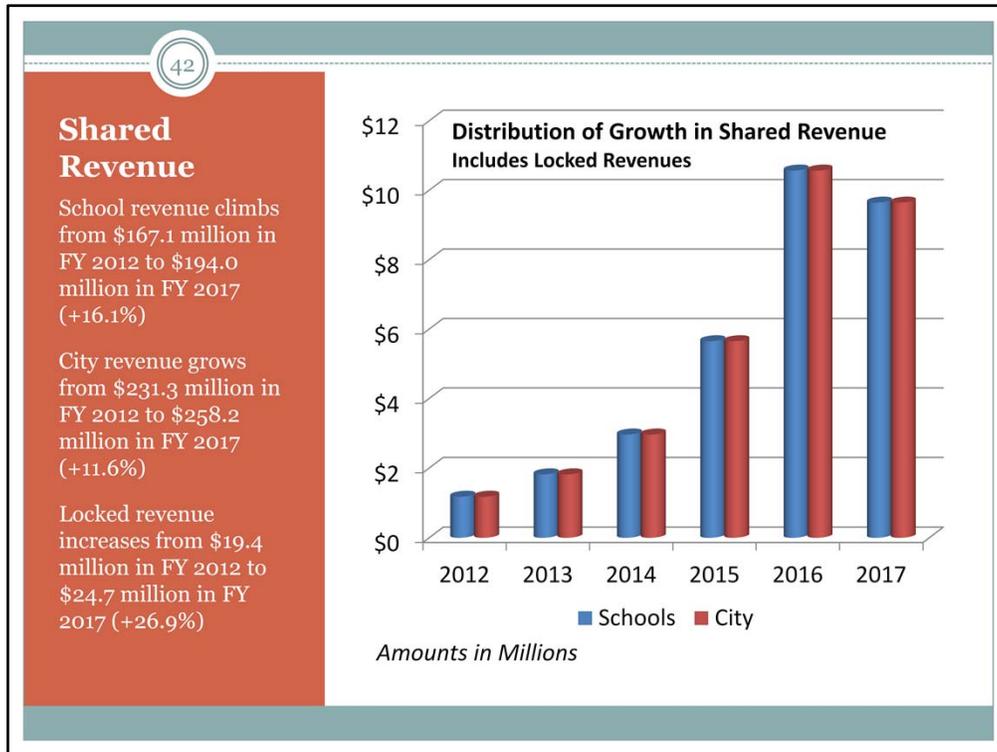
Wage Pressures

39

- Employee expectations
- Revenue projections cannot support pay raises through at least June 2015
- Focus on the urgent – specific areas where recruitment and retention efforts indicates we are not competitive with market
- Updated pay and classification study is needed
- Forecast assumes no changes in employee wage rates
- Cost of 1% across-board pay raise – \$1.82 million including related benefits







Growth in revenue includes increases in locked revenue

Funding of both schools and City is expected to increase \$27 million over period