MEMORANDUM

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| TO: | Norfolk City Council |
| FROM: | Dr. Larry H. Filer, City Manager |
| SUBJECT: | FY 2024 Budget Reconciliation |
| DATE: | May 22, 2023 |

This memo serves as a summary of the status of the budget proposal. Barring additional adjustments requested by City Council, the items detailed herein will be included in the ordinances for your consideration on June 13, 2023. These items are based on input from residents shared during the Budget and Capital Improvement Plan (CIP) public hearing and the last tax assessment hearing as well as Council discussion at budget work sessions.

These additional items continue the theme of the Proposed FY 2024 Budget of providing funding for the right services for today while charting a sound and sustainable plan for the future. Before detailing the additional items being considered, allow me to provide highlights from the Proposed FY 2024 Budget:

* No tax rate increases
* Pay raise for Team Norfolk
	+ 5% general wage increase for all general, constitutional, and nonsworn employees
	+ A step increase plus a 2.5% increase (minimum of a 5% increase) for sworn Public Safety
* $8.5M and 39 FTE to address resident priorities
* $4.5M and 26.8 FTE to improve organizational effectiveness
* $10.5M increase in local contribution to Norfolk Public Schools
* $9.4M to purchase 120 vehicles /pieces of equipment
* $4.2M to improve hardware and software systems
* $56.6M in matching funds for the Downtown Floodwall Project
* $65.5M for a new Norfolk Fitness and Wellness Center
* $39.2M more for maintenance of city infrastructure
* $13.6M increase in Debt Service due to a growing Capital Improvement Plan (CIP)

The following amendments to the Proposed FY 2024 Operating Budget reflect City Council directives and technical adjustments requested after Proposal:

**Enhancements to Outside Agencies**

***Increase Support for Outside Agencies: $454,897***

This action provides additional funding for the outside agencies listed in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Outside Agencies Amendments** | **FY 2024 Proposed**  | **FY 2024 Reconciliation** | **Increase** |
| Downtown Norfolk Council  | $108,000  | $258,000  | $150,000  |
| Chrysler Museum of Art | $2,627,397  | $2,753,955  | $126,558  |
| Virginia Arts Festival  | $931,252  | $967,505  | $36,253  |
| Virginia Opera | $306,002  | $317,178  | $11,176  |
| Virginia Stage Company | $284,246  | $294,335  | $10,089  |
| Virginia Symphony | $294,902  | $305,523  | $10,621  |
| Norfolk Sister City Association | $58,500  | $65,500  | $7,000  |
| Norfolk Commission on the Arts and Humanities | $220,524  | $300,000  | $79,476  |
| Hampton Roads Planning District Commission | $264,410 | $288,134 | $23,724 |
| **Total** | **$5,095,233**  | **$5,550,130**  | **$454,897**  |

***Relocation Assistance for the Hurrah Players: $100,000***

Provide one-time assistance for the Hurrah Players to relocate their offices and performance studio.

**Enhancements to Improve Organizational Effectiveness**

***Provide Funds to Enhance Right of Way Inspections: $101,228***

Provide funds for a Construction Inspector II position to assist with inspection of outdoor dining in the public right of way as well as construction projects including the installation of broadband and inspections of code violations. This action will support the cost of the Construction Inspector II position as well as provide one-time funds for a work truck and equipment.

***Provide Funds to City Assessor Salaries: $136,000***

This action will align salary funding with current staffing levels and support the cost of merit raises previously provided.

***Provide Funds for the City Auditor’s Office Salaries: $104,810***

 This action will align salary funding with current staffing levels.

***Provide Funds for City Clerk: $81,062***

Provide funds to support three enhancements for the City Clerk’s office: additional funds for community engagement through enhanced outreach, aligning salaries for the Chief Deputy City Clerk and Deputy City Clerk/Secretary positions, and converting the temporary Municipal Intern III position to a Deputy City Clerk/Secretary position. These actions will enhance the City Clerk’s capacity and support City Council outreach and engagement with residents.

***Provide Funds for the General Registrar for Enhanced Election Support: $31,061***

Expanded early and absentee voting has resulted in the need for additional staff support for the General Registrar, particularly in years with multiple elections.This action provides funds for a Deputy Elections Administrator to assist with managing early voting at office and satellite locations. The FY 2024 funding will support six months of the FTE’s salary, as the General Registrar will not be filling the position until January 2024.

***Provide Funds*** ***to Enhance Citywide Title VI Compliance: $66,102***

Title VI of the 1964 Civil Rights Act prohibits discrimination based on race, color, national origin, or disability status in any program or activity that receives federal funds or other federal financial assistance. As a recipient of federal funds, the city is legally required to address Title VI compliance. This action will provide funds for a dedicated Management Analyst II position to manage and enhance citywide Title VI compliance.

***Provide one-time funds for a Traffic Operations Vehicle: $85,000***

This action will support the cost of a truck that will be used to transport materials necessary for multimodal maintenance, such as items used to repair bike lanes, install bike racks, and improve signage and roadway markings.

***Provide Funds to Enhance Veterinary Services at the Norfolk Animal Care Center: $500,000***

This action will support four additional positions including a licensed Veterinarian, two Veterinary Technicians, and a Veterinary Assistant. Funding is also provided for one-time and ongoing operational costs for veterinary services provided to animals housed at the Norfolk Animal Care Center Shelter. This will replace a contract arrangement that had been in place with a more permanent solution.

***Provide Funds for a Citywide Trail Assessment and Master Plan: $150,000***

Provide one-time funds to develop the city's "Trail Assessment and Recreational Trail Connectivity Plan" which will be used as a framework to help the Department of Parks and Recreation decide how to best construct and connect blueways and trail networks throughout the city.

**Enhancements to Improve Public Safety**

***Provide Funds for Fire-Rescue Emergency Medical Services Operations Staff: $259,082***

Provide funds for three dedicated Emergency Medical Services (EMS) Transport Supervisors (one per shift) to oversee operations, as well as a new response vehicle. This staff will perform quality assurance, patient care review, EMS training, liaise with long term care facilities, and ensure adherence to Virginia Department of Health Emergency Service Regulations.

***Provide Additional Funding for the Real Time Crime Center: $532,202***

Provide one-time funds to support technology and contractual requirements for the Real Time Crime Center (RTCC). These funds will support connectivity for real-time video cameras, a video wall, and other features that are integral to the role the RTCC will play in enhancing public safety.

***Provide Funds for Community Violence Intervention Training: $350,000***The city has been partnering with the Newark Community Street Team (NCST) to utilize the organization's evidence-based, trauma informed approach to violence reduction. This action will provide funds to support additional community group violence intervention training led by the NCST.

***Provide Funds for the Nighttime Basketball Program: $250,000***

This program, for residents aged 18 and up, has an emphasis on positive activities while providing additional assistance such as employment opportunities, professional development, G.E.D. enrollment, healthcare services, and more. This action will provide funds to support security, referees, uniforms, and additional programming outside of basketball to include dance and G.E.D. classes.

***Provide Funds for Enhanced Street Outreach Efforts: $108,000***

The street outreach team provides those experiencing homelessness with transportation to shelters, referral to benefits, services, and long-term planning to end their homelessness. These funds will support enhanced homeless street outreach by adding an additional permanent full-time Case Manager III position as well as support a temporary full-time Case Manager III position that will proactively connect with and offer services to individuals experiencing homelessness in Norfolk. One-time funds for a vehicle are also included.

**Miscellaneous Enhancements**

***Provide Funds for a One-Time Retiree Supplement: $1,500,000***

City Council has indicated a desire to provide additional financial support for retirees, particularly due to recent inflationary impacts. At Council’s direction, this will provide $1,500,000 for a one-time retiree supplement once Council provides additional direction.

**Reconciliation Items Impacting Revenue**

***Revenue Impact of Suspension of Motor Vehicle License Fee: ($1,400,000)***

On March 22, 2022, Council voted to temporarily exempt every owner of a motor vehicle, motorcycle or motorbike from the city’s motor vehicle license fee that would otherwise have been assessed for calendar year 2022, from January 1, 2022, to December 31, 2022. City Council has again directed to suspend this fee for calendar year 2023. The overall revenue impact of this action is a $1,400,000 decrease. This revenue decrease will also impact the Norfolk Public Schools (NPS) funding formula. The impact to NPS is detailed below.

***Revenue Impact of Removing Proposed Increases to Parking Fees: ($3,263,751)***

The FY 2024 Proposed Budget included increases to various parking fees. This action will remove those proposed increases and the associated revenue. To balance the parking enterprise fund, the department’s expenditure appropriation for debt service will be reduced by $3,236,751 to account for the revenue impact of removing the proposed fee increases. Parking will be able to meet their debt service obligations for FY 2024; however, adjustments will be necessary for FY 2025 anticipated debt obligations. Parking’s Re-Lamping Capital Improvement Plan (CIP) project will be reduced in FY 2024 by $1.55 million to lessen the future impact on debt service.

***Increase to Projected FY23 Projected Surplus ($1,827,030)***

Increase to projected FY23 end of year surplus resulting from better than forecasted growth in non-real estate tax revenue.

***Assessment Increase in 4th Quarter New Construction Revenue (1,387,000)***

Real Estate tax revenue from new construction is assessed in quarterly supplements. The 4th quarter assessments related to new construction were stronger than originally estimated in the Proposed Budget due to strong economic activity.

**Reconciliation Items Impacting Expenditures**

***Expenditure Impact of Removing Proposed Increases to Parking Fees: ($3,263,751)***

The FY 2024 Proposed Budget included increases to various parking fees. This action will remove those proposed increases and the associated revenue. To balance the parking enterprise fund, the department’s expenditure appropriation for debt service will be reduced by $3,236,751 to account for the revenue impact of removing the proposed fee increases. Parking will be able to meet their debt service obligations for FY 2024; however, adjustments will be necessary for FY 2025 anticipated debt obligations. Parking’s Re-Lamping Capital Improvement Plan (CIP) project will be reduced in FY 2024 by $1.55 million to lessen the future impact on debt service.

***Reduce Non-Mandated Reserves ($2,200,000)***

This action reduces the Virginia Retirement System (VRS) reserve by $1,000,000, reduces the Flexible Spending Account (FSA) reserve by $1,000,000, and eliminates the $200,000 Energy Reserve.

***Net Impact of Revenue Adjustments on Norfolk Public Schools: ($19,769)***

The city’s revenue sharing formula with NPS will be reduced by $413,700 due to the motor vehicle license fee suspension. However, the additional funding due to fourth quarter construction has increased school funding by $393,931. The net impact of these two revenue adjustments is a reduction of $19,769 in the local contribution to NPS.

***Eliminate Long-Term Vacancies ($775,645)***

Recognize savings from the elimination of long-term vacancies.

The table below details the actions needed to balance the Operating Budget:

|  |  |  |
| --- | --- | --- |
| **Sources of Operating Budget Amendments/Adjustments** | **Expenditures** | **Revenues** |
| **Total Impact from Reconciliation** | **$4,809,444**  |  |
| ***Expenditure Impacts:*** |  |  |
| Reduce VRS Reserve | ($1,000,000) |  |
| Reduce FSA Benefit Reserve | ($1,000,000) |  |
| Eliminate Energy Reserve | ($200,000) |  |
| Savings from Eliminating Long-Term Vacancies  | ($775,645) |  |
| NPS Reduction from Motor Vehicle License Suspension | ($413,700) |  |
| Remove Parking Expenditures | ($3,263,751) |  |
| ***Revenue Impacts:*** |  |  |
| Recognize 4th Quarter Assessment for New Construction Revenue\* |  | $1,387,000  |
| Increase FY 2023 Projected Surplus |  | $1,827,030  |
| Revenue Reduction for Vehicle Licensing |  | ($1,400,000) |
| Remove Parking Rate Fee Increases |  | ($3,263,751) |
| NPS Revenue Share from 4th Quarter New Construction Revenue |  | ($393,931) |
| **Change to Proposed Operating Budget** | **($1,449,721)** | **($1,449,721)** |
| **FY 2024 Proposed Operating Budget** | **$1,441,307,333** |  |
| **Changes Via Reconciliation** | **($1,449,721)** |  |
| **Final Proposed Operating Budget** | **$1,439,857,612** |  |

With the adjustments above, the FY 2024 Operating Budget is balanced and results in a net decrease to the total budget of $1.45 million. This decrease is predominately due to the elimination of the recommended parking rate adjustments. Without the reduction in Parking, the total budget would have increased by just over $1.8 million from the proposed.

**Capital Improvement Plan (CIP) Amendments**

The FY 2024 – FY 2028 CIP is being reduced by $13,090,378 over the five-year plan. FY 2024 has been reduced by $18,970,378 from $414,583,547 in the proposed budget to $395,613,169. The adjustments to projects and sources of funding are:

***Provide Funds for the Virginia Arts Festival Capital Campaign: $1,000,000***

As a part of the city’s partnership with the Virginia Arts Festival, the FY 2024 capital budget is amended to include $1,000,000 in support of their capital campaign.

***Provide Funds for Norfolk Botanical Garden’s Capital Campaign: $2,500,000***

Provide funds to support Norfolk Botanical Garden’s “The Garden of Tomorrow” capital campaign. The project will improve the entrance to the garden, construct a conservatory, and create a water education and rowing center. Funding for this project will be provided in FY 2024 and FY 2025.

***Provide funding for Fred Huette Center Maintenance: $500,000***

Funding will update major systems including heating and air conditioning of the facility.

***Provide Funding for Maintenance of Banks Community Center in Berkley: $500,000***

The building has sustained damage from water leaks and intrusion. Currently, the building is undergoing an evaluation and cost analysis for necessary repairs.

***Provide Funds for Dredging of the Lafayette River: $2,510,000***

Various sections of the river will be dredged during the same fiscal year to reduce mobilization costs.

***Increase Funds for Invest in Housing Rehabilitation (Renovate Norfolk) Program: $200,000***

The Renovate Norfolk program provides Community Development Block Grants (CDBG) to low-to-moderate income homeowners who need repairs made to their homes related to health and safety concerns. This funding will provide a match to the CDBG funds to allow funding to homes requiring more health and safety repairs than allowed by the programs current cap of $25,000.

***Increase Funds to Improve and Maintain the Virginia Zoo: $550,000***

Some improvements include updates to barriers and upgrades to exhibits.

***Increase Funds to Address Norfolk Public Schools Major Maintenance: $11,000,000***

To correct an error, an $11,000,000 increase in funding to support major maintenance and repair of school facilities is recommended for the FY 2024 CIP. This action will increase school funding to help preserve the life of buildings, perform major preventative maintenance, and undertake significant repairs. This increase is funded by school reversion funds. Also, use of debt in the CIP will increase to support city projects which were incorrectly funded using school reversion funds.

***Increase Funds to Improve Granby Street Corridor: $2,000,000***

This project will construct pedestrian and vehicular safety improvements along the Granby Street corridor. The project will be done to support the federally funded Granby Bike Lanes project.

***Increase Funds to Renovate Chrysler Hall: $1,000,000***

Provide funds to complete the design work for the renovation of Chrysler Hall.

***Decrease Funds to Support Parking Garage Re-Lamping Program: ($1,549,178)***

Decrease funds provided to replace lighting at Town Point Garage and Main Street Garage with high efficiency LED lighting. The funding for this project is being reduced due to the removal of the proposed parking fee increase.

***Decrease Funds to Restore Riverside Memorial Park Shoreline: ($800,000)***

The cost to the city for the project in FY 2024 is being reduced as the city has received grant funds that are being recognized in FY 2023. Restoration work will include various living shoreline techniques that will both restore and stabilize the area.

***Decrease Funds for Tanners’ Creek – NW Branch Neighborhood Dredging: ($750,000)***

This project is being consolidated into the *Dredging of the Lafayette River project.* Provide funds to perform maintenance dredging of the northwest branch of Tanners Creek. Navigational channels must be re-dredged every 10 to 15 years to prevent shoaling from natural processes and storms.

***Decrease Funds to Improve Citywide Dredging and Waterways: ($660,000)***

These funds included maintenance and replacement of navigational markers and underwater inspections of city infrastructure.

***Decrease Funds for Perform Pretty Lake Main Channel Maintenance Dredging: ($1,100,000)***

Decrease funds provided to perform maintenance dredging of the main channels in Pretty Lake. The navigational channels in Pretty Lake consist of ancillary channels in the lake branches which access the various residential areas and are connected by main channels. The funding for this project is being shifted to FY 2027.

***Decrease Funds to Construct a Downtown Flood Wall: ($36,371,200)***

The Downtown Flood Wall Project provides the required 35% match funds to support Phase I of the city’s Coastal Storm Risk Management Project that was developed in partnership with the United States Army Corps of Engineers. Phase I includes improvements to the Downtown Flood Wall, pumps, and levees that will protect the city's commercial core. This amendment decreases the FY 2024 budgeted amount for the local match by $36.4 million, from $93.0 million to $56.6 million. The entire match amount of $93.0 million is no longer necessary in FY 2024 due to updates to the anticipated costs and timeline. The $36.4 million reduction to the local match in FY 2024 will be allocated to the latter years of this project, beyond the five-year FY 2024 – FY 2028 CIP.

***Move Funds for Improve Richmond Crescent and Surrey Crescent Shoreline to FY 2024-2025 from FY 2026: $500,000***

Decrease funds provided to replace failing bulkheads at Richmond Crescent and Surrey Crescent with living and rock shorelines to protect the roadways from rising tides and mitigate frequent nuisance flooding in the area. The project will also include expanding the existing living shoreline between Myrtle Park and Larchmont Library. $500,000 is provided in FY 2024 and $5,000,000 is planned in FY 2025.

The table below details the sources of funds that will be used to fund the CIP amendments and adjustments outlined above:

|  |  |
| --- | --- |
| **Sources of CIP Amendments/Adjustments** |  **FY 2024 Reconciliation**  |
| FY 2022 Surplus/Fund Balance | $5,950,000  |
| Increase State Contribution for Flood Wall | $28,800 |
| Reduce *Restore Riverside Memorial Park Shoreline due to* grant funds | ($800,000) |
| Decrease Parking revenue transferred to CIP | ($1,549,178) |
| Debt | ($22,600,000) |
| **Change to Proposed FY24 CIP:** | **($18,970,378)** |

**Next Steps**

If Council is comfortable with these adjustments, staff will incorporate them into the FY 2024 Operating Budget and CIP ordinances, which will be presented for your consideration on June 13, 2023. On behalf of the dedicated members of Team Norfolk, I thank City Council for their forward thinking and valuable input on the usage of the city’s funds and taxpayer dollars. I look forward to implementing the many initiatives supported by the FY 2024 Budget.

Sincerely,

 Dr. Larry H. Filer II

 City Manager