

MEMORANDUM

TO: City Council

CC TO: DCM's; Greg Patrick, Budget Director

FROM: Dr. Chip Filer, City Manager

SUBJECT: Post-COVID19 Revisions to Outside Agency Funding for FY21

DATE: 5/8/2020

Thank you for your questions during our worksession on May 5th. While I did not present a plethora of new information outside of the discussion on reserves, the questions from council were helpful. Staff have been grappling with the types of materials you need to help you vote on the 19th considering the radical changes to the fiscal environment. I think we all recognize that we can't produce a full Post-COVID19 budget book. So, your comments on the 5th provided insight into the types of materials and the level of detail you need as a council to assist with your budget vote on the 19th.

With that in mind, attached is the first of several new documents intended to provide more detail on major changes in the budget. The attached document provides the revisions to Outside Agency funding.

Some specific changes are worth highlighting:

1. The pre-COVID19 budget recommended for 10% cuts across the board for the Norfolk Consortium. We are not recommending additional cuts in response to the pandemic. Therefore, those organizations will show a zero in the "Change FY21 Proposed-Revised." This is a necessary cut to arts and culture, and I recognize the difficult decisions that these organizations face considering these proposed cuts. However, it is important to note that the current designation of bed taxes to the Norfolk Consortium and VisitNorfolk provides an automatic increase in funding should the economic situation improve, and bed tax revenue outpace our current forecast (page 2).
2. We are eliminating all Human Services grants for FY21. These funds are typically expended by the Human Services department to partners providing services. The intention here is not to fully eliminate funding, but to centralize funding requests in the City Managers office for FY21. I will still work closely with Human Services through the year. We will be very conservative in providing any of this funding prior to December 2021.

Teens With a Purpose has been and continues to be a terrific partner for the city. Historically, they have applied and been given funding out of these grant funds. However, I am recommending that they move from the grant program to a funded line-item in the budget (page 5).

3. On pages 4-6, you will see nearly every row in the last column with negative numbers. This reflects 10% reductions across all outside agency partners previously not recommended in the pre-COVID19 budget. It is

vital that we achieve an aggregate 10% reduction in spending across this category of spending. Therefore, I am going to recommend across the board cuts of 10% rather than try to make decisions on which groups to keep whole and which to then reduce even further. Two organizations (Norfolk Criminal Justice Services and Hampton Roads Workforce Council) are not receiving additional cuts due to contractual obligations (top of Page 5).

4. I am proposing a significant change to the way we fund Nauticus and the Zoo in FY21. These two organizations have two “flavors” of funding. We provide both base support and a revenue share. I am recommending 50% cuts to their base support. This means that Nauticus base support falls from \$250,000 to \$125,000. Zoo base support falls from \$325,000 to \$162,500. However, to potentially offset that loss, I suggest we lower the revenue share threshold. The threshold is a level of gate receipts such that every dollar in excess of that amount is shared 50-50 between the facility and the city.

I recommend that we lower the Nauticus level from \$1.8M to \$1.4M and the Zoo from \$1.86M to \$1.55M. These new floors were set to a “break-even” amount based on worst-case revenue projections for FY21. Should conditions improve, there is a high probability for both attractions to wind up recouping the cuts through the revenue share (Page 6). As an aside, I believe we should move several other agencies with revenue producing opportunities to this model. I firmly believe that providing our partners with less base funding, but a bigger share of the upside associated with revenue creates a healthier partnership. However, this is a topic for another time!

5. I am recommending that NRHA administrative support from the city remain at \$1,300,000 which reflects FY20 levels (page 8).

Overall, this outside agency funding recommendation represents \$3.5M in savings in FY21 as reflected on the bottom of page 9. This is a sizable reduction, but it provides needed insulation from further staffing reductions in city administration. Also, while the aggregate amount seems large, recognize that nearly every organization is still receiving 90% of our pre-COVID19 funding level.

I appreciate your patience as we worked to rerun numbers and provide you with the best possible recommendation to see us through this difficult time. Should you have any questions please contact me. Otherwise, we will discuss this in more detail on Tuesday, May 12th.

Sincerely,
Chip

Dr. Chip Filer - City Manager



Office of the City Manager

1101 City Hall Building

810 Union Street

Norfolk, Virginia 23510

757-664-4242 direct

Outside Agency Appropriations



Outside Agencies

The City of Norfolk recognizes partnerships with outside organizations and agencies as vital to optimally support citywide priorities. These agencies provide services, programming, and events the city cannot provide alone. The city partners directly with outside agencies through funding for operational support or in support of a new initiative. Having a wider range of cultural and entertainment amenities contributes to the economic health of the city and augments its attractiveness as a potential locale for business relocation.

Norfolk Consortium

Arts and culture are integral to community attachment and satisfaction in the City of Norfolk. Arts and culture organizations help identify the underlying character, the unique meaning, and value of the city. The city's intrinsic nature is ever changing and evolving to meet the needs of the community. To preserve and enhance this local identity and uniqueness, the Norfolk Consortium was created in FY 2012. Through the Consortium, the city's large event organizations encourage collaborative service delivery, revenue growth, reduce duplication, and co-sponsor large scale events. The Consortium's contribution is invaluable to the city's economic vitality, quality of life, and sense of place. These member organizations define the City of Norfolk as the cultural center of the Hampton Roads region.

Consortium members include: Arts and Entertainment, Chrysler Museum, Cultural Facilities, MacArthur Memorial, Norfolk Botanical Garden, Norfolk Commission on the Arts and Humanities, Norfolk Convention and Visitor's Bureau (Visit Norfolk), Norfolk Festevents, Norfolk NATO Festival, Nauticus, Virginia Arts Festival, Virginia Opera, Virginia Stage Company, Virginia Symphony, and Virginia Zoo.

Through a strategic and holistic approach, sponsored activities result in increased revenues and a leveraging of non-city resources. Financial support in FY 2021 is provided through the General Fund and other sources:

Norfolk Consortium Financial Support

Source	FY 2021 Proposed (A) (pre-Covid-19)	FY 2021 Revised (B) (post-Covid-19)
General Fund Member Support	\$6,814,618	\$6,826,614
Norfolk Consortium Bed Tax ^{1,2}	\$1,120,000	\$784,000
Public Amenities	\$3,500,000	\$3,500,000
Flat Bed Tax dedicated to Visit Norfolk ^{1,2}	\$1,120,000	\$784,000
TOTAL	\$12,554,618	\$11,894,614

¹Actual amounts distributed from bed tax may vary depending on actual revenue collected.

²Amount subject to change prior to final budget recommendation

Norfolk Consortium Member Funding

Consortium Member (does not include city departments)			
Member	FY 2020 Adopted	FY 2021 Proposed (A) (pre-Covid-19)	FY 2021 Revised (B) (post-Covid-19)
Chrysler Museum of Art	\$2,928,047	\$2,637,363	\$2,637,363
Norfolk Botanical Garden	\$1,232,497	\$1,110,459	\$1,110,459
Norfolk Commission on the Arts and Humanities	\$248,338	\$223,504	\$0
Norfolk Convention and Visitor's Bureau (Visit Norfolk)	\$4,925,304	\$4,572,274	\$4,236,274
Norfolk Festevents	\$2,240,820	\$2,022,194	\$2,022,194
Norfolk NATO Festival	\$185,063	\$167,769	\$167,769
Virginia Arts Festival	\$982,851	\$889,111	\$889,111
Virginia Opera	\$318,255	\$288,248	\$288,248
Virginia Stage Company	\$293,755	\$266,198	\$266,198
Virginia Symphony	\$305,755	\$276,998	\$276,998
Citywide Marketing	\$100,500	\$100,500	\$0
TOTAL	\$13,761,185	\$12,554,618	\$11,894,614

OUTSIDE AGENCY FUNDING

	FY 2020 Adopted	FY 2021 Proposed (pre-Covid-19)	FY 2021 Revised (post-Covid-19)	Change FY 2020 Adopted - Proposed	Change FY 2021 Proposed - Revised
Grant Providers on behalf of City					
Norfolk Commission on the Arts & Humanities					
Pass through grants to arts agencies; Housed in Cultural Facilities, Arts and Entertainment.	248,338	223,504	0	-24,834	-223,504
Norfolk Department of Human Services Grants					
Pass through grants to local social services agencies; Managed by Human Services	662,177	662,177	0	0	-662,177
SUBTOTAL	910,515	885,681	0	-24,834	-885,681
Funds to Community Partners					
Downtown Norfolk Council					
General operating support	120,000	120,000	108,000	0	-12,000
Eastern Virginia Medical School					
General operating support	709,348	709,348	638,413	0	-70,935
Friends of Fred Heutte					
General operating support	17,500	17,500	15,750	0	-1,750
The Governor's School for the Arts					
General operating support	50,000	50,000	45,000	0	-5,000
Garden of Hope (Second Chances)					
General operating support	435,000	435,000	391,500	0	-43,500
Legal Aid Society of Eastern Virginia					
General operating support	9,964	9,964	8,968	0	-996
Norfolk Behavioral Health Docket					
General operating support	0	50,000	0	50,000	-50,000

	FY 2020 Adopted	FY 2021 Proposed (pre-Covid-19)	FY 2021 Revised (post-Covid-19)	Change FY 2020 Adopted - Proposed	Change FY 2021 Proposed - Revised
Norfolk Criminal Justice Services					
General operating support	88,932	88,932	88,932	0	0
Norfolk Sister City Association					
General operating support	65,000	65,000	58,500	0	-6,500
Hampton Roads Workforce Council (Opportunity Inc.)					
Workforce development	61,598	61,598	61,598	0	0
Southside Boys and Girls Club at Diggs Town					
General operating support	75,000	75,000	67,500	0	-7,500
St. Mary's Home for the Disabled					
General operating support	20,000	20,000	18,000	0	-2,000
St. Paul's Community Development Corporation					
General operating support	300,000	300,000	0	0	-300,000
Square One					
General operating support	37,336	37,336	33,602	0	-3,734
Teens with a Purpose					
General operating support - (Youth Leadership and Development)	0	0	54,000	0	54,000
The Urban Renewal Center					
General operating support - (Youth Leadership Camp)	20,000	20,000	18,000	0	-2,000
SUBTOTAL	2,009,678	2,059,678	1,607,763	50,000	-451,915
Public-Private Partnerships for City- Owned Facilities					
Chrysler Museum					
General operating support	2,928,047	2,637,363	2,637,363	-290,684	0

	FY 2020 Adopted	FY 2021 Proposed (pre-Covid-19)	FY 2021 Revised (post-Covid-19)	Change FY 2020 Adopted - Proposed	Change FY 2021 Proposed - Revised
Nauticus Foundation					
Incentive Agreement - Provides 50 percent of gate receipts in excess of \$1.4 million in FY 2021	222,992	234,222	125,000	11,230	-109,222
Nauticus Foundation - Exhibits	250,000	250,000	125,000	0	-125,000
Norfolk Botanical Garden					
General operating support.	1,232,497	1,110,459	1,110,459	-122,038	0
Norfolk Botanical Gardens - Capital Campaign	100,000	0	0	-100,000	0
Virginia Zoo Society					
General operating support	325,000	325,000	162,500	0	-162,500
Incentive Agreement - Provides 50 percent of gate receipts in excess of \$1.55 million in FY 2021	295,000	295,000	212,500	0	-82,500
SUBTOTAL	5,353,536	4,852,044	4,372,822	-501,492	-479,222
Public-Private Partnerships for Tourism and Special Event Organizations					
Arts and Culture Activities					
General operating support	50,000	0	0	-50,000	0
Caribfest					
General operating support	50,000	50,000	45,000	0	-5,000
Hampton Roads Pride					
General operating support	50,000	50,000	45,000	0	-5,000
Hampton Roads Sports Commission					
General operating support	36,000	36,000	0	0	-36,000
Norfolk Consortium					
Citywide Marketing Efforts	100,500	100,500	0	0	-100,500

	FY 2020 Adopted	FY 2021 Proposed (pre-Covid-19)	FY 2021 Revised (post-Covid-19)	Change FY 2020 Adopted - Proposed	Change FY 2021 Proposed - Revised
Norfolk Convention and Visitors Bureau	3,830,304	3,452,274	3,452,274	-378,030	0
General operating support.					
Revenue from \$1 flat bed tax (subject to change)	1,095,000	1,120,000	784,000	25,000	-336,000
Norfolk Festevents	2,144,632	1,928,503	1,928,503	-216,129	0
General operating support					
Jazz Festival	71,188	71,188	71,188	0	0
Ocean View Programming	25,000	22,500	22,500	-2,500	0
Norfolk Festevents Subtotal	2,240,820	2,022,191	2,022,191	-218,629	0
Virginia Arts Festival	817,555	740,345	740,345	-77,210	0
General operating support					
Special funding for Virginia Tattoo and Dance Series	165,296	148,766	148,766	-16,530	0
Norfolk NATO Festival	185,063	167,769	167,769	-17,294	0
Virginia Arts Festival Subtotal	1,167,914	1,056,880	1,056,880	-111,034	0
Virginia Opera	318,255	288,248	288,248	-30,007	0
General Operating Support					
Virginia Stage Company	293,755	266,198	266,198	-27,557	0
General Operating Support					
Virginia Symphony	305,755	276,998	276,998	-28,757	0
General Operating Support					
SUBTOTAL	9,538,303	8,719,289	8,236,789	-819,014	-482,500
Public Partnerships to Provide Services					

	FY 2020 Adopted	FY 2021 Proposed (pre-Covid-19)	FY 2021 Revised (post-Covid-19)	Change FY 2020 Adopted - Proposed	Change FY 2021 Proposed - Revised
Hampton Roads Transit (HRT)	20,153,240	20,633,600	20,153,240	480,360	-480,360
Transit Service					
Norfolk Redevelopment and Housing Authority					
Administrative support	1,300,000	1,400,000	1,300,000	100,000	-100,000
Rental and sublease of Monroe building for the Virginia Stage Company	112,167	0	0	-112,167	0
SUBTOTAL	21,565,407	22,033,600	21,453,240	468,193	-580,360
Contractual Obligations					
Economic Development Incentive Grants					
Economic Development Authority Incentive Grants	1,839,995	2,249,117	2,249,117	409,122	0
NRHA Economic Development Incentive Grants	2,449,271	1,675,323	1,675,323	-773,948	0
Hampton Roads Regional Jail	6,483,334	7,030,834	7,030,834	547,500	0
General Operating Support					
Housing First Program	140,000	140,000	140,000	0	0
Contract to provide homeless support					
Tidewater Community College	6,000	6,000	6,000	0	0
General operating support					
Tourism Infrastructure Repairs	1,140,000	1,179,000	825,300	39,000	-353,700
Revenue from one percent of the hotel tax (subject to change)					
Debt Service					
Waterside Marriot Convention Center	0	195,000	195,000	195,000	0
Maintenance subsidy agreement with hotel management compancy					
SUBTOTAL	12,058,600	12,475,274	12,121,574	416,674	-353,700
Hampton Roads Chamber of Commerce	12,000	12,000	12,000	0	0
Event Sponsorship					

	FY 2020 Adopted	FY 2021 Proposed (pre-Covid-19)	FY 2021 Revised (post-Covid-19)	Change FY 2020 Adopted - Proposed	Change FY 2021 Proposed - Revised
Hampton Roads Economic Development Alliance	244,703	283,129	283,129	38,426	0
Membership dues based on per capita expense					
Hampton Roads Military and Federal Facilities Alliance	123,544	123,544	123,544	0	0
Membership dues based on per capita expense					
Hampton Roads Planning District Commission	246,422	250,656	250,656	4,234	0
Membership dues based on per capita expense					
Virginia First Cities	47,438	47,438	47,438	0	0
Membership dues based on pro-rata population fee schedule					
Virginia Municipal League	59,340	61,869	61,869	2,529	0
Membership dues based on per capita expense					
SUBTOTAL	733,447	778,636	778,636	45,189	0
Other Arrangements					
Downtown Improvement District (DID) Pass Through Revenue	2,151,500	2,269,700	2,269,700	118,200	0
Revenue from special district real estate tax collections used for DID activities					
Downtown Improvement District (DID) Public and Performing Arts Group	65,272	0	0	-65,272	0
Revenue from special district real estate tax collections used for DID activities					
SUBTOTAL	2,216,772	2,269,700	2,269,700	52,928	0
TOTAL	54,386,258	54,073,902	50,840,524	-312,356	-3,233,378