

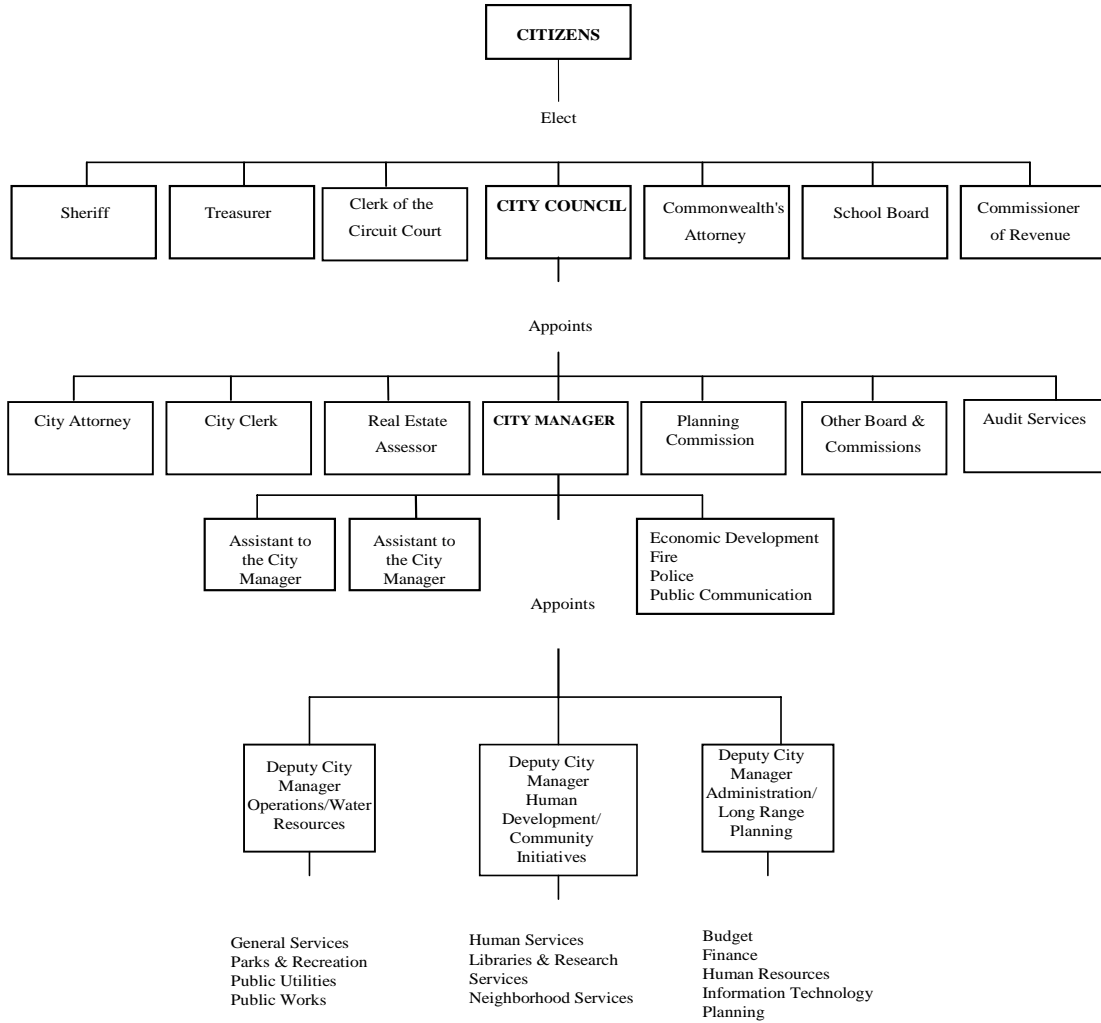
CITY OF CHESAPEAKE ORGANIZATION

The City of Chesapeake derives its governing authority from a Charter granted by the Assembly of the Commonwealth of Virginia. The City is organized under a Council-Manager form of government in which the citizens elect the Council and the Council appoints the City Manager. Council also appoints the City Attorney, City Clerk, Real Estate Assessor, Planning Commission Members, and members of other boards and commissions. The Sheriff, Treasurer, Clerk of the Circuit Court, Commonwealth's Attorney, School Board, and Commissioner of Revenue are elected by the citizens. The City department heads are appointed by the City Manager.

The City provides a full range of general governmental services for its citizens. These services include police and fire protection, collection and disposal of refuse, water and sewer services, parks and recreation, libraries, and construction and maintenance of highways, streets, and infrastructure. Other services provided include public education in grades kindergarten through twelfth, public health and social services, planning and zoning, mental health assistance, agricultural services, judicial activities, and general administrative services.

The City wide organizational chart on the following page lists each City department or agency and its relationship to the City Council, City Manager, and the Citizens.

CITY WIDE ORGANIZATIONAL CHART



HOW TO READ THE OPERATING BUDGET DOCUMENT

The Proposed Operating Budget Document is comprised of three sections. The first section is the **Manager's Message**. It highlights the significant changes from the current year, the City's priorities and issues for funding in the upcoming fiscal year, the short-term financial goals and operational policies guiding the development of the budget, and the assumptions used in developing revenue estimates for the upcoming year.

The second section, the **Overview**, describes the City's organization, the Operating Budget document, and the process for developing the Operating and Capital budgets. It also documents the City's short and long term financial and budget policies, summarizes the City's debt management policies, highlights the City's strategic goals and objectives, and explains the City's financial structure.

The third section, the **Summaries**, includes charts and tables, which provide an overview of all of the revenues and appropriations included in the Operating Budget. It also includes a summary of each operational area as follow; General Government, Administration and Leisure Services, Community Initiative/Human Development, Judicial and Sheriff, Operations, and Education. These provide highlights of changes in each area. Full detail for each program will be provided in the approved budget after City Council action.

The **Capital Budget Summary** provides an overview of the City's Capital Improvement Budget (CIB). This overview includes the City's debt management policy, a statement of the City's indebtedness, the amount of debt service appropriated in the Operating Budget, and an estimate of the Operating Budget impact of the projects upon completion. However, the CIB is a separate document. Greater detail about the CIB and specific projects is included in a separate capital budget document.

In the current document, FY 2007-08 and FY 2008-09 estimates are included for both revenue and expenditure detail. The FY 2007-08 and FY 2008-09 data are highlighted to assist the reader.

OPERATING BUDGET PROCESS

Operating Budget Development:

The City Charter requires the City Manager to submit a balanced operating budget to City Council by April 1st for the next ensuing fiscal year. The fiscal year begins on July 1st and ends June 30th of the following year. The proposed budget which may be modified by the City Council, is required to be adopted by a majority vote of the City Council 47 days prior to the end of the current fiscal year. Otherwise, the budget as submitted by the City Manager, becomes the budget for the ensuing fiscal year.

Operating and Capital Budget Calendar:

The following table illustrates the schedule used to develop the FY 2007-08 Operating and Capital Budgets.

<u>Date</u>	<u>Activity</u>	<u>Responsible Party</u>
September 27	Five Year Forecast to Council	City Manager & Budget Director
October 1	Operating Budget framework completed	Budget Office
October 23	Capital Improvement Budget Guidelines to Departments	Budget Office
October 23	Operating Budget Manual and targets to departments	Budget Office
November 22	Capital Improvement Budget requests back from departments	Departments & Budget Office
December 1 to December 8	Dept submission of Operating Budget request & revenue estimates	Departments & Budget Office
December 4 to February 9	Audit, summarize, and review Operating Budget requests and revenue estimates	City Manager & Budget Office
December 15 to January 31	Departmental hearings	Budget Office, Departments & City Manager
January 8 to February 16	Hearing review, analysis, decisions	City Manager & Budget Office

February 19 to March 9	Preparation of the Budget Document	Budget Office
March 9	Manager's budget message to Budget Office	City Manager
March 5 to March 9	Final review and edit of Operating and Capital Budgets	Budget Office
March 12	Operating and Capital Improvement Budgets to Printer	Budget Office
March 27	Operating and Capital Budgets presented to Council (April 1 is 90 th Day Prior to July 1)	City Manager & Budget Director
April 1	Advertise Operating and Capital Budgets	City Clerk and City Attorney
April 10 to May 8	Council Work Sessions	City Manager & City Council
April 10	Public Hearing of Real Estate Assessments	City Real Estate Assessor
April 24 & May 3	Public Hearings on Operating and Capital Budgets	City Clerk and City Council
May 8	City Council adopts Operating and Capital Improvement Budgets (May 15 is 47 th Day Prior to July 1)	City Council

Operating Budget Development Process:

- **Five - Year Forecast** - In the fall of each year, the Budget Office prepares a Five -Year Forecast of revenues and expenditures. The expenditure projection identifies the future costs of debt service and the operating cost of completed capital projects. The Five - Year Forecast also identifies the cost of absorbing of grant funded programs, increased costs for employee compensation, as well as other known upcoming cost increases. The first year of the forecast is used in creating framework and target funding levels for departments in preparing the Operating Budget.
- **Department Operating Budget Submissions** - The Department and Agency Heads submit Operating Budget requests in the format prescribed by the Budget Office and the City Manager. Departments are asked to submit a base level of funding at a targeted dollar to the Budget Office. The Budget Office reviews, summarizes, and makes recommendations pertaining to the requests for the City Manager. The City Manager conducts hearings with departments as needed to discuss the department's requests for funding.

- **School Board** - The proposed budget of the School Board is submitted to the City Manager for the presentation to the City Council. The City Manager may also make recommendations in his proposed budget regarding the total appropriation for the School System. City Council makes an annual appropriation to the School Board but is prohibited from exercising any control regarding the specific expenditure of School Board operating funds.
- **Proposed Budget Presented to Council** - The City Manager prepares a proposed Operating Budget for submission to the City Council. The proposed Operating Budget includes tax rates sufficient to produce revenues needed to meet City and School expenditures contemplated in the combined initial budget. After City Council work sessions and public hearings, the proposed budget may be revised or amended by Council and an appropriations ordinance is adopted. Tax rates are established prior to the beginning of the fiscal year for which the budget is prepared.

Operating Budget Execution:

On July 1 of each year, the adopted budget is implemented. Concurrently, the Budget Office reviews the amount of revenues collected in the fiscal year ending in June. The actual level of revenues realized are compared to the projections and assumptions used in preparing the Operating Budget for the budget year beginning in July. The Budget Office and the City Manager work together to identify potential concerns and advise Council. If necessary, the City Manager will recommend adjustments to the Operating and Capital Budgets to address problems that are identified. The Budget Office conducts a monthly revenue analysis to ensure that revenues continue to be in accordance with the estimated revenues used to support the Operating and Capital Budgets.

Operating Budget Amendments:

After Council adopts the original appropriation ordinance, the Operating Budget may be amended in two ways. First, Council may adopt an ordinance to increase or decrease the total level of estimated revenue and appropriations. As stated in the City Charter, if during the year the manager certifies that there are funds available in excess of those estimated in the budget, the Council by ordinance may make supplemental appropriations for the year up to the amount of such excess. Second, the City Manager may transfer appropriations between departments (functions) and funds throughout the year without additional approval from City Council.

Operating Budget Controls:

The Operating Budget Ordinance sets the legal level of appropriation controls at the fund level. The City Manager implements the following additional budgetary controls to ensure that expenditures are within appropriation approved by Council and the level of realized revenues.

- The City Manager requires that each department's expenditure remain within the appropriations for that department by fund unless another specific level of control has been specified for a department.

- The City Manager approves all transfers between funds and between functions.
- The City Manager approves all transfers from Personnel related and other controlled accounts.
- The City maintains an encumbrance account system. The estimated purchase amount is encumbered prior to the release of purchase orders to vendors. Purchase orders, which result in an overrun of balances, are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance on June 30, 200x.

Capital Budget Process:

- **Capital Improvement Budget** - The Capital Improvement Budget (CIB) is prepared concurrently with the Operating Budget and spans the same fiscal cycle - July 1st through June 30th. As with the Operating Budget, the process for the CIB preparation begins with the City's Five -Year Forecast in the fall of each year. Through the Five - Year Forecast, the City estimates the resources available and the anticipated expenditures for the Operating Budget and the funding available for additional debt service to support new Capital Improvement Budget requirements. The Operating Budget document includes a Capital Budget Summary, which highlights specific debt management policies, the level of debt service, and the specific capital projects. However, the Capital Improvement Budget is prepared as a separate budget document, which provides greater detail on the CIB development and process.
- **Relationship to the Operating Budget** - Developing and adopting the Operating and CIB during the same time frame, promotes sound fiscal policy and cohesiveness by allowing Council and management to review both requests simultaneously. Further, the Operating and the Capital Improvement Budget development are specifically integrated by:
 - Incorporating projected operating costs for each capital project in the City's Five - Year Forecast.
 - Incorporating the anticipated level of debt service in the City's Five - Year Forecast.
 - Appropriating the required level of debt service as part of the Operating Budget.
 - Appropriating the required operating costs associated with completed capital projects in the Operating Budget.

LONG RANGE PLANNING AND THE OPERATING BUDGET

The following is a brief description of planning processes within the City and the impact on the Operating Budget development process.

- A Citizen Survey is scheduled each year to obtain feedback on services from citizens. An outside consultant conducts the survey on a statistical sample of the City's population. The Public Communications Office reports the results to Council prior to the annual Council retreat.
- A Council Retreat is held to focus on the City's goals, visioning, and land use issues. Council develops its vision and its list of priorities for the next three to five years. The goals developed in January 2007 follow. In addition, staff provides Council with a fiscal update, trends and issues in various departments including Economic Development, Planning, Real Estate Assessor and Public Schools.
- The Commonwealth of Virginia mandates that the City adopts a Comprehensive Plan for the physical development of territory within its jurisdiction. The Capital Improvement Budget (CIB) is a major tool for implementing the Comprehensive Plan. Projects included in the CIB shall be consistent with the City Comprehensive Plan. The Planning Department reviews the proposed Capital Improvement Budget prior to the adoption of the CIB by Council to ensure that it is consistent with the Comprehensive Plan. A second major tool for implementing the Comprehensive Plan is the Zoning Ordinance and its enforcement by the Department of Neighborhood Services.
- A five-year Capital Improvement Budget (CIB) is developed during the same time as the Operating Budget. The development of the CIB and Operating Budget are coordinated by identifying projections for both in the Five - Year Forecast, by identifying the level of Operating Budget support required to finance the CIB, and by identifying the Operating Budget impact of completed CIB projects. The process and policies for the development of the CIB and detailed information about specific projects are included in a separate CIB document. A **Capital Budget Summary** is included in the Operating Budget.
- The Budget Office develops a Five - Year Forecast each year. The Five -Year Forecast evaluates the total amount of available resources and total amounts of anticipated costs over a five year period. It incorporates levels of anticipated revenues over the next five years, the projected levels of operating costs, the anticipated levels of debt service for the CIB, the anticipated impact of the Operating Budget for such increases in operating costs as new capital projects, absorbing grant programs, and future salary increases. In turn, the first year of the Five - Year Forecast is used as framework from which to develop the guidelines and targets for the Operating Budget. The Five - Year Forecast also is used to determine the level of funding the City will have to support Capital Improvement Budget projects.

CHESAPEAKE CITY COUNCIL VISION OF A FINANCIALLY HEALTHY COMMUNITY - REVISED JANUARY 20, 2007

Strong Financial Management - A community that can meet its obligations and have a rainy day fund.

Equitable Tax System/Quality of Life - A community where citizens feel that taxes are affordable and fair for the quality of life that is afforded to them (i.e., recreation, drainage, water/sewer).

Balanced Growth - We are able to balance growth (revenue from residential and business development) while providing appropriate infrastructure so there is a good quality of life and citizens understand the need for the balance; there is revitalization of established neighborhoods and preservation and creation of open space.

Economic Development - We have economic development and high quality job creation, especially with a focus on a variety of professional and high-tech jobs, companies, and support services.

Safe Community - Our citizens feel safe with no threats on lives or households.

Balanced, Diverse Housing - We have housing for all levels of people in all kinds of jobs; we have the right housing balance and make sure houses aren't too expensive:

- We have housing for young starter families.
- We have housing for City's basic service workers (i.e., firefighters, teachers, police officers).

Transportation - We can insure reasonable access to jobs, schools, and amenities:

- We make sure that roads are not so clogged that barges cannot unload and transport goods.
- We insure that traffic/clogged roads do not affect the quality of life.

Quality of Education for All - We have education from cradle to grave recognize that a successful school system is critical as employers want to be able to find well-trained workers.

High Tech Community - We are a community that has a technology infrastructure that facilitates access to information, communication, and the conduct of business, thus creating enlightenment and access to the world.

CHESAPEAKE CITY COUNCIL TWO-YEAR GOALS - REVISED JANUARY 20, 2007

Goals are not listed in order of priority:

- Design and develop a funding strategy for the replacement of the Dominion Blvd. Bridge.
- Identify and appropriate additional funding to build a new Gilmerton Bridge.
- Fund the storm-water department so that key drainage problems can be addressed.
- Procure grants and take other creative measures to assist residents with water/sewer connections in the un-served areas of the City.
- Seek to purchase property to expand Tidewater Community College.
- Implement an equitable and stable employee compensation plan (pay and benefits).
- Improve police coverage by filling existing positions through improved methods; add more police coverage and provide coverage based on areas of need.
- Identify and increase a reliable funding stream for open space preservation.
- Cooperate and invest in public/private partnerships to get needed roads built.
- Locate funds to revitalize older areas such as Belharbor Station and South Norfolk.
- Establish a specific revenue sharing policy with Chesapeake public schools.
- Expand the money for mental retardation services, especially adults.
- Study the need for a lodging facility near the Dismal Swamp Trail.
- Expand the jail facility in Chesapeake to provide more jail space.

SHORT TERM BUDGET AND FINANCIAL POLICIES GUIDING THE DEVELOPMENT OF THE OPERATING BUDGET

The following is a list of short term Operating Budget and financial policies used in developing and allocating funding in the Operating Budget. The list is evaluated each year.

Operating Budget Policies:

- Adhere to the City's *Charter* for preparing, presenting, and deciding on budgets.
- Adhere to the State Code requirement (§22.1-93) that the governing body of a municipality shall approve an annual budget for educational purposes by May fifteenth or within thirty days of the receipt by the municipality of the estimates of state funds.
- Develop the Operating and Capital Improvement Budget under the supervision of the City Manager.
- Coordinate the development of the Operating and Capital Budgets in order to link the two together before making decisions on either.
- Implement approved/amended budgets and policy direction by Council under the supervision of the City Manager with input from the departments.
- Provide Contingencies appropriations for council discretionary spending.
- Reevaluate "Base Budget" to ensure removal or reduction of any nonrecurring requirement or service in the latest Approved Operating Budget.
- Assure quality of programs in preference to poor or marginal quality programs even if it is necessary to eliminate services to balance the budget.
- Evaluate the quality benefits of added resources to current services relative to new and/or expanded services during the dollar allocation process.
- Assure "Excellence in Stewardship" with a balance between resources allocated to good management and legal compliance versus resources allocated to service for our citizens.
- Ensure that the personnel complement in the Operating Budget accurately reflects the City's latest *Human Resources Management System and Compensation Plan*.
- Evaluate the benefits of computers, special equipment, vehicles, and other required equipment before purchase and/or replacement according to useful life criteria when not determined "economically non-repairable."

- Recover full costs of common services provided by City Garage, Department of Information Technology, and Self-Insurance by charging the using departments and reimbursing for the services through Internal Service Funds.
- Evaluate the City's allocation of resources to civic and external organization on the basis of need and relative benefits to its citizens and/or humanity. Require contracts and periodic reports of actual citizens and persons served.
- Provide for increased operating costs in the Operating Budget of newly completed or acquired facilities that were initially funded through the Approved Capital Budget.
- Adhere to the City's Charter for Public Hearing before approving/amending budget and/or appropriating funds.
- Require advanced approval of both departments before transfer of charges budgeted by one department to another.
- Execute approved budget(s) as approved and manage to the extent required to assure compliance with the intent of Council and advise and seek corrective consent when latest Council intent is not being met.
- Fund, to the extent possible, the capital costs for technology which will improve the City's efficiency and effectiveness.
- Evaluate new technology spending for future cost savings and adjust appropriations accordingly.
- Support economic development programs which will add to the City's tax base.
- Support public safety programs which will have a direct impact on the safety and well being of citizens.
- Support programs and services for education, recreation, development of youth, and senior citizens.
- Look for alternative sources for providing services and programs within the community at no cost or at a lower cost than currently being provided by the City.
- Seek privatization opportunities where programs and services can be offered at a lower cost than what the City spends to provide the same services provided that the quality of services is not compromised.
- Support regional cooperation to the extent that all involved parties receive proportionate benefit and the City of Chesapeake's costs are minimized.

- Actively seek public/private partnerships for services currently funded 100% by the City of Chesapeake which will reduce the City's costs and either expand program scope or reach more citizens.
- Appropriate all grants, as defined by the City's Grants Special Revenue Fund Policy, to the Special Revenue Fund.
- Appropriate funds equal to estimated revenues from dedicated funding source including but not limited to: EMS Vehicle Registration, Fire Programs Grant, Virginia Juvenile Crime Control, State Aide for Public Libraries, and E-911 Wireless Service.

Financial Policies:

- Expect Operating Budget to be balanced on a current revenue and current expense basis.
- Continue to provide for 6% of General Fund revenue as "Cash Flow and Emergency Reserve."
- Maintain a reserve equal to 5% of the General Fund revenue as a reserve for operating emergencies.
- Use lease/purchase financing cautiously and for no greater period than the estimated useful life of the item of equipment and/or facility being financed not to exceed twenty (20) years.
- Expect the City Treasurer to pool all unrestricted monies and invest in a manner to maximize revenue in low to no risk offerings while measuring cash availability for payrolls and bills.
- Do not rely upon long-term debt for current operations.
- Continue to solicit and accept external grants only for non-permanent purposes so that the City dollars are not required to fully fund the program at end of the grant period.
- Continue to evaluate the necessity and value of required fund balance and reserves and communicate the criteria and methodology used. Maintain coverage of at least 120% of required fund balances at the end of each fiscal year.
- Use one-time revenues to support projects, programs, and purchases which will not require future year financial support.

POLICIES GUIDING DEVELOPMENT OF THE CAPITAL BUDGET

The following is a list of policies used in evaluating projects for the Capital Improvement Budget (CIB). The CIB is a separate document, but the Operating Budget document includes a summary of the CIB under a separate section at the end of this document.

- Prepare the Capital Budget for construction and repair of building, roads, and school with project cost over \$100,000 in any fiscal year.
- Review each project included in years two through five of the Approved CIB for revised cost estimates.
- Review the inventory of unfunded capital projects and revise the inventory to reflect revised cost estimates and the elimination or addition of projects.
- Rate projects on the high priority unfunded capital projects list according to the following criteria:
 1. Replacement of existing infrastructure.
 2. Reduce the cost of operations.
 3. Support economic development efforts.
 4. Improve safety and reduce risk exposure.
 5. Comply with the City's current Comprehensive Plan.
 6. Generate additional net revenue to the City of Chesapeake.
 7. Outside revenue sources available to leverage City funds.

Debt Management Policies:

The following list is a summary of the major debt management policies used in developing the CIB. A full list of the City's debt management policies is included under the **Capital Budget Summary**, a separate section, at the end of this document.

- Limit the City's debt to 10% of the assessed value of real estate subject to local taxation according to the mandates of the State of Virginia.
- Further limit the City's debt for bonds and notes other than refunding to amounts authorizing by a majority of qualified voters voting in an election on the question according to the Charter.
- Authorize bonds or notes without election in any calendar year in an amount not to exceed \$4,500,000 plus the amount of debt retired in the previous fiscal year.

- Restrict the total annual borrowing authority debt to a maximum of 8% of the assessed value of real estate as shown by the last preceding assessment for taxes. (Contracts other than bonds and notes are excluded.)
- Pay back its debt, exclusive of enterprise debt, for specific items within the period of the estimated useful life or twenty (20) years, whichever is less.
- In cooperation with the Finance Department, maintain good communication with bond rating agencies about the City's financial condition with full disclosure and integrity on all financial data and debt offering.
- Own all water and sewer facilities and finance new construction with general obligation or revenue bonds that are solely supported by enterprise revenues.

LONG TERM FINANCIAL AND PROGRAMMATIC POLICIES

Strategic Goals and Objectives:

- Continue to administer development activities in accordance with the Comprehensive Plan.
- Continue diversification and expansion of Chesapeake's economic base through selective and aggressive recruitment, and retention of existing businesses.
- Provide City water customers with adequate volume and quality of water.
- Continue development of the stormwater management system and continue qualitative drainage measures.
- Continue implementation of the Fair Share agreement with NAACP.
- Maintain competitive pay and benefit package and provide salary increase for City employees. Continue efforts toward representative workforce.
- Provide support in public safety to maintain current response time and professionalism, to limit injury, loss of life, and property.
- Continue innovative programming of services to youth in the community through Interagency Consortium and the City's youth serving organizations which include Court Services Unit, Volunteers of the Court, and Chesapeake Juvenile Services.
- Provide a wide range of leisure activities and facilities with a focus on low-income neighborhoods.

Financial Goals and Objectives:

- Maintain and continuously refine the Five - Year Forecast which is a model for revenues and expenses for the General Fund.
- Continue to provide in excess of the required State match for Chesapeake Public Schools within a 50% share of the increase in a designated share of General Fund revenues each year.

FINANCIAL STRUCTURE

Description of the Accounting Structure:

The accounting system used by the City of Chesapeake is organized on the basis of funds or account groups. A fund is defined as a separate, self-balancing set of accounts which is segregated for the purpose of accounting for specific activities or attaining certain objectives. Each fund is comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Account groups are used to establish accounting control over certain assets and liabilities that are not recorded in funds. The following fund types and account groups are used by the City: Governmental Funds (such as the General Fund and Special Revenue Funds), Proprietary Funds (such as the Enterprise Funds and Internal Services Funds), and Fiduciary Funds. The appropriations within each fund are further classified into function codes and expenditures within each function are posted to object codes.

Basis of Accounting:

The City's Comprehensive Annual Financial Report (CAFR) presents the financial position and results of operations for the City operations of various funds, account groups, and component units. It is prepared using "generally accepted accounting procedures" (GAAP).

- Under GAAP, the modified accrual basis of accounting is used for governmental (such as the General Fund and special revenue funds) and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Expenditures are recorded when the related fund liability is incurred.
- Under GAAP, the accrual basis of accounting is used for proprietary fund types (enterprise funds) and nonexpendable trust funds. Under the accrual basis of accounting, revenues are recognized when earned, and their expenses are recognized when they are incurred.
- Under GAAP, a government wide financial statement is prepared using accrual basis of accounting. In the government wide financial statement, certain governmental funds are grouped together for reporting purposes.

Basis of Budgeting:

The City's budget preparation conforms to the GAAP by using a modified accrual basis for preparing the operating budgets for the general governmental and agency funds and the full accrual basis for enterprise funds. However, the basis of budgeting differs from the basis of accounting in the following areas:

- The City's CAFR includes the Chesapeake Industrial Authority, the Chesapeake Port Authority, and the Chesapeake Airport Authority as component entities. The Operating and

Capital Improvement Budgets do not include estimated revenues and appropriations for the operation of the three authorities. The portion of the revenues derived from City General Fund support of these agencies is reflected in the Operating Budget.

- The estimated revenues and appropriations in the Community Renewal Fund are not included in the estimated revenue and appropriations for the Operating Budget or in the Capital Improvement Budget. The Community Renewal Fund includes revenue from the Community Development Block Grant (CDBG) and the HOME grant. The CDBG and HOME grant are appropriated by Council outside the annual Operating and Capital Improvement Budget cycles.
- The Capital Projects Funds, Utility Construction Funds, and the Community Renewal Fund budgets are adopted on a five-year project basis instead of a fiscal year basis. The first year of the plan is appropriated as the Capital Budget for each fiscal year.
- The purchase of capital outlay is included in the budget in the year of the initial purchase at full cost; capital outlay is not budgeted as a depreciation expense.