

## MEMORANDUM

TO: Norfolk City Council

FROM: Dr. Larry H. Filer II, City Manager

SUBJECT: FY 2023 Budget Reconciliation

DATE: May 6, 2022

The last two years have tested our resilience. We have worked tirelessly to make it through the pandemic. Our financial recovery is complete; revenues are now above our pre-COVID estimates. However, revenue recovery alone is not enough to ensure success as we transition into post-COVID operations. The Proposed FY 2023 Budget was developed to prepare us to thrive after the pandemic. It continues the expansion of key services and provides city agencies with tools and resources to effectively operationalize the plan. With this budget we are charting a long-range plan for prosperity.

Highlights of the proposed budget include:

- No tax or fee increases (except for automatic increases)
- Five percent general wage increase for all employees
- Increase in city minimum wage:
  - \$18/Hour for permanent employees
  - \$15/Hour for temporary employees
- \$8.8M and 85 FTEs to enhance direct services to residents
- \$4.8M and 23 FTEs to improve organizational effectiveness
- \$10.6M increase in local contribution to Norfolk Public Schools
- \$9.6M to purchase 104 vehicles /pieces of equipment
- \$4.0M to improve hardware and software systems
- \$70M in matching funds for Downtown Floodwall project
- \$50M in FY 2025 for a New Norfolk Fitness and Wellness Center
- \$27.5M to fund ARPA Neighborhood Projects in the CIP
- \$55M more than planned for maintenance of city infrastructure

City Council has made meaningful and important amendments to the Proposed FY 2023 Operating and Capital Budgets. These amendments will strengthen our public safety and make unprecedented investments in school construction. This memo details City Council's budget amendments and other technical adjustments to the proposed budget.

### **General Fund Operating Budget Amendments**

The following amendments to the Proposed General Fund Operating Budget reflect City Council directives and technical adjustments after proposal:

***Enhancements to Public Safety Pay and Pay Plan: \$2,400,000***

**Provide an additional step increase to all sworn Police, Fire-Rescue, and Sheriff employees**

City Council has made clear that their top FY 2023 budget priority is Public Safety. The Proposed FY 2023 Budget recommended a five percent wage increase for all City of Norfolk Employees – the largest citywide increase in over 20 years. This additional tenure-based step increase will cost \$2.4 million, impact 916 employees, and provide a total salary increase of no less than 7.5 percent for sworn staff with six or more years of service. Most importantly, it will help make sure we keep our most experienced Police Officers, Fire-Fighters, and Sheriff's Deputies on the job in Norfolk.

**Improve Public Safety Pay Plan**

Implement Master Police Officer and Senior Sheriff's Deputy ranks and regrade Fire-Fighter EMT-A and Sheriff's Deputy positions to align with regional peers. As a result of these structural changes, our Police Department will offer the highest police officer starting pay, the highest minimum salaries across all ranks from Police Officer to Assistant Chief and be among the highest in max pay across the same ranks compared to our regional peers. Most importantly, it will allow all officers the opportunity for a promotion into a Master Police Officer position after six years of service.

Starting pay for Fire-Fighters and Sheriff's Deputies will increase from \$43,724 to \$47,073 – a substantial increase that will address regional pay parity concerns. The addition of a Senior Deputy rank in the Sheriff's Office will have a similar result as the Master Police Officer rank mentioned above.

The structural changes to the pay plan will make us extremely competitive as we look to recruit and retain the best possible public safety employees. When combined with the five percent wage increase and the additional tenure-based step increase, the average public safety employee will see a salary increase of nearly 10 percent. Most importantly, these structural changes will not result in an overall increase to the public safety budget. A revision to our public safety personnel funding to align more closely with our current staffing level will fund these actions.

***Increase Department of Law Staffing: \$175,000***

The Proposed FY 2023 Budget included an additional City Attorney I position to work with the new business compliance unit. This action will add a City Attorney II position to help manage our growing workload in real estate transactions, and a Legal Secretary II position to provide staff support for the new attorneys.

***Assess Citywide Tennis Infrastructure: \$100,000***

This action adds one-time funds to assess the state of the tennis infrastructure citywide. At the conclusion of the assessment, staff will develop tiered options for investments in tennis court maintenance and renovations. FY 2022 budget savings will be used to fund this assessment.

***Expand Bank On Program: \$50,000***

Add a full-time Bank On staff position. The Bank On program helps improve the financial stability of unbanked and underbanked Norfolk residents. This action will facilitate increased resident awareness and expand the reach of the program.

***Increase Treasurer's Office Staffing: \$50,000***

This action adds a Deputy II – TR position to the Treasurer’s personnel budget to improve the efficiency and security of the city’s banking and treasury functions. The position would monitor daily payment files, projects, and accounts; analyze and maintain financial statements and schedules; prepare monthly reconciliations and financial statements by monitoring daily cash receipts, auditing cash balances, and preparing various reports and analyses as needed; and contribute to special projects.

***Add Additional Zookeeper Position: \$41,500***

This action will add an additional zookeeper position at the Virginia Zoo. This position will help improve animal welfare and operational efficiency. The Zoo Society has agreed to reduce its annual operating support from the city to fund this additional position.

***Expand PowerUp Program: \$0***

Review current PowerUp program to ensure that current eligibility requirements and discounts provide meaningful improvements to accessibility of city services. At the conclusion of the review, staff will bring recommendations to Council to adjust fees and charges for services where needed. Any reduction to city revenue will be accounted for in next year’s operating budget.

**General Fund Operating Budget Technical Adjustments**

***Create Norfolk Public Schools Operating Contingency: \$2,556,191***

Norfolk Public Schools (NPS) ended its most recent fiscal year (FY 2021) with \$11.2 million in unspent funds. These funds are called “Reversion Funds” as Virginia Law states that all monies left unexpended by school divisions at the end of a fiscal year revert to their localities. The NPS School Board has approved a resolution to request the use of \$2,556,196 of these reversion funds to create an operating contingency in the schools FY 2023 Budget.

***Provide Operating Support to the Elizabeth River Trail Foundation: \$150,000***

The Proposed FY 2023 Budget included \$150,000 in funding for the Elizabeth River Trail (ERT) Foundation for trail maintenance. This funding was incorrectly rolled into an incorrect funding line and, as a result, was not properly displayed in the budget document. This adjustment adds that funding as a new line item for the ERT Foundation in the Outside Agency section of the budget.

***Provide Operating Support to the Norfolk Innovation Corridor: \$50,000***

Operating support intended for the Norfolk Innovation Corridor was omitted from the Proposed Budget. This action adds that funding to a new line item in the Outside Agency section of the budget.

The tables below detail:

- The sources of funds that will be used to fund the amendments and adjustments outlined above, and
- A summary of the amendments and adjustments outlined above by cost and type of expense

<b>Sources of Operating Budget Amendments/Adjustments</b>	<b>One-time Amount</b>	<b>Ongoing Amount</b>
Freeze 20 Police Officer Positions	\$0	\$1,000,000
Transfer DEI grant program to SLFRF Non-Profit Assistance	\$0	\$400,000
Reduce Energy Cost Reserve Funds	\$0	\$300,000
Reduce Service Capacity Reserve	\$0	\$500,000
Increase State Compensation Board Revenue	\$0	\$225,000

Reduce Workers Compensation Funds	\$0	\$450,000
<b>Sources of Operating Budget Amendments/Adjustments (cont'd)</b>	<b>One-time Amount</b>	<b>Ongoing Amount</b>
Reduce Zoo Society Operating Support Grant	\$0	\$41,500
NPS Reversion Funds	\$2,556,191	\$0
FY 2022 Budget Savings	\$100,000	\$0
<b>Totals</b>	<b>\$2,656,191</b>	<b>\$2,916,500</b>

<b>Uses of Operating Budget Amendments/Adjustments</b>	<b>One-time Amount</b>	<b>Ongoing Amount</b>
Enhance public safety pay	\$0	\$2,400,000
Increase Department of Law staffing	\$0	\$175,000
Assess citywide tennis infrastructure	\$100,000	\$0
Expand Bank On program	\$0	\$50,000
Increase Treasurer's Office staffing	\$0	\$50,000
Add Zookeeper position	\$0	\$41,500
Create NPS Operating Contingency	\$2,556,191	\$0
Provide operating support to the ERT Foundation	\$0	\$150,000
Provide operating support to the Norfolk Innovation Corridor	\$0	\$50,000
<b>Totals</b>	<b>\$2,656,191</b>	<b>\$2,916,500</b>

### **Capital Improvement Plan (CIP) Amendments**

The General Capital CIP amendments are primarily related to the city's new \$750 million school construction initiative. Funds to design and construct a new Maury High School and a new Norview Elementary School are included in the five-year CIP. The CIP also includes \$40 million to renovate Booker T. Washington High School, funded primarily with previously appropriated federal recovery funds. The projects and sources of funding are outlined below.

#### ***Construct Maury High School: \$150,000,000***

New CIP project as part of the city's \$750 million school construction initiative. Provides \$10 million in design funds in FY 2023 and an additional \$140 million in construction funds in FY 2025.

#### ***Renovate Booker T. Washington High School: \$40,000,000***

New CIP project to fund major renovations at Booker T. Washington High School. NPS has already programmed nearly \$22 million in the coming year for major systems renovations. Funding will support upgrades to roofs, HVAC, doors, windows, and restrooms. Total estimated funding is provided in FY 2023 and supported primarily with previously appropriated federal recovery funds.

#### ***Construct Norview Elementary School: \$37,500,000***

New CIP project as part of the city's \$750 million school construction initiative. Provides \$37.5 million in FY 2026 to design and construct a new Norview Elementary School.

#### ***Increase Funding for School Maintenance: \$9,692,185***

Provide an additional \$9.7 million to support major maintenance projects in existing school facilities. Additional funding supported by FY 2021 reversion funds and FY 2021 revenue sharing true-up funding.

#### ***Install Security Cameras at City Parks: \$625,000***

Enhance citywide public safety through the installation of security cameras in three city parks – Northside Park, Barraud Park, and Ocean View Park. FY 2022 budget savings will be used to support this action.

### **Acquire Tree Watering Truck: \$125,000**

Provide funds to purchase a tree watering truck. This truck will enable the city to properly water newly planted trees. FY 2022 budget savings will be used to support this action.

<b>Sources of CIP Amendment Funds</b>	<b>FY 2023 - FY 2027</b>
City Debt from School Construction Program	\$155,410,000
Previously appropriated NPS federal recovery funds	\$40,000,000
FY 2022 - FY 2026 NPS Reversion Funds	\$15,000,000
Casino - Sale of Land	\$10,000,000
FY 2021 Reversion Funds	\$8,644,000
FY 2021 NPS Local Revenue Allocation True-up Funds	\$8,138,185
FY 2022 Budget Savings	\$750,000
<b>Total</b>	<b>\$237,942,185</b>

<b>Uses of CIP Amendment Funds</b>	<b>FY 2023 - FY 2027</b>
Construct Maury High School	\$150,000,000
Renovate Booker T. Washington High School	\$40,000,000
Construct Norview Elementary School	\$37,500,000
Increase Funding for School Maintenance	\$9,692,185
Install Security Cameras at City Parks	\$625,000
Acquire Tree Watering Truck	\$125,000
<b>Total</b>	<b>\$237,942,185</b>

### ***FY 2023 - FY 2027 CIP Amendments***

<b>Project</b>	<b>FY 2023 Adopted</b>	<b>←-----Planned-----&gt;</b>				<b>Total</b>
		<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	
Construct Maury High School	\$10,000,000	\$0	\$140,000,000	\$0	\$0	\$150,000,000
Renovate Booker T. Washington High School	\$40,000,000	\$0	\$0	\$0	\$0	\$40,000,000
Construct Norview Elementary School	\$0	\$0	\$0	\$37,500,000	\$0	\$37,500,000
Increase Funding for School Maintenance	\$9,692,185	\$0	\$0	\$0	\$0	\$9,692,185
Install Security Cameras at City Parks	\$625,000	\$0	\$0	\$0	\$0	\$625,000
Acquire Tree Watering Truck	\$125,000	\$0	\$0	\$0	\$0	\$125,000
<b>Total</b>	<b>\$60,442,185</b>	<b>\$0</b>	<b>\$140,000,000</b>	<b>\$37,500,000</b>	<b>\$0</b>	<b>\$237,942,185</b>

### **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 2023 Budget.