FY 2013 Year-End and FY 2014 Challenges and Beyond

Executive Summary

Topic: FY 2013 Year-End and FY 2014 Challenges and Beyond Discussion

Description: The presentation provides an update of the preliminary FY 2013 year-end

figures and an outlook of the challenges in FY 2014 and beyond.

Analysis: The FY 2013 budget was developed with no general tax increases, no

layoffs and furloughs, and no gutting of core services. It did provide for a general salary increase and Norfolk Public Schools budget request.

Although in the past two years, the General Fund has ended with a

surplus of \$8.6 - \$9 million, in FY 2013, the preliminary estimate of the surplus will be lower (about \$3 million). This estimate is subject to

change pending completion of the year-end audit.

Financial Impact: Preliminary FY 2013 year-end numbers indicate a \$3 million surplus.

However, Norfolk's fiscal challenges will continue into FY 2015 and beyond. In order to fund programs and services that achieve the City Council goals and priorities, the Administration is exploring the following

revenue and expenditure options.

Recommendation(s): Revenue: Option to ensure sustainability of the real estate tax.

Expenditures:

Continue efficiency measures

Continue to pursue shared services activities

Review position levels for appropriateness

• Analyze city services with respect to performance indicators



FY 2013 Preliminary Year-End and FY 2014 Challenges and Beyond

City Council Retreat September 23-24, 2013

Presentation Overview

- The purpose of the presentation is to provide City Council with a preliminary review of the General Fund FY 2013 yearend results and FY 2014 challenges and beyond
- It is important to note that the FY 2013 figures presented are preliminary, pending the completion of the year-end independent financial audit
- No action is required of City Council at this time

Preliminary FY 2013 General Fund Year-End Review

Recap: FY 2013 Budget Development Priorities

- No General Tax Increases
- No Layoffs
- No Furloughs
- No Gutting of Core Services
- Provide Salary Increases (Employer of Choice)

Address Norfolk Public Schools Request

General Fund Preliminary FY 2013 Year-End (in million \$)							
FY 2013 Budget Overview (preliminary) Revenue (0.02 percent or \$150,000 less than anticipated) Expenditure (1.9 percent or \$23.5 million under budget) FY 2013 Budget Variance	Budget \$803.1 \$803.1	Actual \$803.0 \$779.7 \$23.3	Variance (\$0.15) (\$23.46)				
FY 2013 Year-End Resources: O FY 2013 Budget Variance O Other Resources (FY 2012 surplus, account closeouts) Subtotal Year-End Resources		\$23.3 \$ 9.8 \$33.1					
Designations: Approved Carryforward/Other Potential Designations							
 Approved FY 2014 Carryforward Approved Norfolk Public Schools FY 2014 Carryforward 		(\$19.6) (\$ 7.7)					
 Other Potential Designations (Norfolk Public Schools surplus - \$0.9 million; Downtown Improvement District Potentials of Performing Arts funds - \$103,000; Courthouse Construction fee - \$219,000; reimfor storm related expenditure -\$1.6 million) 		(\$ 2.8)					
Subtotal Designations	•	(\$30.1)					
Undesignated Balance*		\$3.0					
* Figures are preliminary, pending completion of independent financial aud	dit		5				

Norfolk Public Schools Preliminary Year-End

(in millions \$)

FY 2013 Budget Overview (preliminary)		Budget	Actual	Variance
 Revenue from the Commonwealth* 		\$179.7	\$179.7	\$0.0
 Revenue from Federal Government* 		\$4.8	\$5.6	\$0.8
 City Contribution 		\$107.2	\$107.2	\$0.0
 Other Local Revenue 		\$4.2	\$3.7	(\$0.5)
Carryforwards	\$2.8	\$9.5	\$9.5	\$0.0
 Actual Revenue (0.1 percent or \$0.3 million less than anticipated) 		\$305.4	\$305.7	\$0.3
O Actual Expenditure (2.7 percent or \$8.3 million under budget)		\$305.4	\$297.1	\$8.3

FY 2013 Budget Variance

\$8.6

Designations:

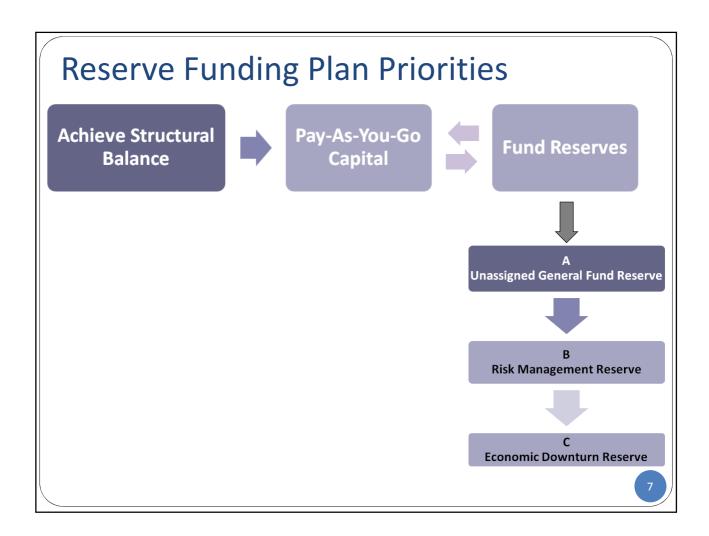
o Approved Norfolk Public Schools FY 2014 Carryforward

(\$7.7)

Undesignated Balance*

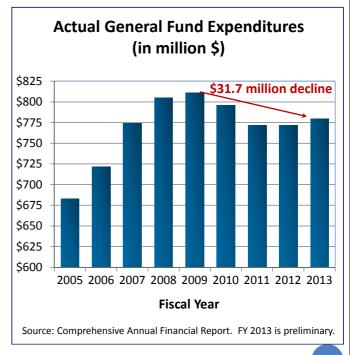
\$0.9

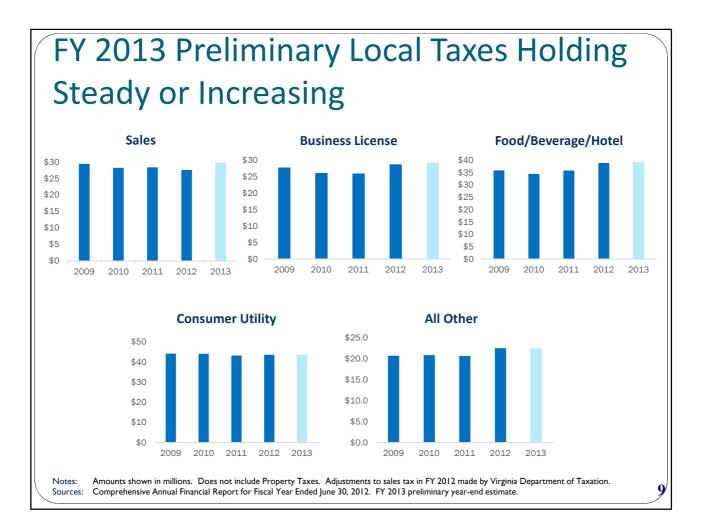
^{*} Figures are preliminary, pending completion of independent financial audit. Amounts may not sum to total due to rounding. Revenue from the Commonwealth and Federal Government may differ due to a classification of carryforward revenue.



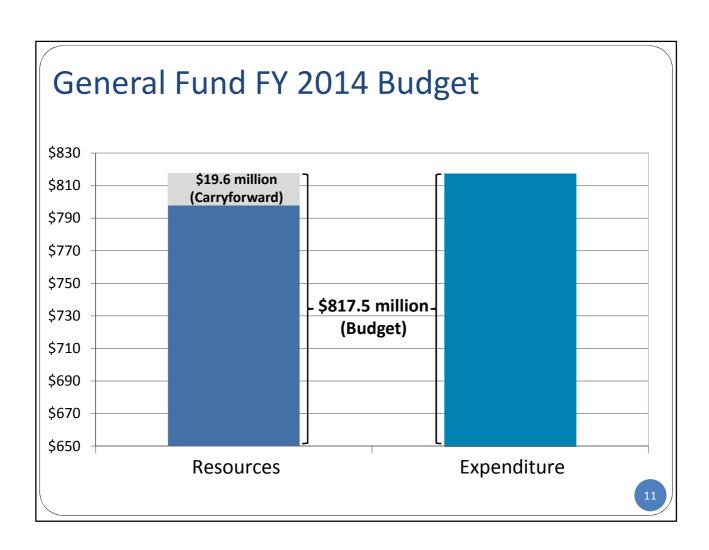
FY 2013 Preliminary General Fund Expenditure

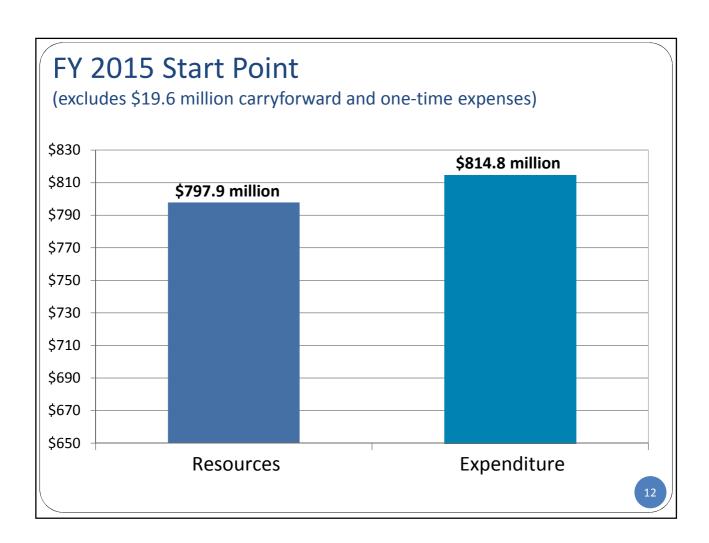
- FY 2013 General Fund expenditure growth about 1.0 percent
- Continued to control discretionary spending of city departments
- Mid-year realignment of city departments
 - FY 2012 realignment were continued to FY 2013





FY 2014 Challenges





FY 2015 Challenges

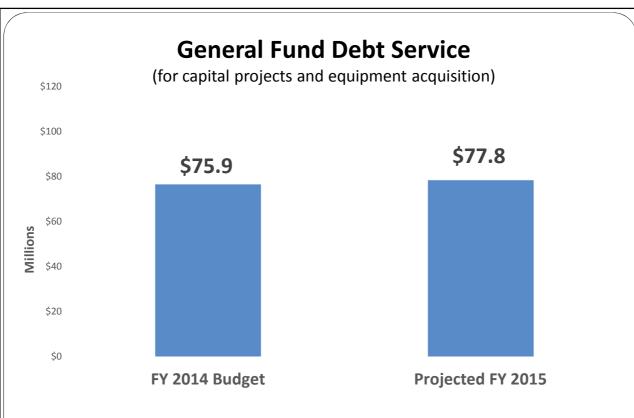
General Fund Budget Drivers

Debt Service: SET

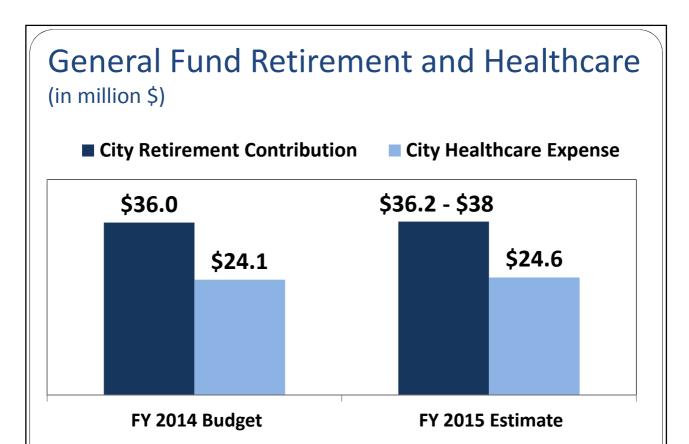
• Healthcare: FLEXIBLE

• Retirement: SET

Inflation/Contractual/O&M: SET/FLEXIBLE



- Projection for FY 2015 exclude self-supporting Broad Creek TIF and Conference Center related debt service.
- Debt is based on existing gross debt service, including the Series 2013 new money bonds.
- All debt service numbers used are preliminary and based on market conditions as of August 26, 2013.
- Includes planned issuance of Series 2013 \$90.5 million, Series 2014 \$93.7 million, Series 2015 \$92.4 million and Series 2016 \$61.8 million



Source: Retirement estimate of \$36.2 million for FY 2015 was taken from the actuarial 10-year projection, which was based on the June 30, 2012 payroll and was used for FY 2015 budget gap calculation. Healthcare estimate for FY 2015 reflects a two percent

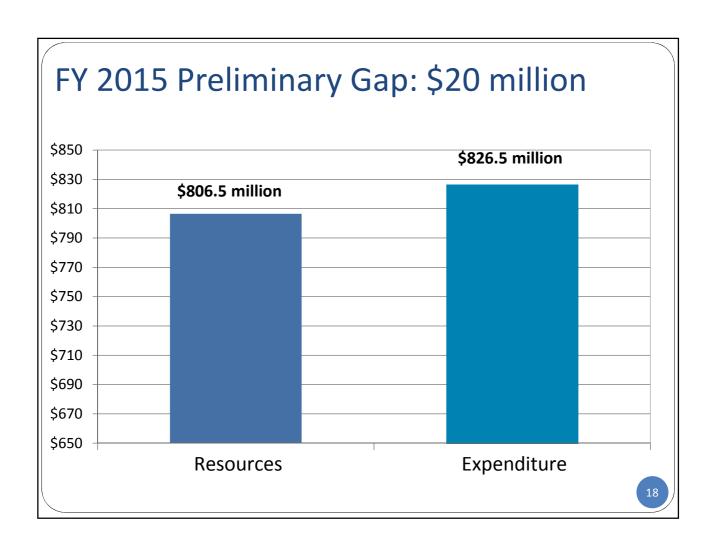
increase from FY 2014 budget.

Other General Fund Budget Drivers

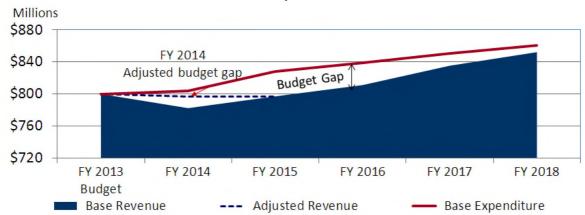
- Inflation/Contractual/O&M
 - FY 2015 Estimate: \$4.2 million
 - Does not include "pass through" expenditures

FY 2015 Challenges (continued)

- Other demands
 - Compensation
 - Norfolk Public Schools
 - Neighborhoods







- The budget gap continues in outyears due to the structural imbalance
 - Consistent drivers of the gap include healthcare, debt service, and retirement
 - Operating budget impact of new/recent developments
 - Real estate assessments not rebounding quickly as housing market slowly recovers
- Need to continue to make permanent reductions to the operating budget and curtail expenditures

Council Strategy Discussion and Direction