

Overview

Fiscal Year 2014 Recommended Operating Budget

City Council Work Session

March 26, 2013

Department of Budget & Evaluation

Forming the FY 2014 Operating Budget

Impacts: Revenue and Expenses

- **Major Revenue Impacts**

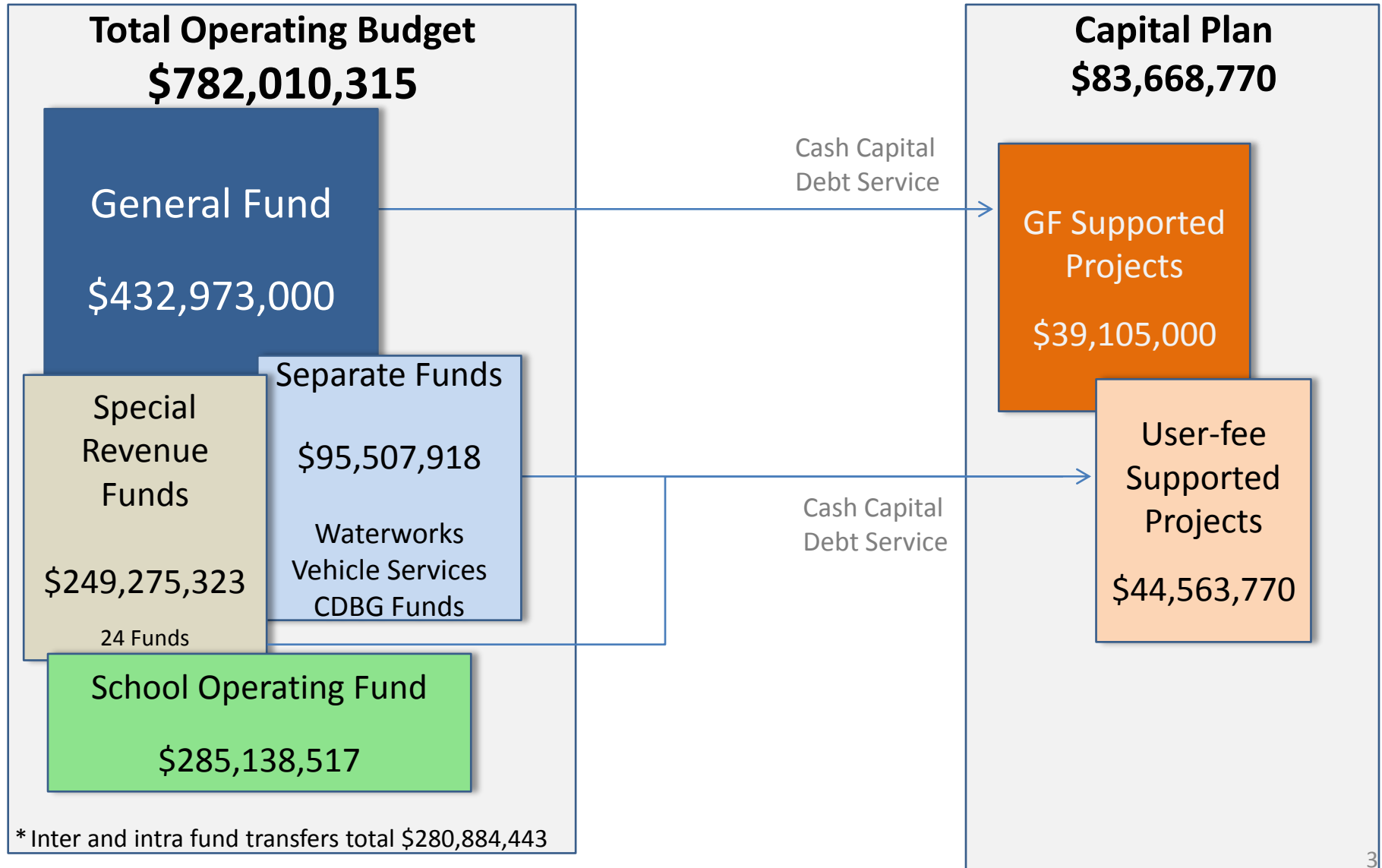
- Real Estate Assessment decline continues
- State Revenue loss continues

- **Major Expense Considerations**

- Pension and Healthcare Costs
- Denbigh Community Center and 311 for 12 months
- Desire to provide Salary Adjustment
- Provide increased Contribution to Schools
- Maintaining Services
- Strengthen Funding for Strategic Priorities

City of Newport News Financial Plan

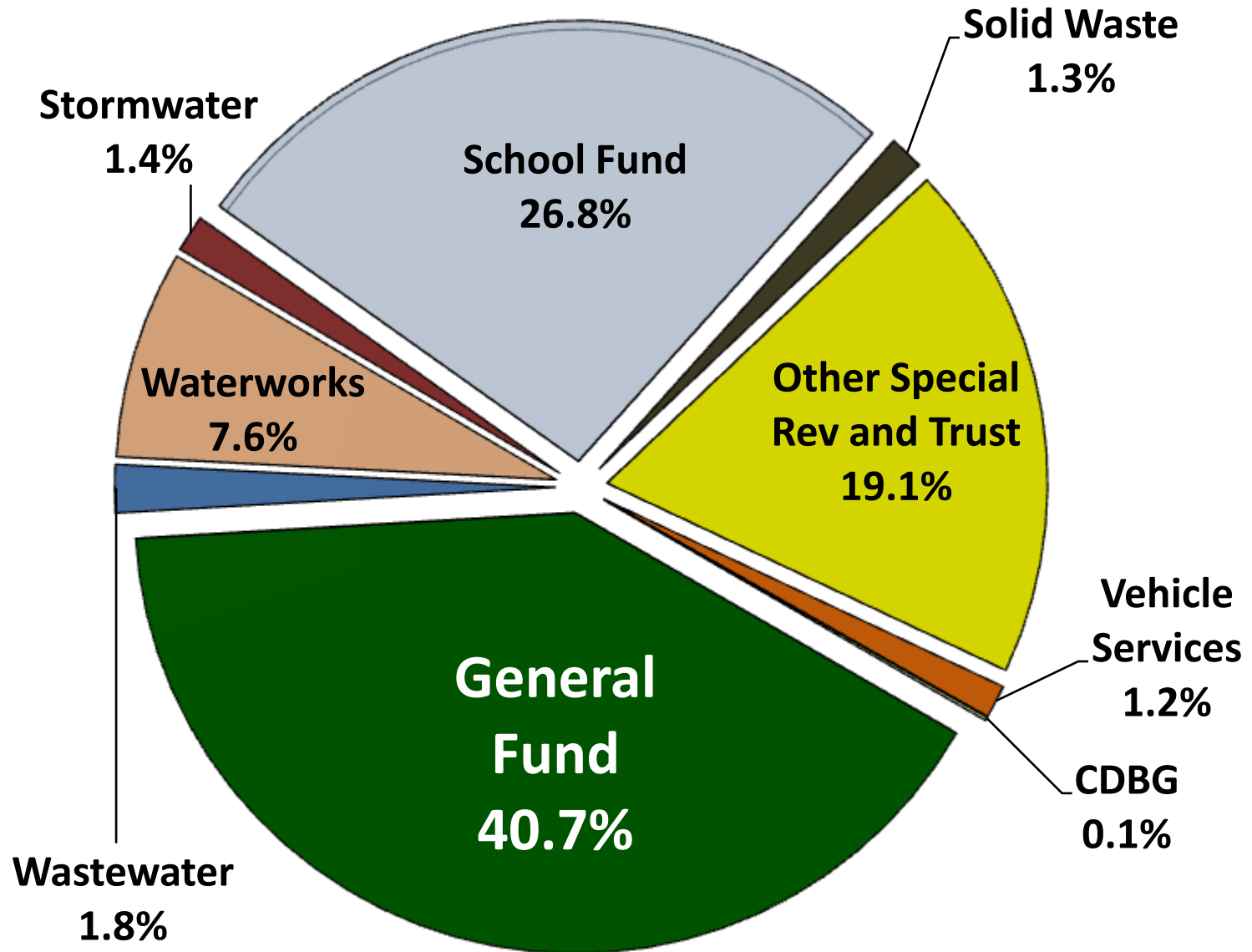
FY 2014 - **\$866 million**



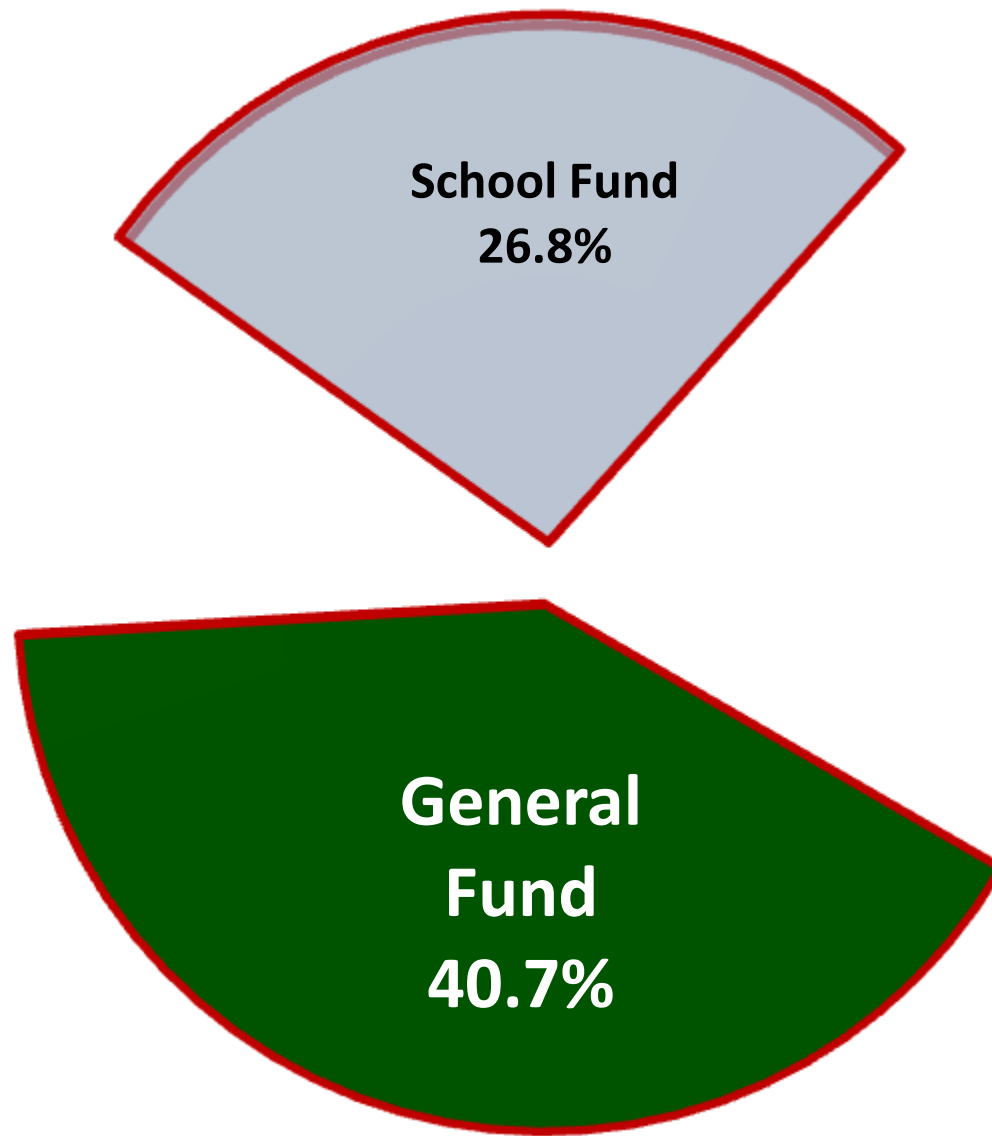
FY 2014 Total Operating Budget

	FY 2013	FY 2014	\$	%
\$ figures in millions	Adopted	Mgr Rec	Change	Change
General Fund	\$414.5	\$433.0	\$18.5	4.5%
City Transfer to Schools	113.4	115.3	1.9	1.7%
<i>Net General Fund</i>	301.1	317.7	16.6	5.5%
School Fund	281.0	285.1	4.1	1.5%
Waterworks Fund	81.4	81.2	(0.2)	(0.2%)
Wastewater Fund	18.8	18.7	(0.2)	(0.9%)
Solid Waste Fund	13.3	13.6	0.3	2.3%
Stormwater Fund	12.9	14.4	1.5	11.3%
All Other Special Rev and Trust	38.6	51.3	12.7	32.9%
Total Operating Budget	\$747.2	\$782.0	\$34.8	4.7%

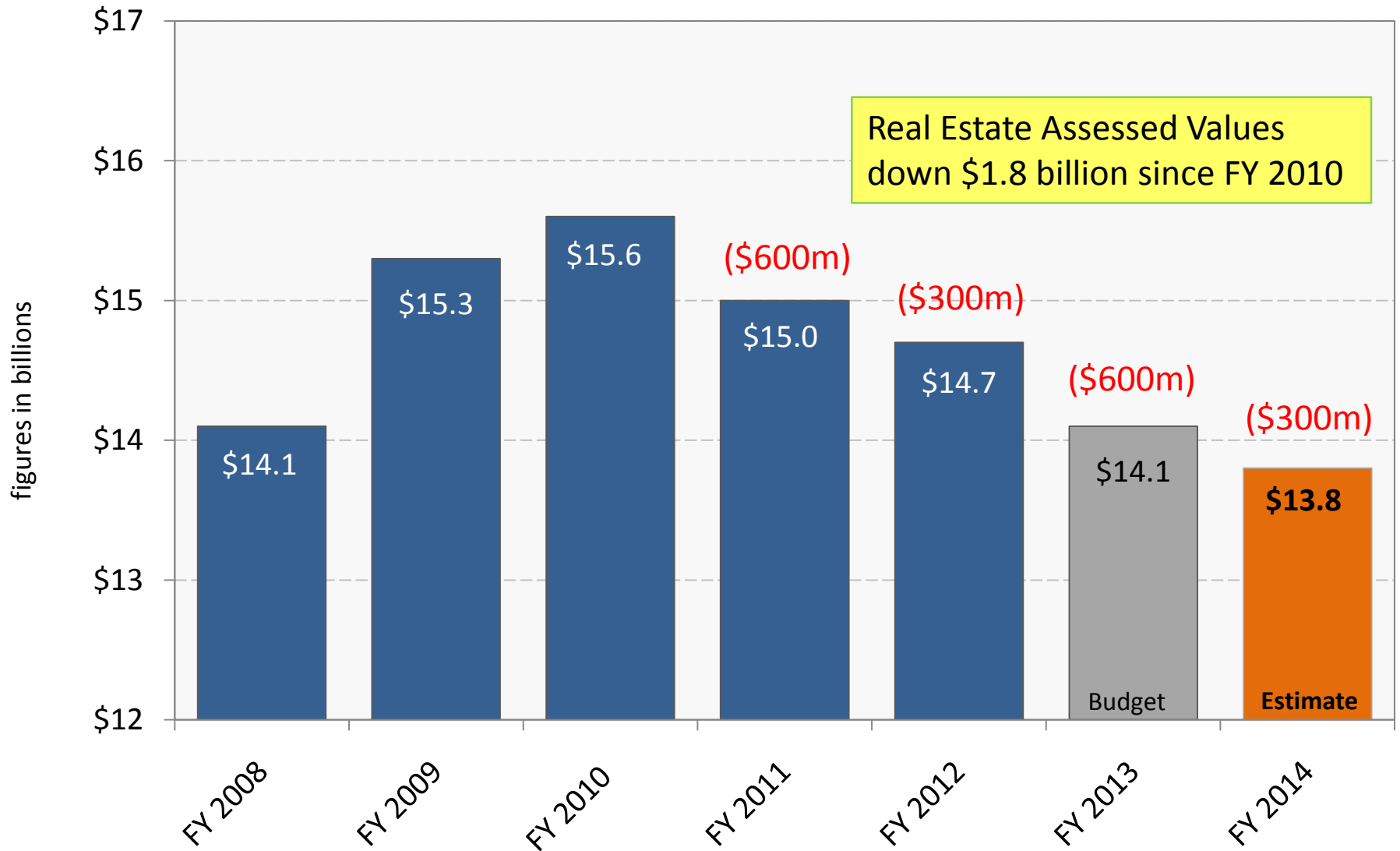
Operating Budget Composition



Operating Budget Composition



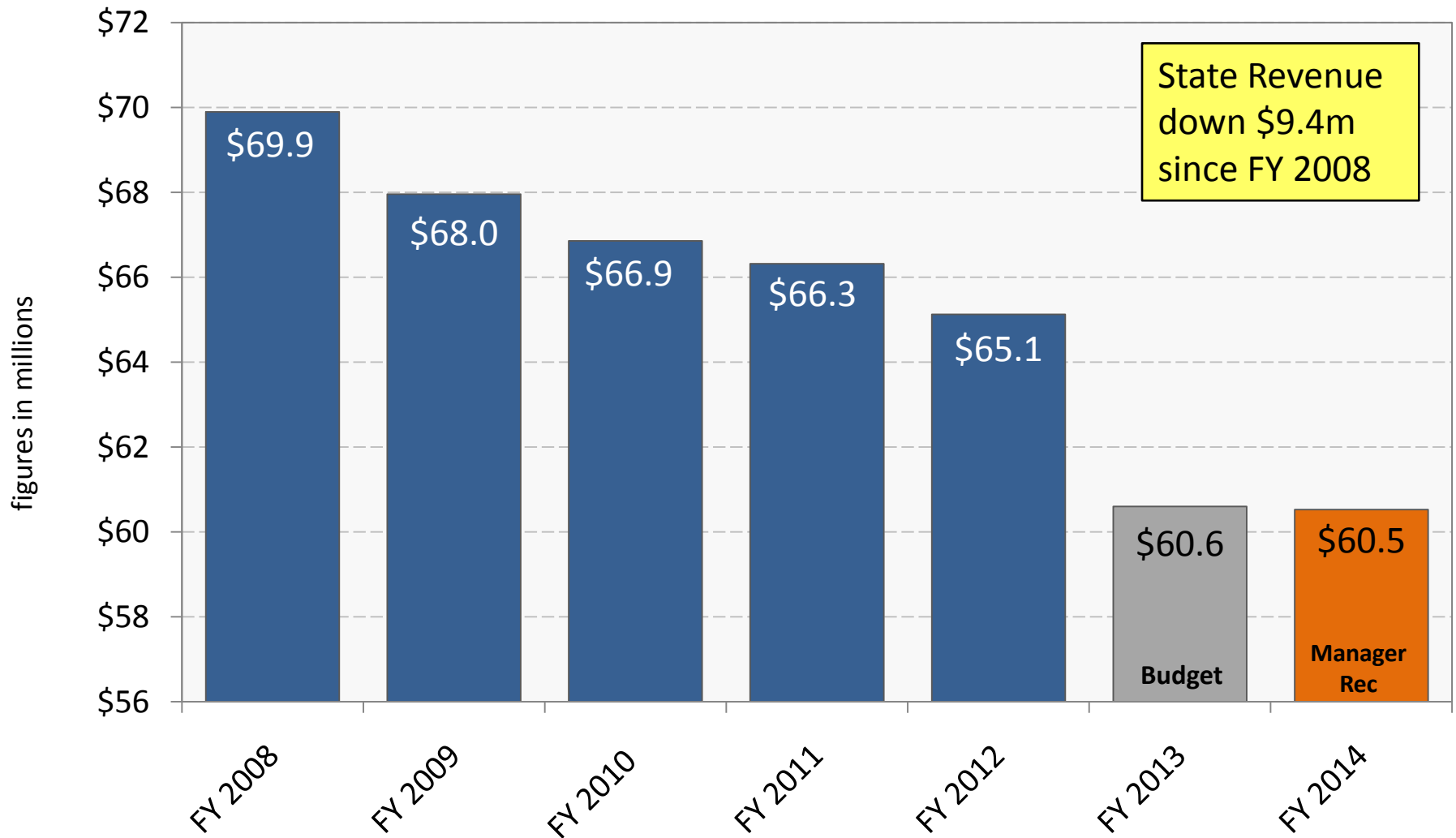
Real Estate Assessed Values



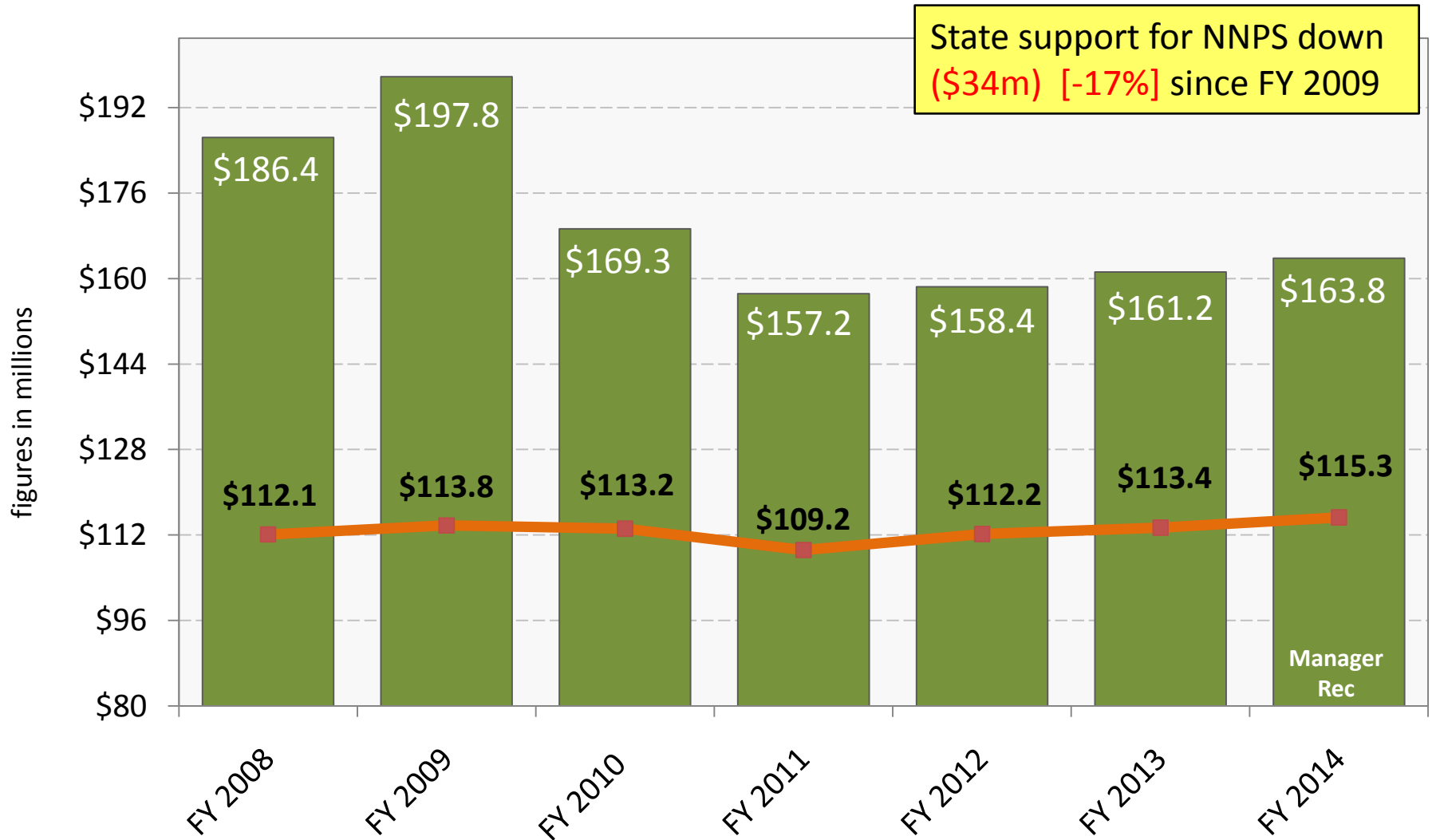
State Revenue

General Fund

State Reimbursement for Mandated Programs



State Support for Newport News Public Schools



General Fund Revenue

Change in General Fund Revenues

	FY 2012	FY 2013	FY 2014	\$	%
\$ figures in millions	Actual	Adopted	Mgr Rec	Change	Change
Real Estate Tax ¹	\$162.6	\$156.8	\$169.8	\$12.9	8.2%
Personal Property Tax	45.5	47.5	50.8	3.2	6.8%
State Aid ²	65.1	60.6	60.5	(0.1)	(0.1%)
Sales Tax	21.7	21.6	22.6	1.0	4.7%
Utility Taxes ³	7.2	7.8	7.7	(0.1)	(0.7%)
Machinery and Tools Tax	17.4	16.8	17.7	0.9	5.4%
Meal Tax	18.8	20.5	22.1	1.6	7.9%
BPOL Tax	16.1	15.5	15.5	0.0	0.0%
All Other Taxes / Fees	63.2	67.4	66.3	(1.1)	(1.6%)
Total Operating Budget	\$417.6	\$414.5	\$433.0	\$18.5	4.5%

¹ Includes Public Service Corporations, Tax Relief, and Delinquencies

² Includes Shared Expenses and Categorical Aid

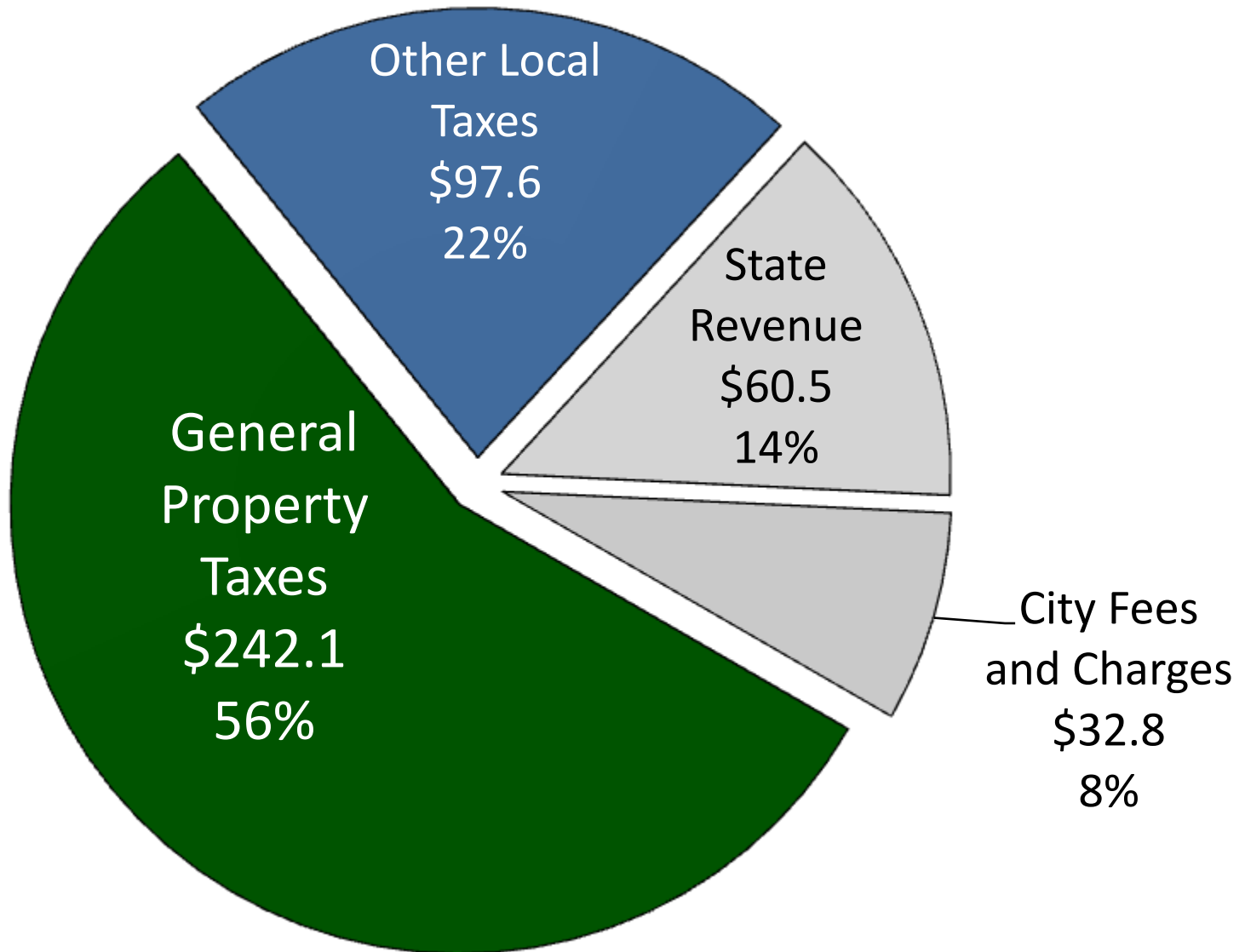
³ Includes Telecommunications, Consumption, Wireless and Electric/Gas Utility

General Fund Revenues

	FY 2012	FY 2013	FY 2014	\$	%
\$ figures in millions	Actual	Adopted	Mgr Rec	Change	Change
General Property Taxes	\$229.5	\$225.1	\$242.1	\$17.0	7.6%
Other Revenues					
Other Local Taxes	91.7	93.8	97.6	3.8	4.1%
Permits, Fees, Reg Licenses	3.6	3.4	3.1	(0.3)	(9.5%)
Fines and Forfeitures	2.7	2.8	2.7	(0.1)	(4.1%)
Rev from Use of Money and Prop	2.1	2.3	2.3	0.1	2.5%
Charges for Services	5.5	6.5	5.4	(1.1)	(17.3%)
Miscellaneous Revenue	17.5	17.7	18.0	0.3	1.8%
Recovered Costs	9.5	9.9	10.0	0.1	0.7%
Non-Categorical Aid	0.9	0.7	0.8	0.0	3.2%
Shared Expenses	9.1	9.1	9.3	0.1	1.5%
Categorical Aid	34.3	32.0	31.1	(0.9)	(2.8%)
Non-Revenue Receipts	10.7	10.6	10.1	(0.5)	(4.7%)
Payments from Other Funds	0.5	0.5	0.5	(0.0)	(0.3%)
Use of Fund Balance	0.0	0.0	0.0	0.0	
Total Revenues	\$417.6	\$414.5	\$433.0	\$18.5	4.5%

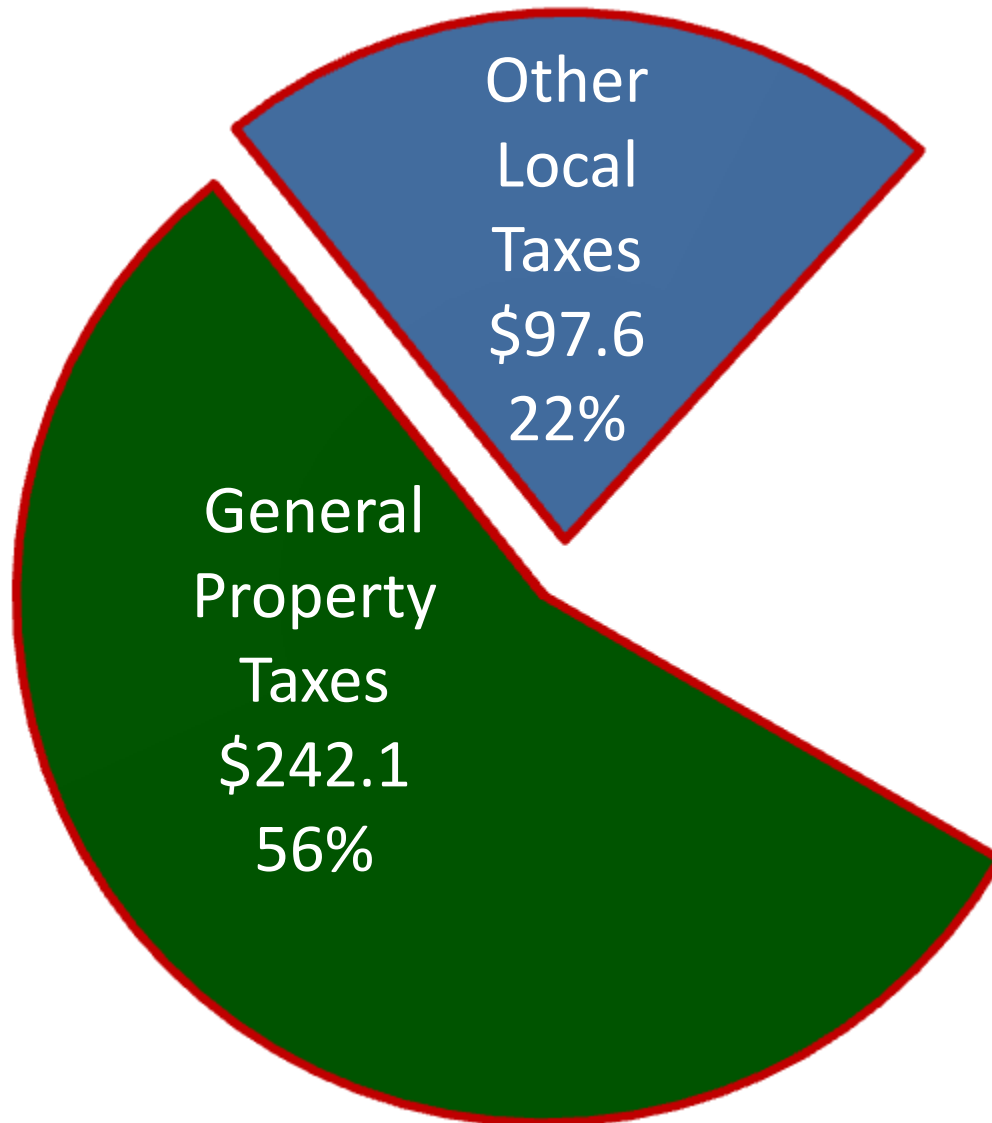
General Fund Revenue

FY 2014 Recommended Budget - **\$433 million**



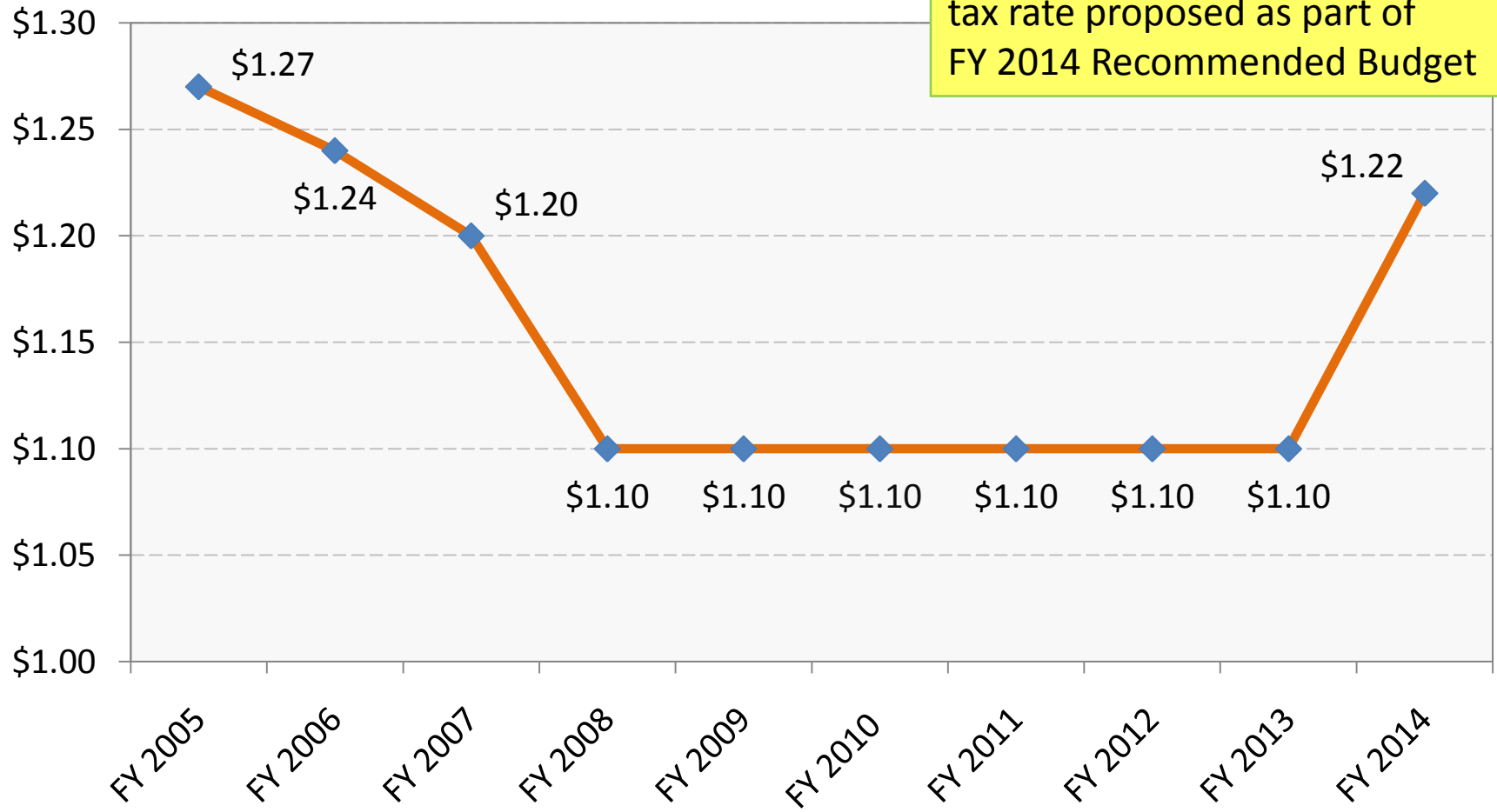
General Fund Revenue

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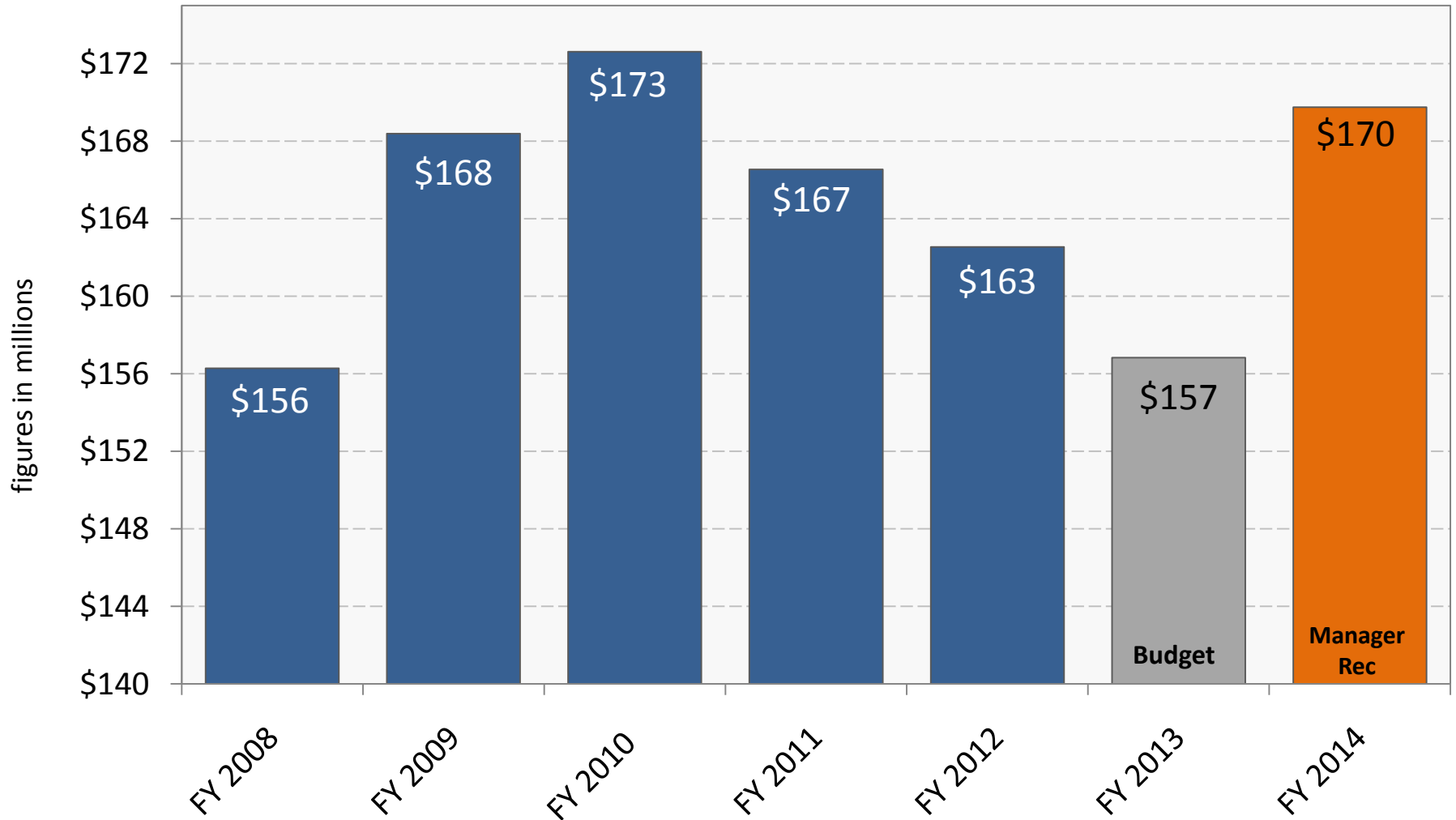


Real Estate Tax Rate

12 cents increase to Real Estate tax rate proposed as part of FY 2014 Recommended Budget



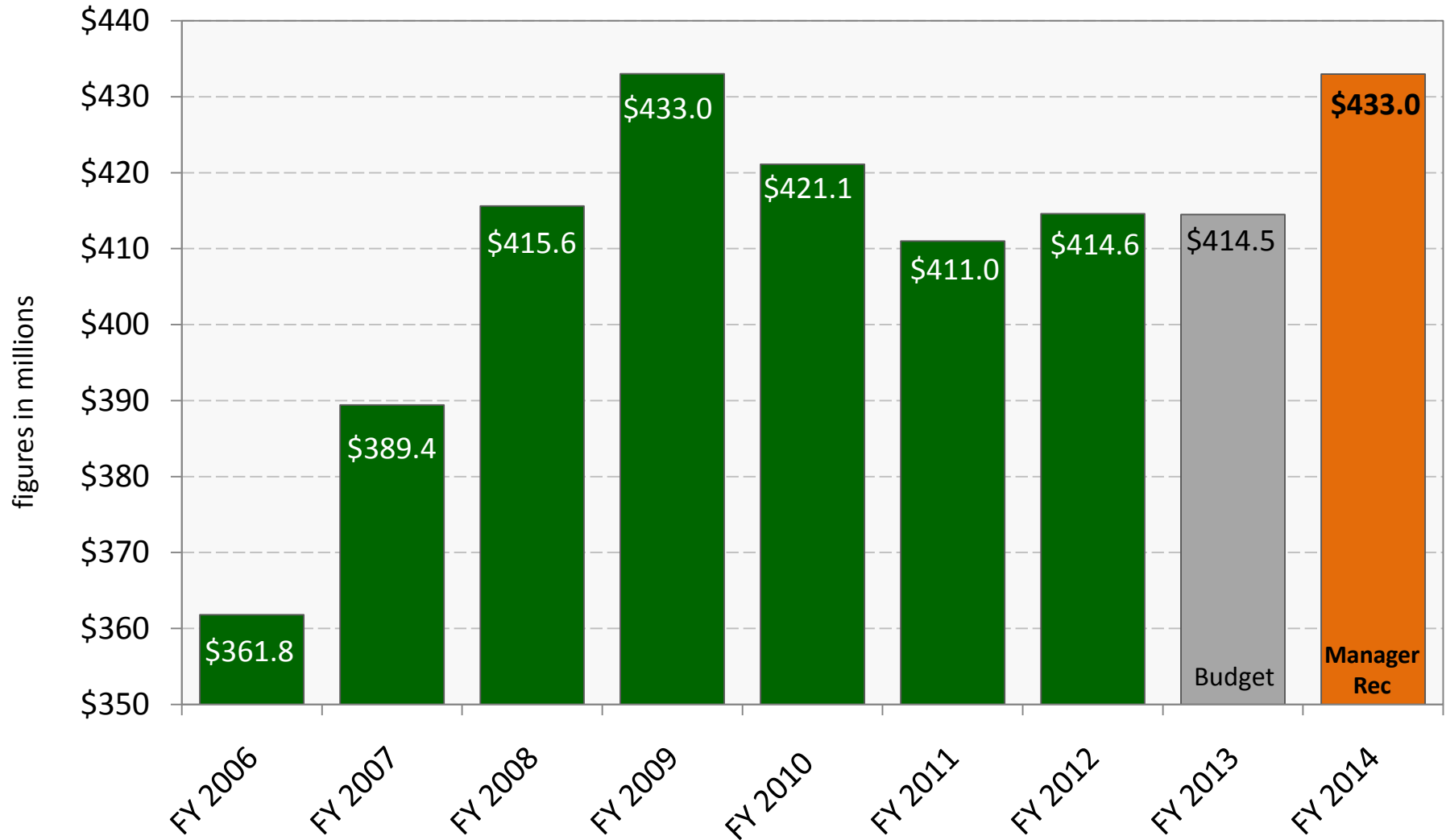
Real Estate Tax Revenue



Proposed Rate and Fee Changes

	FY 2013	FY 2014	
figures in millions	Adopted	Estimate	Difference
Real Estate Tax at Current Rate	\$151.4	\$148.5	(\$2.9)
Real Estate Tax at Proposed Rate	0.0	16.0	16.0
Lodging Tax Increment	3.1	4.0	0.9
Amusement Tax (2.5% rate increase)	0.5	0.6	0.2
Total	\$155.0	\$169.1	\$14.1

General Fund Operating Budget



General Fund Expenses

General Fund Only

Expenditure Increases

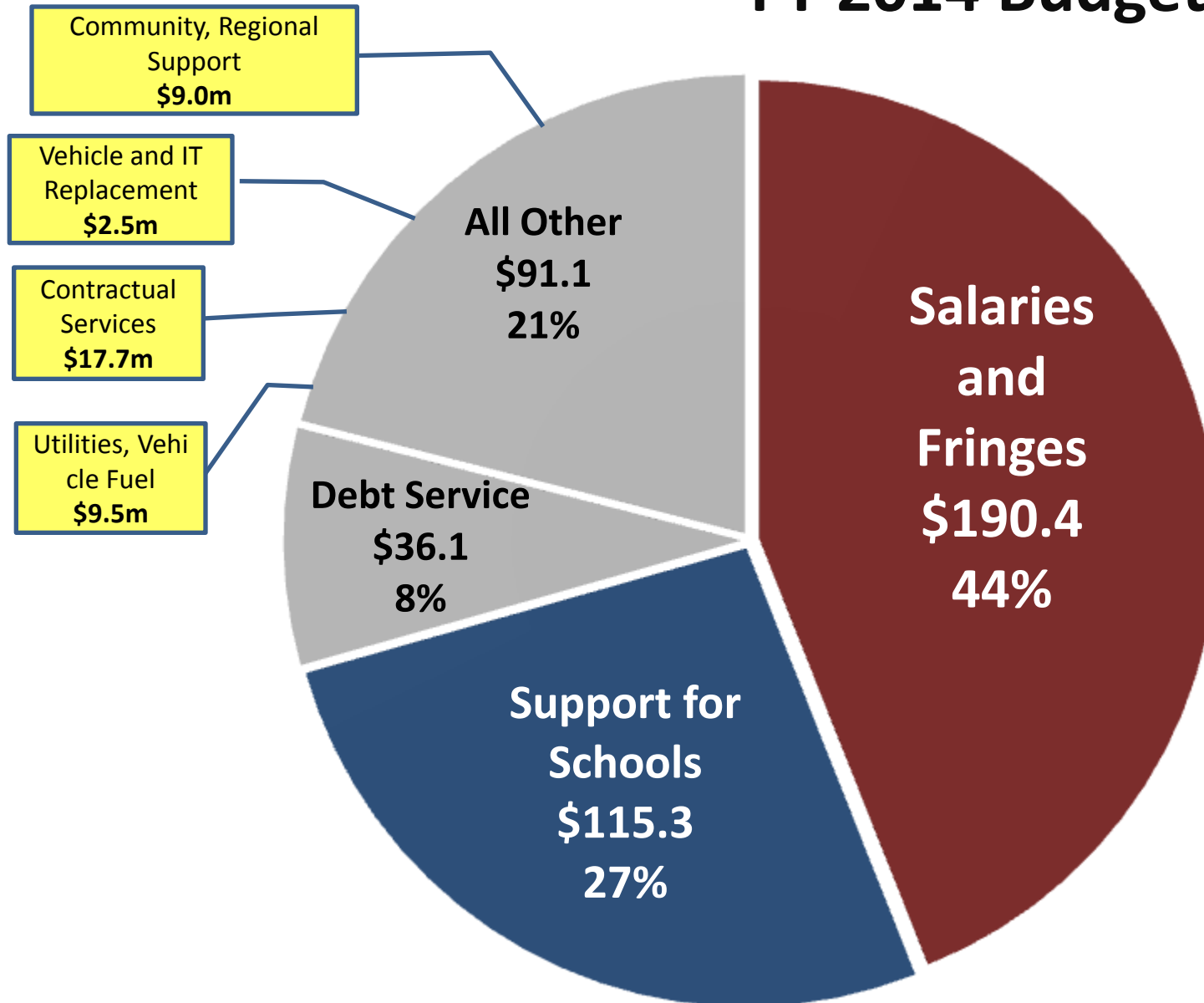
- Pension Increase, Health Insurance Premium
- Increased Contribution to Schools
- Provide full year Salary Adjustment
- Denbigh Community Center and 311 fully operational for 12 months
- Restoration of funding: Street Paving, Vehicle and IT equipment
- Provide funding for Strategic Priorities

General Fund Expenditures

	FY 2012	FY 2013	FY 2014	\$	%
\$ figures in millions	Actual	Adopted	Mgr Rec	Change	Change
Salaries	\$117.2	\$118.9	\$127.7	\$8.8	7.4%
Fringe Benefits ¹	57.1	63.8	62.7	(1.1)	(1.7%)
Utilities	6.9	6.7	6.7	0.0	0.0%
Fuel	2.8	3.0	2.8	(0.2)	(6.7%)
Other	83.3	74.6	81.7	7.1	9.5%
City Support for Schools	112.2	113.4	115.3	1.9	1.7%
Debt Service	35.1	34.1	36.1	2.0	5.9%
Total Expenditures	\$414.6	\$414.5	\$433.0	\$18.5	4.5%
¹ Includes FICA, Retirement, Group Health, Dental, Vision Care, Group Life, and Workers' Compensation					

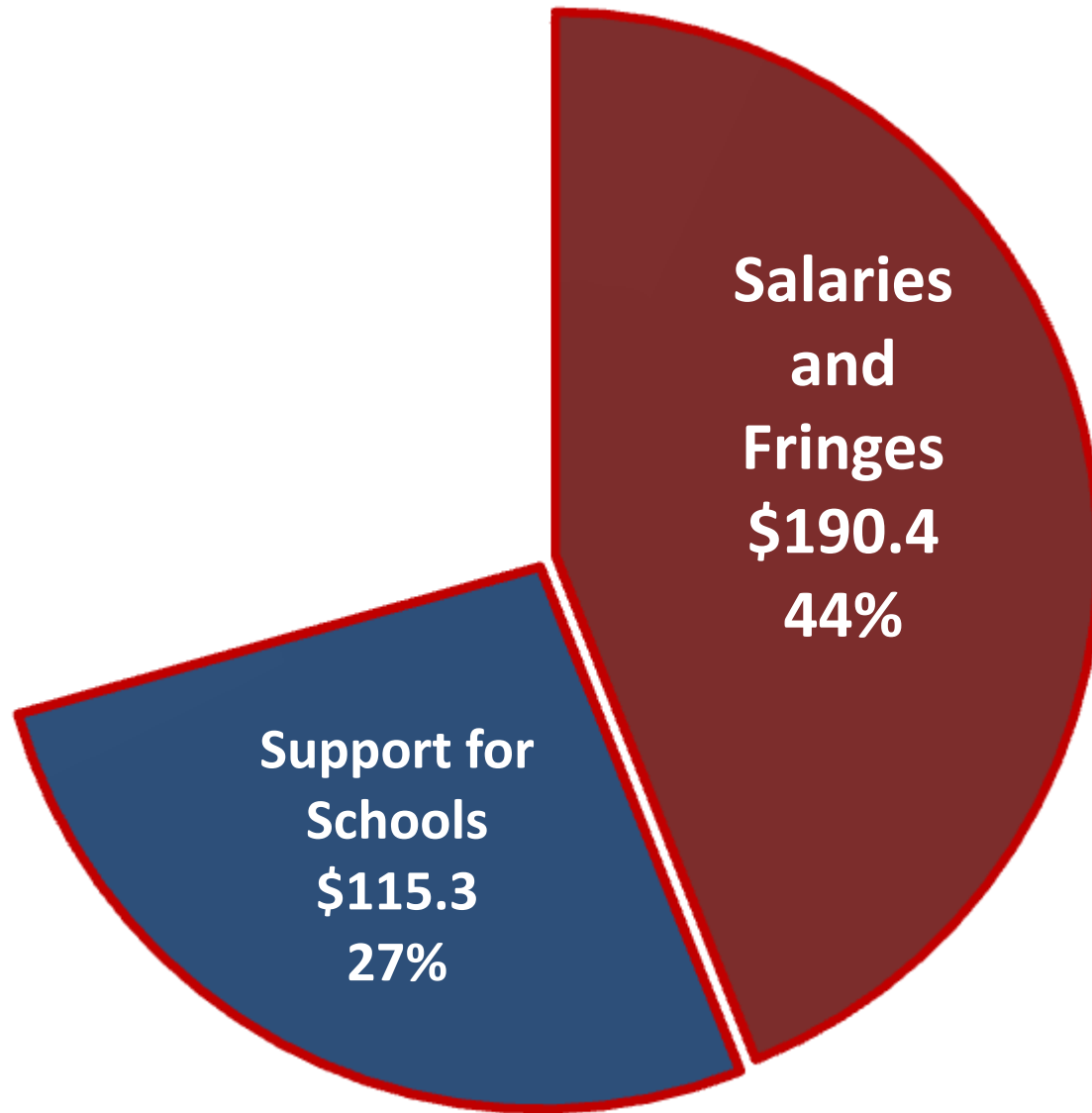
General Fund Expenditures

FY 2014 Budget - \$433m



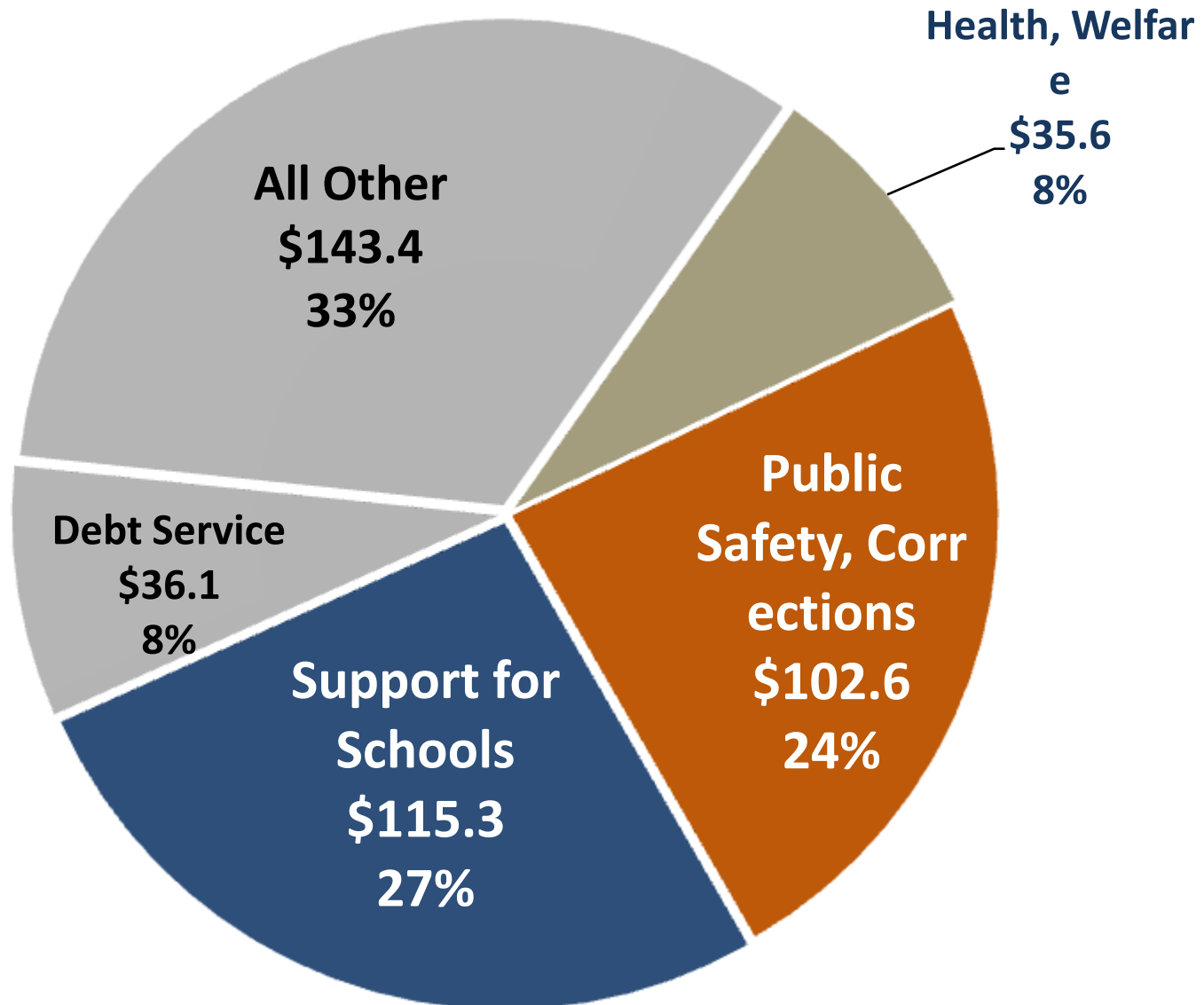
General Fund Expenditures

FY 2014 Budget - \$433m



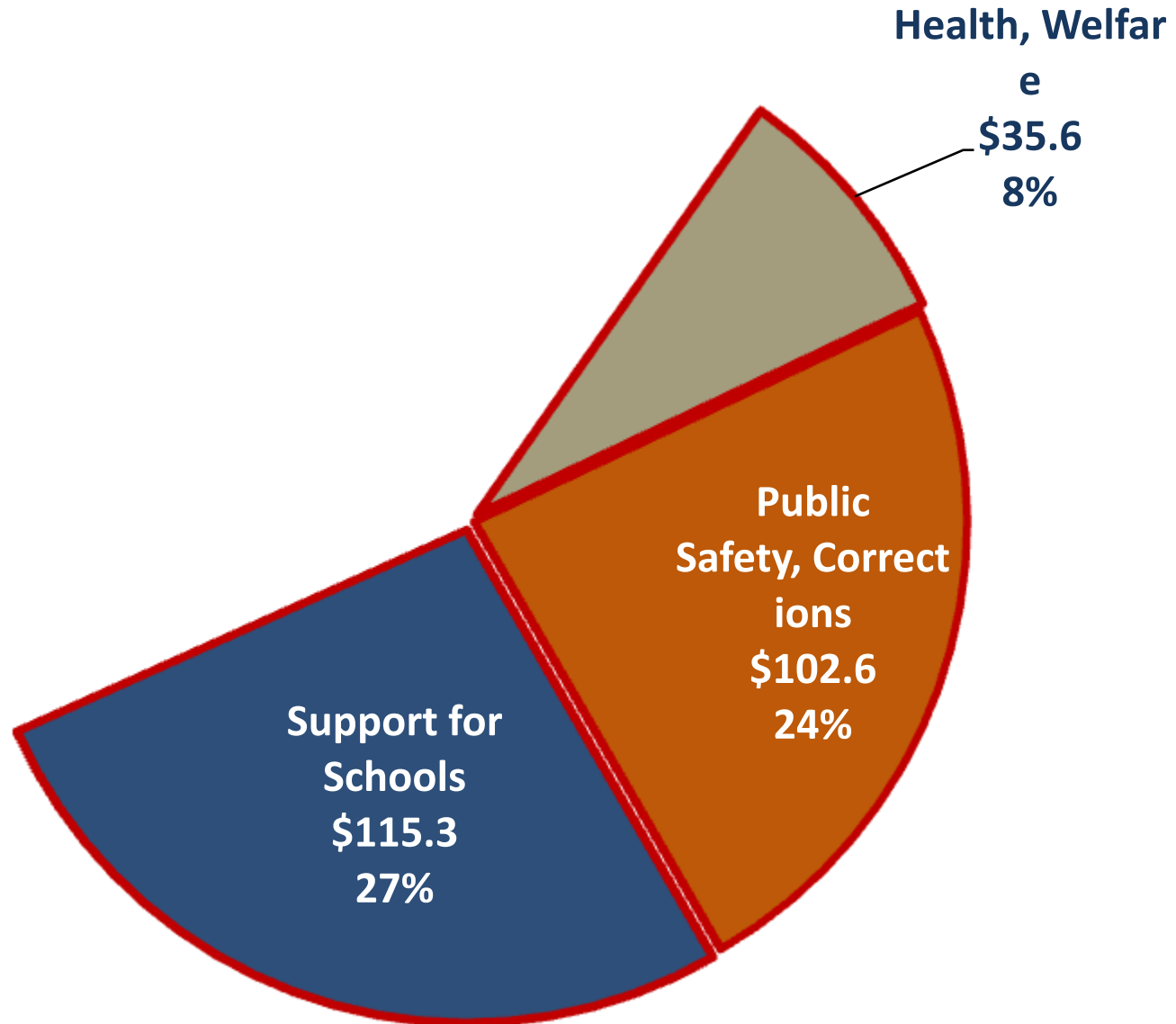
General Fund Expenditure Categories

FY 2014 Budget - \$433m

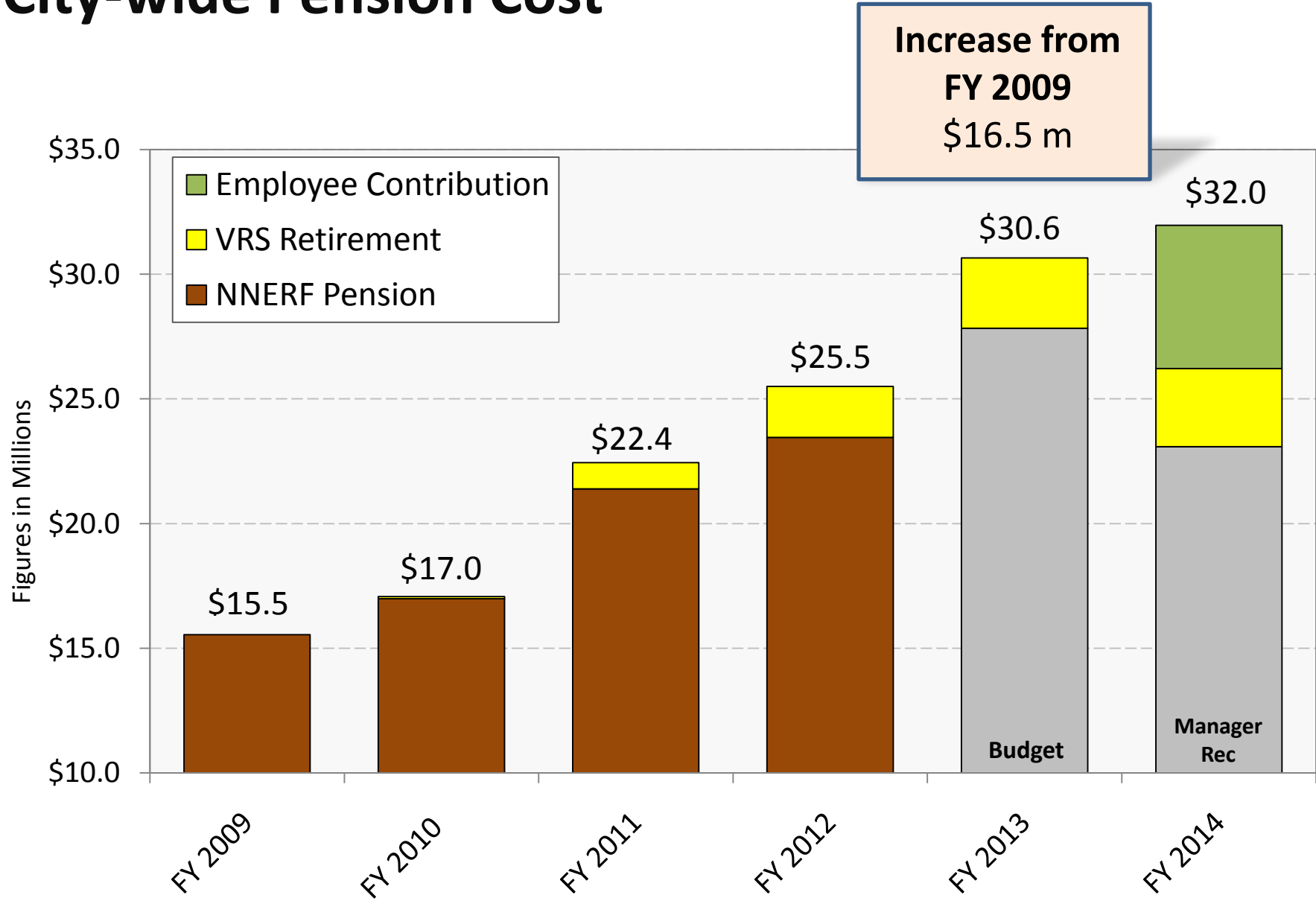


General Fund Expenditure Categories

FY 2014 Budget - \$433m

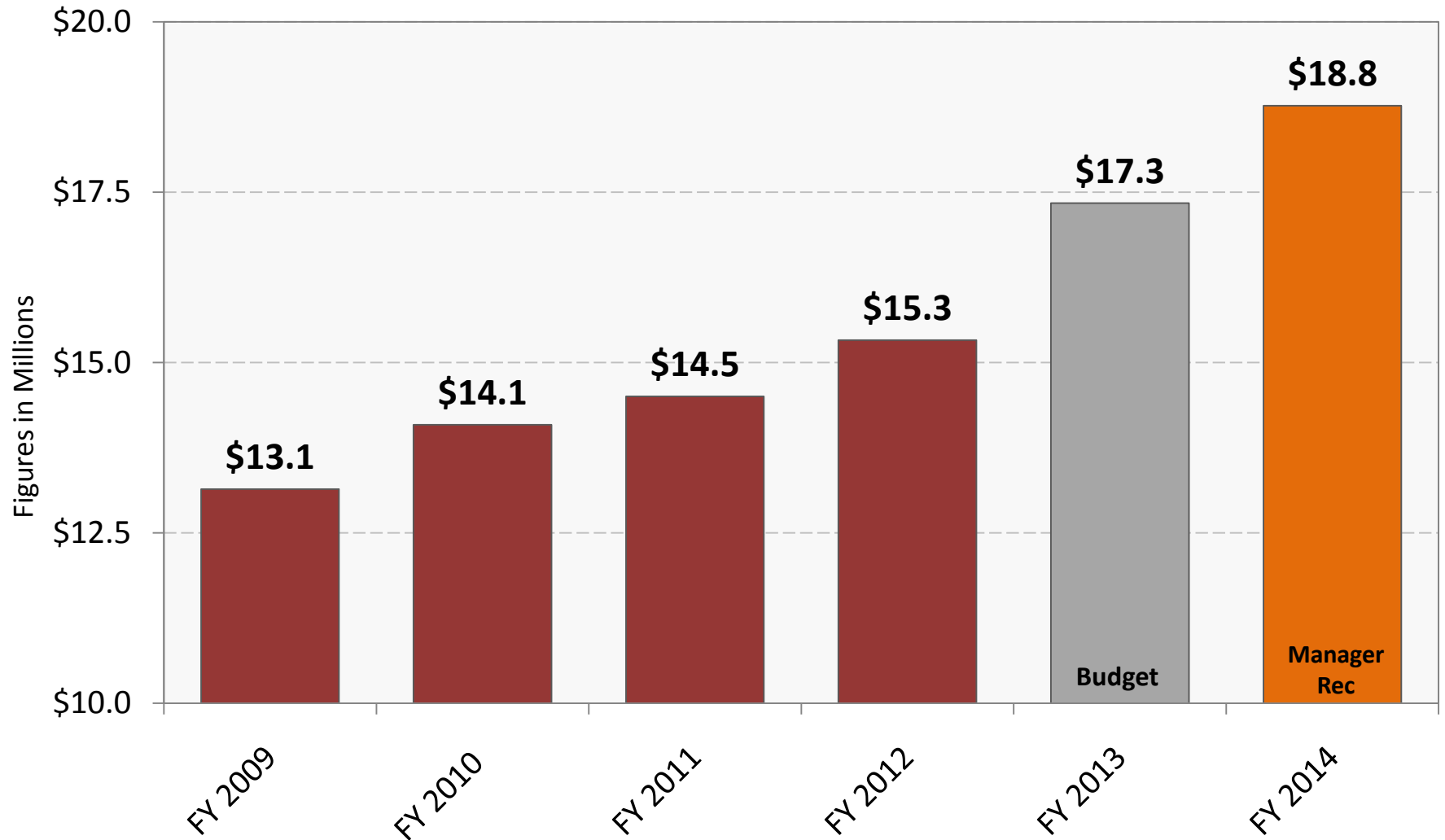


City-wide Pension Cost

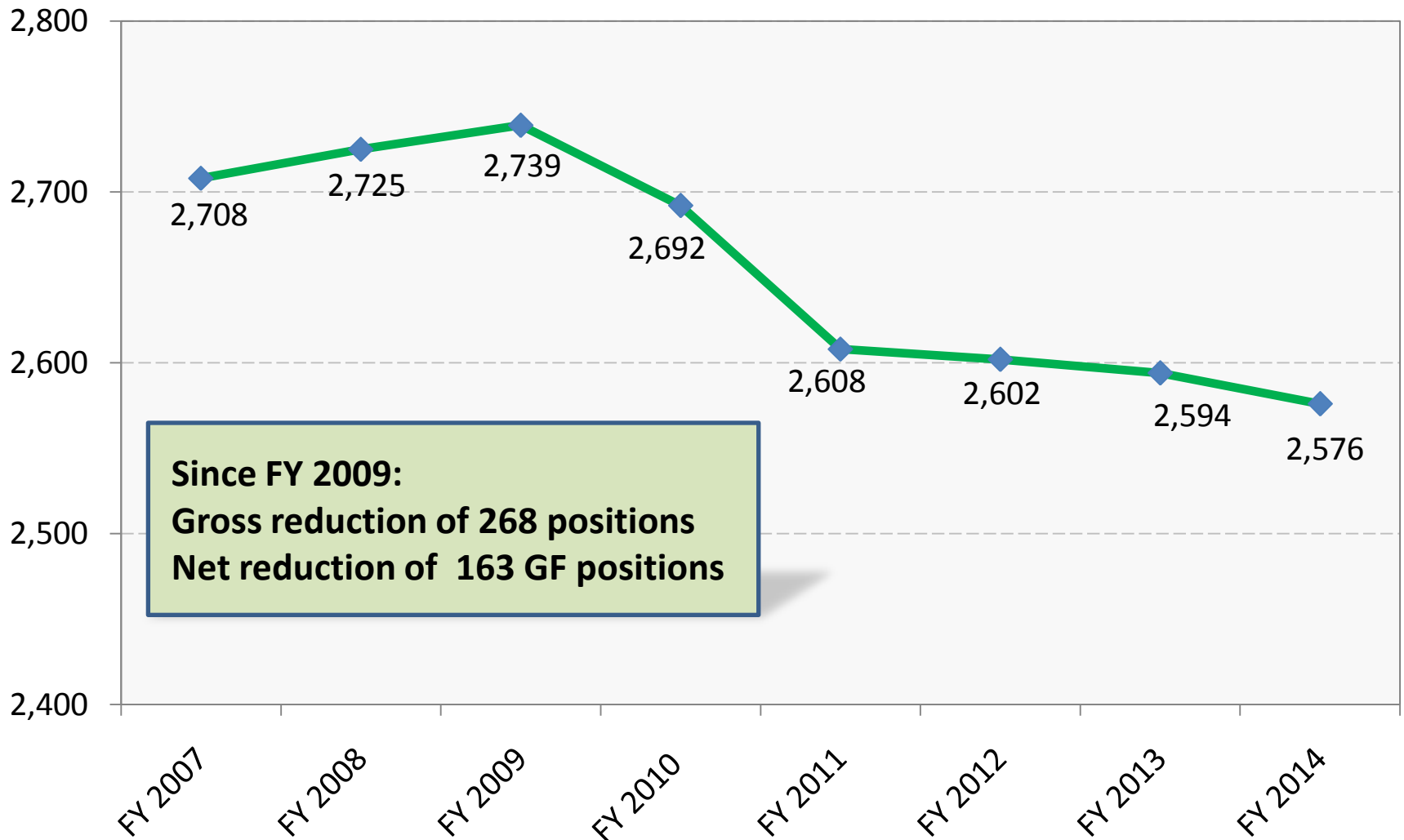


General Fund Healthcare

Group Health



General Fund Positions



General Fund Positions

	Eliminated	Filled	Eliminated	Vacant	Transferred	Added
City Clerk						
Executive Assistant			-1			
City Manager						
Executive Assistant			-1			
Admin Assistant II					1	
Human Resources						
Admin Assistant II					-1	
Purchasing						
Senior Printer			-1			
Printer II		-1				
Warehouse			-1			
Information Technology						
Sr Web Developer			-1			
Circuit Court						
Admin Coordinator		-1				
Police						
Youth & Gang Violence Coord						1
Warehouse		-1				
Sheriff						
Deputy			-2			
Juvenile Services						
Detention Specialist						2
Asst Director			-1			

General Fund Positions

	Eliminated Filled	Eliminated Vacant	Transferred	Added
Public Works				
Dispatchers	-2		-3	
Human Services				
Financial Analyst - SS		-1		
Social Worker II		-1		
Employment Services Wrkr		-1		
Business Project Mgr B		-1		
Libraries				
Supervising Librarian	-1			
Sr ISS	-1			
Computer Lab Specialists	-1			
Planning				
Research Planner		-1		
311 Customer Service Center				
Configuration Analyst				1
Call Takers				2



Citywide (all funds) eliminated 34 positions, added or transferred 23, for a net decrease of 11 positions

What's Been Implemented

- Staffing reductions – more than 268 positions
(net decrease in General Fund of 163 positions)
- Savings from hiring freeze
- Adjustments to service levels
- Delayed vehicle and equipment replacement
- Increased use of technology
- Reductions to Community Support Grant program
- Use of cash capital in lieu of debt for capital projects
- Delay/defer street maintenance work
- Converted Tax Relief program from abatement to deferral

FY 2014 Major Adjustments

Unfunded Requests = \$21m

	Increase	Decrease
School Support	1,900,000	
Street Paving	1,500,000	
Salary Adjustment (2%)	2,550,000	
Total Retirement		3,524,000
"Right-size" Department Budgets, Efficiencies, Consolidation		23,000,000
Information Technology Investment	950,000	
Capital Budget Impact	3,400,000	
Operating Equipment		
Affordable Care Act	507,000	
Hampton Roads Transit	551,000	
Hampton Roads Regional Jail	234,000	
Strategic Priorities		
Community Maintenance and Renewal	152,000	
Economic Dev and Redev (incl. Museums/Cultural Attractions)	650,000	
Max Emphasis on Public Safety	1,100,000	
Sustainable Local Governmental Policies		150,000
Fiscal Management, Efficient Ops (incr 311, consolidations)	123,000	200,000

FY 2014 Right-size, Efficiency, Consolidation

	Increase	Decrease
New and Additional Attrition Credits		110,000
Close Magruder Pool		30,527
Repurpose West Avenue Library		179,872
Consolidation of Library Computer Lab Specialist		206,265
Service Reductions		✓

Other Funds





Local Funding for Schools

\$115,300,000

- Operating increase of \$1.9 million or 1.7% from the current fiscal year

	FY 2013 Budget	FY 2014 Recommended
Total Proposed General Fund Support	\$113,400,000	\$115,300,000
Comprised of		
Base School Support for Operations	97,087,718	97,914,210
Recommended Increase	1,200,000	1,900,000
School Technology Plan Operations	2,409,570	2,409,570
School Debt Service	12,102,712	12,476,220
Grounds Maintenance	600,000	600,000



Waterworks

\$81,200,000

- Operating decrease of (\$200,000) or (0.2%) from the current fiscal year

- Impact of increased Retirement, Health Insurance, Salary Adjustment
- Have Attrition Credit, deferred or eliminated programs
- Recommendation of eliminated positions – 12 in FY 2014
- Demand for water continues to decline; need to shift emphasis from volume-driven revenue framework



Waterworks

\$81,200,000

	FY 2013	FY 2014
Rate structure changes	Current	Recommended
Volumetric Rates		
Single-Family Residential Bi-monthly		
R1 Low Usage Lifeline*	\$3.08/HCF	\$3.08/HCF
R2 Normal Use*	\$3.55/HCF	\$3.55/HCF
* While there is no proposed rate change to R1 and R2, the Low Usage Lifeline maximum threshold will be decreased from 6 HCF to 4 HCF rate per HCF is proposed		
Meter Fees		
Proposed increases to monthly and bimonthly meter fees to continue shift of revenue dependency from volumetric rates		



Solid Waste

\$13,595,800

- **Operating increase of \$307,100 or 2.3% from the current fiscal year**
- Retirement, Health Insurance, Salary Adjustment, and Contractual Obligations continue to increase
- No proposed changes in services
- Budget defines costs associated with Community Maintenance effort and Hazardous Waste program



Solid Waste

\$13,595,800

- Medium Container
 - Increase of 40 cents per week, \$20.80 per year
- Large Container
 - Increase of 50 cents per week, \$26.00 per year

	FY 2013	FY 2014
Rate structure changes	Current	Recommended
Container Size	Cost per week	
Medium (60 gallons)	\$4.60	\$5.00
Standard (90 gallons)	\$5.75	\$6.25
* Note: Rate for 60-gallon container is set 20% less than rate for a standard 90-gallon container		



Wastewater

\$18,684,000

- Operating decrease of (\$161,000) or (0.9%) from the current fiscal year
- Projected Revenues will remain steady, requiring use of Fund Balance (Reserves) to offset increased cost of operation
- Retirement and Health Insurance costs continue to increase
- Federally-mandated Regional Consent order continues to drive costs
- Continued “Right-sizing” of contractual services and supplies
- Added and transferred positions from General Fund in support of the mandated Regional Consent Order



Wastewater

\$18,684,000

- Sewer User Fee
 - Increase of 42 cents per Hundred Cubic Feet (HCF) per month

	FY 2013	FY 2014
Rate structure changes	Current	Recommended
Sewer User Fee		
Rate per HCF used	\$2.79	\$3.21



Stormwater

\$14,374,000

- **Operating increase of \$1.5m or 11.3% from the current fiscal year**

- Impact of Federal and State Stormwater Regulation
- 2 major components
 - MS4 – Municipal Separate Storm Sewer System
 - TMDL – Total Maximum Daily Load; Chesapeake Bay Preservation Act
- Retirement and Health Insurance costs continue to increase
- Added and transferred positions from General Fund in anticipation of State-mandated programs



Stormwater

\$14,374,000

- Stormwater Management Fee
 - Increase of 55 cents per Equivalent Residential Unit (ERU) per month; \$6.60 per year

	FY 2013	FY 2014
Rate structure changes	Current	Recommended
Stormwater Management Fee		
Rate/ ERU per month	\$7.45	\$8.00
Annual Rate per 1 ERU	\$89.40	\$96.00



Peninsula Regional Animal Shelter

\$1,557,000

- **New fund for FY 2014 with total projected operating expenditures of \$1.6m**

- Potential opening after October 2013
- Shared service operation with cost shared with Hampton, York County, and Poquoson
- Newport News share of operating expenses and debt service equals \$696,071, which represents 45% of the total annual cost
- SPCA will provide sheltering services at current rate until opening

Impact on Typical Household

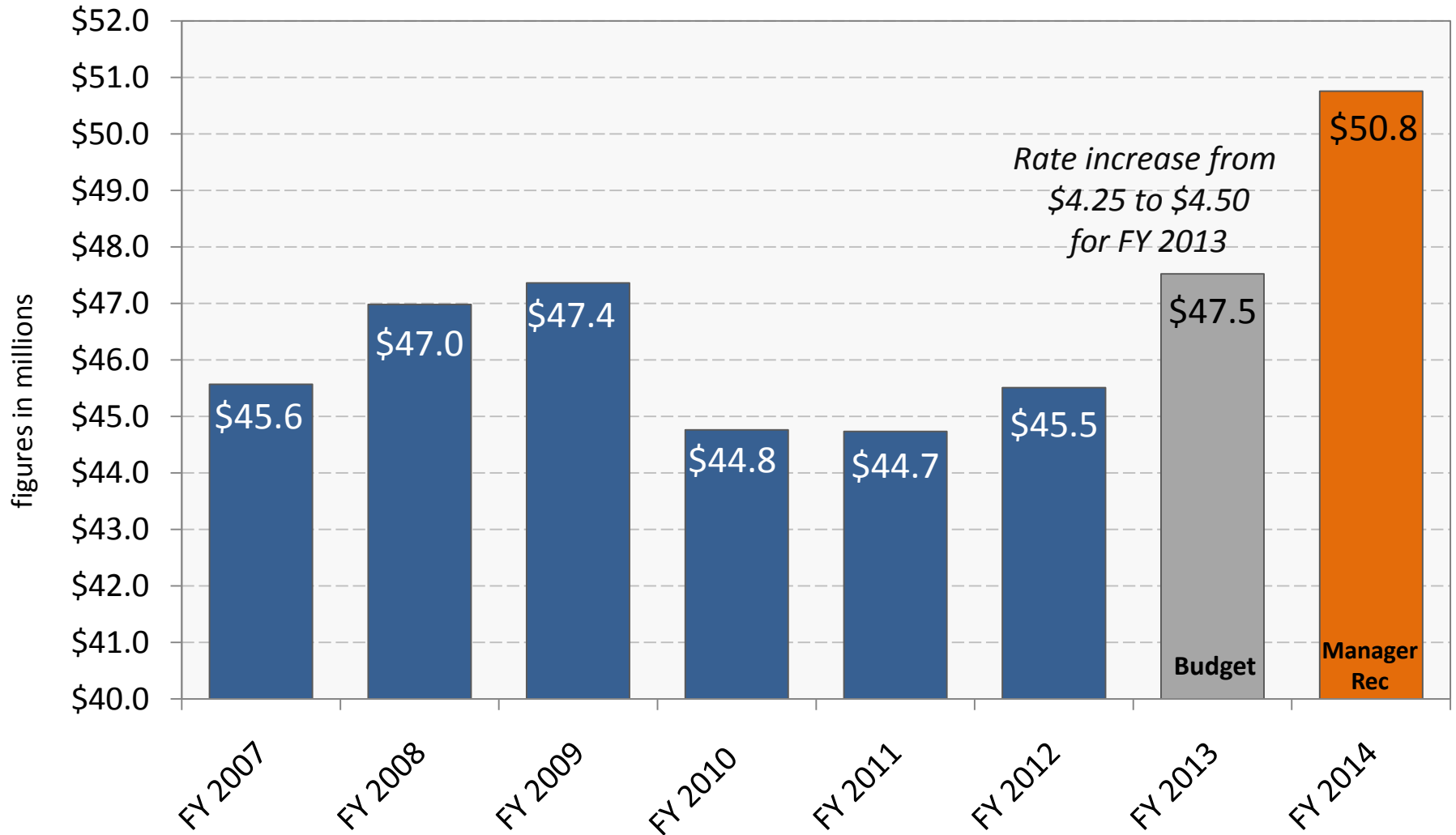
	Weekly Increase	Monthly Increase	Annual Increase
Real Estate Tax	\$3.23	\$13.98	\$167.78
Stormwater Fee	0.13	0.55	6.60
Solid Waste Fee	0.50	2.17	26.00
Sewer User Fee	0.53	2.31	27.72
Water Fees and Rates	1.70	7.36	88.26
Total Impact	\$6.08	\$26.36	\$316.36

Next Steps

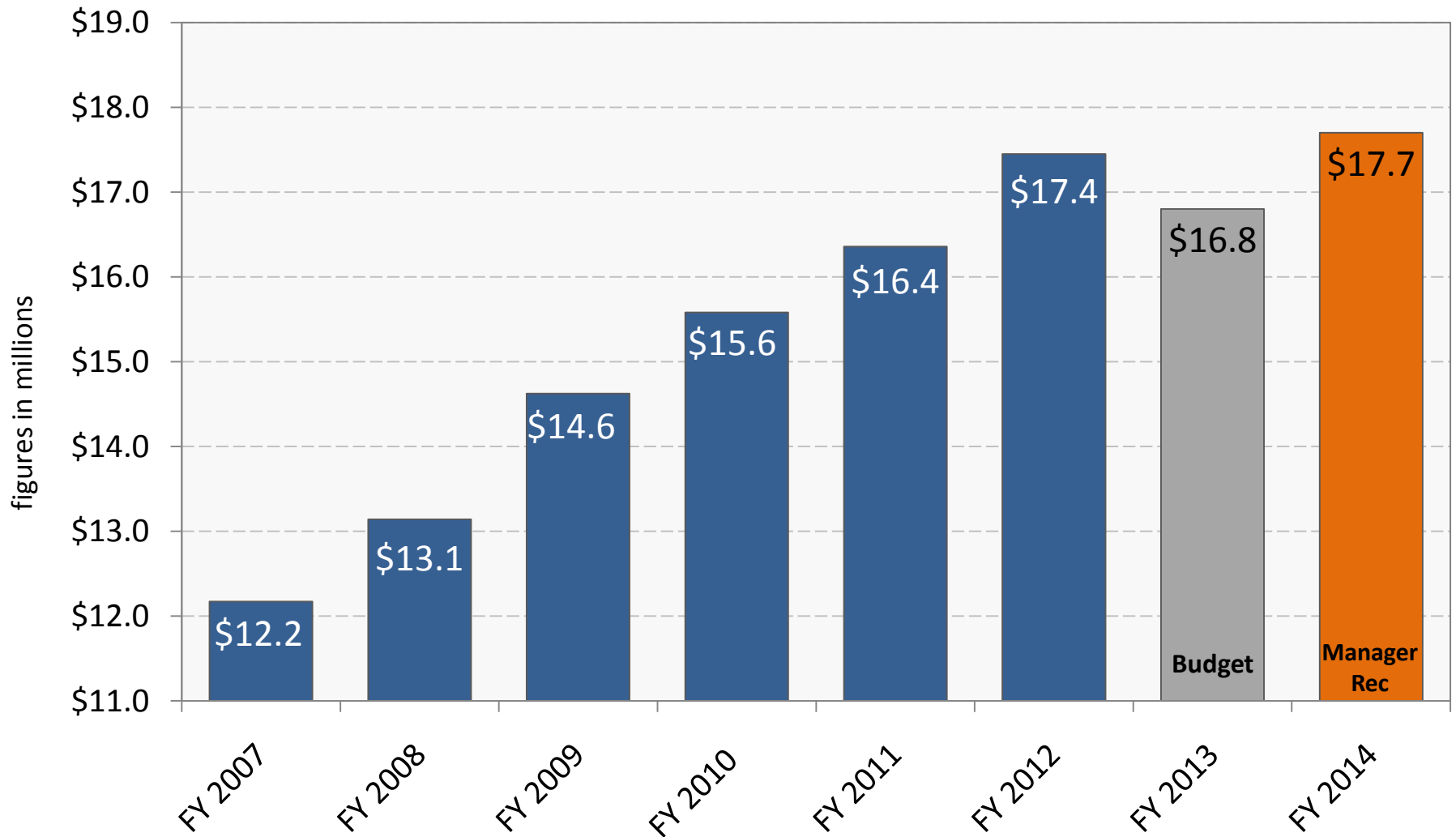
- ✓ City Council adopts Public Hearing Schedule
- ✓ Topic-specific presentations during April Work Sessions
- ✓ Position Papers distributed by April 5th
- ✓ Budget available on City's webpage at <http://www.nngov.com>
- ✓ Hard copies available at each public library and in the Budget and Evaluation office
- ✓ FY 2014 Budget Advertisement for Public Hearings will be in Daily Press on April 1st and April 7th
- ✓ Contact Department of Budget and Evaluation at **926-8733**

end

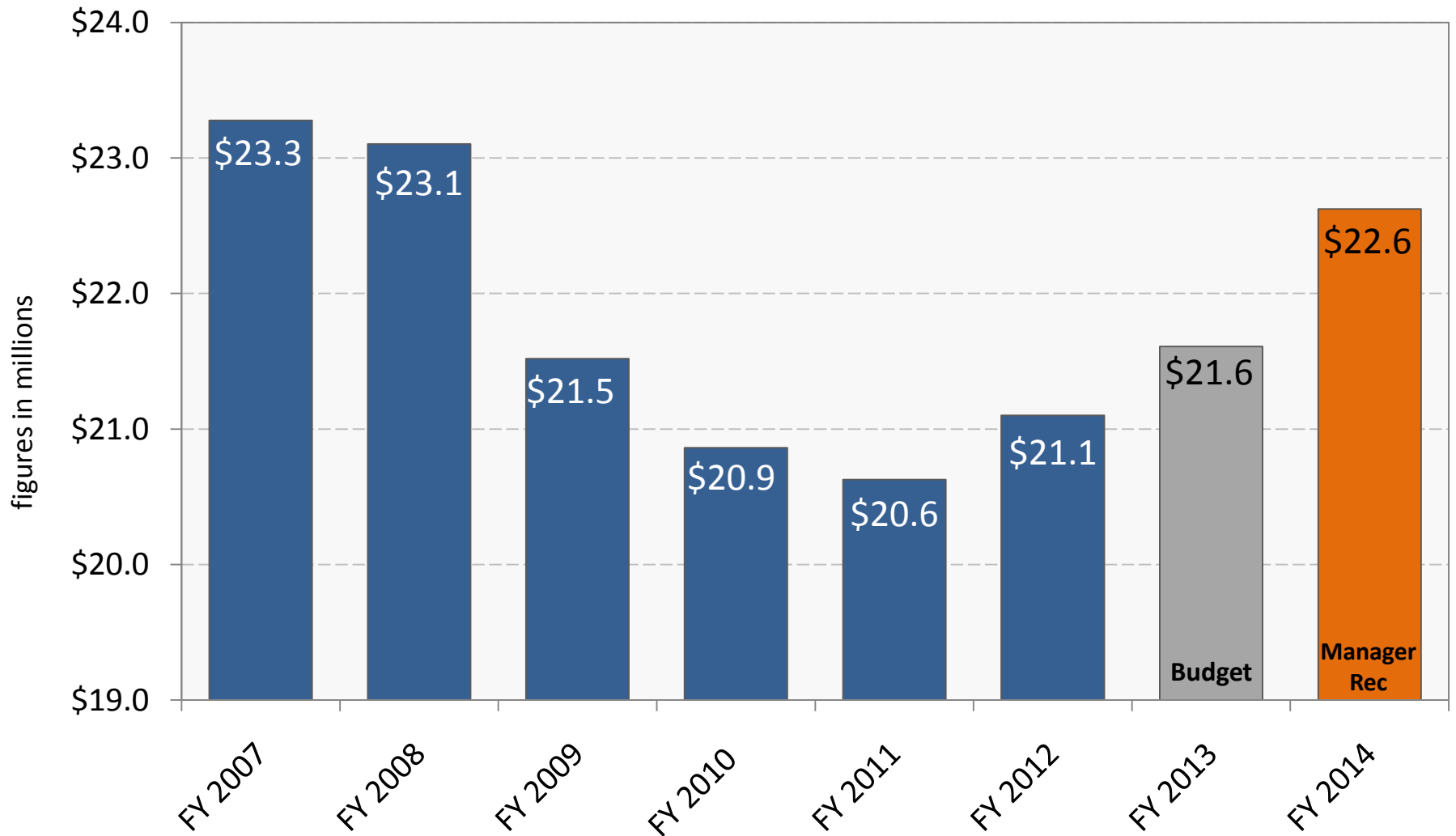
Personal Property Taxes



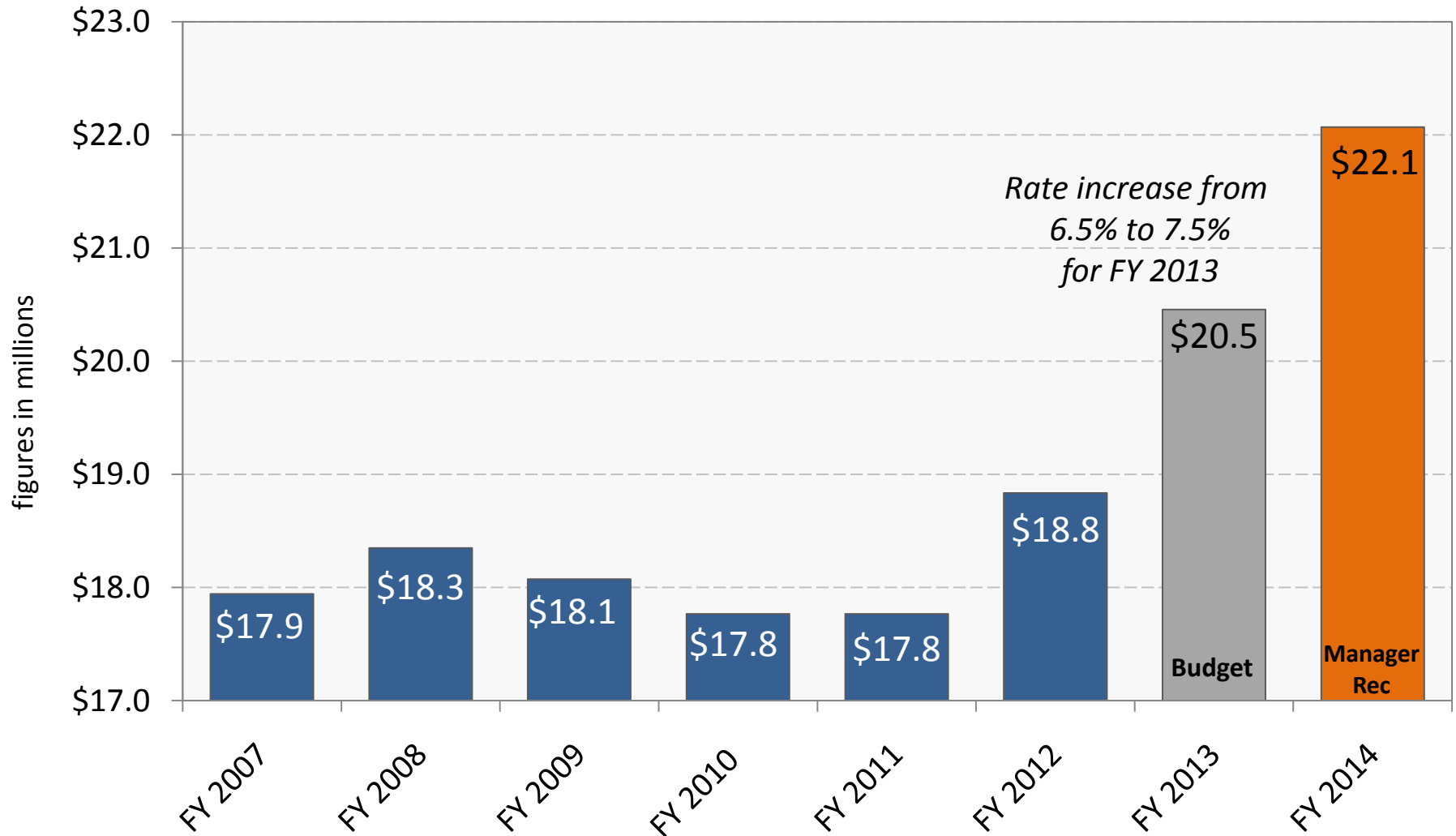
Machinery and Tools Taxes



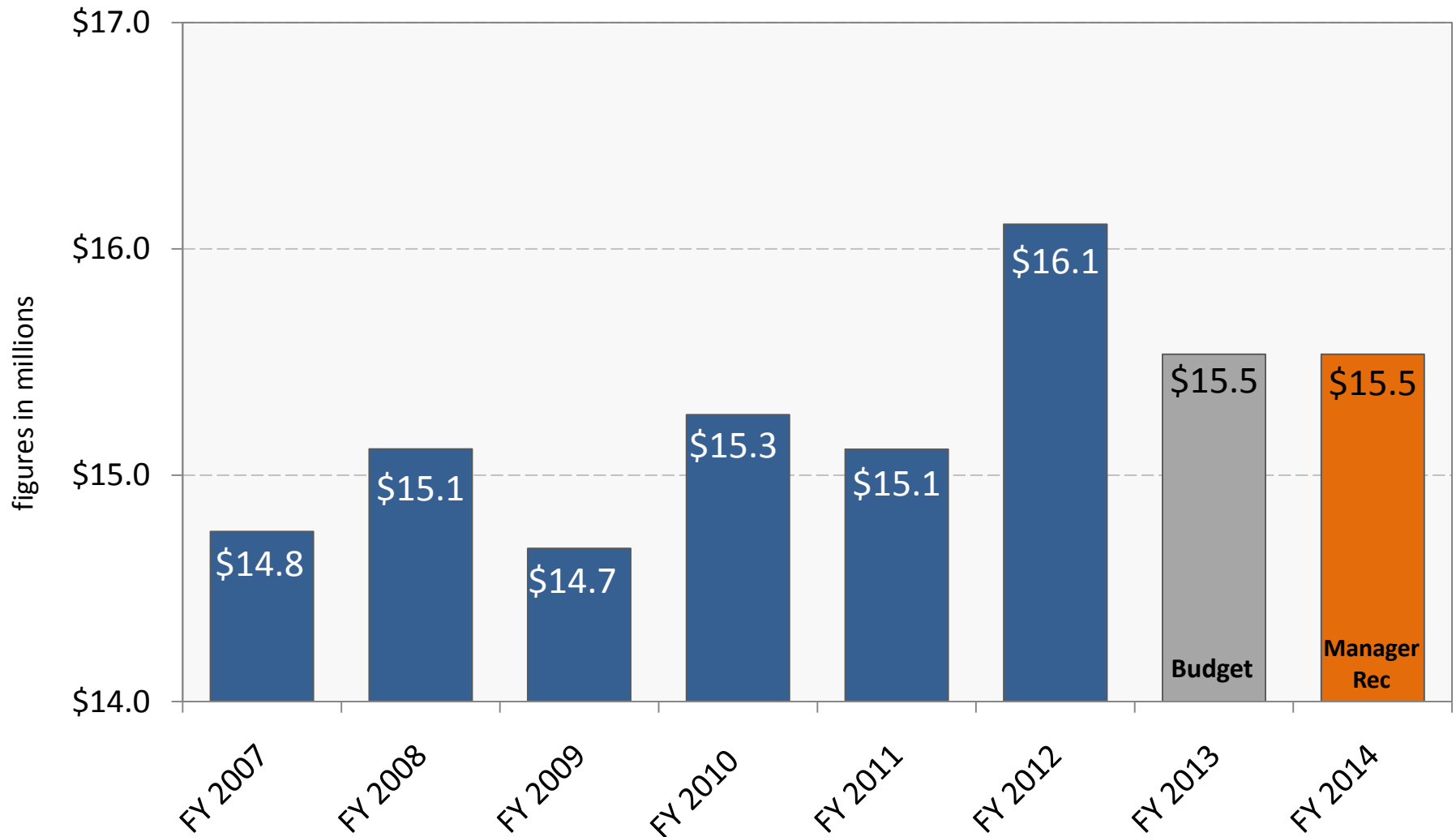
Sales Tax



Meal Tax



Business, Professional and Occupational License Taxes

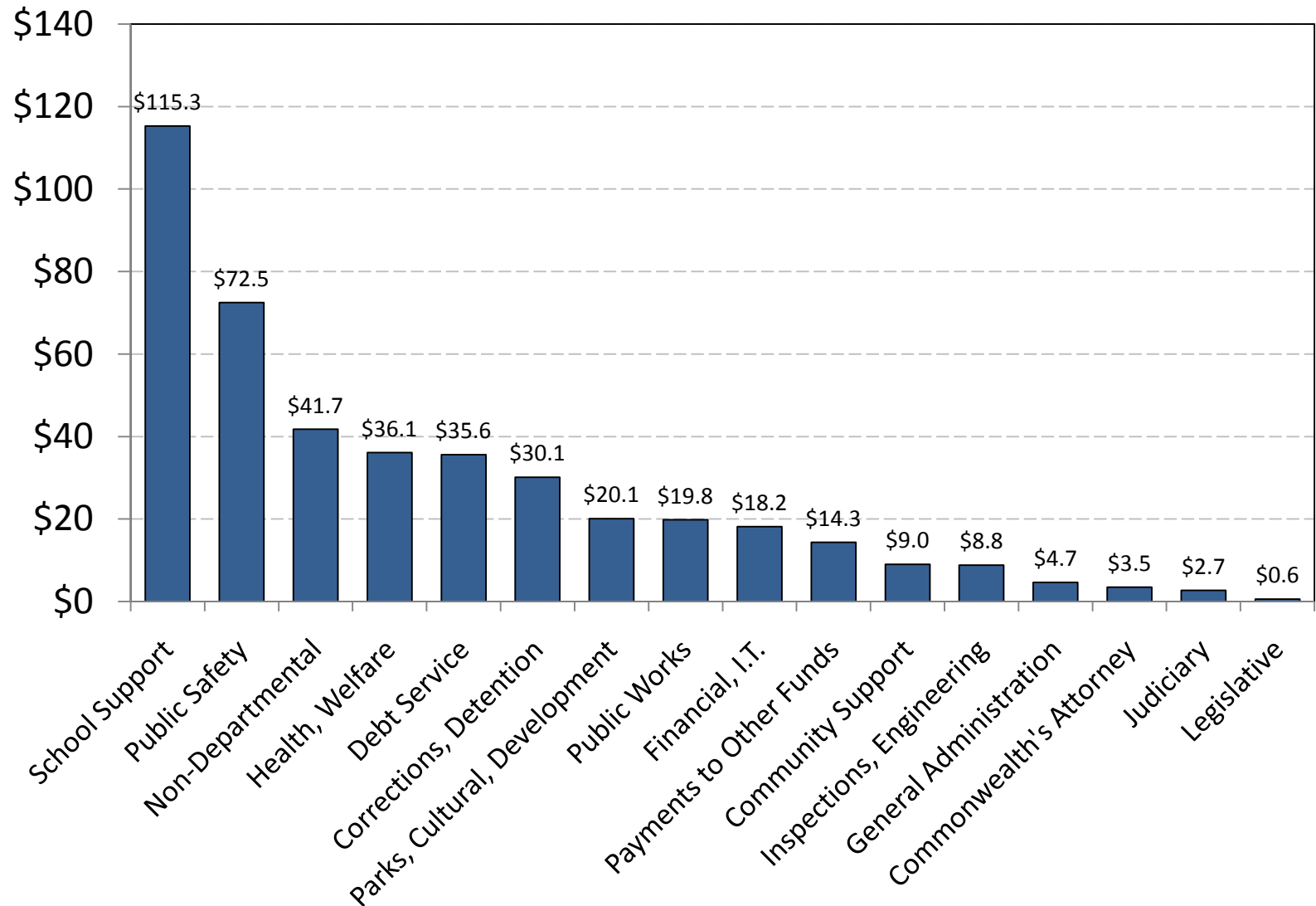


Strategic Priorities *Refined*

- Economic Development and Redevelopment
- Environmentally Sustainable Local Government Policies
- Community Maintenance
- Fiscal Management and Efficient Operations
- Maximum Emphasis on Public Safety

General Fund Expenditure Categories

FY 2014 Budget - \$433m

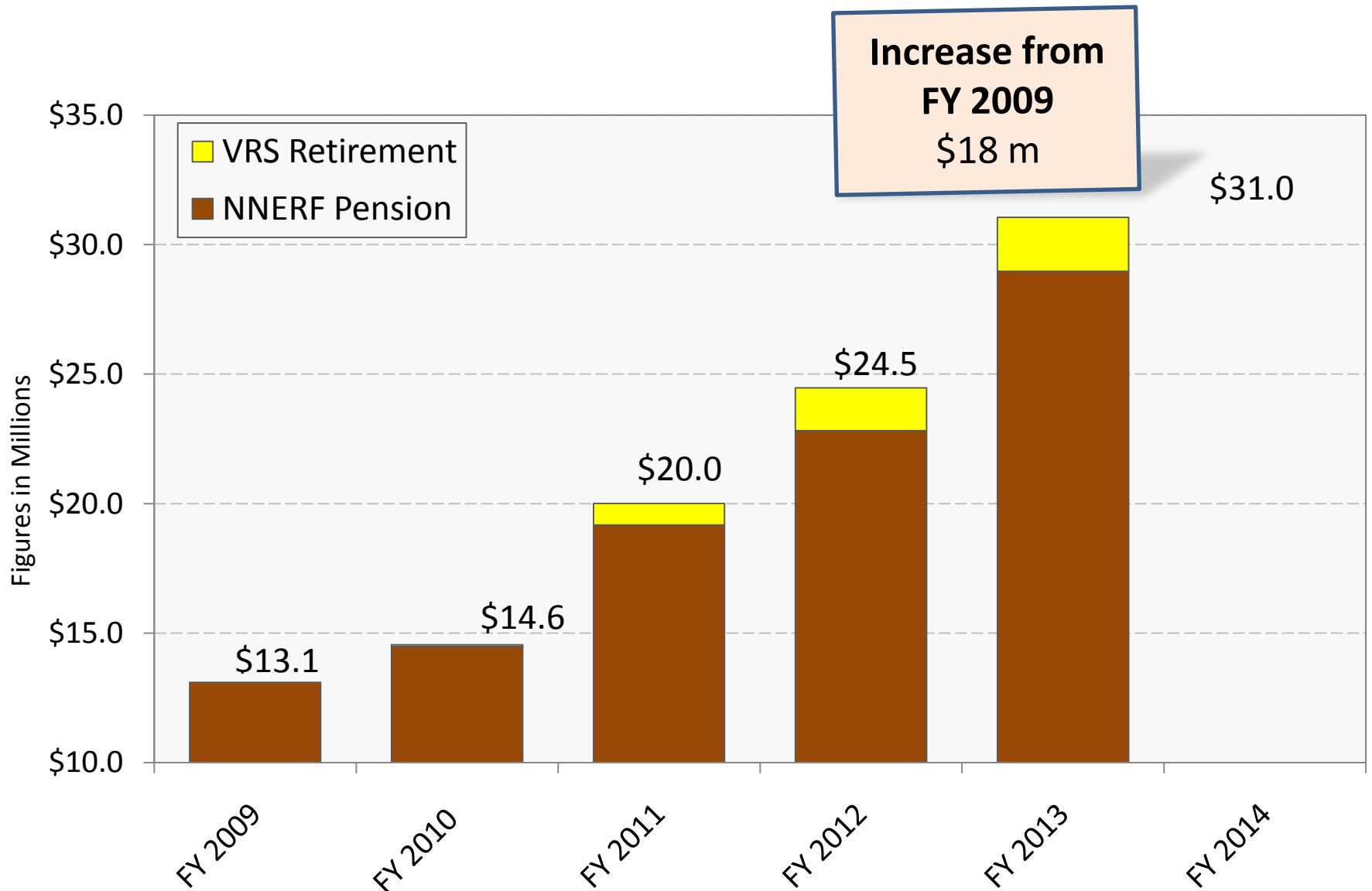


FY 2014 Major Adjustments

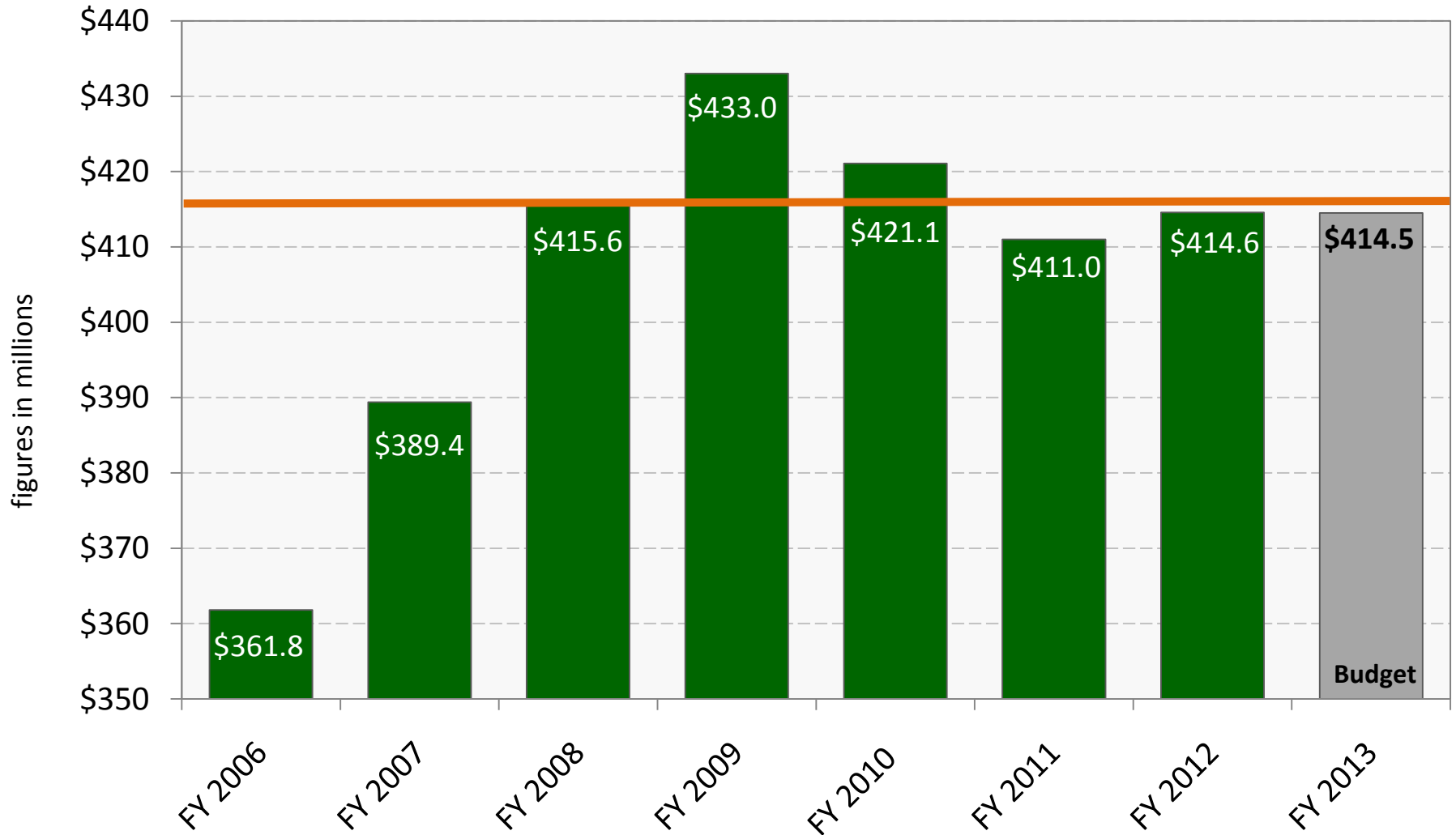
		Increase	Decrease
Information technology	Fiscal Mgt, Efficiency	✓	
Street Paving	Comm Maint and Renew	✓	
Operating Equipment	Fiscal Mgt, Efficiency	✓	
"Right-size" Department Budgets			✓
Denbigh Community Center	Fiscal Mgt, Efficiency	✓	
311		✓	
Debt Service	Fiscal Mgt, Efficiency	✓	
Pension		✓	✓
Affordable Care Act		✓	
Hampton Roads Transit		✓	
Hampton Roads Regional Jail		✓	
Museums		✓	
Strategic Priorities			
Community Maint and Renewal			
Economic Dev and Redev			
Max Emphasis on Public Safety			
Sustainable Local Gvmt Policies			
Fiscal Mgmt, Efficient Ops			



Pension

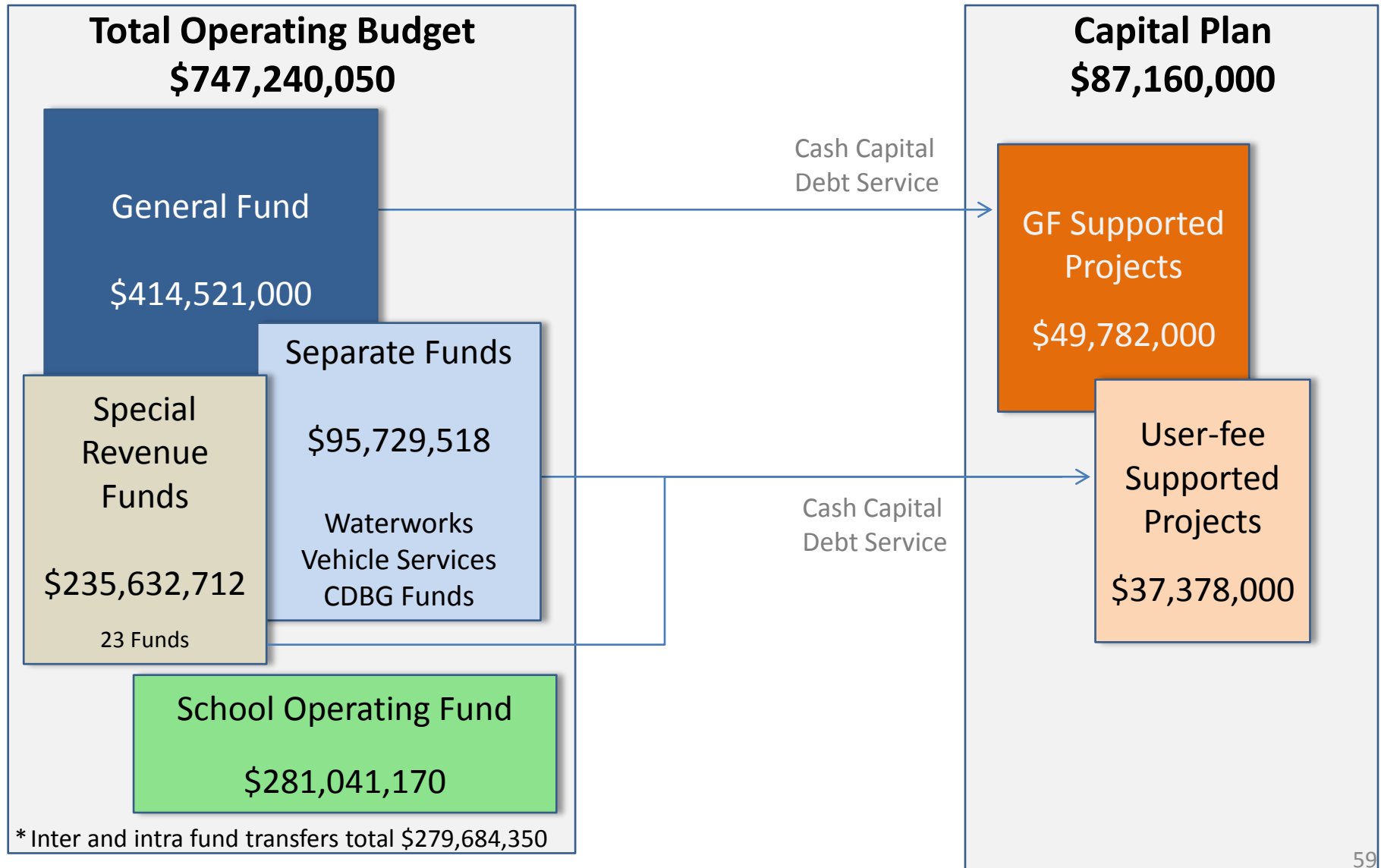


General Fund Operating Budget

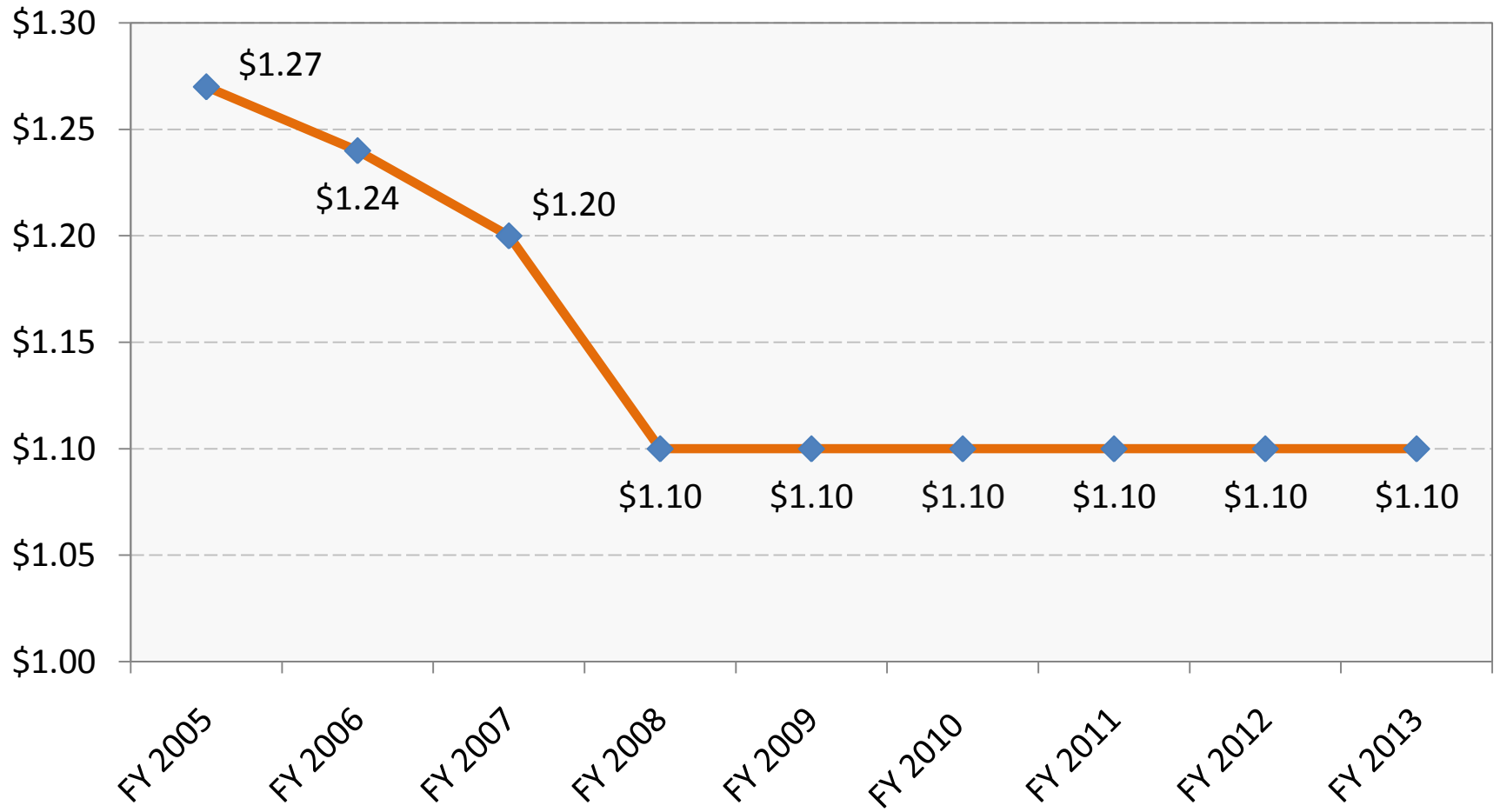


City of Newport News Financial Plan

FY 2013 - **\$834 million**

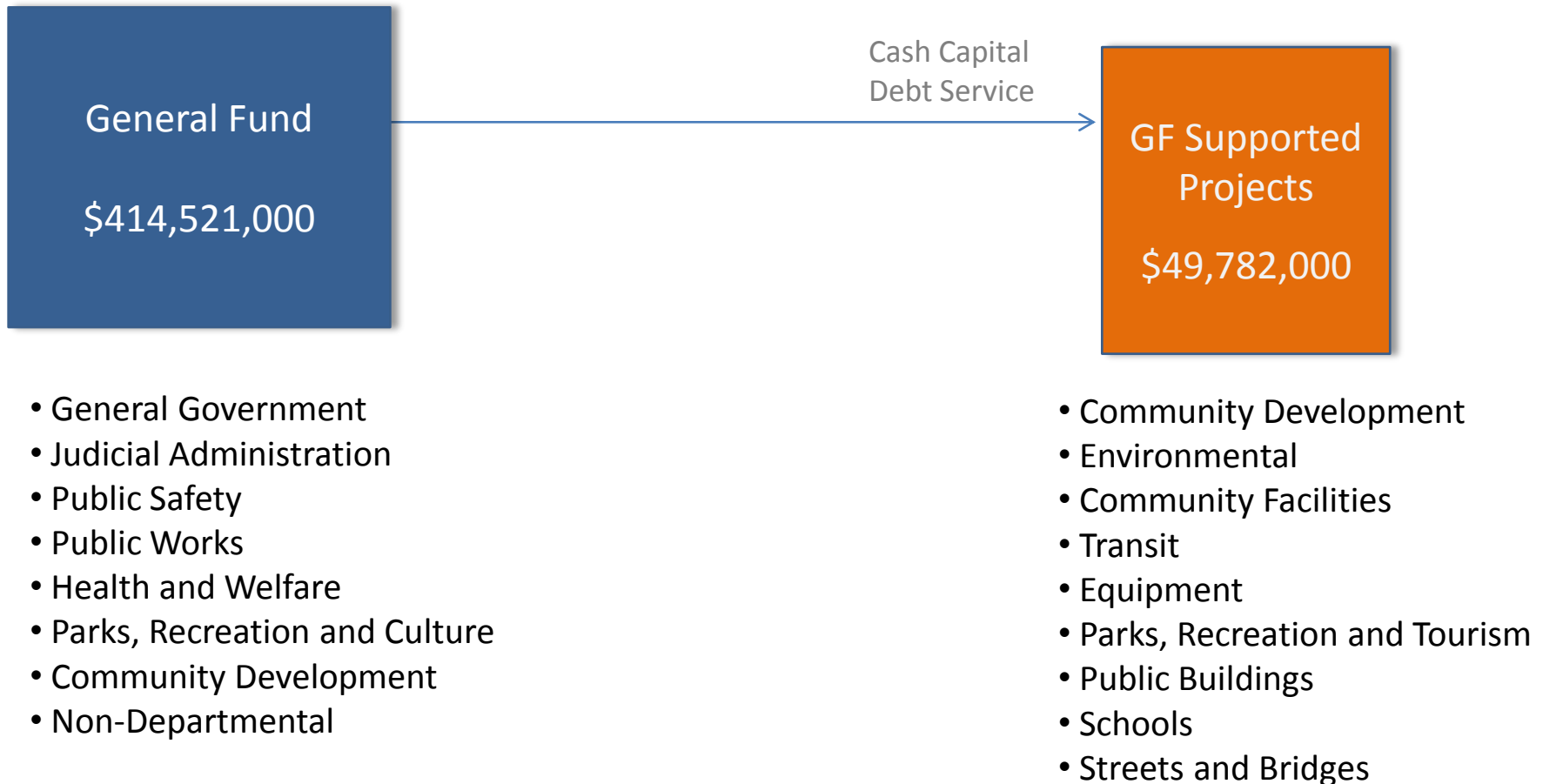


Real Estate Tax Rate

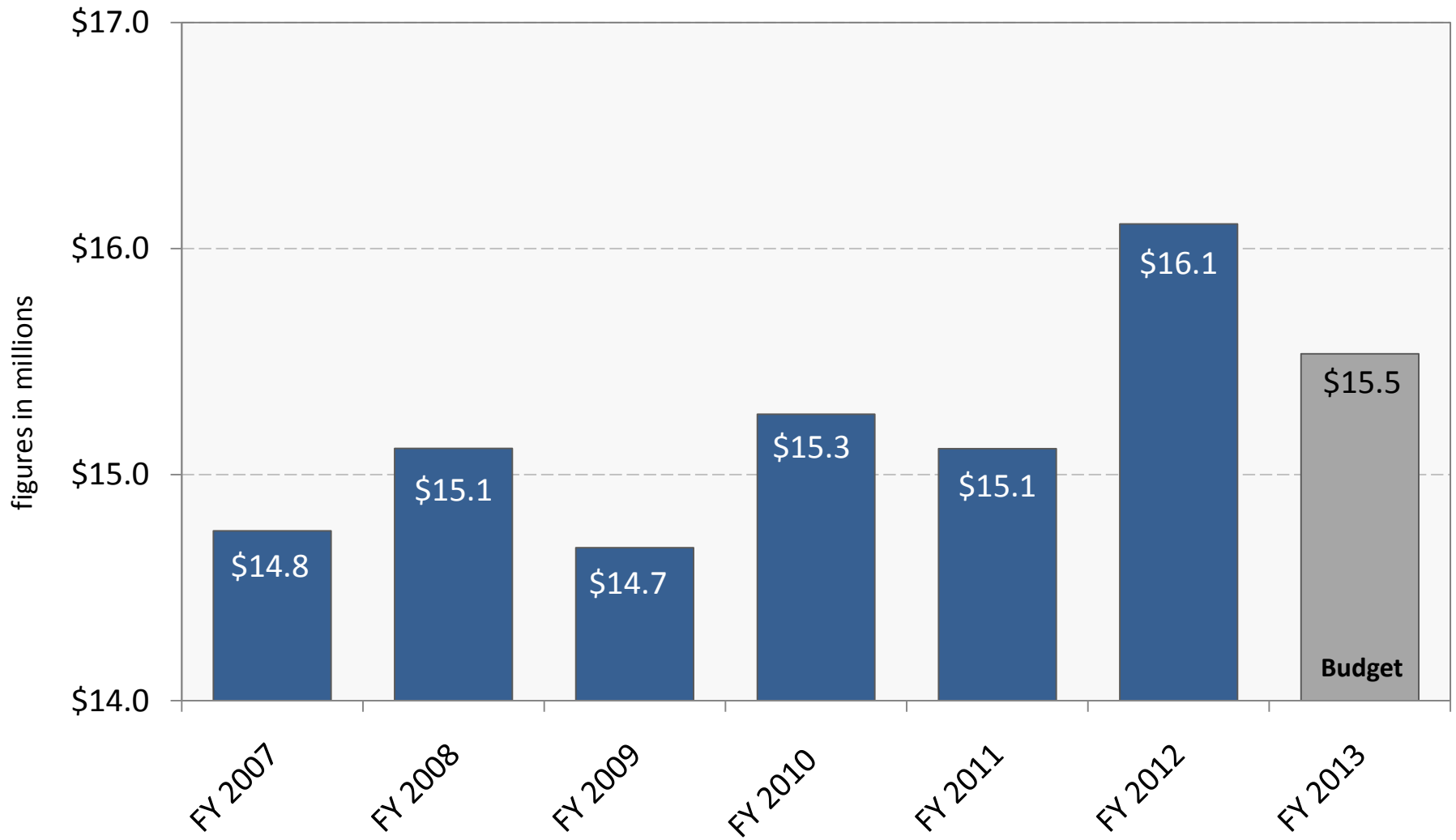


City of Newport News Financial Plan FY 2013

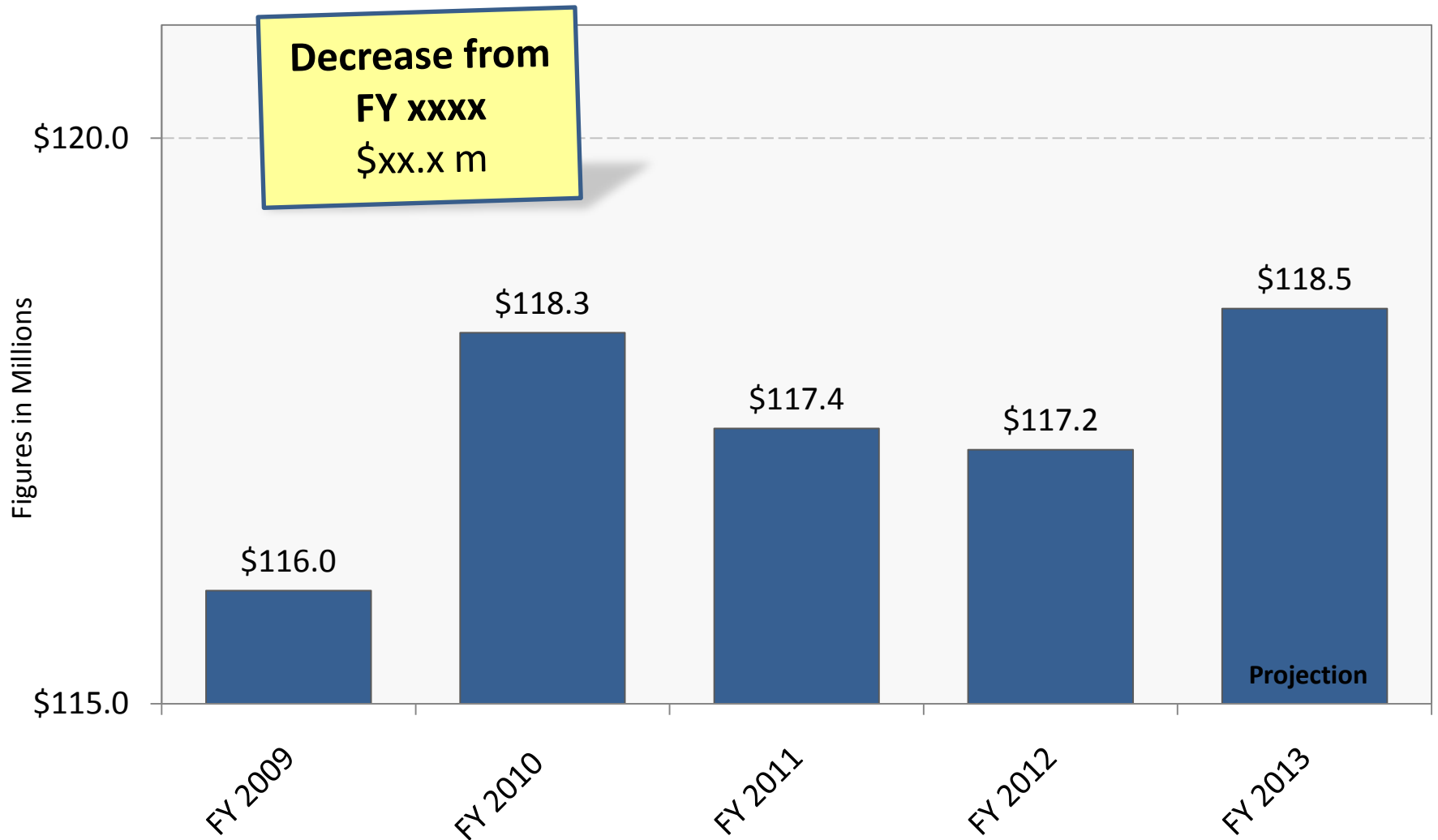
General Fund



BPOL Taxes



General Fund Salaries



FY 2014 GAP – Revenue to Expense

- **\$435 M - Expenses**
- \$411 M - Revenue without RE Tax increase
- **GAP = \$24 M Short of Revenue**
- \$10.5 M = Dept **Reductions** Submitted (5%)
- \$ 6.0 M = Dept Enhancements Requested
- **1¢ = \$1,325,000 based on early FY 2014 RE levy**

FY 2014 **Revenue** Anticipated Budget

\$414,521,000 FY 2013 Budgeted Revenue

Revenue Decreases

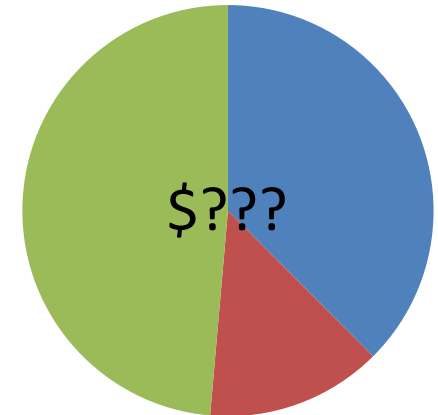
(**\$5,500,000**) FY14 Projected RE Tax loss
(**\$100,000**) CNU PILT/actual RE
(**\$250,000**) Waterworks ROI Reduction

(**\$5,850,000**) **Potential Revenue Loss**

Possible Revenue increases

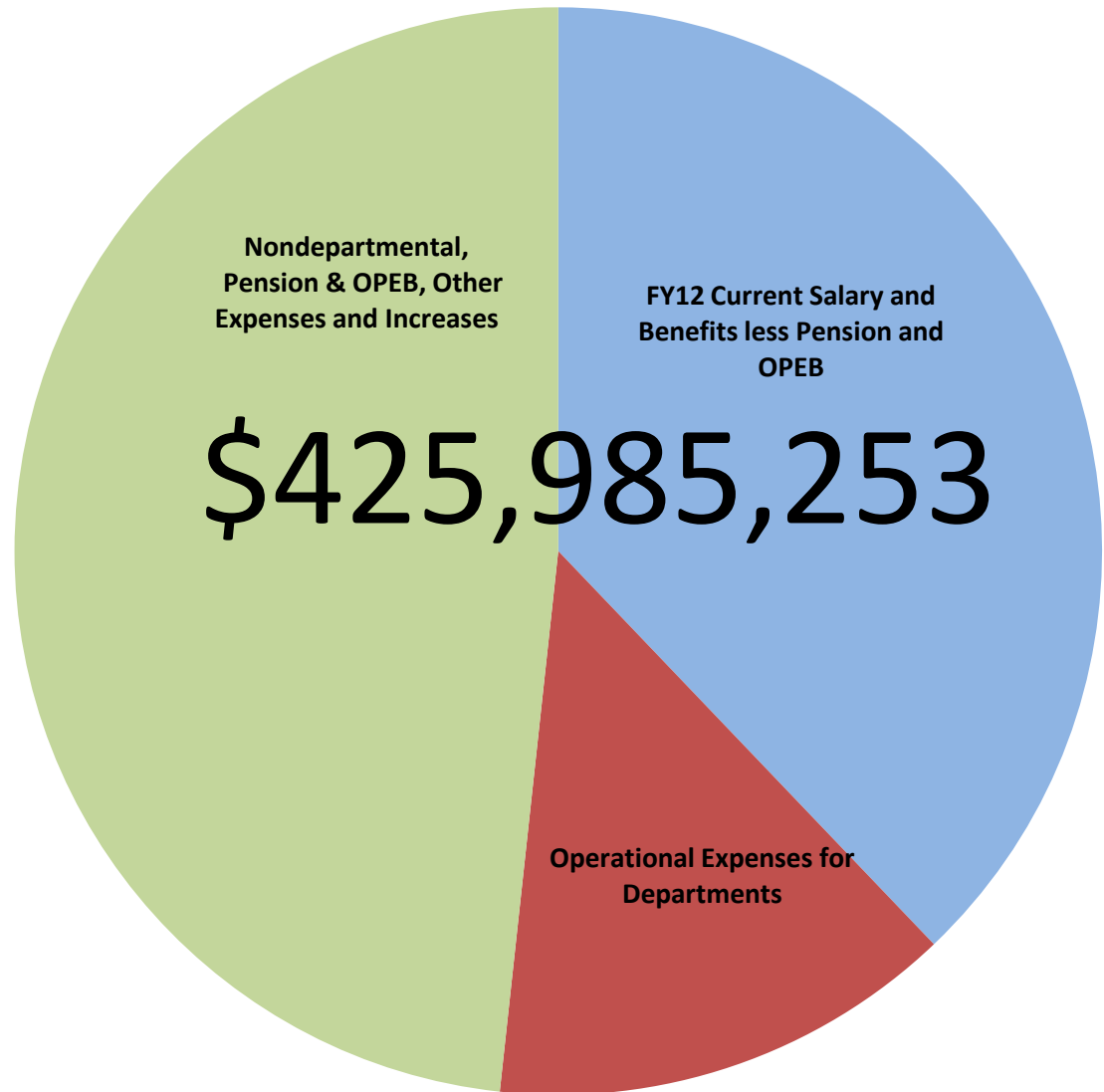
\$215,000 Lodging Tax 0.5% Increase (to equal Hampton)
\$500,000 Lodging Tax Plus \$1 per night stay???
\$800,000 M&T Tax additional
\$750,000 Sales Tax (FY 2013 Projection + Walmart x2)
??? RE Tax
\$2,265,000 Potential Revenue Gains

(**\$3,585,000**) **Potential Revenue Gain/Loss**



General Fund

FY 2014 Budget – Current Service Level



Significant Items Included in the \$425.9 M:

\$122 M FY14 Projected FT Salaries (includes vacancies)

\$1.5 M Health Ins 5% Dec. '13 (includes vacancies)

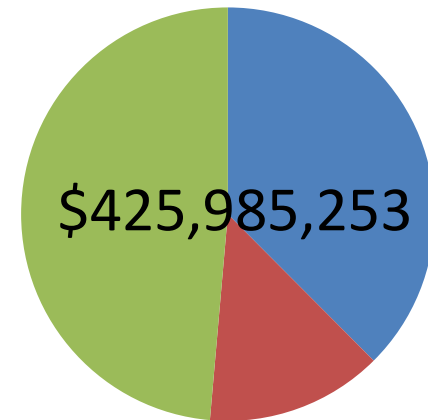
\$22.4 M FY14 NNERF (Equal to FY 2013 amount)

\$8 M FY14 NNERF OPEB (Equal to FY 2013 amount)

\$3.3 M FY14 VRS & HRA (reflects FY 14 rates)

\$2.3 M Debt Service increase (New Issue in Jan 2014/Int July 2014)

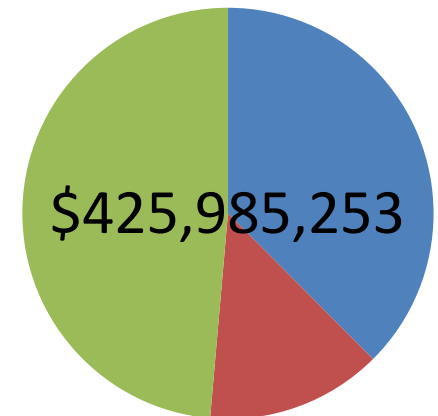
\$113 M Contribution to Schools



Amount does NOT include:

\$1.3 M	Add'l Schools Contribution
\$2.5 M	Salary Increase for FY14 (2% July 1)
\$1 M	Increase to Cash Capital (\$2.9 is budgeted, \$6.2 is needed in CIP)
\$800 K	Additional Operating Cost for New Animal Shelter
\$2 M	Increase in Street Maintenance Funding
\$750 K	Museums (VLM + Others)
\$200 K	Affordable Care Act - Part-time (If City contributes)
\$151 K	Affordable Care Act - FT Contribution
\$299 K	Regional Jail
\$200 K	HRT Increase??
\$100 K	Start Wellness Program

\$434,827,890 FY 2014 Budget



The Perpetual Questions

- How to close the gap – alternatives prior to a RE Tax increase?
- What can we do with and without?
- What about function consolidations?
- How to manage cross-departmental initiatives?
- What if Council does NOT support a RE Tax increase?
- What else?