

CITY OF NEWPORT NEWS

OFFICE OF THE CITY MANAGER

May 8, 2013

TO: The Honorable City Council

FROM: City Manager

SUBJECT: Final Adjustments to the FY 2014 Recommended Budget

I am presenting to you a final FY 2014 Operating Budget that reflects the adjustments to my original recommendation that have been made over the past seven weeks since its submission, and including changes from your work sessions. The total, final budget before you for consideration is \$782,487,161, which is an increase of \$476,846 from my recommended amount of \$782,010,315. The General Fund will increase by \$440,000 from the Recommended Budget of \$432,973,000 to \$433,413,000 for FY 2014.

As presented at the April 23, 2013 work session, there were both revenue and expenditure changes made to the General Fund. Most were technical in nature (adjusting salary line items in individual operating departments to reflect reclassifications, for filling vacancies either above or below the base entry level, and conversion of part time positions to full time), or reflected changes in state revenue (additional funding for HB 599 – Aid to Localities with Police Departments, and salary reimbursement for increases for Constitutional Officers, based on a higher state salary compensation).

Also at the April 23, 2013 work session, City Council gave direction concerning the revenue for the Lodging Tax (a revenue reduction of \$650,000) and the additional funding for Sister Cities (an expense increase of \$20,000). Both of those items were adjusted based on the consensus direction of City Council. At the same time, a final review of our more consumer-sensitive revenues was conducted. Being a community with a large military and federal presence, it is prudent to recommend a modest decrease in the projected growth of Sales and Meals taxes in anticipation of some negative impact to the local economy as the federal sequestration budget reductions unfold over the next several months. For this reason, both initial revenue estimates were reduced by \$350,000.

Based on the combined changes, additional expenses and elimination of the \$1 per day Lodging Tax revenue, revenue estimates for the upcoming fiscal year were once again reviewed, taking the now- available FY 2013 Third Quarter projection into account, and bringing this overall final recommendation into technical balance. The final collections of the current fiscal year Business, Professional, Occupational License taxes (BPOL) have occurred, resulting in \$200,000 in additional revenue that could be anticipated for next fiscal year over the initial estimate. Marginally stronger collections in Personal Property taxes, both current collections and delinquencies, and Rental Car Taxes are also anticipated for next fiscal year. When taken together, the net additional revenue above my initial recommended amount resulted in an overall increase of \$645,083 to replace the loss of the \$1 per day Lodging Tax the General Fund. To balance the budget, a reduction of \$100,000 to City Council contingency was made, reducing those funds available in FY 2014 from \$350,000 to \$250,000.

The total revenue and expenditure changes from the Recommended Budget are shown below:

FY 2014 General Fund Recommended Budget Adjustments

	<i>Amount</i>
EXPENDITURE CHANGES	<i>Increase/(Decrease)</i>
1 \$0.05 Vehicle Fuel Adjustment	\$48,043
2 Circuit Court – Administrative Coord Position Reinstated	\$62,407
3 Salary Changes (New Hires, Reclass, Conversions)	\$120,487
4 Adjusted Animal Shelter Budget for later opening	(\$34,154)
5 West Avenue Library Additional VA Power	\$10,000
6 Additional Sister Cities Committee funds	\$20,000
7 Adjust DCC Contractual Services	\$180,000
8 Adjust Community Support – 4 Additional PORT Weeks	\$30,000
9 Adjust Print Shop operations cost	\$50,000
10 Miscellaneous Adjustments	\$53,217
11 Reduce City Council Contingency to balance FY 2014	<u>(\$100,000)</u>
General Fund Total Expenditure Change:	\$440,000

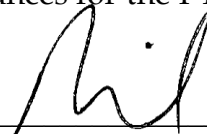
REVENUE CHANGES

1 Additional State Revenue – HB 599 Funds	\$406,327
2 Shipyard Fire Service Agreement	\$25,000
3 Increased BPOL Revenue	\$580,000
4 Increased Constitutional Officers Reimbursement for State Salary Compensation	\$12,708
5 Increased Personal Property Tax Revenue	\$200,000
6 Increased Delinquent Personal Property Tax Revenue	\$115,000
7 Increased Car Rental Tax Revenue	\$130,083
8 Revenue Change due to new Cell Tower Lease	(\$29,118)
9 Adjust Sales Tax – Federal Sequestration and State Sales Tax 1% (Transportation)	(\$200,000)
10 Adjust Meals Tax – Federal Sequestration and State Sales Tax 1% (Transportation)	(\$150,000)
11 Remove \$1 per Day Flat Lodging Tax	<u>(\$650,000)</u>
General Fund Total Revenue Change:	\$440,000

Conclusion

The FY 2014 Operating Budget that is before you for adoption represents a balanced and responsible financial plan for the upcoming fiscal year, and sets a foundation for at least the next two fiscal years. This budget continues to support City core services at the level that our citizens demand and uses no one-time revenues or reserves. Importantly, it also restores necessary organizational and community infrastructure spending that was severely reduced during the worst of the recession, but cannot be avoided in the longer term. While there are rate and fee increases, they are not disproportionate in relation to similar actions taken by neighboring jurisdictions.

I feel that with my last operating budget for the City, we have built a strong financial foundation that is practical, secure, and protects our citizens, employees, and assets. It sets in place building blocks for our Strategic Priorities, puts our pension commitments on stronger ground, and generally prepares us for the future. I recommend adoption of the ordinance which appropriates funds for the entire City, including the Schools Division, and all supporting ordinances for the FY 2014 Operating Budget.



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