Presentation Overview

1. Economic Outlook
2. Budget Overview and Guiding Principles
3. Proposed FY23 Operating Budget
4. Capital Budget Overview
5. Looking Ahead
Economic Outlook
Revenue Growth is Strong

• FY 2022 Revenue Outperforming Budget
  • Sales, Meals, Hotel, & Personal Property Taxes leading the way
  • Personal Property Tax collections projected at $10M over budget
    • Council providing relief that will give back more than half to residents

• FY 2023 Revenue projected above pre-COVID estimates
  • Real estate assessment growth @ 8.6 percent in FY 2023
  • Consumption tax revenue (sales, meals, hotel, admissions) expected to be strong
    • Patriotic Festival coming, traditional festival lineup to return
Residential Real Estate Assessments

Annual Percent Change of Residential Real Estate Assessments

Historical Growth in Residential Assessments
- 10-Year Avg. Annual Growth (2013 - 2023): 3.0%
- 20-Year Avg. Annual Growth (2003 - 2023): 5.4%
- 30-Year Avg. Annual Growth (1993 - 2023): 4.4%

Source: Real Estate Assessor’s Office Annual Report. *FY 2023 is proposed.
Ten-Year Growth in Residential Assessments below CPI

CPI: 12-month average of the CPI-U (not seasonally adjusted) in the period ending in July
Residential Assessments: assessed value of residential properties in the July 1 landbook
Residential Assessments: Actual and Average Growth

In billions:

- Actual
- 20-Year Average (5.2%)

- 16 cent decrease
- 8 cent decrease
- 5 cent decrease
- 4 cent Increase
- 10 cent Increase

Economic Outlook:

- 2.0c School Const.
- 1.0c NPS Oper.
- 1.0c City Oper.
- 2.7c NPS Rev Share
- 0.65c Police
- 1.67c GWI
- 1.0c Resilience
- 1.9c St. Paul's

Fiscal Year:

1. Employee recruiting and retention extremely competitive
   • Extremely tight labor market pushing costs and expectations higher
   • Most acutely felt in positions that provide “Core” government services
     • Police Officers, Refuse Collectors, Lifeguards, Equipment Operators, etc
   • Unlikely to wane in FY 2023

2. General inflation + pandemic specific expenses = volatile cost increases
   • Energy costs spiking (fuel, natural gas, electricity)
   • Contractual costs on IT infrastructure investments
   • Contractual costs increases due to increase in Virginia Minimum Wage
   • Construction costs escalations
Rising Energy Costs

### Electricity and Natural Gas
- Notified of impending rate increases beginning on July 1, 2022

### Gasoline and Diesel
- Gas prices rising daily
- Projecting 30% increase

### Cost Increases

<table>
<thead>
<tr>
<th>Type</th>
<th>General Fund Increase</th>
<th>All Funds Increase</th>
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</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>$1,160,565</td>
<td>$1,494,557</td>
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<tr>
<td>Natural Gas</td>
<td>$898,255</td>
<td>$920,180</td>
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<td>Gasoline and Diesel</td>
<td>$1,728,524</td>
<td>$3,634,047</td>
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<td>Energy Cost Reserve</td>
<td>$500,000</td>
<td>$500,000</td>
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<td><strong>Total</strong></td>
<td><strong>$4,287,344</strong></td>
<td><strong>$6,548,784</strong></td>
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Economic Outlook
FY 2023 Structural Deficit
(gap between ongoing revenues and ongoing expenditures, in millions)

FY 2023 Structural Deficit

October Retreat (Est.)  March Retreat (Est.)  FY 2023 Proposed Budget

($13.0)  ($11.3)  ($12.3)

- Structural Deficit in-line with projections
- Funded with Continuity of Services Set-aside / FY 2022 budget savings
### General Fund Operating Budget Forecast

**Scenario: Baseline**

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
<th>FY 2027</th>
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<tbody>
<tr>
<td>On-going Revenue</td>
<td>$739.5</td>
<td>$755.1</td>
<td>$799.8</td>
<td>$816.7</td>
<td>$834.8</td>
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<td>On-going Expenditures</td>
<td>$750.8</td>
<td>$774.2</td>
<td>$809.2</td>
<td>$826.4</td>
<td>$841.2</td>
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<td><strong>Cumulative Surplus/(Deficit)</strong></td>
<td><strong>($11.3)</strong></td>
<td><strong>($30.4)</strong></td>
<td><strong>($39.8)</strong></td>
<td><strong>($49.5)</strong></td>
<td><strong>($55.9)</strong></td>
</tr>
</tbody>
</table>

- Use of $48 million of ARPA funds and $8 million of FY 2022 surplus can close the structural gap under these assumptions.
Five Year Forecast

• Moderate revenue growth after this FY 2023 revenue spike
• Recurring structural deficits; begins to shrink in FY 2025, manageable by FY 2027
  • Council’s Financial Policies commit to structural balance as a fiscal goal
• Forecast indicates a combo of ARPA Continuity of Services funds & budget savings sufficient to close the cumulative five-year gap with:
  • No reduction to services
  • No tax rate increases
• Will continue to monitor results and refine forecast
Budget Overview and Guiding Principles
## Proposed FY 2023 Financial Plan

<table>
<thead>
<tr>
<th>Fund</th>
<th>Proposed Budget</th>
</tr>
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<tbody>
<tr>
<td>General Fund</td>
<td>$1,005,474,433</td>
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<tr>
<td>Enterprise Funds</td>
<td>$188,569,726</td>
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<td>Special Revenue Funds</td>
<td>$50,928,594</td>
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<td>Internal Service Funds</td>
<td>$117,374,103</td>
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<tr>
<td><strong>Total Operating Funds</strong></td>
<td><strong>$1,362,346,856</strong></td>
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<td>Capital Budget</td>
<td>$239,380,200</td>
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<td><strong>Total Operating and Capital Funds</strong></td>
<td><strong>$1,601,727,056</strong></td>
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<td>Annual Plan for HUD Block Grants</td>
<td>$6,431,703</td>
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<td>Annual Grants Plan</td>
<td>$50,326,212</td>
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<td><strong>Total Financial Plan</strong></td>
<td><strong>$1,658,484,971</strong></td>
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Guiding Principles for FY 2023 Proposed Budget

• Fund the right services for today and tomorrow rather than focus on the pre-COVID status quo

• Strengthen our ability to recruit and retain the employees that provide core government services
  • Invest in compensation and benefits initiatives that matter to a modern workforce

• Build a leaner more focused government
  • Leverage the lessons of the pandemic to deliver services more efficiently and effectively
  • Expand services and personnel to address Council Priorities or unmet needs
Budget Highlights

- No Tax Rate or Fee increases
- Five Percent Wage Increase
- $18/Hr. Minimum Wage for Permanent Employees (effective Jan 2023)
- $8.8M and 85 FTEs to Enhance Direct Services to Residents
- $4.8M and 23 FTEs to Improve Organizational Effectiveness
- $10M+ Increase in Local Contribution to NPS – Largest in Memory
- $9.6M to Purchase 104 Vehicles / Pieces of Equipment
- $4M to improve hardware and software systems
General Fund Staffing Comparison

83 Fewer FTEs now than pre-COVID

<table>
<thead>
<tr>
<th></th>
<th>FY 2020 Adopted</th>
<th>FY 2023 Proposed</th>
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<tbody>
<tr>
<td>Permanent FTEs</td>
<td>4,035</td>
<td>4,103</td>
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<tr>
<td>Total FTEs</td>
<td>4,312</td>
<td>4,229</td>
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<tr>
<td>Temporary FTEs</td>
<td>277</td>
<td>126</td>
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</table>

FY 2023 has more than 50 FTEs associated with services that didn’t exist in FY 2020

The Center - Litter Crews - Business Compliance Unit

Temporary FTEs calculated using total temp funding & average temp wage
Norfolk Public Schools
Norfolk Public Schools Operating Budget

Budget Overview

- Local Support: $140.3M ($10.7M Increase)
- State & Other Support: $237.8M ($16.7M Increase)
- Total Budget: $378.1M ($27.4M Increase)

- Largest increase in local support in recent memory
- Tremendous revenue growth for NPS should allow for generational improvements in the system
Norfolk Public Schools

Actions in the Superintendent’s Proposed Budget

• Increase in teacher starting pay from $47,200 to $49,500
• 5.8 percent average salary increase for teachers
• 7.5 percent average salary increase for classified employees
• 4.2 percent average salary increase for administrators
Proposed FY23 Operating Budget
Investing in Team Norfolk

1. Salary Increase
   - Five percent general wage increase for all positions effective July 2022.

2. No Increase in Healthcare Costs
   - The city will pay the entire cost of the six percent premium increase. There will be no increase to your share of health insurance premiums.

3. Living Wage Increase
   - Living Wage increase to $18/hr. for all permanent employees and $15/hr. for all temporary employees effective January 2023.

4. Paid Family Leave
   - Paid Family Leave Policy providing 6 weeks of paid leave to allow for baby bonding time for both parents and for staff who have special care needs for elderly or other family members. You will need to be on FMLA to access. Full policy available after July 1.

5. Dependent Care Benefit
   - Contribution of up to $2,500 annually as a match to your Dependent Care Flexible Spending Account (FSA) for employees with qualifying childcare or dependent care expenses. You will be able to sign up during next year's benefits open enrollment.

6. CDL Stipend
   - $5,000 annual stipend for employees with a Commercial Driver’s License (CDL), if your job requires it starting July 1.

Other Initiatives:
- Increase Default employee contribution to 457 plan from one to two percent in July
- Expand DROP beyond NPD and NFR to all eligible NERS members in January 2023
- Additional Death Benefit for active employees – month’s salary & $10K for medical bills
- Two days of “Wellness Leave” for all permanent employees
Supporting our Most Vulnerable Residents

• *The Center* – Homeless Shelter
  • Opened amid the pandemic and primarily funded with grant funds to date
  • Budget provides $2.2M and 27 FTEs to continue operations
  • Provides overnight shelter, day services, and resources and support
  • Capacity to serve 100 adults with surge capacity of 120-150

• Crisis Intervention Team (CIT) center and Mobile Crisis Support Services
  • Provides 24/7 Mobile Crisis Support services to ensure individuals in a behavioral or mental health crisis are diverted to the behavioral health system
  • Assist persons earlier in their crisis to decrease hospitalizations and incarcerations and support better outcomes for vulnerable populations
  • $600K and 10 FTEs
New Office of Diversity, Equity, and Inclusion

• Proposed Budget creates the Office of Diversity Equity and Inclusion
  • Funds five new FTEs at $350K who will join existing staff of three

• New office will aggressively pursue two specific objectives:
  • Equity in Action: Advancing equitable outcomes for Norfolk residents, neighborhoods, and businesses through policy recommendations, programming and service delivery offered throughout our city departments
  • Minority Business Advancement: Supporting the start and growth of SWaM businesses through training, one-on-one business counseling, and increased procurement opportunities.

• Budget also establishes an Economic Inclusion Grant Program
  • $400K in annual funding
  • Grants to organizations focused on advancing SWaM businesses in Norfolk
Business Compliance Unit

• Proposed Budget includes $450K and 9 FTEs to establish our Business Compliance Unit (BCU)
• Focus on enforcement of compliance with conditional use permit (CUP) requirements primarily for activities that occur after-hours:
  • Nightclubs and late-night entertainment
  • Short-term rentals
• Housed in City Planning but will work across multiple city agencies
• Dual track work plan:
  • Data collection and analysis to guide preventative measures
  • After-hours enforcement
Recreation and Library Services

- Proposed budgets are at or near pre-COVID levels
- Parks and Recreation: $400K for additional programming including
  - Increase in NEL intern positions, Outdoor Adventure Staff, Recreation Programming, Fitness Programming
- NPL and Slover: $950,000 for additional programming
  - $850K in unallocated funds to develop expanded programming
  - $100K to annualize staffing costs for Park Place Library which opened during FY 2022
- Staffing challenges have slowed expansion of programming
  - $1.0M service capacity reserve
Additional Enhancements in Resident Services

- New Medic Unit at Station Six
- Mowing and Landscaping
- Improved Pavement Markings Maintenance Cycle
- Permanent staffing for Norfolk Works
- Additional Norfolk Cares Advisors
- Residential Rehab Program
- Improved FOIA Response Times
- Additional funds for Street Resurfacing
- Additional Seasonal Staff at Nauticus
- New Floodplain Management Software
- Increased funds for indigent healthcare services through EVMS
Improving Organizational Effectiveness

• Budget funds $4.8M and 23 FTEs to:
  • Increase organizational effectiveness
  • Make substantial progress on socio-economic goals, and
  • Enhance workplace safety

Includes Investments In:

- Employee Engagement
- Communication to Residents
- Real Estate Auctions
- Cash Management
- Collections and Accounts Receivable
- Financial System Management
- Additional Zookeeping Staff
- Additional NACC Animal Care Staff
- VDOT Program Management
- Evidence Management

- Event Services
- Engineering Project Management
- Grant Accounting
- Network Security
- Retirement Administration
- Flood Mitigation Investment Planning
- Affordable Housing
- Comprehensive Planning
- Equipment
- Renovations to Leased Space
Technology Investments

Management and Operations Systems
- Human Services Purchase of Service System
- Cemetery Management Software
- CIP Software
- eLearning Platform
- Plan review software

Cybersecurity, Hardware, Public Wifi
- Multi-Factor Authentication Appliances
- Server Upgrades, Network Switches, Timeclocks
- Public Wifi expansion

Public Safety Technology
- Body worn cameras and software support suite
- Sheriff Civil Process software and server upgrades
- Cloud-based evidence storage

Organizational Effectiveness
$4.0M
Investing in Vehicles and Equipment

Replace 104 Vehicles and Equipment

- 28 Police Vehicles
- 15 Vans
- 14 Equipment Pieces
- 12 Pick-up Trucks
- 9 Refuse Trucks
- 5 SUVs
- 1 Fire Pumper Truck
- 1 Sedan

$9.6M
FY 2023 Annual Grants Plan

Supports 122 Positions

Select Grants
- Transportation & Roads
- Flood Mitigation
- Mental Health Services
- Permanent Supportive Housing
- Foster Care Services
- Victim Justice Services
- Keep Norfolk Beautiful
- Substance Abuse Services
- Public Safety Services
- Crisis Intervention Team
- Employment Services

$50.3M

Organizational Effectiveness
Proposed FY23 Capital Budget
# Capital Improvement Plan (CIP)

## Proposed FY 2023 – FY 2027 (Numbers in Millions)

<table>
<thead>
<tr>
<th>Fund</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
<th>FY 2027</th>
<th>Five-Year Total</th>
</tr>
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<tbody>
<tr>
<td>General Capital</td>
<td>$141.0</td>
<td>$91.7</td>
<td>$106.9</td>
<td>$49.1</td>
<td>$47.0</td>
<td>$435.6</td>
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<tr>
<td>Parking Facilities</td>
<td>$22.8</td>
<td>$5.2</td>
<td>$3.9</td>
<td>$3.9</td>
<td>$3.9</td>
<td>$39.7</td>
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<tr>
<td>Wastewater Utility</td>
<td>$17.0</td>
<td>$18.0</td>
<td>$18.6</td>
<td>$18.6</td>
<td>$18.6</td>
<td>$90.8</td>
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<tr>
<td>Storm Water Utility</td>
<td>$23.0</td>
<td>$17.4</td>
<td>$15.2</td>
<td>$12.2</td>
<td>$15.7</td>
<td>$83.5</td>
</tr>
<tr>
<td>Water Utility</td>
<td>$35.6</td>
<td>$33.0</td>
<td>$33.0</td>
<td>$33.0</td>
<td>$33.0</td>
<td>$167.6</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$239.4</strong></td>
<td><strong>$165.3</strong></td>
<td><strong>$177.6</strong></td>
<td><strong>$116.8</strong></td>
<td><strong>$118.2</strong></td>
<td><strong>$817.3</strong></td>
</tr>
</tbody>
</table>
Proposed CIP Details

• ARPA Neighborhood Projects funded in CIP
  • Simplifies administration and easier to track project status
  • Residents can find project information in Budget rather than a supplemental document they may not know to look for

• Total CIP about $170M above planned primarily driven by
  • $70M for Downtown Floodwall Project matching funds
  • $50M for construction of a new Norfolk Fitness and Wellness Center in FY 2025
  • $27.5M to appropriate ARPA Neighborhood Capital Projects
  • $55M above planned for maintenance of city infrastructure

• Substantial Cash investment in CIP (ARPA, Budget Savings, SWIFT) keeps debt levels manageable
  • General Capital program has $77M (54.7%) in cash in FY 2023 and $161M (37.0%) planned over five years
Chrysler Hall Update

• Primarily a maintenance project
  • Significant investment in building systems upgrades and back of the house renovations needed to continue to attract top tier acts and performers
• Post-COVID pricing update resulted in significant costs increases
  • Originally planned as a $40M - $50M project
  • Updated pricing closer to $90M
• Award of $250M for the Downtown Floodwall Project and our required $134M match requires that we re-think existing plans
• We need partners and financial support beyond city debt to move this project forward
  • Project has been removed from the five-year CIP
  • Will support the renovation when we have a substantial commitment from our philanthropic community
USACE Downtown Floodwall Extension

- $385M Total Project Cost
  - $250M Federal Funds
  - $135M Match
- $282M needed by FY 2024 for Berkley Bridge to Town Point Park Sections
  - $183M Federal Funds
  - $98M Match
- Proposed CIP includes $70M
- $30M request will be submitted to State CFPF grant fund.
- Improvements include
  - Levee, two pump stations, tide gates, floodwalls, living shorelines.
Investing in our Arts and Culture Partners

- **Nauticus Capital Campaign**
  - $7.5 Million
  - Over Six Years

- **Chrysler Museum Capital Campaign**
  - $15 Million
  - Over 10 Years
  - Beginning FY 2022

- **Virginia Zoo Capital Campaign**
  - $2 Million
  - Over Four Years
  - Beginning FY 2023
Increased Funding for Facility and Infrastructure Maintenance (General Capital)

$41.6 million over the next five years

- $18.5 million in FY 2022

Projects include:

- Parking Garage Technology
- Fire-Rescue Facilities
- Scope/Chrysler Hall Complex
- Harbor Park
- Demolition of hazardous bridge structures
- Jail Improvements
- Bute Street Bulkhead
- Bridge Repairs and Maintenance
FY 2023 Budget Calendar

April 6, 2022:
Public Hearing: Operating, CIP, and HUD Annual Plan
6PM at Granby High School

April 12, 2022
Budget Work Session 1
City Hall 10th Floor Conference Room

April 19, 2022
Budget Work Session 2
City Hall 10th Floor Conference Room

April 26, 2022:
Budget Work Session 3
City Hall 10th Floor Conference Room

Public Hearing: Real Estate Reassessment
City Council Chambers

April 28, 2022
Budget Work Session 4 (If Necessary)
City Hall 10th Floor Conference Room

May 10, 2022
Budget Adoption
City Council Chambers