BUILDING A WELL-MANAGED GOVERNMENT

NEIGHBORS BUILDING NEIGHBORHOODS

PROPOSED FISCAL YEAR 2015 BUDGET
CITY OF NORFOLK, VA

PROPOSED FISCAL YEAR 2015 BUDGET
CITY OF NORFOLK, VA
Well-Managed Government – The Foundation

Established, September 2011
Staying Focused on the “Why”
Norfolk is America’s heritage port city where **people are transforming their neighborhoods**, economy, and culture into the most fun and livable waterfront community in the world
Groundwork for a Well-Managed Government

Norfolk Flooding Strategy

Smart Processing

Healthy Norfolk

Neighbors Building Neighborhoods

IMPACT NORFOLK

City of Norfolk

The Path for Success
... and a Resilient City
We are Growing

We are Thriving

We are the Region’s Authentic Urban Experience

Population – ↑ 246,392

$1.3 Billion in Development Projects

The Financial, Business, Medical, Educational and Arts and Culture Center of the Region
Ultimate Goal

The Priority of Well-Managed Government creates a data-driven organization that provides effective and efficient programs and services that are responsive, accountable, inclusive, and customer focused.
Sound Management Strategies

- Modest tax/fee increases
- Cost containment
- Implemented financial policies
- Right-sized and consolidated departments
- Refined service delivery
- Energy efficiency
- Shared services
Where We Are Now

FY 2015 and Beyond
Council direction from September 2013 retreat and January 2014 budget follow up

- **Well-Managed Government:** Keep financial house in order

- **Well Management Government:** Begin addressing compensation

- **Safe, Healthy and Inclusive Communities:** Provide funding for neighborhoods

- **Lifelong Learning:** Focus on education priorities
Guiding principles to balance the budget similar to past strategies

- Raise Revenue
- Reduce Expenditures
- Become More Efficient
- Grow Economy
- Share Services
Proposed FY 2015 Budget is Structurally Balanced

Expenditures
$812.4 Million

Revenues
$812.4 Million

FY 2015 Proposed Budget
Proposed FY 2015 Budget is $5.1 Million less than the FY 2014 Approved Budget

General Fund Budget

FY 2014: $817.5 Million
FY 2015: $812.4 Million

$5.1 Million decrease
Guiding principles to balance the budget

We began the process of viewing the budget development process through a \textit{two-year} lens.

We began the process of viewing the budget development process through a \textit{two-year} lens.

"...taking the guesswork out of the second year of the biennium"
Past Practices Created Future Instability

FY 2012 Budget

$17.7 Million Carryforward

FY 2013 Outlook

$25 Million Gap

Resources

Expenditures
Past Practices Created Future Instability

FY 2013 Budget

- $19.3 Million Carryforward

FY 2014 Outlook

- $22 Million Gap
  - Resources
  - Expenditures
Structurally Balanced Budget and two-year lens help create future stability

- **Expenditures**: $812.4 Million
- **Revenues**: $812.4 Million

Proposed FY 2015 Budget
Guiding Principles for the Proposed FY 2015 Budget

- Begin addressing concerns outlined by City Council
- Eliminate structural imbalance
- Centralize internal functions to strengthen core operations and provide enhanced services
- Eliminate redundancies to create efficiency
- Consolidate funding streams
We Fund Results

Funding strategies focused on outcomes

Outcomes aligned with priorities

Departments accountable to achieve outcomes within existing budgets
We Have Hit the Reset Button

<table>
<thead>
<tr>
<th>Focus on core missions</th>
<th>Programs and services are measurable</th>
<th>Departments are accountable for results</th>
</tr>
</thead>
</table>

We have established a new base from which we can build the future
## Major Budget Balancing Strategies – Cost Containment

| Step | Description | Cost
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Level funded budgets in FY 2015</td>
<td>($3.7 Million)</td>
</tr>
<tr>
<td>2</td>
<td>Reduced most department budgets by one percent</td>
<td>($3.2 Million)</td>
</tr>
<tr>
<td>3</td>
<td>Captured retirement savings and restructured debt service payments</td>
<td>($7.5 Million)</td>
</tr>
</tbody>
</table>

*Total Cost Containment: $14.4 Million*
Some Departments Received Partial Exemptions from these Strategies
Norfolk Public Schools Received a Total Exemption from these Strategies

- Held Harmless
- Maintained the same amount of city funding from last year
The City’s Commitment to Norfolk Public Schools

**FY 2014 Resources**

- **State** $180.3
- **Local Operating** $111.9
- **Local CTI** $3.3
- **Federal** $4.5
- **Grants** $32.1
- **Other** $11.9
- **Local In-Kind** $16.8
- **School Nutrition** $17.2

**Total** $378.1 Million

Amounts in millions
The City’s Commitment to Norfolk Public Schools

FY 2015 Resources

- Local Operating: $112.5 million
- State: $181.9 million
- Federal: $5.2 million
- Grants: $32.9 million
- School Nutrition: $18.6 million
- Other: $7.7 million
- Local CTI: $3.4 million
- Local In-Kind: $16.2 million

Total: $378.3 million

Amounts in millions
Major Budget Balancing Strategies (Continued)

- **Consolidate or centralize core functions**
  - Eliminates 53 positions and a savings of $1.7 Million
  - Maintains or improves services

- **Align fees and charges to fully recover costs**
  - Modest fee increase eliminates the General Fund support for Waste Management services
  - Establish a reliable plan for vehicle replacement
    - Increase capacity for the purchase of other city vehicles and technology
  - General Fund cost recovery of $1.2 Million in FY 2015
    - Avoids General Fund debt service costs in future
Well-Managed Government

The Priority of Well-Managed Government creates a data-driven organization that provides effective and efficient programs and services that are responsive, accountable, inclusive, and customer focused.

Financial Stability  Compensation Reform
Financial Policies (Council adopted July 2013)

Achieve Structural Balance

Increase Pay As You Go Capital Funding

Fully Fund Reserves
## Well-Managed Government - Reserve Funding

<table>
<thead>
<tr>
<th>Reserve</th>
<th>Minimum FY 2014</th>
<th>Projected FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Five Percent Reserve”</td>
<td>$40,875,040</td>
<td>$42,332,591</td>
</tr>
<tr>
<td>Risk Management Reserve</td>
<td>$3 - $5 Million</td>
<td>$3 Million</td>
</tr>
<tr>
<td>Economic Downturn Reserve</td>
<td>$3 - $5 Million</td>
<td>$3 Million</td>
</tr>
</tbody>
</table>
FY 2016 Start Point

FY 2016...not without challenges

FY 2016 Budget Drivers

- Salary Annualization - $2.0 Million
- Benefits - $1.4 Million
- Debt Service - $5.6 Million

$9.0 Million Gap
Growth in Overall Real Estate Assessments

Real Estate Assessments (annual percent change)

Real Estate Tax Rate (per $100 of assessed value)
Decline in Residential Assessments Remains a Challenge


9.5% 7.7% 4.8% 3.3% 1.9% 1.0% 1.9% 1.0% 2.6% 2.3% 1.6% 2.4% 4.7% 6.7% 8.9% 11.9% 20.9% 30.8% 19.6% 3.9% 0.7%
Revenue Sustainability

Available revenue not matching expenditures
The Possibility…..

Sustainable revenue growth policy is needed to support current or expanded programs and services
Well-Managed Government – Compensation Reform

- Attracting Employees
- Retaining Employees
- Developing Employees
- Motivating Employees
Path to the ARMD Initiative

Driver: Declining revenue leads to stagnant employee salaries

Problem: Difficulty attracting and retaining quality employees

Analysis: FY 2014 comprehensive review of compensation

Initiative: Attraction, Retention, Motivation, and Development (ARMD)
## Accelerated ARMD Plan for FY 2015

<table>
<thead>
<tr>
<th>Original FY 2015 Plan</th>
<th>Proposed FY 2015 Plan</th>
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</thead>
<tbody>
<tr>
<td>• Living wage adjustments</td>
<td>• Living wage adjustments</td>
</tr>
<tr>
<td>• Market adjustments</td>
<td>• Market adjustments</td>
</tr>
<tr>
<td>• Five and Five Conversion</td>
<td>• Five and Five Conversion</td>
</tr>
<tr>
<td>• DROP for sworn officers</td>
<td>• DROP for sworn officers</td>
</tr>
<tr>
<td></td>
<td>• January two percent GWI for general and Constitutional Officer employees</td>
</tr>
<tr>
<td></td>
<td>• January step for sworn police and fire</td>
</tr>
</tbody>
</table>
Path Forward for ARMD

FY 2016
Two percent GWI for general (Jan)
Step for sworn (Jan)
Market adjustments (Jan)

FY 2017
Establishing ongoing salary increases

Based on sustainable revenue
Safe, Healthy and Inclusive Communities

The priority of Safe, Healthy and Inclusive Communities is to ensure residents of diverse backgrounds and interests feel encouraged and empowered to assist in the development of safe and healthy neighborhoods thereby fostering a culture of leadership, pride and well-being that advances Norfolk’s brand as a desirable and enjoyable place to live, learn, work and play.

Neighborhoods  Human Capital
Strategic Economic Development Areas
Neighborhood Plan, Conservation, Redevelopment and Revitalization Areas

- Conservation Areas
- Broad Creek
- Fairmount Park
- Southside
- Wards Corner
- Redevelopment Areas
- Revitalization Areas
Our Vision

We believe we can look at Neighborhoods through a different lens
Vision: Create an Environment Where People can Transform their Neighborhood

*All neighborhood initiatives under one umbrella*

Create the Department of Neighborhood Development to:

- Implement a new service delivery model focused on neighborhood collaboration and community problem solving
- Advocate on behalf of and provide support for *all* neighborhoods
- Leverage existing city resources to enhance the quality of life for residents in *all* neighborhoods
Physical Environment Funding – Multiple Sources

- Prior Corridor, Gateway & NBN Funding: $2.8 Million
- Nuisance Abatement: $876,000
- Federal Funds: $2.5 Million
- Neighborhood Plan Funding: $3.8 Million
- Revitalize, Redevelop, and Conserve: $2.5 Million
- CIP: $8.4 Million
- Physical Environment: $20.9 Million
Human Capital Funding—Multiple Sources

- **General Fund**: $666,290
- **Continuum of Care**: $2.5 Million
- **Regional SRO Funding**: $500,000
- **Federal Funds**: $903,324
- **Human Services Grants**: $682,646

Human Capital: $5.3 million
The priority of **Lifelong Learning** is to ensure residents of all ages are able to reach their full potential, achieve personal goals, and support a prosperous economy through the development of knowledge, skills, abilities, and talents.

Partnerships

An Infusion of Quality
Early Childhood Education

“I am so convinced we need to change the trajectory of how we’re focused on early childhood education if we’re ever going to get the workforce we need to compete. I see this as a business imperative.”

Gary McCollum
E3 Chairman
Senior VP & General Manager, Cox Communications
Forefront of Early Learning Initiatives

Norfolk Public Schools
School Construction

The Five-Year Capital Improvement Plan

Funding to plan, build, and furnish five schools

Planned Schools

- Camp Allen
- Ocean View
- Larchmont
- Broad Creek Area
- Campostella
Lifelong Learning

*Second Year of Construction, Technology, and Infrastructure (CTI) – Lockbox increases*

$3.4$ Million

1. **School Construction** – 1st Priority
2. **School Technology** – 2nd Priority
3. **School Infrastructure** – 3rd Priority

CTI

FY 2015:

$3.4$ Million
Moving Forward

- We have our work cut out for us

- The Proposed FY 2015 budget attempts to address the numerous concerns across the city

- Through collaborative efforts and aligning resources with priorities we will continue to deliver the programs and services identified by our residents
## FY 2015 Budget: The Breakdown

<table>
<thead>
<tr>
<th>Fund</th>
<th>Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$812,386,625</td>
</tr>
<tr>
<td>Enterprise Funds</td>
<td>$131,354,377</td>
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<tr>
<td>Special Revenue Funds</td>
<td>$59,104,682</td>
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<tr>
<td>Internal Service Funds</td>
<td>$100,117,027</td>
</tr>
<tr>
<td>Total Operating Funds</td>
<td>$1,102,962,711</td>
</tr>
<tr>
<td>Capital Improvement Plan</td>
<td>$104,053,800</td>
</tr>
<tr>
<td>Total Operating and Capital Funds</td>
<td>$1,207,016,511</td>
</tr>
<tr>
<td>Annual Plan for HUD Block Grants</td>
<td>$5,421,897</td>
</tr>
<tr>
<td>Total Financial Plan</td>
<td>$1,212,438,408</td>
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Well-Managed Government