

READER'S GUIDE TO THE BUDGET

Purpose

The budget is a document that summarizes all public service programs provided by the City government. It is the annual plan for coordinating revenues and expenditures. The budget presented covers the period of July 1, 2005 to June 30, 2006. The amounts for FY 2006 are appropriated by the City Council.

Budget Overview

This section provides information on the fund structure and basis of accounting/budget, the budget process, budget calendar and the City's organizational chart. It also includes revenue and expenditure summaries for the total City budget, discussion of major revenue sources, indebtedness and personnel staffing.

General Fund

The General Fund is used to account for primary government services. A summary of estimated revenues is provided for the total General Fund; for each operating department within the General Fund; and a summary of historical and recommended expenditures.

Education Funds

This section conveys the proposed Norfolk Public Schools Operating Budget.

Other Funds

This section consists of budgetary information related to the City's Special Revenue Enterprise and Internal Service Funds.

Capital Improvement Plan

This section provides detailed budget information on the five-year Capital Improvement Plan.

Statistical /General Information

This section provides statistical/general information about the City such as an overview of the organization, services and selected functions.

Glossary

This section provides definitions of budget-related terms.

Index

The index contains an alphabetical reference of information contained in this document.

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FUND STRUCTURE

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures. The following fund types are used: governmental, proprietary and component units.

GOVERNMENTAL FUNDS TYPE

Governmental Funds are those through which most governmental functions of the City are financed. The modified accrual basis of budgeting is used for all governmental funds.

General Fund

The general operating fund of the City accounts for all financial transactions not required to be accounted for in other funds. The General Fund accounts for the normal recurring activities of the City, such as police, public works, general government, etc. These activities are funded by such revenue sources as general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth and Federal Government. The City's payroll agency fund is included in governmental activities for both the government-wide and fund financial statements.

Special Revenue Funds

The Special Revenue Funds account for the proceeds of specific revenue resources (other than expendable trusts or major capital projects) and require separate accounting because of legal or regulatory provisions, or administrative action.

Capital Project Fund

Capital Project Funds account for the acquisition, construction or renovation of major capital facilities of the City or the School Board (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUNDS TYPE

Proprietary Funds account for operations similar to those found in the private sector. The Proprietary Fund measurement focus is upon determination of net income, financial position and changes in financial position. The individual Proprietary Fund types are:

Enterprise Funds

Parking Facilities Fund

This fund accounts for the operation of city-owned parking facilities (garages, lots and on-street meters). The cost of providing services is financed or recovered through user charges for long-term and short-term customer use and fines for parking violations.

Wastewater Fund

This fund accounts for the operation of the city-owned wastewater (sewer) system. The cost of providing services on a continuing basis is financed or recovered through user charges to Norfolk residential and commercial customers.

Water Utility Fund

This fund accounts for the operations of the city-owned water system. The cost of providing services is financed or recovered through user charges to customers. These customers include Norfolk residential and commercial customers and the U.S. Navy.

Internal Service Funds

This fund accounts for the financing of goods and services supplied to other funds of the City and other governmental units on a cost-reimbursement basis. Internal service funds have been established for the Storehouse and Fleet Management funds.

EDUCATION FUNDS

The City's total budget includes the funds of the Norfolk Public Schools. The primary sources of revenue, exclusive of the transfer from the City's General Fund, are basic school aid and sales tax payments from the Commonwealth of Virginia and educational program grants. Major expenditures are for instructional salaries and facility operating costs for the schools.

School Operating Fund

The School Operating Fund is the general operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund.

School Grants Fund

This fund accounts for revenues and expenditures for Federal, State and other grants for specific programs pertaining to education.

School Child Nutrition Service

This fund accounts for the administration of the school breakfast and lunch program

BASIS OF BUDGETING

The budgets of governmental fund types (General Fund, Special Revenue and Capital Projects Funds) of the City are prepared on the modified accrual basis. The full-accrual basis of budgeting is used for the Enterprise Funds and Internal Service Funds, except for depreciation, debt principal payments and capital outlay (see Basis of Accounting below).

For the modified accrual basis, obligations (such as purchase orders) are recorded as expenditures. Revenues are then recognized when they are measurable and available.

The full-accrual basis also recognizes expenditures when the obligations are made. Revenues, however, are recognized when they are earned.

The level of control, or level of which expenditures may not legally exceed the budget, is at the department level for the General Fund and the fund level for all other funds. Any change in appropriation level of the Fund must be approved by the City Council. The City Manager or the Director of Finance may approve any changes within the Fund which do not require an alteration of the appropriation level. Appropriations lapse at year-end, except appropriations for the Grants Fund and the Capital Improvement Plan Fund, which are carried forward until such time as the grant or project is completed.

BASIS OF ACCOUNTING

The Comprehensive Annual Financial Report (CAFR) presents the status of the City's finances on the basis of "generally accepted accounting principles" (GAAP). In most cases this conforms to how the City prepares its budget. Exceptions are as follows:

Compensated absences are accrued as earned by employees (GAAP) as opposed to being expended when paid (Budget).

Principal payments on long-term debt within the Proprietary Funds are applied to the outstanding liability on a GAAP basis as opposed to being expended on a Budget basis.

Capital Outlay within the Proprietary Funds is recorded as assets on a GAAP basis and expended on a Budget basis.

Depreciation expenses are recorded on a GAAP basis only.

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BUDGET PROCESS

Formulation of the City Manager's Proposed Budget

The City Charter requires the City Manager to prepare and submit to the City Council an annual budget. The City budgets on an annual basis.

The annual budget process commences in the fall of the preceding year. The budget calendar is developed at this time which establishes the timelines for the process, including the date of submission of departmental requests, budget work sessions and public hearings that lead to final adoption of the budget.

Department requests are based on the Budget Instruction Manual. Each request must relate to the organization's program objectives. These requests are received and compiled by the budget staff. Due to revenue constraints, departments are encouraged to develop proposals to trade or shift expenditures rather than seek additional funding.

An operating budget is adopted each fiscal year for the General Fund, Water Utility Fund, Wastewater Utility Fund, Parking Fund, Storm Water Fund and Internal Service Funds. All funds are under formal budgetary control, the most significant of which is the General Fund. The City uses the following budgetary procedures: No less than sixty days before the end of fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The Operating Budget includes recommended expenditures and the means to finance them.

City Council's Authorization and Appropriation

After general distribution of the proposed operating budget, a public hearing is conducted to obtain comments and recommendations from the public. No less than thirty days before the end of the fiscal year, the budget is legislatively enacted by the City Council through adoption of one or more ordinances. The ordinance for the annual operating budget appropriates funds, subject to certain conditions, for the use of departments included in the General Fund and all proprietary funds. The ordinance authorizes salaries, wages and personnel positions as set forth in the detailed budget document. Amounts appropriated to each department are to be expended for the purposes designated by object group; i.e., categories including personal services, materials, supplies and repairs, equipment, public assistance payments, and debt service.

City Manager's Authorization

The City Manager is authorized by ordinance to transfer funds within a single department or activity with the requirement that, at the end of the fiscal year, a written report shall be made to the City Council of all such transfers. As of January 1, the rebalancing of accounts and any revisions that alter the total appropriation to departments must be reported by the City Manager to City Council.

Budget Implementation

Once the budget is adopted on July 1, it becomes the legal basis for the programs of each department of the City during the fiscal year. No department or other agency of the city

government may spend in excess of approved and appropriated amounts. Financial and programmatic monitoring of departmental activities to ensure conformity with the adopted budget takes place throughout the year. Copies of the Adopted Budget can be found in the library and in all City offices, and may be obtained from the Budget and Management Department. Unencumbered appropriations lapse at the end of the fiscal year and are returned to fund balance for re-appropriation. The City Manager is responsible for maintaining a balanced budget at all times. In the event it is identified there is a negative gap between revenues and expenditures, the City Manager will take such actions necessary to cause a rebalancing of the budget.

Capital Improvement Plan

City Council also adopts a Capital Improvement Program budget and a Consolidated Plan budget. As in the case of the Operating Budget, these budgets are submitted by the City Manager, public hearings are held, and the budgets are legislatively enacted through adoption of ordinances.

Budgets are also adopted for a Special Revenue (Grants) Fund on an individual project basis.

Appropriations for project funds do not lapse at year-end, but continue until the purpose of the appropriation has been fulfilled or is otherwise terminated. Amendments to these budgets are effected by City Council action. The level of budgetary control is on a projected basis with additional administrative controls being exercised.

Financial and Budgetary Principles and Policies

The following financial and budgetary principles and policies serve to guide the City's annual budget appropriations. The major components are as follows.

GENERAL FUND BALANCE RESERVES

The City maintains a reserves and fund balance policy. The purpose of a reserve is to act as the City's "savings" account to meet emergency, non-anticipated needs without jeopardizing the ongoing provision of City services. Reserves help to cushion against cash flow issues as seen in FY 2004 with the expenditures resulting from Hurricane Isabel. The appropriate size of reserves depends on variability of revenues and expenditures and an organization's cash flow needs. The general fund balance reserves include the following:

Undesignated General Fund Balance – the City maintains an undesignated general fund balance equal to at least five percent of the annual general fund appropriations to help mitigate current and future risks and to provide for temporary funding of unforeseen emergency or catastrophic needs;

Risk Management Reserve – because the City is self-insured for many of its risk exposures, the City's goal is to create a reserve equal to 1.5 times annual risk management budget of approximately \$6 million in the event of a major unanticipated workers compensation or general liability claims; and

Economic Downturn/Leveling Reserve – the City strives to meet the goal of a \$10 million reserve to abate the impact of short-term economic downturns on overall budget and to

build adequate reserves to transition the impact of extreme swings in revenues and/or expenditures such as, retirement contribution, health insurance, etc.

DEBT MANAGEMENT

In determining general obligation statutory debt limitations, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, referendum approved general obligation bonds payable from a specified revenue producing undertaking, so long as the undertaking is self-supporting, capital leases and revenue bonds. The City’s enterprise operations for Water and Parking bonded debt are a combination self-supporting, general obligations and revenue bonds. The City’s operations for Wastewater, Storm Water and the Cruise Ship Terminal are considered self-supporting general obligation bonds. The self-supporting general obligation debt of each of the enterprise operations was approved without referendum, however, they are included in the City’s legal debt limit.

The City has never defaulted on the payment of either principal or interest on any debt. The City’s general capital debt service is funded from its general fund. The debt of the enterprise operations is paid solely from the revenues of the respective enterprise and internal service funds. The City’s Capital Improvement Plan for General Capital Improvements (those bonds not supported by an enterprise fund) is guided by measures of affordability and include three internally imposed debt ratios:

- Net debt service as a percentage of the general fund budget (not to exceed 10%);
- Net debt outstanding as a percentage of taxable real estate (not to exceed 3.50%);
- Net debt outstanding as a percentage of per capita income (not to exceed 7.50%).

BUDGETARY PRINCIPLES AND POLICIES

Budgetary principles and policies include the following some of which have been practices of the City for some time:

- Provisions to strive for a structurally balanced budget whereby current expenditures are supported by current revenues;
- Preparation of a mid-year budget update, reporting projected revenues and expenditures for the entire fiscal year and receipt of unbudgeted revenues and other major changes to the adopted budget;
- Preparation of a five-year forecast, which serves as the basis for the City Manager’s annual recommended budget;
- Requirement that the City Manager prepare a Five-Year Capital Improvement Plan that incorporates operating costs and is stated in “year of expenditure dollars;” and
- Provisions for the City to continue its goal to include 12.5 percent of General Capital Improvements in cash (pay as you go) contributions.

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BUDGET CALENDAR

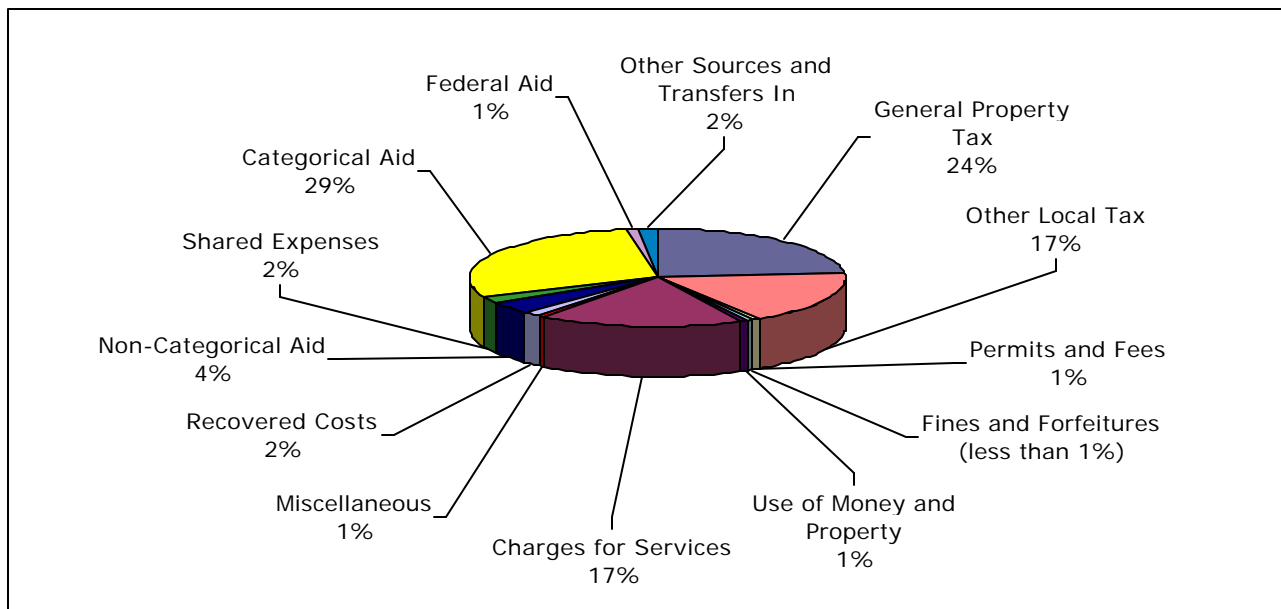
DATE	DESCRIPTION
December 9, 2004	Budget Kick-off Meeting with Department Heads and their budget staff, including Preliminary mid-year review and Financial Plan Overview
January 10, 2005	Base Budgets Finalized and Distributed to Departments
January 17, 2005	Outside Agencies (Public Amenities and Community Partners) submit FY 2006 Budget Requests
January 18, 2005	Capital Improvement Plan (CIP) instructions provided to departments
February 1, 2005	Departments Submit FY 2006 Operating Budget Requests
February 7, 2005 to February 18, 2005	Department Meetings with Budget Staff and Executive Budget Team
February 28, 2005	Departments submit CIP Budget Request
April 26, 2005	Formal Presentation of FY 2006 Operating Budget to City Council at regularly scheduled meeting
May 4, 2005	Public Hearing on Operating Budget and Annual Capital Budget, and Tax and Fee Changes
May 10, 2005	Budget Work Session with City Council
May 17, 2005	Adoption of FY 2006 Operating Budget, Capital Improvement Plan, Tax Ordinances and Appropriations Budget Adoption <i>(in accordance with City Code, budget must be adopted by May 31)</i>

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ESTIMATED REVENUES BY SOURCE

The following table represents the total FY 2006 Approved Operating Budget as compared to the Approved Operating Budget for FY 2005. The major categories of funding sources are shown to permit the reader a broad overview of the predominant sources of revenue for all operating funds of the City. Revenues are contained in those categories where they are originally raised.

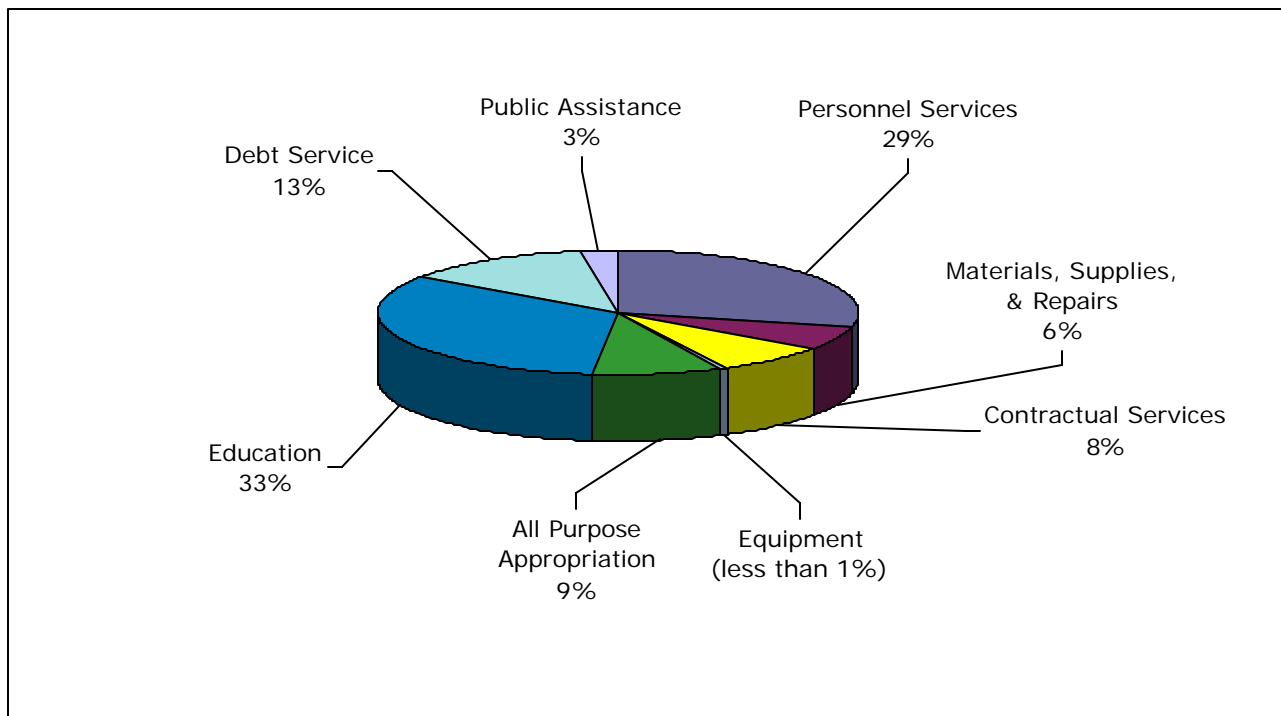
SOURCE	FY 2004 ACTUAL	FY 2005 APPROVED	FY 2006 APPROVED	FY 2005 vs. FY 2006	
				\$ CHANGE	% CHANGE
General Property Taxes	178,433,550	189,760,400	207,791,900	18,031,500	9.5%
Other Local Taxes	136,407,830	145,579,000	153,062,414	7,483,414	5.1%
Permits and Fees	5,381,799	5,348,274	5,677,876	329,602	6.2%
Fines and Forfeitures	4,835,895	3,585,100	3,247,500	-337,600	-9.4%
Use of Money and Property	8,970,632	8,316,780	8,907,826	591,046	7.1%
Charges for Services	134,105,284	143,306,962	153,087,411	9,780,449	6.8%
Miscellaneous Revenue	5,462,812	6,544,676	4,900,100	(1,644,576)	-25.1%
Recovered Costs	14,039,670	19,201,817	15,925,975	(3,275,842)	-17.1%
Non-Categorical Aid-State	31,254,344	33,264,400	33,793,100	528,700	1.6%
Shared Expenses - State	17,146,325	18,303,300	19,140,100	836,800	4.6%
Categorical Aid-State	194,849,530	245,209,400	252,400,700	7,191,300	2.9%
Federal Aid	29,688,111	8,659,027	8,670,743	11,716	0.1%
Other Sources and Transfers In	23,581,871	24,525,564	15,871,555	(8,654,009)	-35.3%
TOTAL	784,157,653	851,604,700	882,477,200	30,872,500	3.6%



ESTIMATED EXPENDITURES BY USE

The following table represents the total FY 2006 Approved Operating Budget as compared to the Approved Operating Budget for FY 2005. The major categories of funding uses are shown to permit the reader a broad overview of the predominant uses of expenditures for all operating funds of the City. Expenditures are contained in those categories where they are originally spent.

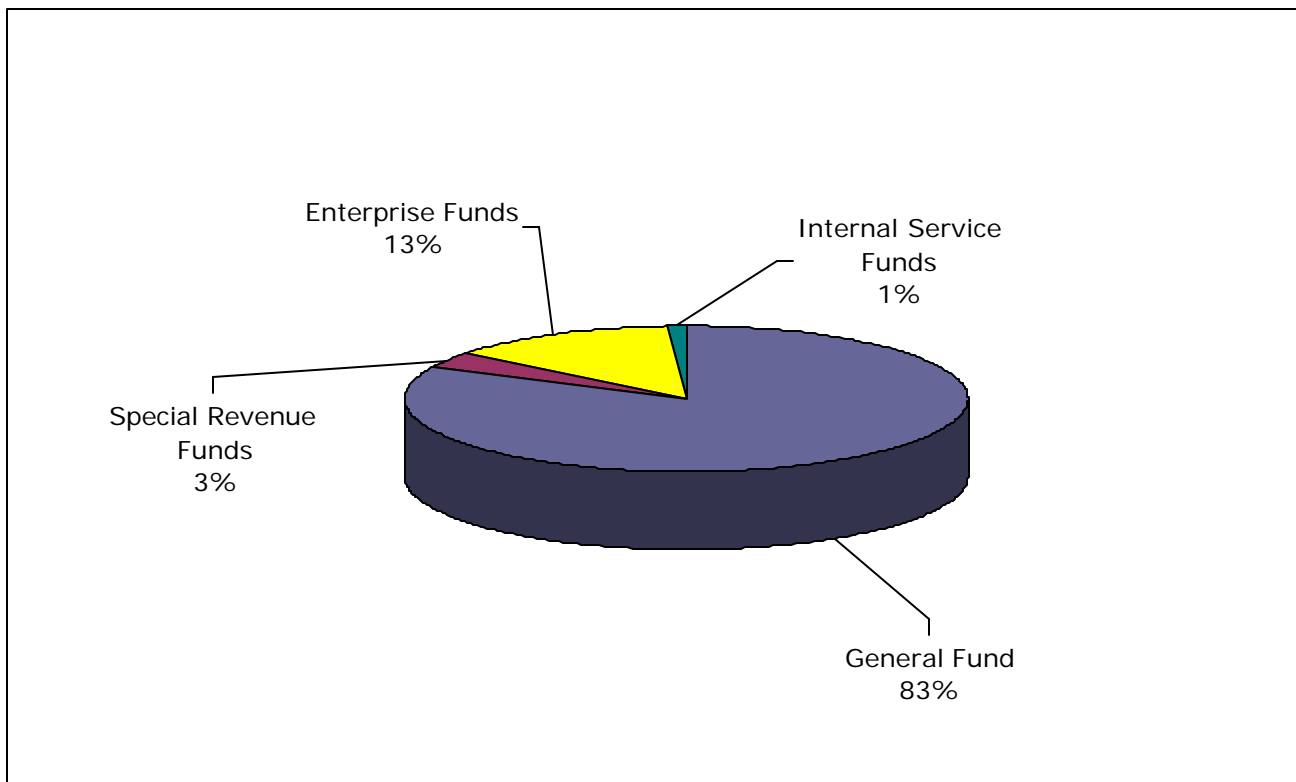
USES	FY 2004 ACTUAL	FY 2005 APPROVED	FY 2006 APPROVED	FY 2005 vs. FY 2006	
				\$ CHANGE	% CHANGE
Personnel Services	230,529,495	247,646,933	253,000,590	5,353,657	2.2%
Materials, Supplies, & Repairs	48,895,278	51,395,553	53,553,608	2,158,055	4.2%
Contractual Services	75,221,637	61,225,661	67,960,556	6,734,895	11.0%
Equipment	5,956,892	4,950,364	4,347,116	-603,248	-12.2%
All Purpose Appropriation	58,949,045	71,938,529	78,006,150	6,067,621	8.4%
Education	243,294,039	283,351,800	290,464,600	7,112,800	2.5%
Debt Service	82,378,892	107,227,784	112,615,819	5,388,035	5.0%
Public Assistance	19,728,561	23,868,076	22,528,761	-1,339,315	-5.6%
TOTAL	764,953,839	851,604,700	882,477,200	30,872,500	3.6%



ESTIMATED EXPENDITURES BY FUND

The following table shows the comparison of expenditures by fund type of the FY 2006 Approved Operating Budget with the FY 2005 Approved Operating Budget.

FUND	FY 2004 ACTUAL	FY 2005 APPROVED	FY 2006 APPROVED	FY 2005 vs FY 2006	
				\$ Change	% Change
General Fund	646,466,372	700,617,600	726,401,200	25,783,600	3.7%
Special Revenue Funds	22,360,686	27,277,700	29,445,900	2,168,200	7.9%
Enterprise Funds	88,042,979	114,592,800	116,906,900	2,314,100	2.0%
Internal Service Funds	8,083,802	9,116,600	9,723,200	606,600	6.7%
TOTAL	764,953,839	851,604,700	882,477,200	30,872,500	3.6%



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MAJOR REVENUE SOURCES

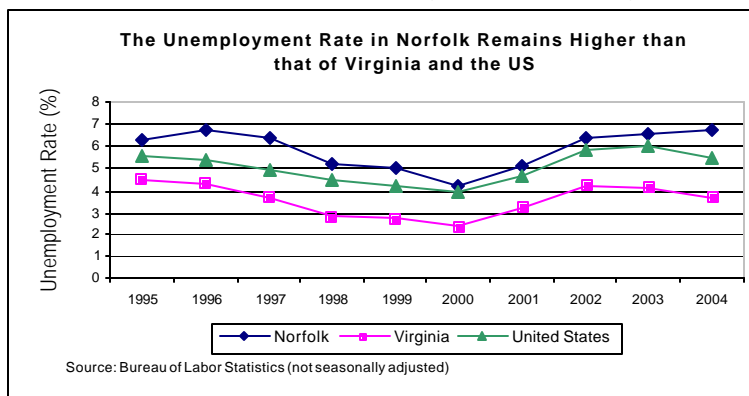
Norfolk budgets and accounts for its revenues (and expenditures) within various funds. The City's revenues continue to show modest growth. However, the ongoing, as well as the long-term financial health of the City, requires a close review of the economy and major revenue sources.

ECONOMIC OVERVIEW

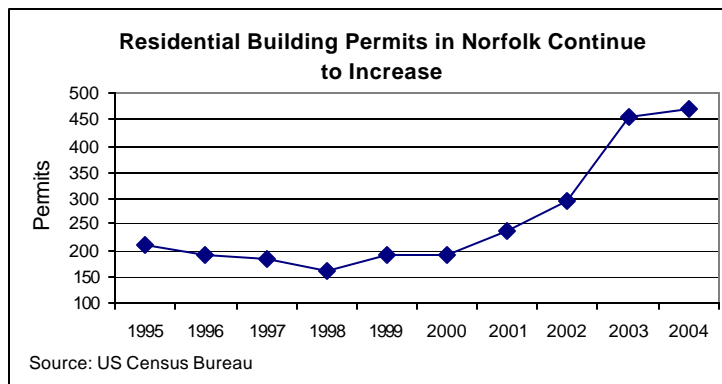
The national economy continued its expansion in 2004, with real gross domestic product, which is the value of all goods and services produced within the U.S. adjusted for inflation, growing by 4.4 percent over the previous year. Much of the growth was driven by consumer spending and business and residential investment. Real GDP growth is projected to be slightly lower in 2005 and 2006. The Blue Chip Consensus forecast - a consensus forecast by financial institutions and consultants - projects growth to be 3.7 percent in 2005 and 3.4 percent in 2006. The unemployment rate fell to 5.5 percent, while non-farm payroll employment continued to grow in 2004, with job growth experienced in every month of the year. Over the year, 2.2 million jobs were added - the most since 1999. Employment growth occurred in several industries including health care services and social assistance, professional and business services, wholesale trade and financial activities.

The Virginia economy expanded in 2004 with the statewide unemployment rate continuing to remain below the national rate at 3.7 percent not seasonally adjusted. Job growth occurred in every month of the year with employment growth projected at 2.4 percent for fiscal years 2005 and 2006. With at least 40 percent of the City of Norfolk's general fund revenues coming from the Commonwealth, the majority of these are earmarked for basic services, the status of the City's general fund and the level of basic services the City provides are dependent upon the performance of the state economy. The Hampton Roads economy remained relatively stable. The Old Dominion University Economic Forecasting Project projects the region to grow 3.9 percent in 2005 with much of the growth attributed to increased defense expenditures. Defense spending, which accounted for 75 percent of the region's growth since 2000, is projected to exceed \$1 billion in 2005. The region's unemployment rate fell to 4.4 percent in 2004 and remains below the national unemployment rate. Employment grew by 1.2 percent over the previous year. The largest gain in employment was seen in the leisure/hospitality industry.

There are signs that the growth in the national economy has trickled down to the local level. Recent announcements of business expansion and relocation activity to Norfolk by CMA-CGM, one of the world's largest container-shipping companies, Ford Motor Company, and Trader Publishing and Wal-Mart will provide an influx of capital investment and employment and strengthen the City's attractiveness for future business opportunities. Norfolk's unemployment rate remains higher than that of national and state rates. Norfolk's higher than regional unemployment rate has been credited to the flow of military



dependents into and out of the area. The real estate market remains strong in Norfolk and in the Hampton Roads region. In FY 2006, real estate assessments in Norfolk are projected to grow approximately 16.5 percent. Double-digit levels of growth are also being experienced in neighboring cities. The recent growth in real estate assessments is fueled largely by the growth in the residential market. Rising interest rates, however, may dampen growth in the housing market.



Revenue projections in the general fund were formulated and presented initially in February, using five-year historical trends combined with the latest economic indicators. Projections were revised in March and April to incorporate the most recent information available. Estimates for each revenue source are based on a careful examination of the collection history and patterns, the underlying drivers that impact the revenue source, and the overall economic environment projected for the City in the coming year. Revenue projections include a year-end estimate for FY 2005 and an estimate for FY 2006.

Total revenue estimates for general and non-general funds for FY 2006 reflect a 3.6 percent growth over the approved budget of the prior fiscal year, bringing total revenues to \$882.5 million. This is a net increase of approximately \$30.9 million.

Total Revenues

SOURCE	FY 2004 ACTUAL	FY 2005 APPROVED	FY 2006 APPROVED	FY 2005 vs FY 2006	
				\$ CHANGE	% CHANGE
General Property Taxes	178,433,550	189,760,400	207,791,900	18,031,500	9.5%
Other Local Taxes	136,407,830	145,579,000	153,062,414	7,483,414	5.1%
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TOTAL	784,157,653	851,604,700	882,477,200	30,872,500	3.6%

The City generates revenue through taxes, user charges, and intergovernmental transfers from the state and federal government. Over half of the City's revenues are locally generated from various taxes and fees including real estate, sales, utility, franchise, permits, fines and user charges. These sources provide the operating revenue for the City which is used to provide general services such as police, fire, parks, streets, local commitment to education, and central administrative revenue. An increasing portion of the locally generated funds, by necessity, is being used to fund state obligations where state funding falls short.

The Commonwealth provides about 35 percent of total revenues which consist of funding for dedicated purposes such as education, social services, transportation and constitutional officers. The City has very little discretion on how the majority of the revenues from the state are spent. Revenues from the state for the rental of cars, HB 599 and reimbursements for personal property tax are also part of this category. State revenues present a challenge to the City. Norfolk, being landlocked and prohibited from annexation, is restricted from creating funding mechanisms that allow the City to independently make up any shortfalls in state funding. Although public schools will continue to see a large influx of funds in FY 2006 due to revenues generated from tax reform at the state level, Norfolk remains vulnerable to the impact of flat or reduced state aid in the future.

The federal government provides approximately one percent of City revenues. Nearly all of these funds are dedicated towards education.

The remaining City budget comes from recovered costs, inter-fund transfers, and carry-forward funds from accumulated savings. Inter-fund transfers represent a return on investment from the Water and Wastewater utility operations. Carry-forward funds for one-time expenditures are made possible from current and prior year savings.

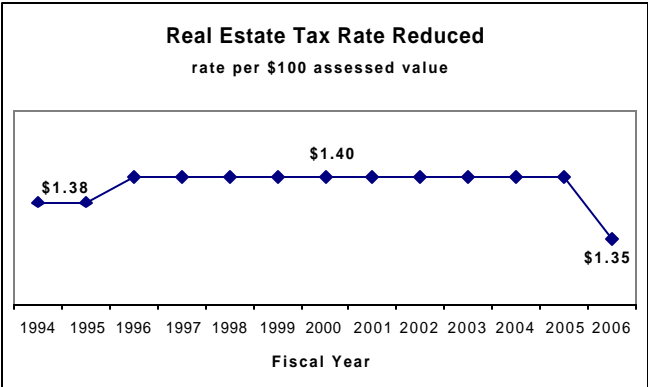
REVENUE MONITORING

Collection patterns for all of the City's revenue sources are continuously monitored throughout the year. Data from monthly financial reports are monitored to determine the accuracy of budget projections. This allows for appropriate administrative action if actual results differ substantially from projections. A detailed collections database is compiled to project future revenue collections taking into account unique patterns or seasonal fluctuations. Strong collection rates for locally generated taxes and fees reflect the commitment and fulfillment of responsibility that Norfolk residents show to their City.

GENERAL PROPERTY TAXES

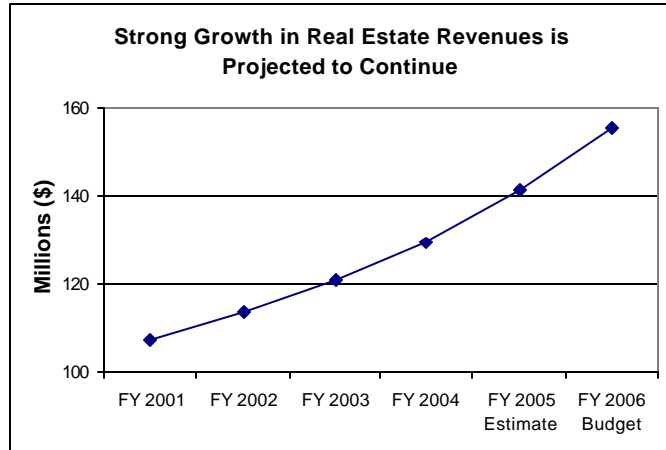
General Property Taxes are levied on the assessed value of real and personal property. They represent about 28.4 percent (\$206.6 million) of the City's total resources.

The FY 2006 approved budget includes a five-cent reduction in the real estate tax rate from \$1.40 to \$1.35 per \$100 assessed value. This tax rate reduction results in a reduction in revenues from real estate taxes of approximately \$5.6 million



from all real property in the City, both residential and commercial property. The City's real estate tax rate had been unchanged at the \$1.40 rate since 1996.

Overall, citywide assessments are projected to grow at an average rate of 16.5 percent in FY 2006. Neighboring localities are likewise experiencing double-digit growth in real estate assessments. The growth in assessments speaks of a strong residential and commercial real estate market.



Considerations about the City's growth in real estate assessments should take into account the fact that the City is fully developed. A large portion of the increased growth in value is attributed to redevelopment efforts. In addition, a unique and significant feature of the City is that nearly 44 percent of total real property in the City is tax exempt mainly due to federal land ownership.

PERSONAL PROPERTY TAX

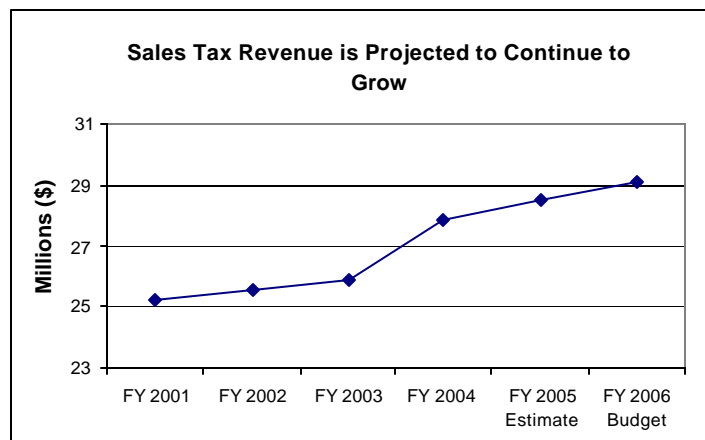
Personal property tax is levied on all tangible personal property, including motor vehicles and delivery equipment. Household goods and personal effects are exempt.

Personal property tax for the general fund is expected to grow at the rate of 2.4 percent over the FY 2005 adopted budget. The FY 2005 and 2006 budget for personal property tax includes the budgeted amount for refunds. In 2004, the state passed legislation that places a cap on car-tax reimbursement statewide at \$950 million beginning in FY 2006. As a result, each locality in the state will receive a flat reimbursement amount rather than a reimbursement of 70 percent of the total property tax eligible for reimbursement. Over time, this will result in a lower percentage of the car tax bill that the state will reimburse.

OTHER LOCAL TAXES

Other local taxes are comprised of consumer and business-based taxes, including excise taxes on utilities, sales, hotel/motel, restaurant, admissions, and cigarettes, as well as franchise and business license taxes. Local taxes form 19.8 percent (\$143.8 million) of the City's resources.

Sales tax is levied on the selling, distribution, use, or consumption of tangible personal property, the leasing or renting of tangible personal property and the storage of personal property inside or outside Virginia that is for use in Virginia. Currently, the combined state and local sales and use tax rate is five percent for non-food items and four percent for food items. During the



2005 General Assembly Session, the sales tax on food items decreased 1.5 percent effective July 1, 2005. Although this has no revenue impact on the City, this will lower the tax burden on purchases of food by Norfolk consumers. Monthly tax receipts help to project this tax. Revenue from this source is sensitive to underlying price level changes and will increase with the price of goods sold. Current year estimates are used in projecting next year's revenues after applying overall price assumptions. Changes in the local retail market (such as opening of new stores, performance of existing malls, and overall consumer confidence index) are used for projecting this revenue.

Consumer's utility tax is levied on the purchase of utility service including water, gas, electricity, local telecommunications and cable television services. The tax is assessed on the amount charged, exclusive of any federal tax, for telephone, water, cable TV, and cellular phones. Monthly receipts are monitored and used as a basis for estimating the revenue yield, taking seasonal variations into consideration.

Business license tax is collected from any person who engages in a business, trade, profession, occupation, or other activity in the City. It is also applied to individuals that maintain a place of business, either permanent or temporary, or conduct a business-related activity. Rates vary depending on business classification, and are generally imposed as a percentage of gross receipts. This revenue is projected to grow 4.8 percent over the FY 2005 year-end estimate as the economy continues to improve.

Meals tax is collected on prepared meals, and the tax rate is 6.5 percent of the value of the meal. This revenue stream has been growing due to the increase in the number of restaurants that have opened in downtown Norfolk, with the rejuvenation of Waterside and Granby Street and continued success of MacArthur Center, and development along the Military Highway corridor. Growth is expected to continue in this revenue source.

Hotel tax is levied on hotel rooms rented out and charged based on 8 percent of the room rate. In 2004, a Residence Inn opened in the Lake Wright Executive Center on Military Highway and a Springhill Suites on Newtown Road. Norfolk's growing cruise business is expected to have a positive impact on hotel occupancy in the City; therefore, growth is projected to continue to be strong in this category.

PERMITS AND FEES

Permits are issued to regulate new construction and ensure public safety. Permits, privilege fees, and licenses are comprised of fees for permits, licenses and other privileges subject to City regulation, partially to cover the expense of providing the regulatory services (taxi permits, zoning inspections, construction permits, etc.) to the community. Revenues from this source represent approximately 0.5 percent (\$3.4 million) of the City's revenues.

FINES AND FORFEITURES

Fines and forfeitures consist of revenues received from the courts as fines and forfeitures for violations of City ordinances. These provide approximately 0.2 percent (\$1.7 million) of the City's total budget.

CHARGES FOR SERVICES

Charges for Services consist of revenues from fees for services, including Zoo admission, the serving of legal papers by local law enforcement officers, refuse disposal, court costs,

paramedical rescue service, and miscellaneous school fees. This revenue represents 2.9 percent (\$20.7 million) of the City's total revenues. Southeastern Public Service Authority (SPSA) raised the tipping fee effective July 1, 2005. To offset this projected increase, the City raised refuse fees citywide. Residents, for example, will see an increase of \$2.30 per month, resulting in a monthly fee of \$12.75. The fee increase is estimated to produce approximately \$1.7 million in additional revenue which will be used to offset fully the SPSA rate increase.

USE OF MONEY AND PROPERTY

Revenue from the Use of Money and Property is comprised primarily of interest earned on cash balances, rents from short and long-term property leases and prudent management of City assets. Revenues from this source represent approximately 0.9 percent (\$6.6 million) of the City's revenues.

RECOVERED COSTS

Recovered costs consist of revenues representing the Capital and Operating expense recovered from expenses associated with employee costs, City and outside agencies, and the public. Recovered costs constitute 1.8 percent (\$12.8 million) of the City's total revenues.

MISCELLANEOUS REVENUE

Miscellaneous revenue consists of revenues that are not classified in the other categories. Included in this category is revenue from payments in lieu of taxes and proceeds from land sales. In FY 2006, the City is expecting to receive about \$4.3 million which makes up approximately 0.6 percent of the City's total revenues.

NON-CATEGORICAL AID - VIRGINIA

Non-Categorical Aid - Virginia contains State revenues shared with localities without restriction as to use. This includes taxes on wine, railroad equipment, car rentals and deeds, as well as profits from the operations of the Alcoholic Beverage Control Board and the HB 599 funds for local law enforcement. This category represents 4.7 percent (\$33.8 million) of the City's total revenues.

SHARED EXPENSES

Shared Expenses consist of recovered costs primarily from the State for a portion of the salaries and operating expenses of constitutional and other offices serving the Norfolk community, including Sheriff and Jail, City Treasurer, Commissioner of the Revenue, and the Commonwealth Attorney. This revenue forms 2.6 percent (\$19.1 million) of the City's total revenues.

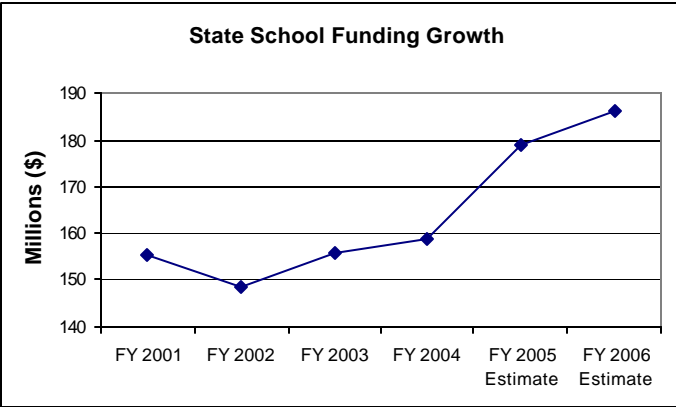
STATE CATEGORICAL AID

Categorical Aid from the State of Virginia consists of revenues for education, public assistance grants and social service programs, Virginia Department of Transportation (VDOT) funding for street maintenance and local adult correctional facility revenues. Categorical Aid constitutes 34.7 percent (\$252.4 million) of the City's total revenues. State

reimbursements for the cost of operating the Social Services Department include cost of personnel services, fringe benefits, non-personal services, rent for buildings and parking, etc. The reimbursement rate varies by program from 50 to 70 percent of the overall costs incurred.

Education revenue from the State is part of the categorical aid received by the City. Two major categories that form this revenue source are State Sales and Use Tax and State School Funds.

State Sales and Use Tax is the revenue from the City's proportionate share of the one percent of the State Sales and Use Tax, designated for education purposes. The City's share is based on the ratio of the number of school age children in the City to the number of school age children statewide. Additionally in FY 2005, half of the one-half cent sales tax increase approved by the General Assembly was earmarked for local school systems and real estate tax relief. This amounts to an additional



one-quarter percent on the sales tax dedicated to schools. Half of that quarter percent is distributed in the same manner as the 1 percent return discussed above. The other half of the quarter percent goes to support the Standards of Quality (SOQ) funding reflected in State School Funds.

State School Funds reflect the schools operational costs. The rate of reimbursements is based on the SOQ formula. Reimbursement rates vary by program and area of emphasis. Changes in enrollment figures affect this revenue source. Localities are required to match the State contribution based on a composite index. Norfolk currently more than funds its share of local effort.

Street construction and maintenance revenue is received from VDOT to maintain the City's principal and minor arterials, collector roads and local streets based on moving lane miles. The revenue is provided based on a statewide maintenance index of the unit costs used on roads and bridges. Changes in the index are used to calculate and implement annual per-land-mile rates. The rates fluctuate on index changes and number of miles assessed. Funds offset qualifying operating costs recorded in the City's budget.

FEDERAL CATEGORICAL AID

Federal Categorical Aid primarily consists of education funds from the federal government and is 1.2 percent (\$8.3 million) of the FY 2005 budget.

OTHER SOURCES AND TRANSFERS

Other Sources and Transfers consist of intra-governmental transfers and carry over monies and amount to 1.8 percent (\$12.8 million) of the City's total revenues. For the General Fund, the City anticipates carrying forward \$2.759 million from FY 2005 to FY 2006.

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TAX RATES AND MAJOR FEES

DESCRIPTION	FY 2005 APPROVED	FY 2006 APPROVED
PROPERTY TAXES		
Real Estate	\$1.40/\$100 Assessed Value	\$1.35/\$100 Assessed Value
Personal Property		
Airplane	\$2.40/ \$100 Assessed Value	\$2.40/ \$100 Assessed Value
Motor Vehicle	\$4.00/\$100 Assessed Value	\$4.00/\$100 Assessed Value
Recreational Vehicle	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Property - Machinery & Tools	\$4.00/\$100 Assessed Value (40% of Original Cost)	\$4.00/\$100 Assessed Value (40% of Original Cost)
Watercraft -Business	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Watercraft Recreational	\$0.01/\$100 Assessed Value	\$0.01/\$100 Assessed Value
OTHER LOCAL TAXES		
Amusement and Admissions	10%	10%
Cigarette	2.75 mils/cigarette (55 cents/pack)	2.75 mils/cigarette (55 cents/pack)
Emergency 911	\$2.95/Line/Month	\$2.95/Line/Month
Hotel/Motel Lodging	8%	8%
Restaurant Meal	6.5%	6.5%
MOTOR VEHICLE LICENSE		
Small Trailers (<2,000 pounds)	\$6.50	\$6.50
Motorcycles	\$15.00	\$15.00
Cars & Small Trucks	\$26.00	\$26.00
Semi Trailers	\$20.00	\$20.00
Mid-Size Trucks/Vans (>4,000 pounds)	\$31.00	\$31.00
Large Vehicles (19,000 pounds and over)	\$1.60-\$1.80/1,000 pounds of gross weight	\$1.60-\$1.80/1,000 pounds of gross weight
Passenger (>10)	\$0.30/100 pounds of weight (not less than \$26)	\$0.30/100 pounds of weight (not less than \$26)
REFUSE DISPOSAL		
Commercial		
Business 1 times per week	\$19.35/Unit/Month	\$23.26/Unit/Month
Business 3 times per week	\$47.91/Unit/Month (CBD Only)	\$57.64/Unit/Month (CBD Only)

DESCRIPTION	FY 2005 APPROVED	FY 2006 APPROVED
Residential		
Single Units & Multiple Units (four or less)	\$10.45/Unit/Month	\$12.75/Unit/Month
Multiple Units (five or more)	\$14.88/Container/Month	\$17.84/Container/Month
Combined Commercial- Residential	\$28.47/Unit/Month	\$34.38/Unit/Month
WATER AND WASTEWATER FEES		
Wastewater	\$2.47/100 cubic feet	\$2.57 /100 cubic feet
Water Charges	\$3.01/100 cubic feet	\$3.26/100 cubic feet
STORM WATER FEES		
Residential	\$5.40/month	\$5.40/month
Commercial	\$3.72/mo per 2,000 sq. ft.	\$3.72/mo per 2,000 sq. ft.
UTILITY TAXES		
Commercial		
Gas	\$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance per month (Max of \$500/month)	\$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance per month (Max of \$500/month)
Electricity (Manufacturing)	\$1.38 + \$0.004965/kWh 0 - 3,625,100 kWh + \$0.004014/kWh on balance per month (Max of \$53,000/month)	\$1.38 + \$0.004965/kWh 0 - 3,625,100 kWh + \$0.004014/kWh on balance per month (Max of \$53,000/month)
Electricity (Non-Manufacturing)	\$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance per month	\$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance per month
Telephone	25% on all Line Charges	25% on all Line Charges
Residential		
Cable and Satellite Service	7% on Total	7% on Total
Electricity	\$1.75 + \$0.016891/kWh monthly (Capped at \$3.75/ month)	\$1.75 + \$0.016891/kWh monthly (Capped at \$3.75/ month)
Gas	\$1.50/month	\$1.50/month
Telephone (cellular)	10% on First \$30/Month Local Service	10% on First \$30/Month Local Service
Telephone (Line)	25% of Local Bill	25% of Local Bill
Water (5/8" Meter)	25% on First \$22.50/month	25% on First \$22.50/month

SUMMARY OF CHANGES IN FUND BALANCES

General Fund			
	FY 2004 ACTUAL	FY 2005 APPROVED	FY 2006 APPROVED
Operating Revenues			
General property taxes	178,047,202	189,760,400	206,599,000
Other local taxes	135,913,691	136,606,700	143,830,400
Permits and Fees	3,204,071	2,880,500	3,441,400
Fines and forfeitures	1,626,731	1,555,700	1,671,500
Commonwealth	265,484,533	296,777,100	305,333,900
Federal	27,335,851	8,422,700	8,354,000
Charges for services	16,488,640	16,891,400	20,723,800
Miscellaneous	4,847,390	5,951,800	4,332,200
Recovered costs	12,322,352	16,594,000	12,758,200
Total Operating Revenues	645,270,461	675,440,300	707,044,400
Operating Expenses			
Personnel services	197,757,780	209,644,396	214,445,821
Contractual services	54,541,761	40,275,949	45,805,786
Materials, supplies and repairs	30,899,493	31,868,030	33,450,126
All purpose appropriations	303,571,269	329,841,562	344,688,484
Public assistance	19,756,161	23,868,076	22,528,761
Total Operating Expenses	606,526,464	635,498,013	660,918,978
Operating Income (Loss)	38,743,997	39,942,287	46,125,422
Non-Operating Revenues (Expenses)			
Money and use of property	6,873,146	6,003,300	6,597,500
Capital outlay	(4,827,303)	(3,337,288)	(2,188,337)
Debt service	(54,825,623)	(61,782,299)	(63,293,885)
Acctg. for Schools as Component Unit	3,208,428	-	-
Acctg. for Encumbrances for Budget not GAAP	1,316,190	-	-
Total Non-Operating Revenue/Expense	(48,255,163)	(59,116,287)	(58,884,722)
Income (Loss) Before Operating Transfers	(9,511,166)	(19,174,000)	(12,759,300)
Operating transfers in	10,000,000	10,000,000	10,000,000
Operating transfers out	(1,750,000)	(1,135,000)	(3,300,000)
Total Operating Transfers	8,250,000	8,865,000	6,700,000
Net Income (Loss)	(1,261,166)	(10,309,000)	(6,059,300)
Beginning fund balance at July 1	62,597,798	61,336,632	51,027,632
Ending fund balance at June 30	61,336,632	51,027,632	44,968,332

SUMMARY OF CHANGES IN FUND BALANCES

Special Revenue Funds			
	FY 2004 ACTUAL	FY 2005 APPROVED	FY 2006 APPROVED
Operating Revenues			
General property taxes	-	-	1,192,900
Other local taxes	5,158,756	8,972,300	9,232,014
Permits and Fees	-	1,225,573	810,000
Fines and forfeitures	-	-	-
Commonwealth	46,073	-	-
Federal	334,531	236,327	316,743
Charges for services	18,711,457	11,127,161	11,369,900
Miscellaneous	337,294	539,000	488,000
Recovered costs	-	1,155,354	1,282,978
Total Operating Revenues	24,588,111	23,255,715	24,692,535
Operating Expenses			
Personnel services	8,597,263	11,781,578	11,364,345
Contractual services	3,257,151	4,095,901	4,692,766
Materials, supplies and repairs	1,789,370	2,545,167	2,267,286
Depreciation	-	-	-
Bad debt expense	-	-	-
All purpose appropriations	5,366,380	6,530,684	7,960,863
Total Operating Expenses	19,010,164	24,953,330	26,285,260
Operating Income (Loss)	5,577,947	(1,697,915)	(1,592,725)
Non-Operating Revenues (Expenses)			
Money and use of property	6,009	1,825,000	1,647,000
Capital outlay	-	(302,570)	(398,653)
Interest and fiscal charges	(434,401)	-	-
Debt service	-	(2,021,800)	(2,761,987)
Total Non-Operating Revenue/Expense	(428,392)	(499,370)	(1,513,640)
Income (Loss) Before Operating Transfers	5,149,555	(2,196,985)	(3,106,365)
Operating transfers in	1,479,882	2,196,985	3,106,365
Operating transfers out	(3,458,776)	-	-
Total Operating Transfers	(1,978,894)	2,196,985	3,106,365
Net Change in Fund Balance	3,170,661	-	-
Beginning fund balance at July 1	4,263,941	7,434,602	7,434,602
Ending fund balance at June 30	7,434,602	7,434,602	7,434,602

SUMMARY OF CHANGES IN NET ASSETS

Enterprise Funds			
	FY 2004 ACTUAL	FY 2005 APPROVED	FY 2006 APPROVED
Operating Revenues			
General property taxes	-	-	-
Other local taxes	-	-	-
Permits and Fees	-	-	-
Fines and forfeitures	-	2,029,400	1,576,000
Commonwealth	-	-	-
Federal	-	-	-
Charges for services	100,951,443	105,935,691	110,979,911
Miscellaneous	4,624,414	2,663,040	3,321,173
Recovered costs	-	-	-
Total Operating Revenues	105,575,857	110,628,131	115,877,084
Operating Expenses			
Personnel services	24,003,205	22,329,093	23,258,641
Contractual services/Other	17,155,124	16,278,519	16,802,105
Materials, supplies and repairs	12,726,763	12,483,613	12,908,863
Depreciation	14,760,444	-	-
Bad debt expense	592,012	-	-
All purpose appropriations	-	8,917,583	5,820,403
Total Operating Expenses	69,237,548	60,008,808	58,790,012
Operating Income (Loss)	36,338,309	50,619,323	57,087,072
Non-Operating Revenues (Expenses)			
Money and use of property	609,472	810,090	1,023,926
Capital outlay	-	(1,160,307)	(1,556,941)
Interest and fiscal charges	-	-	-
Loss-sale of fixed assets & investments	(643,932)	-	-
Debt service	(19,426,286)	(43,423,685)	(46,559,947)
Total Non-Operating Revenue/Expense	(19,460,746)	(43,773,902)	(47,092,962)
Income (Loss) Before Operating Transfers	16,877,563	6,845,421	9,994,110
Operating transfers in	181,383	3,154,579	5,890
Operating transfers out	(10,000,000)	(10,000,000)	(10,000,000)
Total Operating Transfers	(9,818,617)	(6,845,421)	(9,994,110)
Net Income (Loss)	7,058,946	-	-
Beginning Net Assets at July 1	272,292,995	279,351,941	279,351,941
Ending Net Assets at June 30	279,351,941	279,351,941	279,351,941

SUMMARY OF CHANGES IN NET ASSETS

Internal Service Funds			
	FY 2004 ACTUAL	FY 2005 APPROVED	FY 2006 APPROVED
Operating Revenues			
General property taxes	-	-	-
Other local taxes	-	-	-
Permits and Fees	-	-	-
Fines and forfeitures	-	-	-
Commonwealth	-	-	-
Federal	-	-	-
Charges for services	10,492,327	9,015,210	9,610,200
Miscellaneous	1,232		
Recovered costs	-	85,500	70,000
Total Operating Revenues	10,493,559	9,100,710	9,680,200
Operating Expenses			
Personnel services	3,467,424	3,891,866	3,931,783
Cost of Goods Sold	5,808,261	-	-
Contractual services/Other	816,676	575,292	659,899
Materials, supplies and repairs	93,548	4,498,743	4,927,333
Depreciation	264,008	-	-
Bad debt expense	-	-	-
All purpose appropriations	-	500	1,000
Total Operating Expenses	10,449,917	8,966,401	9,520,015
Operating Income (Loss)	43,642	134,309	160,185
Non-Operating Revenues (Expenses)			
Money and use of property	(24,480)	15,890	43,000
Capital outlay	-	(150,199)	(203,185)
Interest and fiscal charges	-	-	-
Debt service	-	-	-
Total Non-Operating Revenue/Expense	(24,480)	(134,309)	(160,185)
Income (Loss) Before Operating Transfers	19,162	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total Operating Transfers	-	-	-
Net Income (Loss)	19,162	-	-
Beginning Net Assets at July 1	9,945,906	9,965,068	9,965,068
Ending Net Assets at June 30	9,965,068	9,965,068	9,965,068

TRANSFERS FROM / TO

FROM GENERAL FUND TO:

Cemetery	\$404,600
CIP (Debt Service)	\$3,300,000
EOC	\$951,765
Nauticus	\$1,100,000
Total Transfer from General Fund	\$5,756,365

TO GENERAL FUND FROM:

Water Fund	\$8,500,000
Wastewater Fund	\$1,500,000
Total Transfer to General Fund	\$10,000,000

TO CAPITAL IMPROVEMENT PLAN FUND FROM:

Public Amenities	\$4,250,000
Total Transfers from All Funds	\$14,250,000

PERSONNEL STAFFING SUMMARY

	FY 2004 APPROVED	FY 2005 APPROVED	FY 2006 APPROVED	Increase (Decrease) FY 2005 to FY 2006
GENERAL FUND				
General Government				
Legislative				
City Council	8	8	8	-
City Clerk	10	11	11	-
Executive				
Budget & Management	13	11	12	1
City Manager	16	16	19	3
Communications and Public Information	14	16	16	-
Intergovernmental Relations	3	4	4	-
Office to End Homelessness	-	2	2	-
Office of Grants Management	-	3	3	-
General Management				
City Attorney	34	34	36	2
City Auditor	7	7	7	-
City Treasurer	33	31	31	-
Commissioner of the Revenue	44	43	43	-
Finance & Business Services ¹	44	48	133	85
Facility & Enterprise Management ¹	98	89	0	(89)
Elections	9	9	9	-
Human Resources	36	35	35	-
Information Technology	76	78	78	-
Real Estate Assessor	21	22	23	1
Records Management	3	3	3	-
Total General Government	469	470	473	3

	FY 2004 APPROVED	FY 2005 APPROVED	FY 2006 APPROVED	Increase (Decrease) FY 2005 to FY 2006
Judicial				
Circuit Court Judges	5	5	5	-
Clerk of Circuit Court	52	52	52	-
Commonwealth's Attorney	59	59	60	1
Sheriff and Jail	473	473	474	1
Total Judicial	589	589	591	2
Public Health				
Human Services	574	578	576	(2)
Public Health	42	41	36	(5)
Total Public Health	616	619	612	(7)
Public Safety				
Fire-Rescue Service	492	499	502	3
Police	874	873	873	-
Radio & Electronics	6	6	6	-
Total Public Safety	1,372	1378	1381	3
Public Works				
Public Works	338	338	339	1
Total Public Works	338	338	339	1
Parks, Recreation & Cultural				
Cultural Facilities, Arts & Entertainment	69	72	75	3
Neighborhood & Leisure Services ²	263	263	0	(263)
Neighborhood Preservation ²	0	0	55	55
Public Libraries	79	78	81	3
Recreation/Parks and Open Space ²	0	0	220	220
Zoological Park	46	46	47	1
Total Parks, Recreational & Cultural	457	459	477	18
Community Development				
Development	20	20	20	-
Planning & Community Development	71	75	74	(1)
Total Community Development	91	95	94	(1)
TOTAL GENERAL FUND	3,932	3,948	3967	19

	FY 2004 APPROVED	FY 2005 APPROVED	FY 2006 APPROVED	Increase (Decrease) FY 2005 to FY 2006
SPECIAL REVENUE FUNDS				
Cemetery	36	36	36	-
Cruise Ship Terminal ³	-	-	4	4
Emergency Preparedness and Response	85	86	86	-
Nauticus ³	41	43	39	(4)
Storm Water Fund	74	74	73	(1)
Towing	9	9	9	-
Total Special Revenue Fund	245	248	247	(1)
COMMUNITY DEVELOPMENT FUND				
Office of Grants Management	-	3	4	1
Total Community Development Fund	-	3	4	1
ENTERPRISE FUNDS				
Parking Facilities Fund	87	91	91	-
WasteWater Utility Fund	101	102	102	-
Water Utility Fund	270	284	286	2
Total Enterprise Funds	458	477	479	2
INTERNAL SERVICE FUNDS				
Fleet	69	69	69	-
Storehouse	11	11	11	-
Total Internal Service Funds	80	80	80	0
Total Other Funds	783	808	810	2
TOTAL ALL FUNDS	4,715	4,756	4,777	21

Notes:

1. Facility & Enterprise Management was consolidated and assigned to the Department of Finance & Business Services.
2. The Department of Neighborhood & Leisure Services was eliminated. New separate departments, Neighborhood Preservation and Recreation/Parks and Open Space, were created.
3. The Cruise Ship Terminal department was created and separated from Nauticus.

Personnel Staffing Narrative

BUDGET & MANAGEMENT

Added (1) Quality and Finance Analyst and (1) Information Management Supervisor.
Eliminated (1) Support Technician.

CITY ATTORNEY

Added (5) Assistant City Attorney II.
Eliminated (3) Assistant City Attorney I.

CITY MANAGER

Added (1) Manager of Real Estate, (1) Real Estate Analyst and (1) Real Estate Coordinator.

CITY TREASURER

Added (1) Assistant Treasurer-TR, (2) Customer Service Representative-TR, (3) Division Accounting Supervisor-TR, (2) Security Officer-TR, and (9) Senior Accounting Technician-TR.
Eliminated (13) Accountant II-TR, (2) Accounting Manager-TR, (1) Accounting Supervisor-TR, and (1) Accounting Technician.

COMMISSIONER OF THE REVENUE

Added (1) License Inspector I.
Eliminated (1) License Inspector II.

COMMONWEALTH'S ATTORNEY

Added (1) Assistant Commonwealth Attorney I.

CRUISE SHIP TERMINAL

Newly created department in FY 2006 with the following (4) staff members transferred from Nauticus: (1) Maintenance Mechanic II, (1) Manager of Cruise Operations & Marketing, (1) Security Officer, (1) Visitor Services Specialist.

CULTURAL FACILITIES, ARTS & ENTERTAINMENT

Added (1) Manager of the Office of Cultural Affairs & Special Events (1) Property Manager, and (1) Administrative Secretary.

FINANCE & BUSINESS SERVICES

Added (1) Assistant Director of Business Services, (1) Collection Coordinator, (1) Maintenance Mechanic, and (1) Operating Engineer II.
Eliminated (1) Accounting Technician, (1) Municipal Debt Administrator, (1) Maintenance Worker I, (1) Manager of Real Estate, (1) Operating Engineer I, (1) Real Estate Analyst, (1) Director of Facilities & Enterprise Management, and (1) Real Estate Coordinator.

FIRE-RESCUE

Added (2) Support Technician (1) Administrative Assistant I, (1) Accountant I, (1) Management Analyst I, and (2) Fire Battalion Chiefs.
Eliminated (1) Accounting Technician, (1) Administrative Secretary, and (2) Fire Lieutenant.

INFORMATION TECHNOLOGY

Added (1) Application Development Team Supervisor, (1) Enterprise Solutions Manager, (1) Microcomputer Systems Analyst, (2) Programmer Analyst V.
Eliminated (1) GIS Specialist III, (1) Manager, Voice Communications, (1) Programmer Analyst III, (1) Microcomputer Systems Analyst, and (1) Support Technician.

Personnel Staffing Narrative

HUMAN SERVICES

Added (1) Application Development Team Supervisor, (4) Eligibility Worker, (2) Human Resources Generalist, (3) Human Services Aide, (7) Management Analyst I, (1) Management Analyst II, (1) Management Services Administrator, (2) Social Work Supervisor I, and (1) Staff Technician II.

Eliminated (8) Case Management Specialist, (1) Child Counselor I, (1) Child Counselor III, (2) Eligibility Supervisor, (1) Fraud Investigator, (3) Office Assistant, (2) Personnel Analyst, (1) Programmer/Analyst V, (1) Project coordinator, (3) Social Worker I, and (1) Support Technician.

LIBRARIES

Added (2) Librarian II, (1) Management Analyst II, (1) Microcomputer Systems Analyst.

Eliminated (1) Librarian I.

NEIGHBORHOOD AND LEISURE SERVICES

This department has been eliminated as of FY 2006.

NEIGHBORHOOD PRESERVATION

Newly created department in FY 2006 with the following staffing (1) Accounting Technician, (3) Administrative Technician, (1) Assistant Director of Neighborhood Preservation, (1) Chief of Neighborhood Preservation, (5) Codes Enforcement Team Leader, (23) Codes Specialist, (1) Director of Neighborhood Preservation, (3) Environmental Health Assistant I, (5) Facilities Manager, (1) Neighborhood Development Specialist, (1) Neighborhood Services Manager, (4) Office Assistant, (1) Program Administrator, (1) Senior Codes Specialist, and (4) Support Technician.

NAUTICUS

Transferred (1) Education Specialist, (1) Electronics Technician II, (1) Maintenance Mechanic II, and (1) Visitor Services Assistant to the newly created department Cruise Ship Terminal

OFFICE OF GRANTS MANAGEMENT

Added (1) Community Development Block Grant Support Technician I (NGF).

OFFICE TO END HOMELESSNESS

Added (1) Director of the Office to End Homelessness.

Eliminated (1) Programs Manager.

PLANNING & COMMUNITY DEVELOPMENT

Added (1) Administrative Technician, (1) Architect II, (1) Architect III, (3) City Planner III, (1) Permit Technician, (1) Senior Codes Specialist, and (1) Senior Permits Specialist.

Eliminated (2) City Planner I, (1) City Planner II, (1) City Planning Manager, (1) Contract Monitoring Specialist, (2) Information Management Supervisor, (1) Support Technician, (1) Zoning Enforcement Specialist II, and (1) Zoning Enforcement Specialist III.

PUBLIC HEALTH

Transferred (2) Environmental Health Assistants I transferred to the Department of Neighborhood Preservation.

Converted (7) part time Public Health Aides positions to (4) full time Public Health Aides.

PUBLIC WORKS

Added (1) Accounting Supervisor, (1) Civil Engineer II, (1) Construction Inspector II, (1) GIS Technician, (1) Management Analyst II, (1) Operations Manager, (1) Personnel Specialist, and (1) Traffic Systems Engineering Technician I.

Personnel Staffing Narrative

Eliminated (1) Contract Monitoring Specialist, (1) Engineering Aide, (1) Engineering Technician, (1) Highway Operations Technician, (1) Office Manager, (1) Public Services Coordinator, and (1) Refuse Collector Supervisor.

SHERIFF & JAIL

Added (1) Deputy Sheriff to provide security for the Circuit Court.

RADIO & ELECTRONICS

Added (1) Senior Radio Communications Systems Analyst.

Eliminated (1) Radio Communications Systems Analyst.

REAL ESTATE ASSESSOR

Added (1) Programmer/Analyst II, (1) Real Estate Appraiser I, and (1) Software Analyst.

Eliminated (1) Real Estate Appraisal Team Leader, (1) Real Estate Appraiser III.

RECREATION/PARKS AND OPEN SPACE

Newly created department in FY 2006 with the following staffing: (1) Accounting Technician (2) Administrative Assistant II (1) Administrative Secretary, (4) Administrative Technician, (1) Applications Analyst, (1) Architect III, (2) Assistant Director of Recreation, Parks & Open Space, (1) Assistant Superintendent of Parks/Forestry, (1) Business Manager, (1) City Forester, (1) Crew Leader I, (1) Director of Recreation/Parks & Open Space, (27) Equipment Operator II, (5) Equipment Operator III, (1) Facilities Manager, (5) Forestry Crew Leader, (1) Forestry Supervisor, (28) Groundskeeper, (27) Groundskeeper Crew Leader, (2) Horticulturist, (1) Landscape Coordinator I, (8) Lifeguard, (2) Maintenance Mechanic I, (4) Maintenance Mechanic II, (1) Maintenance Mechanic III, (5) Maintenance Supervisor II, (1) Maintenance Worker I, (1) Maintenance Worker II, (2) Management Analyst II, (1) Messenger/Driver, (4) Office Aide, (1) Office Assistant, (1) Pool Manager, (1) Public Relations Specialist, (1) Public Services Coordinator I, (27) Recreation Specialist, (21) Recreation Supervisor, (1) Senior Recreation Supervisor I, (11) Senior Recreation Supervisor II, (1) Staff Technician II, (5) Support Technician, (2) Therapeutic Recreation Specialist, (4) Tree Trimmer, and (1) Youth Development Manager.

STORM WATER MANAGEMENT

Added (1) GIS Technician.

Eliminated (1) Accountant I and (1) Engineering Technician I.

WATER UTILITY FUND

Added (2) Civil Engineer II, (1) Collection Coordinator, (1) Custodian, (1) Equipment Operator III, (1) General Utility Maintenance Supervisor, (1) Human Resources Generalist, (2) Maintenance Worker II, (1) Office Assistant, (1) Programmer Analyst V, (1) Senior Water Chemist, (2) Waterworks Operator II, and (2) Waterworks Operator IV.

Eliminated (1) Accounting Technician, (1) Civil Engineer I, (1) Civil Engineer III, (1) Crew Leader I, (2) Maintenance Worker I, (1) Programmer Analyst III, (1) Staff Technician II, (1) Water Chemist, (1) Water Distribution Supervisor, (1) Waterworks Operator I, and (3) Waterworks Operator II.

ZOOLOGICAL PARK

Added (1) Security Officer

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CITY INDEBTEDNESS

The Virginia Constitution authorizes a city in Virginia to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds, the governing body of the city is required to levy, an ad valorem tax on all property subject to local taxation to ensure debt service payment. The issuance of general obligation bonds without referendum is subject to a limitation of 10 percent of the assessed value of taxable real property in the city.

The Public Finance Act of Virginia also authorizes a city in Virginia to issue limited liability revenue bonds provided that the rates, rents, fees or other charges are sufficient to pay the cost of operation and administration and the principal and interest on the bonds when due. In determining general obligation statutory debt limitations, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, referendum approved general obligation bonds payable from a specified revenue producing undertaking, so long as the undertaking is self-supporting, capital leases and revenue bonds. The City's enterprise operations for Water and Parking bonded debt are a combination self-supporting, general obligations and revenue bonds. The City's operations for Wastewater and Storm Water are self-supporting general obligation bonds. Since the self-supporting general obligation debt of each of the enterprise operations was approved without referendum, however, they are included in the City's legal debt limit.

The following table shows the general obligation Legal Debt Margins for the Fiscal Years ending June 30 for the current and past four fiscal years.

AS OF	Taxable REAL PROPERTY ASSESSED VALUE	DEBT LIMIT: 10% OF ASSESSED VALUE	DEBT APPLICABLE TO DEBT LIMIT	AMOUNT OF DEBT AS % OF DEBT LIMIT	LEGAL MARGIN FOR ADDITIONAL DEBT
June 30, 2005*	10,937,768,782	1,093,776,878	511,605,062	46.77%	582,171,815
June 30, 2004	10,029,638,801	1,002,963,880	489,541,678	48.81%	513,422,202
June 30, 2003	9,356,759,552	935,675,955	464,176,270	49.61%	471,499,686
June 30, 2002	8,882,063,788	888,206,378	463,645,861	52.20%	424,560,517
June 30, 2001	8,458,280,938	845,828,094	471,745,246	55.77%	374,082,848
*Estimated					

OVERLAPPING DEBT

The City of Norfolk is autonomous and independent of any county or other political subdivision and is not subject to taxation by any county or school district, nor is it liable for any county or school district indebtedness. There is no overlapping debt.

STATEMENT OF NO PAST DEFAULT

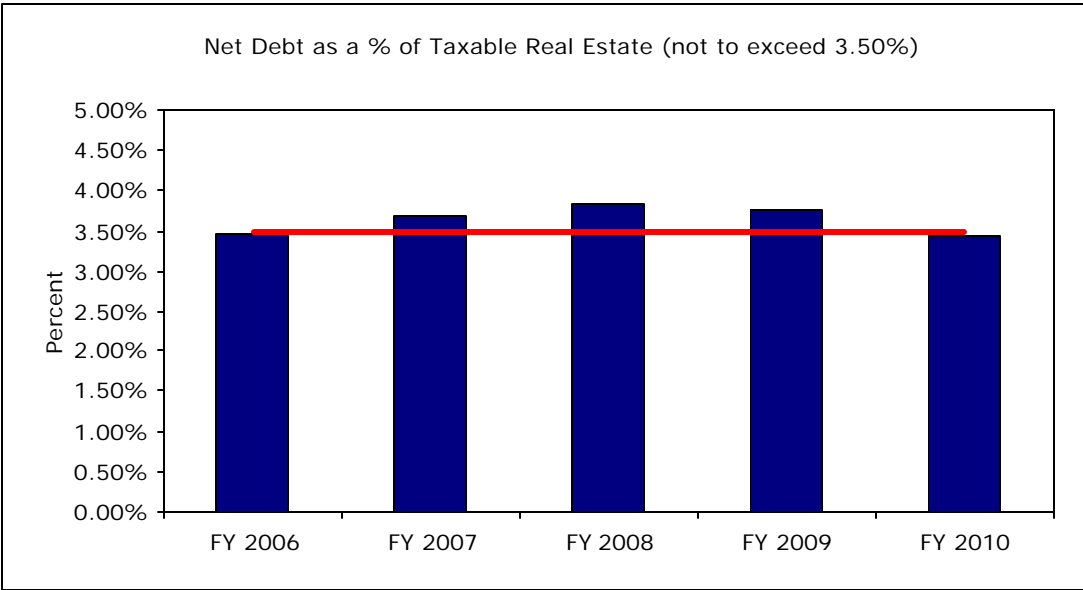
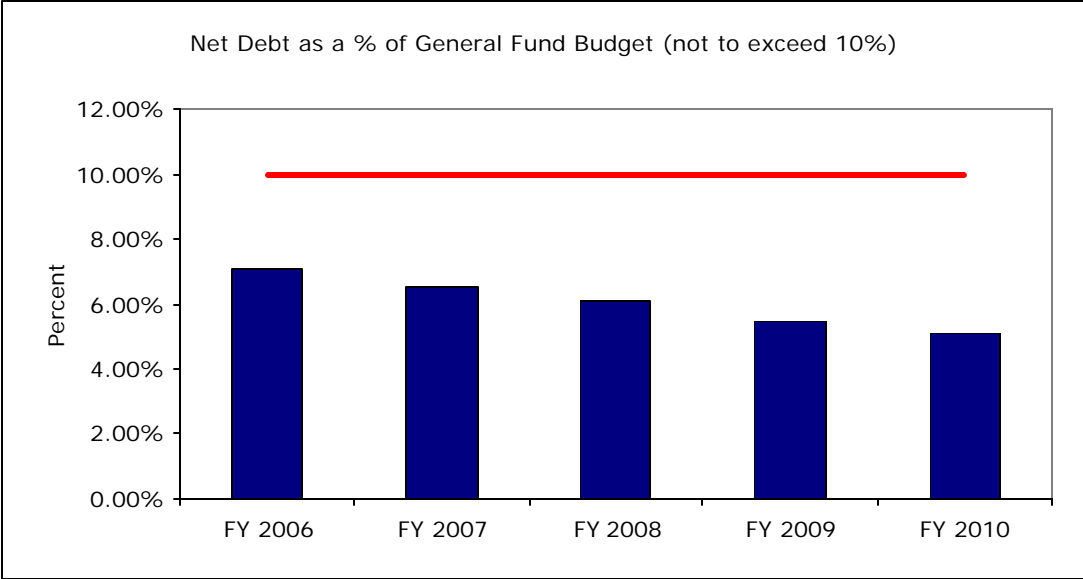
The City has never defaulted on the payment of either principal or interest on any debt.

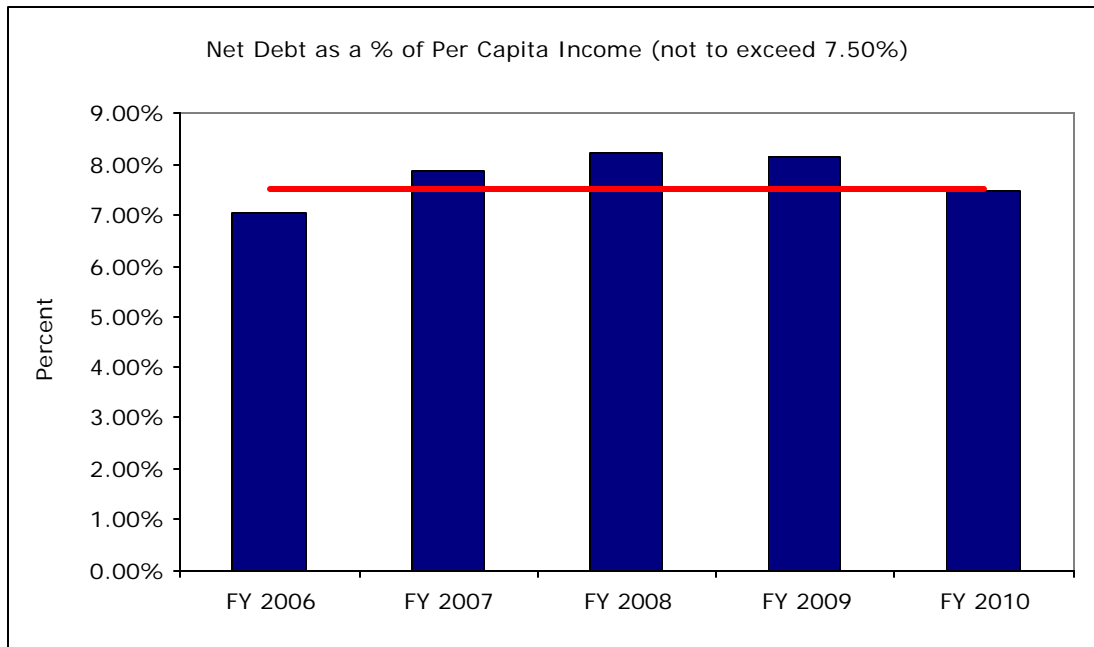
OUTSTANDING DEBT

The City's general capital debt service is funded from its general fund. The debt of the enterprise operations is paid solely from the revenues of the respective enterprise and internal service funds. The City's estimated outstanding bonded indebtedness at the end of FY 2005 is estimated to be \$893,624,062.

GENERAL CAPITAL IMPROVEMENTS—AFFORDABILITY MEASURES

The City's Capital Improvement Plan for General Capital Improvements (those bonds not supported by an enterprise fund) is guided by the measures of affordability. These measures or debt limits, based on the proposed Capital Improvement Plan are projected to be as follows:





ENTERPRISE OPERATIONS DEBT

Norfolk's parking and water revenue bond programs are governed by bond indentures of trust, which specify debt coverage requirements for their respective operations. As previously noted, outstanding water and parking bonds are a combination of general obligations of the City and revenue bonds. As a matter of practice, the City pays such general obligation bonds from its respective enterprise activities. In the event that moneys in the respective funds are not sufficient to pay debt service on the general obligations, the City is obligated to pay such debt service from the General Fund or other available revenues. Debt Service coverage of the enterprise operations are shown in the following table

Water Utility Fund					
FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	REVENUE BOND COVERAGE	GENERAL OBLIGATION & REVENUE BOND COVERAGE
June 30, 2006*	6,580,000	14,827,961	21,407,961	2.02	1.53
June 30, 2005*	6,250,000	14,181,309	20,431,309	1.99	1.46
June 30, 2004	5,955,000	14,616,543	20,571,543	1.63	1.15
June 30, 2003	5,700,000	14,600,283	20,300,283	1.83	1.28
June 30, 2002	4,890,000	14,090,180	18,980,180	1.95	1.31
June 30, 2001	4,680,000	13,411,636	18,091,636	1.94	1.29

*Estimated

Wastewater Utility Fund

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	REVENUE BOND COVERAGE	GENERAL OBLIGATION & REVENUE BOND COVERAGE
June 30, 2006*	4,990,974	2,911,036	7,902,010	N/A	1.49
June 30, 2005*	3,582,626	2,219,043	5,801,669	N/A	1.93
June 30, 2004	3,439,671	1,742,920	5,182,591	N/A	1.87
June 30, 2003	3,960,161	2,516,573	6,476,734	N/A	1.03
June 30, 2002	3,525,753	2,222,877	5,748,630	N/A	.88
June 30, 2001	3,538,872	2,475,606	6,014,478	N/A	.87
*Estimated					

Parking Enterprise Fund

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	REVENUE BOND COVERAGE	GENERAL OBLIGATION & REVENUE BOND COVERAGE
June 30, 2006*	1,685,000	4,927,930	6,612,930	1.54	1.18
June 30, 2005*	1,440,000	3,845,646	5,285,646	2.02	1.31
June 30, 2004	1,345,000	4,319,644	5,664,644	2.41	1.56
June 30, 2003	1,080,000	3,834,399	4,914,399	2.11	1.24
June 30, 2002	1,010,000	4,394,816	5,404,816	1.96	1.20
June 30, 2001	1,320,000	4,363,455	5,683,455	2.32	1.32
*Estimated					

COMPUTATION OF LEGAL DEBT MARGIN

JUNE 30, 2005 (ESTIMATED)

Total Assessed Value of Taxed Real Property as of June 30, 2005 (estimated)		\$10,937,768,782
Debt Limit - 10 percent of Total Assessed Value		<u>\$1,093,776,878</u>
Amount of Debt Applicable to Debt Limit:		
Gross Debt (Notes 1, and 4)	\$470,977,975	
General Obligation (QRBs)	17,365,000	
General Obligation (QZABs)	6,962,087	
General Obligation (guaranty) (Note 5)	3,300,000	
HUD Section 108 Loan	<u>13,000,000</u>	<u>511,605,062</u>
Legal Debt Margin (Notes 2 and 3)		<u>\$582,171,815</u>
Amount of Debt as a percent of Debt Limit		<u>46.77%</u>

Notes:

1. Defeased bonds totaling \$104,935,000 are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
 - a. The 1995 refunded bonds will be called for optional redemption before maturity in the amount of \$22,500,000 on June 1, 2005, at a price of 101%.
 - b. The 1996 refunded bonds will be called for optional redemption before maturity in the amount of \$27,000,000 on June 1, 2006, at a price of 101%.
 - c. The 1997 refunded bonds will be called for optional redemption before maturity in the amount of \$19,775,000 on June 1, 2007, at a price of 101%.
 - d. The 1998 refunded bonds will be called for optional redemption before maturity in the amount of \$20,630,000 on June 1, 2008, at a price of 101%.
 - e. The 1999 refunded bonds will be called for optional redemption before maturity in the amount of \$4,680,000 on June 1, 2009, at a price of 101%.
 - f. The 2000 refunded bonds will be called for optional redemption before maturity in the amount of \$6,300,000 on June 1, 2010, at a price of 101%.
 - g. The 2002 refunded bonds will be called for optional redemption before maturity in the amount of \$4,050,000 on June 1, 2012, at a price of 101%.
2. Outstanding capital lease obligations totaling \$13,876,333 for the purchase of equipment are not included for the purpose of the legal debt margin calculations.
3. The amount of general obligation bonds authorized by ordinance but not issued for Capital Improvement Projects is \$29,520,352.

4. Water and Parking revenue bonds are excluded from gross debt. The revenue bonds are secured solely from revenue of the Water Utility Fund and of the Parking Facilities Fund.
5. Includes a General Obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998, which mature on August 15, 2015.
6. Includes a 20 year \$13,000,000 section 108 Loan with HUD, which matures on August 1, 2023.

YEARLY MATURITY OF LONG –TERM DEBT

Fiscal Year	General Obligation			Water Revenue			Parking Revenue		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	47,232,601	17,730,399	54,292,299	6,580,000	14,827,960	21,407,960	1,955,000	4,319,063	6,274,063
2007	45,135,195	16,367,710	51,172,791	7,310,000	14,379,821	21,689,821	2,020,000	4,711,305	6,731,305
2008	44,973,123	15,131,422	49,372,680	7,665,000	14,022,200	21,687,200	2,130,000	4,642,248	6,772,248
2009	44,226,786	13,621,765	47,383,786	8,050,000	13,639,869	21,689,869	2,235,000	4,529,986	6,764,986
2010	40,516,529	12,298,404	43,593,869	8,455,000	13,232,930	21,687,930	2,565,000	4,437,657	7,002,657
2011	40,197,697	11,017,516	42,130,035	8,885,000	12,800,297	21,685,297	2,650,000	4,349,049	6,999,049
2012	35,775,127	9,607,910	37,680,580	9,355,000	12,336,246	21,691,246	2,765,000	4,220,647	6,985,647
2013	29,136,099	8,252,147	31,689,021	9,845,000	11,840,222	21,685,222	2,855,000	4,086,138	6,941,138
2014	23,201,957	7,198,567	26,333,038	10,370,000	11,315,735	21,685,735	2,894,000	3,947,124	6,841,124
2015	23,229,748	6,281,422	25,419,661	10,930,000	10,760,198	21,960,198	2,980,000	3,805,350	6,785,350
2016	20,753,003	5,396,648	22,950,225	11,520,000	10,167,244	21,687,244	3,100,000	3,679,845	6,779,845
2017	17,684,027	4,578,484	19,421,223	12,150,000	9,534,216	21,684,216	3,255,000	3,536,627	6,791,627
2018	15,792,268	3,877,589	17,240,235	12,820,000	8,863,722	21,683,722	3,400,000	3,386,211	6,786,211
2019	15,987,588	3,229,442	16,927,898	13,525,000	8,159,132	21,684,132	3,555,000	3,229,023	6,784,023
2020	15,194,991	2,566,726	15,853,228	14,270,000	7,412,294	21,682,294	3,770,000	3,077,661	6,847,661
2021	13,018,435	1,913,171	12,977,807	15,070,000	6,616,407	21,686,407	3,960,000	2,892,202	6,852,202
2022	12,070,091	1,399,634	11,569,131	15,910,000	5,772,370	21,682,370	4,160,000	2,697,256	6,857,256
2023	10,423,136	905,739	9,510,766	16,815,000	4,878,146	21,693,146	4,365,000	2,492,015	6,857,015
2024	8,833,617	536,979	7,603,006	17,760,000	3,933,139	21,693,139	4,570,000	2,276,127	6,846,127
2025	4,077,641	307,400	3,077,400	14,105,000	3,059,816	17,164,816	4,800,000	2,049,964	6,849,964
2026	745,405	182,750	182,750	14,900,000	2,264,126	17,164,126	5,045,000	1,811,555	6,856,555
2027	-	182,750	182,750	7,345,000	1,672,887	9,017,887	5,295,000	1,560,924	6,855,924
2028	-	182,750	182,750	7,725,000	1,294,419	9,019,419	4,860,000	1,297,821	6,157,821
2029	-	182,750	182,750	8,125,000	895,384	9,020,384	5,125,000	1,041,232	6,166,232
2030	-	182,750	182,750	2,980,000	619,519	3,599,519	5,220,000	770,913	5,990,913
2031	-	182,750	182,750	3,125,000	471,506	3,596,506	5,505,000	490,107	5,995,107
2032	-	182,750	182,750	3,285,000	315,409	3,600,409	970,000	193,881	1,163,881
2033	3,400,000	37,565	3,437,565	1,185,000	208,009	1,393,009	1,015,000	147,355	1,162,355
2034	-	-	-	1,240,000	151,931	1,391,931	1,065,000	98,568	1,163,568
2035	-	-	-	1,300,000	93,194	1,393,194	440,000	47,491	487,491
2036	-	-	-	1,365,000	31,565	1,396,565	-	-	-
	\$511,605,062	\$173,515,342	\$685,120,404	\$283,965,000	\$205,569,913	\$489,534,914	\$98,524,000	\$79,825,345	\$178,349,345

Fiscal Year	Lease Purchase Equipment			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2006	4,192,804	309,611	4,502,415	59,960,405	41,842,014	101,802,418
2007	3,444,988	191,244	3,636,232	57,910,183	39,851,301	97,761,484
2008	2,697,816	95,798	2,793,614	57,465,939	37,555,579	95,021,518
2009	1,481,210	32,935	1,514,145	55,992,996	35,071,015	91,064,011
2010	369,793	3,405	373,198	51,906,322	32,702,921	84,609,243
2011	-	-	-	51,732,697	30,414,407	82,147,104
2012	-	-	-	47,895,127	27,885,214	75,780,341
2013	-	-	-	41,836,099	25,592,554	67,428,653
2014	-	-	-	36,465,957	23,635,092	60,101,049
2015	-	-	-	37,139,748	21,836,121	58,975,869
2016	-	-	-	35,373,003	20,070,211	55,443,214
2017	-	-	-	33,089,027	18,349,660	51,438,686
2018	-	-	-	32,012,268	16,711,325	48,723,593
2019	-	-	-	33,067,588	15,104,938	48,172,526
2020	-	-	-	33,234,991	13,452,904	46,687,895
2021	-	-	-	32,048,435	11,744,790	43,793,226
2022	-	-	-	32,140,091	10,120,012	42,260,103
2023	-	-	-	31,603,136	8,455,304	40,058,439
2024	-	-	-	31,163,617	6,862,412	38,026,029
2025	-	-	-	22,982,641	5,473,833	28,456,475
2026	-	-	-	20,690,405	4,275,806	24,966,211
2027	-	-	-	12,640,000	3,416,561	16,056,561
2028	-	-	-	12,585,000	2,774,990	15,359,990
2029	-	-	-	13,250,000	2,119,366	15,369,366
2030	-	-	-	8,200,000	1,573,182	9,773,182
2031	-	-	-	8,630,000	1,144,363	9,774,363
2032	-	-	-	4,255,000	692,040	4,947,040
2033	-	-	-	5,600,000	392,929	5,992,929
2034	-	-	-	2,305,000	250,499	2,555,499
2035	-	-	-	1,740,000	140,685	1,880,685
2036	-	-	-	1,365,000	31,565	1,396,565
	\$12,186,611	\$632,993	\$12,819,604	\$906,280,673	\$459,543,592	\$1,365,824,265