



July 1, 2021

Honorable Mayor and City Council,

I respectfully present to you the Adopted Fiscal Year (FY) 2022 Financial Plan for the City of Norfolk, which is comprised of the General Fund, Enterprise Funds, Special Revenue Funds, Internal Service Funds, Capital Improvement Plan (CIP), and the Annual Plan for the Housing and Urban Development (HUD) Block Grants.

Discussions during our budget work sessions resulted in amendments to the Proposed FY 2022 Operating and Capital Budgets. These amendments to the Proposed FY 2022 Budget were adopted at the May 11, 2021 City Council meeting. The table below illustrates the final Adopted FY 2022 Financial Plan:

Adopted FY 2022 Financial Plan	
Fund	Adopted Budget
General Fund	\$929,181,090
Enterprise Funds	\$179,851,885
Special Revenue Funds	\$47,873,951
Internal Service Funds	\$117,471,859
Total Operating Funds	\$1,274,378,785
Capital Improvement Plan	\$187,508,200
Total Operating and Capital Funds	\$1,461,886,985
Annual Grants Plan	\$75,521,801
Annual Plan for HUD Block Grants	\$8,708,872
Total Financial Plan	\$1,546,117,658

Development of the FY 2022 Adopted Budget began last summer during a period of unprecedented public health and economic uncertainty. City Council's decision to reduce last year's budget by \$40 million and the resulting reductions to services was extremely difficult but it has set the stage for our recovery this year. Council's goal was to limit the painful financial impact of the pandemic to one year, and that goal has been achieved.

While this Budget begins our recovery from the COVID-19 pandemic, our revenues remain significantly below where they would have been if not for the pandemic. Although the Adopted Budget includes substantial reinvestment in city services, resources are not available to restore all the services reductions in last year's budget.

Despite these challenges, the FY 2022 Adopted Budget makes major investments in City Council's priorities and begins the process of rebuilding the organizational capacity necessary to deliver important services effectively. Highlights of the budget include:

- No tax rate or fee increases,
- 25.7 million in new investment in the City Council priorities,
- \$2.7 million to increase organizational capacity,
- \$14.7 million in new technology upgrades, vehicles, and equipment,
- Investment in new strategic capital projects that leverage non-city funds, and
- More than \$42.3 million in FY 2022 and \$117 million over the next five years in resilience CIP projects

General Fund Operating Budget Amendments

Below summarizes the general fund operating amendments to the FY 2022 budget as a result of council directives from the budget work sessions.

Council Directives

Regrade Firefighter EMT-I, Firefighter EMT-P (Paramedic), and Fire Inspector Ranks: \$200,000

Moves the Firefighter EMT-I rank from grade three to grade four and moves the Firefighter EMT-P and Fire Inspector ranks from grade four to grade five. This action will incentivize firefighters to earn a paramedic designation and maintain parity between the EMT-I rank and the Police Officer rank which was similarly regraded. This action impacts 140 firefighters and provides an average salary increase of 4.9 percent.

Lifelong Learning Program: \$150,000

Provides ongoing funding to continue the Lifelong Learning Program. This program was created from recommendations from the Mayor's Commission on Lifelong Learning.

Ocean View Tourism Development Fund: \$150,000

Provides one-time funds to create the Ocean View Tourism Development Fund. The funds can be used to facilitate access to the Commonwealth of Virginia's Tourism Development Financing Program (TDFP) for qualifying hospitality projects.

Run/Walk incentive program: \$125,000

Provides funding to the Norfolk Convention and Visitors Bureau to administer an improved Run/Walk incentive program. The current incentive program relies on city staff across multiple departments to provide support for these events at no cost. This support typically requires staff to work overtime at additional cost to the city. The improved incentive program will require Run/Walk organizers to pay for all city services but will provide them a cash incentive based on the number of participants and the estimated economic impact of the event.

Southside Boys & Girls Club: \$67,500

This amendment doubles the city's annual operating support for the Club from \$67,500 to \$135,000. In return, the Club will take over the operations and programming of the Campostella Heights, Diggs Town, and Oak Leaf Computer Resource Centers.

General Fund Operating Budget Technical Adjustments

The following amendments are General Fund operating technical adjustments that were made after the FY 2022 budget was proposed.

Norfolk Public Schools: \$5,200,229

State funding for Norfolk Public Schools (NPS) in the city's Proposed FY 2022 Budget was based on the Governor's proposed budget. General Assembly amendments to the Governor's budget added \$5,200,229 million in additional State funding for NPS to support five percent teacher salary increases. This adjustment aligns the city's budget with anticipated State funding.

Cash transfer to CIP: \$1,150,000

A one-time transfer of resilience penny funding to the CIP to support flood mitigation at Cambridge Crescent and Carroll Place. This project is recommended to be added to the FY 2022 Capital Improvement Plan (CIP) as a CIP amendment.

Nutritional Equity Fund: \$287,000

The Proposed FY 2022 Budget included \$250K in funding to create a "Nutritional Equity Fund" to combat food and health disparities among Norfolk residents. This amendment changes the funding source for this initiative to use \$287K of unspent Poverty Commission funding. This action will increase the size of the fund by \$37K to \$287K and help fund other budget amendments. The unspent Poverty Commission funding had no planned use.

757 Collab: \$55,000

Provides funding in FY 2022 and FY 2023 to subsidize 757 Collab's rent expense at "Assembly". The organization is working to establish a centralized innovation center in which startup resources and capital can co-locate with the region's most promising innovators to support and accelerate growth of early-stage companies.

Hampton Roads Planning District Commission (HRPDC): \$7,330

Aligns funding for membership dues with increased costs. HRPDC dues were finalized after the city's budget was proposed.

The table below details the source of funds that will be used to fund the amendments outlined above.

Sources of Operating Budget Amendments/Adjustments	One-time Amount	Ongoing Amount
Additional State funding for five percent teacher salary increase	\$0	\$5,200,229
Remove ongoing funds for Nutritional Equity Fund	\$0	\$250,000
Remove funds for jury management expenses	\$0	\$180,000
Realize projected savings in city healthcare cost	\$0	\$82,330
Reduce funds for Human Services Grants	\$0	\$67,500
Reduce funds for Run/Walk incentive program in Cultural Facilities	\$0	\$25,000
Transfer funds from the Resilience Penny designation to the CIP	\$1,150,000	\$0
Transfer unspent Poverty Commission Funds to Nutritional Equity Fund	\$287,000	\$0
Increase carryforward of prior year fund balance	\$150,000	\$0
Total	\$1,587,000	\$5,805,059

Uses of Operating Budget Amendments/Adjustments	One-time Amount	Ongoing Amount
Increase state SOQ funding for Norfolk Public Schools	\$0	\$5,200,229
Regrade Firefighter EMT-I, EMT-P, and Fire Inspector positions	\$0	\$200,000
Provide funds to continue the Lifelong Learning Program	\$0	\$150,000
Increase funds to NCVB to administer city's Run/Walk incentive program	\$0	\$125,000
Increase Operating Support for the Southside Boys and Girls Club	\$0	\$67,500
Provide operating support for 757 Collab in FY 2022 and FY 2023	\$0	\$55,000
Increase funds for HRPDC member dues	\$0	\$7,330
Increase cash transfer to the CIP	\$1,150,000	\$0
Increase funds and change funding source for Nutritional Equity Fund	\$287,000	\$0
Provide funds for Ocean View Tourism Development Fund	\$150,000	\$0
Totals	\$1,587,000	\$5,805,059

Other Financial Plan Technical Adjustments

Annual Grants Plan:

The Annual Grants plan appropriation was reduced by \$8.2 million, primarily related to Transit grants that Council already appropriated during a previous council formal session.

Housing and Community Development (HUD) Block Grant:

Grants received by HUD for coronavirus related initiatives were transferred from the Annual Plan for HUD Block grants to the Annual Grants Plan.

Capital Improvement Plan (CIP) Amendments

The General Fund CIP amendments funds three new projects in FY 2022 and one new planned project in FY 2023 – FY 2026. The projects and sources for funding are outlined below.

Capital Grant to Southside Boys and Girls Club: \$1,500,000

Provides one-time funds in FY 2022 to the Southside Boys and Girls Club for various facility improvements at their current location.

Flood mitigation at Cambridge Crescent and Carroll Place: \$1,150,000

Provides one-time funds in FY 2022 to implement flood mitigation measures at Cambridge Crescent and Carroll Place through the installation of backflow valves and repairs to the bulkhead.

Berkley Square Complex: \$1,000,000

Provides one-time funds in FY 2022 for the design of the Berkley Square Complex. This project is envisioned to serve as a community hub and a catalyst for new commercial and residential development.

Sources to Fund CIP Amendments/Adjustments	Amount
Increase cash to the CIP from projected budget savings	\$1,500,000
Resilience Penny Designation	\$1,150,000
Eliminate "Demolish the Willis Building" CIP project	\$605,000
Increase General Obligation Bonds	\$395,000
Total	\$3,650,000

Uses of CIP Amendment Funds	Amount
Provide Capital Grant to Southside Boys & Girls Club for facility improvements	\$1,500,000
Implement Flood Mitigation at Cambridge Crescent and Carroll Place	\$1,150,000
Design Berkley Complex Facility	\$1,000,000
Total	\$3,650,000

FY 2023 – FY 2026 CIP Plan Changes

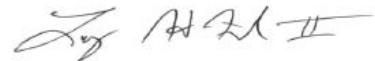
Arts District Streetscape: \$4,850,000

In the FY 2020 CIP, \$900,000 was provided to redesign the Arts District Streetscape. The FY 2022-FY2026 CIP will provide funds for implementation of the redesign in FY 2023 at \$2,500,000 and FY 2024 at \$2,350,000 bringing the total project funding to \$5,750,000.

Next Steps

As we move forward, the Administration will continue to partner with stakeholders to deliver high quality, efficient, and effective programs to our residents. On behalf of the dedicated members of Team Norfolk, I look forward to implementing the many initiatives supported by the Adopted FY 2022 Budget.

Sincerely,



Dr. Larry H. Filer II
City Manager

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March 30, 2021

Honorable Mayor and City Council

I respectfully submit to you the Proposed Fiscal Year (FY) 2022 Financial Plan for the City of Norfolk, which comprises the General Fund, enterprise funds, special revenue funds, internal service funds, the Capital Improvement Plan (CIP), the Annual Plan for Housing and Urban Development (HUD) Block Grant programs, and the Annual Grants Plan.

A summary of the Proposed Financial Plan is shown in the table below:

Proposed FY 2022 Financial Plan	
Fund	Proposed Budget
General Fund	\$923,543,861
Enterprise Funds	\$179,851,885
Special Revenue Funds	\$47,873,951
Internal Service Funds	\$117,471,859
Total Operating Funds	\$1,268,741,556
Capital Improvement Plan	\$184,463,200
Total Operating and Capital Funds	\$1,453,204,756
Annual Plan for HUD Block Grants	\$10,159,773
Annual Grants Plan	\$83,694,300
Total Financial Plan	\$1,547,058,829

Development of this budget began last summer during a period of unprecedented public health and economic uncertainty. City Council's decision to reduce last year's budget by \$40 million and the resulting reductions to services was extremely difficult but it has set the stage for our recovery this year. Council's goal was to limit the painful financial impact of the pandemic to one year, and that goal has been achieved.

Very quickly the theme of this budget, Recovery and Realignment, began to take shape. Recovery means understanding our economic backdrop and constantly reassessing our revenue projections based on new financial and public health data. We updated Council in November and again in February on our projections and the outlook has remained consistent:

- FY 2021 revenue is outperforming budget but well below our pre-COVID forecast,
- The FY 2022 revenue forecast has continued to improve as the public health outlook has improved – especially with the introduction of effective vaccines, and
- The five-year revenue forecast (FY 2022 – FY 2026) projects revenue growth but total revenue will continue to lag the pre-COVID forecast

This outlook results in a recommended budget that will allow for some reinvestment in city services, though revenue is not sufficient to restore all the service reductions in last year's budget. This reality resulted in the second part of this budget's theme – Realignment.

Realignment is the process of evaluating our capacity to deliver services including:

- The restoration of services impacted by COVID-19 budget reductions,
- The addition of new or enhancements to existing services, and
- Evaluation of existing services.

The purpose of this process is to ensure that we are effectively resourcing the programs and services that we provide to residents. Under-resourced programs have little chance of success. When we choose to invest in a program or service, we will do so by following the principle of – “We will do it well or not at all.” This theme is a through line across all the investments that are recommended in this budget.

Overview

The Proposed FY 2022 General Fund Budget is \$923.5 million - 4.5 percent more than last year. The total operating budget is \$1.27 billion - 4.0 percent more than last year. The total spending plan is more than \$1.5 billion and includes \$184.5 million in Capital Improvement Plan funds, \$10.2 million in HUD entitlement grants, and \$83.7 million in anticipated grant funding.

The budget includes:

- No tax rate increases
- No fee increases
- \$25.7 million in new investment in the City Council priorities of
 - Supporting Norfolk Public Schools,
 - Attracting and retaining the best talent,
 - Recreation and library operations,
 - Support for our youth,
 - Citywide beautification,
 - Affordable housing and community development,
 - and streamlining development services.
- \$2.7 to increase organizational capacity,
- \$14.7 million in new technology upgrades, vehicles, and equipment,
- Investment in new strategic capital projects that leverage non-city funds, and
- More than \$42.3 million in FY 2022 and \$117 million over the next five years in resilience CIP projects.

The budget reduces the structural imbalance from last year's budget from \$10.5 million to \$7.5 million. Ongoing revenues are catching up to ongoing expenditures. We expect to achieve structural balance again by FY 2024 when new revenues come online, and the impacts of the pandemic are behind us. In the meantime, a combination of budget savings, federal stimulus, and other one-time revenue sources will keep revenues and expenditures in balance.

Funding Council Priorities

It has been clear over the last year while living with the pandemic that several priorities emerged for City Council. This budget responds to those priorities with meaningful investment.

Council Priorities: Norfolk Public Schools

The school funding formula City Council adopted along with the FY 2020 budget has been an unqualified success. It has allowed the conversation between the Council and School Board to transition away from funding and has proved to be a valuable budget planning tool for both administrations. This year, as a result of the funding formula, the local contribution to NPS is projected to increase by more than \$8.6 million. This increase, along with increased funding from the state, means that NPS revenue will have recovered to its pre-COVID level while city ongoing revenue remains below this level.

The increase in local support has helped NPS invest in substantial pay increases for teachers, administrators, and support staff and raise teacher starting pay by more than six percent. Details from the NPS Budget include:

- An increase in the starting pay for teachers from \$44,220 to \$47,000
- A step increase in the base salaries for current teachers by an average of 5.1 percent
- A step increase for classified employees, projected at an average of 5.0 percent
- A step increase for administrators, projected to raise base pay by an average of 3.0 percent

Norfolk's planned FY 2022 – FY 2026 capital funding for NPS included more than \$39 million for school maintenance and \$5 million for school buses. In FY 2022 NPS requested \$16 million for maintenance and \$1 million for school buses. NPS has not submitted a capital plan beyond FY 2022 nor has the city received a plan for new school construction, major renovation, or taking schools offline as enrollment continues to decline.

The NPS School Board's Adopted FY 2022 Budget includes a request to City Council to use FY 2019 and FY 2020 year-end surplus funds totaling \$22.5 million for:

- \$4.8 million for bonus payments this spring
- \$17.7 million for capital maintenance for school facilities to be included in the FY 2022 budget.

The School Boards Budget also includes \$15 million in federal stimulus funds for capital improvements to HVAC and ventilation systems in schools. This brings total capital maintenance funds to \$41.7 million in FY 2022 and \$71.7 million over the next five years. While these funds are included in the proposed budget, I would recommend Council request and receive a spending plan from NPS prior to approving this level of funding. A summary of the NPS capital funding plan is show here.

Council Priorities: Attract and Retain Talent

Recruiting and Retaining high performing staff is essential to providing excellent city services. To that end, our employees, "TEAM NORFOLK", are the most important asset we have. It was my top budget priority to provide a salary increase for employees. I am recommending a three percent salary increase effective July 1 for general, council appointee, constitutional officer, and sworn police and fire employees. I am also recommending a three percent increase to the minimum and maximum of each pay range to raise starting pay to help our recruiting efforts.

NPS Capital Improvement Plan Funding Sources FY 2022 - FY 2026

Description	FY 2022	FY 2023 - FY 2026	Total
City Debt	\$3,000,000	\$12,000,000	\$15,000,000
City Cash (SWIFT Program)	\$6,000,000	\$18,000,000	\$24,000,000
School Surplus Funds (FY 19, FY 20)	\$17,700,000	\$0	\$17,700,000
Federal Stimulus	\$15,000,000	\$0	\$15,000,000
Total	\$41,700,000	\$30,000,000	\$71,700,000

NPS Capital Improvement Plan Funding Uses FY 2022 - FY 2026

Description	FY 2022	FY 2023 - FY 2026	Total
Bus Replacement	\$1,000,000	\$0	\$1,000,000
Roof replacement – Booker T. Washington	\$5,457,000	\$0	\$5,457,000
Roof replacement – Oceanair Elem	\$1,107,000	\$0	\$1,107,000
Roof replacement – Ingleside	\$1,036,000	\$0	\$1,036,000
HVAC – Jacox Elementary Schools	\$1,314,000	\$0	\$1,314,000
Doors and windows replacement – Calcott Elem	\$1,123,000	\$0	\$1,123,000
Doors and windows replacement – Larrymore Elem	\$1,333,000	\$0	\$1,333,000
Doors and windows replacement – Oceanair Elem	\$1,077,000	\$0	\$1,077,000
Doors and windows replacement – Sewells Point Elem	\$1,050,000	\$0	\$1,050,000
Doors and windows replacement – Suburban Park Elem	\$1,069,000	\$0	\$1,069,000
Doors and windows replacement – Willard Elementary	\$1,124,000	\$0	\$1,124,000
Feasibility Study – Booker T. Washington	\$200,000	\$0	\$200,000
Educational Planning	\$110,000	\$0	\$110,000
Total	\$17,000,000	\$0	\$17,000,000

Additional compensation actions are included for three groups of employees whose jobs are critical and present unique and challenging recruiting and retention difficulties:

- 911 Telecommunicators (average 6.7 percent increase)
- Police Officer Rank (average increase 8.0 percent)
- Sworn Sheriff's Deputies (average increase 5.0 percent)

Public Safety Telecommunicator Pay Comparison

Job Title	CPK	Va Beach	Norfolk Current	Norfolk Proposed
Telecommunicator I	\$36,525	\$36,026	\$34,445	\$38,457
Telecommunicator II	\$39,581	\$37,856	\$37,337	\$42,029
Telecommunicator III	\$44,821	\$39,770	\$40,805	\$45,669
Telecommunicator IV	\$47,878	\$41,787	\$44,339	\$49,258

Increase of Five Percent or Min of New Grade
Average Increase = 6.7 Percent
Vacant Positions Eliminated = 5

Each level of the 911 Telecommunicator job series will be regraded up one grade and each employee will receive a minimum of a five percent salary increase or will move to the minimum of the new grade. This results in an average increase of 6.7 percent. This action is funded by eliminating five vacant positions. Norfolk 911 operators will now be the highest paid in the area.

Difficulty recruiting and retaining police officers and sheriff's deputies is not a problem unique to Norfolk. Police departments across the country are grappling with the same difficulties. Fewer people are applying to become police officers and sheriff's deputies, and more people are leaving the profession, often after only a few years on the job. There is no easy solution for improving recruiting and retention efforts, but competitive pay is certainly important. This budget seeks to mitigate pay concerns for these recruits.

I am recommending that the Police Officer rank be regraded up one grade in the public safety pay plan. This adjustment, plus the three percent increase in all pay ranges across the city, will result in an average salary increase for Police Officers of eight percent. More importantly, this action will move Norfolk Police Officer pay from lower than average to the highest among regional cities, about \$5,400 more than Virginia Beach – the current top payer.

Comparison of Proposed Norfolk Police Office Pay to Neighboring Cities Data as of 2/19

City	Position	Min	Mid	Max
Virginia Beach	Police Officer 1	\$45,448	\$56,025	\$66,602
Chesapeake	Police Officer	\$44,326	\$55,693	\$69,058
Hampton	Police Officer	\$43,297	\$48,490	\$73,683
Newport News	Police Officer	\$44,719	\$58,871	\$73,023
Average (w/o Norfolk)	Police Officer	\$44,448	\$54,770	\$70,591
Norfolk Current	Police Officer	\$43,500	\$53,942	\$64,384
Norfolk Proposed	Police Officer	\$50,835	\$63,038	\$75,240
Norfolk Proposed vs Average		\$6,388		
Norfolk Proposed vs Next Highest (VB)		\$5,387		

I am also recommending implementation of year three of a four year compensation strategy to make Norfolk Sheriff's Deputy pay regionally competitive. Sheriff Baron and his deputies have been tremendous partners throughout the pandemic and have been on the front lines in the fight against COVID-19. It is important that we continue to appropriately value their work.

Healthcare and Retirement

City healthcare premiums will increase by 6.6 percent in December 2022. This budget funds the entire cost of that increase so that employees will see no additional costs or deductions from their pay. This results in employees seeing the entire three percent salary increase make its way into their paychecks.

The city is exploring transitioning new general and public safety employees to the Virginia Retirement System (VRS) and closing the Norfolk Employees Retirement System (NERS) to new employees. The first budget worksession this year will include a discussion on the impact of this potential transition.

Council Priorities: Recreation and Library Operations

One of the most difficult actions Council took in last year's budget was to close many of the city's recreation and library facilities. That was both a financial and a public health decision. Currently eight recreation facilities and six libraries are open. As the public health concerns around the pandemic begin to wane, a plan to reopen additional facilities has been a primary topic of discussion for City Council. Funds are not available to open all facilities for their regular hours. The budget does provide funds to:

- Open the new Richard Tucker Library when construction is complete this summer,
- Expand Aquatics and Athletics operations,
- Increase hours at the Slover Library, and
- Open additional recreation and library facilities.

We will work with Council to develop a reopening strategy for the adopted budget.

Council Priorities: Support for our Youth

The COVID-19 Pandemic has been especially difficult for kids. The social, emotional, and academic impact that has resulted from enforced isolation will likely have long-term repercussions and we will need more than a vaccine to address the fallout. That is why it is incredibly important, as the pandemic begins to wind down, that our kids have access to safe and nurturing programming that builds confidence and character.

The budget supports that goal with \$500,000 allocated to provide such programming this summer. I am aware that the summer does not start on July 1 even if the budget does. As a result, I have instructed staff to design and implement this programming beginning in June.

The public health environment will not allow for a NEL program to be run this summer. However, in recognition of this program's importance, the budget provides funding that will allow a full Norfolk Emerging Leaders (NEL) program to return next summer.

Council Priorities: Beautification

City Council has long discussed beautification as a priority especially in public rights of way, along our commercial corridors, and in city entrance ways. This budget makes a substantial investment across several programs that will make a real difference in the appearance of the city.

Enhancements include 17 new positions and more than \$2.1 million in funding in the following areas:

- Landscape maintenance in the St. Paul's and Ohio Creek areas,
- Funds for quick and effective median fencing repair and replacement,
- Funds for median beautification,
- Operating funds of \$1 million to enhance street resurfacing and begin the process of returning to a 20-year repaving cycle, and
- Three new crews dedicated every working day to identifying and mitigating litter around the city.

These beautification efforts are an example of the theme of realignment that is a through line in this budget. This budget provides the level of resources needed to make these programs a success.

Council Priorities: Affordable Housing and Community Development

The theme of realignment plays a large role in the investments this budget makes in Affordable Housing and Community Development. The city's recent past has seen us develop terrific neighborhood programming – Strengthening Neighborhoods and Renovate Norfolk for example – but without any additional resources to

implement the programs. This strategy produced the inevitable results – the programs were unable to achieve the expected results.

This budget invests in Affordable Housing and Community Development with the principle of “We will do it well or not at all.” To that end, this budget reconstitutes the Department of Real Estate as the Department of Housing and Community Development (DHCD). This department will see the creation of nine new positions and the consolidation of existing community development resources to build the capacity to deliver neighborhood services effectively. The department’s work will focus on:

- Developing strong, healthy, vibrant neighborhoods,
- The acquisition and disposition of residential real estate including developing an auction process for GEM lots,
- Creating and preserving affordable housing,
- Promoting stable homeownership, and
- Reprioritizing our HUD entitlement grants to community development initiatives.

Along with the changes to DHCD the budget also sees the Department of Neighborhood Development renamed the Department of Neighborhood Services to better align with the work it does. Neighborhood Services will see its code enforcement program enhanced with the addition of four new Code Specialists.

St. Paul’s Transformation will also see the addition of two new positions to enhance outreach and develop community partnerships. These positions will add capacity to the largest project the city is currently undertaking and work to build relationships that will yield grant and donor funding in the future.

The budget also enhances our Diversity, Equity, and Inclusion program to help improve economic opportunities for our residents with the addition of a new position. This position will focus on implementing the city’s Economic Inclusion Plan and inclusive procurement efforts.

Council Priorities: Streamline Development Services

The speed at which the city processes development services applications is crucial to our ability to grow the tax base, diversify our economy, and develop new, good paying jobs. Consequently, it is a consistent concern and priority for City Council. This budget takes meaningful steps to improve the process and the speed that applications are processed.

The budget creates a permanent Business Concierge position to help business owners quickly navigate the city’s development processes and help dislodge applications that may have become stuck in the city’s bureaucracy. City Planning will also see the addition of two new positions for comprehensive planning and zoning that will help work move through the system more quickly.

Enhancing Services and Increasing Organizational Effectiveness

Beyond the enhanced funding for City Council priorities outlined above, we looked across the organization for opportunities to strategically enhance services where:

- A critical need was identified, or
- Our current service level could be substantially improved with additional capacity.

Examples are included below:

Enhanced Services to meet a Critical Need

- Funds for the Fire Department to add Emergency Medical Transport personnel to staff an additional medic to ensure response times are not impacted by the closure of DePaul Hospital,
- Funds to create a City Security Officer position in the City Manager's Office to provide strategic oversight of security protocols processes in city facilities,
- Enhanced customer service for special event and weekend parking to ensure customers experience friendly and efficient parking operations,
- Funds to continue the provision of telemedicine and remote client service that has been very effective for the Community Services Board over the past year, and
- Funds to continue the public WiFi services that were initiated using CARES funds last year. While this is not a new service, it does ensure that this popular program continues going forward.

Enhancing Organizational Capacity

Several programs across the city need additional capacity to provide the level of service I expect. The budget allocates enhanced funding to:

- Cemetery Management,
- Finance - Debt and Cash Management,
- Information Technology – GIS Mapping and Network Security,
- Human Resources – Absence Management,
- Zoo Operations,
- Budget Office – Program Evaluation, and
- General Services – Animal Health and Welfare.

Information Technology and Fleet Vehicles and Equipment

In FY 2019, City Council implemented a real estate tax increase – a portion of which went to address growing backlogs in our IT infrastructure and Fleet Vehicles and Equipment. This investment has continued in every budget since, and this year is no different. This budget allocates more than \$14 million for IT and Fleet with all but \$3 million supported with cash.

It is worth noting that as the pandemic began to take hold in March of last year most office work quickly and effectively transitioned to working remotely. Without the investment that Council made a few years prior, our reality would have been very different. The VPN technology that the city was able to use so effectively was built using the technology funding from the FY 2019 tax increase.

Remote work success

I expect the organization's transition to remote work will permanently change the way we do business in many areas across the city. IT acted quickly to shift more than 800 employees to remote work and created solutions that allowed Norfolk Cares Center and Human Services staff to answer calls from home. This shift was crucial as staff in the call center and for benefit programs including SNAP (Supplemental Nutrition Assistance) responded to a record number of requests from residents.

Other departments leveraged the shift to remote work to enhance service to residents. The Community Services Board served vulnerable residents with telehealth psychiatry services. The Norfolk Animal Care Center

introduced pets to families with virtual visits. Libraries, recreation centers and cultural partners offered virtual events. Electronic permitting and signatures streamlined and improved processing of key documents.

Not all city services transition effectively to a remote work environment, but we did find that many services function more effectively remotely or offer ancillary benefits to the city. These benefits include cost savings and reduced office space requirements and reduced employee travel time and advantages for employees with physical disabilities. One notable instance of remote work success occurred in the Department of Human Services. When the lease to the Workforce Development Center building came to an end, nearly all 175 Benefit Programs Specialists shifted to working remote and flexible schedules. This has resulted in higher productivity and increased client satisfaction. Thanks to this change, eligible residents can complete their benefit intake over the phone on evenings or weekends, and do not have to lose valuable working hours to attend in-person interviews. Shifting to a remote work strategy also means that no additional space was needed. This resulted in a savings of more than \$700,000 annually that we were able to reinvest in city services this year.

Program Catalog

The annual budget is one the most important policy documents shared with residents and the public. The information is often dense and sometimes difficult to translate into stakeholder impact. Since FY 2019 city staff has been working to change that. The goal is to develop a public budget document that clearly communicates what programs are offered to our stakeholders: residents, visitors, business, and city agencies; and the resources it takes to provide the service. A program is simply a set of related tasks intended to produce a desired result for stakeholders, for example, *Street Repairs and Maintenance*. The culmination of this effort resulted in a Proposed FY 2022 Budget that is program-based.

This year, for the first time, the city will publish its catalog of programs as a supplement to the formal budget document. This catalog will show the resources that are allocated to each program in the current fiscal year (FY 2021), the change in resources required to maintain the same level of service for that program in the upcoming fiscal year (FY 2022), and proposed service level enhancements for FY 2022. In addition to financial resource allocation, each program is assigned a service objective and service-level classification. We identified seven service objectives that inform how city funds are allocated across different types of services that broadly capture our role as a local government. Service-level classification strives for consistency and simplicity when communicating what level of service can be expected from a program. With finite resources, we want to be transparent about those programs that have the capacity to meet service-level demand and those that do not. The program-based budget will be published in early April to assist with Council deliberations.

Capital Budget (CIP) Overview

This year's CIP primarily funds maintenance to existing city facilities and infrastructure with the addition of a few strategic projects that leverage non-city support. The FY 2022 General Capital CIP has increased by \$40.4 million over planned while the FY 2022 - FY 2026 has increased by \$47 million. The major driver of the FY 2022 increase is the \$17.7M of NPS surplus funds that will increase the School Maintenance CIP project. The other additional funds go to support either new maintenance projects that have been identified as critical needs, increased funding for existing projects where current funding is insufficient, and the strategic projects that leverage non-city support mentioned above.

Those strategic projects include:

Support Beach Renourishment (\$6.5M)

The project will support renourishment of the beaches between Little Creek Inlet and Willoughby Spit in four locations. The project is occurring in conjunction with the Virginia Port Authority's dredging of the Thimble Shoals Channel and will use the sand from that project resulting in a savings of roughly \$8.5 million, with an additional \$6.5 million in savings possible if the Army Corp allows us to use this project funding as match for the larger beach renourishment project planned for the future.

Construct Regional Fiber Ring (\$5M)

The project will connect Southside cities' municipal networks to create a reliable and cost-effective network that will deliver high-speed data and support future development around the delivery of information and technological advancements.

Construct Park along East Water Street (\$500K)

The project will meet environmental remediation requirements and include storm water features, trees, and other plantings. Streetscaping will improve portions of the Elizabeth River Trail and parking. The \$1 million project will leverage a \$500K Virginia Department of Environmental Quality (DEQ) grant.

New Projects

Project	Funding	
	First Year	Total
Support Blue-Greenway Amenities in St. Paul's	FY 2022	\$5,000,000
Design Combo Rec/Library Facility on NFWC footprint	FY 2022	\$4,000,000
Support Major Demolitions	FY 2022	\$3,000,000
Improve 13th View Boat Ramp	FY 2022	\$900,000
Repair Shore Dr. Bridge over Little Creek	FY 2023	\$1,000,000
Rehab Berkley Ave Bridge	FY 2025	\$6,600,000
Replace Fire Station Nine	FY 2026	\$6,500,000
Total		\$27,000,000

Investing in City Facilities

The budget directs additional funding to city facility maintenance with increased funding for the Maintain Municipal Facilities CIP project - \$22 million over five years – and long-term commitments to fund the Chrysler Museum and Nauticus Capital Campaigns. I am recommending a commitment of \$15 million over ten years beginning in FY 2023 to support the Chrysler Museum Capital Campaign and \$7.5 million over six years to support the Nauticus Capital Campaign.

Resilience Funding

The Budget also continues our commitment to fund resilience projects across the city. We recently converted the Storm Water Fund to an enterprise fund which allowed us to make and plan significant new investment in neighborhood resilience projects. This CIP includes \$42.3 million in resilience projects in FY 2022 and nearly \$117 million over the next five years. This includes \$7.6 million for neighborhood drainage projects in FY 2022 and more than \$35 million over the next five years in the East Ocean View, Overbrook/Coleman Place, Talbot Hall, Glenwood, Park Place, and Glenrock Neighborhoods.

Looking Forward

As the COVID-19 Pandemic comes to an end we begin to look to the future and the opportunities and challenges on the horizon. The public health uncertainty associated with the pandemic will hopefully be in our rear-view mirror soon. However, the pandemic will potentially have longer term impacts for Norfolk.

- The future of work and the impact to downtown commercial office space now that remote work has become a mostly effective and standard procedure for many office workers.
- The resulting impact on our parking operations – Norfolk is the owner of one of the largest municipal parking operations in the country and if the nature of office work changes, so will the demand and value of downtown parking.
- Finally, the accelerating decline of traditional retail. This is a trend that was in full swing prior to the pandemic but may have seen its pace quickened as customers turned to Amazon and other online retailers more and more over the last year.

On the other hand, we have substantial good economic news on the horizon.

- We expect to receive nearly \$150 million in federal stimulus associated with the American Rescue Plan Act (ARPA) with the first installment likely arriving before the end of the year. We have yet to receive any guidance from the administration as to eligible uses for the funds, but we expect this information shortly.
- The resort and Casino are expected to come online in the next few years which I expect to be the single largest economic development revenue generator in Norfolk's recent history, and
- We continue the process of kickstarting the redevelopment of the Military Circle area. This area of the city sits on high ground at the transportation nexus of the Southside of Hampton Roads. This project represents a massive opportunity to diversify the city's economy and build a true mid-town in Norfolk.

In summary, the budget before you begins the city's recovery from the COVID-19 pandemic and starts the process of realigning city services to ensure we have the capacity to deliver important services effectively. The budget funds City Council priorities, other critical service enhancements, and adds needed capacity to the organization to make sure we can meet the expectations of our residents and other stakeholders.

A special thanks to my Senior Executive Team of Deputy City Managers and Department Heads who played an important role in building this budget. I believe is the foundation of our recovery. I would also like to thank the Department of Budget and Strategic Planning for their tireless work throughout the last year.

I look forward to discussing this budget with you over the next six weeks.

Sincerely,



Dr. Larry H. Filer, II
City Manager