

CITY COUNCIL

Kenneth Cooper Alexander, Mayor

Martin A. Thomas Jr., Vice Mayor, Ward 1

Courtney Doyle, Ward 2

Mamie B. Johnson, Ward 3

Paul R. Riddick, Ward 4

Thomas R. Smigiel Jr., Ward 5

Andria P. McClellan, Super Ward 6

Angelia Williams Graves, Super Ward 7

ADOPTED FY 2020

BUDGET IN BRIEF

CITY MANAGER

Douglas L. Smith

IMPORTANT DATES

March 26, City Manager's Budget Proposal

April 10, Budget Public Hearing

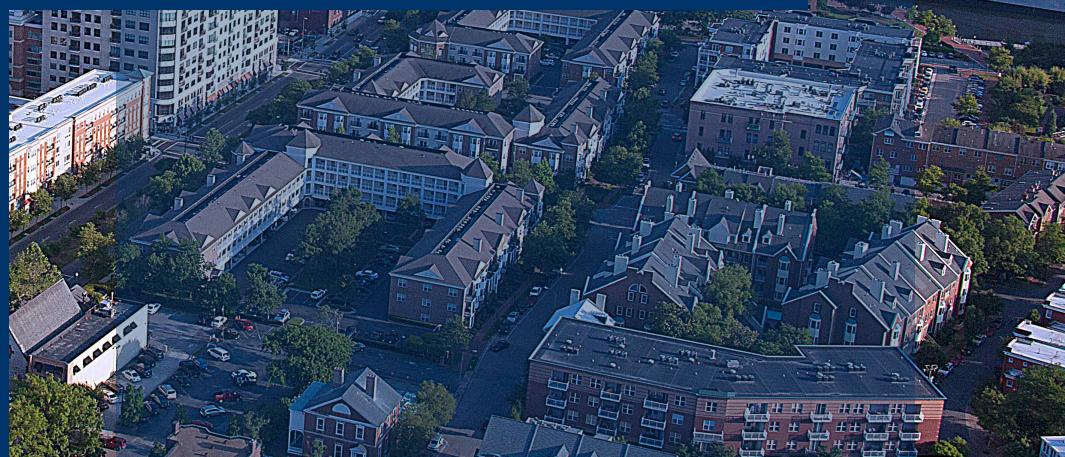
May 7, Public Hearing on the Real Estate Tax Rate

May 14, Budget Adoption

“How we spend our money says a lot about who we are.
CITY MANAGER, DOUGLAS L. SMITH”



The Budget in Brief includes highlights of the Adopted 2020 Budget. For additional details, please visit the city's website at www.norfolk.gov.



MESSAGE FROM THE CITY MANAGER

This year's budget focuses on strengthening our capacity to do great things.

Strengthening our capacity means we are investing in the core services of local government. It's what we should do, and what our residents expect.

We have a greater capacity to change today than in years past. We are making good financial choices to prepare for what's next. We are choosing what's right over what's easy.

We are emphasizing City Council and resident priorities - investing in storm water, schools, and public safety. Our commitment to replacing outdated equipment ensures we are able to continue providing core services to residents.

We are planning for new resources to tackle climate change, enhance lifelong learning, and embrace diversity and inclusion. We are seizing big opportunities and creating a people-centric, multi-modal transportation system. We will strengthen our position as the arts and culture hub of the region, with a major renovation of Chrysler Hall.

We have a strategic plan to guide us, new departments to lead us, and we are building partnerships for regional strength.

We will continue our relentless efforts to make Norfolk the most connected, collaborative, creative, and competitive community.


City Manager

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FY 2020 BUDGET HIGHLIGHTS

- No tax rate increases
- Increase to waste management fee of \$2 to continue city recycling program
- Increase to non-residential storm water fee to match residential rate
- Additional \$3 million in schools operating support, matching School Board Budget
- Support for City Council priorities including Diversity and Inclusion, Lifelong Learning, and Climate Change
- Investment in Norfolk Animal Care and Adoption Center (NACC) for additional staff and a new mobile pet adoption unit
- Support for regional public safety initiatives to advance preparation and response to critical incidents
- New positions to expand landscape beautification and patrolling and programming at city parks
- Salary increase for Team Norfolk

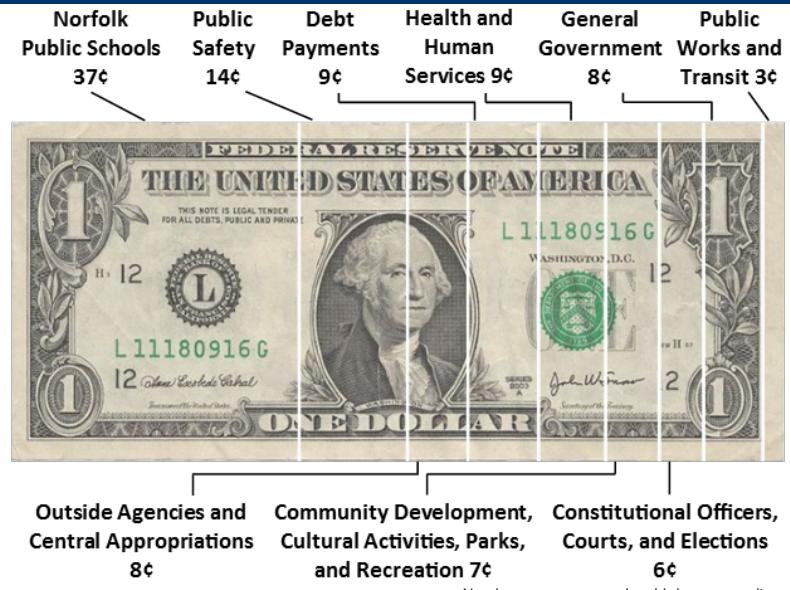


FUNDING CITY SERVICES

City services are provided through six different types of funds. The General Fund, made up of property taxes, permits, and fees, funds the city's daily operations and services. Internal service funds are for charges between city departments and partners. Special revenue and enterprise funds use revenue restricted for specific purposes. For example, money made from parking garages can only pay for parking operations. The Capital Projects Fund uses debt or cash to pay for construction projects and other capital purchases. Grant funds use money received from the state government, federal government, or private organizations to pay for grant implementation. Each of these funds is shown below, with examples.



HOW EACH DOLLAR IS SPENT



A summary of the Adopted Financial Plan is shown below:

ADOPTED FY 2020 FINANCIAL PLAN	
FUND	ADOPTED BUDGET
General Fund	\$901,882,729
Enterprise Funds	\$175,256,465
Special Revenue Funds	\$49,685,256
Internal Service Funds	\$103,593,118
Total Operating Funds	\$ 1,230,417,568
Capital Improvement Plan	\$133,885,700
Total Operating and Capital Funds	\$1,356,567,168
Annual Plan for HUD Block Grants	\$7,434,685
Annual Grants Plan	\$28,750,306
Total Financial Plan	\$1,400,488,259

INCLUSIVE & TRANSPARENT PROCESS

The city started budget discussions in October, with an \$8.2 million projected budget gap. This means that if the city continued to provide the same services with no changes, costs would be \$8.2 million more than expected revenue. In order to close the \$8.2 million gap, we had to make tough choices.

To help make these tough choices, the Office of Budget and Strategic Planning uses online tools and in-person meetings to engage residents. Last year we launched two online tools – Taxpayer Receipt and Balancing Act. This year we added another online tool – the Budget Bracket Challenge – a March Madness-style tournament where residents are asked which city programs they would prefer to give additional funding to, if available.

- We engaged more than 275 residents in person at 12 Civic League meetings
- Balancing Act inserts went to 60,000 property owners in the Real Estate Assessment notice, resulting in more than 1,400 page views and 150 submitted budgets
- We have received over 800 bracket challenge submissions



INCLUSIVE & TRANSPARENT PROCESS

We are also inclusive internally, bringing together leaders from multiple departments to review the budget. Two committees, the Capital Budget Committee and the Operating Budget Committee, met to discuss the needs of each department and consider how to spend the city's limited resources.

The Operating Committee asked city departments to identify efficiencies and cost saving strategies to continue to provide our core services. Public Safety, Constitutional Offices, and Council Appointees were not asked to submit reduction strategies. Some of the savings strategies in the budget include:

- Removing positions that had been vacant for over one year
- Consolidating the services provided by the Office to End Homelessness under the Norfolk Services Board
- Reducing funding for internal office construction projects
- Reducing custodial services at low-traffic facilities

Finding these savings allowed the city to pay for other resident and City Council priorities.



NORFOLK PUBLIC SCHOOLS

During budget engagement events residents communicated the importance of funding Norfolk Public Schools (NPS). Last year, City Council instituted a revenue sharing formula that ensures NPS shares in the success of the city. As local revenue increases, NPS receives more funding. For FY 2020, NPS will receive an additional \$3 million. This matches the School Board approved budget. The city's capital improvement plan (CIP) also invests \$20 million over the next five years for schools, including \$15 million for major school maintenance and \$5 million for school buses.

NPS Local Revenue Allocation

Projected (in millions)

LOCAL REVENUE	FY 2019	FY 2020
Total Revenue to be Allocated	\$416.2	\$426.3
Percent of Revenue Share	29.55	29.55
Local Contribution	\$123	\$126
\$ Growth from Previous Year	\$5	\$3

Benefits of a Revenue Sharing Formula



CREATING AN INNOVATIVE CITY

As a city we emphasize innovation. Team Norfolk – the 5,000 strong employees who come to work for residents every day - challenge themselves to find better, more efficient ways to provide core services. The Adopted FY 2020 Budget invests in programs that encourage innovation and creative problem solving. It also invests in our city employees, who are the bedrock of what we do.

OPEN DATA



- Make data available to everyone
- Use it to improve service delivery
- Share it to inform decision-making

GAINSHARING



- Submit ideas that save the city money
- Survive the "Shark Tank" style competition
- Earn some cash

AGILE TEAM NORFOLK



- Train employees on how to improve processes
- Identify and implement process improvements
- Reach a large audience (290 employees in 2018)

Team Norfolk salary increase, effective January 2020:

- Two percent for general and constitutional officer employees
- Step increase for sworn Police and Fire-Rescue
- Continues second year of four-year sworn Sheriff deputy pay plan
- New pay plan for Benefit Eligibility Workers, effective July 2019



MAKING GOOD FINANCIAL CHOICES

When it comes to allocating resources, new flashy investments tend to grab the headlines. Behind the scenes, the Proposed FY 2020 Budget makes the right financial choices. These choices are not always the easiest, but we know they are what's best for the future of the city.

City Council recently voted to strengthen our financial policies to better protect the city's financial future. The updated financial policies provide a higher level of reserves, improve how we fund our pension liability, strengthen the financial position of our enterprise funds, and strengthen our debt management policies.



MAKING GOOD FINANCIAL CHOICES

Up-to-date equipment allows the city to perform core services efficiently and effectively. For example, new street sweepers help keep debris out of our storm drains, so they function well during large rain events.

During and after the last economic recession, the city put these large purchases on hold, causing a backlog of needs. Last year, City Council began to address this backlog, and the Adopted FY 2020 Budget invests nearly \$13 million in equipment, vehicles, and technology. Even more importantly, 77 percent of these purchases are paid for without debt. This will help reduce the amount the city pays each year in debt service.

Information technology investment highlights

- Continue replacement of public safety radios
- Digitize permit and event application process
- Replace the video camera system at the Juvenile Detention Center
- Upgrade security access systems at city facilities

Vehicle and equipment investment highlights

- 25 Police vehicles
- 1 Fire ladder truck
- 2 Street sweepers
- 7 Trash trucks





STRENGTHENING COUNCIL PRIORITIES

While we continue to provide core services, we are also investing in City Council and resident priorities.

DIVERSITY AND INCLUSION

A new Diversity and Inclusion Officer will enhance the equitable treatment of employees, neighborhoods, businesses, and residents. The Diversity and Inclusion Officer will also address disparities in health, job opportunities, mobility, and income within the community.

CLIMATE CHANGE COMMISSION

The budget adds an Environmental Services Manager position. The Mayor's Advisory Commission on Climate Change Mitigation and Adaptation has recommended strategies to address climate vulnerability with a focus on reducing greenhouse gas emissions. This person will help to implement those strategies.

LIFELONG LEARNING COMMISSION

The budget adds \$100,000 to implement the recommendations of the Mayor's Commission on Lifelong Learning, and explore ways that Norfolk can improve upon the city's network of learning opportunities for residents of all ages.



STRENGTHENING COUNCIL PRIORITIES

PUBLIC SAFETY

The budget includes financial support to develop a common operating picture (COP) and explore systems that strengthen the region's ability to respond to critical incidents. The city recently received a \$250,000 grant from Urban Area Security Initiative to create a COP working group. The working group will analyze current government systems to maximize existing tools. The final result will be a plan for regional data sharing.

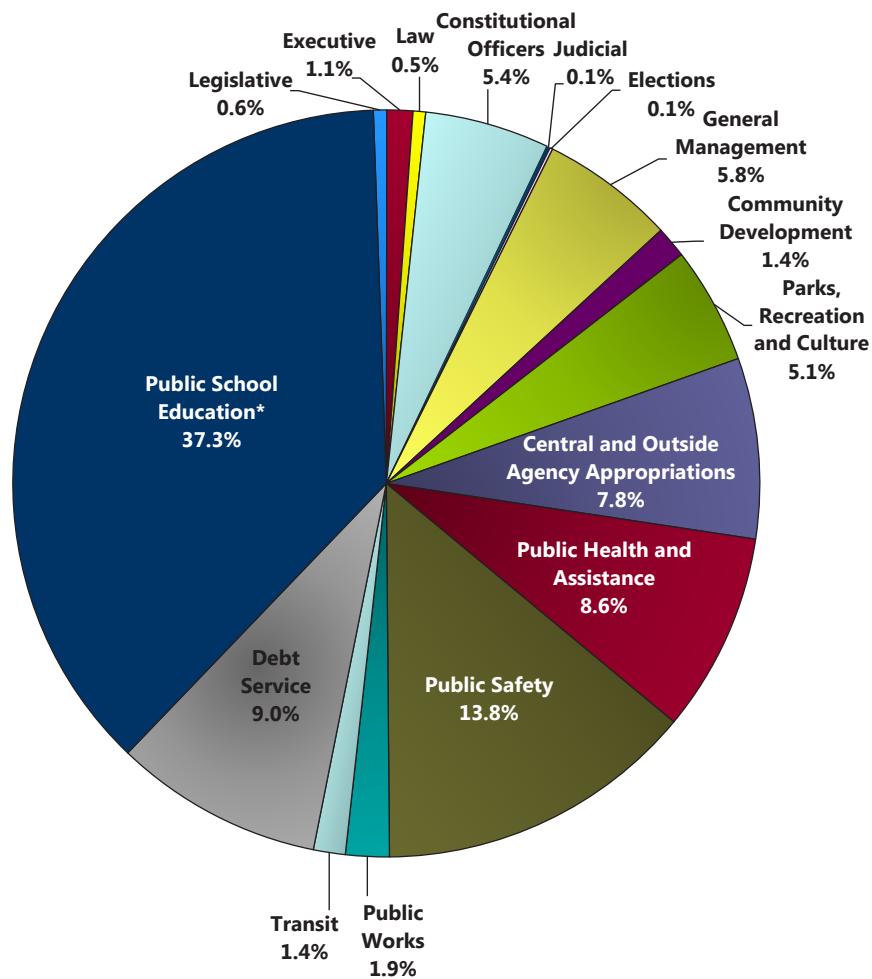
NORFOLK ANIMAL CARE CENTER

This budget also prioritizes the recent discussion and recommendations around the Norfolk Animal Care and Adoption Center (NACC).

- Two additional Animal Caretaker positions will be added to the operating budget.
- The city recently secured grant funding for a mobile pet adoption unit.
- The Capital Improvement Plan earmarks \$1 million over the next five years for NACC's physical space. The capital funds will be used initially to assess whether to expand NACC's current location or explore options to relocate.

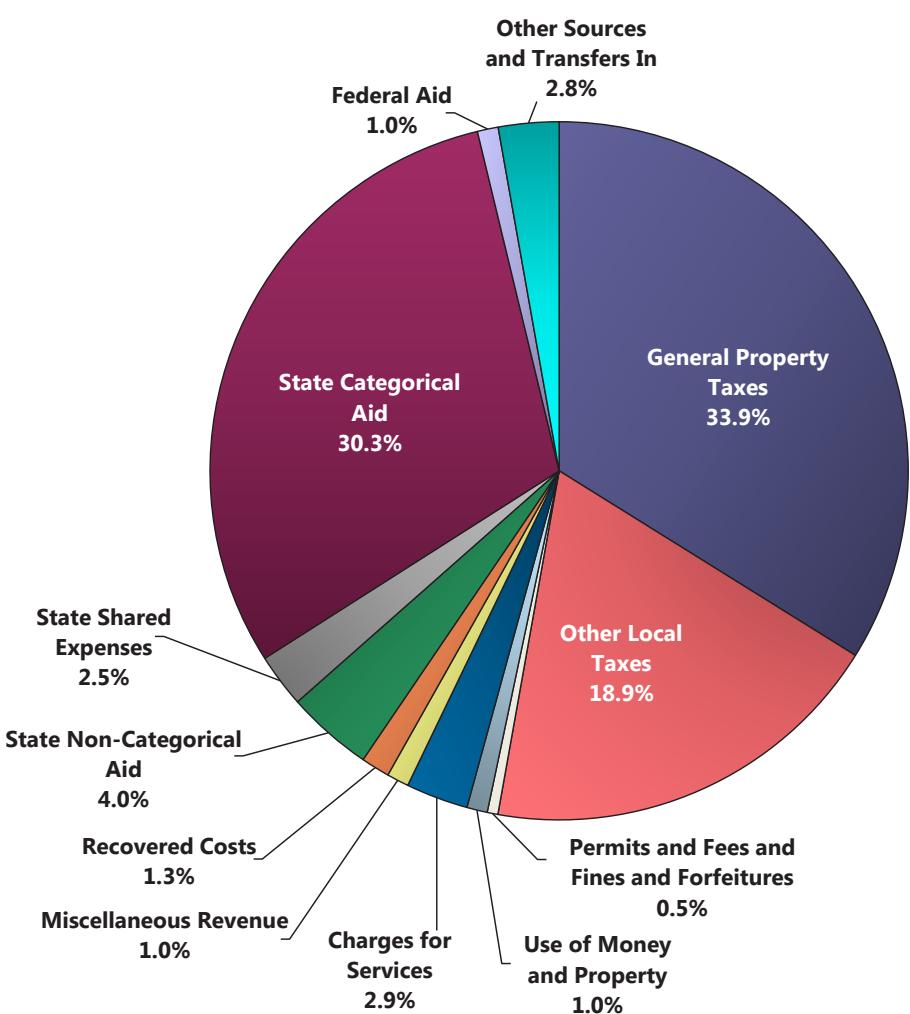
GENERAL FUND EXPENDITURES AT A GLANCE

Proposed FY 2020 General Fund Expenditures by Area



GENERAL FUND REVENUES AT A GLANCE

Proposed FY 2020 General Fund Revenues by Source





STRENGTHENING COUNCIL PRIORITIES

STORM WATER

Storm water flooding is an issue in which we must continue to invest locally. The city cannot rely on state or federal funding to resolve our flooding challenges. The budget equalizes storm water fees among commercial and residential customers. This aligns Norfolk with other Hampton Roads localities. There will be no change to residential rates. The monthly non-residential rate will increase to \$12.05 per equivalent residential unit (ERU).

In FY 2020, this will generate an additional \$3.8 million in revenue. New revenue will allow us to tackle more storm water flooding projects more quickly. In addition, the city will hire a Coastal Engineer to complement our team of resilience experts. The position will lead the city in large scale coastal resilience capital projects including the Ohio Creek Watershed in Chesterfield Heights and Grandy Village.



STRENGTHENING COUNCIL PRIORITIES

RECYCLING

Residents have told us they value the recycling program. A resident survey that showed 62.4 percent of residents supported continuation of the recycling program.

However, the cost to recycle has increased as China is buying fewer recycled goods. This is affecting communities across the United States.

After discussions with City Council and residents, the city has committed to continuing the recycling program. The Waste Management fee for recycling will increase by \$2 a month beginning in July, from \$25.01 to \$27.01 per month.





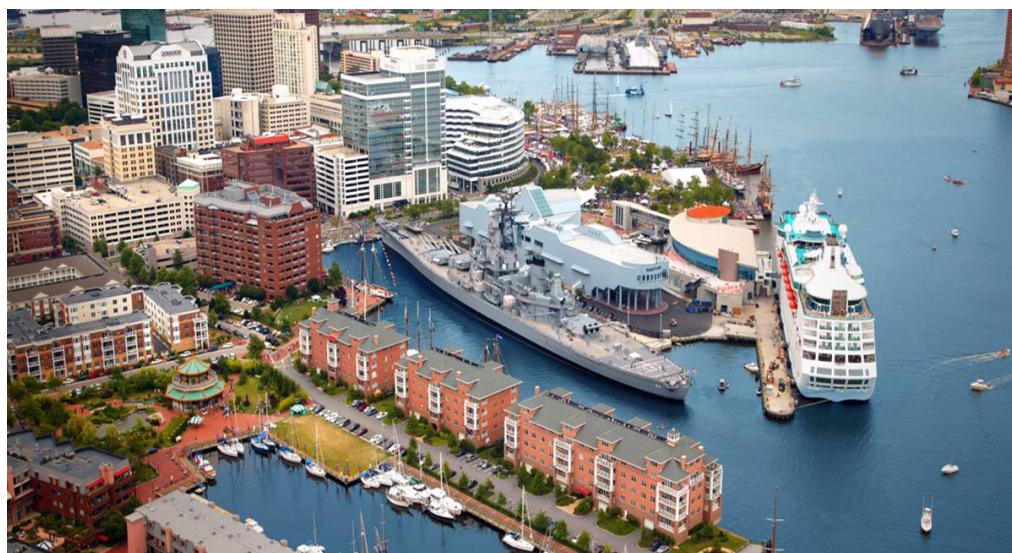
FY 2020 - 2024 CIP OVERVIEW

The Capital Improvement Plan funds large projects, typically with debt, that is repaid over time.

The Adopted FY 2020 – FY 2024 Capital Improvement Plan (CIP) focuses on maintaining infrastructure to manage the city's long-term debt. A maintenance CIP helps to keep costs manageable while still advancing key projects.

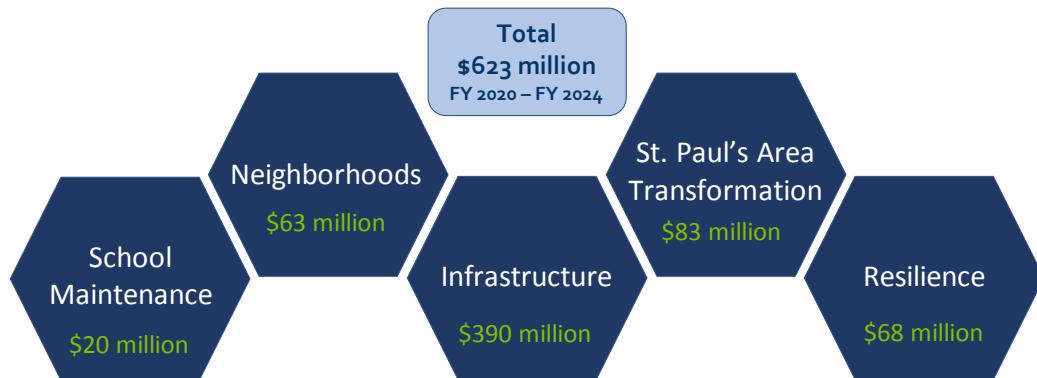
We are investing more than \$623 million in capital improvements in five major priority areas over the next five years:

- \$390 million in city infrastructure
- \$83 million for the St. Paul's Area Transformation
- \$68 million in flood mitigation and resilience projects
- \$63 million in neighborhoods
- \$20 million in school maintenance



FY 2020 - 2024 CIP OVERVIEW

Strengthening our Infrastructure



Numbers may not exactly add due to rounding

Some of the major projects included in the five-year capital plan include:

- \$40 million for renovations to Chrysler Hall
- \$3.9 million in funds to repair and install new sidewalks
- \$18 million to raise the downtown flood wall to align with new FEMA requirements
- \$5.4 million to replace 94-year-old Fire Station 11



STRENGTHENING COUNCIL PRIORITIES

ST. PAUL'S AREA TRANSFORMATION

This budget creates a new division called St. Paul's Area Transformation. The division will manage the redevelopment project and provide oversight to People First services. The division is funded by last year's 1.9 cents real estate tax designation.

The city is also committing \$300,000 to support an independent St. Paul's Community Development Corporation, which will offer expertise in redevelopment and the ability to accept philanthropy.



The Capital Improvement Plan includes \$83 million over the next five years in the St. Paul's area. This includes funding for a new utilities headquarters as well as roads, water, wastewater, and storm water infrastructure.

STRENGTHENING COUNCIL PRIORITIES

TRANSIT

In FY 2020 we will establish a new Department of Transit. This will position the city to focus more clearly on a broad strategy to capitalize on our multi-modal assets.

A new comprehensive plan will serve as the blueprint for all modes of transportation including bike, pedestrian, public transit, freight, and automobile. The goal is to develop people-focused and safety-minded projects that reflect the unique needs of the neighborhoods and businesses that our transportation system serves.

The budget provides \$600,000 in FY 2020 to develop the Multi-modal Transportation Master Plan, and \$8.3 million over the next five years for streets, signals and intersections in our Capital Improvement Plan.



UPDATE ON FY 2019 REAL ESTATE TAX INCREASE

The table below summarizes how the tax increase was spent.

POLICY INITIATIVE	FY 2019 INVESTMENT	REAL ESTATE TAX INCREASE
Norfolk Public Schools	\$5,000,000	2.70 Cents
No Budget Reduction for Norfolk Police Department	\$1,200,000	0.65 Cents
Resilience Initiatives	\$1,850,000	1.00 Cent
Technology, Vehicles & Equipment	\$3,864,000	2.08 Cents
Employee Salary Increases	\$3,086,000	1.67 Cents
St. Paul's People First & Redevelopment Initiatives	\$3,500,000	1.90 Cents
Total	\$18,500,000	10.00 Cents

UPDATE ON FY 2019 REAL ESTATE TAX INCREASE

- \$5.0 million increase to the city's ongoing support for Norfolk Public Schools (NPS).** This funding increase was primarily used to boost pay – average 3.3 percent for teachers, average 3.2 percent for administrators, average five percent for bus drivers.
- \$1.2 million to maintain level funding for the Norfolk Police Department.** Sworn force remained unchanged and the Police Department implemented a third Police Academy. The city has achieved historic, double-digit reductions in crime two years in a row.
- \$1.85 million for resilience initiatives in the St. Paul's Area Transformation.** This supports three storm water projects in St. Paul's area, Virginia Beach Boulevard, and Brambleton Avenue.
- \$3.9 million for technology, vehicles, and equipment.** The city began replacement of phones, servers, and Fire-Rescue radios, as well as 105 vehicles and pieces of equipment. This replacement continues in the Adopted FY 2020 Budget.
- \$3.1 million for employee salary increases.** This supported a two percent general wage increase for General and Constitutional Officer employees and a step increase for sworn Police and Fire-Rescue. The city also redesigned pay plans for Sworn Sheriff deputies and 911 Telecommunicators.
- \$3.5 million for St. Paul's People First and redevelopment initiatives.** People First services are underway, which provide individualized case management to the residents of the affected public housing communities. HUD has since awarded Norfolk a \$30 million Choice Neighborhood Initiatives grant. The \$3.5 million committed to this program in FY 2019 will grow to \$3.7 million in FY 2020.





POLICY INITIATIVES: A LOOK BACK

Last year's budget provided a road map of policy initiatives, including developing an inclusive economic growth strategy, advancing a comprehensive transportation strategy, collaborating with Norfolk Public Schools to advance Career Technical Education (CTE) opportunities, delivering a retirement reform plan for past, present, and future city employees, developing a citywide Recreation, Parks, and Open Space plan, and completing the administration's five-year strategic plan.

- The Inclusive Economic Growth strategy outlines the goals of growth, prosperity and inclusion that are key to ensuring that all residents benefit from Norfolk's success.
- The new Department of Transit has outlined a vision for advancing a comprehensive transportation system that moves people safely and connects residents to jobs.
- We are collaborating with NPS and other key stakeholders to explore future CTE opportunities.
- The recently completed master agreement for RPOS provides performance and structure recommendations to strengthen and redefine the department. The results of the assessment were recently presented to City Council.
- The strategic plan will be implemented along with the FY 2020 budget and will define goals and strategies around the focus areas depicted below.



POLICY INITIATIVES: A LOOK FORWARD

The work of transforming the St. Paul's area into a thriving, mixed-use, mixed-income community continues to be a top priority. The People First team will focus on ensuring the best possible transition for residents in the first redevelopment phase. The new Diversity and Inclusion Officer will lead the way on developing and implementing a citywide diversity and inclusion plan, to ensure that all feel welcome in the City of Norfolk.

Other policy initiatives include:

- A review of the current real estate tax relief program and potential process improvements
- A comprehensive facility strategy to identify how current and future needs shape the way we make decisions on our buildings and resources





LOOKING AHEAD

Right now, the city is doing well financially:

- Local tax revenues continue to grow. Real estate assessments are projected to grow 3.7 percent, the highest since FY 2009. Growth is important because real estate tax revenue is the largest source of local revenue, and goes a long way to fund city services.
- Our maintenance CIP of the last four years has slowed the increase in debt service costs.
- City Council adopted new financial policies that will strengthen the city's finances in the long-run.

However, we are in the midst of the largest economic expansion in history and all business cycles come to an end. It is important that the city continue making the right financial choices to prepare for what the future holds.



LOOKING AHEAD

This budget builds on the bold initiatives started last year. We are making responsible financial decisions and tackling resident and City Council priorities – investing in storm water, schools, and public safety. We are choosing what's right over what's easy.

We are seizing big opportunities:

- St. Paul's Area Transformation
- Multi-Modal Transportation System
- Regional Public Safety Coordination
- Investments in our Cultural Facilities
- Capacity for Climate Change, Lifelong Learning, and Diversity and Inclusion

We are providing predictable funding for Norfolk Public Schools.

We are investing in the equipment needs that will bolster our core services.

And we will continue our work to make Norfolk the most connected, collaborative, creative, and competitive community.

