



City of Norfolk

TO: Honorable Council Members

FROM: John H. Sanderlin, Jr., City Auditor

JAS

DATE: November 16, 2017

SUBJECT: Audit of the City Manager Contingency, Public Amenities
and the Land Acquisition/Revolving Funds

Please find attached our final audit report on the City Manager Contingency Fund, Public Amenities Fund and the Land Acquisition/Revolving Fund. Should you have any questions please feel free to contact me at 664-4045.

cc: Douglas Smith, City Manager
Wynter Benda, Chief Deputy City Manager
Catheryn Whitesell, Deputy City Manager

Audit of the City Manager Contingency, Public Amenities and the Land Acquisition/Revolving Funds

November 16, 2017



John H. Sanderlin, Jr.
City Auditor

Audit Team Members

Tammie Dantzler, Deputy City Auditor
Bradford Smith, Deputy City Auditor
Michael Helmke, Assistant City Auditor

November 16, 2017

To the Honorable Council Members
City of Norfolk, VA

Subject: Audit of the City Manager Contingency Fund, Public Amenities Fund and the Land Acquisition/Revolving Fund (Report No. 18-1R)

The attached report contains the results of our audit of the City Manager Contingency Fund, Public Amenities Fund, and the Land Acquisition/Revolving Fund to ascertain the nature of associated revenue, expenditures and transfers as well as the current balances. We appreciate the cooperation and assistance of city staff during the audit.

Respectfully submitted,

John H. Sanderlin, Jr

John H. Sanderlin, Jr., CPA, CIA, CGFM, CFE, CGMA
City Auditor



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Executive Summary

We were requested by City Council on February 14, 2017 to perform a review of the City Manager Contingency Fund, Public Amenities Fund and the Land Acquisition/Revolving Fund to ascertain the nature of associated revenues, expenditures, and budget transfers as well as current balances.¹ Prior to the commencement of the audit on February 17, 2017, the City Manager provided the City Council, at its request, the details for the three funds (Appendix A). Therefore, we established as our overall objective to assess the reliability, reasonableness, and appropriateness of the provided information. We also evaluated how funds were used to ensure consistency with established purposes. We noted the following purposes:

- **City Manager Contingency Fund** - This fund, in accordance with City Code, is used in emergency situations as certified by the city manager and under such rules of procedure as the council shall prescribe.
- **Public Amenities Fund** – This fund is a special revenue fund designated for tourism and visitor destination, improvements to existing cultural and entertainment facilities, and planning and preparation of new venues. The fund historically supported the Capital Improvement Plan (CIP), Tourism Opportunity Program (TOPS), Norfolk Consortium and outside agencies, Norfolk Redevelopment Housing Authority (NRHA), and The Main Hotel and Conference Center. In fiscal year 2003, City Council approved a 1% increase in the meals and lodging tax rate to improve existing public amenities and cultural facilities, plan and prepare for new venues, increase tourism and attract visitors to the City.
- **Land Acquisition/Revolving Fund** – This fund was created in fiscal year 2003 and was initially funded with \$2.5 million from the sale of Stumpy Lake located in Virginia Beach, Virginia. It is used to assemble land that is in the public’s interest and was envisioned to be used primarily for major developments.

At the beginning of our audit, based on documentation obtained from city administration and discussions held, the City Manager Contingency Fund had a balance of \$1.1 million as of January 31, 2017. The fund is appropriated each fiscal year. We also noted that the total fund balance for Public Amenities Fund and Land Acquisition/Revolving Fund balances, as of January 31, 2017 were \$21.1 million and \$5.3 million, respectively.²

During the audit, we focused our attention on the following:

- reliability of the information provided to City Council by the City Manager on February 17, 2017 (Appendix A);

¹ The three funds (City Manager Contingency Fund, Public Amenities Fund and the Land Acquisition/Revolving Fund) are not considered funds for financial reporting purposes. However, the Public Amenities Fund is considered a Special Revenue Fund.

² The City Manager Contingency Fund and the Land Acquisition/Revolving Fund balances were traced to the information obtained from the City Manager (Appendix A), and reconciled to the city’s financial accounting system, AMS. We could not trace the Public Amenities Fund information received from the City Manager, however, we reviewed AMS reports, and discussed our recalculation of the fund balance with the Finance Department staff to obtain a more accurate fund balance amount.

- reasonableness and justification of transactions (revenues and expenditures); and
- appropriateness and use of funds in accordance with City Code, ordinances or City Council priorities.

Based on our audit, we found the information the City Manager provided to City Council pertaining to the City Manager Contingency Fund, Public Amenities Fund, and the Land Acquisition/Revolving Fund to be reliable. In addition, transactions processed through the three funds were reasonable, appropriate and consistent with the purpose and intent established by applicable ordinances or City Council priorities. However, we did observe, over the last five fiscal years, a shift in the pattern of spending within the Public Amenities Fund from community sponsored programs and projects to large CIP projects. Also, we found no evidence that previous city managers had provided in writing on a quarterly basis to the City Council contingency fund activities along with a statement of facts constituting the emergency, as required by City Code Section 79.³

We discussed our results and conclusion with Gregory Patrick, Director of Budget and Management, on August 17, 2017. We also provided a copy of our draft report to Wynter Benda, Chief Deputy City Manager, and Catheryn Whitesell, Deputy City Manager, on September 28, 2017. We have included City Management's response as Appendix B of this report. Former Deputy City Auditor Tammie Dantzler, Deputy City Auditor Bradford Smith, and Assistant City Auditor Michael Helmke conducted the audit under the general direction of City Auditor John Sanderlin, Jr.

Background

City management presents an annual financial plan (operating budget) to the City Council, which includes several funds of the City and CIP. Also presented in the annual financial plan is the Housing Urban and Development (HUD) Block Grant Programs. This operating budget also includes several priorities such as the purchase of land for various projects that are in the public interest and support of the mission of the Public Amenities Fund. The Land Acquisition/Revolving Fund is funded through the sale of land and parcels while the Public Amenities Fund receives revenue from the 1.0 percentage point increase in the meals and lodging tax rate. There are also unplanned or emergency events that could occur during the fiscal year and accordingly the budget includes an annual appropriation (City Manager Contingency Fund) from City Council to mitigate the risk associated with unforeseen challenges.

City Manager Contingency Fund

The City Manager Contingency Fund is funded by annual appropriations from City Council and is intended to serve as a financial resource when an emergency occurs. In accordance with Norfolk City Code Section 79:

³ City Code Section 79-Contingent Fund notes annual appropriations are made for a contingent fund to be used by the City Manager for emergency situations. Further, when monies are used from this fund, the City Manager needs to report what was spent to City Council on a quarterly basis.

Provision shall be made in the annual budget and in the annual appropriation ordinance for a reasonable contingent *fund* under the exclusive control of the city manager to be expended for use in the administration of the city's affairs in emergency situations as certified by the city manager and under such rules of procedure therefore as the council shall prescribe. The city manager shall at least once in each quarter report to the council in writing all such emergency payments together with a statement of the facts constituting the emergency in each case.

Public Amenities Fund

The Public Amenities Fund was established to improve existing public amenities and cultural facilities, plan and prepare for new venues, and increase tourism and attract visitors to the City. In fiscal year 2003, City Council approved a one percentage point increase in the meals and lodging tax rate. The revenue generated from the meals and lodging tax increase are accounted for in a special revenue fund. Through the years, the fund supported CIP to enhance visitor attractions and cultural facilities; TOPS to increase tourism and visitors to the city; Norfolk Consortium and outside agencies; NRHA relocation program; and The Main Hotel and Conference Center.

Land Acquisition/Revolving Fund

The Land Acquisition/Revolving Fund was established to be used primarily for major developments. This fund was created in fiscal year 2003 for purchasing land that is in the public's interest. Land acquired and subsequently resold would be credited to the fund creating a perpetual self-sustaining acquisition account. The initial funding of \$2.5 million was obtained from the sale of Stumpy Lake in Virginia Beach, Virginia.

Objective, Scope and Methodology

The overall objective of the audit was to assess the reliability, reasonableness, and appropriateness of the information the City Manager provided to the City Council on February 17, 2017, regarding the City Manager Contingency, Public Amenities, and the Land Acquisition/Revolving Funds (Appendix A). We also evaluated the use of the specified funds to ensure consistency with established purposes and intent.

The audit period covered fiscal years 2010 through 2017. We performed the following to adequately address the audit objective:

- reviewed ordinances to determine the purpose and intent of the funds;
- performed an analysis of the expenditures to ensure they aligned with the intent of the funds;
- discussed budgetary and financial processes with the Director of Budget and Management and the Director of Finance;
- reviewed budget ordinances to ensure budget appropriations for capital improvement projects complied with city code;

- reviewed memoranda and support documentation to verify emergency expenditures of the City Manager Contingency Fund were reasonable, complete, valid and complied with city code;
- reviewed support documentation, public hearing information, applicable ordinances and contracts that supported expenditures for the acquisition and purchase of land;
- coordinated with the external auditors to gain an understanding of any issues they may have discovered in their annual audit of the city's financials;
- communicated with various employees to determine if they were aware of the report the City Manager is required to provide to City Council concerning emergency expenditures; and
- reconciled the information received to the City's financial accounting records and reports (Detailed General Ledger for Revenues, Summary Trial Balance by Fund, Detailed General Ledger for Expenses, etc.).

Based on the work performed, we concluded the data was sufficiently reliable for the purposes of this report.

In addition to the three funds we reviewed, the City Manager's information provided to City Council included financial data for Risk Management. We did not review this data as it was not part of the request from City Council. Also, the Public Amenities Fund balance received from the City Manager did not reconcile to the balance in AMS. Therefore, to adequately review the Public Amenities Fund information provided and assess why there was a difference, we reviewed AMS reports and recalculated the fund balance by using fiscal year 2016 unrestricted and restricted fund balance amounts, revenues and expenditures of the fund, and the accrual accounts receivable posted from July to December of fiscal year 2017. We discussed this recalculation with the Finance Department staff. Finance staff stated there would be a reconciling difference between the Generally Accepted Accounting Principles (GAAP) Basis and the Budget Basis of accounting because the GAAP Basis posts expenditures when incurred and considers encumbrances as opposed to the Budget Basis where expenditures are posted when paid.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objective. We believe that our evidence provides a reasonable basis for the conclusions based on our audit objective.

Conclusion

Overall, we found the information the City Manager provided to the City Council to be reliable, reasonable, and appropriate as related to the City Manager Contingency Fund, Public Amenities Fund, and the Land Acquisition/Revolving Fund. Also, we found associated revenues and expenditures processed through the funds aligned with ordinances or other established purposes.

From our audit, however, we observed a shifting in spending priorities involving the Public Amenities Fund and the lack of reporting expenditures from the City Manager Contingency Fund to City Council. Details of our observations are below.

Public Amenities Fund - A Shifting in Spending Priorities

In most recent years, there was a shift in the projects the Public Amenities fund supported. While in the past outside agencies received funding through the Tourism Opportunity Program (TOPS) grants and the funds provided to Norfolk Consortium, in fiscal years 2015 through 2016 the fund only supported capital improvement projects and the conference center (The Main). We recognize city administration makes recommendations and council set priorities for this fund. However, consideration should be given to the overall impact of withdrawing support from smaller agencies that promote tourism, cultural, arts and entertainment activities in Downtown Norfolk, which directly aligns with the purpose and the intent of establishing the fund.

City Manager Contingency Fund - Reporting to City Council

Per the City Code, Sec. 79 – Contingent Fund, the City Manager is required to report to council on a quarterly basis, all emergency payments from the City Manager Contingency Fund. During our audit, we made several attempts to locate evidence and requested information from City departments to support compliance with this provision of the code, however, we were unsuccessful. Although we did not obtain sufficient documentation that the council was properly informed of the fund activities, the transactions appeared to be in accordance with the code. As such, if a process is not in place to inform City Council of emergency payments from this account, we recommend one be implemented. This will increase accountability and transparency. Lastly, we did not find any rules of procedures established by the council governing the use or monitoring of the contingency funds.

As indicated in Appendix B, management has responded favorable, and plans to implement our recommendations.



MEMORANDUM

TO: City Council

CC TO: City Attorney, City Clerk, Chief Marketing Officer,
Corporate Communications Director, Deputy City Managers

FROM: Douglas L. Smith, Interim City Manager *DL*

SUBJECT: Retreat Follow-up Item: Fund Balances

DATE: February 17, 2017

The fund balance information requested at the City Council Retreat is attached. You have been provided information on the following:

1. Land Acquisition / Revolving Fund
2. Public Amenities Fund
3. Risk Management
4. Operating Contingency Fund

Please contact me if you have any questions.

BALANCE IN THE LAND ACQUISITION/REVOLVING FUND

Balance: The current available balance is approximately \$5.4 million. Information is provided below on the transactions current balance of the fund.

Background: The Strategic Land Acquisition/Revolving Fund is a special revenue fund created in FY 2003 for the purpose of assembling land that is in the public's interest. It was envisioned that the fund would be used primarily for major developments. Land acquired and subsequently resold would be credited to the fund creating a perpetual self-sustaining acquisition fund. For example, proceeds from sale of city-owned land would be deposited in the fund and be used at a later date for land purchases related to future development. By virtue of being a revolving fund, this fund represents a dynamic process whereby land is both sold and acquired throughout the year. The initial funding of \$2.5 million was obtained from the sale of Stumpy Lake. Proceeds from GEM lot sales will be credited to the fund based on the Mayor's direction during the March 2016 City Council meeting. There is no maximum cap on the fund's balance.

Table 1: Land Acquisition/Revolving Fund: Balance and Transactions Since Inception

Balance (Includes transactions through FY 2016)	\$5,617,961
FY 2015 unspent funds designated for Poplar Hall recreation center <i>(not available for other uses)</i>	(\$250,000)
Available Balance	\$5,367,961
Potential Transactions - Land sales and GEM lot sales (see Table 2)	TBD

Land Sales (revenues)		
Fiscal Year	Property Sold/Description of Transaction	Amount
FY 2016	Berkley Lumber Yard	\$2,400,000
FY 2015	Transfer from General Fund unspent amount designated for Poplar Hall recreation center	\$250,000
FY 2014	912-944 W. 21st Street for Ghent Station project (net proceeds)	\$250,000
FY 2013	1600 Monticello Avenue to Chick-Fil-A	\$800,000
FY 2010	Property around Lake Lawson	\$2,860,000
FY 2008	Property on Central Business Park Drive	\$26,900
FY 2008	Lot 56 (Kotarides project - Belmont apartments)	\$1,100,000
FY 2008	Brambleton/Boush property for Residence Inn project	\$399,711
FY 2008	Property adjacent to Orapax Restaurant	\$57,987
FY 2007	Proceeds from street closures	\$844,256
FY 2006	Lake Smith Fishing Station	\$1,406,000
FY 2006	Pritchard Street site (Black Hawk Industries regional headquarters)	\$1,327,087
FY 2006	Sale of property to USAA	\$284,851
FY 2006	Sale of property on USAA Drive to Hotel LLC (new Hampton Inn)	\$62,900
FY 2006	Walmer Ave/Robin Hood Road (lease with option to purchase)	\$216,800
FY 2006	Property for Rotunda Building project	\$496,209
FY 2006	Tazewell lot for Harbor Heights project	\$500,000
FY 2005	Norfolk Public Health Center	\$2,732,764
FY 2005	St. Paul's Place property	\$689,000
FY 2005	Norfolk Community Hospital	\$2,168,400
FY 2003	Portion of proceeds of Stumpy Lake sale (Land Acquisition Fund beginning balance)	\$2,500,000
Subtotal - Land Sales (revenues)		\$21,372,865

Land Purchase (expenditures)		
Fiscal Year	Property Purchased/Description of Expenditure	Amount
FY 2015	Transfer to CIP for Norfolk Public Schools maintenance and Granby Track improvements	(\$300,000)
FY 2014	Transfer to CIP for Ocean View roadway and neighborhood improvements	(\$800,000)
FY 2013	800 E. Ocean View Ave.	(\$500,000)
FY 2011	Clark Settlement	(\$1,003,250)
FY 2011	Transfer to the General Fund (part of the Approved FY 2011 Budget)	(\$308,000)
FY 2009	134 West Olney Road (Tidewater Ballet Association)	(\$522,800)
FY 2008	Former St. Mary's Infant Home property (partial payment)	(\$1,000,000)
FY 2008	Seaboard Building	(\$1,228,000)
FY 2008	Ballard property (Fort Norfolk Plaza project)	(\$1,400,000)
FY 2007	2601 Hampton Blvd. (former tire store)	(\$202,880)
FY 2007	1600 Monticello Ave. (Union Mission)	(\$2,054,076)
FY 2007	555 Fenchurch Road	(\$1,380,108)
FY 2007	Option to Purchase Agreement (Baywatch Associates LLC)	(\$100,150)
FY 2007	620 East Olney Road (former "Let Us Produce" site)	(\$1,490,000)
FY 2006	Transfer to CIP to support purchase of blighted property (Project Oasis)	(\$1,000,000)
FY 2004	Peck Iron and Metal Co. property (east of Harbor Park/south side of Park Ave.)	(\$298,000)
FY 2004	Selden Arcade	(\$1,000,000)
FY 2004	Red Carpet Inn site (purchase price and demolition cost)	(\$1,167,640)
Subtotal - Land Purchase (expenditures)		(\$15,754,904)

Table 2: City Council Approved GEM Property Sales Since March 1, 2016

GEM Property Address	Buyer	Ordinance #	Assessed Value (noted in ordinance)	Sale Price
1400 Marsh St.	Jay Investment Corporation	46310 (adopted 4/12/2016)	\$36,600	\$36,600
1409 Wilson Rd.	DPT Construction, LLC	46338 (adopted 4/12/2016)	\$19,100	\$19,100
606 Maltby St.	Gethsemane Community Fellowship Baptist Church	46339 (adopted 4/12/2016)	\$7,500	\$7,500
985 Parish Rd.	Jay Investment Corporation	46340 (adopted 4/26/2016)	\$52,500	\$52,500
1301-1303 Wilson Rd.	DPT Construction, LLC	46456 (adopted 6/28/2016)	\$22,400	\$22,400
2600-2604 Campbell Ave.	Balance Builders, Inc	46457 (adopted 6/28/2016)	\$21,000	\$21,000
TOTAL			\$159,100	\$159,100

Note: The amounts above represent gross revenues based on the sale price of the property. No deductions have been made for expenses that will be paid out of the sale proceeds which are not known at this time. Last updated September 2016.

BALANCE IN THE PUBLIC AMENITIES FUND

Balance: The current estimated available balance with FY 2017 budget actions is approximately \$8.8 million. This amount takes into account estimated Conference Center project expenses (see Table 1 below).

Background: In FY 2003, City Council approved a 1.0 percentage point increase in the meals and lodging tax rate from 5.5 percent and 7.0 percent, respectively, to 6.5 percent and 8.0 percent to improve existing public amenities and cultural facilities, to plan and prepare for new venues, and to increase tourism and attract visitors to the city. The revenue generated from the meals and lodging tax increase are accounted for in a special revenue fund ("Public Amenities Fund"). At the time of the fund's inception, a new arena to replace Scope or a conference center or other arts, sports or entertainment venue was under consideration. Until a decision was made, the Administration recommended in the interim other temporary uses for a portion of the funds and escrowing the remainder for the major facility. The accrued escrow has been set aside to support the Conference Center project and debt service.

Historically, the fund supported: (1) Capital Improvement Plan (CIP) to enhance visitor attractions and cultural facilities; (2) Tourism Opportunity Program (TOPS) challenge grants to increase tourism and visitors to the city; (3) Norfolk Consortium and outside agencies; (4) Norfolk Redevelopment Housing Authority (NRHA) relocation; and (5) The Main Hotel and Conference Center. In FY 2017, the fund begins to support the five-year Property Improvement Plan (PIP) commitment for the Marriott Hotel Waterside Convention Center and provide ongoing support to the General Fund for the Norfolk Consortium. The FY 2017 budget continues its support of the goals established for the fund.

Table 1: Public Amenities Fund Revenue and Expenditure (estimated through FY 2022)


	FY 2003-FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Year-to-date	Budget	Estimate	Estimate	Estimate	Estimate	Estimate
Revenue (see below for carryforwards)							
Meals and Hotel Tax	73,653,599	6,335,000	6,709,000	6,832,000	6,970,000	7,107,000	7,245,000
Sales tax recapture		30,000	77,000	81,000	83,000	87,000	89,000
Total Revenues	73,653,599	6,365,000	6,786,000	6,913,000	7,053,000	7,194,000	7,334,000
CIP return of funds (transfer back from CIP)	7,500,000	0	0	0	0	0	0
Revenues with transfer from CIP	81,153,599	6,365,000	6,786,000	6,913,000	7,053,000	7,194,000	7,334,000
Expenditures							
CIP: Cultural Facilities projects	21,443,919	3,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
CIP: Conference Center project	14,400,000	0	0	0	0	0	0
Waterside Convention Center PIP	0	583,333	583,333	583,334	0	0	0
Conference Center debt service (estimated)	5,377,559	1,677,717	3,381,960	3,524,639	4,382,695	4,254,562	4,163,322
Conference Center Hotel construction grant	10,000,000	0	0	0	0	0	0
Outside Agencies/Norfolk Consortium/TOPS	9,084,808	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
NRHA relocation/boutique hotel	1,000,000	0	0	0	0	0	0
Total Expenditures	61,306,286	7,261,050	6,965,293	7,107,973	7,382,695	7,254,562	7,163,322
Projected Carryforward (use of fund balance)		2,000,000	179,293	194,973	329,695	60,562	0
Annual Surplus/(Shortfall)		1,103,950	0	0	0	0	170,678
Available Balance on June 30*	19,847,313	8,808,278	8,628,985	8,494,012	8,104,317	8,043,755	8,214,433

*Estimates for FY 2017 - FY 2022 accounts for obligations related to the Conference Center project.

THE CITY OF
NORFOLK
OFFICE OF THE CITY MANAGER

MEMORANDUM

TO: City Council

FROM: Sabrina Joy-Hogg, Chief Deputy City Manager 

THROUGH: Douglas L. Smith, Interim City Manager

CC: Deputy City Managers and Brent Kelly

SUBJECT: Status of operating contingency funds

DATE: January 5, 2017

At the last City Council meeting, Councilman Riddick asked for a briefing on the operating contingency account. This memo summarizes the payments made from the account from FY 2008 – FY 2016 (see the attached spreadsheet for details). To date, no funds have been spent from this account in FY 2017.

The operating contingency account is funded by annual appropriations from City Council, and is intended to serve as a financial resource when emergency or unplanned events occur. Funds in the account are viewed as a positive financial characteristic by the credit rating agencies because they include the account as one component of the city's reserve portfolio.

In keeping with good financial practices, the Administration makes every effort to mitigate expenditures from this account. As you will see in the attached spreadsheet, expenditures from FY 2012 to present have been prudently managed and the account has been used sparingly to cover unexpected costs. Since FY 2012, the expenditure of contingency funds averages \$500,000. Alternately, prior to FY 2012, contingency funds were utilized heavily. During that time, the expenditure of contingency funds averaged \$1.6 million.

The frequent use of operating contingency funds between FY 2008 and FY 2011 left very little to be carried forward into future years. Since FY 2013, funds carried forward from this account are classified as on-going and every attempt is made to carry forward at least 70 percent of the funding from each year. The amount of annual funding available to be carried forward from FY 2008 – FY 2011 averaged 24 percent, compared to an average of 74 percent available to be carried forward from FY 2012 to present.

Continuing the judicious use of contingency funds ensures the city is able to manage the financial impact of unavoidable costs now and in the future.

As always, please contact me if you have any questions.

Operating Contingency Funds

Fiscal Year	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Appropriation									
Annual	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000	2,000,000	2,000,000	2,500,000
Expenditures/Transfers									
AAU Junion Olympics - HR Sports Commission								35,000	
Additional funds to cover State Payment								62,621	
Admiral Hockey Team Annual Seasonal Contract								100,000	
Airport Wall Banner and Repair Wall									52,000
Animal Care Center									498,749
Art of Glass 2 Exhibit								34,000	
Asset Valuation Project of HRPDC								20,913	
Attucks Theater (Arts Incubator Program)								20,000	
Audit Fees								99,600	
Azalea Festival								58,000	
Budget Shortfall in Department of Elections									54,000
City Attorney's Office - personnel shortfall		130,930							
City Clerk - Light Rail opening weekend events					50,000				
City Manager - HRPDC SCS contract						28,284			
City Treasurer - real estate delinquency						75,000			
Communications - City Council televised sessions						45,200			
Cultural Facilities for Attucks Theater (insurance & security guards)								58,000	
Development				127,000					
Elections - Democratic Primary Elections - June 9, 2015		35,000							
Federal Liability of audit from Human Services									653,010
Finance - Port Study				20,965					
Goldman Contract for the Bon Secours project								10,000	
Hampton Roads sport Commission								35,100	
Hire Consultant regarding negotiation with Bon Secours									50,000
HRT - GoPass					62,500				
Human Services - CSA match						116,645			
Human Services client software system							150,000		
IT computer resource center funding							159,470		
Major Urban Construction Impact Program (MUCIP)								500,000	
Massive Resistance Project								81,598	
Mayor's grand opening of Town Point Park								25,000	
New Journal and Guide advertisement for Norfolk at your service								20,000	
Norfolk Education Foundation Director's salary and benefits							20,886		
Norfolk Education Foundation Director's salary and benefits							5,669		
Norfolk General District Court									25,000
NRHA Waterside Maintenance Support									325,000
NRHA Waterside operating expense								42,238	
Outside Agencies - Housing First						150,000			
Outside Agencies - VA Arts Festival - parking spaces						25,000			
Overage in the Office of Real Estate Contractual Account								15,000	
Overages in Real Estate Management									20,000
Planning - demolition of properties						150,000			
Planning - nuisance abatement and demolition					200,000				
Planning - San Antonio Blvd property					170,000				
Refund to Miller Oil Company	782,235								
Reimbursement of Cultural Facilities Co-promotional account								125,000	
Risk Management - Claims - Police Settlement			550,000						
Risk Management - Legal Services - Police Settlement			327,697						
RPOS Mower purchase							51,079		
SCS Contract with HRPDC-Wheelabrator and SPSA Board							2,757		
Security system upgrade for Juvenile Center							215,000		

Operating Contingency Funds

Fiscal Year	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Appropriation									
Annual	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000	2,000,000	2,000,000	2,500,000
Expenditures/Transfers									
Special Emergency Assistance Fund for Spartan Village Residents							15,000		
Summer Youth Program								150,000	
TEMS DEIS Report Invoice							26,480		
TEMS DEIS Report Invoice 2							10,300		
Town Point Park fountain - maintenance					65,000				
Town Point Park Preview Reception							20,320		
Transfer funds to Gilbert Optical via EDA								100,000	
Transfer to cover golf fund shortfall							379,000		
Urban Design Associates services								166,000	
VA Stage Company Art After school Program								15,000	
Virginia Zoo Society Revenue Sharing Contingency									65,298
Waterside shortfall							92,770		
Year end - departmental shortfalls						733,190			
Year end - Golf Fund shortfall						66,000			
Zoo POS System							267,566		
Zoo POS System							16,355		
Zoo Tents							90,000		
Total Expenditures/Transfers	782,235	165,930	877,697	147,965	547,500	1,389,319	1,522,652	1,773,070	1,743,057
Balance	1,167,765	1,784,070	1,072,303	1,802,035	1,402,500	560,681	477,348	226,930	756,943

October 5, 2017

Mr. John H. Sanderlin, Jr.
City Auditor
810 Union Street, Suite 806
Norfolk, Virginia 23510

Subject: Management Response to Audit of the City Manager Contingency Account, Public Amenities Fund, and Land Acquisition/Revolving Account

Thank you and Mr. Smith for the time you took in reviewing these accounts. As you are aware, transparency and accuracy of information to the City Council and to the public are very important to me and your review will help us clarify expectations. Below are management's responses to the Audit's recommendations.

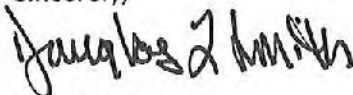
Public Amenities Fund – A Shifting in Spending Priorities

As noted in your report we work with City Council to reflect their priorities in our resource allocation processes. Given that our recovery from the great recession has been slow we have worked with all agencies and departments to adjust funding. We concur with your concern over the shift in funding from "smaller agencies that promote tourism, cultural arts, and entertainment activities" and continue to work with City Council and with the affected agencies during budget deliberations.

City Manager's Contingency Account – Reporting to Council

Management concurs with the findings and recommendation. Management will provide a quarterly report to City Council if funds from this are utilized in the future per City Code, Sec. 79.

Sincerely,

A handwritten signature in black ink that reads "Douglas L. Smith".

Douglas L. Smith
City Manager