



FY 2024 Proposed to Adopted Budget Reconciliation

According to the *Code of Virginia §15.2-2503*, the City Manager shall submit a proposed budget to City Council on or before April 1 of each year for the ensuing fiscal year. The City Manager presented the proposed Operating and Capital Improvement budget on March 27, 2023.

The proposed budget is subsequently discussed in City Council work sessions and regular meetings and may result in revisions between the proposed and adopted budget. The overall reconciliation tables below reflect these revisions with revenues and expenditures balanced and decreases shown (in parenthesis). A more in-depth discussion follows.

Summary

General Fund Proposed to Adopted Reconciliation		
General Fund Revenues, Proposed	\$	296,540,381
Fund Balance Reservation	\$	3,600,000
Real Property Tax Revenue Contingency	\$	(3,600,000)
State -- Casino Gaming Revenue	\$	1,505,000
State Shared Expenses	\$	214,356
Investment Income	\$	1,120,000
General Fund Revenues, Ordinance	\$	299,379,737
General Fund Expenditures, Proposed	\$	296,540,381
Non-departmental, Starbase Victory	\$	300,000
Non-departmental, Trans to Health Insurance Fund	\$	500,000
Economic Dev, HR Alliance	\$	115,000
Non-departmental, State Raises	\$	214,356
Non-departmental, General Wage Increase	\$	1,120,000
Parks, Rec and Tourism -- Mowing Contractual	\$	590,000
General Fund Expenditures, Ordinance	\$	299,379,737

Health Insurance Fund Proposed to Adopted Reconciliation		
Health Insurance Fund Revenues, Proposed	\$	18,279,272
Transfer from General Fund	\$	500,000
Health Insurance Fund Revenues, Ordinance	\$	18,779,272
Health Insurance Fund Expenditures, Proposed	\$	18,279,272
Retiree Health Reimbursement Arrangement	\$	500,000
Health Insurance Fund Expenditures, Ordinance	\$	18,779,272

Discussion

One-time 5-cent Real Property Tax Credit

The FY 2024 budget provides a credit to the Real Property Tax rate of 5-cents to address the increase in assessments. An additional ordinance will be presented to Council to make this change. The credit was discussed in City Council meetings, Public Work Sessions and the City Council retreat.

Proposed One-Time Real Property Tax Credit		
	Real Property Tax Rate	One-time Tax Credit
Proposed	\$1.30 per \$100 Value	
For Adoption	\$1.30 per \$100 Value	-\$0.05 per \$100 value

Reassessment Fund Balance Reservation

As the reassessment continues, Real Property Tax (RPT) Revenues may be impacted. Though we feel the land book will support projected RPT receipts, it is possible that it decreases enough that revenues are no longer structurally balanced with expenditures. Designating \$3.6 million for of fund balance as a revenue reserve will address this. However, know that this is a cautious and conservative approach unlikely to be utilized.

Revenue Reserve, General Fund		
	Revenue	Expenditure
Fund Balance Reservation	\$3,600,000	
Real Property Tax Revenue Contingency	\$ (3,600,000)	

Council Priority – STARBASE Victory

STARBASE Victory is a nonprofit founded in the city in 2002 that’s currently funded by donations, Portsmouth public schools and the city. It currently provides supplemental STEM education to all 4th, 5th and 6th graders in Portsmouth Public Schools. This allocation would help start the STARBASE Base Refresh, a five-year plan to extend the program to serve 7th and 8th grade students.

The proposal was discussed at the City Council retreat and will increase the line item by \$300,000. It will be funded by projecting more casino gaming revenue in FY 2024.

Non-Departmental, Civic Orgs		
	Revenue	Expenditure
Civ Orgs, STARBASE Victory		\$ 300,000
Casino Gaming Revenue	\$ 300,000	

Council Priority – Hampton Roads Alliance

The Hampton Roads Alliance is a 13-locality regional partnership providing economic development services to cities. While the Alliance primarily markets the region and its benefits to businesses looking to relocate, it also serves as a forum for regional initiatives and may aid our economic development department in attracting specific interested businesses.

This proposal was discussed at the City Council retreat and will add \$115,000 to the economic development department in the general fund – paying for that by increasing projected casino revenues.

Economic Development		
	Revenue	Expenditure
Civ Orgs, Hampton Roads Alliance		\$ 115,000
Casino Gaming Revenue	\$ 115,000	

Council Priority – Health Reimbursement Arrangements

The retiree health reimbursement agreement is a benefit offered to individuals enrolled in the city’s Supplemental and Fire & Police Retirement Systems. The benefit allows beneficiaries to pay for premiums, deductibles and other expenses not covered by health insurance. The benefit was not included in recent budgets but had been provided at city expense in the past. Staff has roughly estimated this benefit to cost \$500,000, but actual costs will be determined in the implementation process.

This item was discussed at the City Council retreat. It would be funded by increasing the general fund budget and transfer to the health insurance fund by \$500,000, funding the general fund increase with additional casino gaming revenues.

Retiree Health Reimbursement Agreement		
General Fund	Revenue	Expenditure
Trans to Health Insurance Fund		\$ 500,000
Casino Gaming Tax	\$ 500,000	
Health Insurance Fund		
Trans from General Fund	\$ 500,000	
Retiree HRA		\$ 500,000

Staff Recommended – additional 2% salary increase for State Compensation Board employees

Certain employee salaries are primarily funded by the state general assembly through the Virginia Compensation Board; these employees are in the offices of the City Treasurer, Clerk of Circuit Court, Commissioner of the Revenue, Commonwealth’s Attorney and Portsmouth Sheriff. The state compensation board determines pay for those employees by certain staffing metrics and reimburses the city for salary expenses in accordance with those pay determinations.

Staff anticipated a 5% pay increase for employees as determined by the compensation board; however, we have learned of an effort in the general assembly to increase that pay by an additional 2%. This would preauthorize staff to administer the raise should it be passed by the General Assembly.

2% increase for Comp Board Salaries		
	Revenue	Expenditure
Comp Board Officials Salaries		\$ 214,356
State Shared Expenses	\$ 214,356	

Staff Recommended – additional 2% salary increase for city employees

Should the general assembly pass an additional pay increase, staff would administer additional 2% general wage increase for city employees. Funded by investment income as fueled by higher interest rates. This increase to investment income was identified after proposal, due to the relative lag in realizing investment income.

2% increase for City Employees		
	Revenue	Expenditure
Sal - GWI		\$ 1,120,000
Investment Income	\$ 1,120,000	

Staff Recommended – Contractual Mowing

As a result of inflation and additional scope as identified by council action, bids for mowing work have necessitated an additional \$590,000 from the manager’s proposed budget. This is to be paid by increasing projected Casino Gaming Revenue.

Parks, Recreation and Tourism, Parks Division		
	Revenue	Expenditure
Perpectual Care, Mowing Contracts		\$ 590,000
Casino Gaming Revenue	\$ 590,000	