

# FY 2017 Budget Facts

## Section 1. How to Read the Budget Documents

In 2016, the City Council adopted Vision Principles for the Year 2030, these priorities serve as a guide for the city. The Operating and Capital Improvement Program budget align funding within the Vision Principles focusing on education, financial strategies, improving the city's economic prosperity, sustainable neighborhoods and lifelong learning communities, investing in our employees, leveraging technology to improve services, improving public safety capabilities, and strategically marketing Portsmouth.

The ten areas serve as strategic initiatives to strengthen the city's infrastructure needs and the citizens' quality of life. They also serve as the framework for developing the annual operating and capital improvement budget.

The following Vision Principles were approved and signed by City Council on February 23, 2016.

- *Innovation and Change*
- *A Robust and Prosperous Economy*
- *Leading Maritime Community*
- *Lifelong Learning Community*
- *Sustainable Neighborhoods*
- *Enhanced Quality of Life*
- *Efficient Service Delivery*
- *Proud Military History*
- *Pride of the Past*

### Reader's Guide to the Budget Document

The purpose of the budget document is to provide elected officials, citizens and interested parties budget information, financial data, and statistics pertaining to the city of Portsmouth's financial plans and operations.

The budget document is a summary pertaining to all city government public service programs. The budget is the annual financial plan for coordination of revenues and expenditures. The FY 2017 budget represents the period of July 1, 2016 to June 30, 2017.

### Section Explanation

#### Executive Summary:

The FY2017 budget overview includes the City Manager's message to City Council highlighting guiding principles, collaboration, community engagement, financial policies,

economic development initiatives, commitment to education, and public safety as well as other strategic policies and initiatives to include the city's future outlook.

**Budget Overview:**

Historical information pertaining to the city of Portsmouth, governmental organization, and description of the budget process, financial policies, fund structure, basis of budgeting and accounting, and a brief description of the Capital Improvement Program are included in the overview.

**Financial Summaries:**

Summaries of revenues and expenditures include all funds, position summary, fund balance/net assets schedule, rate change table, city indebtedness schedules and computation of legal debt margin.

**General Fund:**

Revenue detail and serves as the basis of revenue projections and descriptions by category to include comparative data from the prior year. In addition, it provides description of expenditures by category to include comparative data from prior year.

**General Government:**

Departmental detail for all municipal departments as it pertains to the overall general administration of the city and the delivery of services.

**Non-departmental:**

Non-specific functional services to include non-departmental (contractual obligations or community services), transfers and contingencies, public transportation, support to civic and cultural organizations, and debt service fund.

**Judicial:**

Departmental detail as it pertains to civil and criminal agencies for prosecution and adjudication services.

**Public Safety:**

Departmental detail as it pertains to citizenry protection to include geographical and community policing, fire prevention, suppression, and emergency medical care.

**Public Works/General Services:**

Departmental detail pertaining to maintaining the city's infrastructure. Separate funds of Storm Water Management, Public Utility, Waste Management, Cemetery, Portsmouth Parking Authority and City Garage are included in this section.

**Public Health:**

Departmental detail pertaining to the health and welfare of the citizenry. Separate funds of the Health Department, Behavioral Healthcare Services, Social Services, and the Children's Services Act.

**Parks, Recreation and Cultural:**

Departmental detail as it pertains to the city’s recreation and cultural services.

**Community and Economic Development:**

Departmental detail as it pertains to the city’s community, planning and economic development services. Separate funds of Willett Hall, New Port Community Development Authority and Community Development are included in this section.

**Education:**

Departmental detail as it pertains to Portsmouth’s public schools education system.

**Capital Improvement Program:**

Major CIP projects within the five year plan. A plan for financing and construction of major municipal facilities and infrastructure such as roads, schools, buildings, leased vehicles and water and sewer projects are included in this section.

**Ordinances:**

Official budget ordinances reflecting City Council’s formal actions for the adoption of the Operating and Capital Improvement budgets.

**Supplementary Information:**

The city of Portsmouth’s statistical and comparative data.

**Glossary:**

Definitions of terminology within the budget document.

**Appendix:**

Revenue and expenditure line item detail reports for all funds.

***Revenue Category Explanation***

**General Property Taxes:**

Taxes on real and personal property. This includes both tangible and intangible property such as vehicles, real estate, and business equipment. Also included in this category are delinquent tax interest and penalties.

**Other Local Taxes:**

Approved Commonwealth taxes for use by municipalities to derive and collect revenues. Examples are sales tax, business licenses, vehicle registration fees, cigarette taxes, and lodging.

**Utility Taxes:**

Utility service taxes paid by citizens. The rates vary according to the type of utility including revenue from land line, cable TV, cellular telephone, E-911, electricity, gas, telephone, and water taxes.

**State Aid:**

Funding received from the Commonwealth of Virginia:

- Intergovernmental Revenue – State Non-Categorical Aid includes the municipality's tax share received by the State of Virginia.
- Intergovernmental Revenue – Shared Costs are contributions to municipalities for State mandated services. This would include the Constitutional Offices of the City Sheriff, Clerk of Circuit Court, Commonwealth Attorney, Commissioner of the Revenue and the City Treasurer.
- Intergovernmental Revenue – State Other Categorical Aid includes all other funding received from Virginia (funding for library books and street/highway maintenance).

**Other Governments:**

Funding from governments other than the Commonwealth of Virginia.

**Federal Direct:**

Federal Government funding such as FEMA reimbursements.

**Charges for Services:**

City fees charged to government service users such as recreation fees, court costs, and library fines.

**Interest:**

Interest received from investment of idle cash and other investment accounts.

**Recovered Costs:**

Expenditure reimbursements received by a department.

**Fines and Forfeitures:**

Law Enforcement fees collected for law violations.

**Licenses and Permits:**

Fees charged to obtain a license or permit such as yard sale permits, building inspection fees, and sign permits.

**Use of Property:**

Rent charged for use of city property.

**Miscellaneous Revenue:**

Donations and contributions made to the city and other non-recurring revenue.

**Payment In Lieu Of Taxes (PILOT):**

Revenue received in lieu of taxes under a contractual agreement.

**Operating Transfers In:**

Cash transfer from another city fund.

***Expenditure Category Explanation***

**Salaries:**

All full and part-time employee payrolls including overtime, supplemental pay and allowances.

**Benefits:**

City paid contributions for employee fringe benefits. This includes the city's portion of social security, retirement, health, and life insurance plans.

**Other Operating Expenses:**

Required expenses to include contractual services, printing, supplies, repairs, books, and computer software.

**Internal Service Charges and Expenses:**

In order to capture the full cost of certain specific functions, services are provided to departments by other departments at a set rate. These include risk management costs, city garage, information technology and health insurance charges.

**Capital Outlay:**

Expenditures which result in the acquisition of, or addition to, fixed assets such as buildings.

**Debt Service:**

Scheduled annual principal and interest payments for outstanding debt.

**Transfers:**

Funds transferred between departments.

## **Section 2. Financial Policies**

Financial policies are used by City Council and Administration to set standards for how the organization will be managed financially. They establish a financial framework endorsed by City Council for future decisions. These policies are best practices for governments to maintain financial integrity and strengthen long-term sustainability.

The city of Portsmouth has followed an extensive set of financial policies for over 15 years. Some of the more critical financial policies include:

- Maintaining a structurally balanced budget where recurring revenues are used for recurring expenditures
- Reserving 15% of general fund revenue in unassigned fund balance
- Quarterly monitoring of budget results
- Meeting debt affordability and capacity ratios

More detail on the city's financial policies can be found in the budget overview section of the proposed budget, section 2-15 through 2-24.

### **Section 3. Revenues**

**Revenues** - the income a local government needs to pay for all of the services it provides. A revenue structure describes the many sources of income a local government receives. The major sources of revenue include taxes, other revenue sources and intergovernmental transfers. See attached link for more detail.

[www.portsmouthva.gov/finance/2017proposedbudget/Tab-4-Pages-9-18-FY2017-General-Fund-Revenue.pdf](http://www.portsmouthva.gov/finance/2017proposedbudget/Tab-4-Pages-9-18-FY2017-General-Fund-Revenue.pdf)

### **Section 4. Expenditures**

**Expenditures** – what the city spends in order to achieve its planned budget, facilitating the acquisition of goods and services to directly satisfy the collective needs of the members of the community. See attached link for more detail.

[www.portsmouthva.gov/finance/2017proposedbudget/Tab-4-Pages-19-23-FY2017-General-Fund-Expenditures.pdf](http://www.portsmouthva.gov/finance/2017proposedbudget/Tab-4-Pages-19-23-FY2017-General-Fund-Expenditures.pdf)

### **Section 5. Education**

Portsmouth Public schools are funded through federal, state and local sources. Overall, the Portsmouth Public Schools FY2017 proposed operating budget is \$191,643,092. The FY 2017 proposed operating budget, includes an increase to the local share of \$1,000,000 from \$51,400,000 to \$52,400,000. Subsequent amendments by the Portsmouth School Board will be voted upon as part of the City Council process for adoption of the city's overall budget on May 10, 2016.

The city also has worked closely with the schools to determine Capital improvement requirements and infrastructure needs. Included in the proposed FY 2017 Capital Improvement budget are the top 10 CIP projects. Projects included in the proposed Capital Improvement Program (CIP):

- Continuation of School Bus Replacements (\$1 million)
- Roof projects: Brighton Elementary, Mt. Hermon, and Woodrow Wilson High (\$1.6 million)
- HVAC projects: Churchland High, IRC Data Center and Mt. Hermon (\$1.35 million)
- Bleachers: Churchland Middle and Waters Middle (\$150,000)

The total FY 2017 proposed Education CIP is \$4,576,000.

## **Section 6. Public Safety**

Public safety is a top priority. No matter where we are or what we may be doing, the thought of safety and feeling secure daunts our minds. Portsmouth citizens possess the same perspective of public safety's importance, for it is also at the top of our citizen's agenda. The city's commitment in the *New Portsmouth* is to recognize that public safety is not something just randomly provided to the community by government, but rather public safety is a continuous engagement of people forming a community-based partnership built upon trust and legitimacy in an effort to ensure a safe and livable community.

In support of public safety, here are some examples of our commitment:

- As current vacancies are filled, allotted positions will be examined for funding based on service needs.
- Emphasis on filling vacant positions through an expeditious hiring process.
- The entry level examination for public safety will be administered on a more frequent basis.
- Examples of various priority equipment needs are:
  - Support for the Body Worn Camera Program to include video storage
  - Maintenance support for the Eagle Eye Surveillance System
  - Funding support for the SWAT Recon Robot
  - Replacement of forty-three (43) public safety vehicles
  - Purchase of two new ambulances

## **Section 7. City Positions**

During the annual budget process, the City Manager presents in the budget the recommended number of positions to provide efficient service delivery to our citizens. Authorized positions are fully funded and represent the total compliment of positions for each department. Whereas allotted positions are not funded and represent a placeholder in each department.

## **Section 8. Employee Benefits**

The mission of the Health Insurance and OPEB Fund is twofold: to provide health and dental insurance coverage to city employees and eligible retirees at a reasonable cost to both parties, and to budget, as funds are available, liabilities associated with Other Post-Employment Benefits (OPEB) in accordance with Governmental Accounting Standards Board (GASB) Statement 45 requirements.

Health Insurance is designed to pool the city's employer contributions, retiree, and city employee medical and dental health contributions for the purpose of administering the city's self-funded health insurance program. OPEB and the city comply with financial accounting and reporting requirements as it pertains to the liability associated with post-employment health care benefits. GASB 45 requires governments to report the total

liability associated with OPEB as determined on a biennial basis by an actuary. GASB 45 does not require governments to fully fund the Annual Required Contribution (ARC), and the city chooses to use a pay-as-you-go method with a small OPEB reserve.

Our strategic goals are to:

- Continue to provide health care coverage to employees and retirees in the most cost effective way possible.
- Health Care Plan Design-Implement a high deductible plan accompanied by a Health Savings Account (HSA) and review and evaluate our current health insurance plans.
- Explore partnering plans with the Portsmouth Public Schools to lower costs.
- Begin the implementation of a comprehensive wellness plan to improve the health and well-being of employees through health education and activities that will support positive lifestyle change resulting in improved productivity and healthcare cost savings.

## **Section 9. Capital Improvement Program Highlights**

The Capital Improvement program (CIP) is a five-year plan that addresses ongoing city infrastructure needs through major maintenance and replacement projects. The CIP plan also reflects efforts to manage competing capital needs while protecting the lasting financial sustainability of the city's resources. The first year of the CIP plan is appropriated by City Council and the subsequent four years provide a plan for addressing future infrastructure needs with projected expenditures and resources.

The proposed FY 2017 CIP budget is \$36,560,984 and the proposed five-year plan is \$223,538,690. In FY 2017 the city reviewed existing authorized projects and bonds authorized. Based on this analysis, the public utility fund (water and sewer) has sufficient authorization for CIP projects. \$131 million is for authorized projects and bonds authorized, with an unissued amount of \$104 million. Therefore, additional authorization is not required for major projects in FY 2017. The FY 2017 proposed budget includes a realistic five year plan with only \$1 million for small neighborhood repairs and additional authorizations for major projects in subsequent years. Please see the attached link to the FY 2017 budget for more detail on the proposed CIP plan budget. See attached link for more detail.

<http://www.portsmouthva.gov/finance/2017proposedbudget/Tab-14-Capital-Improvements.pdf>

## Section 10. Collaborative Initiatives

### Collaboration among Stakeholders

- City-wide procurement of common services such as concrete and asphalt contracts
- Consolidation of safety training
- Consolidation of purchases related to uniforms, safety equipment and traffic control materials
- Consolidation of monument maintenance under the Parks Division

### Partnering and Collaboration with Portsmouth Public Schools

- Portsmouth Community Television (PCTV) and Portsmouth Schools Educational Television (PSET) - sharing of program broadcasting, community public service announcements, event information, and production services.
- Portsmouth Public Schools (PPS) and Parks, Recreation & Leisure Services - sharing transportation resources to transport evening meals for school-aged youth through the Mobile Kids Meal Program.
- Office supplies (State/Federal Contracts) – continuing to explore opportunities to use contracts for optimal purchasing power.
- Financing Options – use of low or no finance opportunities for school infrastructure projects.

### New Initiatives

- **On-line applicant tracking system** – A cloud based system that allows for candidates to apply online for city positions, provides a job notification feature, and allows department heads to submit job request electronically to fill positions.
- **On-Boarding System** – New employees will complete new hire paperwork to include W-4s, I-9s and benefit information in advance of their first day of employment. A welcoming video from the City Manager is part of the new process.
- **MUNIS** – Continuing the implementation of the integrated system that manages the city's core functions which include financial reporting, procurement, human resources, employee self-service, and citizen services. The implementation of the new technology will improve and simplify human resources and payroll processes to support a paperless system.
- **Professional Development** – To attract, develop, and maintain a competitive workforce, supervisory and non-supervisory employees will be offered a variety of training opportunities.
- **Tuition Reimbursement Program** – A tuition assistance program supports our investment in employees by providing an opportunity to continue their education, thereby, enhancing their skills and productivity.
- **Internships** – Internships are a valuable tool to explore career opportunities. They provide high schools and college students with numerous opportunities to gain experience, develop skills and make contributions to the Portsmouth community.

- **Automated Help Desk** – This remote support will provide reallocation of resources by spending less time away from the office and prioritization of tasks to better serve customers.
- **Restructuring usage of fax machines and office printers** – This restructuring will provide for the elimination of fax machine lines and the consolidation of printers throughout city departments.
- **Cell Phones** – Continual analysis of cell phone usage and design plans to include a new cell phone provider.
- **Wi-Fi** – Phase 1 of this initiative will include 100% secured coverage for city hall by the end of calendar year 2016. Phase 2 and 3, which encompasses Public Safety and remaining municipal facilities, are slated for completion by the end of calendar year 2018.
- **Infrastructure Improvements** – These improvement will enhance both physical and cyber security postures.
- **Website Redesign and Re-launch** – To provide optimization, navigation and appearance which ultimately enhances citizen engagement.