

July 18, 2012

The Honorable Mayor Alan P. Krasnoff and Members of City Council
City of Chesapeake, Virginia

Dear Mayor Krasnoff and Members of City Council:

The budget included herein reflects amendments to the FY 2012-13 Proposed Operating Budget approved by City Council on May 8, 2012 and as amended June 12, 2012. The Proposed Operating Budget was released in March and reflected the staff's strategy for addressing a structural imbalance between the cost of services provided by local government and the revenue collected each year. The staff's strategy was based on preserving core services, recognizing cumulative reductions in resources in departments, while distributing budget reductions throughout City government. Based on citizen feedback, Council made amendments that restored service reductions. A balanced budget was maintained by reducing non-departmental spending and by reallocating a duplicate allowance for veteran tax exemptions. Council also reduced its own salaries and the stipends paid to the Planning Commission.

Below is a summary of amendments made by Council to the FY 2012-13 Operating Budget:

Increases in budget:

- Restore funding of Fire Engine 28 (6 fire fighters at Deep Creek) \$ 369,100
- Restore funding for police patrol operations (4 police officers) \$ 220,000
- Restore funding for one assistant attorney positions (City Attorney) \$ 75,360
- Restore funding for international marketing (Economic Development) \$ 30,000
- Restore funding for property tax verification (Commissioner of Revenue) \$ 50,000
- Restore funding for audit technician (City Auditor) \$ 30,000
- Provide funding for pension reforms shifting 1% of pension costs to employees \$ 321,400
- Increase funding for vehicle fuel (Central Fleet) \$ 225,000
- Total increases to Operating Budget \$ 1,320,860**

Offsetting decreases in budget:

- Remove duplicate allowance for veteran tax exemptions \$ 850,000
- Remove contingency for development review support \$ 225,000
- Reduce allowance for outside counsel necessary for environmental issues \$ 149,285
- Reduce salaries or stipends of Council members and planning commissioners \$ 18,000
- Reduce payments to local and regional organizations and for federal representation \$ 78,575
- Total offsetting decreases to Operating Budget \$ 1,320,860**

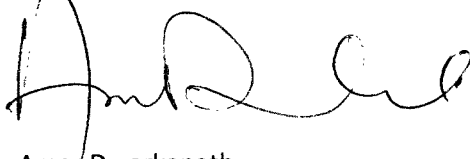
In addition to adjustments enumerated above, Council also approved several amendments that changed the total appropriation. Below is a summary of budget adjustments that affected the appropriation.

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|---|-----------------------|
| Original appropriation | \$ 895,481,333 |
| <u>Increase</u> in school revenue (Commonwealth and Food Service Fund) | 2,323,402 + |
| <u>Decrease</u> debt service because of bond refunding | 1,213,569 - |
| <u>Decrease</u> E911 equipment budget for transfer to Capital Projects Fund | 375,000 - |
| Revised appropriation | \$ 896,216,166 |

Note that the last two items above reduce the total appropriation (spending authority), however, these amounts will transfer from the General Fund to the Capital Improvement Fund and they appear in the inter-fund transfer section of budget reports.

With these amendments, the FY 2012-13 Operating Budget represents the spending priorities of City Council and the Citizens of Chesapeake. This plan ensures that City government continues to provide core services to residents as we discontinue low-priority spending.

Sincerely,



Amar Dwarkanath
Interim City Manager