

Summary of Financial Goals and Objectives

Beginning in February 1996, in a series of Council retreats pertaining to the City of Portsmouth, the City Council adopted three primary focus areas: Neighborhood Quality, Economic Development, and Fiscal Strength. These three areas serve as the priorities in development of departmental and citywide strategic planning efforts. The goals also serve as the framework for developing the City's annual operating and capital improvement budgets. The budget spending plan has been evaluated utilizing the City's overall broad goals and specifically the City Council's financial objectives. For the Fiscal Strength goal, the following statement was adopted.

To achieve substantial citizenry value, we will operate our community in a fiscally responsible manner balancing services delivered against taxes paid. To meet our financial objectives, we will constantly encourage our government agents to maximize service delivery effectiveness and seek alternative revenue sources.

The specific Fiscal Strength objectives are outlined below, and throughout the FY 2004-05 operating budget development stages, they have been considered.

During the fall 2003 City Council retreat, a citywide financial position analysis was presented. At the retreat, the City Council established three priorities: Public Safety, Education, and Economic Development. In order to reach these long-range objectives, the City Council committed to meeting an 11-point financial strategy. It is designed to ensure long-term sustainability. In the Transmittal Letter, the eleven points are discussed.

How to Read the Document

Reader's Guide to the Budget Document

The budget document's purpose is to provide information, data, and statistics pertaining to the City of Portsmouth's financial plans and operations to its citizens, elected officials, and interested parties.

The budget document is a summary document pertaining to all City government public service programs. For coordinating revenues and expenditures, it is the annual plan. The fiscal year 2005 budget represents the period of July 1, 2004 to June 30, 2005. The FY 2004-2005 expenditures have been appropriated by the City Council.

Section Explanation

Executive Summary:

It is the FY 2004-05 budget overview, which includes budget priorities, financial objectives, significant achievements, highlights, trends and issues.

Budget Overview:

It is information pertaining to the fund structure, the accounting/budget basis, the budget process and budget calendar. It includes operating budget revenue, expenditure, and personnel summaries; moreover there are transfer statements, fund balances, City indebtedness comments and CIP project discussions.

Revenues:

It is a revenue analysis for the general fund.

Expenditures:

It is an expenditure trend discussion of the major expenditure categories.

General Government:

It is a departmental detail pertaining to the general administration of the City.

Nondepartmental:

It is a non-specific functional department detail.

Judicial:

It is a civil and criminal detail pertaining to prosecution and adjudication.

Public Safety:

It is a departmental detail pertaining to citizenry protection.

Public Works:

It is a departmental detail pertaining to maintaining the City's infrastructure.

Public Health and Welfare:

It is a departmental detail pertaining to the health and welfare of the citizenry.

Parks, Recreation and Cultural:

It is a departmental detail pertaining to the City's recreation and cultural.

Community and Economic Development:

It is a departmental detail pertaining to the City's development.

Education:

It is a detail pertaining to Portsmouth's public education system.

How to Read the Document

Capital Improvement Program:

This section is a schedule for the financing and construction of major municipal facilities and infrastructure such as roads, schools, buildings, and water and sewer lines. There is a linkage with Council policies, plans and goals. Details of the FY 2004-05 CIP are included in this section.

Ordinances:

Official budget ordinances are shown here reflecting City Council's formal actions.

Supplementary Information:

This is statistical and comparative data about the City of Portsmouth.

Revenue Category Explanation

General Property Taxes:

These are taxes on real and personal properties. This includes both tangible and intangible property such as vehicles, real estate, and business equipment. Also included in this category are delinquent tax interest and penalties.

Other Local Taxes:

These include approved Commonwealth taxes for use by municipalities to derive and collect revenues. Examples are sales tax, business licenses, vehicle registration fees, cigarette taxes, and lodging.

Utility Taxes:

Utility service taxes paid by citizens. Depending on the utility, the rates vary. This category includes revenue from cable TV, cellular telephone, E-911, electricity, gas, telephone, and water taxes.

State Aid:

Funding received from the Commonwealth of Virginia.

- *State Non-Categorical Aid* includes the municipality's tax share received by the State of Virginia. This would include ABC store profits and vehicle rental taxes.
- *State Categorical Aid – Shared Costs* are contributions to municipalities for Virginia-mandated services. This would include the City Sheriff's Office and the City Treasurer's office.
- *State Other Categorical Aid* includes all other funding received from Virginia (funding for library books and street/highway maintenance).

Other Governments:

Excluding the Commonwealth of Virginia and the Federal Government, this category includes funding from any government.

Federal Direct:

This is Federal Government funding such as FEMA reimbursements.

Charges For Services:

City fees charged to government service users such as recreation fees, court costs, and library fines.

Interest:

Interest received from any investment account.

Recovered Costs:

Expenditure reimbursements incurred by a department.

Fines and Forfeitures:

Court and City Sheriff fees collected for law violations.

How to Read the Document

Licenses And Permits:

Fees charged to obtain a license or permit such as yard sale permits, building inspection fees, and sign permits.

Use Of Property:

Rent charged for use of City property.

Miscellaneous Revenue:

Donations and contributions made to the City.

Payment In Lieu Of Taxes:

Revenue received in lieu of taxes under a contractual agreement.

Operating Transfers In:

This is a money transfer from another City fund.

Expenditure Category Explanation

Salaries:

All full and part-time employee payrolls including overtime and allowances.

Benefits:

City paid contributions for employee fringe benefits. This includes the City's portion of social security for employees, retirement, health, and life insurance plans.

Contractual Services:

Fee or a fixed time contract based services acquired from outside sources.

Materials and Supplies:

Provisions required to operate a department such as printing, stationery and books.

Other Operating Expenses:

These are required operating expenses such as telephone, computer software and travel expenses.

Internal Service Charges and Expenses:

In order to capture the full cost of the specific function, services are provided to departments by other departments at a set rate. These include risk management costs, fleet charges, information technology charges, and healthcare.

Capital Outlay:

These are expenditures, which result in the acquisition of, or addition to, fixed assets.

Debt Service:

These are scheduled annual principal and interest payments for outstanding debt.

Transfers:

Funds transferred between departments.

Relationship Between Budgeting and the Basis of Accounting

Financial Reporting Model and Fund Structure

Financial Reporting Model

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, directs municipal financial information preparation and presentations. For state and municipal government annual financial reports, GASB Statement No. 34 established new requirements and a new reporting model. Statement No. 34's objective was to develop easily understood annual reports and make them more useful to decision makers using governmental financial information.

Even with GASB Statement No. 34, budget methods have not changed substantially, but there have been changes to the underlying fund structure.

Governmental Fund Types

Municipal functions are financed through the use of governmental funds. The municipality's acquisition, use, and balance of expendable financial resources and related liabilities are accounted for through governmental funds. This excludes proprietary funds and similar trust funds.

The municipality budgets the following major governmental funds:

General Fund - The general fund is the municipality's general operating fund. With the exception of financial resources required to be accounted for in another fund, the general fund is used to account for all financial resources.

Capital Projects Fund (Capital Improvement Fund) – With the exception of capital improvements financed by proprietary funds, the capital improvement fund accounts for major capital facility acquisition or construction financial resources.

The City budgets the following minor governmental funds:

Special Revenue Funds - Special revenue funds are used as legally restrictive revenue sources for expenditures having specified purposes.

Capital Projects Fund (Community Development Fund) – Pursuant to the 1974 Housing and Community Development Act, the community development fund is used to implement various capital project programs.

Permanent Fund (Cemetery Fund) – Cemetery fund revenues are derived from the sale of cemetery lots, perpetual care payments, donations and legacies. These funds are designated for the care of cemetery lots. The principal of such funds shall not be expended for any other purpose.

The City budgets the following major proprietary funds:

Enterprise Funds - Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. Upon providing goods or services to the general public on a continual basis, the governing body intent is to recover expenses, including depreciation, through user charges where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has two major enterprise funds: Public Utility Fund and Golf Fund.

Relationship Between Budgeting and the Basis of Accounting

The City budgets the following minor proprietary funds:

Enterprise Fund (Port Facility and Economic Development Fund) – The port facility and economic development fund is used to account for the lease to Universal Maritime of a marine terminal facility and lease-purchase land sale to the Virginia Port Authority.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments, City agencies, or some agencies external to the City on a cost-reimbursement basis. The City has three internal service funds: City Garage Fund, Computer Services Fund and Risk Management and Insurance Fund. The City does not budget for fiduciary fund types.

Fiduciary Fund Types

When the City holds assets in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds, fiduciary funds are used to account for the assets. The City maintains pension trust and agency funds. The Pension Trust Funds account for the City's retirement plan assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve operational measurement results. Fiduciary funds are minor funds and are not included in the government-wide financial statements.

Formulation of the City Manager's Proposed Budget

According to the City Charter, the City Manager is required to prepare and submit to the City Council an annual budget. The annual budget process begins in the fall of the preceding fiscal year. In November, the department heads and the City Manager meet to discuss the upcoming year's priorities. The budget calendar is developed at this time. It establishes the budget development schedule and the formal schedule for City Manager presentations, public work sessions, public hearings, and the budget adoption.

Departmental requests are developed on a "needs" basis and must be related to the organization's program objectives. These requests are received and compiled by the budget staff. When developing proposals, due to revenue constraints, rather than seek additional funding, departments are encouraged to trade or shift expenditures. During the "balancing" effort, the Budget Office provides targeted amounts.

City Manager's Authorization

By City Code, during the course of the fiscal year, provided there is no increase in expense, the City Manager is authorized to effect office consolidations or make other changes for the City's betterment. Also, at any time during the fiscal year, the City Manager may transfer, within the same fund, any unencumbered appropriations less than \$50,000 from one department, project, or purpose to another department, project, or purpose.

Budget Implementation

Once the budget is adopted for the fiscal year, on July 1, it becomes each department's financial legal basis. No department or other City government agency may spend in excess of approved and appropriated amounts. To ensure conformity with the adopted budget, financial and programmatic monitoring of departmental activities occurs throughout the year. Copies of the Adopted Budget can be found in the Library and all City offices. A copy may be obtained from the Department of Finance (budget@portsmouthva.gov), or accessed on the Web at www.portsmouthva.gov.

Amendment of the Budget

As prescribed by Section 15.2-2507 of the Code of Virginia (1997), amendments to the final adopted budget must follow the legal process. Any such amendment which exceeds one percent (1%) of the total revenue shown in the currently adopted budget or the sum of \$500,000, whichever is less, must be preceded with a published notice of a meeting and a public hearing. The newspaper must have a general circulation in the locality and must be circulated seven days prior to the meeting date. The notice must state Portsmouth's intent to amend the budget and include a brief synopsis of the proposed budget amendment. After first providing a public hearing, the amendment may be adopted at the advertised meeting.

Audit

In accordance with Generally Accepted Accounting Principles (GAAP), as set forth in the pronouncement of the Governmental Accounting Standards Board (GASB), the Specifications for Audit of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia, Government Auditing Standards, issued by the Comptroller General of the United States and Audits of States, Local Governments, and Non-Profit Organizations as required by the U. S. Office of Management and Budget Circular A-133, the City's financial records will be audited each year by a firm of independent Certified Public Accountants.

Budget Process

Capital Improvement Program

The Capital Improvement Plan (CIP) adoption, by City Council, coincides with the Annual Operating Budget adoption. The process runs concurrently with the development of the Operating Budget.

Significant Document Changes

There are several changes to the overall FY 2004-05 Budget presentation. The most significant change is the department information presentation. They are now grouped by program areas.

Departments submitted FY 2005 Annual Operating Budget requests, including capital requirements, to the Finance Department.

January 12, 2004

City Manager presented FY 2005 Annual Operating Budget and Capital Improvement Program to City Council

March 29, 2004

Council Work Session FY 2005 Annual Operating Budget and Capital Improvement Program

City Council Work Sessions in April and May of 2004

Public Hearing held on FY 2005 Annual Operating Budget and Capital Improvement Program including Tax Increases, and Rate Changes

June 8, 2004

Adoption of FY 2005 Annual Operating Budget and Capital Improvement Program including Tax Ordinances and Appropriation Ordinances

June 15, 2004

Note: This adoption date meets the full legal requirements of the allowable time following the close of the General Assembly session and the adoption of the state budget. Usually this date would occur no later than May 15, 2004.

Legal Requirements for Adopting and Amending the Budget and CIP

Subject	Code Sections	Hearing Requirement	Public Notice Requirement	Adoption Requirements and Limitations
Presentation by the City Manager of Proposed Operating Budget and Capital Improvement Program	VA§ 15.2-2503 City Code 2-29	None	None	City Manager shall submit a proposed budget to City Council on or before April 1.
Adoption and Appropriation of the Operating Budget and Capital Improvement Program	VA§ 15.2-2506 City Charter 3.15 City Code 2-29	One hearing, 7 days prior to adoption.	One notice, at least 7 days before the hearing, to include a brief synopsis of the proposed budget	The City Council shall approve a budget and fix a tax rate no later than July 1. Requires 4 votes.
Adoption and Appropriation of the Schools' Budget	VA§ 15.2-2506 and 22.1-93 City Charter 3.15 City Code 2-29	One hearing, 7 days prior to adoption.	One notice, at least 7 days before the hearing, to include a brief synopsis of the proposed budget	The City Council shall adopt an annual budget for education by May 15 or within 30 days of receipt of State's funding estimates (whichever occurs later). Requires 4 votes.
General Taxing Powers, Including Real Estate Tax and Personal Property Tax, and Excise: Amusement, Cigarettes, Admissions, Room Rentals, Meals, and Campgrounds	VA§ 15.2-107, 15.2-1104, 58.1-3007, 58.1-3840 City Charter 3.15 City Code 2-29	One hearing, 7 days after notice.	Once, at least 7 days before the hearing (specific advertising requirements found in statute: including the actual dollar amount or percentage increase, the specific state code providing authorization, and the designation of a place for viewing the completed	A City may raise annually by taxes and assessments on property, such sums of money as in the judgment of the City are necessary to pay the debts, defray the expenses, accomplish the purposes and perform the functions of the City. Requires 4

Legal Requirements for Adopting and Amending the Budget and CIP

Subject	Code Sections	Hearing Requirement	Public Notice Requirement	Adoption Requirements and Limitations
			ordinance and other relevant information; all to be available no later than the time of the first publication).	votes.
Real Estate Assessments which result in an increase of 1% or more in the total real property tax levied	VA§ 15.2-1104, 58.1-3007, 58.1-3321 City Charter 3.15 City Code 2-29	One hearing, 7 days after notice.	Once, at least 7 days before hearing (specific advertising requirements found in statute: including the actual dollar amount or percentage increase, the specific state code providing authorization, and the designation of a place for viewing the completed ordinance and other relevant information; all to be available no later than the time of the first publication).	Hearing cannot be held at the same time as the annual budget hearing but hearing and adoption may occur at the same meeting. Requires 4 votes.
Increase of Certain Fees for zoning and planning ordinances	VA§ 15.2-107 and 15.2-2204 for zoning ordinances City Charter 3.15 City Code 2-29	At least 6 days and no more than 21 days after the second notice.	2 times, once a week for 2 successive weeks (dollar amount or percentage change, and other specific information is required for the ad).	Zoning ordinances have specific requirements for planning and zoning related fees. Requires 4 votes.

Legal Requirements for Adopting and Amending the Budget and CIP

Subject	Code Sections	Hearing Requirement	Public Notice Requirement	Adoption Requirements and Limitations
Amendment of the Budget and Capital Improvement Program	VA§ 15.2-2506 City Charter 3.15 City Code 2-29	One hearing, 7 days after notice.	Once, at least 7 days before the hearing; to include a brief synopsis of the proposed amendment.	Required for any amendment that exceeds 1% of the total expenditures shown in the adopted budget or which exceed \$500,000 (whichever is less). Requires 4 votes.