

PROPOSED Operating Budget & Capital Improvement Program Fiscal Year 2014



April 2, 2013
John L. Rowe, Jr.

Budget Development

Where We Started From – January 8, 2013

General Fund Expense Drivers

Expected Increased Expenses Include:	(Millions)
– New Debt Service	\$ 2.4
– General Wage Increase	?
– Fill vacant positions	?
– Increased Jail Per Diems	0.4
– Schools	?
– Pension required contribution	5.4
– Fully-funded OPEB contribution	7.8

Total without OPEB = \$8.2 million

Budget Balanced No Tax or Utility Rate Increases

- With **No** real estate tax rate increase
- With **No** personal property rate increase
- With **No** increase in any other tax rates

Budget Balanced No Tax or Utility Rate Increases

- With **No** increase in utility fees
 - Water
 - Wastewater
 - Stormwater
 - Household waste collection rates



Major Budget Initiatives

- Quickly restores City's two closed pension plans to fiscally sound funding levels through issuance of Pension Obligation Bonds
- Eliminates the Social Security Offset for retirees of the Portsmouth Supplemental Retirement System

Major Budget Initiatives

- Provides curbside recycling to our residents at no additional cost
- Includes raises for employees and retirees

Proposed Budget

- Total – All Funds: **\$446.3 million**
 - *Does not include full school budget because we have not yet received that information*
- General Fund Operating **\$231.4 million**
- Utility Operating Fund **\$43.7 million**
- Combined CIP **\$58.8 million**



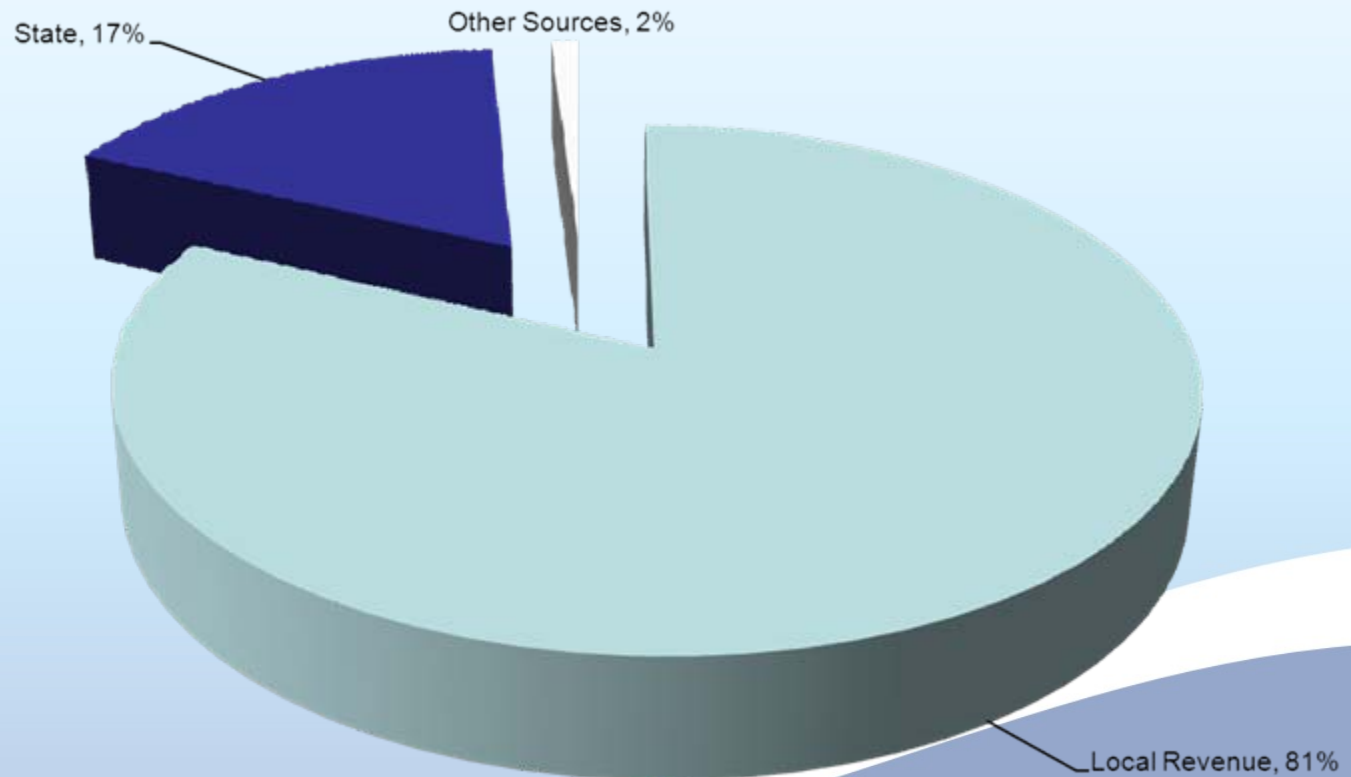
Proposed Budget*

	FY 2013	FY 2014		
	Adopted	Proposed	\$ Change	% Change
General Fund	\$ 223,225,100	\$ 231,385,811	\$ 8,160,711	3.7%
Other Operating Funds	156,626,385	156,123,560	(502,825)	-0.3%
Combined CIP	38,508,337	58,797,923	20,289,586	52.7%
Total	\$ 418,359,822	\$ 446,307,294	\$ 27,947,472	6.7%

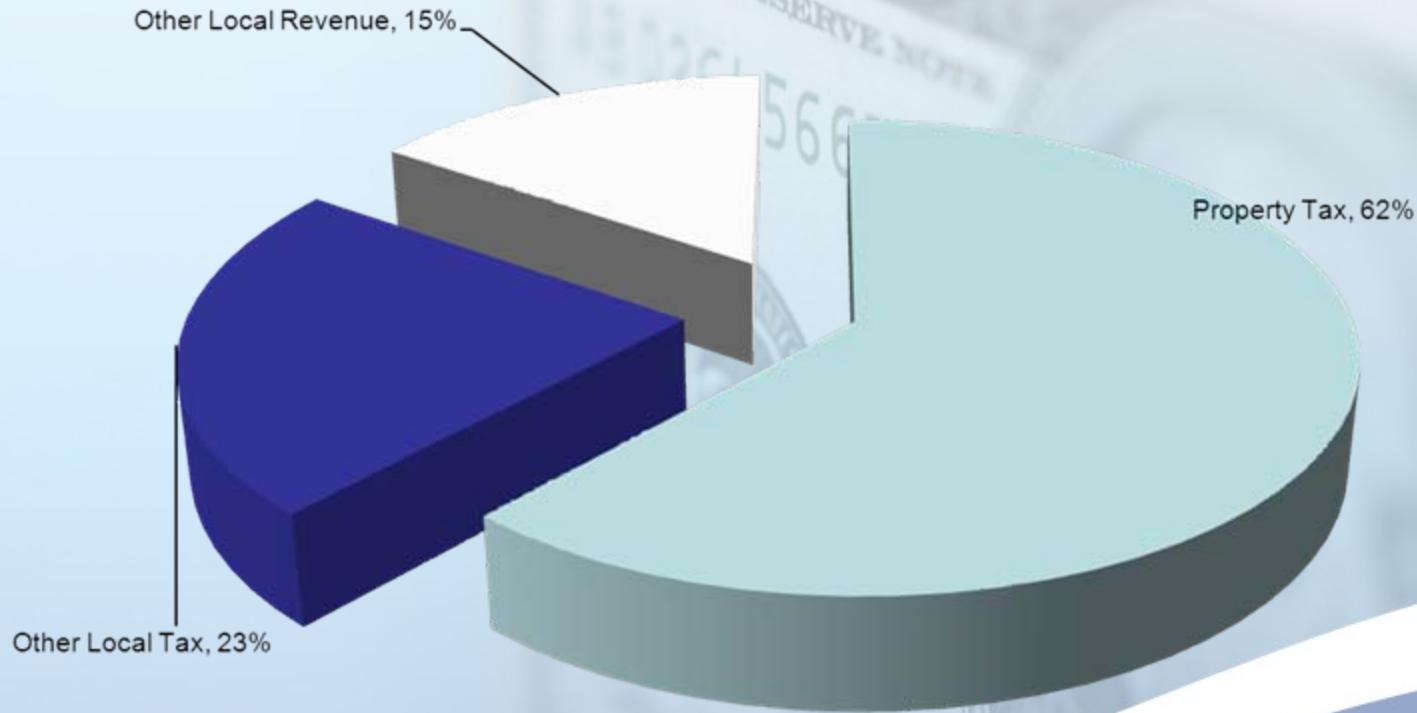
****Does not include total School Budget, only local funding***



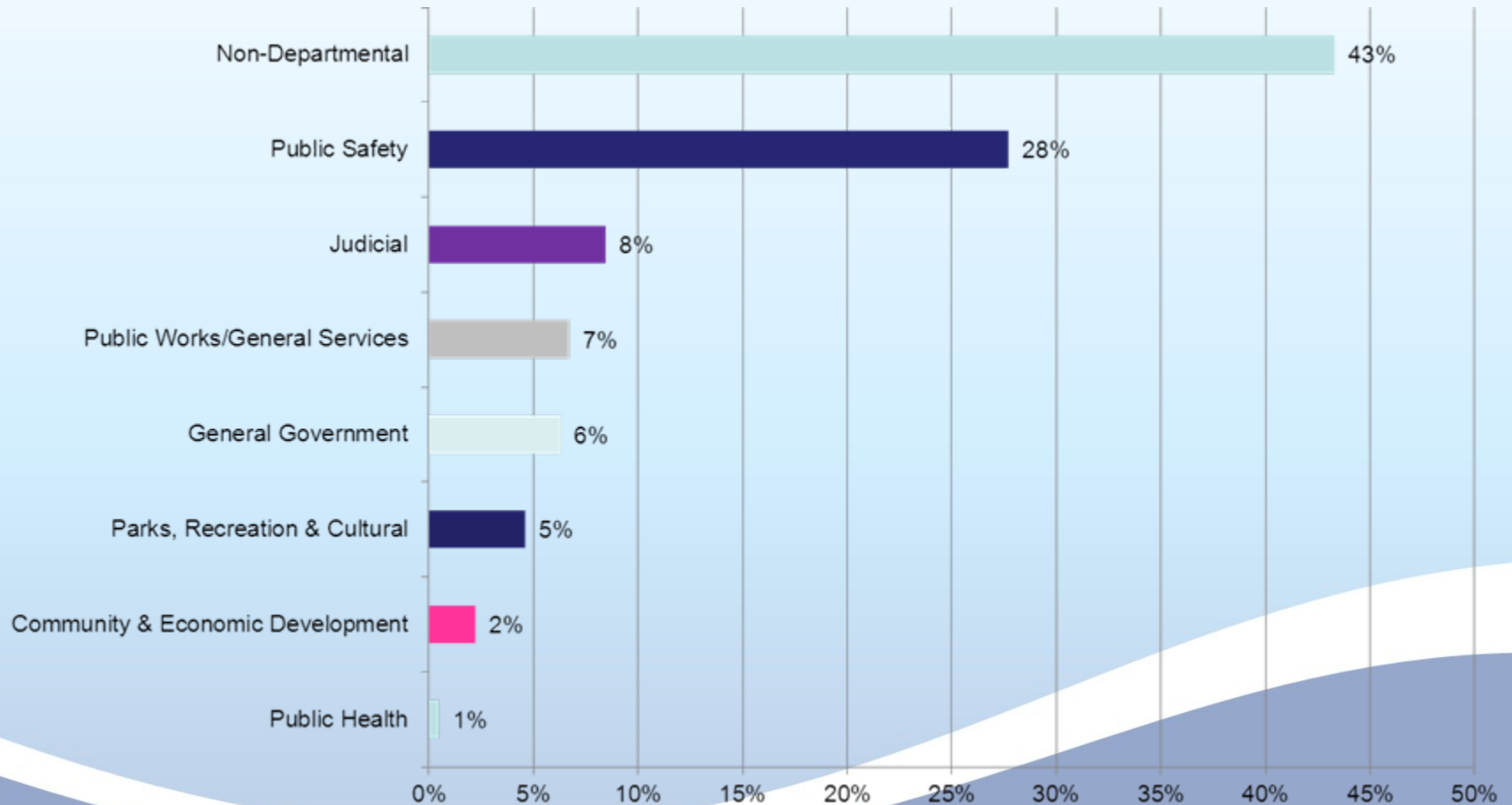
FY 2014 General Fund Revenues By Source



FY 2014 General Fund Local Revenues By Source



FY 2014 General Fund Expenditures By Functions



General Fund Unassigned Balance



Use of General Fund Unassigned Balance – Current Budget

Current Budget initially used \$7.3 million of Fund Balance:

\$4.9 Million for Schools

\$2.4 Million to balance the GF Budget



Use of General Fund Unassigned Balance – Proposed Budget

- Proposed Budget Uses of Fund Balance

\$4.5 million to Cash fund CIP

\$1.2 million to balance the GF Budget

- Projected Fund Balance above the 15% policy is \$11.6 million



General Fund Unassigned Fund Balance

- We recommend no further drawdown of fund balance for the following reasons:
 - Bond rating agencies warning, potential impact on credit rating
 - Unknown impacts from Sequestration
 - Known cost increases coming for FY 2015 and 2016
 - Economic recovery remains uncertain



City Contribution to Portsmouth Public Schools

- Budget continues City Council goal of maintaining a high quality School system
- Proposed budget provides local funding to Schools of \$46 million
- Reduction of \$7.8 million
- We have analyzed School expenditures for the past several years as reported in their Comprehensive Annual Financial Reports (CAFRs)



City Contribution to Portsmouth Public Schools

- City and School staffs have identified several opportunities to partner and save money:
 - Combine health insurance coverage and plan management with City and change to self-insured program - \$3.3 million annually
 - Have City assume responsibility for School fleet management - \$0.1 million annually
 - Combine certain Finance functions such as purchasing and payroll - \$0.1 million annually



City Contribution to Portsmouth Public Schools

- Based on prior year expenditures and savings from these partnerships, we believe that \$46 million in City support of School operations will provide adequate funding
- Recommend that Council make the FY 2014 School appropriation by category
- School Superintendent has said that he expects to return at least \$3.4 million to the City at the close of FY 2013. We included this amount as revenues in FY 2014



City Contribution to Portsmouth Public Schools

	FY 2013 Adopted	FY 2014 Proposed	\$ Change	% Change
Base Funding	\$ 48,871,532	\$ 46,000,000	\$ (2,871,532)	-5.9%
One-Time Appropriation	4,900,000	-	(4,900,000)	-100.0%
CIP (School buses)		1,000,000	1,000,000	NA
Total	<u>\$ 53,771,532</u>	<u>\$ 47,000,000</u>	<u>\$ (6,771,532)</u>	<u>-12.6%</u>



Capital Improvements Program (CIP)

- Budget includes capital projects in three funds:
 - General CIP: \$24.3 million
 - Public Utilities CIP: 34.3 million
 - Parking Authority CIP: 0.2 million
- Uses \$4.5 million of General Fund Balance of used for recurring capital maintenance *(previously debt funded)*



Budget Calendar – Remainder of 2013

- Monday, April 8 Work Session – Budget briefing and discussion
- Tuesday, April 9 Work Session – Budget briefing and discussion
Public Hearing on Budget
- Tuesday, April 16 Budget Work Session (if needed)



Budget Calendar – *Continued*

- Monday, April 22 Work Session – Budget discussion
- Tuesday, April 23 Work Session – Budget discussion
Public Hearing on Budget*
- Monday, May 13 Work Session – Budget discussion
- Tuesday, May 14 Budget Adoption

** Moved from May 14*



Conclusion

- The Proposed Budget:
 - In one phrase: ***“Gets a lot done”***
 - Does ***not*** increase taxes or utility rates
 - Maintains Core Municipal Services
 - Invests in our Employees
 - Continues commitment to Public Schools
 - Maintains Quality Service Delivery
 - Reinvests in critical infrastructure



Q&A