

March 22, 2022

**Honorable Mayor and City Council,**

I respectfully submit to you the Proposed Fiscal Year (FY) 2023 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:

<b>Proposed FY 2023 Financial Plan</b>	
<b>Fund</b>	<b>Proposed Budget</b>
General Fund	\$1,005,474,433
Enterprise Funds	\$188,569,726
Special Revenue Funds	\$50,928,594
Internal Service Funds	\$117,374,103
<b>Total Operating Funds</b>	<b>\$1,362,346,856</b>
Capital Improvement Plan	\$239,380,200
<b>Total Operating and Capital Funds</b>	<b>\$1,601,727,056</b>
Annual Plan for HUD Block Grants	\$6,431,703
Annual Grants Plan	\$50,326,212
<b>Total Financial Plan</b>	<b>\$1,658,484,971</b>

This budget proposal marks my third as City Manager. The first was during the opening stages of a global pandemic amid a virtual lockdown of the entire country. Economic conditions appeared ready to coalesce into a financial armageddon for our local tax revenue. I recommended that City Council make substantial budget cuts to limit the painful impact of the pandemic to a single year.

I proposed my second budget a year into a pandemic that no one thought would last more than a few months. City revenues never hit the lows I feared, and the stimulus provided by the feds kept the economy afloat. City Council's tough choices in the prior year set the stage for our recovery. As a result, last year's budget began the process of rebuilding city services and Team Norfolk.

As we set about the rebuilding it became clear that the pandemic's impacts were more widespread and pervasive than it first seemed. The employment environment was rapidly changing and evolving. Recruiting and retention issues began to appear in many of our core services areas as the labor market tightened. As a result, we have reached historically high vacancy levels that continue to hamper our ability to provide services to residents. While last year's budget provided new positions and funding to rebuild city services, market realities have hindered our ability to execute the plan.

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.

**Economic Outlook**

Our local revenue has been more resilient to the impacts of the pandemic than we originally projected. In FY 2021 we ended the year with a revenue surplus driven by strong sales, meals, hotel, and business license tax revenue

In the current fiscal year – FY 2022 – revenues continue to outperform budget. Sales, meals, hotel, and personal property taxes are leading the way. A global shortage of new cars has led to a massive increase in the demand for used cars, pushing prices higher and higher. As a result, we are expecting about \$10M in additional revenue from the car tax this year from increased vehicle assessments. City Council is scheduled to vote on tax relief on March 22<sup>nd</sup> that will give back more than half of this to residents.

FY 2023 revenue projections are projected to exceed our pre-COVID estimates. Real estate assessment growth is projected at 8.6 percent and consumption tax revenues (sales, meals, hotel, admissions) are expected to be strong. This is aided by Patriotic Festival coming online and the return of our traditional festival lineup.

The strong revenue performance will be offset by historically high expenditure growth. Employee recruiting and retention are extremely competitive with a tight labor market pushing costs and expectations higher. We have felt this most acutely in positions that provide “core” government services – Police Officers, Refuse Collectors, Lifeguards, Equipment Operators, etc.

General Inflation combined with pandemic specific expenses have resulted in volatile cost increases. Energy costs are spiking with substantial increases in fuel, natural gas, and electricity – my proposed budget will include more than \$6.5M in cost increases.

**Projected FY 2023 Energy Cost Increase By Type**

Type	General Fund	All Funds
Electricity	\$1,160,565	\$1,494,557
Natural Gas	\$898,255	\$920,180
Gasoline and Diesel	\$1,728,524	\$3,634,047
Energy Cost Reserve	\$500,000	\$500,000
<b>Total</b>	<b>\$4,287,344</b>	<b>\$6,548,784</b>

As we transitioned to a remote work environment during the pandemic, we invested heavily in our IT infrastructure. Much of this investment comes with ongoing maintenance costs that are coming due. We’ve also seen substantial cost escalation in construction costs. General guidance is to assume a 25 percent premium over pre-pandemic construction prices.

Looking at our full five-year forecast (FY 2023 – FY 2027) I anticipate moderate revenue growth to follow this year’s rapid growth. I anticipate we will have recurring structural budget deficits that begin to shrink in FY 2025 and become manageable by FY 2027.

## Five-Year Forecast From Retreat

(in millions)

### General Fund Operating Budget Forecast

Scenario: Baseline

Description	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
On-going Revenue	\$739.5	\$755.1	\$799.8	\$816.7	\$834.8
On-going Expenditures	\$750.8	\$774.2	\$809.2	\$826.4	\$841.2
Structural Surplus/(Deficit)	(\$11.3)	(\$19.1)	(\$9.4)	(\$9.7)	(\$6.4)
Cumulative Surplus/(Deficit)	(\$11.3)	(\$30.4)	(\$39.8)	(\$49.5)	(\$55.9)

\* Use of \$48 million of ARPA funds and \$8 million of FY 2022 surplus can close the structural gap under these assumptions

The most recent federal stimulus program, The American Rescue Plan Act (ARPA), will provide us with more than \$154M in State and Local Recovery Funds. These funds present us with the opportunity to manage our annual structural budget deficits through FY 2027 without having to raise taxes or reduce services. The ARPA Investment Plan I presented to City Council in early March recommends using about \$50M for this purpose.

We will continue to monitor our results and refine this forecast as necessary. However, City Council's decisive action at the outset of the pandemic and strong financial policies have provided the foundation from which we can build a path to a prosperous future.

### Budget Development Guiding Principles

I have worked closely with my Senior Executive Team and department heads to establish the guiding principles that are central to the development of this budget – they are outlined below:

#### ***Fund the right services for today and tomorrow rather than focus on the pre-COVID status quo***

It is tempting to compare staffing levels and businesses processes to a pre-COVID standard. However, this mindset can create a false dilemma that makes it challenging to move beyond the past. With the technology investments we have made, and the lessons learned from the pandemic, we want to build back with strategically aligned personnel. I am confident the additional positions in the FY23 budget reflect strategic personnel enhancements.

#### ***Strengthen our ability to recruit and retain the employees that provide core government services***

The post-Covid employment landscape is dramatically altered. Without substantial investment and modernization, we risk being unable to adequately staff core city services. More on this below.

#### ***Build a leaner more focused government***

Become more efficient in delivering current services. Consider new services only if an unmet need is identified. The FY23 budget contains position and program enhancements designed to further advance Council's goal to deconcentrate poverty and strengthen neighborhoods.

### Budget Overview

The Proposed FY 2023 General Fund Budget is \$1.01 billion – 8.9 percent more than last year. The total operating budget is \$1.36 billion – 7.4 percent more than last year. The total spending plan is more than \$1.66 billion and includes \$239.4 million in Capital Improvement Plan funds, \$6.4 million in HUD entitlement grants, and \$50.3 million in anticipated grant funding.

The budget includes:

- 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

The budget has a structural deficit of \$12.3M. This deficit is funded with a combination of projected FY 2022 budget savings and ARPA funds. The city expects to return close to structural balance by FY 2027. Between now and then additional ARPA funds will be used to offset the anticipated budget deficits.

### Norfolk Public Schools

#### Operating Budget

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, because of the funding formula, the local contribution to NPS is projected to increase by more than \$10.6 million. This increase, along with \$16.7M in increased funding from the state and other sources, results in a 7.1 percent operating budget increase for NPS in FY 2023.



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:

- 4.9 percent increase in the starting pay for teachers from \$47,200 to \$49,500
- 5.8 percent average salary increase for teachers
- 7.5 percent average salary increase for classified employees
- 4.2 percent average salary increase for administrators

Proposed FY 2023 – FY 2027 capital funding for NPS includes \$33M for school maintenance and \$5 million for school buses.

#### ***FY 2023 - FY 2027 Proposed CIP - NPS Projects***

Project Title	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
Address School Major Maintenance	\$9M	\$9M	\$9M	\$3M	\$3M	\$33M
Acquire School Buses	\$1M	\$1M	\$1M	\$1M	\$1M	\$5M

## *Investing in Team Norfolk*

As of early March 2022, we have more than 800 permanent position that are vacant – about 18 percent of our total positions. This includes:

- 183 sworn Police positions
- 56 Maintenance Mechanics/Workers
- 48 Equipment Operators
- 24 Case Managers
- 21 Family Service Workers
- 17 Benefits Program Specialists
- 14 Refuse Collectors
- 13 Lifeguards

Contrast this to early March of 2020, on the eve of the pandemic, when we had roughly 40 more positions overall but only roughly 500 vacancies – 11.8 percent of our total positions. Bottom line – we had 340 more employees providing services to residents than we do today – a 7.7 percent reduction.

The employment market has evolved and competition for employees is fierce. We are feeling the crunch most acutely in positions that provide “core” services. Job seeker expectations are higher than they were two years ago, and those expectations include going beyond higher pay. I am proposing the following actions to modernize our compensation and benefits offerings to put us in a strong position to recruit and retain talent now and into the future.

### **Salary Increase**

I am proposing a **Five Percent General Wage Increase (GWI)** for all positions effective July 2022. Pay range minimums and maximums will increase by two percent for general and constitutional officer employees. The Public Safety Pay Plan will see pay range minimums increased by 2.5 percent and maximums by five percent. This is the largest GWI for city employees in over 20 years.

### **Healthcare**

City of Norfolk employees will see **No Increase in Healthcare Premiums**. The city will pay the entire cost of the six percent premium increase. This is effectively a net wage increase.

### **Minimum Wage**

I am proposing an **\$18/Hour Minimum Wage** for all permanent employees effective January 2023. This is an increase of 43 percent over current living wage of \$12.60/hour. This action will impact 765 positions overall 465 of which are filled and 300 are vacant – a vacancy rate of 39.2 percent, more than twice the city average. Employees in the 465 filled positions will see an average salary increase of 16.8 percent.

I am also recommending an increase in the minimum wage for temporary / seasonal employees from \$11/hour to \$15/hour effective January 2023. This increase will be critical as we respond to seasonal increases in service demand.

### **Paid Family Leave**

I am proposing a new paid family leave policy providing **6 weeks of paid leave** to allow for baby bonding time for both parents and for staff who have special care needs for elderly or other family members. If we want regional employers to offer a benefit like this, we must lead by example.

### **Dependent Care Benefit**

The budget includes a dependent care benefit through *a contribution of up to \$2,500 annually* for employees with qualifying childcare or dependent care expenses. The average cost of childcare in Virginia is nearly \$1,200 a month for an infant and about \$900 a month for a four-year-old. The US Department of Health and Human Services qualifies childcare as affordable if it cost no more than seven percent of a family's income.

This metric means a Virginia family would need to earn more than \$205,000 a year for childcare for an infant to be considered affordable and more than \$154,000 a year for childcare for a four-year-old to be considered affordable. Whether you consider these metrics a good measure of affordability or not the reality is childcare is expensive and a barrier to employment for many, especially women. The pandemic showed that access to affordable childcare is critical to our workforce being able to deliver services effectively.

### **CDL Stipend**

I am recommending a *\$5,000 annual stipend* for employees with a Commercial Driver's License (CDL) in jobs that require it. This action will impact nearly 500 positions - many who provide our most essential core services:

- Refuse Collectors,
- Street Sweepers,
- Equipment operators in Parks and Recreation, Public Works, Utilities,
- and others

Federal guidelines that went into effect last month complicate the path to a CDL for many of our employees. They now require that candidate train with a federally registered training provider rather than relying on on-the-job training. The rule change will make retaining CDL holders more critical than ever as recruiting will become even more competitive.

The Stipend will result in salary increases of between six and 18 percent before GWI or the increased minimum wage. The Stipend plus the GWI and the increased minimum wage could result in our lowest paid CDL holders seeing salary increases of more than 50 percent

### **Other Initiatives:**

I am also proposing additional employee focused initiatives that will modernize our benefits package to bolster our recruiting and retention efforts. These initiatives include:

- Increasing the default employee contribution to 457 Plan from one percent to two percent (employees may opt out if they wish)
- Expanding the Deferred Retirement Option Program (DROP) beyond NPD and NFR to all eligible NERS retirees effective January 2023
- Providing an additional death benefit for active employees of month salary and \$10K of medical bills and,
- Adding two days of "Wellness Leave" for all qualifying employees

This investment in Team Norfolk is critical for our ability to meet demand for quality core government services. Our workforce is what makes Norfolk a vibrant city. This program may not make Norfolk the best paid in the region, but it will make us the employer of choice.

## ***Improving Direct Services to Residents***

I am recommending \$8.8M and 85 FTEs to provide new and expanded services to residents. Some of these actions formalize ongoing funding for initiatives that began in the last year and were funded with grants or budget savings. Others are strategic investments to address identified needs or service gaps. All these actions are forward looking and invest in the right services for today and into the future.

### **Recreation and Library Services**

The proposed budgets for Parks and Recreation, Norfolk Public Libraries (NPL), and the Slover Library are at or near their pre-COVID levels. The FY 2023 budget adds about \$400,000 in Parks and Recreation for additional programming including an increase in the number of NEL intern positions and additional support for outdoor adventure, recreation, and fitness programming.

I have also recommended new funding for additional programming for NPL and Slover Library. The Budget includes \$850,000 of unallocated funds to develop expanded programming and \$100,000 to fund staff for the Park Place Library which opened during FY 2022.

As I have communicated from the beginning of the pandemic the budget was not the limiting factor for Recreation and Library programming. Public health concerns closed facilities early in the pandemic and limited their use as the pandemic continued. As the public health landscape began to improve, staffing challenges continue to slow the expansion of programming.

I am confident the actions included in this budget to address recruiting and retention concerns will mitigate many of our staffing challenges. As a result, the proposed budget includes a Service Capacity Reserve that provides ongoing funding to allow further expansion of recreation and library services when we have the capacity and staffing to do so. This results in a total of \$2.4M in new funding for expanded recreation and library programming

### **Supporting our Most Vulnerable Residents**

It is without question that the pandemic hit our vulnerable populations the hardest. I am recommending \$2.8M and 38 FTEs to support two important initiatives that will provide service and support to these populations.

The first is “*The Center*” Homeless Shelter. The Center opened amid the pandemic to replace the NEST program and has been primarily funded with grant funds to date. The facility provides overnight shelter, day services, and resources and support for resident’s experiencing homelessness. It has a capacity to service 100 adults with a surge capacity of 120 – 150 if necessary. The proposed budget provides \$2.2M and 27 FTEs to continue operations.

The second is \$600,000 and 10 FTEs to enhance the Crisis Intervention Team (CIT) Center and provide 24/7 mobile crisis support services. Mobile crisis support services ensure individuals in a behavioral or mental health crisis are diverted from the criminal justice system to the behavioral health system. The program will provide the right assistance earlier in a crisis to decrease hospitalizations and incarcerations and result in better outcomes for vulnerable populations.

### **Business Compliance Unit**

In this budget I am proposing the addition of \$450,000 and 9 FTEs to create our Business Compliance Unit (BCU). The BCU will ensure consistent enforcement of codes related to compliance with conditional use permit requirements with a primary focus on activities that frequently occur after-hours including nightclubs and late-night entertainment and short-term rental activities.

This unit will be housed in City Planning but will take a multi-disciplinary approach and partner with departments across the city. The end goal is to first use data collection and analysis to identify problems before they erupt and then after-hours enforcement when necessary.

### **Office of Diversity Equity and Inclusion (DEI)**

In the Adopted FY 2020 Budget, City Council created a Diversity and Inclusion Officer position and formalized the beginning of the city's DEI initiative. It has only gathered speed since then. In last year's budget we added additional staff to focus on implementing the city's Economic Inclusion Plan and inclusive procurement efforts.

This budget continues our commitment to these principles with the creation of the Office of Diversity, Equity, and Inclusion. I am recommending \$350,000 and five new FTEs to join our three existing staff in the new Office. This new organization will aggressively pursue two specific objectives:

- **Equity in Action:** Advancing equitable outcomes for Norfolk residents, neighborhoods and businesses through policy recommendations, programming and service delivery offered throughout city departments
- **Minority Business Advancement:** Supporting the start and growth of small, minority and women owned businesses through training, one-on-one business counseling, and increased procurement opportunities.

I am also recommending \$400,000 in annual funding to start an ***Economic Inclusion Grant Program***. This program will further the reach of the Office through financial support for organizations focused on advancing minority and women owned businesses in Norfolk.

The Office will also continue to provide staff support and guidance for the Mayor's Commission on Social Equity and Economic Inclusion and help to further many of the goals included in City Council's Resolution in Support of Closing the Wealth Gap.

### **Other Enhanced Services to Residents**

Beyond the initiatives 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.

The budget includes \$2.4M and 23 FTEs for investments in the following areas:

- |                                                                  |                                           |
|------------------------------------------------------------------|-------------------------------------------|
| • Improved Pavement Markings Maintenance Cycle                   | • Permanent Staffing for Norfolk Works    |
| • Staff to add Medic at Station Six                              | • Additional Seasonal Staff at Nauticus   |
| • Residential Rehab Program                                      | • Additional Norfolk Cares Advisors       |
| • Mowing and Landscaping                                         | • Floodplain Management Software          |
| • Additional Funds for Indigent Healthcare Services through EVMS | • Additional Funds for Street Resurfacing |
|                                                                  | • Improved FOIA Response Times            |

## Improving Organizational Effectiveness

During this year's budget development process, I spent a great deal of time and effort with staff identifying opportunities strategically invest in direct services to residents. I am confident that the initiatives outlined in the previous section will help to move the needle towards a more prosperous future for our residents.

While new or improved resident services may headline the discussion of this budget. It is just as important to look inside the organization and assess our operations and processes. Information Technology (IT) infrastructure, Fleet vehicles and equipment, funding to train staff and develop work plans, and staffing sufficient to effectively keep the gears of government turning efficiently are cornerstones of an effective organization. This budget makes meaningful investments in these areas.

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 nearly \$14 million for IT and Fleet investments all of which will be funded with cash.

### Technology Improvement Program

 Management and Operations Systems	 Cybersecurity, Hardware, Public Wifi	 Public Safety Technology
<ul style="list-style-type: none"><li>• Human Services Purchase of Service System</li><li>• Cemetery Management Software</li><li>• CIP Software</li><li>• eLearning Platform</li><li>• Plan review software</li></ul>	<ul style="list-style-type: none"><li>• Multi-Factor Authentication Appliances</li><li>• Server Upgrades, Network Switches, Timeclocks</li><li>• PublicWifi expansion</li></ul>	<ul style="list-style-type: none"><li>• Body worn cameras and software support suite</li><li>• Sheriff Civil Process software and server upgrades</li><li>• Cloud-based evidence storage</li></ul>

### Investing in Fleet Vehicles and Equipment

<ul style="list-style-type: none"><li>• 28 Police Vehicles</li><li>• 19 Heavy Duty Trucks</li><li>• 15 Vans</li></ul>	<ul style="list-style-type: none"><li>• 14 Pieces of Equipment</li><li>• 12 Pickup Trucks</li><li>• 9 Refuse Trucks</li></ul>	<ul style="list-style-type: none"><li>• 5 SUVs</li><li>• A Fire Pumper Truck</li><li>• A Sedan</li></ul>
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### Enhancing Organizational Capacity and Effectiveness

As part of this year’s budget development process, I asked our department heads to review their operations and processes to identify programs where they lacked the capacity to meet the demands for service. Demand could be regulatory compliance, a best practice, an established performance level, a defined expectation, or the impact on the existing backlog of work. As a result of those conversations, I am recommending \$5.4M of new spending and 23 FTEs across multiple programs to better align our capacity with demand for our services. Areas of investment include:

- |                                      |                                   |                                        |
|--------------------------------------|-----------------------------------|----------------------------------------|
| • Employee Engagement                | • NACC Animal Care Staff          | • Retirement Administration            |
| • Strategic Communications           | • VDOT Program Management         | • Flood Mitigation Investment Planning |
| • Real Estate Auctions               | • Evidence Management             | • Affordable Housing                   |
| • Cash Management                    | • Event Services                  | • Comprehensive Planning               |
| • Collections of Accounts Receivable | • Construction Project Management | • Purchase of Equipment                |
| • Financial System Management        | • Grant Accounting                | • Renovations of Leased Space          |
| • Zookeeping Staff                   | • Network Security                |                                        |

### Capital Budget Overview

The FY23-FY27 Proposed CIP provides much needed funding for neighborhood capital projects and maintenance and repair dollars to improve our existing city facilities and infrastructure.

Capital Improvement Plan (CIP)  
Proposed FY 2023 – FY 2027 (Numbers in Millions)

Fund	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Five-Year Total
General Capital	\$141.0	\$91.7	\$106.9	\$49.1	\$47.0	\$435.6
Parking Facilities	\$22.8	\$5.2	\$3.9	\$3.9	\$3.9	\$39.7
Wastewater Utility	\$17.0	\$18.0	\$18.6	\$18.6	\$18.6	\$90.8
Storm Water Utility	\$23.0	\$17.4	\$15.2	\$12.2	\$15.7	\$83.5
Water Utility	\$35.6	\$33.0	\$33.0	\$33.0	\$33.0	\$167.6
<b>Total</b>	<b>\$239.4</b>	<b>\$165.3</b>	<b>\$177.6</b>	<b>\$116.8</b>	<b>\$118.2</b>	<b>\$817.3</b>

- The Proposed FY 2023 CIP is \$239.4M and increase of \$41.3M over the planned amount.
- The Proposed five-year CIP is \$817.3M, an increase of \$170M over the planned amount

The increases are primarily related to a few main drivers:

#### ARPA Neighborhood Capital Projects funded in the CIP (\$27.5M)

The ARPA Neighborhood Capital Projects that I recommended for funding at the Council Retreat earlier this month are included in the CIP. Funding the projects in the CIP with ARPA as the source of funds simplifies the administration of the projects and makes it easier to track the status of the projects. It also allows residents to find project information in the Budget rather than in a supplemental document they may not know to look for.

#### Matching Funds for the Downtown Floodwall Project (\$70M)

Norfolk was recently awarded \$250M of federal infrastructure funding from the for Phase I of the Coastal Storm Risk Management (CSRМ) project we have developed together with the Army Corp of Engineers. This award is great news. This project will begin to meaningfully address the existential threat that sea level rise poses to the city. However, it does require a substantial grant match – an

estimated \$134M – bringing the total project cost to \$384M. The CIP includes \$35M in FY 2023 and FY 2024 – a total of \$70M as a down payment on the match.

### **Construction of a new Norfolk Fitness and Wellness Center (NFWC) in FY 2025 (\$50M)**

The FY 2022 Budget provided \$4M to design a combination recreation center and library facility on the site of the current NFWC. We recently kicked off the visioning process with residents to better understand community priorities for the facility. This budget includes the construction funding to build the new facility

### **Additional Maintenance of city infrastructure (\$55M)**

The Proposed Budget includes \$25M in additional funding for the maintenance of city facilities and infrastructure. The most cost-effective investment we can make is timely infrastructure maintenance. This budget invests heavily in maintenance for city facilities, bridge infrastructure, parking facilities, improvements to the Scope/Chrysler Hall Complex, and others.

Council will notice that the Capital Plan, especially the FY 2023 General Capital CIP at \$140M, is larger than in recent years. While this true, substantial cash investment in the CIP through ARPA, Budget Savings, SWIFT) will keep our debt levels manageable. As an example, the General Capital program has \$77M (54.7%) in cash in FY 2023 and \$161M (37.0%) planned over five years. This is an unprecedented level of cash investment in our capital program.

### **Chrysler Hall Update**

Last year's CIP included a plan to provide \$55M for the renovation of Chrysler Hall beginning in FY 2023. The FY 2023 – FY 2027 CIP does not include funding for this project. Any discussion of the Chrysler Hall project must start with the understanding that significant investment in building system upgrades and back of the house renovations are necessary to continue to attract top tier shows and performers. That said, timing and circumstances have conspired to make this project difficult to fund. In many ways it is the right project at the wrong time.



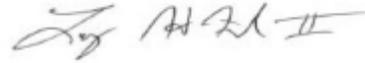
First came our post-COVID pricing update that resulted in significant cost increases. The original renovation project was planned to cost between \$40M - \$50M. Our updated pricing is closer to \$90M. Then came the grant award for the \$384M Downtown Floodwall Project - a \$250M grant that requires a \$134M match. These circumstances forced us to re-think our plans.

We need partners and financial support beyond city debt to move this project forward. I have committed to Council that when we have substantial financial commitments from our philanthropic community, I will recommend funding this project in the CIP again.

The budget before you marks our transition out of the pandemic and makes strategic investments in city services, operations, staff, neighborhoods, and infrastructure. It aligns with our guiding principles – it is forward-looking, will enable us to compete for the staff that provide our core services, and leverages technology and lessons learned from the pandemic to help us function as a leaner more efficient organization. This budget is the foundation from which we are charting a long-range plan for prosperity.

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 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,

A handwritten signature in black ink, appearing to read "Larry H. Filer II". The signature is written in a cursive style with a large initial "L" and "H".

Dr. Larry H. Filer II  
City Manager