

# Overview

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## Fiscal Year 2014 Recommended Operating Budget

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City Council Work Session

March 26, 2013

Department of Budget & Evaluation

# Forming the FY 2014 Operating Budget

## *Impacts: Revenue and Expenses*

- **Major Revenue Impacts**

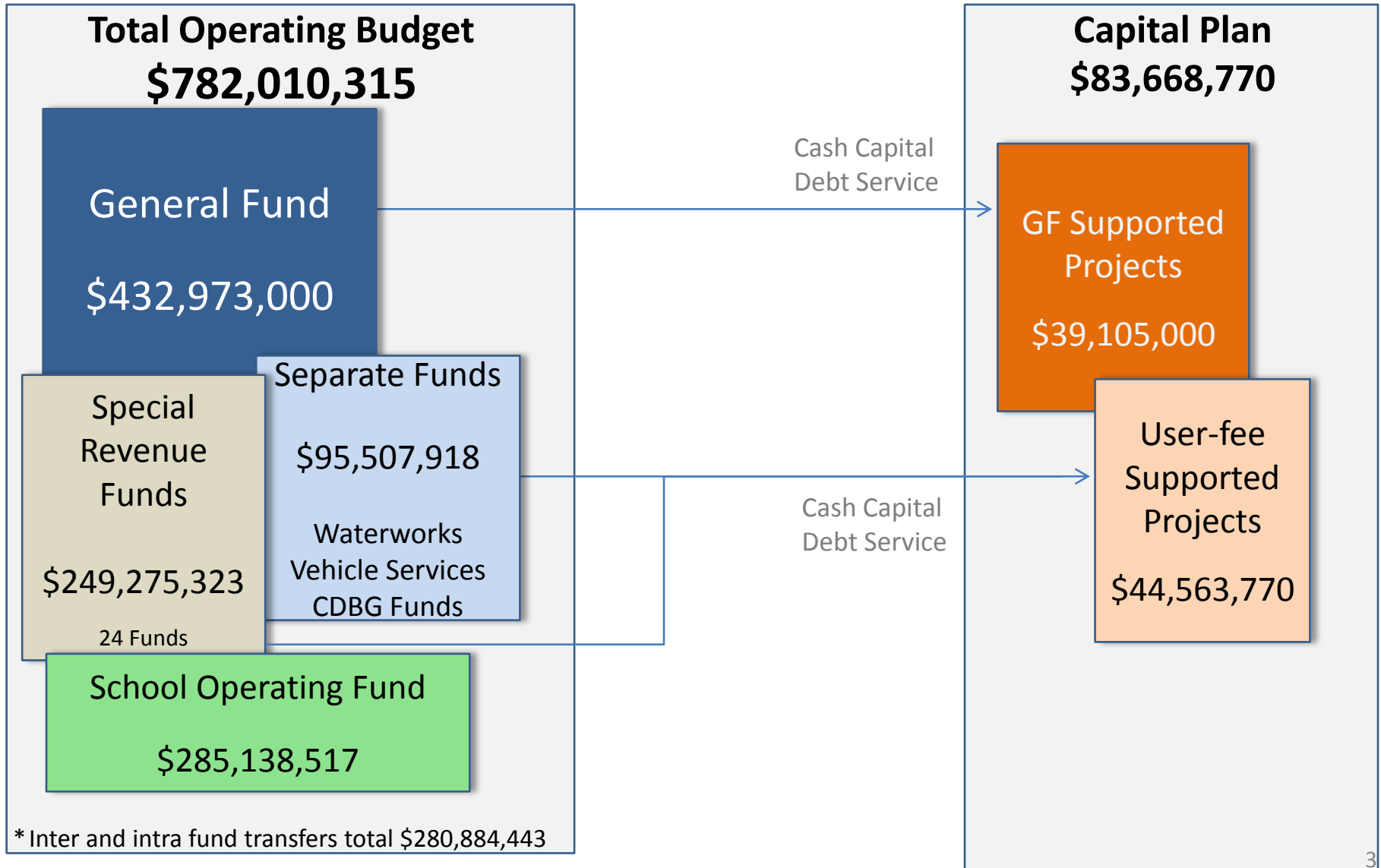
- Real Estate Assessment decline continues
- State Revenue loss continues

- **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

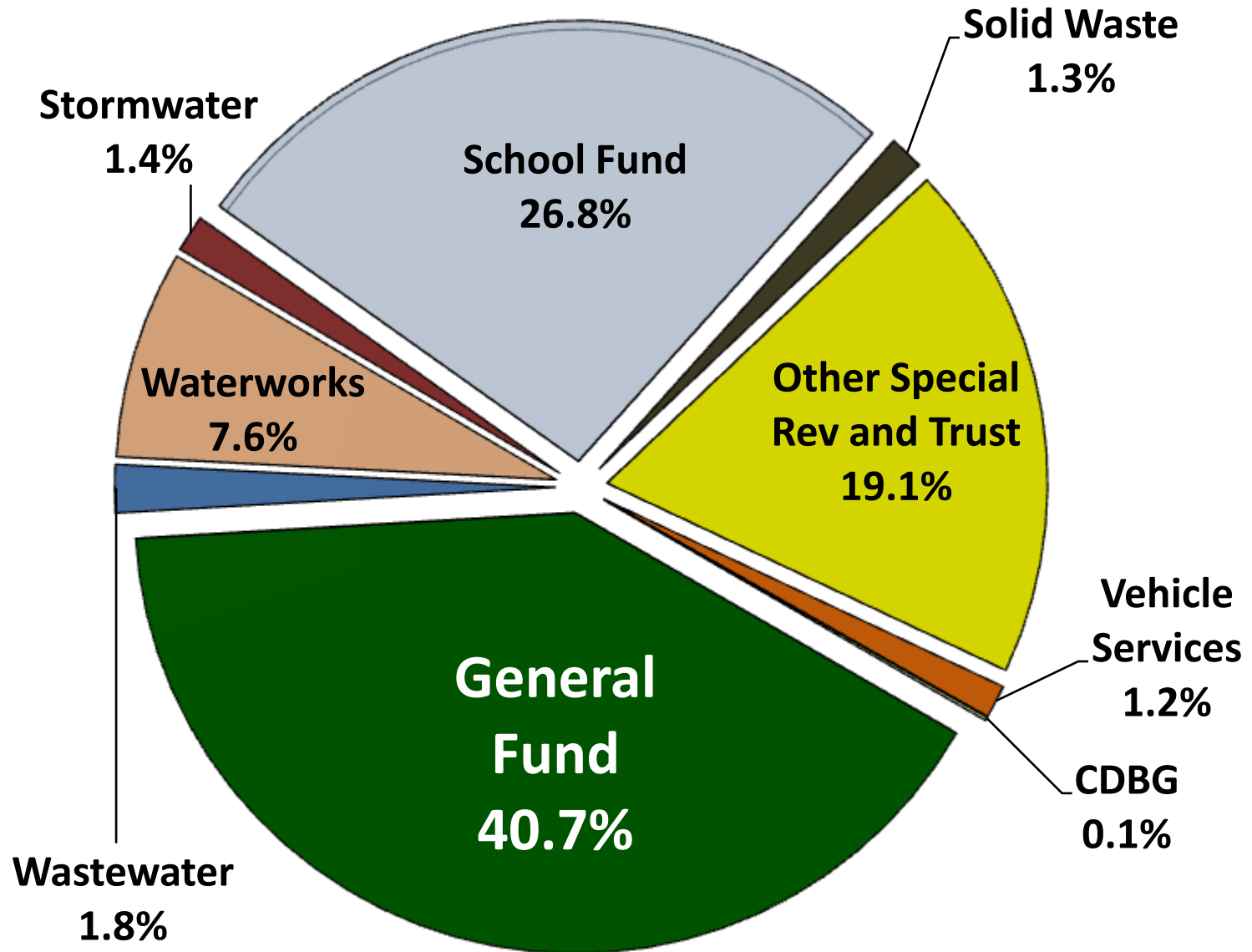
FY 2014 - **\$866 million**



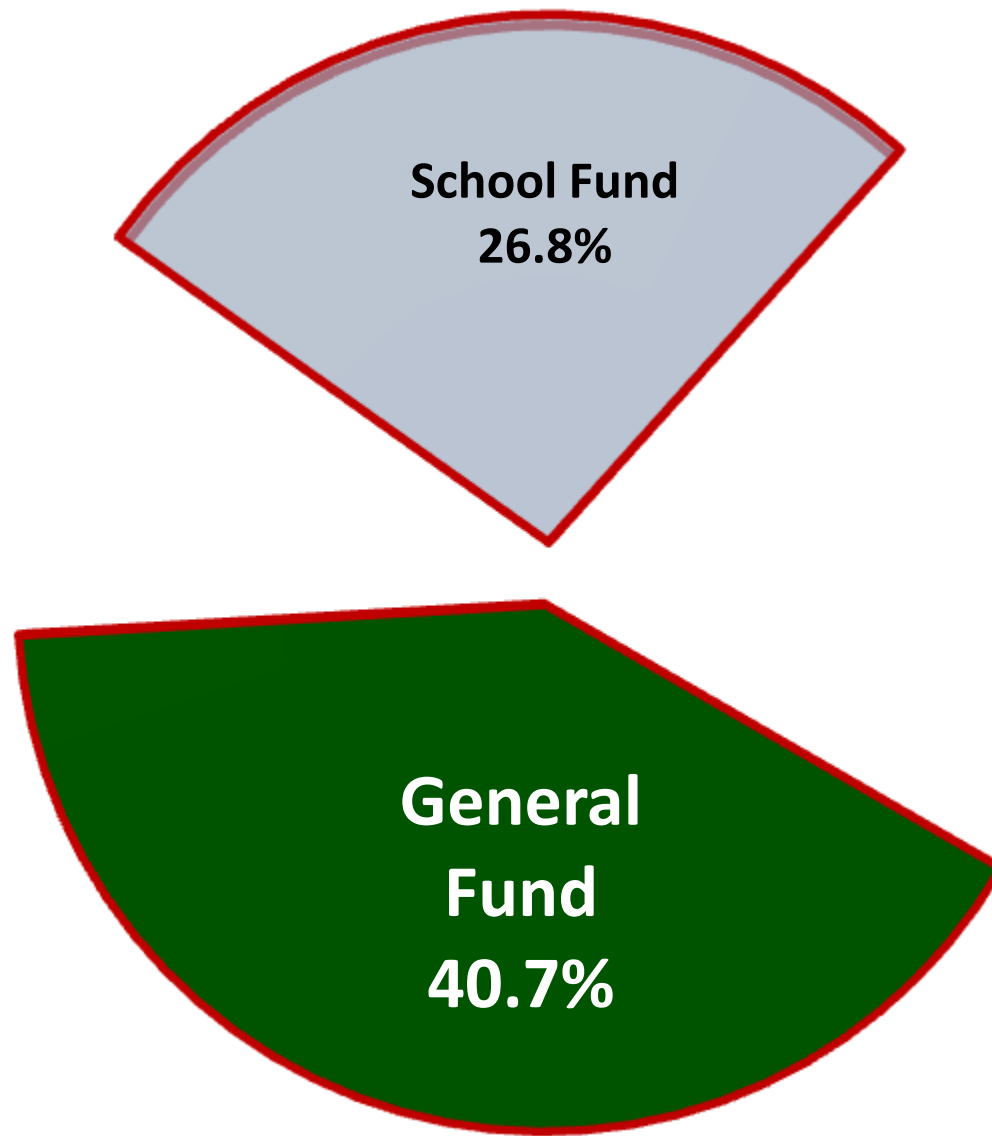
# FY 2014 Total Operating Budget

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

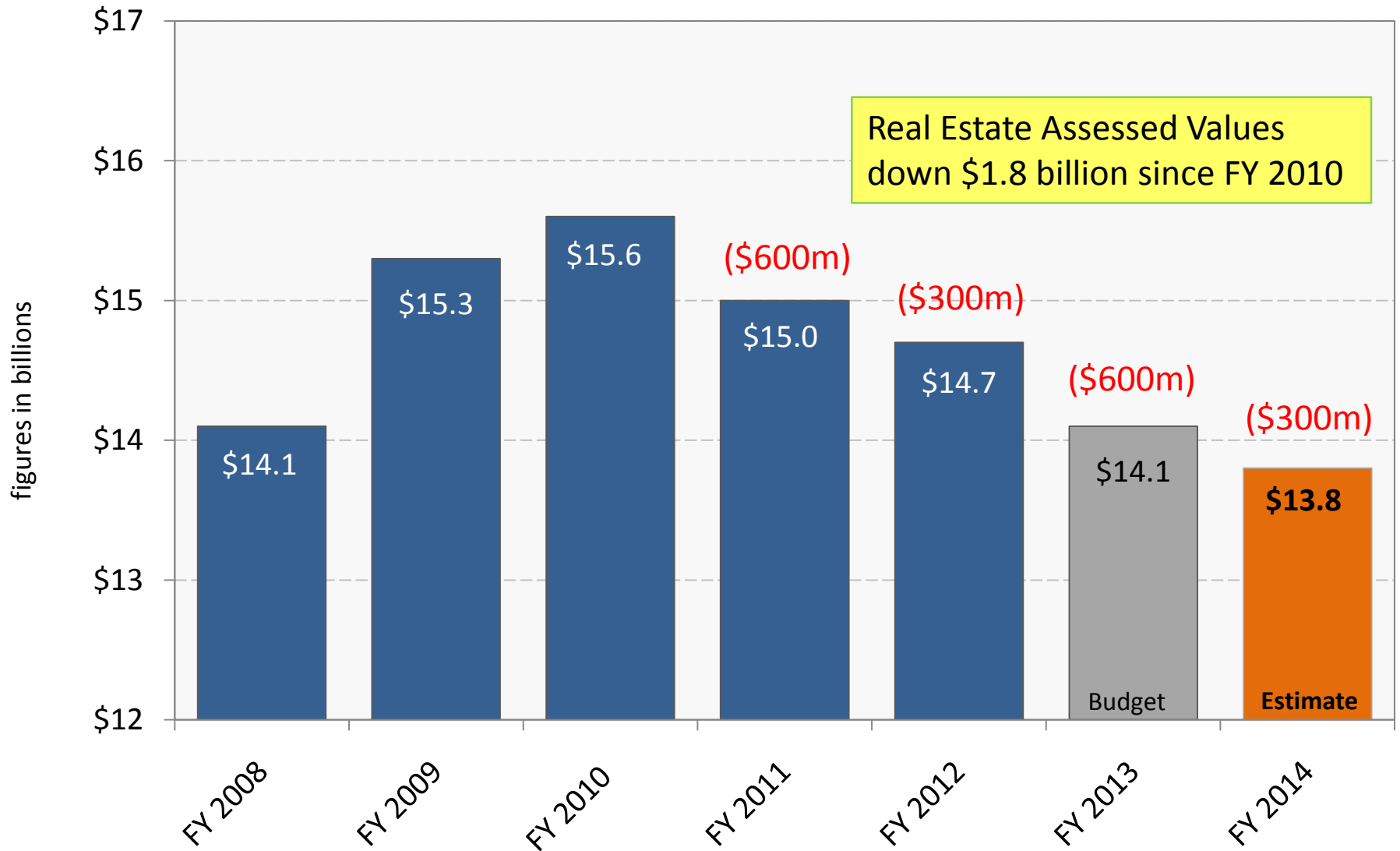
# Operating Budget Composition



# Operating Budget Composition



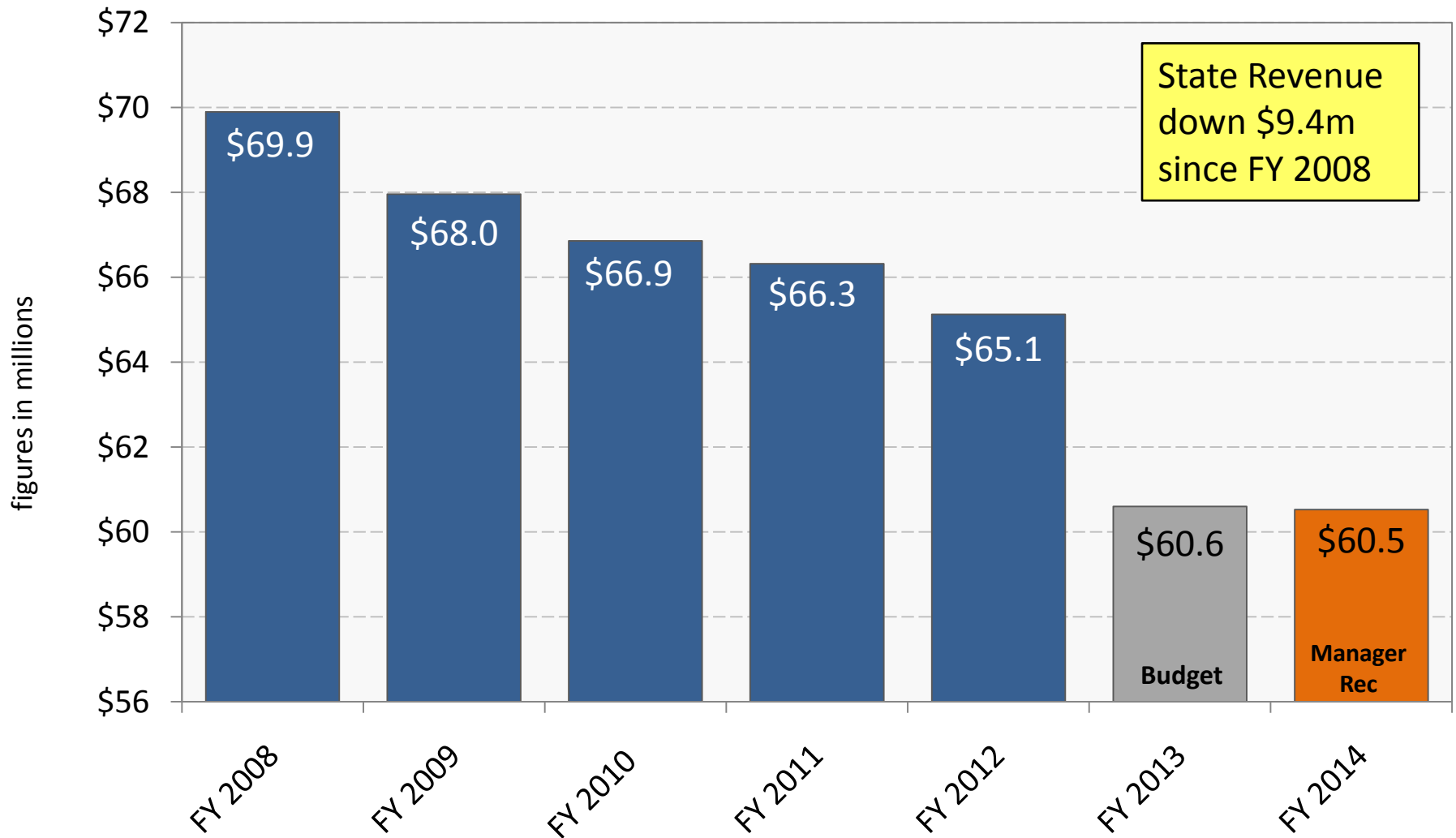
# Real Estate Assessed Values



# State Revenue

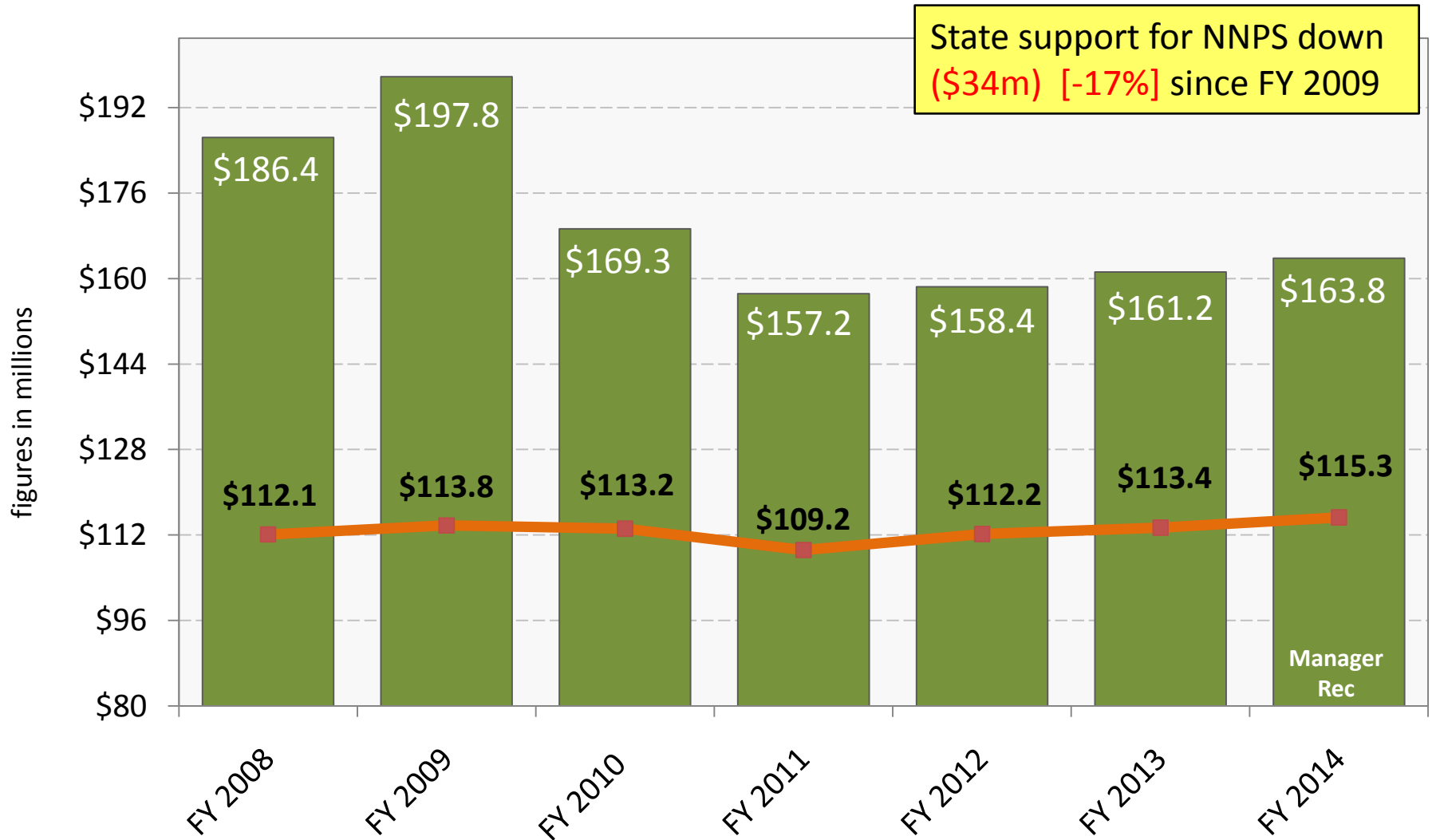
## General Fund

### *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 <sup>1</sup>	\$162.6	\$156.8	<b>\$169.8</b>	\$12.9	8.2%
Personal Property Tax	45.5	47.5	<b>50.8</b>	3.2	6.8%
State Aid <sup>2</sup>	65.1	60.6	<b>60.5</b>	(0.1)	(0.1%)
Sales Tax	21.7	21.6	<b>22.6</b>	1.0	4.7%
Utility Taxes <sup>3</sup>	7.2	7.8	<b>7.7</b>	(0.1)	(0.7%)
Machinery and Tools Tax	17.4	16.8	<b>17.7</b>	0.9	5.4%
Meal Tax	18.8	20.5	<b>22.1</b>	1.6	7.9%
BPOL Tax	16.1	15.5	<b>15.5</b>	0.0	0.0%
All Other Taxes / Fees	63.2	67.4	<b>66.3</b>	(1.1)	(1.6%)
<b>Total Operating Budget</b>	<b>\$417.6</b>	<b>\$414.5</b>	<b>\$433.0</b>	<b>\$18.5</b>	<b>4.5%</b>

<sup>1</sup> Includes Public Service Corporations, Tax Relief, and Delinquencies

<sup>2</sup> Includes Shared Expenses and Categorical Aid

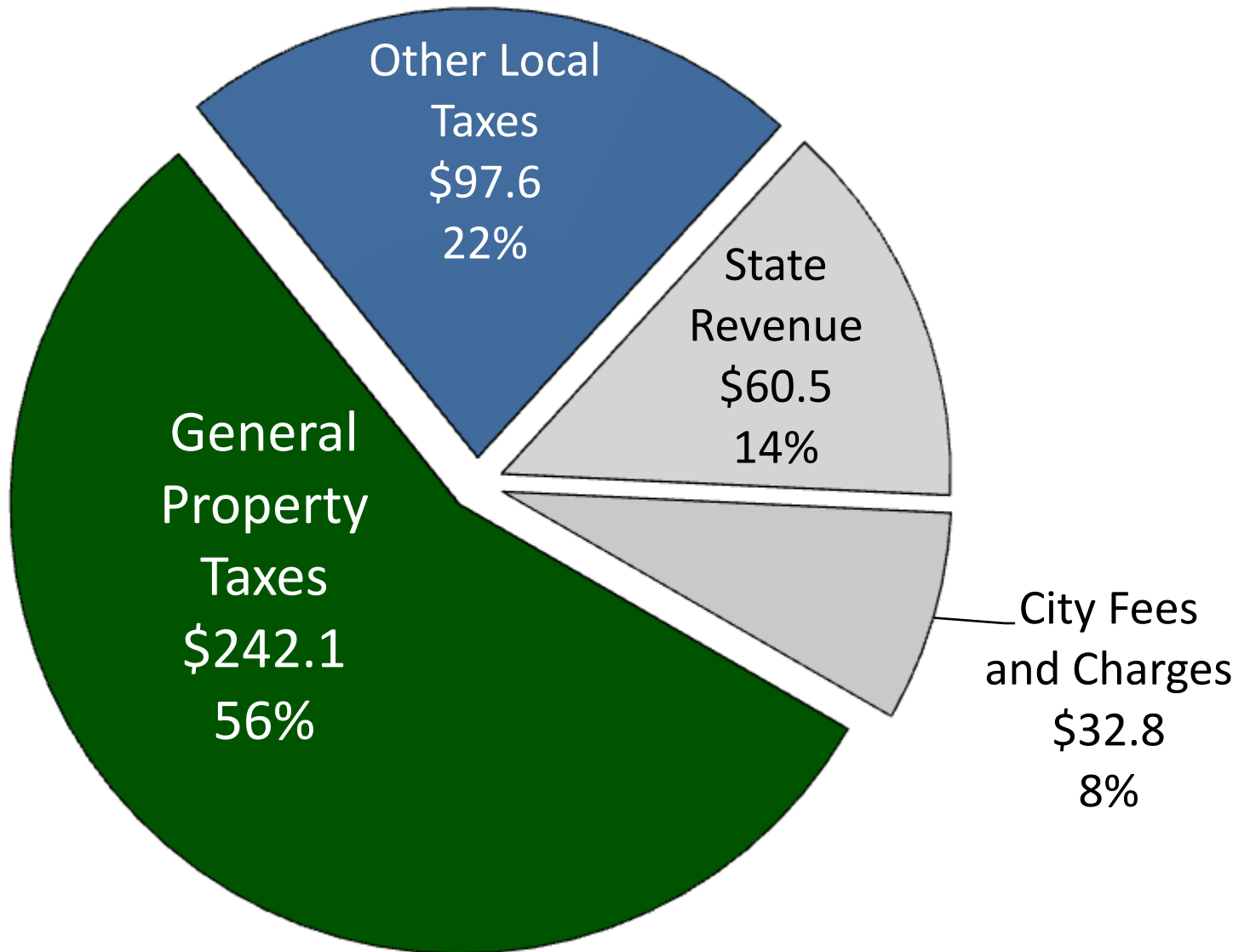
<sup>3</sup> Includes Telecommunications, Consumption, Wireless and Electric/Gas Utility

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

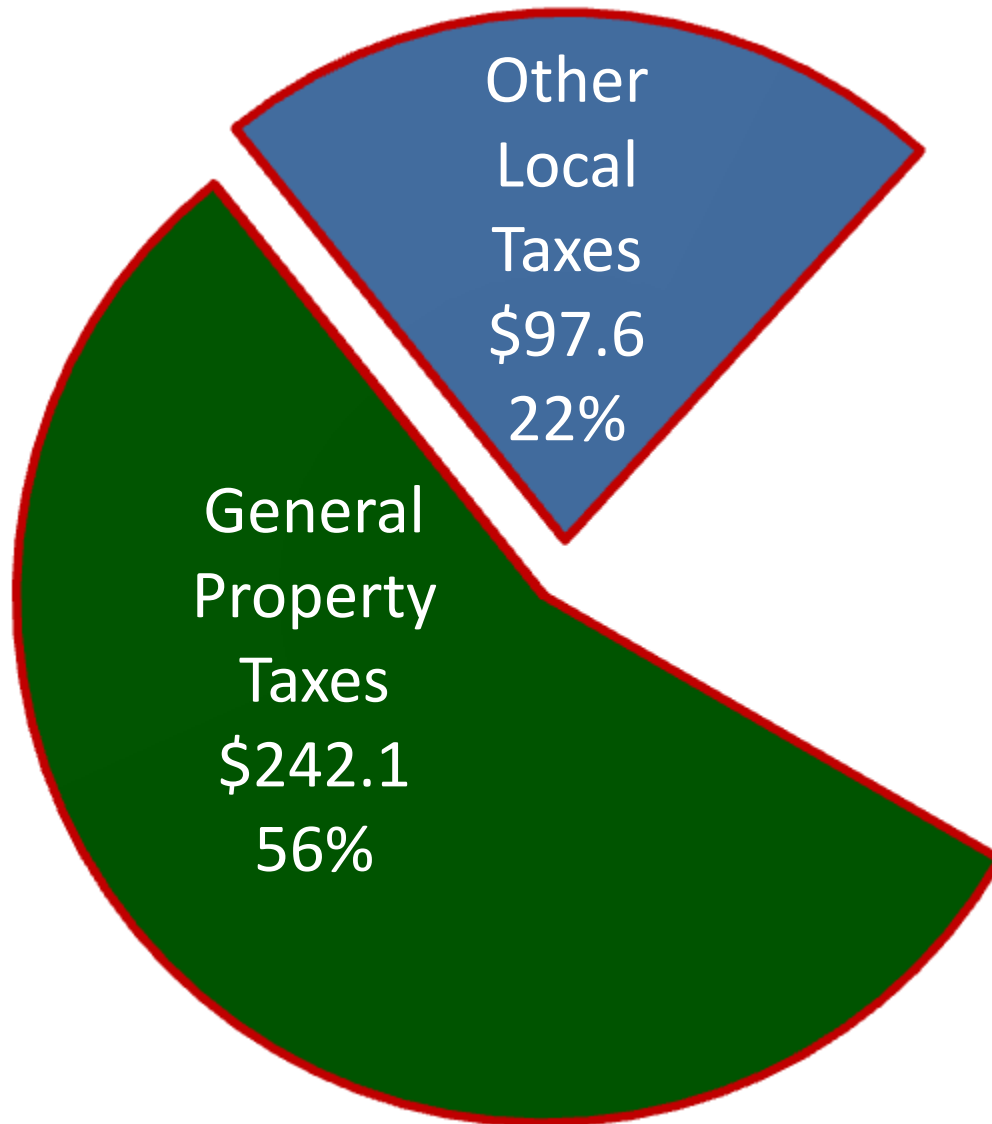
# General Fund Revenue

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



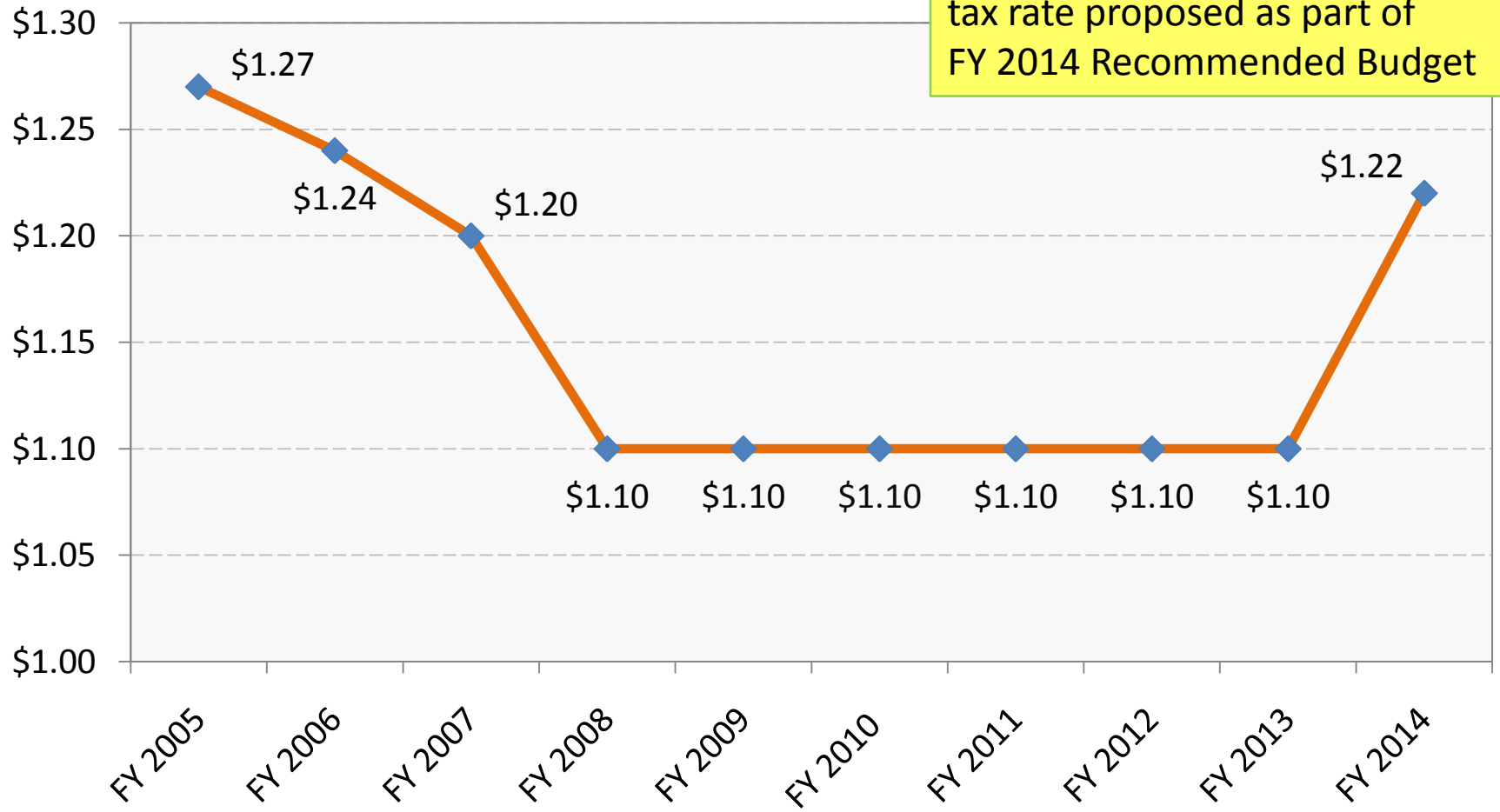
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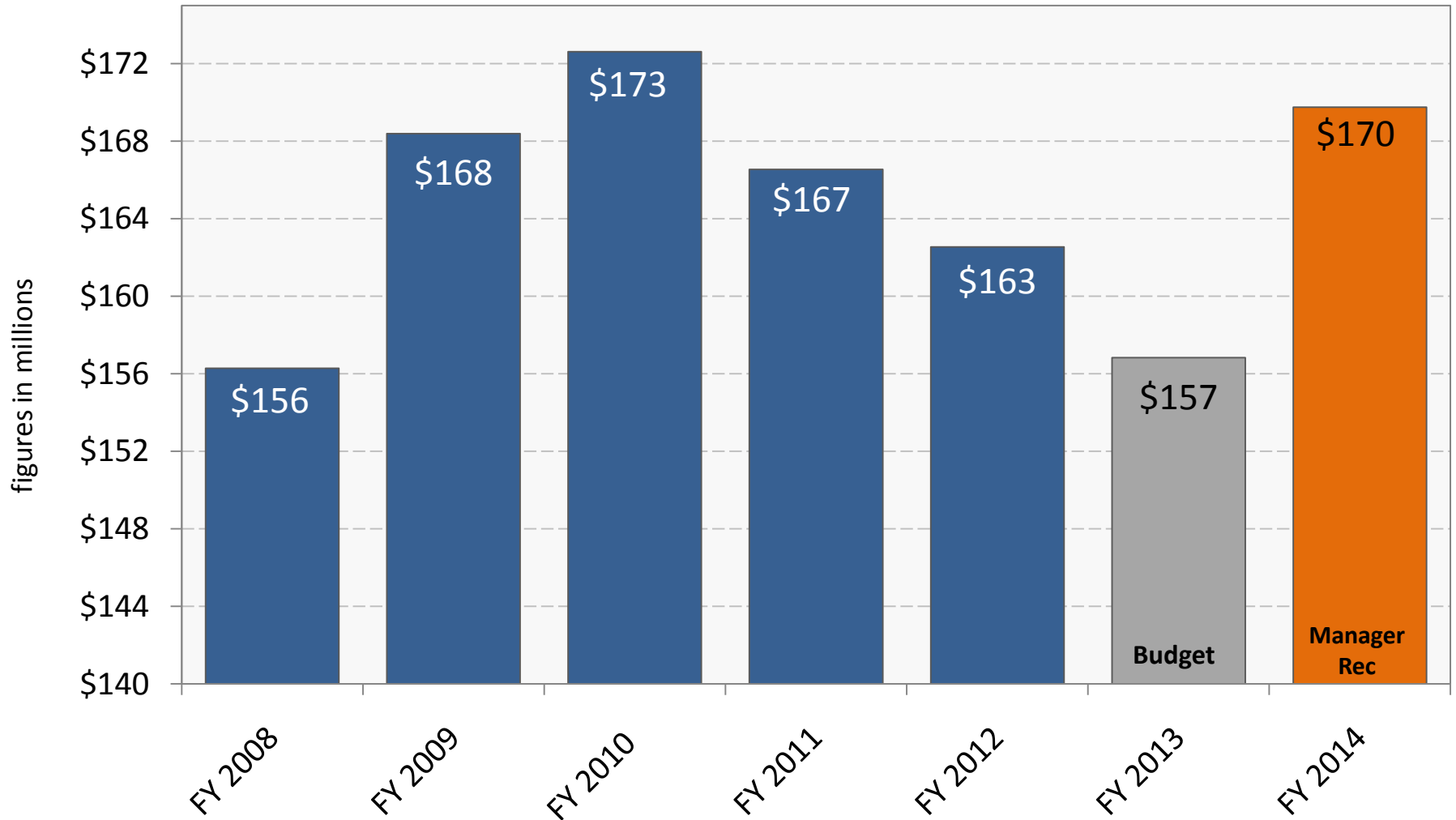


# Real Estate Tax Rate

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



# Real Estate Tax Revenue

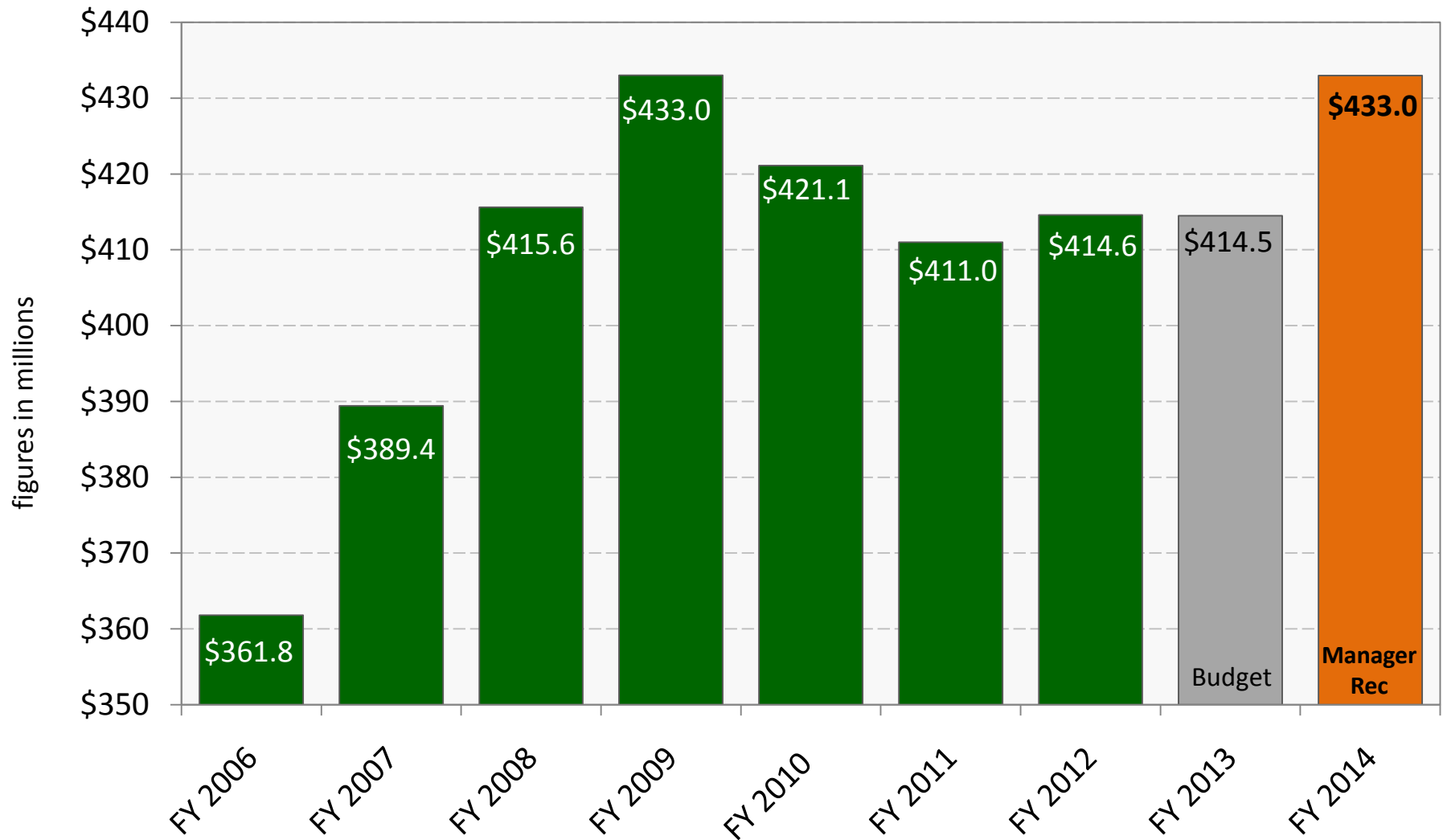




# Proposed Rate and Fee Changes

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

# General Fund Operating Budget



# General Fund Expenses

# General Fund Only

## *Expenditure Increases*

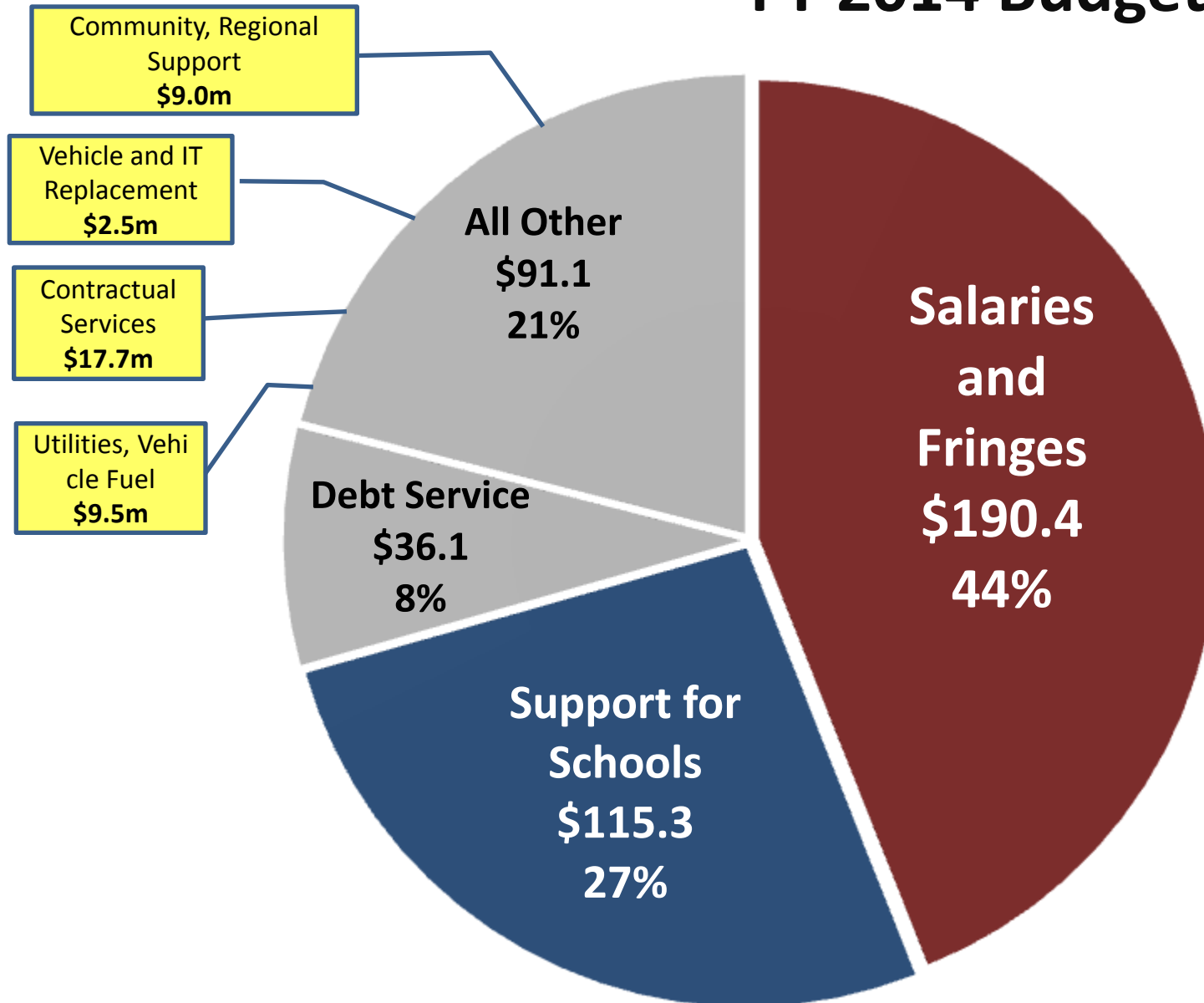
- Pension Increase, Health Insurance Premium
- Increased Contribution to Schools
- Provide full year Salary Adjustment
- Denbigh Community Center and 311 fully operational for 12 months
- Restoration of funding: Street Paving, Vehicle and IT equipment
- Provide funding for Strategic Priorities

# General Fund Expenditures

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

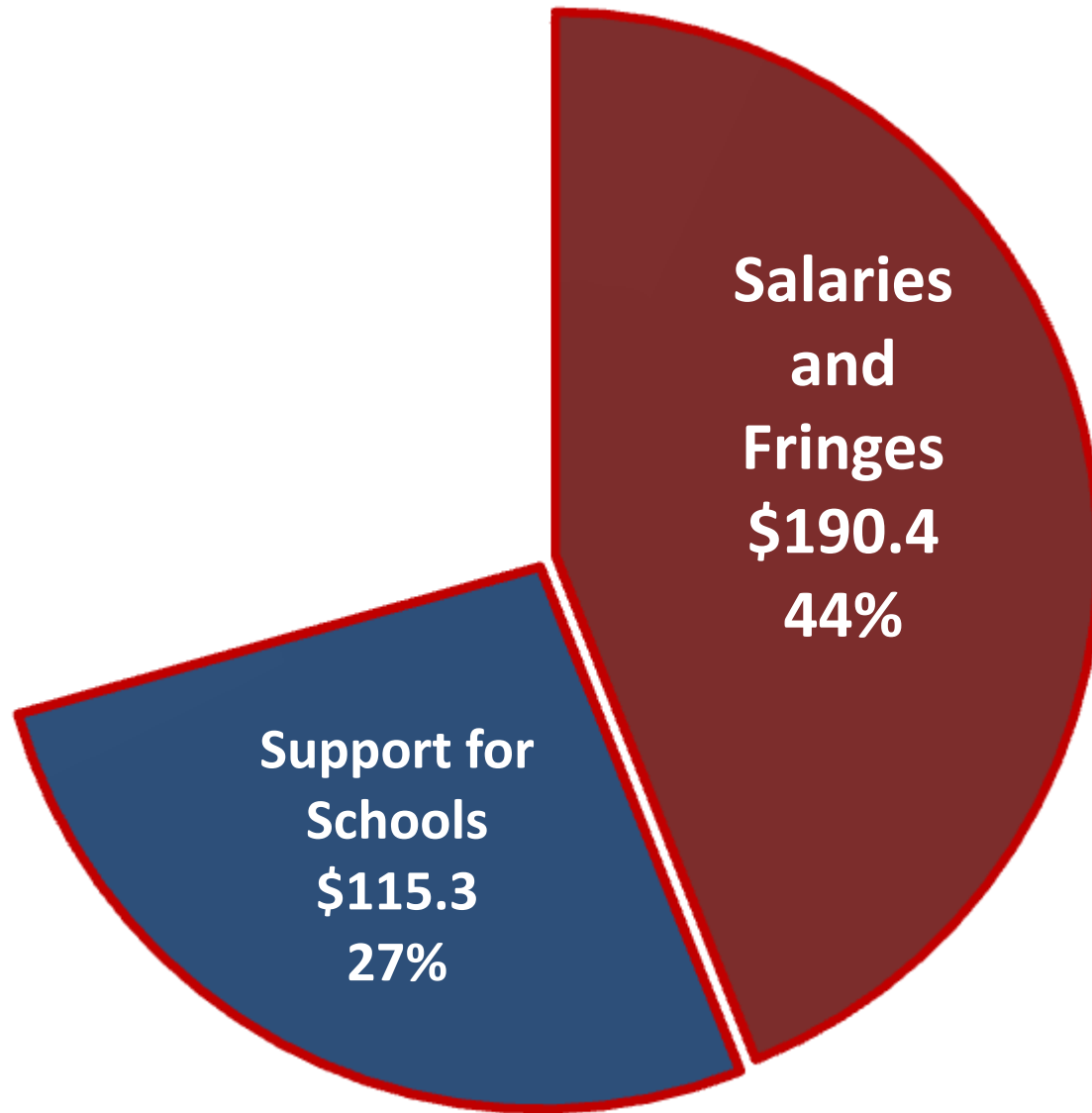
# General Fund Expenditures

## FY 2014 Budget - \$433m



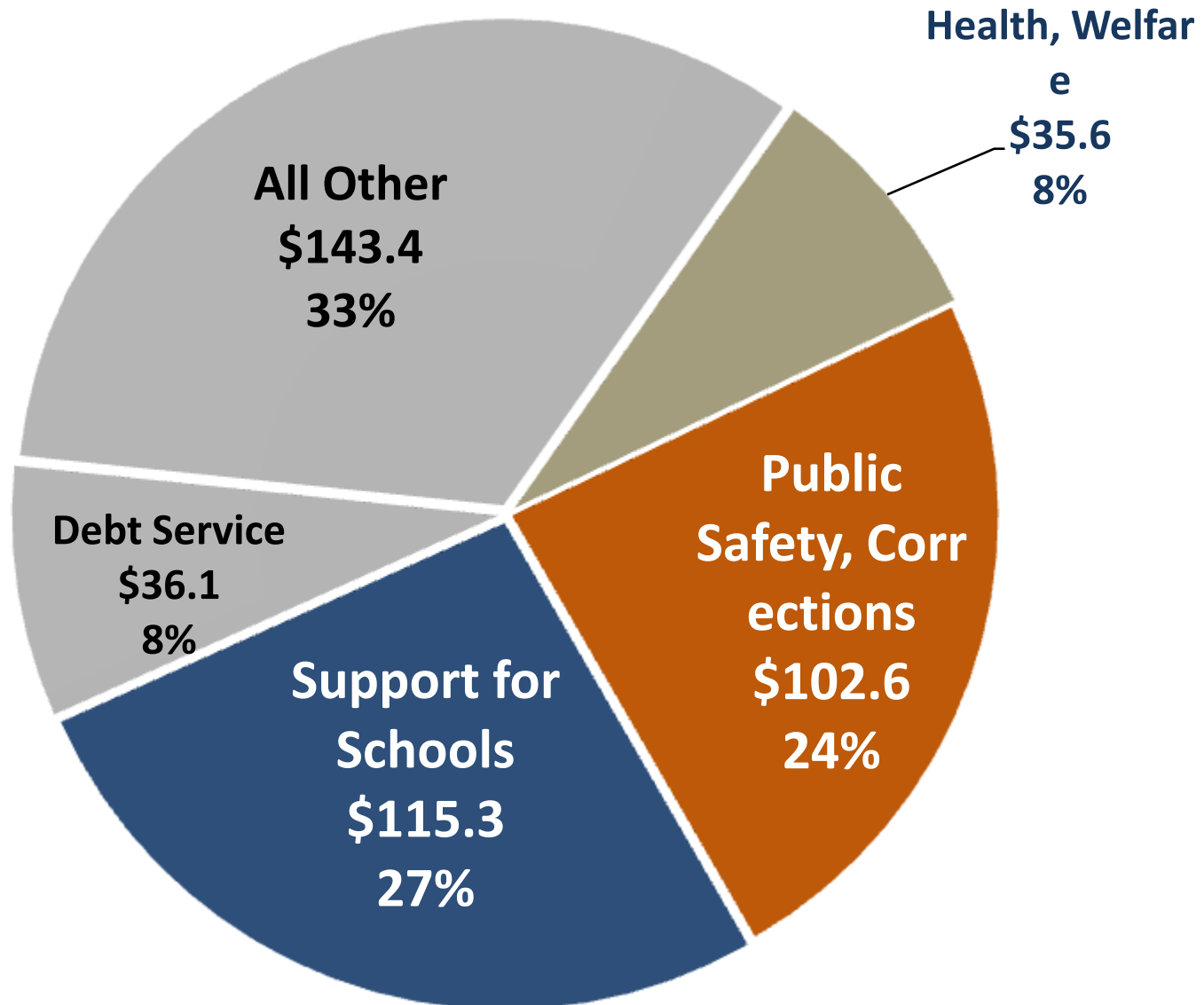
# General Fund Expenditures

## FY 2014 Budget - \$433m



# General Fund Expenditure Categories

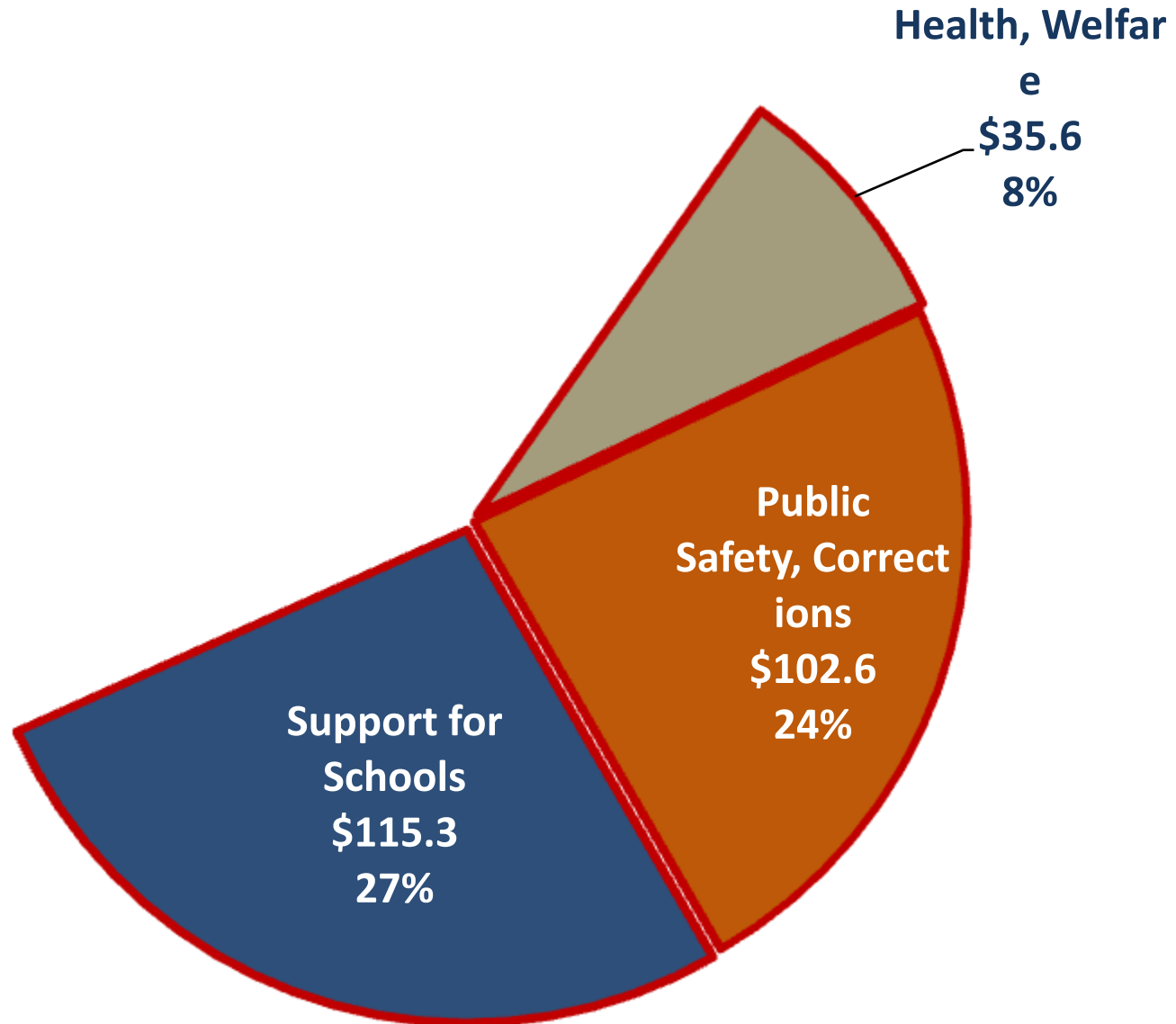
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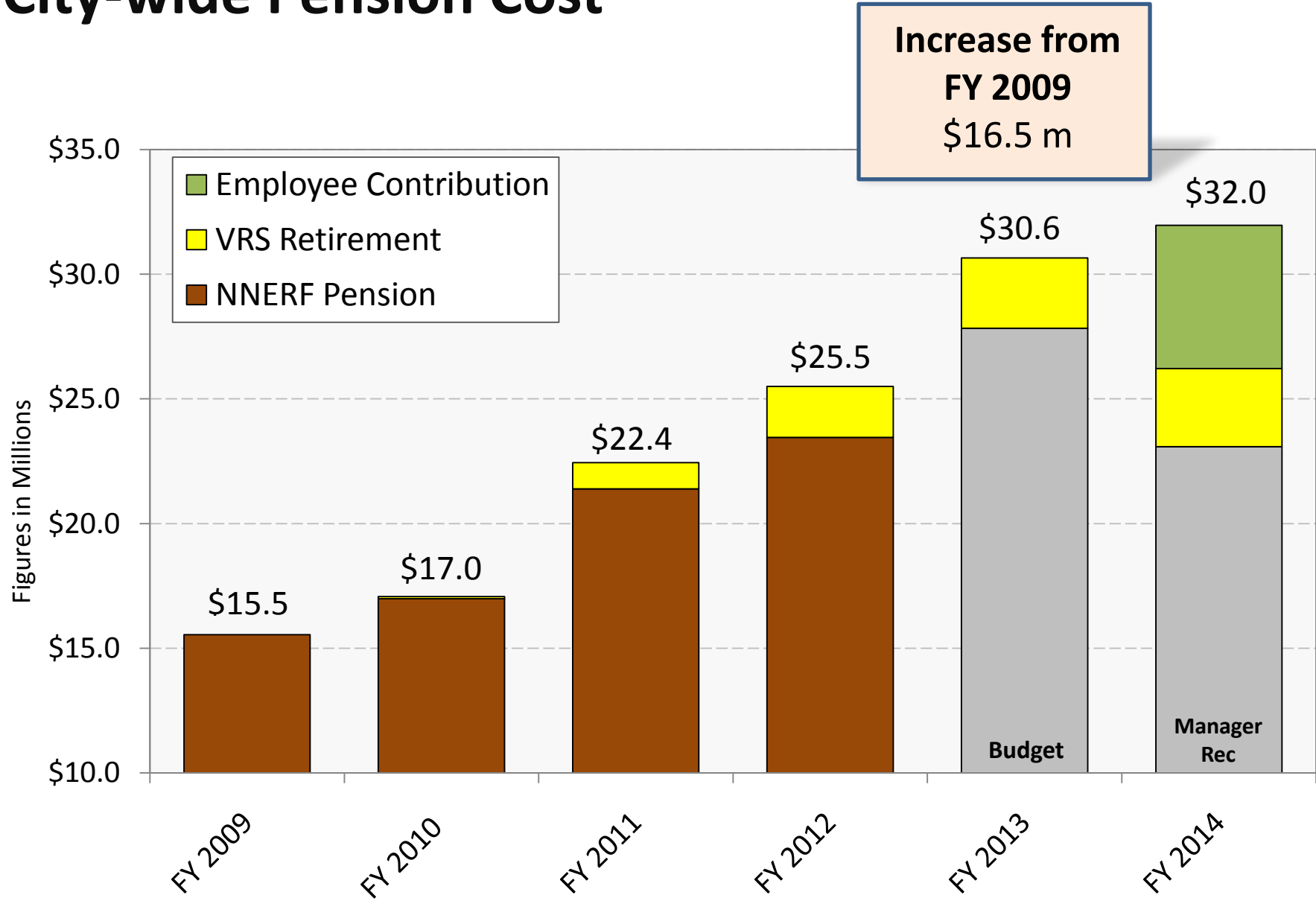


# General Fund Expenditure Categories

## FY 2014 Budget - \$433m

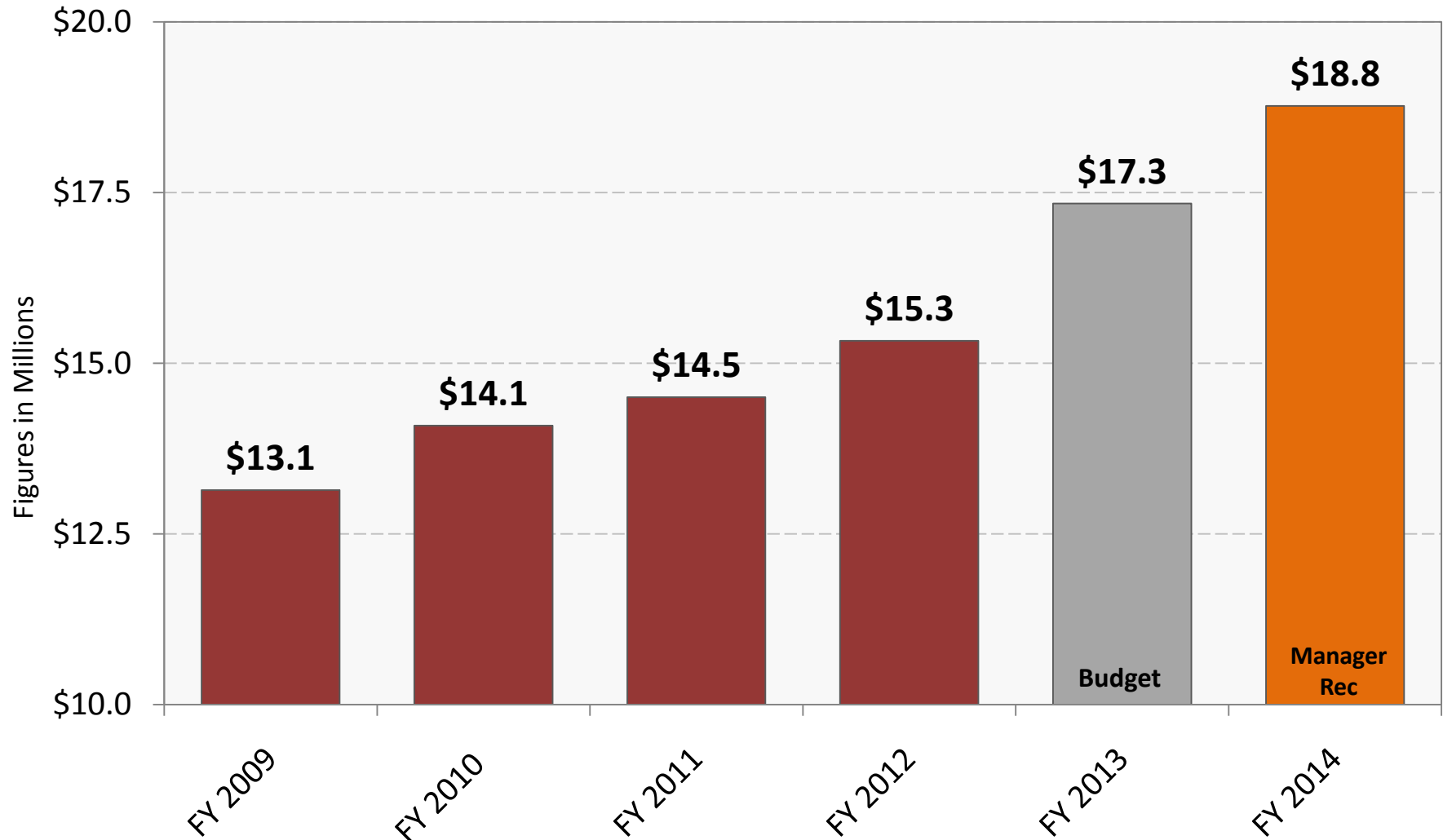


# City-wide Pension Cost

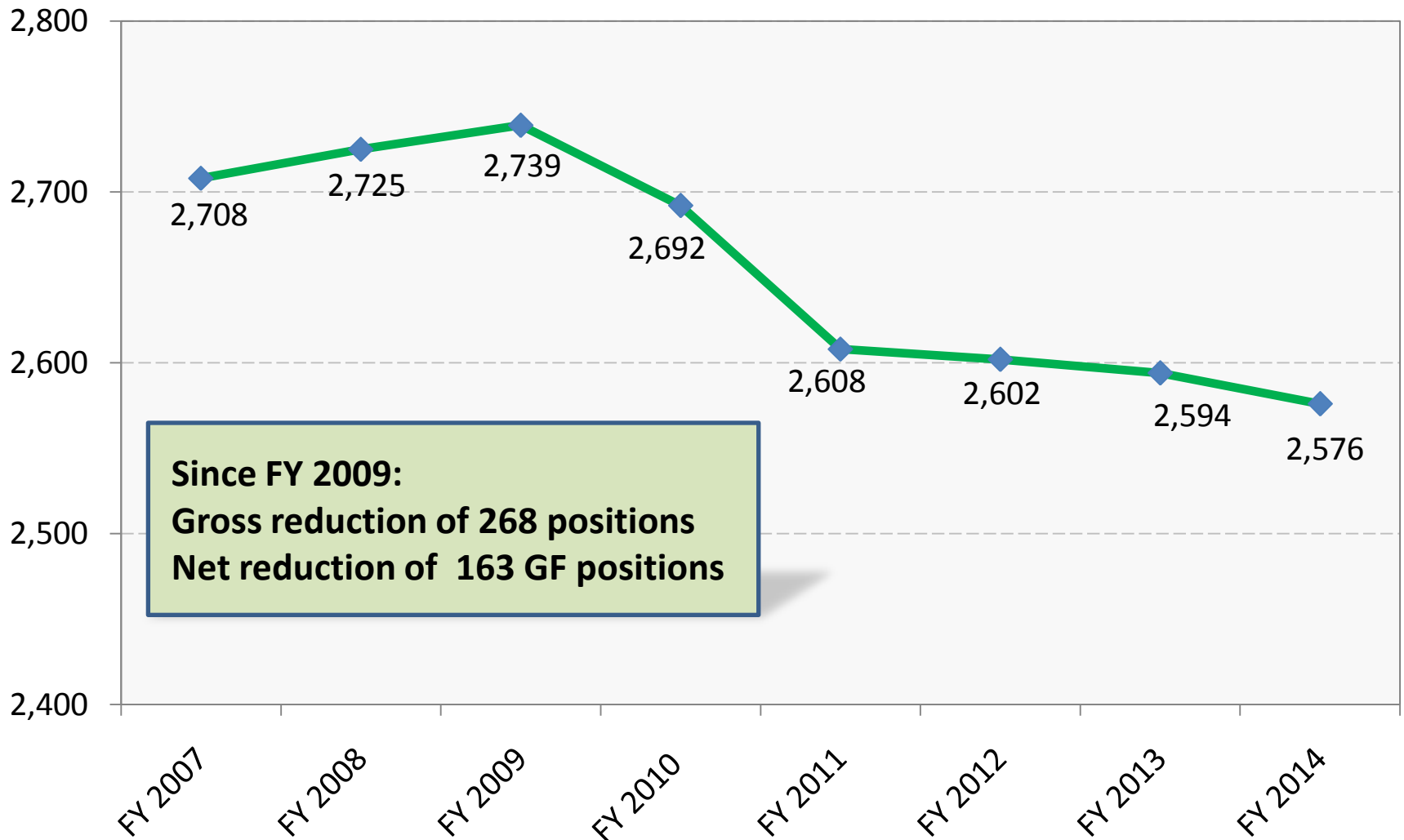


# General Fund Healthcare

## Group Health



# General Fund Positions



# General Fund Positions

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

# General Fund Positions

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

	<b>Increase</b>	<b>Decrease</b>
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	
<b>Strategic Priorities</b>		
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	<b>\$115,300,000</b>
Comprised of		
Base School Support for Operations	97,087,718	<b>97,914,210</b>
Recommended Increase	1,200,000	<b>1,900,000</b>
School Technology Plan Operations	2,409,570	<b>2,409,570</b>
School Debt Service	12,102,712	<b>12,476,220</b>
Grounds Maintenance	600,000	<b>600,000</b>



# 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
<b>Volumetric Rates</b>		
Single-Family Residential Bi-monthly		
R1 Low Usage Lifeline*	\$3.08/HCF	<b>\$3.08/HCF</b>
R2 Normal Use*	\$3.55/HCF	<b>\$3.55/HCF</b>
* 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		
<b>Meter Fees</b>		
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	<b>\$5.00</b>
Standard (90 gallons)	\$5.75	<b>\$6.25</b>
* 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
<b>Sewer User Fee</b>		
Rate per HCF used	\$2.79	<b>\$3.21</b>



# 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	<b>\$8.00</b>
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
<b>Total Impact</b>	<b>\$6.08</b>	<b>\$26.36</b>	<b>\$316.36</b>

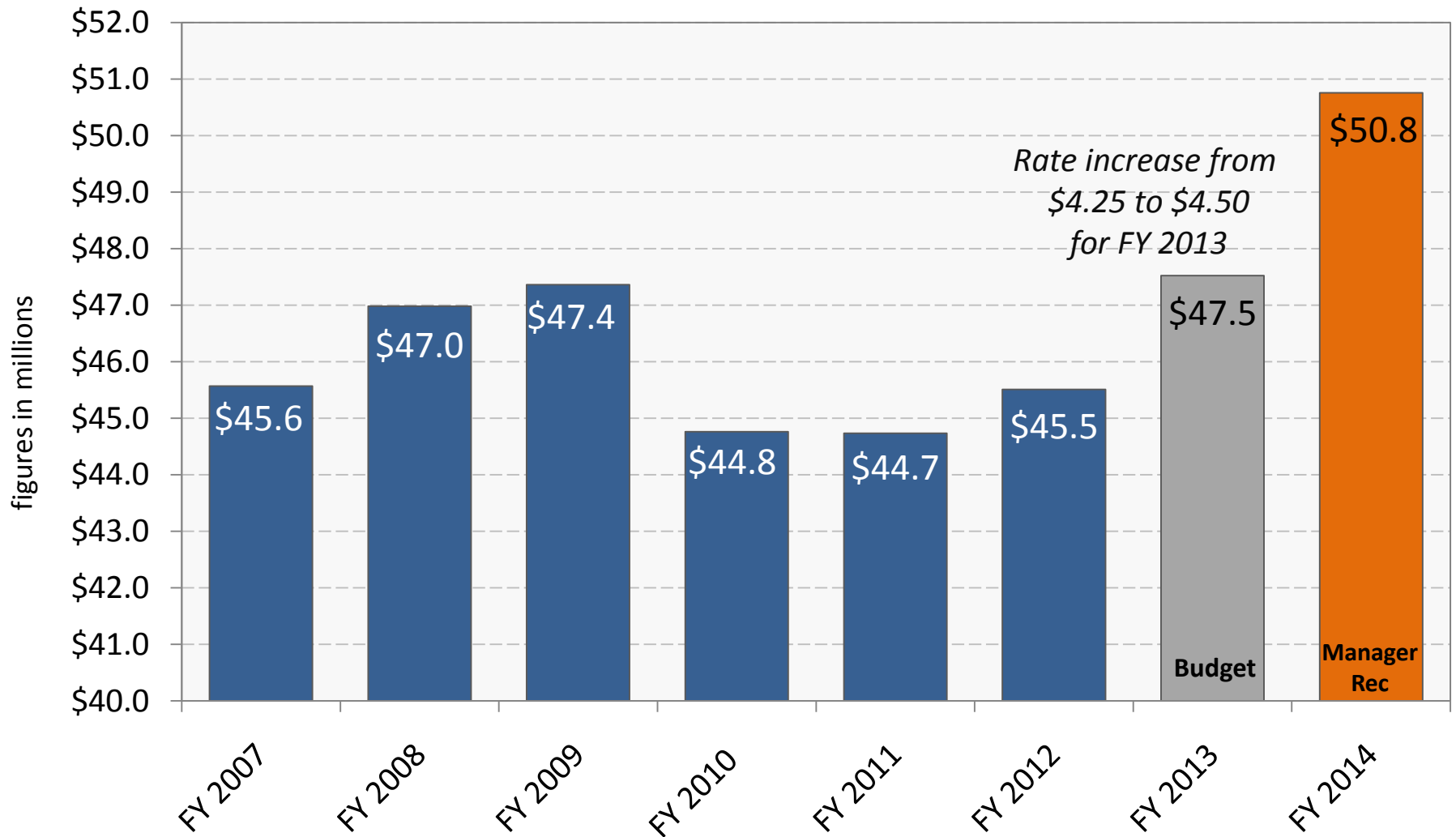
# Next Steps

- ✓ City Council adopts Public Hearing Schedule
- ✓ Topic-specific presentations during April Work Sessions
- ✓ Position Papers distributed by April 5<sup>th</sup>
- ✓ 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 1<sup>st</sup> and April 7<sup>th</sup>
- ✓ Contact Department of Budget and Evaluation at **926-8733**

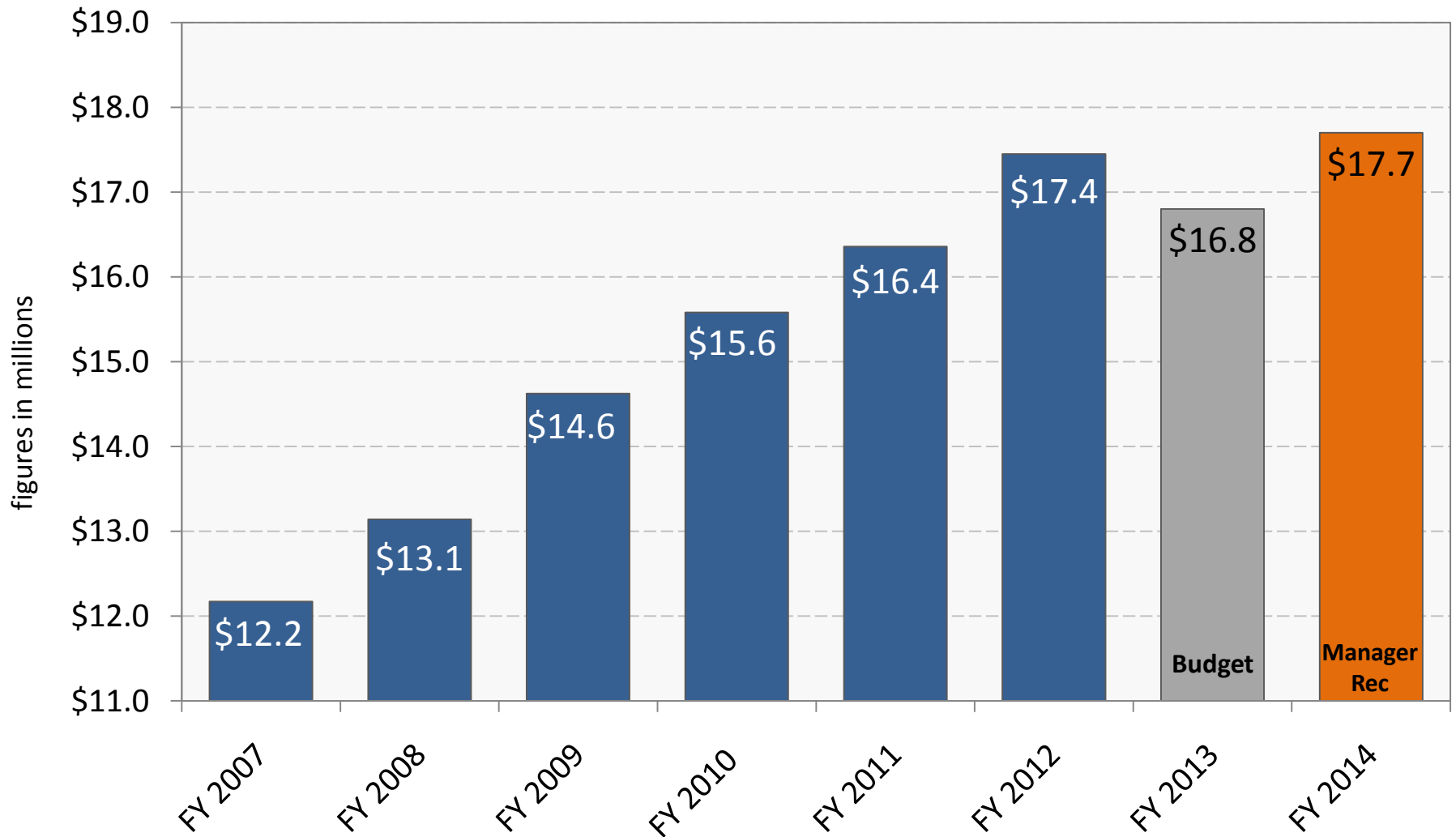
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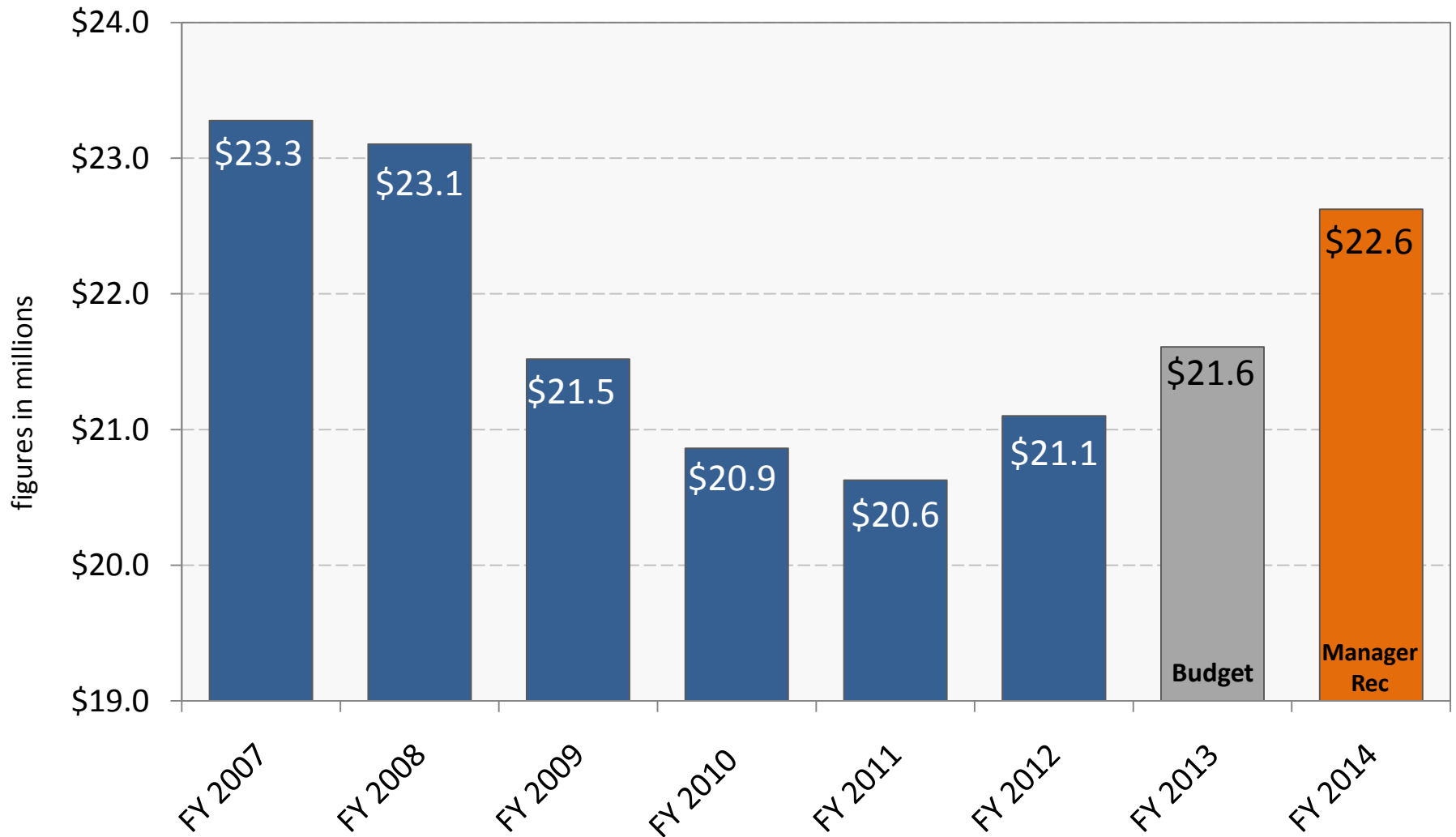
# Personal Property Taxes



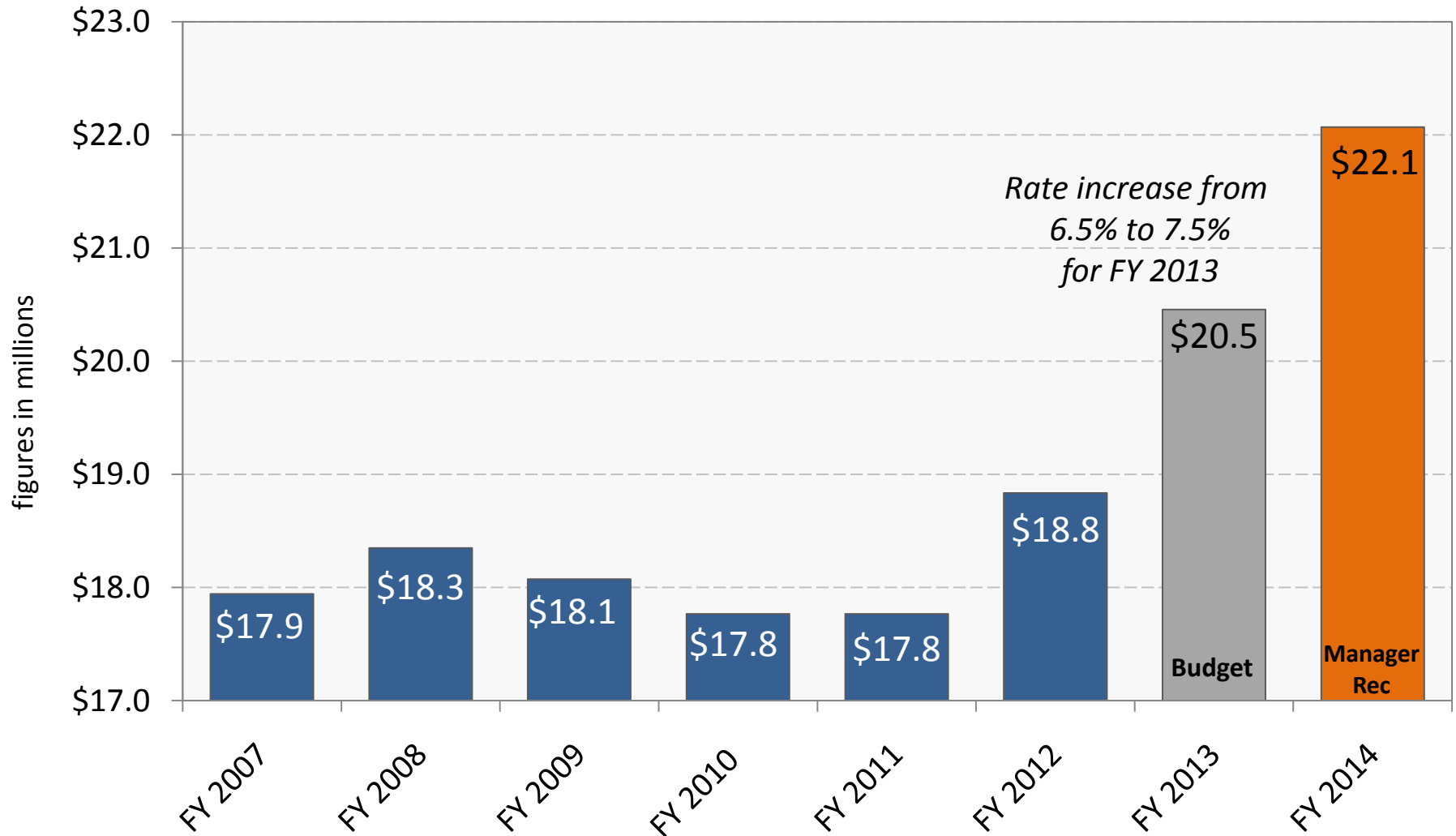
# Machinery and Tools Taxes



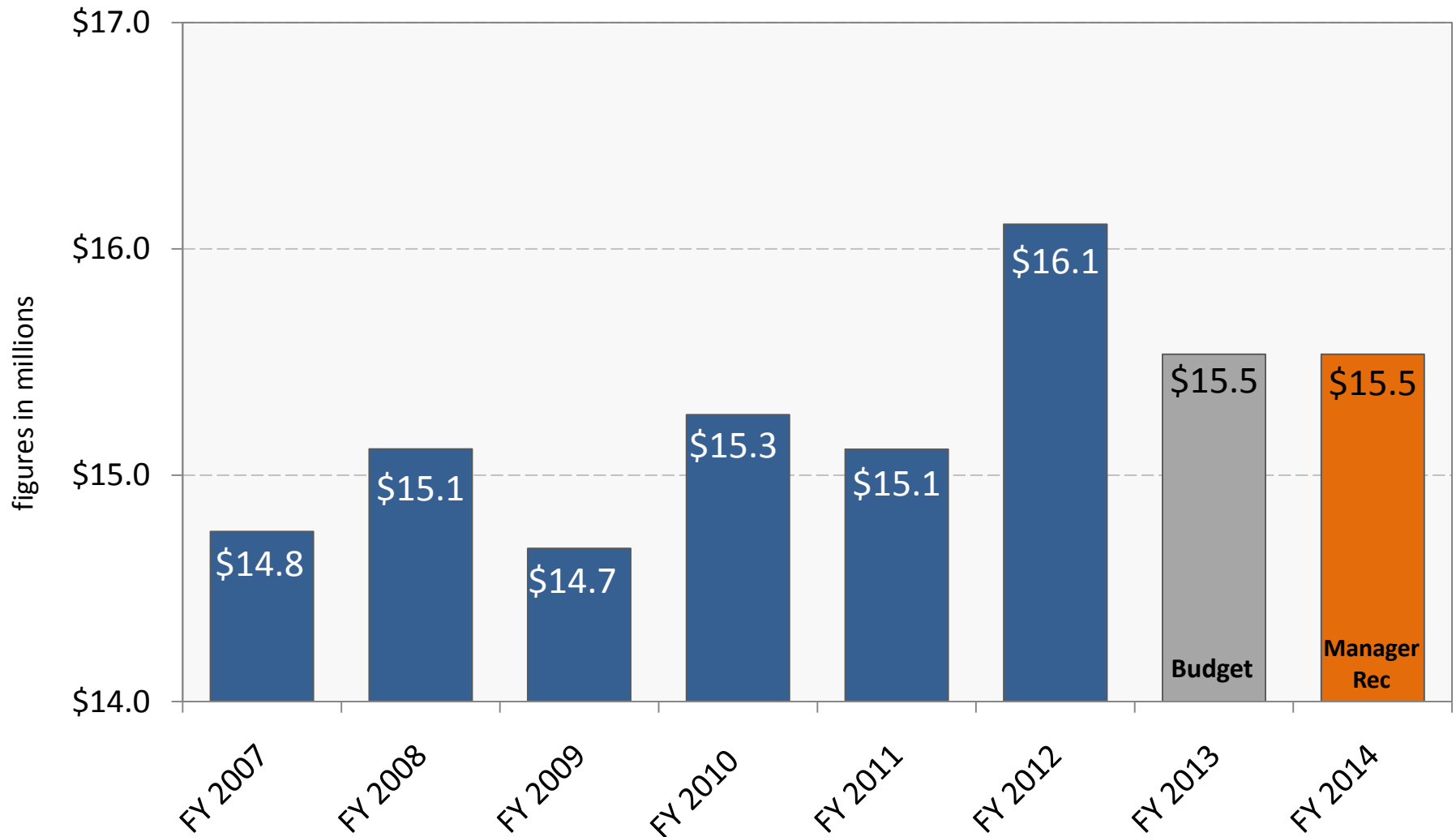
# Sales Tax



# Meal Tax



# Business, Professional and Occupational License Taxes

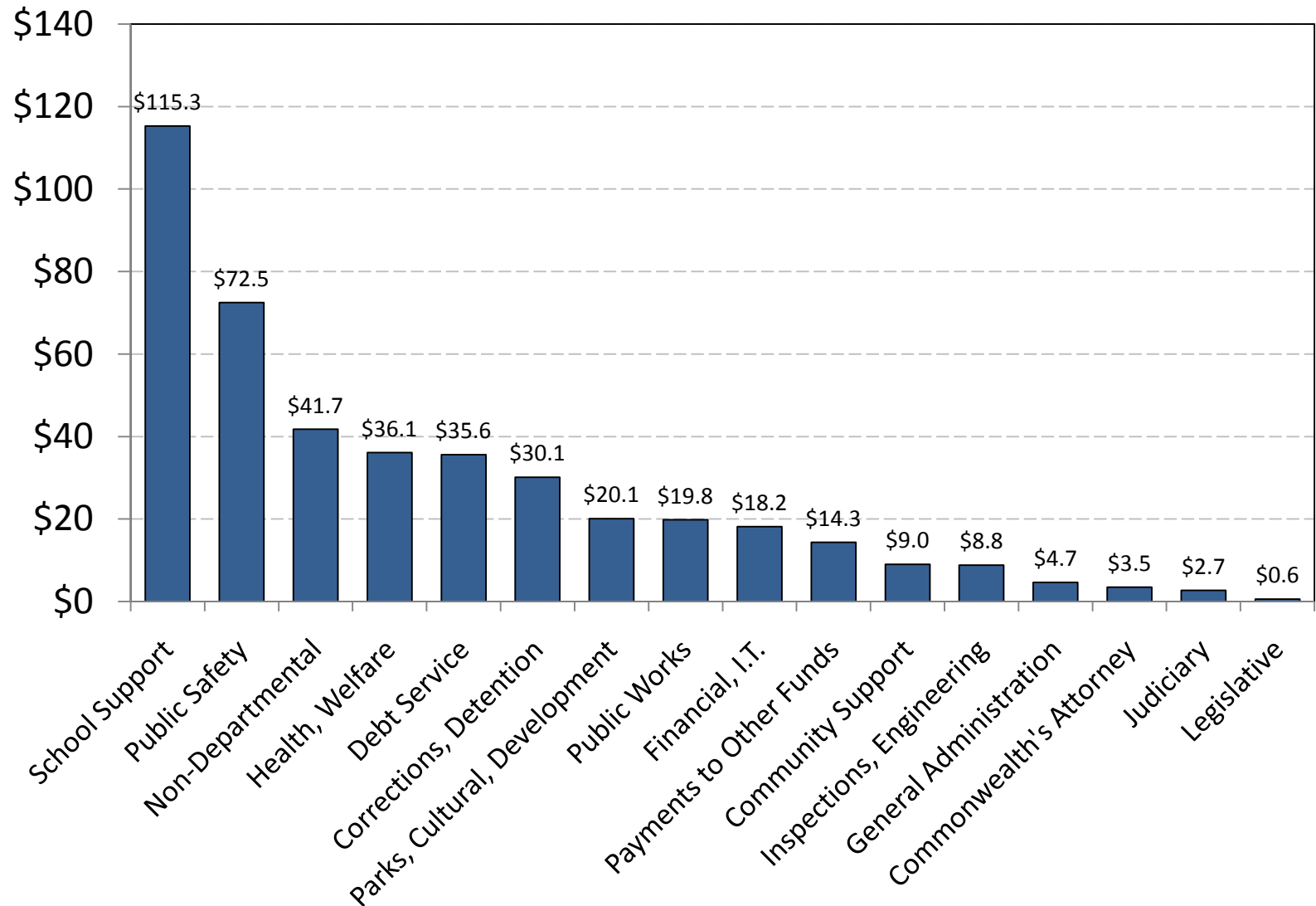


# Strategic Priorities *Refined*

- 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

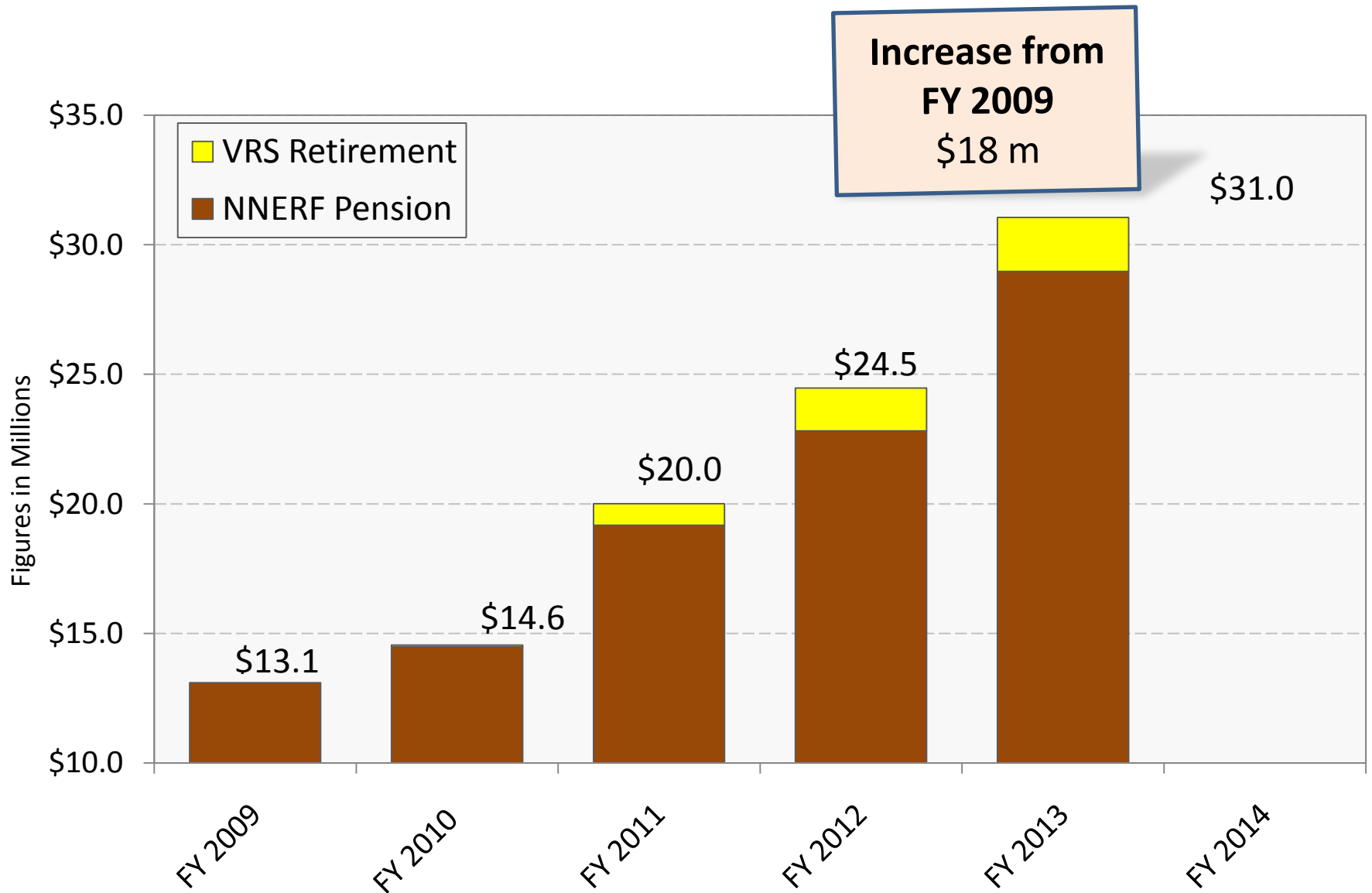


# FY 2014 Major Adjustments

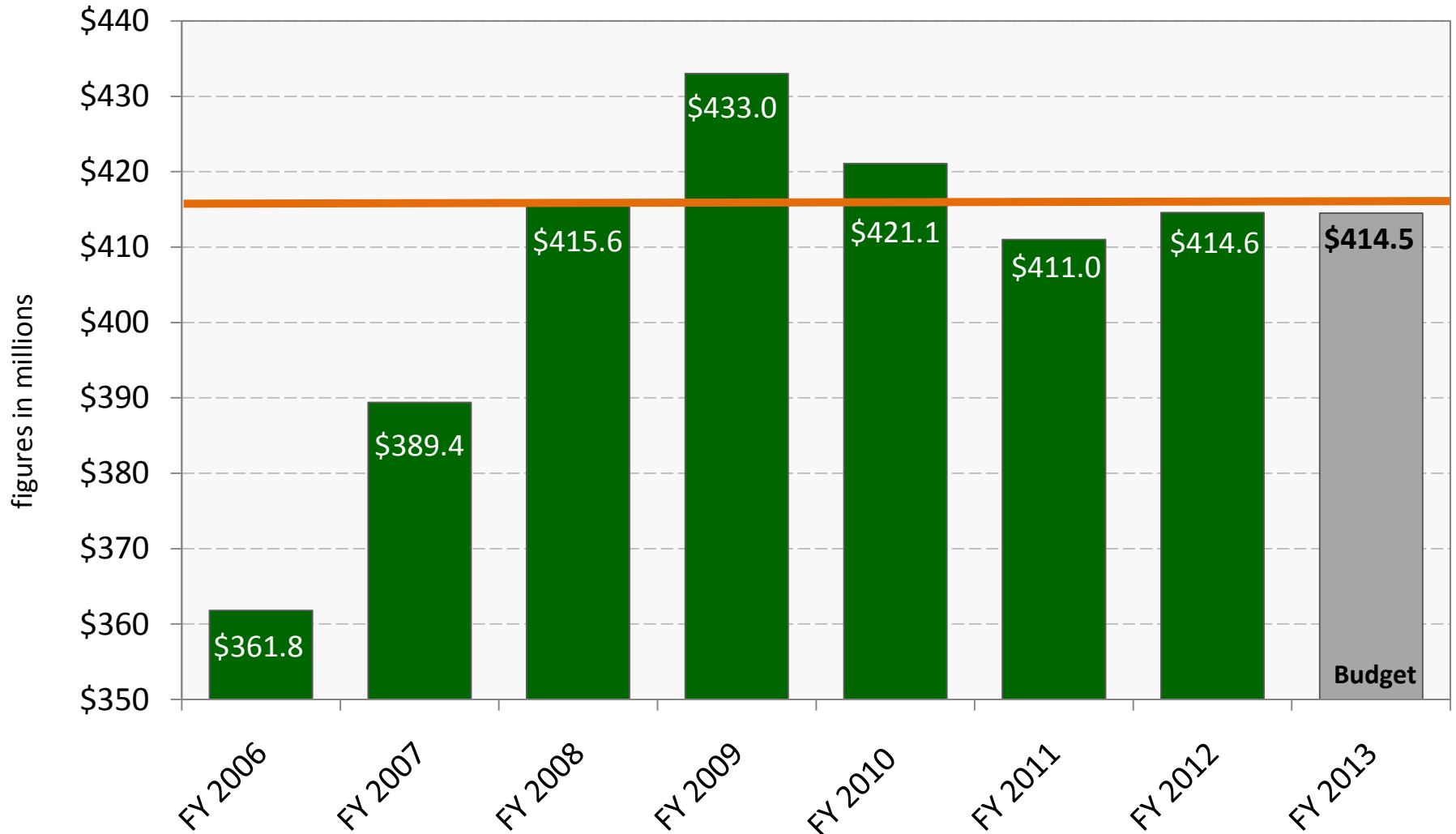
		Increase	Decrease
Information technology	Fiscal Mgt, Efficiency	✓	
Street Paving	Comm Maint and Renew	✓	
Operating Equipment	Fiscal Mgt, Efficiency	✓	
"Right-size" Department Budgets			✓
Denbigh Community Center	Fiscal Mgt, Efficiency	✓	
311		✓	
Debt Service	Fiscal Mgt, Efficiency	✓	
Pension		✓	✓
Affordable 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

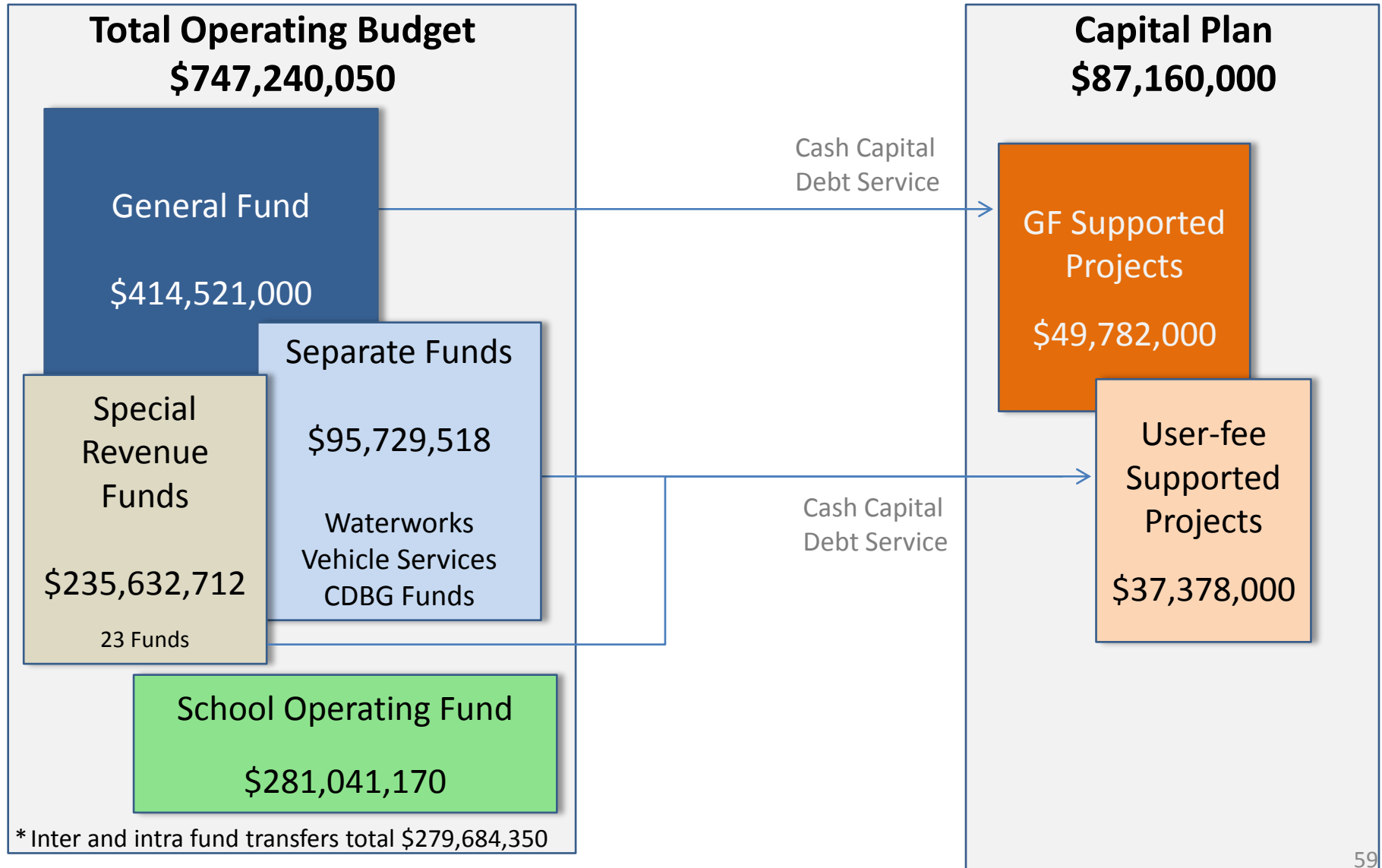


# General Fund Operating Budget

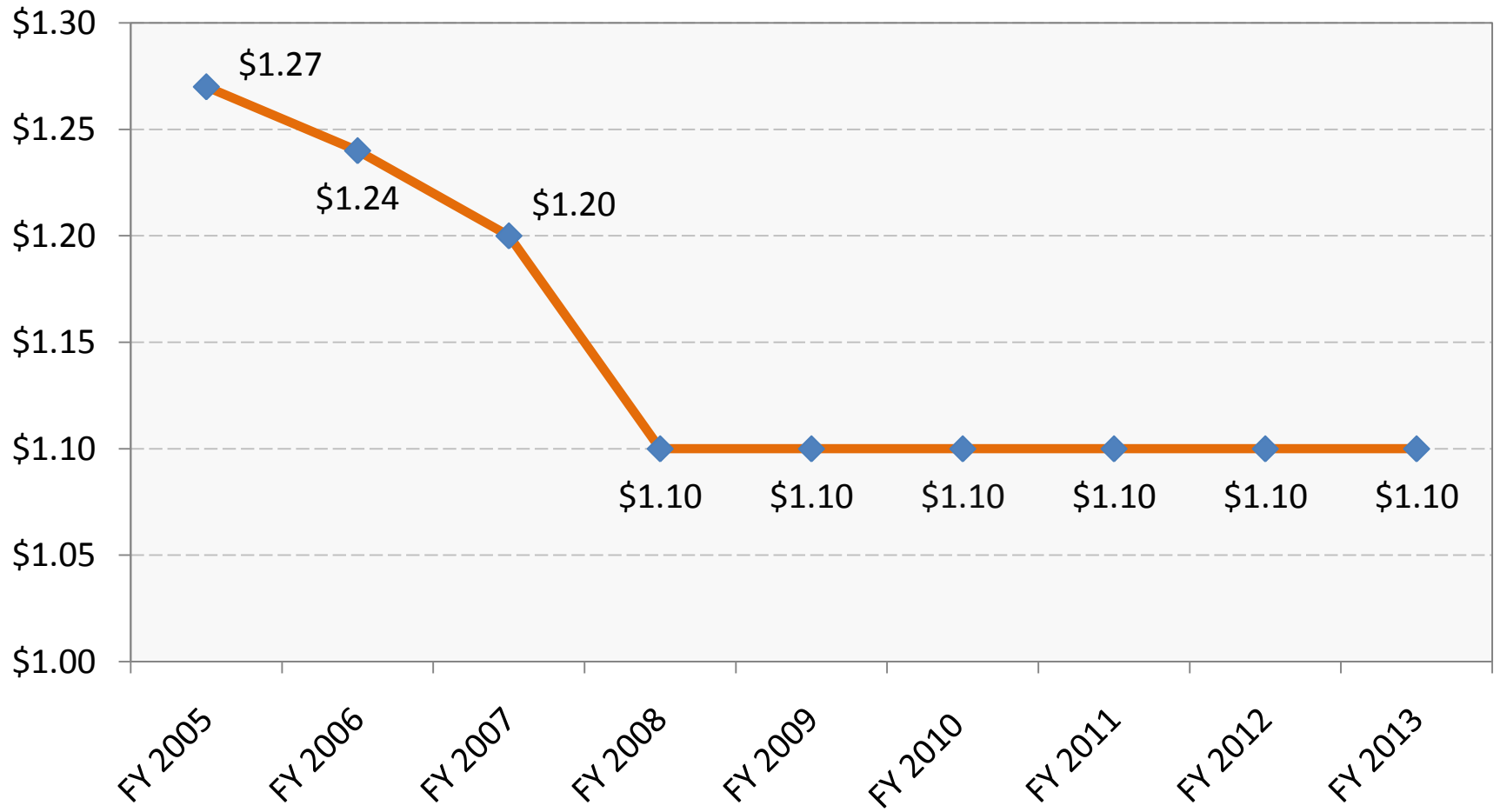


# City of Newport News Financial Plan

FY 2013 - **\$834 million**

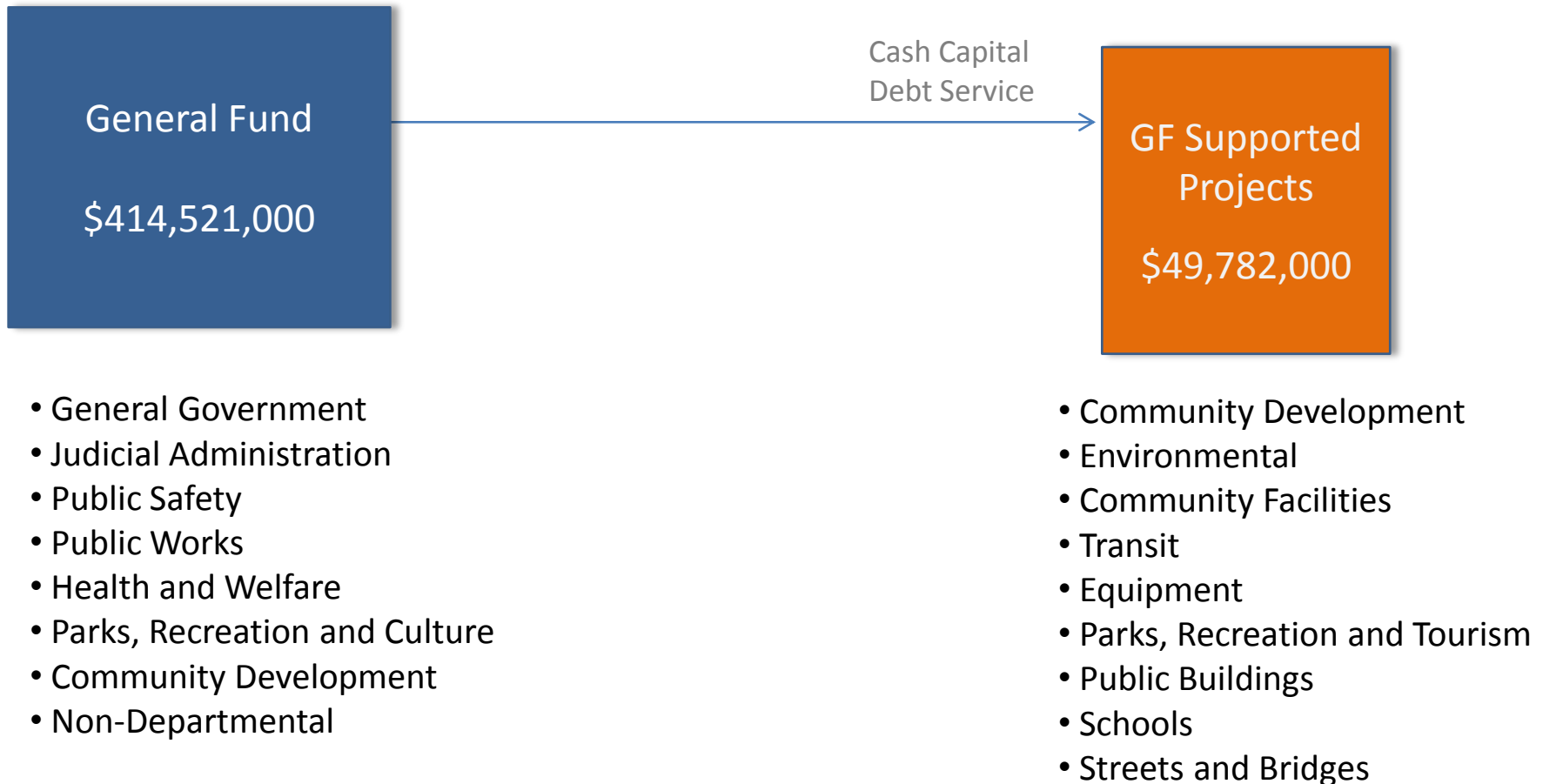


# Real Estate Tax Rate

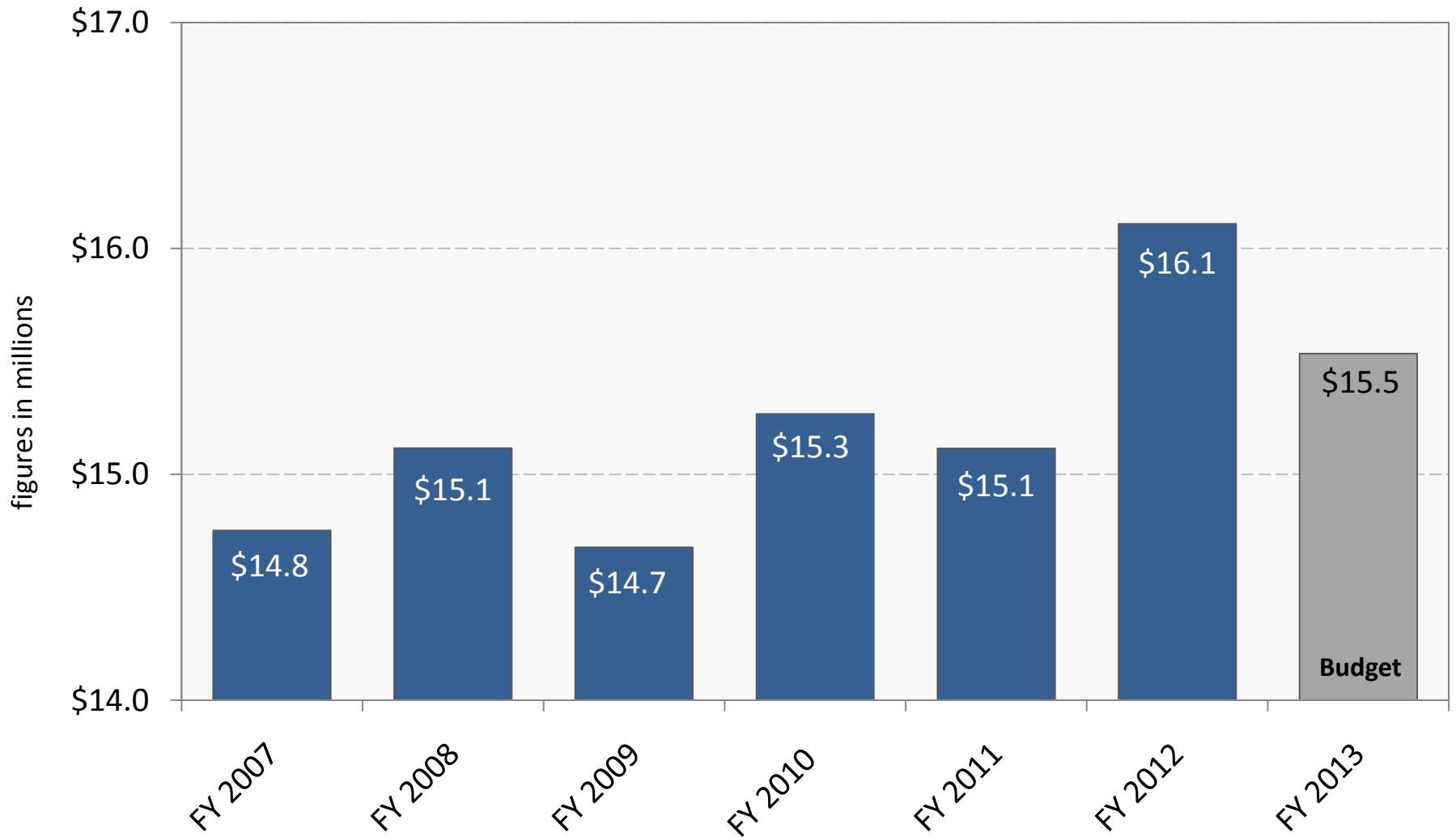


# City of Newport News Financial Plan FY 2013

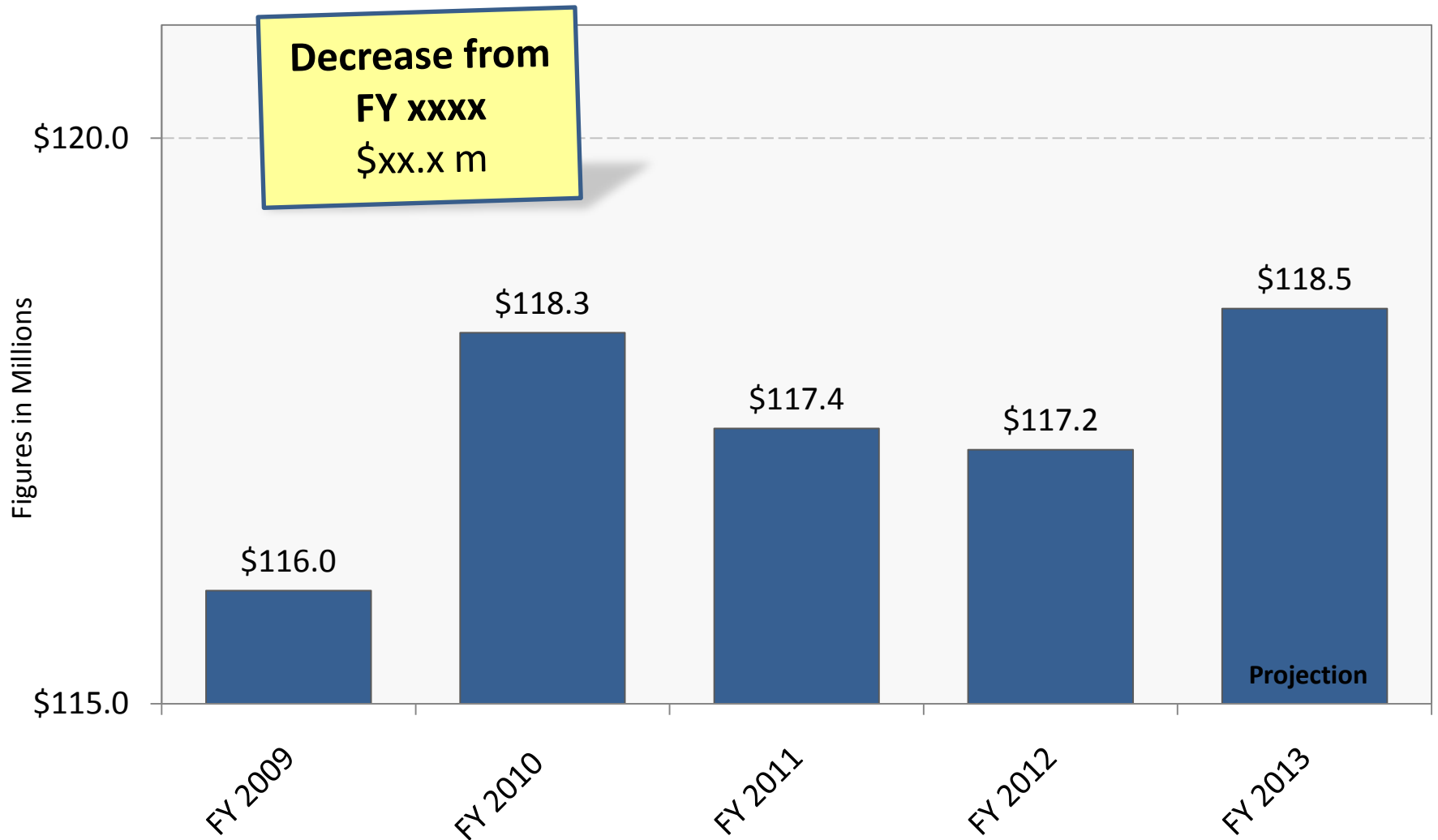
## General Fund



# 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

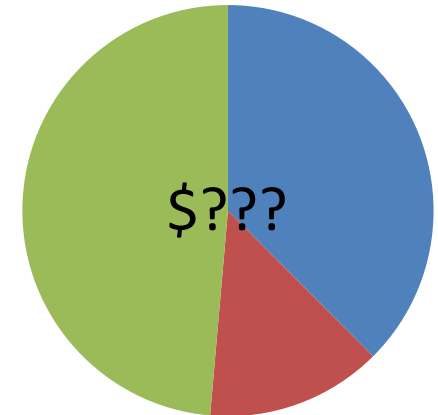
(**\$5,500,000**) FY14 Projected RE Tax loss  
(**\$100,000**) CNU PILT/actual RE  
(**\$250,000**) Waterworks ROI Reduction

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

## *Possible Revenue increases*

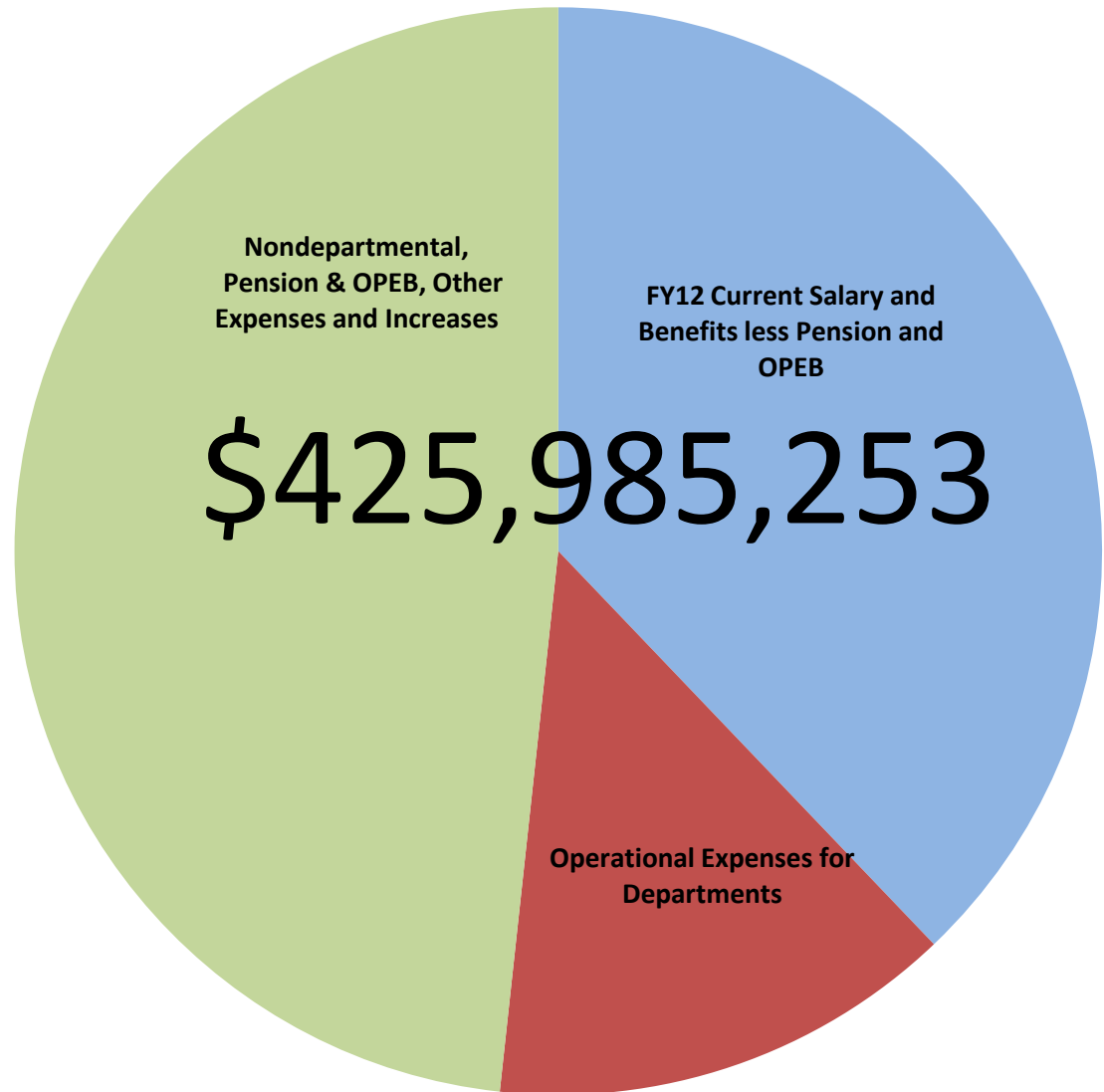
\$215,000 Lodging Tax 0.5% Increase (to equal Hampton)  
\$500,000 Lodging Tax Plus \$1 per night stay???  
\$800,000 M&T Tax additional  
\$750,000 Sales Tax (FY 2013 Projection + Walmart x2)  
??? RE Tax  
**\$2,265,000 Potential Revenue Gains**

(**\$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)

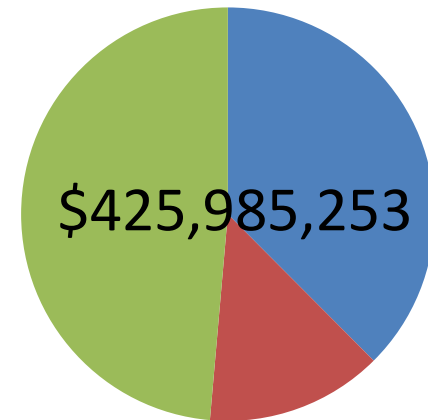
\$22.4 M FY14 NNERF (Equal to FY 2013 amount)

\$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)

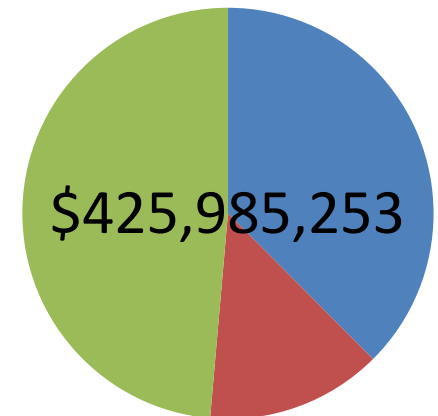
\$113 M Contribution to Schools



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?