



Fiscal Year 2011 Adopted Budget

City of Newport News



Cover Photograph

Springtime

**at Riverview Farm Park
Newport News, Virginia**

**Photograph by
Michael D. Poplawski
Director of the Department of Parks, Recreation and Tourism
City of Newport News**



CITY OF NEWPORT NEWS

ADOPTED OPERATING BUDGET

FISCAL YEAR 2011

(July 1, 2010 to June 30, 2011)

Adopted May 11, 2010

JOE S. FRANK
MAYOR

JOSEPH C. WHITAKER
VICE MAYOR

HERBERT H. BATEMAN, JR.
COUNCILMAN

Dr. PATRICIA P. WOODBURY
COUNCILWOMAN

A. MADELINE McMILLAN
COUNCILWOMAN

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COUNCILWOMAN

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COUNCILWOMAN

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CITY MANAGER

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Table of Contents

City Manager's FY 2011 Budget Transmittal Letter - Final Budget	2
FY 2011 Adopted Budget Ordinance	6
City Manager's FY 2011 Budget Transmittal Letter - Recommended Budget . .	10
Total City Operating Budget Chart	23
Total City Operating Budget Table	24
General Fund Revenue and Expenditures Summary Table	26
FY 2011 General Fund Revenue Sources Chart	27
FY 2011 General Fund Revenue Changes Chart	28
General Fund Departmental Expenditure Summary Chart	29
General Fund Expenditures by Category Chart	30
General Fund Expenditures by Department	34
Special Revenue and Trust Fund Tables	38
Tax, Fee, and Rate Schedule	44
Total City Position Allotments Table	47
FY 2011 Recommended Budget Presentation to City Council	49

CITY OF NEWPORT NEWS

OFFICE OF THE CITY MANAGER

May 6, 2010

TO: The Honorable City Council

FROM: City Manager

SUBJECT: Final Adjustments to the FY 2011 Recommended Budget

I am presenting to you a revised FY 2011 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 \$744,561,902, which is a decrease of from my recommended amount of \$745,706,785. The General Fund will increase by \$503,000 from \$410,497,000 to \$411,000,000 for FY 2011.

As a result of the April 27, 2010 work session, four expenditure increases were made to the General Fund. These increases were possible as from net additional revenue, as part of the final budget calculations. On April 21, 2010, due to the Governor's changes to the 2010 General Assembly's adopted FY 2011 - FY 2012 biennial budget, we lost additional State revenue for the combined amount of \$123,295. Additional reductions for reimbursement were made for services provided in both the Healthy Families and the Juvenile Services non-Secure Detention programs. At the same time the finalization of the annual real estate reassessment process occurred, resulting in slightly over \$600,000 in additional Current Real Tax revenue that could be anticipated over our first estimate. When taken together, additional revenue above my initial recommended amount resulted in an overall increase of \$500,000 to the General Fund.

Based on this non-committed additional revenue, I stated my preference to use these funds to restore the reductions made to our FY 2011 Cash Capital allocation and to fund a youth summer hire program. To balance the budget, it was City Council's consensus to apply this additional revenue to four programs:

1. *Restore Loose Leaf Collection - \$150,000*: restoration of these funds allows for one more year of the leaf collection program as is the current practice. During this time, we will study alternative methods for this service. We also need to take into consideration how the continuation of this program

could affect the City's proposed Stormwater permit currently under review by the Environmental Protection Agency (EPA). The proposed permit will clearly not allow the City to continue its loose-leaf collection program as it has existed. I anticipate having a suggested alternative program to City Council for review by the fall of 2010.

2. **Restore Commissioner of the Revenue State Income Tax Division - \$225,000:** through City Council's direction, restoration of these funds allows for the complete operation of the State Income Tax Division in the Commissioner of the Revenue's office, including the salary and fringe benefits of three (3) current, full-time employees that were scheduled to be eliminated. I did feel, at the time of my initial recommendation, that the City should no longer provide replacement funding from our limited General Fund revenue streams for State programs when the State cuts or eliminates rightful revenue to localities. The City will lose \$5 million in State revenue in FY 2011 and will need to closely monitor State revenue reimbursements for all the Constitutional Officers in the upcoming fiscal year. I fully anticipate having to face more State revenue reductions in the future.
3. **Establish a Youth Summer Hire Program - \$40,000:** establishment of these funds will allow for approximately ten (10) additional teenage employees to be hired, be it in Parks and Recreation, in Libraries, or in other City programs. The average cost per additional youth employee will be approximately \$4,000, and while providing other beneficial results, is anticipated to encourage the City's young people to consider a future City career.
4. **Restore Cash Capital Funds - \$85,000:** the remaining non-committed revenue of \$85,000 will be restored to the General Fund's contribution to the Cash Capital Program. The FY 2010 current Cash Capital funding is \$3,875,000 and based on the adopted FY 2011 Capital Improvements Plan (CIP) should have increased to \$5,275,000 to meet our financial policies guidelines. Due to very limited revenue, I opted to reduce Cash Capital down by almost \$1.1 million to \$2,809,246 in order to balance the General Fund budget for FY 2011. Restoration of these funds will bring the total FY 2011 Cash Capital funds available to \$2,894,246. I will present to you prior to the end of this fiscal year a plan on either reducing our Cash Capital expenditure plan, or offering alternative funding sources for certain programs.

Public Utilities Fund

The initial rate increase for the Public Utilities Fund proposed was an increase of 6.9% or 21 cents for the second block of residential water consumption. This rate proposal was necessitated by the need for increased revenue despite lagging water sales, and to meet a Public Utilities budget anticipated to be higher by \$3,495,800 (4.4%) in FY 2011 than the current fiscal year. After City Council deliberation, an alternative rate increase of 4.9% increase is proposed for the second block of residential water consumption and all business/industrial consumption, raising the rate from \$3.04 to \$3.19 per hundred cubic feet (hcf). The first block (Lifeline rate) that applies to the first six hcf of residential consumption will not change and the summer consumption rate increases in proportion to the 4.9% increase. For the average residential customer in Newport News, who uses 13 hcf every two months, the water portion of their bimonthly bill will increase by \$1.05 or 2.24% compared to FY 2010. This is less than the average annual increase of 2.78% over the last 20 years for the average residential bill, despite having essentially no increase for the current fiscal year. In addition, over the next several months, Public Utilities will investigate the continued practice of charging a Summer Conservation Rate (SCR) as it is apparent that water conservation is a contributing factor to lower water sales revenue over the recent fiscal years. I will bring to City Council a recommendation on continuing this charge, and the effect that its possible elimination will have on the Public Utilities revenues sometime after the beginning of calendar year 2011.

Other Budgetary Issues

There were no changes to the proposed Community Support funding for FY 2011. I will, based on City Council discussion, study the process that we currently use for recommending the level of support and our evaluation process and program reporting requirements. I have already taken initial steps in this area and hope to have to City Council a recommendation for future program assessment process by mid-summer of 2010.

The City's contribution to Newport News Public Schools of \$109,200,000 contained in the final budget ordinance remains at my originally recommended level of \$4 million less than the current fiscal year. The School Board adopted a budget of \$278,219,758 that is \$723,862 less than the School Superintendent's recommended budget of \$278,943,620. This

The Honorable City Council

Page 4

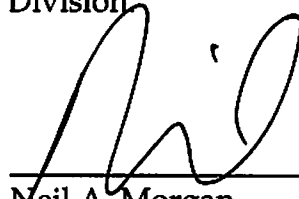
Final Adjustments to the FY 2011 Recommended Budget

May 6, 2010

total reduction represents a (0.2%) decrease from the initially proposed amount and was due to lower-than-expected State revenue. Otherwise, the Schools FY 2011 final Operating Budget remains essentially as proposed.

The FY 2011 Operating Budget that is before you for adoption represents a responsible financial plan for the upcoming fiscal year and stays within a much-reduced revenue stream. It continues to support City core services, uses no one-time revenues or reserves to balance the budget and is sustainable for the year. It is hoped that the City will see economic recovery in the future of locally generated sales taxes and fees, as a response to a slowly improving economy.

I recommend adoption of the ordinance which appropriates funds for the entire City, including the Schools Division



Neil A. Morgan

NAM:rsw

ORDINANCE NO. 6688-10

AN ORDINANCE TO APPROVE THE BUDGET AND APPROPRIATE FUNDS TO OPERATE THE CITY OF NEWPORT NEWS FOR THE FISCAL YEAR BEGINNING JULY 1, 2010, AND ENDING JUNE 30, 2011, INCLUSIVE.

BE IT ORDAINED by the Council of the City of Newport News:

1. That the budget for the fiscal year beginning July 1, 2010, and ending June 30, 2011, inclusive, as indicated by the amounts appropriated in paragraph 2 below, be, and the same is hereby approved.

2. That the following amounts are hereby appropriated to the categories as listed in the aforesaid budget:

General, School Operating, Public Utilities, Vehicle and Equipment Services,
Special Revenue and Trust Operating, and Community Development Funds

OPERATING BUDGET

General Fund

Legislative	\$ 707,410	
General Administration	5,023,932	
Financial	10,578,379	
Information Technology	8,433,585	
Board of Elections	477,875	
Judicial Administration	3,155,536	
Commonwealth Attorney	3,732,549	
Public Safety	76,750,259	
Corrections and Detention	32,113,679	
Inspections	2,904,027	
Engineering	7,209,669	
Public Works	20,807,614	
Health and Welfare	46,927,001	
Parks, Recreation and Cultural	18,378,241	
Planning and Community Development	2,806,339	
Nondepartmental	15,530,128	
Payments to Other Funds	<u>46,263,777</u>	
General Fund Operating Budget		\$301,800,000
City Support to School Operating Budget		<u>109,200,000</u>
Total General Fund Appropriations		\$411,000,000

Public Utilities Fund

Public Utilities Fund Operating Budget	\$64,110,920
Payments to the City	13,421,880
Capital Projects and Equipment	<u>6,065,000</u>

Total Public Utilities Fund Appropriations	\$83,597,800
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School Operating Fund

State Appropriations	\$162,982,676
Federal and Other Appropriations	6,037,082
City Appropriations	
1. Operating Funds	\$96,766,133
2. Debt Service	<u>12,433,867</u>
Total City Funding Support	<u>109,200,000</u>

Total School Operating Fund Appropriations	\$278,219,758
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Vehicle and Equipment Services Fund

Vehicle and Equipment Services Fund	\$ 9,894,000
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SUBTOTAL - APPROPRIATIONS	\$782,711,558
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LESS - Payments to Other Funds

From General Fund To School Fund	\$109,200,000
From Public Utilities Fund To General Fund	13,421,880
From Public Utilities Fund for Capital Improvements	6,065,000
From General Fund To Vehicle and Equipment Services Fund	6,590,206
From Vehicle and Equipment Services Fund To General Fund	<u>31,722</u>

(\$135,308,808)

TOTAL OPERATING BUDGET	\$647,402,750
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SPECIAL REVENUE AND TRUST FUNDS

Auto Self Insurance Fund	\$ 1,384,500	
General Liability Insurance Fund	1,244,100	
Worker's Compensation Fund	3,321,600	
Recreation Revolving Fund	4,904,000	
Historical Services Fund	1,129,000	
Golf Course Revolving Fund	1,697,000	
Leeward Marina Revolving Fund	265,000	
Tourism, Promotion, Development Fund	1,215,000	
School Worker's Compensation Fund	813,884	
School Textbook Fund	3,000,000	
Street/Highway Maintenance Fund	13,573,702	
Economic Development Fund	150,000	
Law Library Fund	144,200	
Stormwater Management Fund	10,917,000	
Solid Waste Revolving Fund	12,764,000	
Wastewater Fund	17,497,000	
Debt Service Fund	57,932,635	
Economic Industrial Development Fund	24,084,700	
Applied Research Center Fund	1,969,800	
Parking Facilities Fund	392,000	
Pension Trust Fund	52,850,400	
City Retirement-Post Retirement Fund	<u>11,313,000</u>	
SUBTOTAL - SPECIAL REVENUE and TRUST FUNDS		\$222,562,521
LESS		
Payments from Other Funds	(\$116,671,107)	
Payments to Other Funds	<u>(\$ 10,933,325)</u>	
		<u>(\$127,604,432)</u>
TOTAL SPECIAL REVENUE AND TRUST FUNDS		\$ 94,958,089

COMMUNITY DEVELOPMENT FUND

Community Development Block Grant	\$ <u>2,201,063</u>
TOTAL CITY BUDGET	<u>\$744,561,902</u>

3. That this ordinance shall be in effect on and after July 1, 2010.

PASSED BY THE COUNCIL OF THE CITY OF NEWPORT NEWS ON MAY 11, 2010

Mabel Washington Jenkins, MMC
City Clerk

Joe S. Frank
Mayor

A true copy, teste:

City Clerk

CITY OF NEWPORT NEWS

OFFICE OF THE CITY MANAGER

March 23, 2010

TO: The Honorable City Council

FROM: City Manager

SUBJECT: Recommended FY 2011 Operating Budget

I am transmitting for your consideration, my recommended operating budget for the fiscal year that begins July 1, 2010 and ends June 30, 2011. This is my first operating budget as your City Manager, and I pledge to work with you in the coming weeks to successfully complete the budget process.

As you know, the challenging economic conditions facing the nation, Virginia, and the City of Newport News have resulted in a difficult budget environment. City revenues have dropped significantly and are forecast to be \$10 million below the FY 2010 budget estimates of \$421 million in the General Fund from the current fiscal year.

Essentially, local revenues in the category of real estate taxes have gone down about 2%, and local revenue from the state has been reduced similarly. Obviously, the budget cannot be balanced without making some hard choices. This budget reflects a measured approach to making tough resource allocation decisions in this challenging financial environment.

My total recommended FY 2011 budget is \$745,706,785, which is a decrease of \$25.1 million or 3.3%. This total budget amount includes the General Fund, Schools, Public Utilities, and all Special Revenue and Trust Funds.

The FY 2011 Recommended General Fund Operating Budget totals \$410,497,000, which is a \$10.6 million or 2.5% decrease over the adopted FY 2010 Operating Budget. No adjustments in locally controlled tax rates such as real estate, personal property, machinery and tools, meals or lodging are being proposed. Real estate property assessments, which are based on market values established for the 12-month period of July 1, 2008 to June 30, 2009, will be expected to decrease on average by 5%, and, therefore, some property owners will be paying fewer taxes in FY 2011.

I am submitting a budget to you that, for the most part, maintains the basic services that citizens expect of the City of Newport News. There are almost no new initiatives, and I have been able to maintain most of the services and programs that are highly valued by our citizens.

General Fund Revenues have been declining for three consecutive fiscal years. The FY 2009 Operating Budget was built as the recession began, with optimism that the depth and length of the fiscal crisis would be shallow and brief. The FY 2010 budget took into consideration the declining revenue sources for locally generated revenue. In addition, the Commonwealth of Virginia instituted a second round of permanent state revenue reductions. From the FY 2009 adopted budget of \$433 million to the FY 2011 Recommended budget of \$410 million, General Fund revenues have shrunk over \$23 million or 5.3%. The FY 2011 Recommended budget is \$5 million less than the adopted FY 2008 budget of \$415 million. General Fund revenues for FY 2011 have been estimated at the limits of what can reasonably be collected over the next 12-month period, given a slow economic recovery and lower housing market values.

Shortly before my submission of this recommended budget, the State General Assembly adopted a 2011-2012 biennial budget. The full implications of the restored state funding were not known at the time of the finalization of this budget. I will keep you informed during your deliberation process of any changes in the revenue forecast that could affect the overall bottom line of this budget.

In order to meet the reduced revenue picture, I instructed my Management Team in September to review all of their departmental operations and provide me with suggested reductions that would maximize core functions, reduce or eliminate non-essential operations, and reorganize

staffing to accommodate the highest priority work load. Nearly every department sustained reductions in operations. These departmental reductions are summarized in the budget document itself under the blue expenditure tab labeled *Expenditures*.

There are three areas where this recommended budget is increasing over the current fiscal year-- pension contributions, healthcare premiums and energy costs. We have made a major commitment to strengthen our pension system. With the recent adopted changes to our retirement plan, and the sacrifices we have asked of our employees, I am pleased to report that this budget includes a substantial increase in our annual and sustainable contribution to the pension system. I recommend our contribution increase from approximately \$22 million to \$27 million annually City-wide. This is consistent with our commitment to completely restore the actuarial position of our pension fund over time. The recommended contribution brings the Annual Required Contribution (ARC) up to 54%, from 50%, and represents a significant achievement.

Healthcare costs are continuing to rise and in order to maintain the ratio of 75% City/25% employee contribution toward premiums, we have had to increase funding for this item by almost \$1.5 million for the upcoming fiscal year. This is an important benefit for our employees, particularly in a time when, for a second year in a row, we are recommending no general wage increase.

The increase in energy costs is primarily associated with fuel for vehicles, which is an important part of our operations. With prices trending upward, we have increased our price-per-gallon estimate from \$2.00 to \$2.72, representing a 36% increase. In the General Fund, this equates to a \$459,218 increase.

Aside from these three expansion areas, the FY 2011 recommended budget reflects a downward trend in most other areas. However, be mindful that those reductions are net of these necessary increases. There are few increases based on contractual circumstances or specific needs. As expected, to meet falling revenues, it was necessary to reduce service levels in some areas, which are detailed below.

REDUCTION IN FORCE

I am recommending a net reduction of 112 positions in the General Fund, with the elimination of 118 vacant, frozen and filled positions City-wide. This reduction represents a 4.2% decrease of our General Fund workforce. In the other operating funds, there is a net reduction of six positions. Three positions are being eliminated from the Historical Services Fund, and five positions are reduced from the Public Utilities Fund (Waterworks). Three positions are moving from the General Fund to the Stormwater and Wastewater Funds, as their duties are primarily supporting those operations.

My approach in preparing this budget has been to work to minimize layoffs. Exceptions to this are where the operational cost of a function is clearly no longer cost effective for the City. It is in those instances where I have found it necessary to recommend the elimination of positions. I am somewhat relieved that the number of actual recommended reduction-in-force positions is relatively small (14 positions) compared to the number of vacant positions being eliminated. The eliminated positions are detailed below:

General Fund Position Reductions

<u>Category</u>	<u>Filled</u>	<u>Vacant</u>	<u>TOTAL</u>
Front Line	9	37	46
Management	3	13	16
Professional	1	38	39
Support/Clerical	1	10	11
TOTAL	14	98	112

Because of the partial hiring freeze that we have had in effect since the fall, we have been able to eliminate many resulting vacant positions. The majority of the expenditure reductions results from salary and fringe benefits reduction and balances this budget. Many of the frozen positions are included in the 112 positions recommended for elimination. As a reminder, last year the City established a Reduction In Force (RIF) policy

that created the standard that any employee who would lose their current position due to a reduction in force, would have the opportunity to apply for, and if qualified, be placed in vacant positions over other applicants. I am currently holding open several vacancies in order to allow for a greater range of possibilities for any such affected employee. Given the size and scope of the various positions that the City has available, I hope that most of the individuals affected by the RIF have the opportunity of finding different employment with the City. I want to caution that there is a practical limit to continue to ask employees to do more with less; there are diminishing returns for remaining employees to provide similar levels of service. With this proposed budget, we are close to that point. Realistically, there will be some level of degradation of service in some places as we have fewer people tasked with providing service.

In preparing this budget, in addition to trying to minimize layoffs, we also continue to place a great deal of emphasis on public safety. I am not recommending the elimination of any filled uniformed public safety positions. Public Safety reductions, for the most part, have been limited to vacant civilian positions and vacant police officer positions that were not funded by a federal stimulus grant. After City Council input, and a better understanding of the State Budget is achieved, I would be inclined to restore some funding in the Public Safety category should that become a possibility.

Additionally, after careful consideration, I am recommending that kitchen operations at Juvenile Services transition from a City function to a contracted activity. Newport News is one of the few communities that continues to provide such a service in-house. This action will impact six individuals currently employed by the City. However, a review of the expenditure patterns in this area suggests that as much as \$300,000 annually can be saved by contracting this service. My budget includes funding for a six-month grace period to allow for the proper planning, solicitation

and award of a contract. It is my hope, and we have reason to believe, that most affected employees will have the opportunity to work for a contractor if they so desire.

SERVICE IMPACTS

The recommended budget reflects a deliberate effort to minimize impacts on service delivery to our citizens. Newport News continues to have a robust range of services, which is an important quality-of-life consideration. However, there are some areas where reductions in service levels were necessary. I am recommending eliminating the curbside loose leaf collection program in Public Works, which will result in a direct savings annually of \$150,000. As you will recall, we previously reduced the number of collections each season from three to two. A decision to continue this service would also require an additional investment in expensive replacement equipment. This additional cost was the determining factor in recommending elimination of this service. Newport News is one of the few remaining localities to provide this service.

Also, the amount of funding for the annual vehicle replacement program and street maintenance is reduced in this operating budget recommendation. I believe that we can withstand this reduction in FY 2011, although these are areas that over time will require restored funding. In the case of street reconstruction, this is the third consecutive fiscal year of reduced funding. However, available federal stimulus money will minimize the impact in the coming year.

Parks, Recreation and Tourism's Historical Services Division is another area that is impacted by this recommended budget. While this is a valuable program, and we can be very proud of the historic buildings that we have rehabilitated and maintained, Historical Services continually operates with a significant deficit. Therefore, I have found it necessary to recommend a reduction in hours and some changes in the way these facilities are operated. This will result in some inconvenience, but will also result in a savings of \$109,000 annually. In the future, we must find ways for our Historic Services activities to generate more revenue, perhaps in conjunction with our Tourism support activities.

I am also recommending the elimination of the state income tax preparation service currently provided by the Commissioner of the Revenue's office. Further discussion of the Commissioner's office is included in this document along with issues related to Constitutional Officers.

EMPLOYEE COMPENSATION AND BENEFITS

My recommended operating budget includes no funding for either across-the-board or merit salary increases for City employees. By July 1, 2010, City employees will have worked for 24 continuous months without any general salary adjustments. I think we all recognize the personal strain this puts on our excellent workforce. I wish to recognize City employees' dedication even during this time of fiscal stress. Therefore, I am recommending that all employees receive a \$500 one-time salary supplement to be paid in July. While not directly linked, this supplement would at least partially compensate employees for their increased out of pocket health insurance costs.

Increases in health insurance premiums have unfortunately become part of the expenditure operating challenge for the City every year. The annual increase is generally based on the prior year claims and services provided to our employees. The current operating budget was built on the City's absorbing the employee's share of a 15% premium increase from January 2010 through June 2010. In July 2010, employees will be responsible for this premium increase. As our contract is based on a calendar year, employees will be faced with a similar increase in January 2011.

The Leave Exchange Program was initially intended as a method of reducing the City's large liability for unused employee vacation pay. However, the resulting effect was that the City eventually traded one long-term liability for another. The Leave Exchange Program allowed employees to retire sooner, thereby placing an additional, long-term pressure on our pension fund. While we have already eliminated the ability to accelerate achieving retirement with our recent pension reforms, this program still exists and allows employees to trade vacation for a bigger pension benefit. With a cost of more than \$1.8 million annually and the need to reduce overall expenditures in the upcoming budget, I am recommending that we eliminate this program. In fairness to employees who have managed their leave this year anticipating the Leave Exchange option, I would allow one final exchange this July and then terminate this program.

It is my intention to phase out the educational supplement for undergraduate degrees in the Police and Fire Departments. In the past, such supplements were given to attract a better rounded applicant pool. In the

current environment, many applicants come to us with degrees already as part of their experience. No similar automatic benefit exists for our civilian workforce, and this should be eliminated as a matter of equity. Consequently, I am recommending that all current employees retain the supplement as part of their base salary, and all new employees not receive this type of additional pay.

CONSTITUTIONAL OFFICERS

The Commissioner of the Revenue's and Treasurer's offices are areas that are particularly impacted by the state budget, and we had been bracing for draconian reductions to these offices. A last minute state budget compromise restored most, but not all, of the funding that we receive for these offices. The caveat to this state budget compromise is that it may continue to be a target for cuts in the future at the state level after July 2010.

I had previously been contemplating closing the Denbigh office of the Commissioner of the Revenue and Treasurer; however, I am now recommending that the satellite office remain open for the convenience of our citizens. Additionally, we had considered discontinuing the DMV Select service. Even though the performance of DMV Select has been somewhat disappointing in terms of revenues and expenditures, there is a case to be made that in time this service will eventually turn a profit. It is hoped that when car sales rebound from the recession, citizens will discover this convenient way of paying both City and state vehicle registration fees. Therefore, I am also recommending that we retain this service.

On the other hand, to offset the funding cuts that we did take in this area, I am recommending that the personal state income tax preparation service currently being provided by the Commissioner of the Revenue be

terminated. While it is a convenience to our citizens, the service is not completely mandatory as the state code indicates that the Commissioner is able to render "such assistance as is necessary." Those taxpayer assistance services are readily offered throughout the community by the private sector and by volunteers. In a difficult budget year such as this, I simply found it necessary to recommend the termination of this service.

RATES AND FEE INCREASES

I have kept most user fees at their current levels where possible and have proposed only modest increases where necessary. In the category of Parks, Recreation and Tourism, I am recommending the establishment of a small fee for some of our youth sports programs, specifically soccer and basketball, that are currently provided for free. The revenue from these fees will defer some of the costs of officiating the programs. It is anticipated that the fee will generate \$75,000. We already charge for other youth sports, and such fees are typical in other communities.

Additionally, I am recommending a modest increase in our EMS response fees. For Basic Life Support (BLS), the proposed rate will go from \$375 to \$425. For Advanced Life Support (ALS), the rate will increase from \$475 to \$525. The mileage rate will remain the same at \$8.25 per mile. The increased fee will allow the City to recover the full amount that can be reimbursed by most insurance companies and will put us on par with other communities in the area. In addition, I am proposing eliminating the waiver of applicable insurance co-payments and/or deductibles for City residents. Currently, if a City resident is insured, any portion of the fee remaining after insurance pays their portion is written off and the account closed. The elimination of this provision will require the entire user fee to be paid. We will continue to file insurance claims on the patient's behalf, but any remaining portion of the fee will be billed to the patient. The waiver for hardship cases will remain intact. In a difficult budget environment, I believe the beneficiary of the service should directly pay when they are able to do so. At a minimum, it is estimated that these combined changes will generate \$415,000 in additional revenue.

I am also recommending an increase in water rates totaling 6.9%. This is less than the amount that was projected last year when the decision was made to have no rate change. We are able to hold

this increase down by eliminating five positions in Waterworks, holding more positions vacant and using some retained earnings. This proposed rate increase reflects a rise in actual Waterworks costs, as well as a sustained demand reduction. By adopting the increased water rate for the upcoming fiscal year, it will preclude us from having to implement a larger increase in the future. Additionally, I want to point out that the Life Line rate of \$2.78 for the first 600 cubic feet (HCF) is being held at the same level as when it was first established. In effect, our consumers with minimal water use will not see an increase in their water bill. There are no recommended increases in the solid waste fee, stormwater fee or wastewater fees.

PUBLIC SCHOOLS

Determining the level of funding for public education is an important part of the budget process and is the most significant expenditure category in the annual operating budget. State policy requires local governments to contribute a minimum level of funding to schools, which is determined by a Composite Index based on a jurisdiction's ability to pay. Accordingly, the City of Newport News is required to contribute \$47.5 million to Newport News Public Schools for FY 2011. I am recommending a contribution of \$109.2 million, which is a \$4 million, or 3.5% reduction from the current fiscal year. The FY 2011 contribution includes \$12.4 million in City funding for Schools debt service. I make this reduction reluctantly and with the Superintendent being fully briefed on my intention to do so.

It should be noted that the City only reduced funding to Newport News Public Schools by \$100,000 in the current fiscal year, whereas neighboring localities reduced funding to their school systems by significant amounts. If one looks at the decrease in General Fund revenues over the last three years, this reduction in our Public School investment is significant, but not in any way disproportionate. In comparing Newport News with other communities, we can be proud, even with this proposed reduction, of our support of public education. I believe that this reduction to the Schools' contribution is necessary to balance the budget without more radical cuts in other areas.

COMMUNITY SUPPORT

My recommended funding for the Community Support Budget is \$7,657,551. Taken as total comparison, this represents level funding to FY 2010. However, significant changes have been made to both the Community Support Agencies and the Regional Organizational Agencies.

As in FY 2010, the approach in formulating the Community Support recommendation for FY 2011 was to identify opportunities to reduce the total level of grant awards while maintaining level funding for organizations that provide necessary human services to our citizens. For those organizations that focus on arts, cultural, youth education and other related activities, a 7% reduction was taken. A 3.5% reduction is recommended in the military services category of agencies. For those agencies that provide either emergency relief services or aid in some manner, level funding was maintained. One agency in this latter group received the only increase in FY 2011. An increase of \$5,000 is recommended for LINK for providing workers compensation coverage for security personnel who work at the PORT winter shelter program. The net total reduction for the Community Support Agencies was \$125,762 from the FY 2010 budget.

Regional Organizational Agencies are those where most of the City's contributions are based on a contractual agreement or a per capita support level. Funding for this group of activities, for the most part, remained at the FY 2010 level. The one exception is Hampton Roads Transit (HRT). With a minor increase in funding of \$12,534, this will bring our FY 2011 support to HRT to \$4,504,410, which is 83% of the funding for Regional Organizational Agencies. I recommended a reduction of 7% for the Hampton Roads Military and Federal Facilities Alliance, resulting in a \$6,364 cut for that program. The Hampton Roads Partnership requested 3% or \$465 less than the current year amount of \$15,675.

Also under the Regional Organizational Agencies, the City of Newport News is reserving funds for the Hampton-Newport News Criminal Justice Agency (HNNCJA), should federal grant funding not materialize during the upcoming fiscal year. HNNCJA has been a long-time partner with the City in promoting public safety by providing community-based pretrial and post-conviction programs. This service is critical in managing our jail population and holding down our growing incarceration costs. This reserve amount is \$127,431.

Additionally, there were a total of fourteen (14) agencies not funded in the current year that solicited support from the City for \$642,750 in requests. Some of these agencies were requesting restoration of funds that were eliminated in the FY 2010 operating budget and some agencies were new requests. It was difficult to consider any new initiatives in such a challenging budget year. Other agencies were deemed to be faith-based initiatives and not eligible for City support. I am not recommending any additional agencies be funded in FY 2011.

FUTURE INITIATIVES

The annual operating budget development process affords the opportunity to identify new ideas and concepts in service delivery that requires more detailed analysis than can be accomplished during that time period. As such, I have identified four major areas that I believe this organization needs to carefully pursue in coming months. These are:

- (1) Analysis and implementation of our sustainability efforts.
- (2) A review of potential shared services and contracted services.
- (3) Implementation of a 3-1-1 Customer Service function in the City of Newport News. This would be consistent with our philosophy of improving customer service and enhancing community maintenance. It would require a major shift in organizational culture, additional resources and various restructuring. I am in the process of creating a work group to pursue this matter with the hopes of it being considered in next year's budget.
- (4) The establishment of a Capital Reserve fund. As previously discussed with City Council, we will be moving forward in the next few months with the establishment of a capital reserve fund. This will allow us to deploy any annual budget savings as a ready reserve that crosses fiscal years and achieves organizational goals, while avoiding the use of the General Fund Balance.

CONCLUSION

In developing this budget, we also considered other alternatives, including an early retirement program, pay cuts, and furloughs. It is my judgment that early retirement would not be cost effective because many eligible employees plan to retire in the near future. To contemplate pay cuts and furloughs at a time when general wage increases have not been forthcoming was an undesirable alternative and was, therefore, not recommended. These are short-term or one-time savings, and I chose to make sustainable reductions that fit within our known revenue streams.

This budget was developed at the bottom of the continuing national recession. While the economy is still sluggish, there are signs that recovery is slowly occurring with hopes of better prospects in future fiscal years.

My staff and I have worked very hard to develop a budget that is responsive to the current economic climate, while at the same time protects essential core services to the citizens of Newport News. I would especially like to acknowledge the outstanding work of my budget team under the leadership of Lisa Cipriano.

While this memorandum highlights the budget in general, specific areas of interest will be detailed in Budget Position Papers, which will be delivered to you by April 2 and made available to the public on the City's web site and in all Newport News public libraries. We will also be producing a NNTV program that will contain the information in this memorandum and will be available to the public in the immediate future.

I look forward to working with you and the citizens of Newport News as we finalize this budget through work sessions and public hearings.

Neil A. Morgan

NAM:rsw

CITY OF NEWPORT NEWS
Components of the Adopted Total Financial Plan
Fiscal Year 2011

TOTAL BUDGET
OPERATING and Capital
\$831,308,812

This chart represents the local funding available for FY 2011 that has been adopted for the Operating Budgets and the Capital Funds. All funds are shown in their entirety. This was done to eliminate any duplicate counting of funds.

OPERATING BUDGET EXPENSES
All Funds*
\$744,561,902

CAPITAL IMPROVEMENTS PLAN EXPENSES
All Funding Sources
\$86,746,910

GENERAL OPERATING FUND \$411,000,000		SEPARATE OPERATING FUNDS \$373,912,621		SPECIAL REVENUE AND TRUST FUNDS \$222,562,521		GENERAL FUND SUPPORTED CAPITAL PROJECTS \$50,711,910		SELF-SUPPORTING FUNDS CAPITAL PROJECTS \$36,035,000							
<p><u>Legislative</u></p> <p>City Council - \$321,739 City Clerk - \$385,671</p> <p><u>General Administration</u></p> <p>City Manager - \$1,916,669 Human Resources - \$1,418,030 City Attorney - \$1,689,233</p> <p><u>Financial</u></p> <p>Internal Auditor - \$532,318 Comm of Revenue - \$2,811,944 Real Estate Assessor - \$1,685,547 City Treasurer - \$2,185,852 Finance - \$1,270,156 Budget & Evaluation - \$665,468 Purchasing - \$1,427,094</p> <p><u>Information Technology</u></p> <p>Information Technology - \$8,433,585</p> <p><u>Board of Elections</u></p> <p>Voter Registrar - \$477,875</p> <p><u>Judicial Administration</u></p> <p>Judiciary - \$3,155,536 Commonwealth's Attorney - \$3,732,549</p> <p><u>Public Safety</u></p> <p>Police - \$45,501,290 Fire - \$31,248,969</p>		<p><u>Corrections and Detention</u></p> <p>Sheriff - \$19,474,980 Adult Corrections - \$4,560,903 Juvenile Services - \$8,077,796</p> <p><u>Inspections</u></p> <p>Codes Compliance - \$2,904,027</p> <p><u>Engineering</u></p> <p>Engineering - \$7,209,669</p> <p><u>Public Works</u></p> <p>Public Works - \$20,807,614</p> <p><u>Health and Welfare</u></p> <p>Health Department - \$2,076,441 Mental Health (CSB) - \$1,523,521 Human Services - \$43,327,039</p> <p><u>Parks, Recreation, Culture</u></p> <p>Parks & Recreation - \$13,377,751 Libraries & Information Services - \$5,000,490</p> <p><u>Community Development</u></p> <p>Development - \$1,643,515 Planning - \$1,162,824</p> <p><u>Nondepartmental</u></p> <p>Appointed Boards - \$117,361 Nondepartmental - \$7,740,528 Community Support - \$7,672,239 Payments to Other Funds - \$155,463,777</p>		<p>Public Education Fund \$278,219,758</p> <p>Public Utilities Fund \$83,597,800</p> <p>Vehicle & Equipment Services Fund \$9,894,000</p> <p>Community Development Block Grant \$2,201,063</p>		<p><u>Auto-Self Insurance Fund</u> \$1,384,500</p> <p><u>General Liability Insurance Fund</u> \$1,244,100</p> <p><u>Worker's Compensation Fund</u> \$3,321,600</p> <p><u>Recreation Revolving Fund</u> \$4,904,000</p> <p><u>Historical Services Fund</u> \$1,129,000</p> <p><u>Golf Course Revolving Fund</u> \$1,697,000</p> <p><u>Leeward Marina Revolving Fund</u> \$265,000</p> <p><u>Tourism, Promotions, and Development Fund</u> \$1,215,000</p>		<p><u>School's Worker Compensation Fund</u> \$813,884</p> <p><u>School's Textbook Fund</u> \$3,000,000</p> <p><u>Street/Highway Maintenance Fund</u> \$13,573,702</p> <p><u>Economic Development Fund</u> \$150,000</p> <p><u>Law Library Fund</u> \$144,200</p> <p><u>Solid Waste Revolving Fund</u> \$10,917,000</p> <p><u>Wastewater Fund</u> \$12,764,000</p> <p><u>Stormwater Management Fund</u> \$17,497,000</p>		<p><u>Debt Service Fund</u> \$57,932,635</p> <p><u>Economic/Industrial Development Fund</u> \$24,084,700</p> <p><u>Applied Research Center Fund</u> \$1,969,800</p> <p><u>Parking Facilities Fund</u> \$392,000</p> <p><u>Pension Trust Fund</u> \$52,850,400</p> <p><u>City Retirement Post Retirement Fund</u> \$11,313,000</p>		<p>Schools Category Projects \$7,500,000</p> <p>Community Development Category Projects \$3,670,000</p> <p>Parks and Recreation Category Projects \$820,000</p> <p>Sewer Rehabilitation Category Projects \$2,000,000</p> <p>Streets and Bridges Category Projects \$6,084,450</p> <p>Public Buildings Category Projects \$13,377,460</p> <p>Equipment Category Projects \$3,410,000</p> <p>Community Facilities Category Projects \$500,000</p> <p>Transit Category Projects \$13,100,000</p> <p>Environmental Category Projects \$250,000</p>		<p>Sanitary Sewer Rehabilitation Projects \$3,200,000</p> <p>Stormwater Drainage Projects \$6,000,000</p> <p>Public Utilities Projects \$25,705,000</p> <p>Solid Waste Projects \$1,130,000</p>	

Adjusted Amount - reflects total amount less inter- and intra-fund transfers of \$262,913,240.

* Adjusted Amount - reflects total amount less inter- and intra-fund transfers of \$262,913,240.

TOTAL CITY OPERATING BUDGET
Summary of General, School, Utilities,
and Vehicle and Equipment Service Funds
REVENUES AND EXPENDITURES
FISCAL YEAR 2010 - 2011

<u>REVENUES</u>	<u>Adopted Budget FY 2011</u>	<u>EXPENDITURES</u>	<u>Adopted Budget FY 2011</u>
MAJOR FUNDS		MAJOR FUNDS	
General Fund*		General Fund*	
General Revenues	\$397,546,398	City Operations	\$266,085,033
Payment from Public Utilities Fund	13,421,880	Debt Service	35,714,967
Payment from Vehicle & Equipment Services Fund	<u>31,722</u>	School Operating Fund Expenditures	<u>109,200,000</u>
Total General Fund Revenues	\$411,000,000	Total General Fund Expenditures	\$411,000,000
Public Utilities Fund		Public Utilities Fund	
Use of Money and Property	\$ 4,887,875	Public Utilities Operations and Debt Service	\$64,110,920
Charges for Services	73,877,520	Capital Projects and Equipment	6,065,000
Administrative Charges	400,000	Payment to General Fund	<u>13,421,880</u>
Recovered Costs	1,040,000		
Retained Earnings	<u>3,392,405</u>		
Total Public Utilities Fund Revenues	\$83,597,800	Total Public Utilities Fund Expenditures	\$83,597,800
School Operating Fund		School Operating Fund	
Federal Revenue and Other Appropriations	\$ 4,091,582	School Operations	\$264,070,185
Revenue from the Commonwealth	162,982,676	School Debt Service	<u>14,149,573</u>
City Support from the General Fund	109,200,000		
Other Local Revenue	<u>1,945,500</u>		
Total School Fund Revenues	\$278,219,758	Total School Fund Expenditures	\$278,219,758

*Detailed in Table Two, *General Fund Summary*.

TOTAL CITY OPERATING BUDGET
Summary of General, School, Utilities,
and Vehicle and Equipment Service Funds
REVENUES AND EXPENDITURES
FISCAL YEAR 2010 - 2011, Continued

<u>REVENUES</u>	<u>Adopted Budget FY 2011</u>	<u>EXPENDITURES</u>	<u>Adopted Budget FY 2011</u>
Vehicle and Equipment Service Fund		Vehicle and Equipment Service Fund	
Charges for Services and Repair	\$5,072,269	Vehicle Operations	\$8,171,286
Charges for Fuel	3,130,739	Equipment Replacement	1,690,992
Charges for Replacement	<u>1,690,992</u>	Payment to the General Fund	<u>31,722</u>
 Total Vehicle and Equipment Fund Revenues	 \$9,894,000	 Total Vehicle and Equipment Fund Expenditures	 \$9,894,000
 LESS - Payments from Other Funds	 (\$135,308,808)	 LESS - Payments to Other Funds	 (\$135,308,808)
SUBTOTAL - Major Funds Revenue	<u>\$647,402,750</u>	SUBTOTAL - Major Funds Expenditures	<u>\$647,402,750</u>
 SPECIAL REVENUE AND TRUST FUNDS**	 \$222,562,521	 SPECIAL REVENUE AND TRUST FUNDS**	 \$222,562,521
LESS - Payments from Other Funds	(\$127,604,432)	LESS - Payments to Other Funds	(\$127,604,432)
SUBTOTAL - Special Funds Revenue	<u>\$94,958,089</u>	SUBTOTAL - Special Funds Expenditures	<u>\$94,958,089</u>
 Community Development Block Grant	 <u>\$2,201,063</u>	 Community Development Block Grant	 <u>\$2,201,063</u>
 TOTAL CITY REVENUES	 <u>\$744,561,902</u>	 TOTAL CITY EXPENDITURES	 <u>\$744,561,902</u>

**Detailed in Table Three, *Special Revenue and Trust Funds*

GENERAL FUND SUMMARY
REVENUES and EXPENDITURES
FISCAL YEAR 2010 - 2011

<u>REVENUES</u>	Revised* Budget FY 2010	Adopted Budget FY 2011	Percent Change	<u>EXPENDITURES</u>	Revised* Budget FY 2010	Adopted Budget FY 2011	Percent Change
General Property Taxes	\$229,924,612	\$227,816,489	(0.9%)	Legislative	\$ 698,386	\$ 707,410	1.3%
Other Local Taxes	85,605,478	85,506,288	(0.1%)	General Administration	5,292,371	5,023,932	(5.1%)
Permits, Fees and Regulatory				Financial	10,679,055	10,578,379	(0.9%)
Licenses	2,980,721	2,498,178	(16.2%)	Information Technology	9,049,984	8,433,585	(6.8%)
Fines and Forfeitures	1,976,318	1,986,833	0.5%	Board of Elections	483,654	477,875	(1.2%)
Revenue from Use of Money				Judicial Administration	3,164,479	3,155,536	(0.3%)
and Property	4,050,530	2,336,542	(42.3%)	Commonwealth Attorney	3,669,112	3,732,549	1.7%
Charges for Services	5,003,890	5,690,506	13.7%	Public Safety	76,936,188	76,750,259	(0.2%)
Miscellaneous Revenue	16,971,829	16,768,045	(1.2%)	Corrections and Detention	31,400,372	32,113,679	2.3%
Recovered Costs	10,733,670	9,352,702	(12.9%)	Inspections	2,833,144	2,904,027	2.5%
Non-Categorical Aid	293,289	245,289	(16.4%)	Engineering	7,466,147	7,209,669	(3.4%)
Shared Expenses	10,363,997	9,384,675	(9.4%)	Public Works	21,949,153	20,807,614	(5.2%)
Categorical Aid	42,670,463	38,360,695	(10.1%)	Health and Welfare	49,885,681	46,927,001	(5.9%)
Non-Revenue Receipts	10,000,000	10,500,000	5.0%	Parks, Recreation			
Payments From Other Funds	553,758	553,758	0.0%	and Cultural	18,801,782	18,378,241	(2.3%)
TOTAL	<u>\$421,128,555</u>	<u>\$411,000,000</u>	<u>(2.4%)</u>	Community Development	2,832,395	2,806,339	(0.9%)
				Nondepartmental	18,182,117	18,406,699	1.2%
				Community Support	7,659,433	7,672,239	(0.2%)
				Schools	113,200,000	109,200,000	(3.5%)
				Debt Service	35,825,932	35,173,342	(1.8%)
				Airport- Debt Service	1,119,170	541,625	(51.6%)
				TOTAL	<u>\$421,128,555</u>	<u>\$411,000,000</u>	<u>(2.4%)</u>

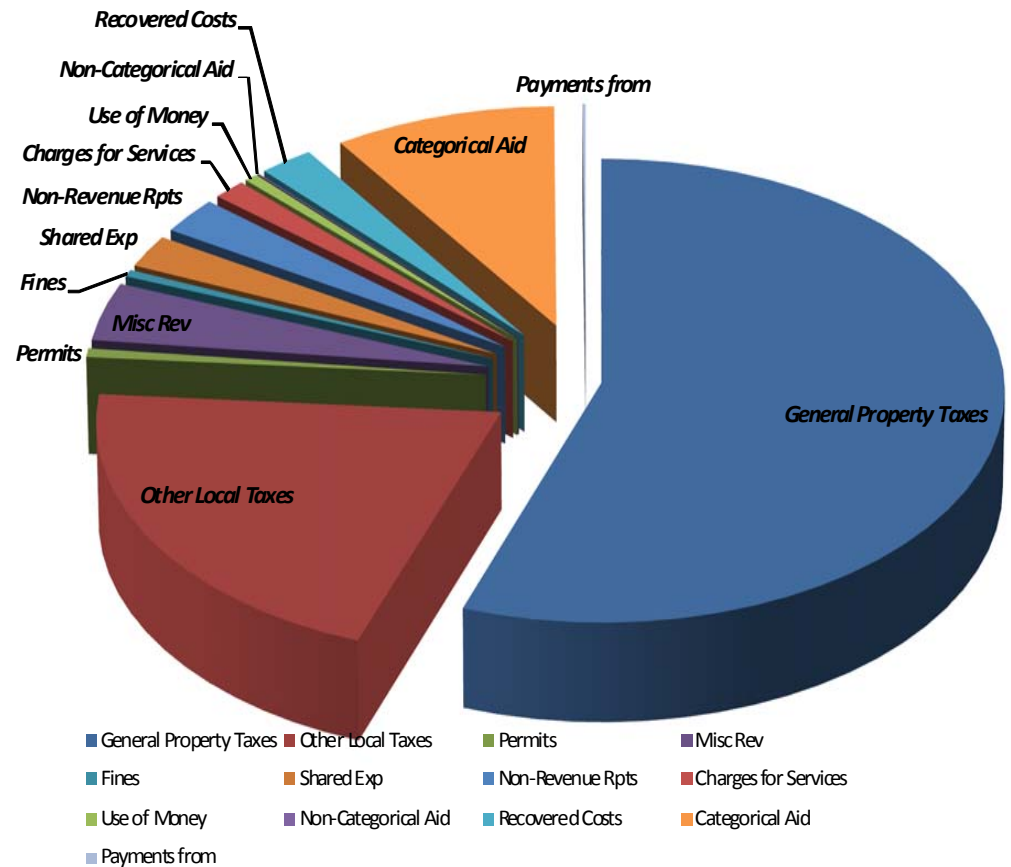
*Revised FY 2010 General Fund Operating Budget reflects changes in revenue of \$32,555. The FY 2010 Adopted General Fund Budget was \$421,096,000. The change from Adopted FY 2010 to Recommended FY 2011 is (\$10,096,000) or (2.4%).

FY 2011 ADOPTED GENERAL FUND BUDGET

Revenue Sources

General Property Taxes	\$227,816,489	55.4%
Other Local Taxes	85,506,288	20.8%
Permits & Fees	2,498,178	0.6%
Miscellaneous Revenue	16,768,045	4.1%
Fines, Forfeitures	1,986,833	0.5%
Shared Expenses	9,384,675	2.3%
Non-Revenue Receipts	10,500,000	2.6%
Charges for Services	5,690,506	1.4%
Use of Money, Property	2,336,542	0.6%
Non-Categorical Aid	245,289	0.1%
Recovered Costs	9,352,702	2.3%
Categorical Aid	38,360,695	9.3%
Payments from Other	<u>553,758</u>	<u>0.1%</u>

Total General Fund **\$411,000,000** 100.0%

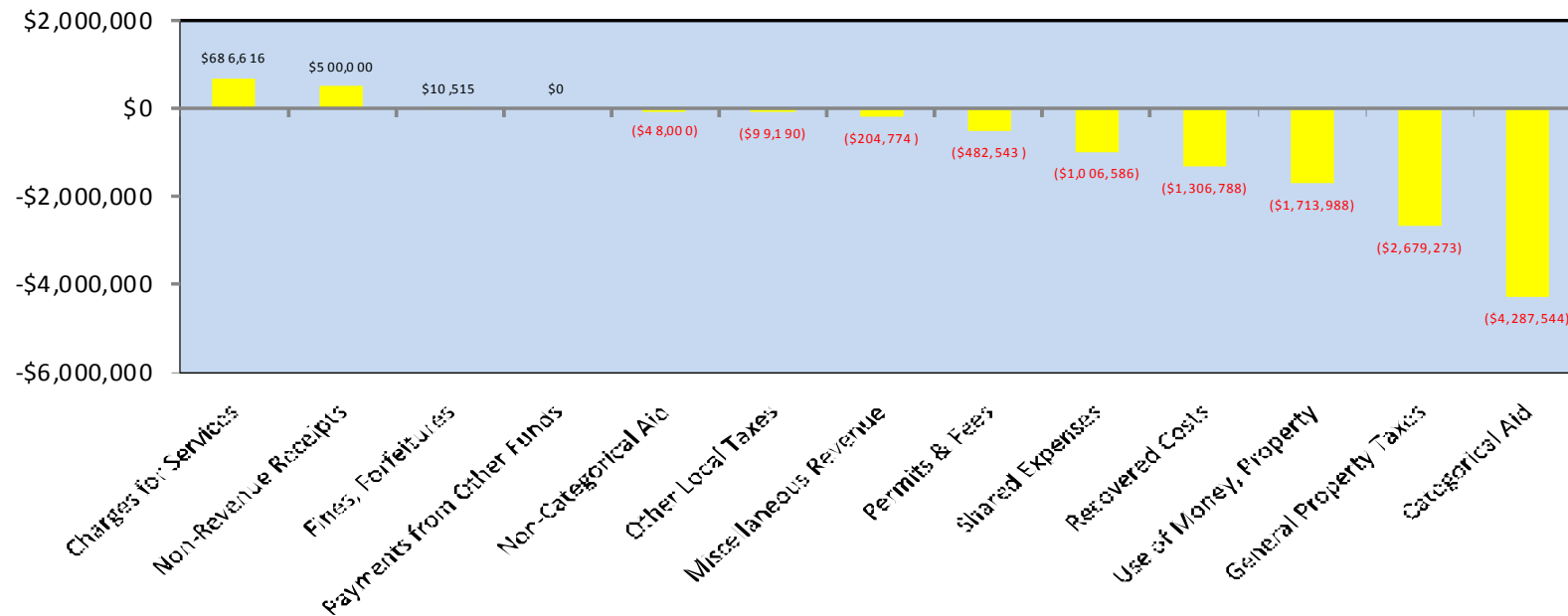


Over 76% of General Fund revenues come from taxes - 55% from property taxes and 21% from Other Local Taxes such as sales, meals and telecommunications taxes. The next largest revenue source is Categorical Aid (state revenue for human services programs).

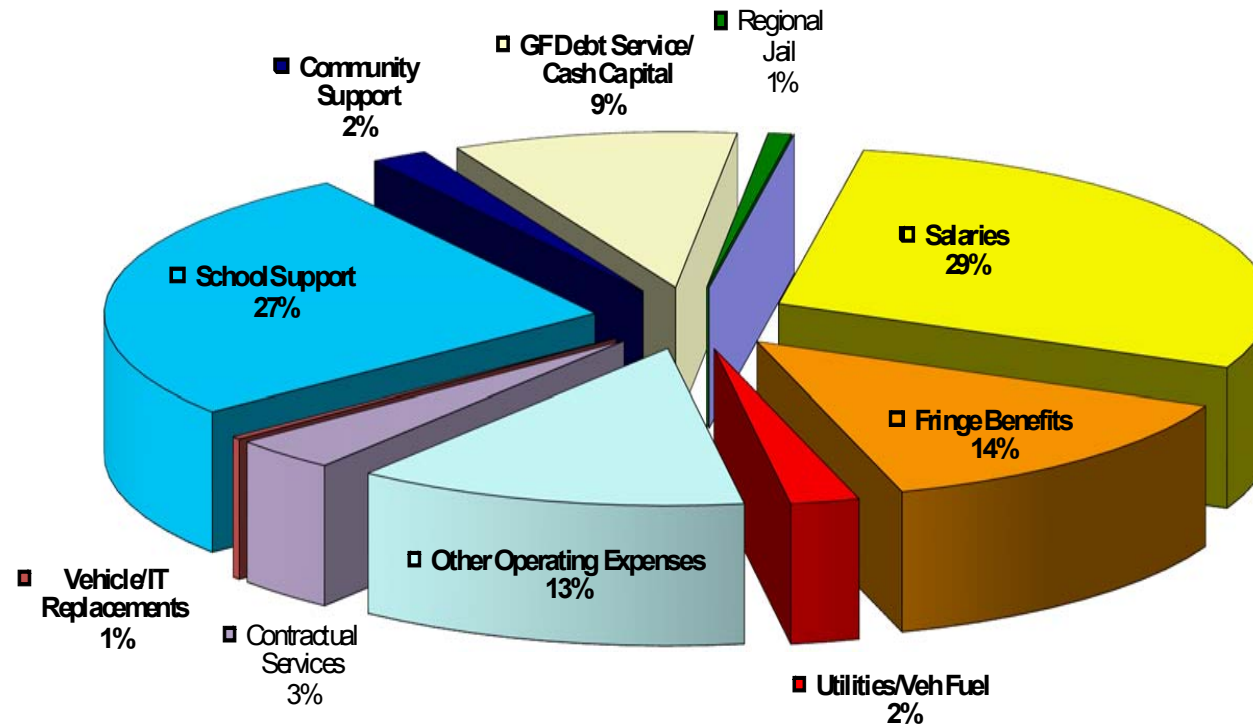
FY 2011 RECOMMENDED GENERAL FUND CHANGES IN REVENUE SOURCES

	<u>Adopted FY 2010</u>	<u>Revised FY 2010*</u>	<u>Recommended FY 2011</u>	<u>Change</u>	<u>Percent</u>
Charges for Services	\$5,003,890	\$5,003,890	\$5,690,506	\$686,616	13.7%
Non-Revenue Receipts	10,000,000	10,000,000	10,500,000	500,000	5.0%
Fines, Forfeitures	1,943,763	1,976,318	1,986,833	10,515	0.5%
Payments from Other Funds	553,758	553,758	553,758	0	0.0%
Non-Categorical Aid	293,289	293,289	245,289	(48,000)	(16.4%)
Other Local Taxes	85,605,478	85,605,478	85,506,288	(99,190)	(0.1%)
Miscellaneous Revenue	16,971,829	16,971,829	16,767,055	(204,774)	(1.2%)
Permits & Fees	2,980,721	2,980,721	2,498,178	(482,543)	(16.2%)
Shared Expenses	10,363,997	10,363,997	9,357,411	(1,006,586)	(9.7%)
Recovered Costs	10,733,670	10,733,670	9,426,882	(1,306,788)	(12.2%)
Use of Money, Property	4,050,530	4,050,530	2,336,542	(1,713,988)	(42.3%)
General Property Taxes	229,924,612	29,924,612	27,245,339	(2,679,273)	(1.2%)
Categorical Aid	42,670,463	42,670,463	38,382,919	(4,287,544)	(10.0%)
TOTAL	\$421,096,000	\$21,128,555	0,497,000	(\$10,631,555)	(2.5%)

* Revised FY 2010 General Fund Operating Budget reflects changes in revenue of \$32,555. The FY 2010 Adopted General Fund Budget is \$421,096,000. The change from Adopted FY 2010 to Recommended FY 2011 is **(\$10,599,000)** or **(2.5%)**.



Expenditure Components of the FY 2011 Adopted General Fund Budget



Salaries	\$118,909,583	28.9%
Fringe Benefits	55,618,366	13.5%
Utilities/Veh Fuel	9,322,414	2.3%
Other Operating Expenses	53,059,223	12.9%
Contractual Services	14,286,800	3.5%
Vehicle/IT Replacements	1,250,000	0.3%
School Support	109,200,000	26.6%
Community Support/Regional	7,672,239	1.9%
GF Debt Service/Cash Capital	38,524,213	9.4%
Regional Jail	3,157,162	0.8%
TOTAL General Fund Expenditures	\$411,000,000	100%

FY 2011 ADOPTED OPERATING BUDGET SUMMARY OF EXPENDITURES

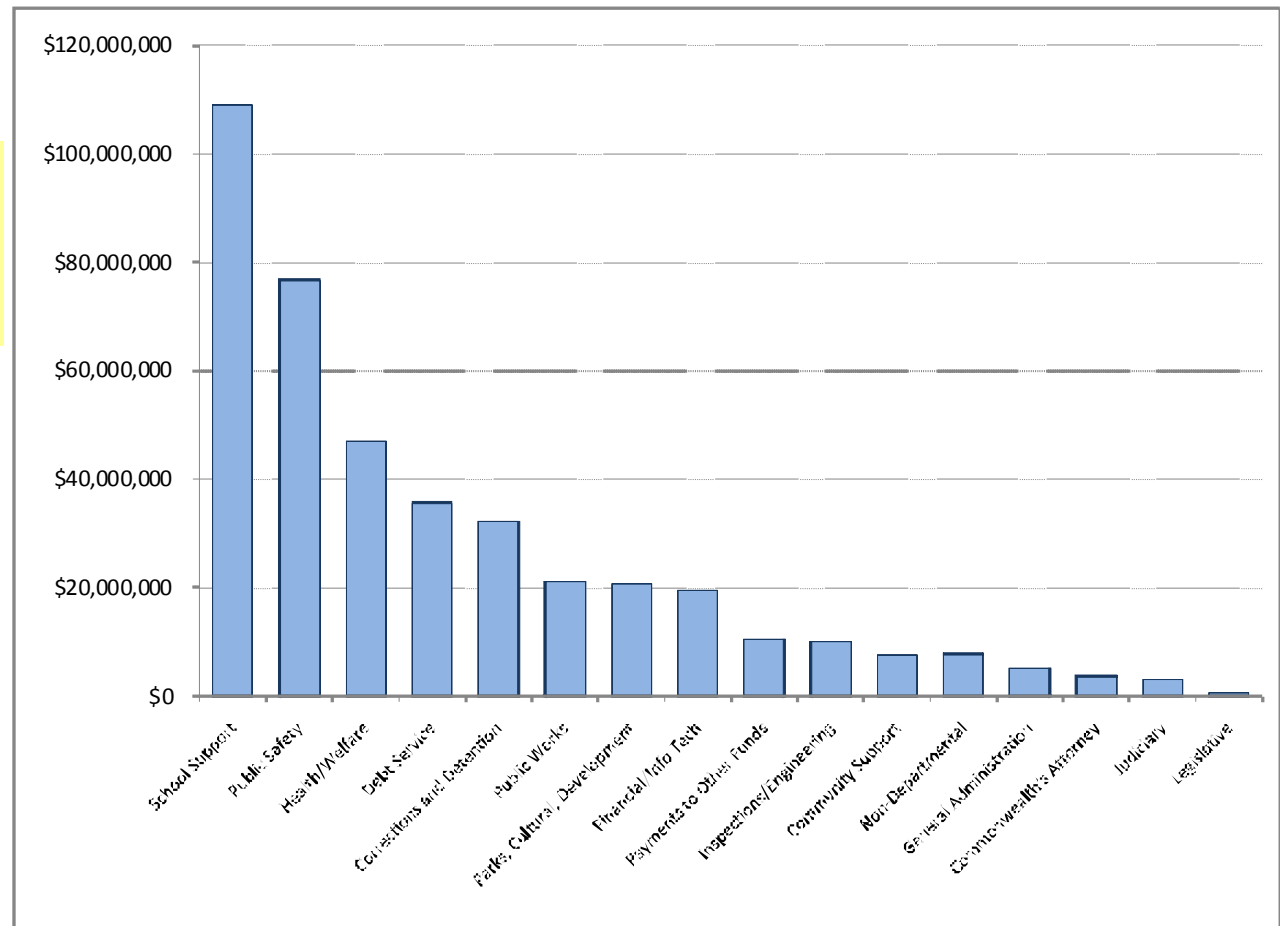
The General Fund is the principal fund of the City, accounting for most of the primary services associated with local government. These basic services include public safety, public works, health and welfare, parks, recreation and culture, and the general administration of the City. The General Fund also makes significant contributions to the Public Education Fund and to the Debt Service Fund. A brief explanation of General Fund expenditures by category follows. Other major operating funds that are significant elements of the FY 2011 Operating Budget (Schools, Public Works, Public Utilities, and Parks and Recreation funds) are presented after the General Fund summary.

Of the \$411 million adopted budget for Fiscal Year 2011, more than \$342 million, or 83.5%, is dedicated to seven functions. The largest components of the FY 2011 General Fund Budget are funding for School Operations and School Debt Service (\$109,200,000; or 26.6% of total General Fund expenditures) and Public Safety (Police, Fire, Emergency Management - \$76,750,259; 18.7%). Other significant components are Health and Welfare programs (\$46,927,001; 11.4%), City Debt Service (\$35,714,967; 8.7%), which includes General Obligation Bonds and support for airport debt service, Corrections and Detention (Sheriff, City Farm, Juvenile Services - \$32,113,679; 8.7%), Parks, Cultural and Development (\$21,184,580; 5.2%) and Public Works (\$20,807,614; 5.1%).

The table below *FY 2011 General Fund Adopted Operating Budget - Departmental Summary* presents a comparison of fiscal year FY 2009 actual spending, the FY 2010 budget and the FY 2011 Adopted Budget. Expenditures are detailed by budget category and individual departments. Following the table are brief narratives that describe departmental changes for FY 2011.

FY 2011 ADOPTED GENERAL FUND EXPENDITURES BUDGET

<u>Category</u>	<u>Amount</u>	<u>% of Budget</u>
School Support	\$109,200,000	26.6%
Public Safety	76,750,259	18.7%
Health & Welfare	46,927,001	11.4%
Debt Service	35,714,967	8.7%
Corrections & Detention	32,113,679	7.8%
Parks, Cultural, Development	21,184,580	5.2%
Public Works	20,807,614	5.1%
Financial/Inform Technology	19,489,839	4.7%
Payments to Other Funds	10,548,810	2.6%
Inspections/Engineering	10,113,696	2.5%
Community Support	7,672,239	1.9%
Non-Departmental	7,857,889	1.9%
General Administration	5,023,932	1.2%
Commonwealth's Attorney	3,732,549	0.9%
Judiciary	3,155,536	0.8%
Legislative	707,410	2%
General Fund Total	\$411,000,000	100.0%



The largest categorical components of the Adopted FY 2011 General Fund Budget are support for School Operations and School Debt Service at 26.6% and Public Safety [Police and Fire] at 18.7%. The next largest category is Health and Welfare programs, that represents 11.4% of total budgeted General Fund Expenditures. City Debt Service, that includes General Obligation Bonds and support for Airport debt, comprises 8.7% of the budget, with the City's Corrections and Detention operations [Sheriff, City Farm, and Juvenile Services] accounting for 7.8%. Parks, Cultural and Development activities represent 5.2% of the Adopted Budget and with Public Works at 5.0%. These seven functions comprise 83.4% (or \$342.7 million) of the total Adopted General Fund Budget for FY 2011.

FY 2011 Adopted Budget - General Fund, Continued

The continued decline in State revenues and expected decreases to the local real estate tax base for FY 2011 required difficult decisions to reduce expenditures to balance the FY 2011 Budget. During the preparation of the City Manager's Recommended Budget, each department gave a thorough evaluation of its operations to identify opportunities to reduce costs. The result of this effort includes program and service reductions and eliminations that will have direct impact on citizens. The majority of the expenditure reductions offered by Departments and presented in the Recommended Budget are associated with personnel costs. As a result, the net elimination of 102 full-time General Fund positions is incorporated in the FY 2011 General Fund Budget.

Increases have been budgeted for health insurance, a proposed one-time salary supplement, and vehicle and equipment fuel costs. Again in FY 2011, a substantial increase has been budgeted for the City's contribution to the Pension Fund to continue progress toward meeting the Annual Required Contribution (ARC). Offsetting these increases are decreases to vehicle maintenance costs and the General Fund contribution to the Vehicle Replacement Program (reduced from \$1.5 million to \$750,000).

Key issues for FY 2011 are:

1. City Support to Schools will decrease from the FY 2010 amount of \$113,200,000 to \$109,200,000. This represents a decrease of (\$4,000,000) or (3.5%). As part of the Schools support, the General Fund will continue to provide \$600,000 of Schools grounds maintenance funds.
2. As mentioned above, the FY 2011 Adopted Budget includes the net elimination of 102 full-time General Fund positions. Additionally, attrition credit amounts were increased in several departments.
3. General Fund support for the City's Debt Service will be \$35,714,967. This includes the Airport Debt Service amount of \$541,625 and Bond Issue/Professional Services of \$330,000.
4. Cash Capital, a component of the City's adopted Debt Management Policy, is budgeted at \$2,894,246. This is a reduction of \$2.3 million from the FY 2011 Recommended amount of \$5.2 million; this higher amount was intended to remain on target for fulfilling the City's goal of 20% Cash Capital funding by FY 2012. Cash Capital allows for current operating funds to be budgeted to fund smaller capital expenses (e.g. roof and HVAC replacements, and capital

FY 2011 Recommended Budget - General Fund, Continued

equipment) to decrease reliance on bond cash for shorter term capital projects. The Adopted Budget assumes no additional City general obligation debt in FY 2011 beyond a loan from the Virginia Resources Authority for sanitary sewer maintenance and repair.

5. No salary increase for employees has been budgeted for FY 2011. The Adopted FY 2011 budget includes a one-time salary supplement of \$500 per employee to be paid in July 2010. In part, this salary supplement is given as recognition of the fact that employees have not received a pay increase for 24 months.
6. Health Insurance premium rates for FY 2011 are anticipated to increase 15% effective December 2010.
7. In FY 2007, the City began efforts to meet the goal of funding 100% of the actuarially determined Annual Required Contribution (ARC) to the Pension Fund in eight years. The phased plan is continued in the Adopted Budget, with retirement contribution increases as follow: general employees - 20.0% (up from 15.5% in FY 2010); Fire, Police, and Sheriff employees - 26.4% (up from 19.5% in FY 2010); Waterworks employees - 21.9% (up from 17.5% in FY 2010). The net increase of these rate changes for the General Fund for FY 2011 for the Pension Trust Fund Contribution is \$4.7 million. This increase reflects a net amount that accounts for the elimination of full-time positions. Additionally, the FY 2011 Budget reflects approved changes to City's retirement plan and calculates retirement benefits for newly hired employees at the Virginia Retirement System rate.
8. Fuel prices continue to trend higher for FY 2010. The FY 2011 Budget assumes an average fuel purchase price of \$2.725 cents per gallon, which is a 36.3% increase to the FY 2010 budgeted per gallon rate. The resulting FY 2011 impact to the General Fund is a fuel cost increase of \$459,000.

FY 2011 General Fund Adopted Operating Budget Departmental Summary

<u>Department</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Revised</u>	<u>FY 2011 Adopted</u>	<u>Variance</u>	<u>Percent</u>
City Council	\$299,798	\$330,320	\$321,739	(\$8,581)	-2.6%
City Clerk	349,954	368,066	385,671	17,605	4.8%
Legislative Category Total:	\$649,752	\$698,386	\$707,410	\$9,024	1.3%
City Manager	\$2,164,991	\$2,179,314	\$1,916,669	(\$262,645)	-12.1%
Human Resources	1,452,622	1,399,318	1,418,030	18,712	1.3%
City Attorney	1,681,595	1,713,739	1,689,233	(24,506)	-1.4%
General Administration Category Total:	\$5,299,208	\$5,292,371	\$5,023,932	(\$268,439)	-5.1%
Internal Auditor	\$576,061	\$517,849	\$532,318	\$14,469	2.8%
Commissioner of Revenue	2,701,444	2,851,250	2,811,944	(39,306)	-1.4%
Real Estate Assessor	1,741,192	1,840,000	1,685,547	(154,453)	-8.4%
City Treasurer	2,068,552	2,166,046	2,185,852	19,806	0.9%
Finance	1,094,109	1,225,293	1,270,156	44,863	3.7%
Budget and Evaluation	596,585	654,744	665,468	10,724	1.6%
Purchasing	1,307,774	1,423,873	1,427,094	3,221	0.2%
Information Technology	7,733,161	9,049,984	8,433,585	(616,399)	-6.8%
General Registrar	562,989	483,654	477,875	(5,779)	-1.2%
Financial, Information Technology, and Elections Category Total:	\$18,381,867	\$20,212,693	\$19,489,839	(\$722,854)	-3.6%

***FY 2011 General Fund Adopted Operating Budget
Departmental Summary, Continued***

<u>Department</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Revised</u>	<u>FY 2011 Adopted</u>	<u>Variance</u>	<u>Percent</u>
Judiciary	\$2,884,707	\$3,164,479	\$3,155,536	(8,943)	-0.3%
Judiciary Category Total:	\$2,884,707	\$3,164,479	\$3,155,536	(8,943)	-0.3%
Commonwealth's Attorney	\$3,328,564	\$3,669,112	\$3,732,549	\$63,437	1.7%
Commonwealth's Attorney Category Total:	\$3,328,564	\$3,669,112	\$3,732,549	\$63,437	1.7%
Police	\$44,343,890	\$45,725,715	\$45,501,290	(\$224,425)	-0.5%
Emergency Management	527,381	0	0	0	
Fire	30,763,426	31,210,473	31,248,969	38,496	0.1%
Public Safety Category Total:	\$75,634,697	\$76,936,188	\$76,750,259	(185,929)	-0.2%
Sheriff	\$17,619,714	\$18,674,623	\$19,474,980	\$800,357	4.3%
Adult Corrections	4,672,610	4,646,479	4,560,903	(85,576)	-1.8%
Juvenile Services	8,343,063	8,079,270	8,077,796	(1,474)	-0.0%
Corrections and Detention Category Total:	\$30,635,387	\$31,400,372	\$32,113,679	\$713,307	2.3%
Codes Compliance	\$2,769,006	\$2,833,144	\$2,904,027	\$70,883	2.5%
Engineering	6,756,061	7,466,147	7,209,669	(256,478)	-3.4%
Inspections and Engineering Category Total:	\$9,525,067	\$10,299,291	\$10,113,696	(185,595)	-1.8%

***FY 2011 General Fund Adopted Operating Budget
Departmental Summary, Continued***

<u>Department</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Revised</u>	<u>FY 2011 Adopted</u>	<u>Variance</u>	<u>Percent</u>
Public Works	\$22,249,488	\$21,949,153	\$20,807,614	(\$1,141,539)	-5.2%
Public Works Category Total:	\$22,249,488	\$21,949,153	\$20,807,614	(\$1,141,539)	-5.2%
Health	\$2,190,784	\$2,172,237	\$2,076,441	(\$95,796)	-4.4%
Mental Health	1,416,211	1,523,521	1,523,521	0	0.0%
Human Services	42,540,675	46,189,923	43,327,039	(2,862,884)	-6.2%
Health and Welfare Category Total:	\$46,147,670	\$49,885,681	\$46,927,001	(\$2,958,680)	-5.9%
Parks and Recreation	\$13,035,528	\$13,686,800	\$13,377,751	(\$309,049)	-2.3%
Libraries and Information Services	4,917,150	5,107,475	5,000,490	(106,985)	-2.1%
Development	1,701,545	1,642,335	1,643,515	1,180	0.1%
Planning	1,232,578	1,190,060	1,162,824	(27,236)	-2.3%
Parks, Libraries and Community Development Category Total:	\$20,886,801	\$21,626,670	\$21,184,580	(\$442,090)	-2.0%
Community Support	\$2,582,738	\$2,378,396	\$2,252,634	(\$125,762)	-5.3%
Community Support Category Total:	\$2,582,738	\$2,378,396	\$2,252,634	(\$125,762)	-5.3%
Regional Organizational Support	\$4,993,687	\$5,281,037	\$5,419,605	\$138,568	2.6%
Community Support Regional Category Total:	\$4,993,687	\$5,281,037	\$5,419,605	\$138,568	2.6%

***FY2011 General Fund Adopted Operating Budget
Departmental Summary, Continued***

<u>Department</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Revised</u>	<u>FY 2011 Adopted</u>	<u>Variance</u>	<u>Percent</u>
Nondepartmental-Contingencies	\$8,711,200	\$6,340,485	\$7,857,889	\$1,517,404	23.9%
Nondepartmental Category Total:	\$8,711,200	\$6,340,485	\$7,857,889	\$1,517,404	23.9%
Payments to Other Funds	\$166,234,557	\$161,986,734	\$155,463,777	(\$6,522,957)	-4.0%
Payments to Other Funds	\$166,234,557	\$161,986,734	\$155,463,777	(\$6,522,957)	-4.0%
<u>General Fund Total</u>	<u>\$418,145,390</u>	<u>\$421,121,048</u>	<u>\$411,000,000</u>	<u>(\$10,121,048)</u>	<u>-2.4%</u>

SUMMARY of SPECIAL REVENUE AND TRUST FUNDS FISCAL YEAR 2010 - 2011

	<u>Revised Budget FY 2010</u>	<u>Adopted Budget FY 2011</u>	<u>Percent Change</u>
Auto Self Insurance Fund	\$ 1,410,500	\$ 1,384,500	(1.8%)
General Liability Insurance Fund	1,240,800	1,244,100	0.3%
Worker's Compensation Fund	3,386,000	3,321,600	(1.9%)
Recreation Revolving Fund	4,782,000	4,904,000	2.6%
Historical Services Fund	1,238,000	1,129,000	(8.8%)
Golf Course Revolving Fund	1,688,500	1,697,000	0.5%
Leeward Marina Revolving Fund	395,900	265,000	(33.1%)
Tourism, Promotion and Development Fund	1,370,800	1,215,000	(11.4%)
School Worker's Compensation Fund	781,953	813,884	(1.4%)
School Textbook Fund	3,038,896	3,000,000	(1.3%)
Street/Highway Maintenance Fund	13,662,209	13,573,702	(0.6%)
Economic Development Fund	202,200	150,000	(25.8%)
Law Library Fund	142,800	144,200	1.0%
Stormwater Management Fund	9,891,000	10,917,000	10.4%
Solid Waste Revolving Fund	13,339,200	12,764,000	(4.3%)
Wastewater Fund	18,052,500	17,497,000	(3.1%)
Debt Service Fund	58,837,594	57,932,635	(1.5%)
Economic/Industrial Development Fund	24,510,000	24,084,700	(1.7%)
Applied Research Center Fund	1,956,000	1,969,800	0.7%
Parking Facilities Fund	479,200	392,000	(18.2%)
Pension Trust Fund	48,850,800	52,850,400	8.2%
City Retirement-Post Retirement Fund	16,227,200	11,313,000	(30.3%)
Subtotal	\$225,484,052	\$222,562,521	(1.3%)
LESS: Interfund Payments	(\$129,034,466)	(\$127,604,432)	(1.1%)
Total-Special Revenue and Trust Funds	<u>\$ 96,449,586</u>	<u>\$94,958,089</u>	<u>(1.5%)</u>

SPECIAL REVENUE and TRUST FUNDS
REVENUES and EXPENDITURES
FISCAL YEAR 2010 - 2011

REVENUES**Auto Self Insurance Fund**

General Fund Premium	\$688,089	
Utilities Fund Premium	139,256	
Other Funds Premiums	457,155	
Return on Investments	30,000	
Subrogation	<u>70,000</u>	\$1,384,500

General Liability Insurance Fund

General Fund Premium	\$782,367	
Utilities Fund Premium	242,293	
Other Funds Premiums	164,440	
Return on Investment	30,000	
Subrogation	<u>25,000</u>	\$1,244,100

Worker's Compensation Fund

General Fund Premium	\$2,507,654	
Utilities Fund Premium	471,562	
Other Funds Premiums	<u>342,384</u>	\$3,321,600

Recreation Revolving Fund

User Fees	<u>\$4,904,000</u>	\$4,904,000
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EXPENDITURES**Auto Self Insurance Fund**

Payment to General Liability Fund	\$ 288,006	
Reserve for Claims	<u>1,096,494</u>	
		\$1,384,500

General Liability Insurance Fund

Administration	\$1,086,100	
Reserve for Claims	<u>158,000</u>	
		\$1,244,100

Worker's Compensation Fund

Administration	\$ 130,060	
Worker's Compensation	<u>3,191,540</u>	
		\$3,321,600

Recreation Revolving Fund

Recreation Programs	\$4,585,936	
Payment to the General Fund	<u>318,064</u>	
		\$4,904,000

SPECIAL REVENUE and TRUST FUNDS
REVENUES and EXPENDITURES
FISCAL YEAR 2010 - 2011, Continued

REVENUES**Historical Services Fund**

Programs and Admissions	\$155,950	
Margin on Sales	8,900	
General Fund Payment	878,063	
Additional General Fund Support	<u>86,087</u>	\$1,129,000

Golf Course Revolving Fund

User Fees	\$1,605,900	
Margin on Sales	55,000	
Concession Sales	<u>36,100</u>	\$1,697,000

Leeward Marina Revolving Fund

Slip Rentals	\$243,850	
Margin on Fuel Sales	16,000	
Margin on Sales	150	
Miscellaneous Revenue	<u>5,000</u>	\$265,000

Tourism, Promotion, and Development Fund

Lodging Tax Share	\$1,213,420	
Margin on Sales	<u>1,580</u>	\$1,215,000

School Worker's Compensation Fund

	<u>\$813,884</u>	\$813,884
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School Textbook Fund	<u>\$3,000,000</u>	\$3,000,000
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EXPENDITURES**Historical Services Fund**

Historical Programs	<u>\$1,129,000</u>	
		\$1,129,000

Golf Course Revolving Fund

Golf Programs	<u>\$1,697,000</u>	
		\$1,697,000

Leeward Marina Revolving Fund

Administration	\$207,418	
To Debt Service	33,059	
To General Fund	<u>24,523</u>	\$265,000

Tourism, Promotion, and Development Fund

Administration	\$1,136,132	
To General Fund	<u>78,868</u>	\$1,215,000

School Worker's Compensation Fund

	<u>\$813,884</u>	\$813,884
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School Textbook Fund	<u>\$3,000,000</u>	\$3,000,000
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SPECIAL REVENUE and TRUST FUNDS
REVENUES and EXPENDITURES
FISCAL YEAR 2010 - 2011, Continued

REVENUES

Street Maintenance Fund	<u>\$13,573,702</u>	\$13,573,702
Economic Development Fund	<u>\$150,000</u>	
		\$150,000
Law Library Fund		
Court Fees	\$125,000	
Copier Fees	450	
Retained Earnings	<u>18,750</u>	\$144,200
Stormwater Management Fund		
Stormwater Management Fee	\$9,115,056	
Other Revenue Sources	379,900	
Retained Earnings	<u>1,422,044</u>	\$10,917,000
Solid Waste Revolving Fund		
Solid Waste User Fee	\$11,263,974	
Other Solid Waste Service Fees	386,958	
Revenue from Other Sources	265,500	
Retained Earnings	784,568	
General Fund Support	<u>63,000</u>	\$12,764,000

EXPENDITURES

Street Maintenance Fund	<u>\$13,573,702</u>	\$13,573,702
Economic Development Fund		
Administration	\$135,000	
Property Appraisals	<u>15,000</u>	\$150,000
Law Library Fund	<u>\$144,200</u>	
		\$144,200
Stormwater Management Fund		
Administration	\$8,318,747	
To Debt Service	2,348,253	
To General Fund	<u>250,000</u>	\$10,917,000
Solid Waste Revolving Fund		
Administration	\$11,039,973	
To Debt Service	1,424,027	
To the General Fund	<u>300,000</u>	
		\$12,764,000

SPECIAL REVENUE and TRUST FUNDS
REVENUES and EXPENDITURES
FISCAL YEAR 2010 - 2011, Continued

REVENUES**Wastewater Fund**

Sewer User Charges	\$11,139,420	
Surcharge	6,150,600	
Interest Earnings	30,000	
Retained Earnings	<u>176,980</u>	\$17,497,000

Debt Service Fund

General Fund Support	\$35,173,342	
Airport Improvement Debt	541,625	
Special Funds Debt	8,068,095	
School Fund Support	<u>14,149,573</u>	\$57,932,635

**Economic/Industrial
Development Fund**

\$ <u>24,084,700</u>	\$24,084,700
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Applied Research Center Fund

Revenue from Leases	\$1,942,360	
Other Revenue Sources	<u>27,440</u>	\$1,969,800

Parking Facilities Fund

Revenue from Leases	\$379,642	
Return on Investment	<u>12,358</u>	\$392,000

EXPENDITURES**Wastewater Fund**

Administration	\$ 6,770,996	
Consent Order Administration	5,829,035	
To Debt Service	4,196,999	
To General Fund	<u>700,000</u>	\$17,497,000

Debt Service Fund

General Fund Debt	\$34,843,342	
School Fund Debt	14,149,573	
Other Debt	8,068,095	
Airport Improvement Debt	541,625	
Bank and Fiscal Charges	<u>330,000</u>	\$57,932,635

**Economic/Industrial
Development Fund**

\$ <u>24,084,700</u>	\$24,084,700
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Applied Research Center Fund

Administration	\$ 953,961	
To the General Fund	<u>1,015,839</u>	\$1,969,800

Parking Facilities Fund

Operations	<u>\$392,000</u>	\$392,000
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SPECIAL REVENUE and TRUST FUNDS
REVENUES and EXPENDITURES
FISCAL YEAR 2010 - 2011, Continued

REVENUES**Pension Trust Fund**

Employer Contributions	\$27,312,000	
Income from Manager	23,853,400	
Investment Interest/Comm	250,000	
Retirement Credit Purchases	<u>1,435,000</u>	
		\$52,850,400

City Retirement-Post Retire Health Fund

Employer Contributions	\$9,817,000	
Income from Manager	1,443,000	
Investment Interest/Comm	<u>53,000</u>	
		\$11,313,000

SUBTOTAL - SPECIAL FUNDS **\$222,562,521**

LESS

Payments from Other Funds	(\$116,671,107)
Payments to Other Funds	<u>(\$10,933,325)</u>

Subtotal - Less Payments **(\$127,604,432)**

TOTAL REVENUES -
Special Revenue and Trust Funds **\$94,958,089**

EXPENDITURES**Pension Trust Fund**

Administration	\$ 639,065	
Payment to Retirees and		
Beneficiaries	47,920,000	
Income Managers Expense	4,273,770	
To the School Fund	<u>17,565</u>	
		\$52,850,400

City Retirement-Post Retire Health Fund

Retirees Benefits	\$11,200,000	
Income Managers Expense	<u>113,000</u>	
		\$11,313,000

SUBTOTAL - SPECIAL FUNDS **\$222,562,521**

LESS

Payments from Other Funds	(\$116,671,107)
Payments to Other Funds	<u>(\$10,933,325)</u>

Subtotal - Less Payments **(\$127,604,432)**

TOTAL EXPENDITURES -
Special Revenue and Trust Funds **\$94,958,089**

TAX RATES and FEE SCHEDULES

*Recommended increases or decreases in Taxes, Rates, or Fees are shown in **BOLD** in the FY 2011 column. Unless otherwise noted, rates are effective July 1, 2010.*

The following rates and fees are generated as revenue for the General Fund.

	<u>FY 2010</u>	<u>FY 2011</u>
REAL ESTATE (Per \$100 of assessed value)		
General	\$1.10	\$1.10
Public Service Corporations	\$1.10	\$1.10
PERSONAL PROPERTY (Per \$100 of assessed value)		
General	\$4.25	\$4.25
Machinery and Tools	\$3.75	\$3.75
Mobile Homes	\$1.10	\$1.10
Public Service Corporations (Personal Property)	\$4.25	\$4.25
Public Service Corporations (Machinery and Tools)	\$1.10	\$1.10
Boats	\$1.00	\$1.00
Trawlers	\$0.90	\$0.90
MOTOR VEHICLE LICENSE TAX		
Gross weight of 4,000 pounds or under	\$26.00	\$26.00
Gross weight over 4,000 pounds	\$31.00	\$31.00
RIGHT-OF-WAY-USE FEE	\$0.89/month/line	\$0.76/month/line
(This rate is set by the State Department of Transportation, under State Code §56-468.1)		
LODGING TAX	7.5%	7.5%
TOBACCO TAX	\$0.0325 per cigarette (\$0.65 per 20/pack)	\$0.0325 per cigarette (\$0.65 per 20/pack)
MEAL TAX	6.5%	6.5%
AMUSEMENT TAX	7.5%	7.5%

TAX RATES and FEE SCHEDULES, Continued

	<u>FY 2010</u>	<u>FY 2011</u>
PUBLIC UTILITY TAXES		
<i>Residential</i> - Electric (per meter/per month)		
Base Rate	\$1.54	\$1.54
Rate on each Kilowatt-Hour (kWh)	\$0.016398/kWh	\$0.016398/kWh
Total Monthly Tax NOT to Exceed	\$3.08	\$3.08
<i>Commercial</i> - Electric (per meter/per month)		
Base Rate	\$2.29	\$2.29
Plus Rate on first 2,721 Kilowatt-Hours	\$0.013859/kWh	\$0.013859/kWh
Plus Rate on all remaining Kilowatt-Hours	\$0.003265/kWh	\$0.003265/kWh
Total Monthly Tax NOT to Exceed	\$80.00	\$80.00
<i>Industrial</i> - Electric (per meter/per month) and		
<i>All Other Non-Residential</i> - Electric (per meter/per month)		
Base Rate	\$2.29	\$2.29
Plus Rate on first 2,440 Kilowatt-Hours	\$0.015455/kWh	\$0.015455/kWh
Plus Rate on all remaining Kilowatt-Hours	\$0.003482/kWh	\$0.003482/kWh
Total Monthly Tax NOT to Exceed	\$80.00	\$80.00
<i>Residential</i> - Gas (per meter/per month)		
Base Rate	\$1.51	\$1.51
<i>Commercial</i> - Gas (per meter/per month)		
Base Rate	\$1.29	\$1.29
Plus Rate on first 128.91Hundred Cubic Feet (CCF)	\$0.067602/CCF	\$0.067602/CCF
Plus Rate on all remaining Hundred Cubic Feet	\$0.032576/CCF	\$0.032576/CCF
Total Monthly Tax NOT to Exceed	\$55.00	\$55.00
<i>Industrial</i> - Gas (per meter/per month) and		
<i>All Other Non-Residential</i> - Gas (per meter/per month)		
Base Rate	\$1.29	\$1.29
Plus Rate on first 128.91CCF	\$0.067602/CCF	\$0.067602/CCF
Plus Rate on all remaining Hundred Cubic Feet	\$0.032576/CCF	\$0.032576/CCF
Total Monthly Tax NOT to Exceed	\$55.00	\$55.00

TAX RATES and FEE SCHEDULES, Continued

	<u>FY 2010</u>	<u>FY 2011</u>
TELECOMMUNICATIONS TAX		
Beginning in January 1, 2007, under State Legislation, rates/fees charged for the individual elements of telecommunications services became uniformed state-wide.		
CELLULAR PHONE TAX	5% of total monthly bill	5% of total monthly bill
ENHANCED E-911 RATE	\$0.75/month/line	\$0.75/month/line
CABLE TAX	5% of total monthly bill	5% of total monthly bill
TELEPHONE UTILITY TAX		
Residential	5% of total monthly bill	5% of total monthly bill
Commercial	5% of total monthly bill	5% of total monthly bill

The following rates and fees are generated as revenue for self-supporting funds.

SOLID WASTE USER FEE	<u>Container Size</u>	<u>Per Week</u>	<u>Container Size</u>	<u>Per Week</u>
	Medium	\$4.30	Medium	\$4.30
	Standard	\$5.38	Standard	\$5.38
	Medium & Standard	\$9.68	Medium & Standard	\$9.68
	Two Standards	\$10.76	Two Standards	\$10.76
STORMWATER MANAGEMENT FEE	\$5.45/ERU		\$5.45/ERU	
SEWER USER FEE				
Rate/100 cubic feet	\$1.63		\$1.63	
SEWER USER FEE - CONSENT ORDER SURCHARGE				
Rate/100 cubic feet	\$0.90		\$0.90	
WATER RATES				
Per 100 cubic feet (HCF) consumed	\$3.04		\$3.19	
Life Line Rate (residential only for the first 6 HCF)	\$2.78 and		\$2.78 and	
	\$3.04 for all additional HCF		\$3.19 for all additional HCF	
Summer Conservation Rate (per HCF)	\$0.61		\$0.64	

**SUMMARY of TOTAL CITY POSITIONS
GENERAL FUND and ALL OPERATING FUNDS
Fiscal Years 2009 to 2011**

	<u>FY 2009</u>		<u>FY 2010</u>		<u>FY 2011</u>	
	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Adopted Budget</u>	<u>Net Change from FY 2010 Adopted Budget</u>
GENERAL FUND						
City Council	7	7	7	7	7	0
City Clerk	5	5	5	5	5	0
City Manager	23	22	21	21	18	-3
Human Resources	19	20	18	18	17	-1
City Attorney	19	19	18	18	18	0
Internal Audit	7	7	6	6	6	0
Commissioner of the Revenue	42	42	42	42	40	-2
Real Estate Assessor	23	23	23	23	22	-1
City Treasurer	36	36	34	34	33	-1
Finance	18	18	18	18	18	0
Budget & Evaluation	7	7	7	7	7	0
Purchasing	25	25	23	23	22	-1
Information Technology	64	64	63	63	58	-5
Registrar	5	5	5	5	5	0
Judiciary	42	42	42	42	39	-3
Commonwealth Attorney	51	51	50	50	49	-1
Police	595	595	593	593	586	-7
Emergency Management	4	5	0	0	0	0
Fire	371	371	371	371	368	-3
Sheriff	218	222	222	222	217	-5
Adult Corrections	73	74	69	69	62	-7
Juvenile Services	152	152	143	143	128	-15
Codes Compliance	41	41	40	40	39	-1

Notes:

-Departmental counts are shown in individual position allotments. FTE (full time equivalents) counts are not used.

**SUMMARY of TOTAL CITY POSITIONS
GENERAL FUND and ALL OPERATING FUNDS
Fiscal Years 2009 to 2011, Continued**

	<u>FY 2009</u>		<u>FY 2010</u>		<u>FY 2011</u>	
	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Adopted Budget</u>	<u>Net Change from FY 2010 Adopted Budget</u>
GENERAL FUND, CONTINUED						
Engineering	98	91	93	93	85	-8
Public Works	169	169	170	170	157	-13
Human Services	403	403	397	397	390	-7
Parks and Recreation	121	121	117	117	106	-11
Public Libraries	67	67	61	61	57	-4
Development	20	21	20	20	18	-2
Planning	14	14	14	14	13	-1
Subtotal - GENERAL FUND	<u>2,739</u>	<u>2,739</u>	<u>2,692</u>	<u>2,692</u>	<u>2,590</u>	<u>-102</u>
OTHER OPERATING FUNDS						
PARKS & RECREATION REVOLVING FUNDS	97	98	98	98	95	-3
STORMWATER MANAGEMENT FUND	84	82	79	79	79	0
SOLID WASTE REVOLVING FUND	68	68	66	66	66	0
WASTEWATER FUND	77	78	87	87	88	+1
PUBLIC UTILITIES FUND	381	382	370	370	365	-5
VEHICLE & EQUIPMENT SERVICES FUND	40	40	40	40	40	0
SCHOOLS OPERATING FUND	4,408	4,411	4,293	4,296	4,138	-158
ALL OTHER FUNDS	25	25	25	25	22	-3
Subtotal - OTHER FUNDS	<u>5,180</u>	<u>5,184</u>	<u>5,058</u>	<u>5,061</u>	<u>4,893</u>	<u>-168</u>
TOTAL CITY POSITIONS	<u>7,919</u>	<u>7,923</u>	<u>7,750</u>	<u>7,753</u>	<u>7,483</u>	<u>-270</u>

Notes:

-Departmental counts are shown in individual position allotments. FTE (full time equivalents) counts are not used.

The following is the presentation made to City Council on March 23, 2010.

*FY 2011
OPERATING BUDGET
OVERVIEW*

Department of Budget and Evaluation

March 23, 2010

Components of FY 2011 Total Financial Plan - \$832,453,695

**Total Operating
\$745,706,785**

Total amount reflects inter- and intra-fund transfers of \$262,163,240

**General
Fund**

\$410,497,000

**Special
Revenue
Funds**

\$222,556,625

23 Individual Funds

**Seperate
Funds**

\$374,816,400

Schools
Waterworks
Vehicle Services
CDBG Funds

plus

**FY 2011
Approved CIP
\$86,746,910**

General Fund
Supported Projects

\$50,711,910

Categories are:
Schools

Development
Parks & Recreation
Sanitary Sewers
Streets & Bridges
Public Buildings
Capital Equipment

Community
Facilities
Transit
Cash Capital

Self-Supporting
Fund Projects

\$36,035,000

Categories of:
Public Utilities
Sewer Rehab
Solid Waste
Stormwater Drainage

Operating Budget

	<u>Adopted FY2010</u>	<u>Recommended FY2011</u>	<u>Change</u>	<u>Percent</u>
General Fund	\$421,096,000	\$410,497,000	(\$10,599,000)	(2.5%)
City Transfer to Schools	-113,200,000	-109,200,000	(\$4,000,000)	(3.5%)
Net General Fund	\$307,896,000	\$301,297,000	(\$6,599,000)	(2.1%)
School Fund	\$298,943,620	\$278,943,620	(\$20,000,000)	(6.7%)
Waterworks	\$80,102,000	\$83,597,800	\$3,495,800	4.4%
Wastewater	18,052,500	17,497,000	(\$555,500)	(3.1%)
Solid Waste	13,339,200	12,764,000	(\$575,200)	(4.3%)
Stormwater	9,891,000	10,917,000	\$1,026,000	10.4%
All Other Funds	42,746,989	40,690,365	(\$2,056,624)	(4.8%)
 Total Operating Budget*	 \$770,971,309	 \$745,706,785	 (\$25,264,524)	 (3.3%)

* Amounts Adjusted For Inter-Fund Transfers

Change in General Fund Revenues

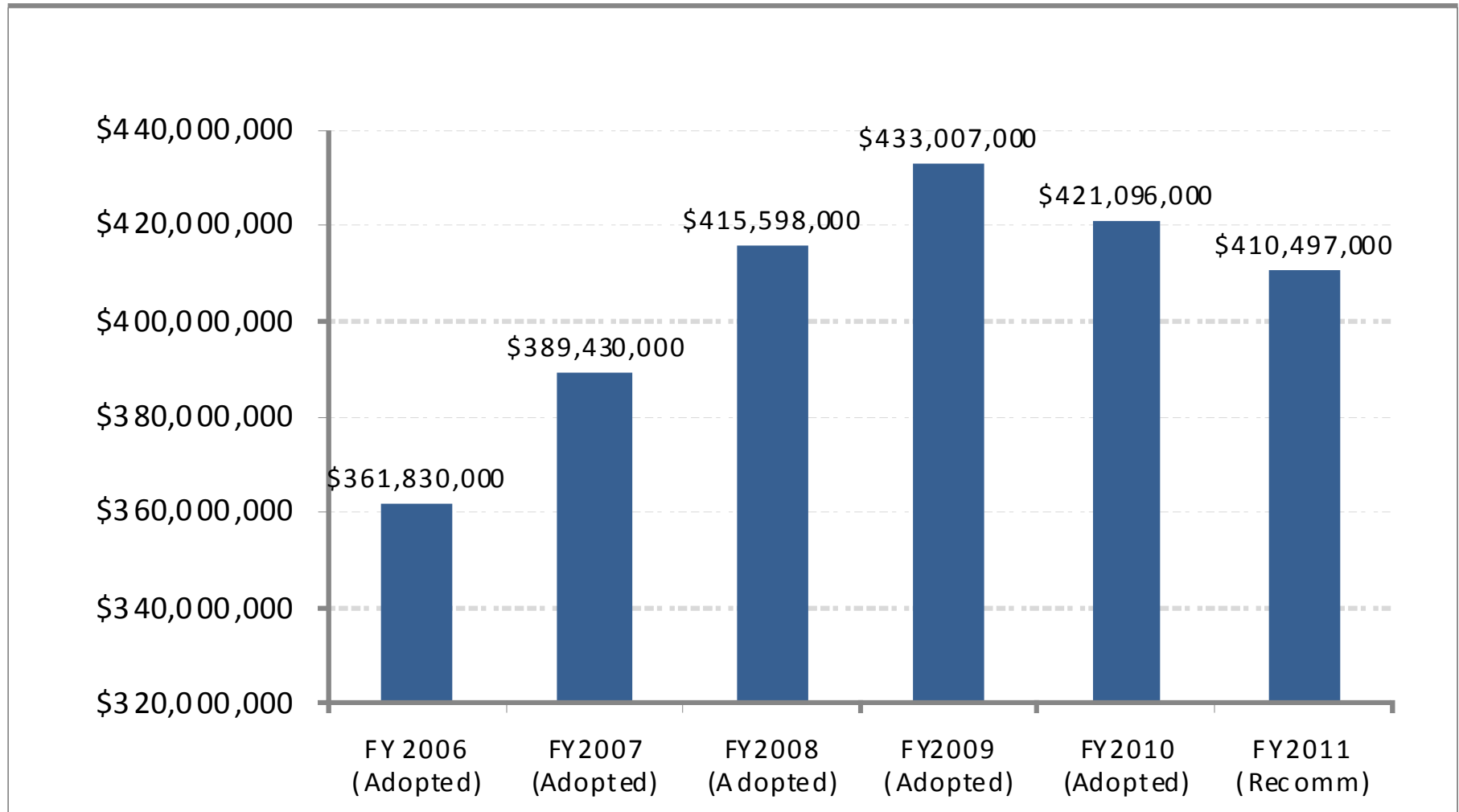
	FY 2008 <u>Actual</u>	FY2009 <u>Actual</u>	FY2010 <u>Adopted</u>	FY 2011 <u>Recommended</u>	Change <u>FY10 to FY11</u>
Real Estate Tax ¹	\$156,282,637	\$164,347,289	\$170,864,883	\$165,841,338	(\$5,023,545)
Personal Property	46,982,822	47,427,844	41,282,262	42,900,000	\$1,617,738
Machinery & Tools	13,142,699	14,623,383	13,541,334	14,705,000	\$1,163,666
Sales Tax	23,104,633	21,519,190	21,002,000	20,627,000	(\$375,000)
Meals Taxes	18,348,254	18,074,235	17,800,000	17,500,000	(\$300,000)
Utility Taxes ²	20,564,849	19,991,635	18,883,330	18,979,288	\$95,958
BPOL Taxes	15,116,573	14,676,422	13,694,706	13,871,000	\$176,294
State Aid	47,746,933	56,968,738	53,327,749	47,162,519	(\$6,165,230)
All Other Revenue ³	74,835,410	66,771,612	70,699,736	68,910,855	(\$1,788,881)
General Fund Total	\$416,124,810	\$424,400,348	\$421,096,000	\$410,497,000	(\$10,599,000)
Adopted Budget	\$415,598,000	\$433,007,000	\$421,096,000		

¹Real estate includes Public Service Corporations, Tax Relief, and Delinquencies

²Utility Taxes include Telecommunications, Consumption, Wireless 911, and Electric/Gas Utility

³Excludes use of Fund Balance Reserves - FY 2008 Fund Balance Use - \$21,976,863

General Fund Revenues



REVENUES		Adopted FY 2010	Forecast FY 2010	Recommended FY 2011	FY 11 % Chng from 10 Adoptd
MAJOR TAXES					
1	Real Estate Tax @ \$1.10	\$ 171,534,883	\$ 171,034,883	\$ 166,353,421	-3.0 %
2	Personal Property Tax ¹	43,065,962	43,815,962	44,686,918	3.8 %
3	Machinery and Tools	15,323,767	15,223,767	16,205,000	5.8 %
4	Sales Tax	21,002,000	20,627,000	20,627,000	-1.8 %
5	Meals Tax	17,800,000	17,500,000	17,500,000	-1.7 %
6	Utility Tax	18,883,330	19,023,659	18,979,288	0.5 %
7	BPOL	13,694,706	13,694,706	13,871,000	1.3 %
8					
9	OTHER REVENUES				
10	Other Local Taxes	14,225,442	14,025,113	14,529,000	2.1 %
11	Permits, Fees, Regulatory Licenses	2,980,721	2,738,721	2,498,178	-16.2 %
12	Fines and Forfeitures	1,943,763	1,991,318	1,986,833	2.2 %
13	Revenue from Use-Money and Property	4,050,530	2,517,975	2,336,542	-42.3 %
14	Charges For Services	5,003,890	5,328,890	5,690,506	13.7 %
15	Miscellaneous Revenue	16,971,829	17,036,832	16,767,055	-1.2 %
16	Recovered Costs	10,733,670	10,102,670	9,426,882	-12.2 %
17	Non-Categorical Aid	293,289	509,033	245,289	-16.4 %
18	Shared Expenses	10,363,997	8,501,515	9,357,411	-9.7 %
19	Categorical Aid	42,670,463	38,935,335	38,382,919	-10.0 %
20	Non-Revenue Receipts	10,000,000	10,000,000	10,500,000	5.0 %
21	Payments From Other Funds	553,758	553,758	553,758	0.0 %
22	Use of Fund Balance	0	0	0	0.0 %
23					
24	TOTAL GENERAL FUND REVENUES	\$ 421,096,000	\$ 413,161,137	\$ 410,497,000	-2.5 %

¹Includes Current Personal Property & Delinquencies

EXPENDITURES		Adopted FY 2010	Fore cast FY2010	Initially Projected FY20 11	FY 11 % Chng from 10 Adptd
25	Salaries	\$ 125,712,126	\$ 119,335,434	\$ 118,883,457	-5.4%
26	Benefits ²	49,364,654	46,698,301	55,425,632	12.3%
27	Utilities	7,374,898	6,908,619	7,200,202	-2.4%
29	Fuel	2,298,297	2,294,691	2,141,326	-6.8%
30	Other	70,572,969	69,503,507	69,021,098	-2.2%
31					
32	Vehicle Replacement	1,500,000	1,500,000	750,000	-50.0%
33	IT Replacement	800,000	800,000	500,000	-37.5%
34					
35	Local Support to Schools	113,800,000	113,800,000	109,200,000	-4.0%
36	Community Support	3,167,557	3,167,557	3,153,141	-0.5%
37	HRT Operating and Capital	4,491,876	4,491,876	4,504,410	0.3%
38	Community Services Board	1,523,521	1,523,521	1,523,521	0.0%
39					
40	Debt Service ³	36,615,102	36,615,102	35,384,967	-3.4%
41	New Debt Service	0	0	0	0.0%
42	Cash Capital	3,875,000	3,875,000	2,809,246	-27.5%
43					
44	TOTAL EXPENDITURES	\$ 421,096,000	\$ 410,513,608	\$ 410,497,000	-2.5%

²Fringe Benefits are FICA, Retirement, Group Health and Dental, Vision Care, Group Life, and Worker's Compensation

³Assumes no debt issued in FY 2011

VARIANCE PER FISCAL YEAR

	Adopted FY2010	Forecast FY2010	Initially Projected FY2011	FY11 %Chng from 10 Adptd
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45

46 TOTAL GENERAL FUND REVENUES \$ 421,096,000 \$ 413,161,137 \$ 410,497,000 -25%

47 TOTAL EXPENDITURES \$ 421,096,000 \$ 410,513,608 \$ 410,497,000 -25%

48

49

50 VARIANCE- REVENUE TO EXPENDITURES \$ - \$ 2,647,529 \$ -

How did we get to a Balanced Budget?

General Fund Expenditure REDUCTIONS

\$433.2 Million Initial Current Service Expenditure Estimate

~~(\$4,631,000)~~ 112 Full Time Positions ELIMINATED (14 Filled Positions)

~~(\$5,080,600)~~ Attrition Credit - New and Additional

~~(\$4,354,138)~~ Other Operating Expenses

~~(\$2,465,700)~~ Reduction of Cash Capital Contribution

~~(\$1,800,000)~~ Suspension of Leave Exchange Contribution

~~(\$4,000,000)~~ Contribution to Schools

~~(\$378,562)~~ Reduction of Street Repair/Maintenance, Leaf Collection (operations cost)

~~(\$140,000)~~ Community Support Contribution Reductions

\$410.4 Million FY 2011 City Manager Recommended Budget

General Fund Expenditure Changes

Parks Landscaping	\$120,000
Denbigh Early Childhood Ctr	\$21,460
Regional Jail Per Diem s	\$337,537
HNN Criminal Justice Agency	\$127,431
LINK - Worker's Comp	\$5,000
HRT	\$12,534
Medical Svcs Contract	\$15,000
Employee Applicant Sys	<u>\$10,000</u>

Total **\$648,962**

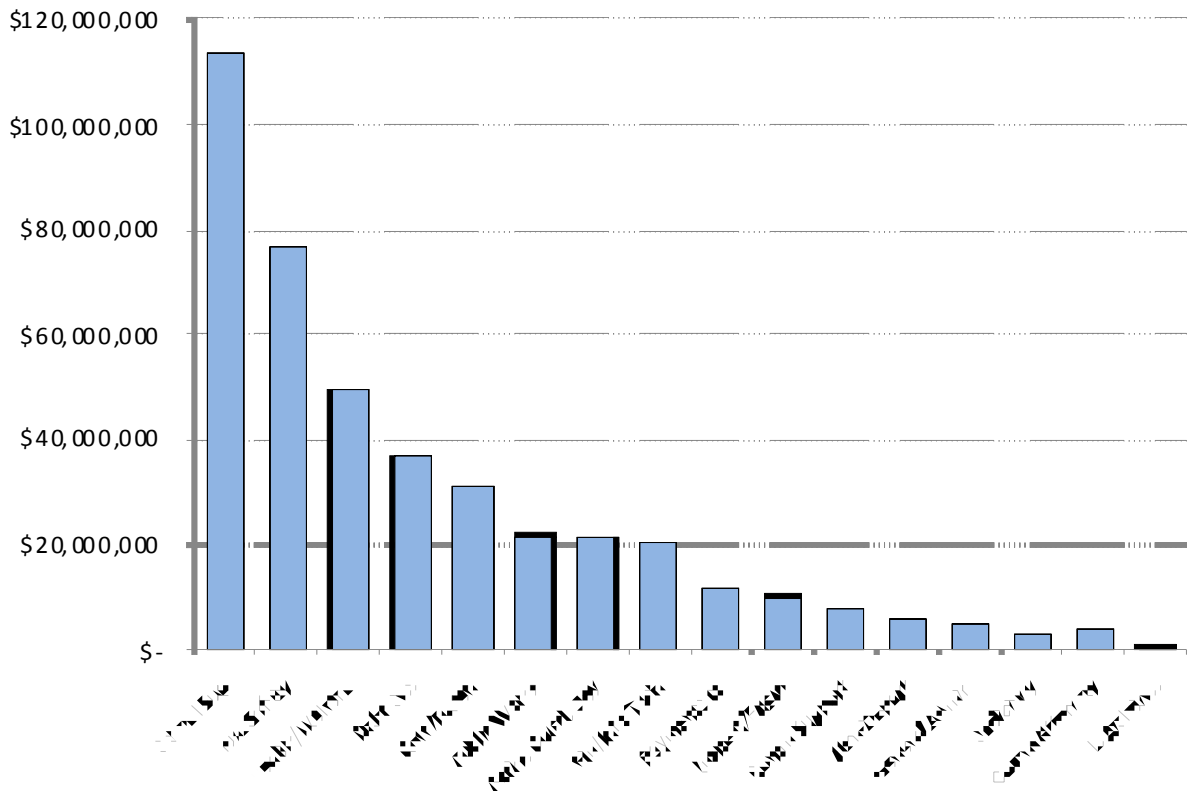
General Fund Position Reductions

General Fund Position Reductions

<u>Category</u>	<i><u>Filled</u></i>	<i><u>Vacant</u></i>	<i><u>TOTAL</u></i>
Front Line	9	37	46
Management	3	13	16
Professional	1	38	39
Support/Clerical	1	10	11
TOTAL	14	98	112

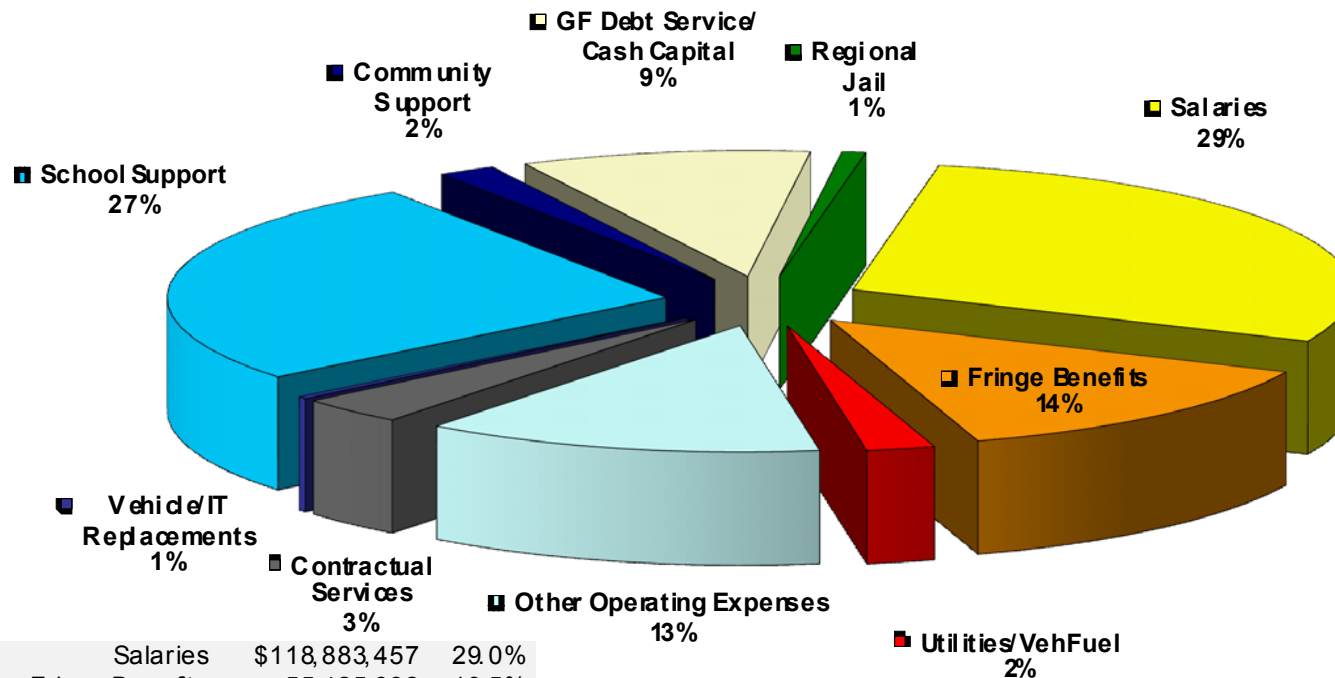
FY 2011 Recommended General Fund Expenditures

<u>Category</u>	<u>Amount</u>	<u>% of Budget</u>
School Support	\$109,200,000	26.6%
Public Safety	76,750,259	18.7%
Health & Welfare	46,927,001	11.4%
Debt Service	35,714,967	8.7%
Corrections & Detention	32,180,878	7.8%
Parks, Cultural, Development	21,172,752	5.2%
Public Works	20,705,952	5.0%
Financial/ Information Technology	19,219,056	4.7%
Payments to Other Funds	10,463,810	2.5%
Inspections/ Engineering	10,113,696	2.5%
Community Support	7,657,551	1.9%
Non-Departmental	7,775,665	1.9%
General Administration	5,019,918	1.2%
Commonwealth's Attorney	3,732,549	0.9%
Judiciary	3,155,536	0.8%
Legislative	707,410	0.2%
General Fund Total	\$410,497,000	100.0%



The largest categorical components of the Recommended FY2011 General Fund Budget are as follows: 26.6% of funding for School Operations and School Debt Service (\$109,200,000), and 18.7% for Public Safety (Police & Fire - \$76,750,259). The next largest share is for Health and Welfare programs, at 11.4% (\$46,927,001). City Debt Service accounts for 8.7% (which includes General Obligation Bonds and Airport - \$35,714,967). The amount of 7.8% of the budget is dedicated to Corrections and Detention (Sheriff, City Farm, and Juvenile Services - \$32,180,878), with 5.2% for Parks, Cultural, and Development activities (\$21,172,851), followed by Public Works at 5.0% (\$20,705,952). These seven programs comprise 83.5% (or \$342.7 million) of the total Recommended General Fund Budget for FY 2011.

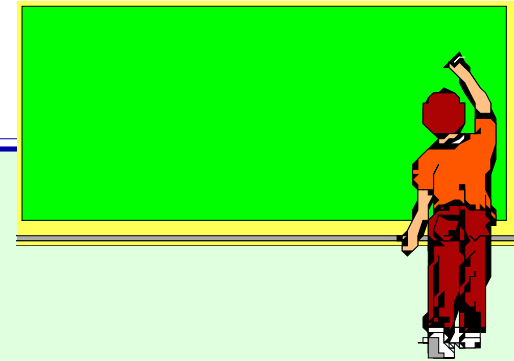
Components of FY 2011 General Fund



Salaries	\$118,883,457	29.0%
Fringe Benefits	55,425,632	13.5%
Utilities/Veh Fuel	9,091,317	2.2%
Other Operating Expenses	53,048,089	12.9%
Contractual Services	14,259,579	3.5%
Vehicle/IT Replacements	1,250,000	0.3%
School Support	109,200,000	26.6%
Community Support/Regional	7,657,551	1.9%
GF Debt Service/Cash Capital	38,524,213	9.4%
Regional Jail	3,157,162	0.8%
TOTAL General Fund Expenditures	\$410,497,000	100%

FY 2011 Recommended Budget Page 12

Local Funding for Schools for FY 2011



FY2 010 <u>Actual Support</u>	FY 201 1 <u>Recommended</u>
----------------------------------	--------------------------------

\$1 13,200,000

\$109,200,000

Proposed FY 2011 General Fund Support

Comprised of:

\$97,023,842

\$93,756,563

FY 2010 Base School Support Level for Operations

2,409,570

2,409,570

School Technology Plan Operations

13,166,588

12,433,867

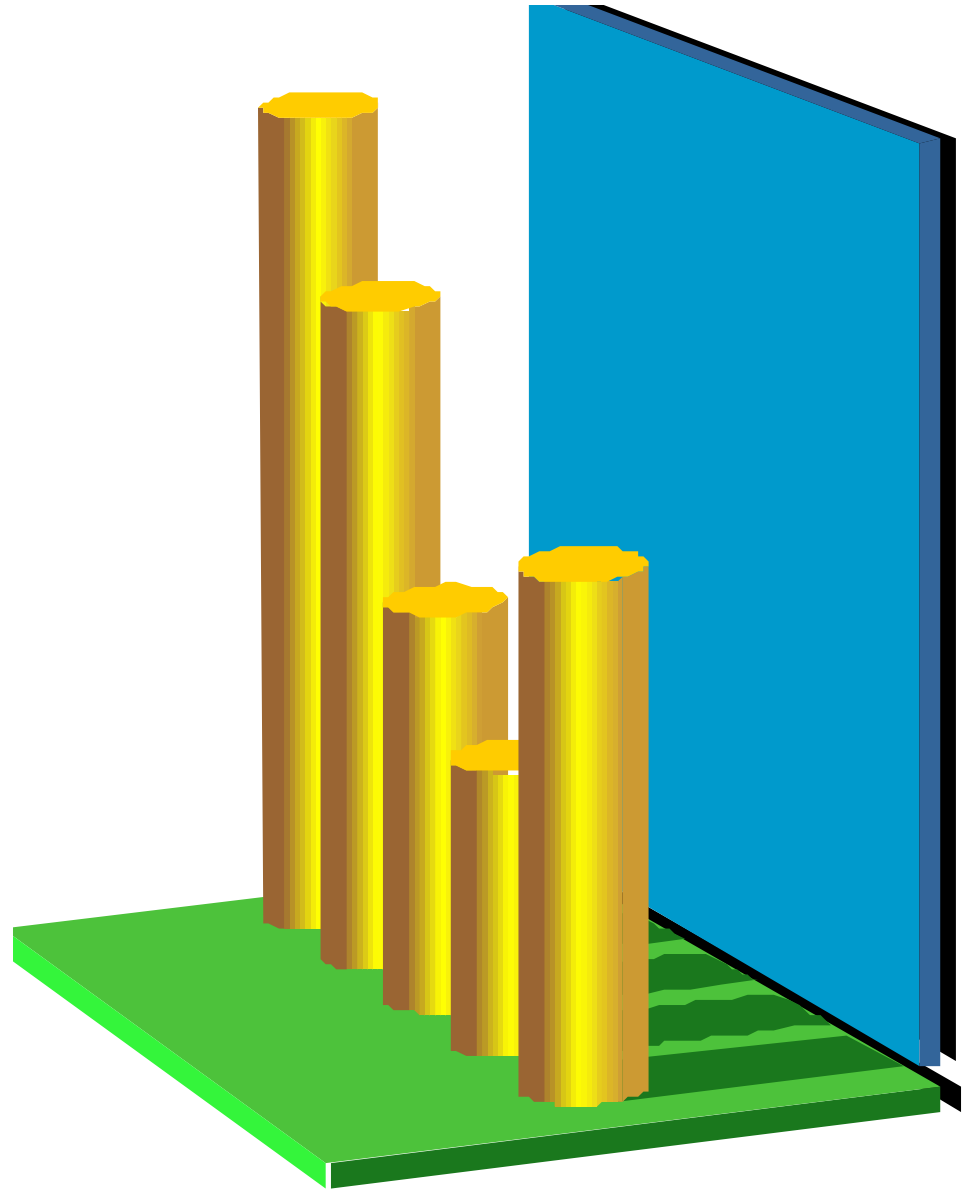
School Debt Service

600,000

600,000

Grounds Maintenance

Other Funds



Other Funds Expenditures

Recommended FY 2011

Waterworks

\$83,597,800



- Operating increase of \$3,495,800 or 4.4% from the current fiscal year.
 - Increased Benefits Costs (\$1,366,376)
 - Increased Debt Service Costs (\$1,702,480)
 - Increased Cash Capital Costs (\$3,105,203)
 - **Reduced Expenses (\$1,886,346)**
 - **Elimination of five (5) positions -plus - Attrition Factor (\$791,913 - salary/fringes)**
- Request a 21 cents (or 6.91%) rate increase on water, bringing the rate from \$3.04/HCF to \$3.25/HCF.
- Request an increase on the Summer Conservation Rate of 4 cents (or 6.6%), raising rate from \$0.61/HCF to \$0.65/HCF.
- Retains Life Line rate of \$2.78 for first 6 HCF for residential users (same rate since FY 2008), with increase from \$3.04 per HCF above 6 HCF to \$3.25 for each HCF above 6 HCF.

Other Funds Expenditures

Recommended FY 2011

Solid Waste Fund \$12,764,000

- Operating decrease of (\$575,200) or (4.3%) from the current fiscal year.
 - Projected Revenues are Down for FY 2011
 - Retirement and Health Insurance Increased
 - The Department Reduced Contractual Collection and Contractual Disposal to Meet Lower Revenue Estimates
- As a result of reduced revenue and expenditures, the Fund is able to maintain the current fee structure for services provided.



<i>Container Size</i>	<i>FY 2010 Cost per Week</i>	<i>FY 2011 Cost per Week</i>
Medium (60 Gallons)	\$4.30	\$4.30
Standard (90 Gallons)	\$5.38	\$5.38
Medium and Standard	\$9.68	\$9.68
Two Standards	\$10.76	\$10.76

Note: Rate for 60-gallon container is set at 20% less than the rate for the standard 90-gallon container

Other Funds Expenditures

Recommended FY 2011

Wastewater Fund \$17,497,000

- Operating decrease of (\$557,600) or (3.1%) from the current fiscal year.
 - Projected Revenues will Remain Steady for FY 2011
 - Retirement and Health Insurance Increased
 - Some Contractual Obligations have Been Fulfilled with regard to the Federally Mandated Regional Consent Order, which allows for slightly reduced expenditures in FY 2011. Specific Future Costs Remain Somewhat Uncertain.
- As a result of fairly stable revenues and expenditures, the Fund is able to maintain the current fee structure for both the Base and Consent Order User Fee rates.

	<i>FY 2010 Rate per Hundred Cubic Feet (HCF)</i>	<i>per Hundred Cubic Feet (HCF)</i>
Base Sewer User Fee	\$1.63 /HCF	\$1.63/HCF
Consent Order Surcharge	\$0.90 /HCF	\$0.90/HCF

Other Funds Expenditures

Recommended FY 2011

Stormwater Fund \$10,917,000



- Operating increase of (\$1,026,000) or (10.4%) from the current fiscal year.
 - Projected Revenues will Remain Fairly Steady for FY 2011
 - Retirement and Health Insurance Increased
 - Debt Service for Recent Capital Projects Increased
 - Fund will Accept a More Appropriate Share of Certain General Fund Expenditures (e.g., Street Sweeping Expenses at 50%)
- As a result of increased expenditures, the Fund will require a significant use of its Fund Balance (Reserves) to be able to maintain the current monthly rates.

	<i>FY 2010 Current Rate</i>	<i>FY 2011 Proposed Rate</i>
Stormwater Management Fee	\$5.45/ERU*	\$5.45/ERU*

*Equivalent Residential Unit

Rate and Fee Structure FY 2011

GENERAL FUND

Real Estate Tax Rate remains at FY 2008 level - \$1.10 per \$100 of assessed value

FEE-BASED SELF-SUPPORTING FUNDS

Sewer User Fee **Base Rate** \$1.63 per HCF

Surcharge \$0.90 per HCF

Stormwater Mgmt Fee **\$5.45** per ERU

Solid Waste Fee **\$5.38** per week for 90-gallon container

PUBLIC UTILITIES/WATERWORKS FUND

Water Rates Increased from \$3.04 to **\$3.25** per HCF

Life Line Rate \$2.78 for first 6 HCF and **\$3.25** for each HCF above 6 HCF

Summer Conservation Rate Increased 4 cents from \$0.61 to **\$0.65** per HCF-based on October to May average