Chesapeake
VIRGINIA

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

Dear Mayor Krasnoff and Members of Council:

Today I submit the Proposed Operating Budget for Fiscal Year 2014 in a time of considerable uncertainty, but with strong indications of a progressing economic recovery. The signs of emerging growth and a healthy recovery can clearly be seen in the form of increasing collections of consumer taxes, business licenses, and building permit fees. While the overall value of existing real property declined last year, the January 2013 reassessment shows the smallest reduction in property values we have experienced since the start of the recession. This nominal decline of 0.54% is actually a strong indicator that the housing market is strengthening and that properties are beginning to hold their values.

Chesapeake is an economically healthy and vibrant community with expanding economic activity and increased tax receipts for local government. However, our current economic condition remains somewhat fragile and positive indicators must be tempered by the region's heavy dependence on military spending, the current sequestration and continuing questions about whether the federal government can resolve its budget issues in a timely and productive manner. Some of our citizens and businesses are certain to be adversely impacted as defense contracts are cut and civil service personnel are furloughed. While the spending reductions through sequestration are relatively small as a percentage of total federal spending, they will have a larger impact in Hampton Roads than in most other communities. In the short term, we believe that declining federal outlays will have a stagnating impact on the local economy.

Given this uncertain economic outlook and the need for caution, we propose a spending plan that totals $906.3 million for the FY 2014 Operating Budget. While total proposed spending rises by $13.1 million, reductions in debt service for the Chesapeake Expressway and the completion of a project to replace public safety radios have reduced necessary operating outlays by $5.35 million, and thus have held the FY 2014 Operating Budget to just 1.5% above the FY 2013 level. Of the increasing expenditures, $9.4 million is for School Operating Funds, $3.5 million is for City vehicle replacements, and $1.7 million is for Public Utilities (primarily for recurring capital outlays). While spending in a number of funds will decline, General Fund spending rises primarily because of increased personnel costs and spending in the Virginia

Public Assistance Fund rises in order to address for both increased personnel costs and additional staff needed to address a growing caseload.

While the Proposed Operating Budget for FY 2014 includes increasing costs in a number of areas, it does not represent any expansion of existing services. The proposed budget simply continues all present City services without significant change. Staff has worked diligently to identify efficiencies in order to address rising costs without curtailing services.

Council's Guiding Principles

The FY 2014 Operating Budget was developed with guidance from City Council. City staff adhered to the following principles that surfaced during the initial Strategic Planning Session:

- No increase in the real estate tax rate
- No new fees (though increases in existing fees may be considered)
- 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

The FY 2014 budget proposal is consistent with Council's guiding principles with several caveats. The proposed budget assumes that real estate taxes will remain constant, currently $1.05 per $100 of assessed value (including the Mosquito Control tax). While we propose no new fees, park and recreation fees are under review and Council recently approved increases in water and sewer utility rates to accommodate increased costs and projected future needs. Staff has also focused spending on core services; we have also critically evaluated service delivery and staffing requirements.

With two principal exceptions, departments have been required to absorb budget reductions made at the state or federal level. However, in order to maintain productive service levels and meet public expectations, we believe it is essential to replace federal or state funding in two cases:

- Restore funding for seven sheriff deputy positions that have been held vacant for the last several years because of the reduction in state payments. The anticipated opening of the jail annex necessitates the filling of these long-vacant positions. Since the department's budget was reduced because of state funding cuts, we cannot both restore funding for these positions and adhere to the supplanting principle. Given the near unanimous support we received from the General Assembly to waive regulations so that we can use the jail annex, I believe it is imperative that the Sheriff has the funds necessary for him to appropriately staff the annex.

- Increase local funding for Human (Social) Services in order to restore positions that were formerly funded with federal stimulus funding. As described in more detail on page 82, the significant increase in the number of persons seeking public assistance because of the recession has not abated as the recovery has taken hold. Additionally, the department is experiencing significant growth in the number of children and elderly adults seeking assistance. To address challenges facing our Human Services Department and in recognition of additional stress from sequestration cuts, I recommend funding for twelve new positions. While federal funding is available to pay for 26% of the costs, the remainder falls on local government.

Budget Drivers

We are currently in a period of relative stability concerning the cost of operations. In the past, employee benefits, especially health care, and energy costs were providing constant pressure on local government budgets. While these factors are still a concern, it appears annual costs are moderating. Energy costs remain very volatile from month to month; however, the annual costs have remained stable. The City has successfully controlled vehicle fuel costs by strategically purchasing futures contracts when prices are below their twelve-month average. The City was able to control health care costs by shifting from two health insurance providers to one. That strategy insured more competitive pricing and allows for better coordination of employee wellness. Health care costs actually fell slightly with the January 2013 renewal.

Major changes in government costs:

- Health care – as noted above, the City has taken steps to reduce the growth in employee health care costs. By selecting a single health insurance company, we anticipate health care costs will fall $546,000 below the level budgeted for FY 2013.
- Retirement reforms – changes enacted by the General Assembly in 2010 and 2012 require that all employees contribute to the retirement plan. Starting July 2010, <u>all new employees</u> who were not already members of the Virginia Retirement System (VRS) were enrolled in Plan 2 and were required to contribute 5% of their earnings to the retirement plan. Starting in July 2012, <u>all employees</u> were required to contribute to the VRS. Reform legislation requires that existing Plan 1 employees (members before July 2010) contribute 5% of earnings to the plan by July 2016 and that the government employer provide an equivalent pay adjustment to the affected employees. Plan 1 employees currently contribute 1% of their pay to the VRS; they will contribute 3% of earnings starting July, 2013. While the reforms reduce City retirement costs, each 1% shift in VRS costs to Plan 1 employees increases general fund costs by approximately $300,000.

  Starting in January 2014, all new full-time employees, except uniformed public safety employees, will be enrolled in a hybrid retirement plan that includes both defined contribution and defined benefit aspects. While City retirement costs should decline with the new hybrid plan, the City will also incur new costs for disability insurance that must be provided to the post 2013 employees.
- Other Post-Employment Benefits – the Proposed Operating Budget increases the annual OPEB contribution by $750,000 for a total of $11.75 million. This represents 95% of the $12.3 million annual required contribution (ARC) as last determined by the City's actuary. Increasing the City's annual contribution indicates its commitment to the viability of health care benefits for current and future retirees.
- Street and Road Maintenance – based on the current allocation of state road funds, we anticipate receiving $30.3 million from the Commonwealth, an increase of $594,000 (2%) above the FY 2013 Operating Budget. Consequently, we have passed the increased state funding to Public Works for road maintenance.
- Facility Maintenance and Repairs – the budget for the maintenance and repair of City facilities was not funded sufficiently to address unscheduled and preventive maintenance. In FY 2012, the City spent $3.4 million maintaining facilities, but only budgeted $3.1 million in FY 2013. In

order to protect the City's investments, it is prudent to increase the Public Works Facility budget to ensure that necessary preventive maintenance occurs and that sufficient funds are available to address critical and unscheduled repairs. The proposed budget for FY 2014 has been increased $470,000 (15%) to $3.55 million.

- Solid Waste Disposal – the proposed budget for solid waste disposal has been reduced by $1.5 million largely because municipal waste collections have fallen with the success of recycling efforts. The FY 2013 budget is sufficient for 105,000 tons of solid waste; last year collections were approximately 93,300 tons. The FY 2014 budget has been adjusted to 95,000 tons.

  Note the successful privatization of the regional waste-to-energy plant has allowed tipping fees to drop from $170 per ton in FY 2010 to $125 per ton starting July 2012. If the City were still paying $170/ton to dispose of municipal solid waste, an additional $4.3 million would be required.

- Debt Service – recently the City has embarked on an ambitious replacement of the Steel Bridge and four miles of Dominion Boulevard. The capital project will replace a two-lane roadway with a four-lane divided roadway. It will also replace the existing two-lane drawbridge with a 95 foot high, four-lane fixed span over the Atlantic Intracoastal Waterway. As part of the financing for the new project, the outstanding senior debt on the Chesapeake Expressway was refunded and new bonds were issued. Under terms of the new bond issue, the City will only pay interest on the senior debt during the four-year construction period for Dominion Boulevard. No payments are scheduled for subordinate debt held by the Commonwealth of Virginia or the City of Chesapeake. The budget for debt service was reduced because principal payments are not required and because of more favorable credit terms. Debt service for the Expressway was reduced from $5.1 million in FY 2013 to $724,250 in FY 2014. Since the Expressway is an enterprise fund, the reduction in Expressway debt service will remain with the enterprise fund and is not available for other government uses.

Personnel Changes

Positions Eliminated This Year

While I am not recommending a reduction in force, City staff has continuously worked to right-size the government and ensure that persons with appropriate job skills are recruited. Since the adoption of the FY 2013 budget the following positions have been eliminated:

• City Manager's Office	Deputy City Manager
• Bureau of Community Programs	Program Manager
• Development and Permits	Mechanical Inspector and Part-time Engineer Technician
• Economic Development	Office Assistant and Operations Manager
• Conference Center	Part-time Housekeeper and Part-time Facility Tech
• Human Services	Office Assistant
• Technology	Project Manager and Part-time Systems Analyst
• Community Services Board	2 Office Specialists, 7 Clinicians
• Sheriff	Undersheriff

In addition to eliminating the positions noted above, we have also downgraded several positions that became vacant. It is not uncommon for downgrades to occur in positions that are subject to career progression when employees receive promotions with the completion of certifications. Typically, entry level candidates are sought to replace a more experienced former employee. Aside from positions subject to career progress, several police officer positions have been downgraded to entry level as well as several clinicians with the Community Service Board.

New Positions Funded in Proposed FY 2014 Operating Budget

Since 2009, the City has struggled to maintain citizen services in an era of shrinking resources; during that time the number of city employees declined by 300 full-time equivalents. In several cases it is apparent that removing staff has created suboptimal conditions impacting productivity, efficiency and effectiveness. To address organizational bottlenecks and falling productivity, I recommend the following new positions:

- Finance – addition of an unfunded <u>floating accountant</u>; this position based in the Finance Department would be available to temporarily replace vacant accounting and fiscal administrator positions throughout the City. Funding would be provided by savings accruing from the vacant position.
- Finance – addition of a <u>debt analyst</u> with responsibilities for monitoring compliance with bond agreements, with general financial reporting, and fixed asset accounting.
- Finance (Risk Management) – addition of a <u>safety officer</u> who will work closely with departments to reduce work place injuries. The new safety officer will focus efforts on departments that historically have the greatest number of injuries. The new position is expected to implement programs and procedures that reduce risk of injury; the individual will also ensure compliance with OSHA regulations.
- Human Services – addition of seven (7) <u>benefits workers</u> to replace temporary (contract) staff that was funded by federal stimulus funds. The seven (7) temporary agency workers were employed so the department could meet heightened service demands during the Great Recession. In October, the employment of these temporary benefit workers ended because funding had expired. Since caseloads remain severely high we recommend permanent funding of the positions. Under federal costs sharing arrangements, 26% of the cost of these new positions is eligible for funding; the City's responsibility is 74% of the compensation package ($257,000).
- Human Services – addition of two (2) <u>social workers</u> and two (2) <u>social worker supervisors</u> for Adult Protective and Child Protective Service Units. These new positions are needed to ensure the provision of mandated services to a growing population of elderly citizens. The positions will improve services to vulnerable children and elderly adults and ensure continued compliance with federal training requirements for social workers. These positions are also eligible for 26% federal reimbursements; the City's responsibility is 74% of the compensation package ($178,000).
- Human Services – addition of one (1) <u>information technology specialist</u> is required in order to better serve department users. Currently one full-time and one half-time IT professional serve 275 staff members using a variety of state and local applications. Comparable human services agencies in other jurisdictions as well as other City departments with similar demands have

between three and four IT professionals. The proposed budget increases the department's IT staff to 2.5 positions; the City's share of the added cost is estimated at $51,800.

- Parks and Recreation – addition of a turf manager and a grounds keeper primarily because of the completion of City Park and Deep Creek Park. The new positions would insure that grounds are maintained for athletics and recreational enjoyment.
- Parks and Recreation – addition of six (6) part-time ranger technicians along with the elimination of two (2) part-time recreation leaders for a net increase of two (2) FTE. The ranger technicians will improve the effectiveness of park rangers so they can better supervise and maintain park programs as technicians assume administrative responsibilities.
- Parks and Recreation – addition of an accountant. Funds for this position were included in the FY 2013 Operating Budget; however, the position was not added to the complement. The accountant is needed in order for the department to comply with City standards for financial reporting.
- Parks and Recreation – addition of three (3) recreation specialists to staff a new Before and After School Care Program. Funding will come from participant fees on this new service.
- Purchasing – addition of a procurement contract specialist to resolve the work load and bottlenecks within the Purchasing Department. The new position is needed in order to ensure that procurement activities (issuance and analysis of bids and RFPs) are completed in a timely manner.
- Sheriff – addition of one full-time deputy is needed to provide oversight of inmates washing vehicles at the City garage. In order to maintain security and ensure that inmates do not escape, the Sheriff requires direct supervision of inmates at all times. Previously, inmates working at the garage were not supervised by deputies.

The addition of these positions will enhance employee productivity and ensure the completion of critical work in a timely manner.

Employee Compensation

City employees have worked diligently as resources became ever scarcer. They have willingly done what has been required in order to maintain critical services to taxpayers. In the last four years, employees received two 1.5% pay raises. While it is unreasonable for employees to expect pre-recession level pay raises during the severe economic downturn we have experienced, it is also true that hard work and dedication deserve recognition and reward. At this point, the City is not in a position to offer large pay raises or to address the pay compression that has been compounded during the last four years. However, I believe we must recognize the dedicated work of over 3,500 City employees. This is especially true since the General Assembly approved pay raises for state, university, and school employees. We have held steady on numerous requests for additional funding in order to allow a mid-year 1.6% pay raise to all full-time and permanent part-time employees. It will cost $1.96 million to provide this very modest pay raise; however, this investment is necessary to ensure high levels of productivity and employee morale.

Procedural Change Related to Categorical Grants

The Proposed Operating Budget for FY 2014 does not include a provision for categorical grants. Categorical grants are often awarded by the federal government for a specific purpose; as such, spending is limited to purposes defined by the grantor. In the past, we have included in the Operating Budget approximately $2.3 million of recurring grants along with a $500,000 provision for future grant awards. Typically, the award amounts differ from the budget estimates and the total grant awards exceed the budget. In those cases, Council must revise the annual appropriation in order to accept and use grant proceeds. Because of the variances between the grant budget and the grant award, Council currently takes action on nearly all grants. In the future we recommend that grants be handled outside of the appropriation process for the Operating Budget and that Council appropriate each grant as they are awarded. We have restated the FY 2013 Operating Budget to exclude categorical grants so that budget data is comparable between 2013 and 2014.

Discussion of Major Funds

General Fund

General fund revenue is expected to grow by $17.4 million to $506 million, or 3.6% above the FY 2013 level. Growth in other local taxes, especially business and consumer taxes drive most of the increased revenue. Significant growth is also expected in fee revenue and from the General Assembly's elimination of the local refunds to the Commonwealth ($1.25 million annual). As revenues grow, the City's reliance on accumulated and locked resources for operations and capital is declining from $31.5 million in FY 2013 to $27.4 million in FY 2014.

Under revenue sharing procedures, in place since 2004, revenues and revenue growth are shared with and allocated to the Chesapeake schools on a formulaic basis. For FY 2014, this equates to a transfer of $172.9 million dollars from the General Fund to the schools; or $5.9 million (3.5%) more than the $167.0 million dollars transferred in FY 2013. Total annual transfers to the Chesapeake schools also include a settlement of surplus revenues, returned unused from prior years' budgets. When this additional funding is considered, the transfers to schools will total $177.4 million dollars in FY 2014, as opposed to $171.4 million in FY 2013.

Aside from the recommended transfer to schools, General Fund expenditures will grow by just over 1% (or $2.53 million dollars) from $257.95 million in FY 2013 to $260.48 million in FY 2014. Due to the uncertainty surrounding the sequester and its potential impact on the City of Chesapeake and its citizens, surplus funds returned from prior budget years (other than that portion transferred to the schools) are not recommended to be appropriated in FY 2014.

As was discussed earlier, the recommended General Fund expenditures include:

- The restoration of funding for one accountant in finance,
- The addition of a safety officer in finance (risk management),
- One turf manager, one accountant, and three before and after school recreation specialists for Parks and Recreation,
- The addition of a procurement contract specialist in Purchasing, and
- The funding of seven deputy sheriffs.

In addition to funding of these positions, General Fund expenditures are increasing $1.4 million with the recommended 1.6% mid-year pay raise. Finally, reforms of the Virginia Retirement System (VRS) will require $480,000 as employees are provided a 2% pay adjustment to partially offset their increased contribution to the retirement plan.

We have also reserved $1.94 million to increase cash flow and emergency reserves as required by the City Charter and Council policy. Increasing reserves was not necessary in FY 2013 because little revenue growth had occurred between FY 2012 and FY 2013.

School Operating Fund

The School Operating Budget is expected to increase from $433.3 million in FY 2013 to $442.7million in FY 2014, an increase of $9.4 million (2.2%). State funding of schools is expected to increase by $4.7 million while federal funding will decline by $8.5 million as the federal Education Jobs Grant has expired. City funding under the revenue sharing formula will rise from $167.0 million in FY 2013 to $172.9 million in FY 2014, an increase of 3.5%. The superintendent has also recommended the use of $14.2 million of accumulated reserves from the School Insurance, Textbook, and Cell Tower Funds. Finally, the school budget includes $3.2 million of City transfers from the FY 2012 revenue sharing settlement and $1.25 million of surplus revenues anticipated in the School's FY 2013 budget. In total, the school operating budget includes $18.7 million of non-recurring funds.

Please note that while we are recommending significant growth in the School budget for FY 2014 and a much larger increase in terms of both dollars and percentage than that recommended for the remainder of the City's General Fund departments, the recommended City funding is still $986,000 less than requested in the Superintendent's most recent proposal to the School Board. We recognize the difficult position presented to the schools by reduced State funding for K-12 education. However, we also believe the recommended City funding for schools represents the best possible balance between school and other public needs, given the current limits of our local funding resources.

Virginia Public Assistance Fund (Social Services)

The Social Services Budget is increasing from $18.95 million in FY 2013 to $19.43 million in FY 2014, an increase of $480,000 (2.5%). The primary reason for the increased budget is the addition of twelve (12) positions to address: (a) a large recession-driven growth in the demand for public assistance, (b) the growth in the populations served by the Adult and Child Protective Service Units, and (c) the need for technology support for the department. The additional positions will cost $658,000 annually, $171,000 of which will be reimbursed by federal grants. The department is able to hire the additional positions with the addition of approximately $300,000 of City funding because of savings and efficiencies realized within the department.

Department caseloads for benefits have grown 26% above pre-recession levels. In earlier years, the Social Services Division was able to address the increased case load first with federal stimulus funds authorized under the American Recovery and Reinvestment Act. When ARRA funds expired, the division received assistance from the Department of Defense Supplemental Nutritional Assistance Program. These federal programs allowed the department to hire temporary employees and, thereby, successfully address the expanded caseload. While the recession has eased significantly, the department's caseload of citizens seeking benefits remains 26% higher than it was in 2009. Further growth in the benefits caseload is anticipated as:

- Medicaid outreach continues with the goal of adding more uninsured children,
- The population of aging and disabled individuals eligible for Medicaid benefits continues to grow, and
- The implementation of Medicaid for children held in detention by Juvenile Courts.

With the increased caseloads, supervisors are currently processing new applications rather than training benefits workers, performing case management and conducting audits that reduce costly errors and help to detect fraud. In order to accommodate the increased demands, it is necessary to add seven (7) benefit workers/aides to the department complement.

To address a doubling of the number of elderly adults seeking assistance, we need to increase the number of social workers. Further, the growth in the number of children and elderly adults requiring risk and safety assessments has overwhelmed the existing staff. To meet the growth in caseloads, supervisors are now responding to service requests, and working cases instead of training staff and auditing staff work. To address the situation, we recommend adding two (2) social workers and two (2) social worker supervisors.

Finally, the department is severely hampered by very limited technology support. The department currently has one full-time and one part-time technology specialist. Other similarly sized departments within the City and social service agencies in other localities typically have between three and four technology professionals. We recommend the addition of a second full-time client technology specialist to better serve the department's technology requirements.

Tax Increment Funds

Generally, state statue only permits the use of TIF funds for the acquisition or construction of projects within the TIF district or for payment of debt on such projects. The statue permits the transfer of surplus TIF funds to the General Fund. In accordance with past practice, this budget includes provisions to transfer surplus funds from both the South Norfolk and Greenbrier TIF Funds to the General Fund in order to address maintenance cost of projects funded by the TIFs and other costs that are directly related to the TIF districts. We recommend the transfer of $247,752 of surplus funds from the Greenbrier TIF to the General Fund in order to fund the maintenance of improvements to the district and to fund the Police Department Hotel Interdiction Program. We also recommend the transfer of $101,385 from the South Norfolk TIF to fund the maintenance of improvements to that district along with the cost of the Sheriff's work crew assigned to South Norfolk.

Public Utility Fund

In February the City Council approved a 4.9% rate increase to defray increased costs of water purchases, water production, and the operations of the sanitary sewer system. The rate increase is scheduled to begin July 1, 2013.

Utility expenditures reflect a continuation of current service levels with modest growth as new residential and commercial properties are completed. Salary and benefit accounts have been adjusted to reflect current wage levels. Additionally, routine capital outlays for equipment and small utility projects have been included in the operating budget rather than in the capital improvement budget. In the past, such outlays were funded by cash transfers from the Utility Operating Fund to the Utility Capital Improvement Fund. We have ended this practice so that only non-routine projects, often funded with debt, are included in the Capital Improvement Plan. The inclusion of routine capital outlays in Public Utilities operating budget explains most of the increased operating costs between FY 2013 and FY 2014.

Stormwater Management Fund

The Operating Budget for Stormwater Management has increased $431,000 in order to better address a large backlog of cave-ins. We are recommending an increase in contractual services in order to rehab and line pipes that are causing erosion of the surrounding ground. To offset the increased operational expenditures, we also recommend a $600,000 reduction in the annual budget for Capital Improvements. The difference ($169,000) will remain in the Stormwater Fund to address future requirements.

Chesapeake Expressway Fund

The Operating Budget for the Chesapeake Expressway is declining from $8.76 million in FY 2013 to $4.40 million in FY 2014. The decline is entirely explained by financing for the Dominion Boulevard/Route 17 Capital Project. When complete, Dominion Boulevard will become a toll road and will be merged along with the Expressway into a newly created Chesapeake Transportation System.

As part of financing the new road, the outstanding senior debt on the Expressway was refunded. This allowed the Expressway to take advantage of more favorable interest rates. Under terms of the new bonds, principal payments are deferred for four years while the new road is constructed. A substantial portion of the new project is funded from a $152 million subordinate loan from the Virginia Transportation Infrastructure Bank (VTIB). Under the agreement with VTIB, payments for subordinate Expressway debt held by the Commonwealth of Virginia and the City of Chesapeake are also deferred while the new road is under construction.

The new financing package for the Expressway reduces debt service from $5.1 million in FY 2013 to $724,250 in FY 2014. Most of the reduction ($3.2 million) results from the deferral of principal payments while Dominion Boulevard is constructed.

Central Fleet Fund

The Central Fleet Fund operates as an internal service fund providing services to other City departments. It also supplies fuel to Chesapeake Public Schools and soon expects to sell compressed natural gas (CNG) to private fleets. Operating expenses for Fleet Services are expected to rise from $10.3 million in FY 2013 to $10.5 million in FY 2014 largely to address rising repair costs. Fleet services will also draw $3.5 million from its Fund Balance in order to address a backlog of vehicles that need replacing. To that end, spending for Fleet Capital is increasing from $3.28 million in FY 2013 to $6.96 million in FY 2014.

E-911 Operations Fund

The Technology portion of the E-911 budget is reduced from $5.5 million in FY 2013 to $1.4 million in FY 2014 because of the non-recurring replacement of public safety radios during FY 2013. During FY 2012 and 2013, the department replaced all public safety radios since the vendor was no longer servicing them and they were not compatible with new federal regulations. The replacement project was completed and the funding level has returned to the normal annual cost of maintaining the technology and equipment replacement requirements of the dispatch function.

Conclusion

In summary, we are presenting a spending plan that balances existing revenue and other resources with immediate demands without compromising our ability to sustain the most critical citizen services. No changes are proposed in general tax rates or mandatory fees. This budget plan addresses the factors propelling municipal costs while holding other costs in check.

In the coming weeks we will schedule work sessions for Council to review this proposed budget in light of sustainability. The City staff remains committed to providing quality public services. While recommending a prudent spending plan that protects the City's financial position, we have aggressively sought to maintain existing services during a period of slow economic growth. This budget proposal selectively adds resources in areas that have been underfunded in order to address work load demands, enhance productivity, and improve employee morale.

I am confident that the strategies recommended in this proposed budget meet citizen demands while also sustaining the City's strong financial position. I look forward to working with the entire City Council in the coming weeks as you review this proposal and adopt a budget plan that meets current and future needs of Chesapeake citizens.

Sincerely,

James E. Baker
City Manager