



City of Virginia Beach

LOUIS R. JONES
MAYOR

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Members of City Council

Subject: FY 2018-19 Operating Budget and CIP Reconciliation (*edited as required by City Council*)

Dear City Council Members:

Since March when the City Manager's Proposed Operating Budget and Capital Improvement Program (CIP) were first presented, we have worked diligently as a body to finalize a budget that addresses community priorities. We can be proud of the work that we have accomplished together to reach this point in the process. Before we outline the amendments to the City Manager's Proposed Operating Budget and CIP, we should highlight what this budget and our amendments accomplish for our citizens and employees:

- Provides a 2% pay increase for City and School employees.
- Eliminates the 10¢ proposed increase in the Personal Property Tax, which ensures our Real Estate and Personal Property tax rates remain the lowest in the region.
- Eliminates the proposed \$1 increase in the monthly solid waste management fee, the proposed 10¢ increase in the cigarette tax rate, the proposed \$2 increase in the automobile license fee, and eliminates the previously adopted 2.5¢ per day increase in the storm water ERU rate effective July 1, 2018
- Addresses compression in our public safety departments and throughout the organization.
- Adds a workforce development program for the Police Department which will improve recruiting and retention through a new 3-year step increase subject to performance and training accomplishments.
- Reduces class size and continues the expansion of full day kindergarten.
- Continues Investment in biomedical and initiates investment in cyber security.
- Provides TIP funding for Entertainment District projects to keep Virginia Beach a competitive tourist destination.
- Retains the Agricultural Reserve Program for the annual acquisition of 300 acres, while also contributing \$990,000 annually to combat storm water issues in the southern watershed.
- Invests in public safety adding positions in Police, Fire, and EMS.

- Provides needed resources for opening of the Housing Resource Center.
- Invests in needed infrastructure like schools, roadways, storm water, and information technology.

After lengthy discussions with you and listening to the public input at the various public meetings, town halls, public hearings and via email, it is recommended that the Operating Budget and CIP be adopted with the following adjustments:

1. Reduce the proposed Personal Property tax rate by 10¢ from \$4.10 to \$4.00. This will result in a decrease of General Fund revenue in the amount of \$1,869,023. - *All*
2. In order to partially offset the decrease in Personal Property Tax Revenue, the following reductions are recommended by the City Manager:
 - Eliminate the new Resource Management Captain in the Fire Department (-\$78,797)
 - Add five police officers and two positions for the Workforce Development Program (see item 13 of this letter) instead of the 10 officers included in the City Manager’s proposed budget (-\$534,753)
 - Eliminate the ERP support position in the Finance Department (-\$97,407)
 - Reduce the number of FTEs allocated to the new Environmental Management Office from three to two (-\$100,000)
 - Reduce the FY 2018-19 appropriation to CIP 3-695 “21st Century ERP” (-\$375,000) – please note that this amount has been moved to FY 2019-20
 - Reduce the FY 2018-19 appropriation to CIP 3-157 “Facilities Planning Services” (-\$50,000)
 - Reduce the FY 2018-19 appropriation to CIP 9-081 “Strategic Growth Area Projects” (-\$50,000)
3. Eliminate the \$1 per month increase in the solid waste collection fee. Instead, the TIP fund will make a one-time contribution of \$1,476,000 to assist with recapitalization of the fleet within the Waste Management Fund. This will result in the reduction of \$1,476,000 in the TIP Fund Reserve for Future Commitments, resulting in a decrease in the projected fund balance of the TIP Fund. - *All*
4. Eliminate the 10¢ per pack increase in the Cigarette Tax. This will result in a decrease of General Fund revenue in the amount of \$1,547,980. - *All*
5. Eliminate the \$2 increase in the Automobile License Fee. This will result in a decrease of General Fund revenue in the amount of \$768,380. - *All*
6. In order to offset the loss of revenue with the elimination of the 10¢ increase in the Cigarette tax and the \$2 increase in the Automobile License Fee, establish a negative compensation reserve of \$2,290,379 in the General Fund, which will be attributed to attrition. - *All*

7. Eliminate the previously adopted 2.5¢ per day increase in the Storm Water ERU rate effective July 1, 2018, which reduces revenue in the Storm Water Utility Enterprise Fund by \$2,290,379 (*All*). In order to offset this decrease in revenue in the fund, the following reductions are recommended by the City Manager:
 - Eliminate the two new positions and associated operating costs for the Storm Water Center of Excellence (-\$335,680)
 - Eliminate the three new positions and associated operating costs for the Surface Water Regulatory Division (-\$483,667)
 - Eliminate the one new position and associated operating costs for the Storm Water Permit Data Management (-\$94,967)
 - Eliminate one Storm Water Construction Inspector and associated operating costs (-\$100,545)
 - Eliminate the two new positions and associated operating costs for the Storm Water Management Facilities/Environmental Maintenance Crew (-\$725,832)
 - Reduce the Storm Water Utility Fund Reserve for Future Commitments by \$425,001
 - Reduce the Storm Water Utility Fund Compensation Reserve by \$124,687

8. Increase Interest Income in the General Fund by \$233,133. This is a result of revised projections due to additional months of realized revenue which were not available at the time this revenue was initially estimated.

9. With the completion of the General Obligation Bond sale on March 13, 2018 and the Public Facility Revenue Bond Sale on March 28, 2018, interest rates were lower than projected, and thus the amount needed to meet debt service requirements in the General Fund in FY 2018-19 is reduced by \$858,763.

10. Increase “State Aid to Localities with Police Departments” (599 funding) by \$417,670. The City has revised its projection for this revenue based on the State’s proposed FY 2019 budget. The Code of Virginia provides for financial assistance to localities with police departments that meet or exceed certain criteria through the "599" program.

11. An amount up to \$3 million dollars is authorized to address vertical and horizontal compression (attached is the latest compression calculation). This amount will be offset with savings from attrition and position vacancies. Language will be included in the budget ordinance that authorizes the City Manager or his designee to transfer savings in salary or fringe benefit accounts among departments in any amount to accomplish this purpose notwithstanding other budgetary controls outlined in the ordinance. This will reduce the City’s June 30, 2018 Projected Undesignated Fund Balance to approximately 9.7% of FY 2018-19 revenue. - *All*

12. Add \$180,000 to provide an annual stipend for Firefighters that hold an Advanced EMT certification. This stipend will be provided to Firefighters who have acquired the necessary

skills and training to provide basic and limited advanced emergency medical care for critical and emergent patients who access the emergency medical system. - **Jones and Wood**

13. Add \$300,000 and authorize two additional FTEs in the Police Department to implement the Workforce Development Program. This program will allow Police Officers who have completed a certain set of criteria, to receive a 5% salary increase once they have completed three years of service with the Police Department. With the completion of additional criteria necessary to achieve the rank of Master Police Officer, an additional 5% salary increase can be achieved after three additional years of service (total of six years of service). Currently, Officers must achieve the requirements of the position and complete six years of service before they are eligible for a career progression to the rank of Master Police Officer. An additional position (1 FTE) will be added in the FY 2019-20 budget for the continued implementation of this program if required. - **Jones and Wood**
14. Modify 1.7 part-time Psychiatrist FTEs in the Human Services Department to one full-time Psychiatrist and a 0.25 part-time Psychiatrist position (total of 1.25 FTEs). On March 20, 2018, City Council adopted an ordinance to make this change in the department's FY 2017-18 operating budget; however, due to the timing of that ordinance in relation to the drafting of the City Manager's Proposed Budget, the Proposed Budget reflects the part-time 1.7 Psychiatrist FTEs. As with the ordinance adopted in March, this adjustment in the FY 2018-19 operating budget is cost neutral. - **Kane**
15. In order to comply with new United States Department of Defense security requirements, which prohibit unauthorized visitors to the Joint Expeditionary Base (JEB) from driving personal vehicles on to the base, add \$210,857 to the Tourism Investment Program (TIP) Fund for the purchase of two 12-passenger shuttle buses and related operating costs for the Preservation Virginia Cape Henry Landmarks/Fort Story Shuttle Grant. The City, Preservation Virginia and JEB Command staff have developed this option for addressing the new security mandates while also continuing to provide public access to the Preservation Virginia-owned original lighthouse and First Landing monuments across the street. Preservation Virginia will fund the operators for these shuttles and when not in use for this purpose, the shuttle buses will be utilized by the Convention and Visitors Bureau for tourism and Convention Center related activities. In order to offset this increase, the TIP Fund Reserve for Contingencies will be reduced by the same amount. - **Wilson and Uhrin**
16. Add \$105,000, including one FTE, to the operating budget of EMS for the establishment of a City Paramedicine program. The purpose of this program is to provide proactive medical services to individuals who frequently call upon the City's emergency medical resources for routine medical assistance. - **Jones and Wood**
17. Add \$50,000 to the Convention and Visitor's Bureau to support marketing and advertising efforts for the 2019 induction ceremonies for the Virginia Sports Hall of Fame and to help solidify the Hall of Fame's presence at Town Center. - **Wood, Dyer, and Davenport**

18. Based on input from the Agricultural community, restore the dedication of the Real Estate tax to the Agricultural Reserve Program (ARP) from 0.15¢ to 0.9¢. In FY 2018-19, this will restore \$4.1 million in real estate tax in the ARP and reduce the same amount from the General Fund. The \$4.1 million to the ARP is reallocated for operating costs (including 1.48 FTEs) in the Agriculture Department, debt service, and a \$990,000 transfer to the Storm Water section of the CIP. It also reduces \$513,719 in specific fund reserves in the ARP. Likewise, \$4.1 million of real estate tax revenue will be reduced from the General Fund, with a reduction of General Fund support for the operating expenditures in the Agriculture Department (including the 1.48 FTEs) and a \$3.9 million reduction in the transfer from the General Fund to the CIP. - **Henley**

In order to ensure that the Southern portion of the City has adequate resources to combat storm water issues, the Agricultural reserve program will provide \$990,000 a year to CIP 7-024 “Southern Canal/Lead Ditch and Culvert Improvements” ensuring that an annual appropriation of \$1,390,000 will be programmed in that project. A one-time contribution of \$1.5 million in ARP Fund Balance to CIP 7-047 “Ashville Park Drainage Improvements” is also included. A copy of the updated project detail sheets is attached. - **Henley**

19. Current Funding for Sister Cities is \$21,000 (\$12,000 for stipends and \$9,000 for operating expenses and receptions). Sister Cities has submitted a modified budget to redirect the stipends to help cover some of the travel costs and program costs. They require an additional \$20,500 to adequately fund their expanding programs and international agenda. - **Wood**
20. Add \$21,000 to the Human Resources Department operating budget for the City’s Human Rights Commission to fund additional commissioner memberships, professional development of commissioners, travel for the City coordinator, and marketing and promotion of the Commission. – **Kane and Dyer**
21. In order to incorporate the budget amendment adopted by the Virginia Beach School Board on April 24, 2018, reduce the City Manager’s Reserve in the School Budget by \$558,063 and add \$275,000 to the Schools Operating Budget to enhance landscape management frequencies at School owned properties and add \$283,063 and authorize 4.0 Behavior Interventionist positions in the Office of Student Support Services. The \$558,063 is funding associated with additional revenue calculated in the City/School Revenue Sharing Formula that was not included in the School’s adopted operating budget. - **School Board**
22. Add \$250,000 to the Non-Departmental Budget for the purpose of providing a 10-year, interest free loan to the Green Run/Princess Anne Little League. The purpose of this loan is to assist the League with the build out of their complex to include utilities, bathrooms, a snack bar, parking, and bleachers. - **Kane**
23. Increase CIP 9-041 “Virginia Beach Sports Center” by \$3 million, bringing the FY 2018-19 appropriation to that project to \$54 million and the total City portion of the project to \$58 million. In order to offset this increase in the Sport Center project, a reduction of \$3 million

will be made from CIP 9-045 “Central Beach and Convention Districts Parking” bringing the FY 2018-19 appropriation to that project to \$7 million. - *Uhrin*

24. In order to provide greater clarity to the scope of several capital projects, the following project scopes are amended as follows:

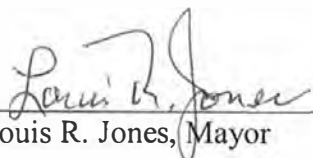
- a. For CIP 2-138 “Atlantic Avenue Reconfiguration” add a sentence at the end of the Description and Scope that states “The acquisition of necessary property and easements is authorized **but limited to the current funding appropriated.**” No additional appropriation is required. – *Hansen* (An updated project detail sheet is attached reflecting this revision).
- b. For CIP 7-047”Ashville Park Drainage Improvements” the title, project language, and schedule are amended to reflect current funding for Phase 1 per the attached project detail sheet. - *Moss and Henley* (An updated project detail sheet with additional clarifying language is attached).

25. **Add \$50,000 in FY 2019-20 to CIP 9-008 “Historic Kempsville” for Kempsville CAC streetscape improvements. This project increase will be supported by an increase in General Fund pay-go.** - *Abbott*

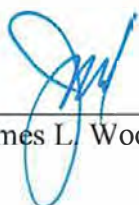
The details for the funding sources and the adjustments are identified on the attachments.

I want to thank the public who came out to the various town hall meetings and public hearings to offer their comments on the FY 2018-19 Operating Budget and CIP as well as staff for their efforts to provide answers to our various questions. If you have any questions, please contact me directly.

Sincerely,



Louis R. Jones, Mayor



James L. Wood, Vice Mayor

Attachments