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# Budget Overview

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# READER'S GUIDE TO THE BUDGET

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## PURPOSE

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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 from July 1, 2009 to June 30, 2010. The amounts for FY 2010 are appropriated by the City Council.

## BUDGET OVERVIEW

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This section provides information on budget and financial policies, fund structures, basis of accounting, the budget process, budget calendar, and the City's organizational chart. The section also includes revenue and expenditure summaries, discussion of major revenue sources, indebtedness, and personnel staffing. Historical revenue and expenditure figures provided in the summaries do not include encumbrances, designations, and carry-forwards and may not reflect all financial adjustments posted after June 30.

## GENERAL FUND REVENUE AND EXPENDITURE

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The General Fund is used to account for primary government services. A summary of estimated revenue from each source and expenditure by department is provided for the General Fund. For each department within the General Fund, a summary of historical and recommended expenditures is provided. Historical revenue and expenditure figures provided do not include encumbrances, designations, and carry-forwards and may not reflect all financial adjustments posted after June 30.

## DEPARTMENT BUDGET

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This section provides detailed information on the budget of each department within the General Fund. Historical revenue and expenditure figures provided do not include encumbrances, designations, and carry-forwards and may not reflect all financial adjustments posted after June 30.

## EDUCATION FUNDS

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This section conveys the approved Norfolk Public Schools Operating Budget.

## SPECIAL REVENUE, ENTERPRISE, AND INTERNAL SERVICE FUNDS

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These sections provide detailed information on budget related to the City's Special Revenue, Enterprise and Internal Service Funds. Historical revenue and expenditure figures provided do not include encumbrances, designations, and carry-forwards and may not reflect all financial adjustments posted after June 30.

## CAPITAL IMPROVEMENT PLAN

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

## STATISTICAL/GENERAL INFORMATION

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

## GLOSSARY/INDEX

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The glossary provides definitions of budget-related terms. The index contains an alphabetical reference of information contained in this document.

## ORDINANCES

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This section contains ordinances that adopt the annual operating and capital improvement plan budget, sets rates for the property taxes, and miscellaneous amendments to the City Code.

## ANNUAL PLAN

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This section contains the Annual Plan that identifies the annual funding of the City's priority community development projects and activities as outlined in the Consolidated Plan.

# FINANCIAL POLICIES AND PRACTICES

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## OPERATING BUDGET

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The operating budget for the City is developed pursuant to Section 67 of the Charter of the City of Norfolk, Virginia. In accordance with the City Charter, the City Manager must submit to the City Council, no less than sixty days before the end of the fiscal year, a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures based on detail estimates furnished by departments and other divisions of the City government. The budget is presented in a manner that identifies recommended appropriations, taxes, and estimated revenues with comparative statements. The budget is prepared by fund function and department.

Following the formal presentation of the Proposed Budget by the City Manager, public hearings are conducted to provide an opportunity for the public to make comments on the proposed operating budget and proposed tax and fee adjustments, including the proposed real estate tax rate. The Code of Virginia requires that notice for the public hearing for the proposed real estate tax rate be given to the public at least 30 days prior to the date of the hearing. The public hearing for the operating budget shall be held at least seven days prior to City Council’s approval of the budget. City Council is required to approve a final operating budget no later than thirty days before the end of the previous fiscal year.

The formal approval of the budget is executed by the adoption of the ordinance delineating appropriations by fund. Additional budgetary controls are exercised administratively on an appropriation unit basis over combinations of object categories (budgetary account groups: personal services, materials, supplies and repairs, general operations and fixed charges, equipment, public assistance, all purpose appropriations and debt service), as well as on a line item basis over individual objects (budgetary accounts). Department heads may transfer funds within a departmental budget with approval from the City Manager or the Office of the Budget and Management.

The City Manager is authorized to transfer money within a fund without further approval by City Council. Basic policies and guidelines for the development of the City’s annual budget are provided below.

## GENERAL FUND BALANCE RESERVES

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Annually, after the fiscal year end close, the Department of Finance & Business Services must produce a schedule of all fund variance with the final budget. Analysis of compliance with the City’s reserve requirements and a plan for the use of excess funds shall be included in a year end report submitted by the City Manager to the City Council. The City Manager may recommend policy or procedure changes based upon circumstances identified in the year end analysis.

The purpose of a reserve is to act as the City’s “savings” account to meet emergency and unanticipated needs without jeopardizing the ongoing provision of City services. The establishment and maintenance of general operating reserves is considered one of the most effective management practices a local government can employ. Reserves help to cushion against annual cash flow disruptions. The appropriate size of reserves depends on variability of revenues and expenditures and the City’s cash flow needs. The general fund reserve policy and practices 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 budget 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 created a reserve equal to 1.5 times the annual risk management budget of approximately \$7.7 million in the event of major unanticipated workers compensation or general liability claims. For FY 2009, the City’s Risk Management Reserve is projected to be \$840,162. The balance in the Risk Management Reserve was reduced in FY 2008 by \$4.9 million to settle a major general liability claim. It is the City’s practice to replenish this reserve over time.

**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 the 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. For FY 2009, the City’s Economic Downturn/Leveling Reserve was \$4,000,000 or 40 percent of the City’s goal of \$10 million.

Reserve	Purpose	Goal FY 2009	Projected FY 2009
Undesignated General Fund Balance	Good management practices recommend the accumulation of undesignated funds to mitigate current and future risks and to provide for temporary funding of unforeseen emergency or catastrophic needs.	\$41,364,015 5% based on FY 2009 General Fund Operating Budget of \$827,280,300	\$41,364,015
Risk Management Reserve	Because the City is self-insured, a reserve is needed in the event of major unanticipated workers compensation or general liability claims.	\$11,600,000 (Approximately 1.5 times annual budget of \$7.7 million as amended)	\$840,162 (8% of goal)
Economic Downturn/ Leveling Reserve	To abate the impact of short-term economic downturns on the overall budget and to build adequate reserves to transition the impact of extreme swings in revenues and/or expenditures. This reserve is intended to be used as needed whereas the Undesignated Reserve is to be used for major unforeseen emergencies or catastrophic needs.	\$10,000,000	\$4,000,000 (40% of goal)

Note: Amounts above exclude reserves for encumbrances and other legally restricted reserves and designations for specific appropriations.

## DEFINITION AND USE OF SURPLUSES

The budget is a plan based on the best data available at the time the budget is approved. Budgeted revenues and expenditures are projections and are not exact. Through strict monitoring, funds in excess of the budget projections may occur and are referred to as surpluses. In terms of budget forecasts, the Commonwealth of Virginia has a goal or benchmark to be within 2 percent of the projected budget.

The City uses surpluses to meet the aforementioned reserve goals, reduce outstanding debt and avoid future debt. After meeting the City's reserve requirements, excess surplus amounts may be used for the following purposes:

- Retirement of Existing Debt: Surplus funds may be used to pay principal on existing revenue bonds or any other existing debt;
- Capital Replacement Programs: Excess reserves may be directed to provide cash funding for certain capital equipment replacement programs;
- Cash Payments for Capital Improvement Projects: Excess funds may be used to provide cash funding for capital improvement projects, thereby reducing the future debt burden upon the City.

To the same extent that the City Administration attempts to match one-time revenues with one-time expenses, a one-time surplus is also matched with one-time expenditures.

## DEBT MANAGEMENT

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The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling for the amount of general obligation borrowings. Based on this legal limit, the City can issue debt in excess of \$1.0 billion. While this is the legal limitation, the City is well aware it cannot take on expenditures beyond its fiscal means of affordability. Therefore, the City strives to adhere to the following internal debt ratios to guide the development of the Capital Improvement Plan (CIP):

- Debt Service as a percent of the general fund budget should not exceed 10 percent; and
- Net debt as a percent of taxable real estate should not exceed 3.5 percent.

In determining general obligation debt limitations, certain classes of indebtedness may be excluded, such as revenue anticipation notes maturing in one year or less, 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, Wastewater and Parking bonded debt are a combination of self-supporting, general obligation and revenue bonds. The City's operation for Storm Water bonded debt is self-supporting general obligation bonds.

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

## CAPITAL IMPROVEMENT PLAN

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The City uses several guiding principles and best practices to manage the Capital Improvement Plan (CIP). The principles that govern the CIP are intricately intertwined with the debt management practices mentioned in the previous section. Using the principles as a foundation, the CIP is developed to promote capital infrastructure that support the City Council's vision and priorities by establishing a five-year capital implementation plan. In formulating this long range plan, input is solicited from various parties such as City departments, City Council and citizens.

The CIP should include projects that meet at least one of the City Council established eight policy areas (see CIP section for definitions):

- Education;
- Transportation;
- Economic Development;
- Cultural Facilities;
- Neighborhood Development;
- Public Buildings;
- Parks and Recreation Facilities; and
- General and Other.

In addition, approved projects must also meet the minimum cost threshold of \$50,000 or more and should extend the useful life of an existing asset or create an asset with a useful life that exceeds the life of the debt instrument used to finance the project.

Various sources of funding are used to establish the CIP. These sources include general fund supported debt and non-general fund supported debt, such as, revenue bonds or cash contributions from various resources. For general capital improvements, the City strives to achieve an annual pay-as-you-go cash contribution of 12.5 percent for the CIP.

# FUND STRUCTURE

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## FUND STRUCTURE

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The City uses fund accounting to ensure and demonstrate compliance with finance-related legal and regulatory requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City's funds can be divided into four categories: governmental funds, proprietary funds, component unit funds, and fiduciary funds.

### GOVERNMENTAL FUNDS TYPE

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Governmental funds consist of the General Fund, Special Revenue Funds, Capital Project Fund, and Debt Service Funds. Most governmental functions of the City are financed through these funds. Governmental funds normally are supported by taxes and intergovernmental revenues. 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 of the general government, except those required or preferred to be accounted for in another fund. 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.

#### 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

The Capital Project Fund accounts for the acquisition, construction or renovation of major capital facilities of the City or the School Board.

### PROPRIETARY FUNDS TYPE

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The City maintains two types of Proprietary Funds - Enterprise Funds and Internal Service Funds. Proprietary Funds account for operations similar to those found in the private sector, and they include the Parking Operations, Wastewater, and Water Utility Funds. The Proprietary Fund measurement focus is based upon determination of net income, financial position and changes in financial position. The full accrual basis of budgeting is used for all Proprietary Funds.

#### Parking Facilities Fund

The Parking Facilities 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 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**

These funds account 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.

## COMPONENT UNIT FUNDS

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**Education**

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 revenues 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 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.

## FIDUCIARY FUNDS AND PERMANENT FUND

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Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The fiduciary funds include the City's Pension Trust Fund, the Commonwealth of Virginia Agency Fund, and the Miscellaneous Agency Fund. The permanent fund is used to report resources that are legally restricted to the extent that only earnings (not principal) may be used to support the program. The permanent fund includes the Cemetery Perpetual and Endowed Care. Fiduciary and permanent funds are not included in the City Government's budget or financial statements, because the resources in such funds are not available to support the City's programs. Fiduciary fund statements are presented separately within the City's Comprehensive Annual Financial Report (CAFR).

# BASIS OF BUDGETING & ACCOUNTING

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## BASIS OF BUDGETING

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

For the modified accrual basis, expenditures are recorded as expenditures when the related fund liability is incurred (other than interest on general long-term liabilities). For budgetary purposes, however, purchase orders issued and other contractual commitments are considered expenditures when executed. Revenues are recorded when they are measurable and available. The accrual basis recognizes expenses when the liability is incurred regardless of the related cash flows. Revenues, however, are recognized when earned. (Accrual methodology is based upon known present and future expenses and revenues, not upon cash spent or received).

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 may approve any changes within a Fund which do not require an alteration of the appropriation level. Appropriations lapse at fiscal year-end, except appropriations for the Grants Fund and the Capital Improvement Fund, which are carried forward until such time as the grant or project is completed or terminated.

## BASIS OF ACCOUNTING

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

Compensated absences are recorded as earned by employees (GAAP), as opposed to being expended when paid (Budget);

Principal payments on long-term debt within the Proprietary Funds reduce the amount of debt remaining 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; and

Recording unfulfilled purchase orders and contractual obligations as expenditures in the year executed.

In addition to the fund financial statements, government-wide financial statements are also prepared on the accrual basis of accounting. In government-wide financial statements, certain funds are grouped together for reporting purposes.

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# BUDGET PROCESS

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## FORMULATION OF THE CITY MANAGER’S APPROVED BUDGET

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

The annual budget process commences each fall. The budget calendar is developed which establishes the timelines for the process, including dates for submission of departmental requests, budget work sessions and public hearings that lead to final adoption of the budget.

Department requests are based on budget instructions. Each request must relate to the organization’s program objectives. The requests are received and compiled by the budget staff. Due to revenue constraints, departments are generally encouraged to develop proposals to trade or reduce 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, Special Revenue Funds (Cemeteries, Cruise Ship Terminal, Emergency Preparedness and Response, Golf Operations, The National Maritime Center, Public Amenities, Tax Increment Financing, and Towing and Recovery Operations), and Internal Service Funds. Budgets are also individually adopted for a Special Revenue (Grants) Fund. Ordinances are generally approved when a grant to the City has been awarded.

All funds are under formal budgetary control, the most significant of which is the General Fund. No less than sixty days before the end of fiscal year, the City Manager submits a proposed operating budget for the fiscal year commencing the following July to the City Council. The Operating Budget includes recommended expenditures and the means to finance them.

## CITY COUNCIL’S AUTHORIZATION AND APPROPRIATION

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After general distribution of the proposed operating budget, one or more public hearings may be conducted to obtain comments and recommendations from the public. No less than thirty days before the end of the fiscal year, the City Council shall pass an annual appropriation ordinance which shall be based on the budget submitted by the City Manager. The annual operating budget ordinance appropriates funds, subject to certain conditions, for use by departments. 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: personnel services; materials, supplies and repairs; general operations and fixed charges; equipment; public assistance; all purpose appropriations and debt service.

## CITY MANAGER’S AUTHORIZATION

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In accordance with the City Charter, at least sixty days before the end of each fiscal year, the City Manager shall prepare and submit to the City Council an annual budget for the ensuing fiscal year. The budget shall be balanced at all times. The total amount of appropriations shall not exceed the estimated revenues of the City. In a given year, the City Manager is authorized to transfer from any department, fund or activity which has a budgetary excess of funds appropriated to any department, fund or activity as necessary.

## BUDGET IMPLEMENTATION

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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 Main Library, on the City Website, or may be obtained from the Office of Budget and Management. 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 gap between revenues and expenditures, the City Manager will take such actions necessary to rebalance the budget. Budget amendments may be made by City Council in order to meet the changing needs of the City. The means by which City Council may amend the budget include, but are not limited to, appropriation of additional funds and decrease the amount of appropriated funds.

## CAPITAL IMPROVEMENT PLAN

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City Council also adopts a Capital Improvement Plan 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. Appropriations for project funds and grant 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 project basis with additional administrative controls being exercised.

## BUDGETARY PRINCIPLES AND POLICIES

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Budgetary principles and policies include:

- Provisions to strive for a structurally balanced budget whereby ongoing expenditures are supported by ongoing 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.

# BUDGET CALENDAR

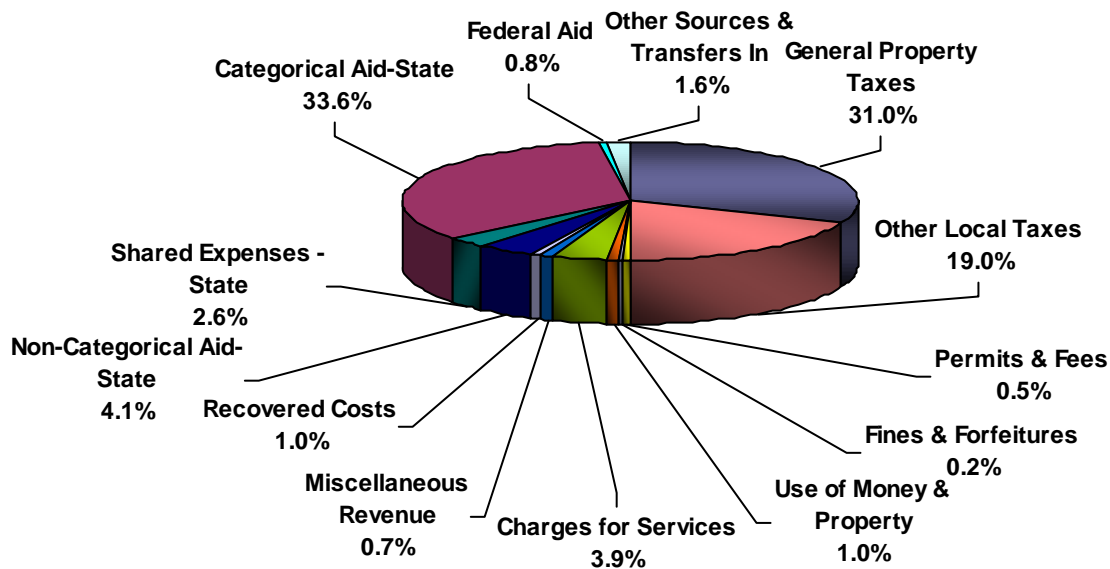
Date	Description
September, 2008	Capital Improvement Plan (CIP) instructions provided to departments
End October, 2008	Departments submit CIP Budget Request
Mid November, 2008	Budget Kick-off Meeting with Department Heads and their budget staff, including Preliminary mid-year review and Financial Plan Overview
Mid December, 2008	Departments Submit FY 2010 Operating Budget Requests
Mid/Late December, 2008	Outside Agencies (Public Amenities and Community Partners) submit FY 2010 Budget Requests
January 23 ,2009	Base Budgets Finalized and Distributed to Departments
February 1, 2009 to March 1, 2009	Department Meetings with Budget Staff and Executive Budget Team
April 7, 2009	Public Notice of the Real Estate Tax Rate
April 7, 2009	City Manager Presentation of Proposed Budget to City Council
April 14, 2009	First City Council Work Session
April 28, 2009	Public Notice of the Downtown Service District Tax Rate
April 28, 2009	Public Notice of the Operating and Capital Improvement Plan Budgets and the Community Development Block Grant (CDBG)
May 5, 2009	Public Hearing on the Downtown Service District Tax
May 6, 2009	Public Hearing on the Operating and Capital Budget and Community Development Block Grant
May 7, 2009	Public Hearing on the Real Estate Tax Rate
May 12, 2009	Second City Council Work Session
May 19, 2009	Third City Council Work Session and Budget Adoption by City Council

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# ESTIMATED GENERAL FUND REVENUES BY SOURCE

The following table compares the General Fund FY 2010 Approved Operating Budget to the General Fund FY 2009 Approved Operating Budget. Major categories of funding sources are shown to provide a broad overview of the principal sources of revenue for the general operating fund of the City. These revenue sources support general government operations. The tables and charts in the pages that follow show revenues and expenditures for all funds.

Source	FY 2008 Actual	FY 2009 Approved	FY 2010 Approved	FY 2009 vs. FY 2010	
				\$ Change	% Change
General Property Taxes	238,739,614	250,017,800	256,581,700	6,563,900	2.6%
Other Local Taxes	153,068,673	158,925,500	156,654,200	-2,271,300	-1.4%
Permits and Fees	4,055,323	4,124,300	4,198,700	74,400	1.8%
Fines and Forfeitures	1,307,680	1,635,000	1,544,000	-91,000	-5.6%
Use of Money and Property	8,165,289	10,958,000	8,574,300	-2,383,700	-21.8%
Charges for Services	25,043,911	24,032,700	31,829,700	7,797,000	32.4%
Miscellaneous Revenue	4,809,869	4,036,600	6,029,400	1,992,200	49.4%
Recovered Costs	8,620,136	9,648,300	7,978,300	-1,670,000	-17.3%
Non-Categorical Aid - State	34,172,905	33,861,800	33,467,900	-393,900	-1.2%
Shared Expenses - State	21,233,397	22,000,000	21,676,300	-323,700	-1.5%
Categorical Aid - State	269,132,997	282,037,300	277,048,500	-4,988,800	-1.8%
Federal Aid	5,078,241	6,291,500	6,291,500	0	0.0%
Other Sources & Transfers In	33,297,921	19,711,500	13,040,000	-6,671,500	-33.8%
<b>Total</b>	<b>806,725,956</b>	<b>827,280,300</b>	<b>824,914,500</b>	<b>-2,365,800</b>	<b>-0.3%</b>

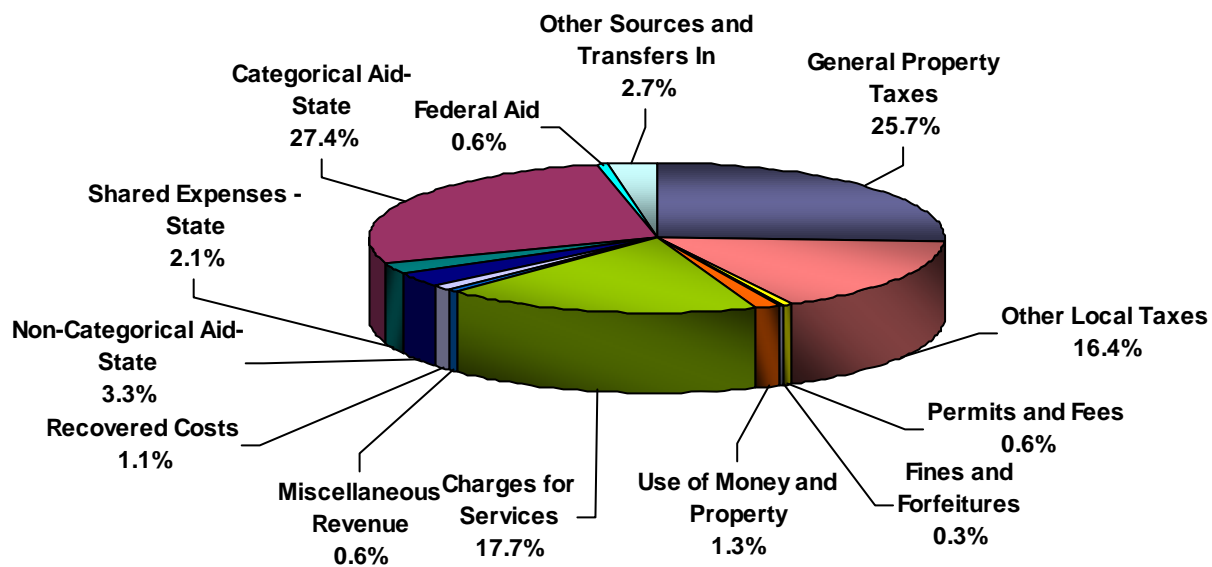


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# ESTIMATED REVENUES BY SOURCE (ALL FUNDS)

The following table compares the All Funds FY 2010 Approved Operating Budget as compared to the FY 2009 Approved Operating Budget. 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 2008 Actual	FY 2009 Approved	FY 2010 Approved	FY 2009 vs. FY 2010	
				\$ Change	% Change
General Property Taxes	241,289,914	253,000,000	259,926,000	6,926,000	2.7%
Other Local Taxes	162,573,293	168,102,702	165,773,796	-2,328,906	-1.4%
Permits and Fees	6,532,165	6,838,600	6,487,800	-350,800	-5.1%
Fines and Forfeitures	3,535,021	3,785,000	3,344,960	-440,040	-11.6%
Use of Money and Property	13,622,262	15,288,886	13,344,691	-1,944,195	-12.7%
Charges for Services	169,182,852	170,035,635	179,092,485	9,056,850	5.3%
Miscellaneous Revenue	5,371,024	4,646,286	6,470,523	1,824,237	39.3%
Recovered Costs	12,434,805	12,687,250	11,242,365	-1,444,885	-11.4%
Non-Categorical Aid - State	34,172,905	33,861,800	33,467,900	-393,900	-1.2%
Shared Expenses - State	21,233,397	22,000,000	21,676,300	-323,700	-1.5%
Categorical Aid - State	269,132,997	282,037,300	277,048,500	-4,988,800	-1.8%
Federal Aid	5,387,492	6,354,500	6,355,088	588	0.0%
Other Sources & Transfers In	47,300,998	27,721,141	26,859,392	-861,749	-3.1%
<b>Total</b>	<b>991,769,125</b>	<b>1,006,359,100</b>	<b>1,011,089,800</b>	<b>4,730,700</b>	<b>0.5%</b>

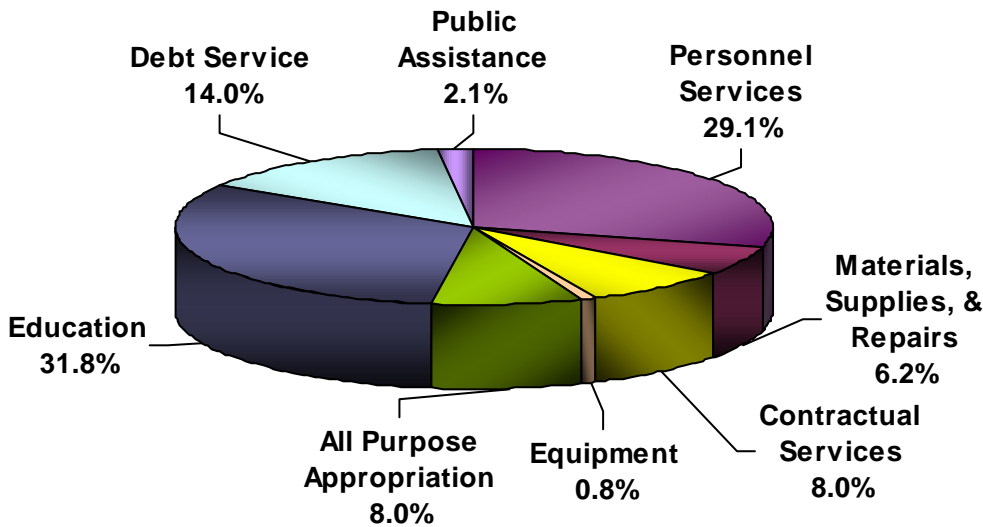


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# ESTIMATED EXPENDITURES BY USE (ALL FUNDS)

The following table compares the FY 2010 Approved Operating Budget to the FY 2009 Approved Operating Budget. Major categories of funding uses are shown to provide 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 2008 Actual	FY 2009 Approved	FY 2010 Approved	FY 2009 vs. FY 2010	
				\$ Change	% Change
Personnel Services	277,885,593	287,066,211	294,711,857	7,645,646	2.7%
Materials, Supplies, & Repairs	63,527,247	66,039,863	63,051,277	-2,988,586	-4.5%
Contractual Services	83,625,900	76,783,863	80,746,189	3,962,326	5.2%
Equipment	5,808,839	5,806,079	8,490,322	2,684,243	46.2%
All Purpose Appropriation	71,469,003	82,043,232	80,749,603	-1,293,629	-2.4%
Education	316,464,796	330,190,900	321,186,400	-9,004,500	-2.7%
Debt Service	111,488,032	137,232,958	141,237,890	4,004,932	3.4%
Public Assistance	22,858,285	21,195,994	20,916,262	-279,732	-1.3%
<b>Total</b>	<b>953,127,695</b>	<b>1,006,359,100</b>	<b>1,011,089,800</b>	<b>4,730,700</b>	<b>0.5%</b>

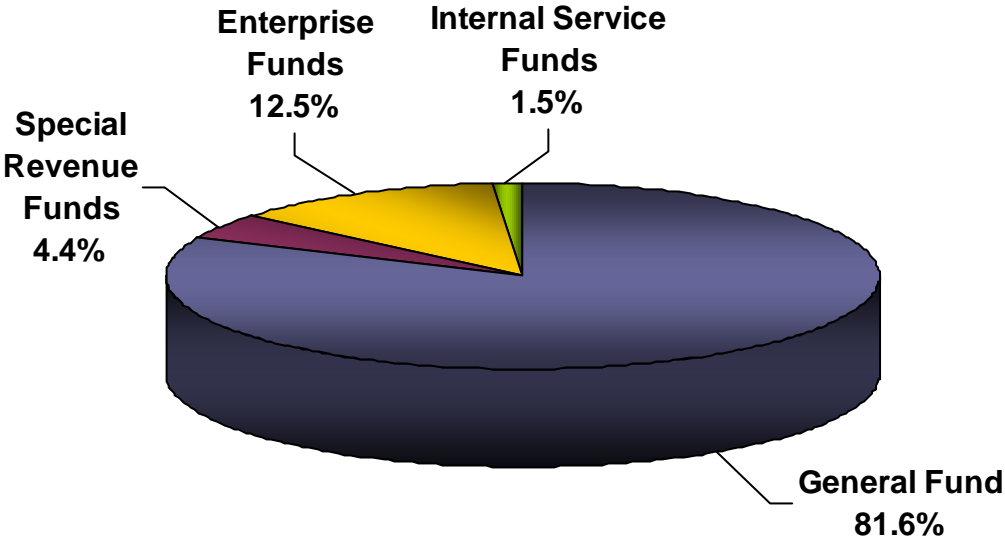


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# ESTIMATED EXPENDITURES BY FUND TYPE

The following table compares expenditures by fund type in the FY 2010 Approved Operating Budget with the FY 2009 Approved Operating Budget.

Fund Type	FY 2008 Actual	FY 2009 Approved	FY 2010 Approved	FY 2009 vs. FY 2010	
				\$ Change	% Change
General Fund	804,710,519	827,280,300	824,914,500	-2,365,800	-0.3%
Special Revenue Funds	38,582,942	41,325,400	44,349,000	3,023,600	7.3%
Enterprise Funds	94,483,374	124,474,900	126,795,900	2,321,000	1.9%
Internal Service Funds	15,350,860	13,278,500	15,030,400	1,751,900	13.2%
<b>Total</b>	<b>953,127,695</b>	<b>1,006,359,100</b>	<b>1,011,089,800</b>	<b>4,730,700</b>	<b>0.5%</b>

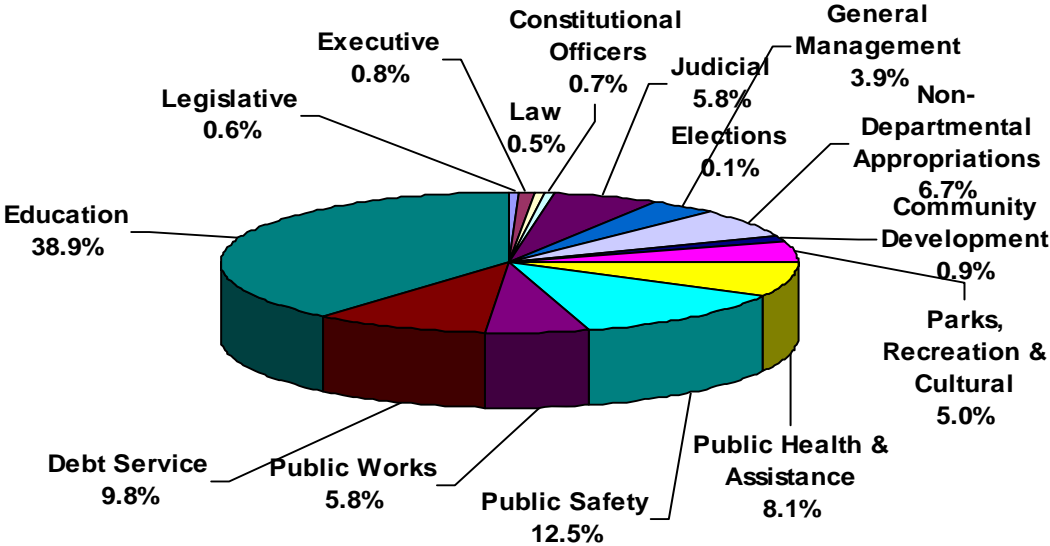


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# ESTIMATED GENERAL FUND EXPENDITURES BY AREA

The following table compares the FY 2010 Approved General Fund Operating Budget to the FY 2009 Approved General Fund Operating Budget. Major areas of service are shown to provide a broad overview of the predominant uses of expenditures for the general operating fund of the City.

Service Area	FY 2008 Actual	FY 2009 Approved	FY 2010 Approved	FY 2009 vs. FY 2010	
				\$ Change	% Change
Legislative	4,260,439	4,653,800	4,553,800	-100,000	-2.1%
Executive	5,411,771	6,117,700	6,390,100	272,400	4.5%
Law	3,805,994	3,930,200	3,995,000	64,800	1.6%
Constitutional Officers	5,181,003	5,139,100	5,415,100	276,000	5.4%
Judicial	45,849,947	45,614,200	47,846,900	2,232,700	4.9%
Elections	641,143	612,300	631,000	18,700	3.1%
General Management	33,256,555	33,239,100	32,442,600	-796,500	-2.4%
Non-Departmental	62,857,836	60,968,400	54,983,700	-5,984,700	-9.8%
Appropriations	6,447,306	7,049,400	7,805,100	755,700	10.7%
Community Development	39,597,148	42,605,300	41,543,600	-1,061,700	-2.5%
Parks, Recreation & Cultural	66,430,562	66,727,100	66,975,700	248,600	0.4%
Public Health & Assistance	98,680,651	99,697,200	102,739,100	3,041,900	3.1%
Public Works	42,075,912	42,906,400	47,719,800	4,813,400	11.2%
Debt Service	72,055,889	77,829,200	80,686,600	2,857,400	3.7%
Education	316,464,796	330,190,900	321,186,400	-9,004,500	-2.7%
<b>Total</b>	<b>803,016,952</b>	<b>827,280,300</b>	<b>824,914,500</b>	<b>-2,365,800</b>	<b>-0.3%</b>



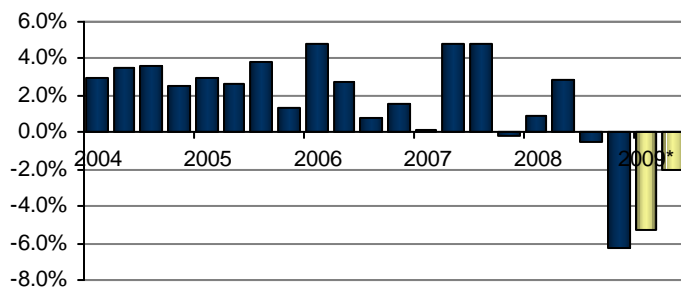
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# MAJOR REVENUE SOURCES

The City of Norfolk ("City") budgets and accounts for its revenue (and expenditures) within various funds. Overall, the City's revenues continue to grow; however, revenue from key sources such as real estate is experiencing slower growth. Evaluating the City's current and long-term financial health requires a review of the economy and major revenue sources.

## ECONOMIC OVERVIEW

**National Economy is in a Deep Recession**  
(Real GDP Annualized % Change from Prior Quarter)



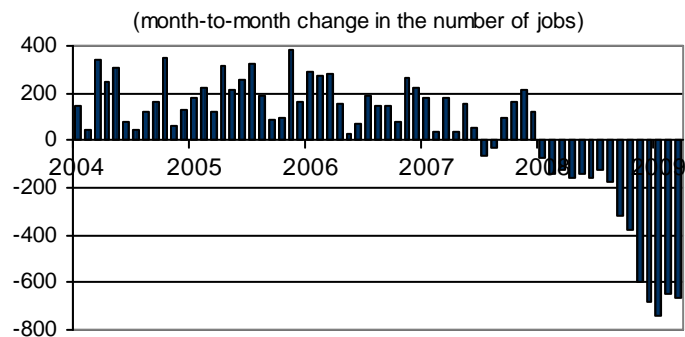
\* Blue Chip Consensus Forecast (March 2009). Shaded area denotes recession.

The national economy has been in a deep recession that officially began December 2007. The economy stalled in the fourth quarter of 2007, growing by a mere 0.2 percent annual rate. While the economy picked up modestly in the first half of 2008, economic conditions deteriorated significantly in the second half as problems in the financial markets intensified. Consumer spending, which accounts for about two-thirds of real GDP, fell in both the third and fourth quarter of 2008, the first quarterly decline in consumer spending seen since 1991. Declining home values, the fall in equity prices,

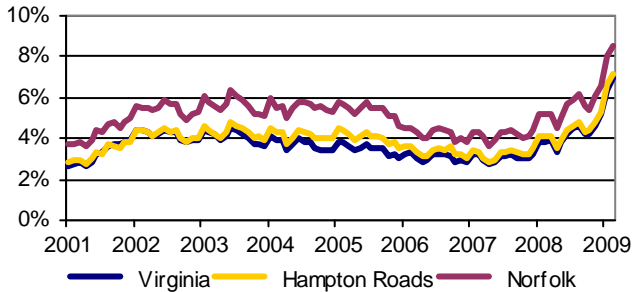
tight credit conditions, job losses, and record high oil and gas prices eroded consumer confidence and spending capacity in 2008. Business investment in equipment and software saw its first annual decline in 2008 since 2001. The Blue Chip Consensus forecast in March - a consensus forecast by financial institutions and business consultants - projects real GDP to continue to decline in the first and second quarter of 2009 by 5.3 percent and 2 percent, respectively, due to continued decline in consumer spending and business and residential investment. The consensus forecast is projecting the current recession to be the longest and deepest in the post-World War II period. The economy is projected to rebound from the recession but at a weak pace, in the second half of 2008, while consumer spending is projected to get a boost from tax cuts included in the recently passed Federal stimulus (American Recovery and Reinvestment Act of 2009) and loosening of credit conditions due to actions taken by the Treasury and Federal Reserve Bank.

Since the recession began in December 2007, the economy has lost 5.1 million jobs through March 2009. Job losses accelerated in the past five months. Almost two-thirds of the jobs (or 3.3 million jobs) were lost, from November 2008 to March 2009, an average loss of 667,000 jobs per month. In comparison, the first 10 months of 2008 saw an average loss of 180,000 jobs per month. The unemployment rate has also increased, rising to 8.5 percent in March, the highest rate since October 1983.

**Economy Has Been Losing Jobs Since December 2007**



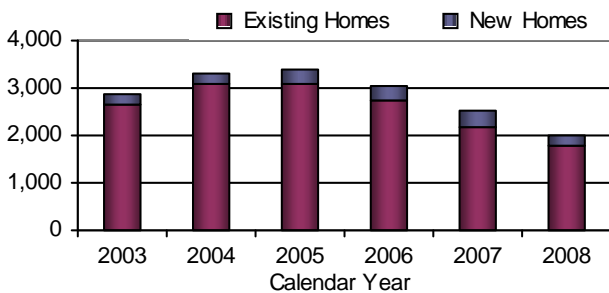
Rising Unemployment Rates



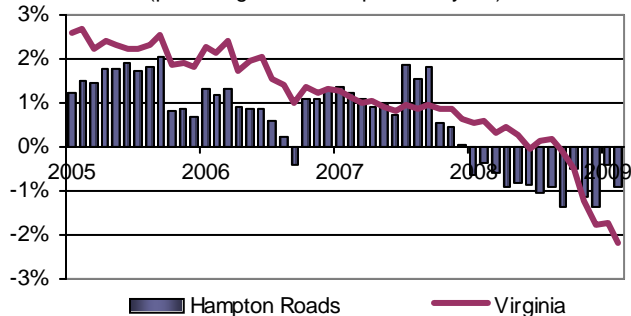
Unemployment rate is not seasonally adjusted

Like the rest of the nation, the number of jobs in Virginia and in the Hampton Roads region fell in 2008. Average employment in Virginia and Hampton Roads fell by 0.1 percent (3,900 jobs) and 0.9% (6,800 jobs) in 2008, respectively. Although employment data on Hampton Roads had initially showed year-over-year increases in every month in 2008, the revised data show that the region actually lost jobs year-over-year in every month in 2008. Job losses statewide and in the region have continued through February 2009. At the same time, the statewide, regional and local unemployment rates have been rising. According to the Virginia Employment Commission, the state's unemployment rate of 7 percent in February was 3.4 percentage points higher than the last year's unemployment rate. A similar increase was also seen at Hampton Roads and Norfolk. The unemployment rate in Hampton Roads and Norfolk rose by 3.4 and 3.7 percentage points to 7.2 percent and 8.5 percent, respectively.

Declining Number of Homes Sold in Norfolk Since 2005

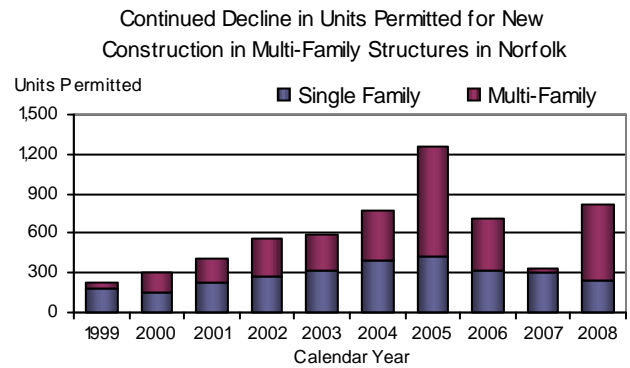


Jobs in the State and Region Fell in 2008 (percent growth over previous year)



As a result of the downturn in the economy, the state projected a \$3.7 billion revenue shortfall in the current biennium. The Governor announced initially last October that the revenue shortfall would be approximately \$2.5 billion. Income tax and sales tax, which make up 87% of the state's general fund revenue and are most closely tied to economic activity, drove most of the shortfall. To address part of the shortfall, spending cuts were implemented in the current fiscal year, which included a reduction to HB 599 and delay of salary increases for state employees. However, the Governor's revised revenue forecast in December for the current biennium indicated a \$2.9 billion shortfall. By February, the Mid-Session Revenue Forecast showed that the shortfall in the current biennium had grown to \$3.7 billion. The final budget passed by the 2009 General Assembly for the 2008-2010 biennium was \$2.8 billion less than the budget passed by the 2008 General Assembly. The budget included \$1.2 billion in Federal stimulus funds, which helped offset a portion of the revenue shortfall and reduced the cuts the state would have had to make to state agencies and localities in order to balance the budget. Although Norfolk will receive reductions in HB 599 and jail per diem payments, the reductions would have been deeper had it not been for the Federal stimulus funds. Virginia is the first in the nation to incorporate funds from the Federal stimulus in its budget.

Based on the latest estimate from the Real Estate Assessor's Office, Norfolk real estate assessments overall (that is, residential and commercial properties, apartments and vacant land combined) would only grow by approximately 2.4 percent in FY 2010 over the previous year. This is significantly less than the 5.13 percent and 15.3 percent growth assumed in the FY 2009 and FY 2008 approved budget, respectively. The growth is projected to be only 1.66 percent if new construction and improvements were excluded. Neighboring cities are also seeing lower growth and even a decline in assessments due to the slowdown in the housing market. In spite of the weak housing market, multi-family residential units permitted for construction increased in calendar year 2008, mainly due to several large projects (SouthWind Apartments, Belmont at Freemason, and River House Apartments).



Initial General Fund revenue projections were presented in February, based on five-year historical trends and the latest economic data. Projections were updated in March 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 2009 and an estimate for FY 2010. General Fund revenue estimates for FY 2010 reflect a 0.3 percent decrease over the approved budget of the prior fiscal year, bringing total revenues to \$824.9 million. This is a net decrease of approximately \$2.4 million.

## Total General Fund Revenues

Source	FY 2008 Actual	FY 2009 Approved	FY 2010 Approved	FY 2009 vs FY 2010	
				\$ Change	% Change
General Property Taxes	238,739,614	250,017,800	256,581,700	6,563,900	2.6%
Other Local Taxes	153,068,673	158,925,500	156,654,200	-2,271,300	-1.4%
Permits and Fees	4,055,323	4,124,300	4,198,700	74,400	1.8%
Fines and Forfeitures	1,307,680	1,635,000	1,544,000	-91,000	-5.6%
Use of Money and Property	8,165,289	10,958,000	8,574,300	-2,383,700	-21.8%
Charges for Services	25,043,911	24,032,700	31,829,700	7,797,000	32.4%
Miscellaneous Revenue	4,809,869	4,036,600	6,029,400	1,992,800	49.4%
Recovered Costs	8,620,136	9,648,300	7,978,300	-1,670,000	-17.3%
Non-Categorical Aid-State	34,172,905	33,861,800	33,467,900	-393,900	-1.2%
Shared Expenses - State	21,233,397	22,000,000	21,676,300	-323,700	-1.5%
Categorical Aid-State	269,132,997	282,037,300	277,048,500	-4,988,800	-1.8%
Federal Aid	5,078,241	6,291,500	6,291,500	0	0.0%
Other Sources and Transfers In	33,297,921	19,711,500	13,040,000	-6,671,500	-33.8%
<b>Total</b>	<b>806,725,956</b>	<b>827,280,300</b>	<b>824,914,500</b>	<b>-2,365,800</b>	<b>-0.3%</b>

The City generates revenue through taxes, user charges, and intergovernmental transfers from the state and federal government. Over half of the City's General Fund revenues are generated locally from various taxes and fees including real estate, personal property, retail sales, permits, fines and user charges. These sources provide the revenue to fund general services such as police, fire, parks and recreation, street maintenance, local commitment to education, human services, and central administrative revenue.

The Commonwealth of Virginia provides about 40 percent of General Fund revenues which consist of funding for dedicated purposes such as education, social services, transportation and constitutional officers. HB 599 funds for law enforcement, City's share of personal property tax relief funds, and the tax on rental of cars also make up revenue from the Commonwealth. As a result of the state budget shortfall in the current FY 2009 - FY 2010 biennium, the state reduced HB 599 and jail per diem and eliminated salary increases for state employees. These reductions are in addition to the cuts imposed last year which included, eliminating Norfolk's share of ABC profits and wine tax and a five percent reduction to HB 599 funds, library grant funding, and funding for roads affected by Virginia Port activity. The state also applied a \$2.5 million cut to Norfolk's state aid to localities in FY 2009 and FY 2010. The City has very little discretion on how the revenue from the state are spent. It is important to keep in mind that Norfolk, being landlocked and prohibited from annexation, is restricted from creating funding mechanisms that allow the City to independently make up any deficiencies in state funding.

The remaining revenue comes from the federal government (mainly funds dedicated towards education), 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

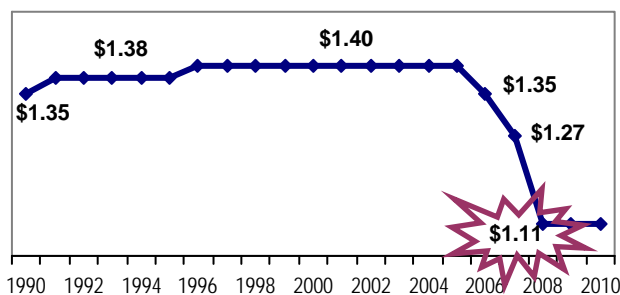
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Collection patterns for all of the City's revenue sources are monitored throughout the year. Data from monthly financial reports are monitored to determine the accuracy of budgetary projections. This allows for appropriate administrative action if 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

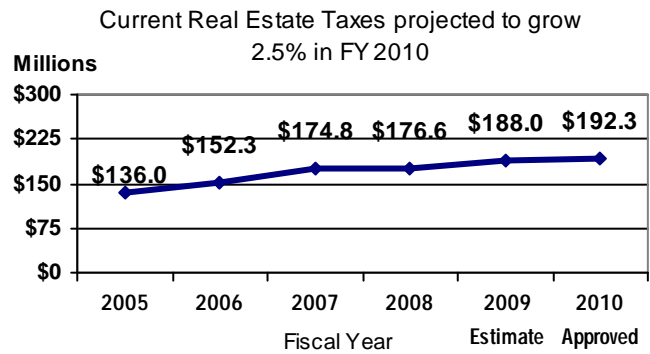
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No Change in Norfolk's Real Estate Tax



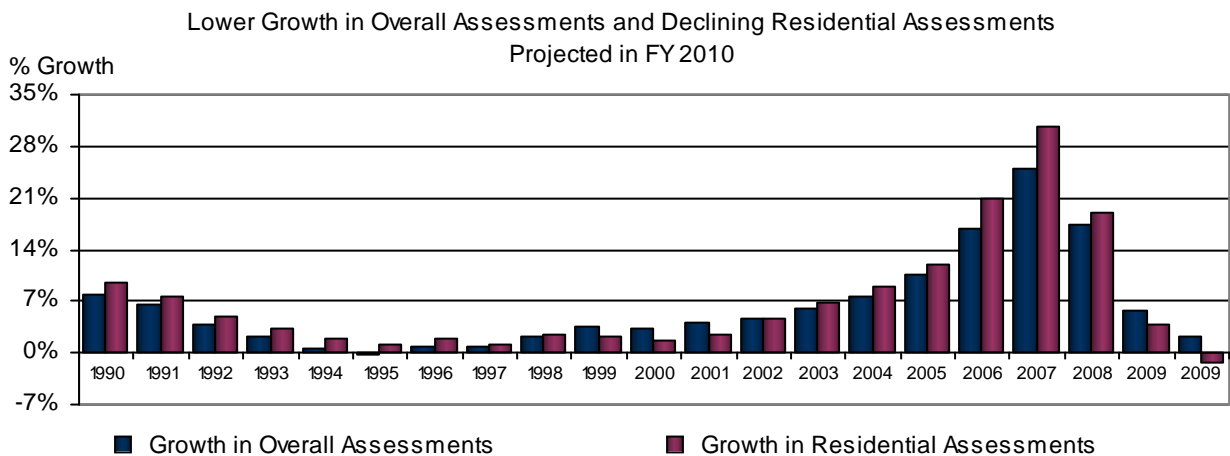
General Property Taxes are levied on the assessed value of real and personal property. They represent about 31.1 percent (\$256.6 million) of the City's General Fund revenues. Real estate taxes make up the largest component of general property taxes. Current real estate taxes make up 23.3 percent (\$192.3 million) of the FY 2010 General Fund budget. The FY 2010 budget reflects the 29-cent reduction in the real estate tax rate, from \$1.40 in FY 2005 to the current rate of \$1.11.

In FY 2010, current real estate taxes will grow by 2.5 percent over the FY 2009 budget (projected amount). The growth in real estate taxes is based on the Real Estate Assessor's Office projected 2.4 percent increase in overall real estate assessments. This projected growth includes growth in new construction and existing properties. The FY 2010 budget sets aside approximately \$8.6 million of real estate taxes to provide tax relief to senior and disabled residents. The budget also includes a reduction in the additional real estate tax in the Downtown Improvement District (DID) from 18 cents to 16 cents per \$100 of assessed value, with 1 cent of the 16 cents to be designated for the performing arts groups (such as, Virginia Symphony, Virginia Opera and Virginia Stage Company). The DID was established February 9, 1999 and is managed by the Downtown Norfolk Council (DNC). State law provides property owners in the DID the ability to increase the tax assessment on their properties to pay for an enhanced level of service, over and above traditional City government services.

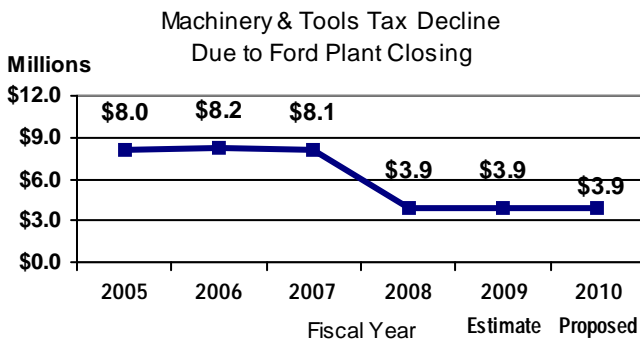


The 2.4 percent growth in overall assessments projected in FY 2010 is significantly lower than the double-digit growth seen in recent years. Residential assessments in FY 2010 are continuing to lag behind the growth in overall assessments, which is a reflection of the housing market slowdown. Residential assessments are projected to decline by 1.35 percent, while overall assessments are projected to grow around 2.4 percent. The estimated growth in assessments stated in the public notice for the real estate tax hearing (1.66 percent) is lower than the 2.4 percent growth embedded in the FY 2010 budget, since it excludes growth in assessments due to new construction or improvements made to existing property. Considerations about the City's growth in real estate assessments and tax rate should take into account that nearly 40 percent of real property in the City is tax-exempt mainly due to federal land ownership. With the City being fully developed, a large portion of new growth in value is attributed to redevelopment efforts.

Another major component of general property taxes is the personal property tax, which is levied on all tangible personal property, including motor vehicles, boats, aircraft, business furnishings and office equipment. Household goods and personal effects are exempt. Personal property tax (current) for the General Fund, which totals \$32.6 million, makes up 4 percent of the FY 2010 estimate and is generally levied on motor vehicles, business personal property (such as, furniture, fixtures, and equipment), recreational and commercial boats, and airplanes. The decline in personal property tax (current) is due to a decline in assessed values in FY 2010. The FY 2010 estimate also assumes a 56% rate of state car tax relief for tax year 2010, which is anticipated to fully exhaust relief funds provided to the City by the



Commonwealth of Virginia under the Personal Property Relief Act. For qualifying vehicles with an assessed value of more than \$1,000, a 56% rate of tax relief shall be applied to the first \$20,000 in value of the qualifying vehicle. Qualifying vehicles with an assessed value of \$1,000 or less would receive 100% rate of tax relief. Personal property tax relief funds received and not used in FY 2010 shall be carried forward and used to increase the funds available for car tax relief. In 2004, the state passed legislation that placed a cap on car tax relief funds statewide at \$950 million beginning in FY 2006. Consequently, each locality in the state now receives a fixed share of the state's personal property tax relief funds rather than a reimbursement of 70 percent of the total property tax eligible for reimbursement. Norfolk's share is \$16,871,056. With the state capping the amount of funds available for car tax relief, the percentage of the state reimbursement compared to the total tax is expected to decrease over time and residents will pay an increasing share of the car tax.

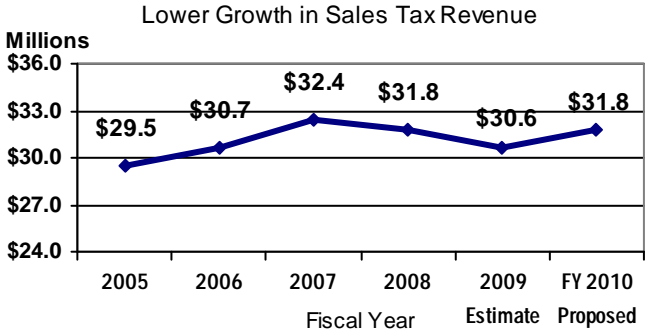


The machinery and tools tax is the remaining key component of general property taxes. These are levied on all machinery and tools used in manufacturing, mining, radio and television broadcasting, cable television, dry cleaning or laundry businesses. Revenue from this source has remained flat since FY 2008. The significant decline that occurred in FY 2008 was the result of the Ford Assembly Plant closing in June 2007 and General Assembly actions in 2007 that designated idle machinery and tools as exempt from taxation.

## 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 make up about 19 percent (\$156.7 million) of the City's General Fund revenues.

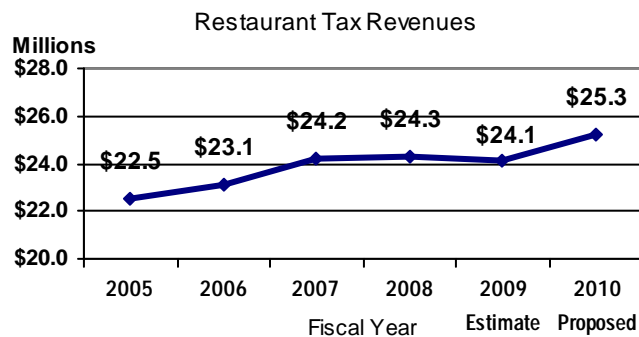
Sales tax is levied on the selling, distribution, use, or consumption of tangible personal property, the leasing or renting of tangible personal property and the storage of personal property inside or outside Virginia that is for use in Virginia. Revenue from this source is sensitive to the state of the economy, household income, and underlying price level changes. Current year estimates are used in projecting next year's revenues. Changes in the local retail market (such as opening of new stores, performance of existing stores, job growth, consumer confidence, and overall economic health) are used for projecting this revenue. Lower growth in sales tax receipts is projected in FY 2010 due to the decline in the in the economy.



Consumer's utility tax is levied on the purchase of utility service including water, gas, and electricity. The tax is assessed on the amount charged, exclusive of any federal tax. Monthly receipts are monitored and used as a basis for estimating the revenue yield, taking seasonal variations into consideration. The consumer utility tax on telephones, cell phones and cable TV were abolished and replaced by a statewide

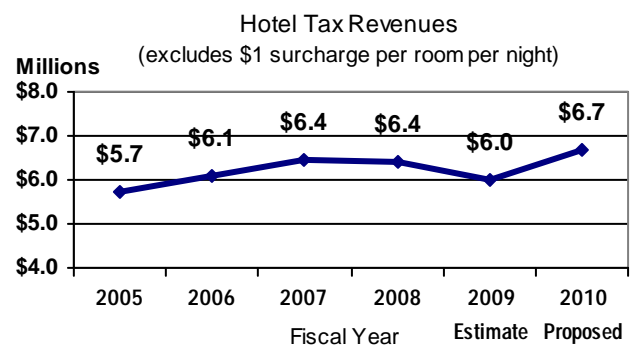
Communications Sales and Use Tax and the E-911 tax on telephones was replaced by a uniform \$0.75 tax per phone on January 1, 2007. While the General Assembly intended this action to be revenue neutral, revenue collected in FY 2007 by the Virginia Department of Taxation (TAX) fell short. TAX indicated that collections will be low at first, but are expected to grow as deficiencies of the new tax system are corrected. In FY 2008, TAX corrected errors in reporting and remitting communications sales taxes by two fairly large telecom providers. Collections now appear to be trending towards revenue neutrality. However, once localities achieve revenue neutrality, TAX will begin to allow telecom companies to keep a portion of the tax revenues they collect ("dealer discount") to offset the administrative costs in collecting the tax. The dealer discount ranges from 2% for large companies to 4% for smaller companies. In FY 2010, revenue from the consumer utility tax and communications sales and use tax combined are projected to grow by approximately 1.5 percent over the FY 2009 budget.

Business license taxes are collected from anyone who engages in a business, trade, profession, occupation or other activity in the City. It is generally imposed as a percentage of gross receipts. 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 amount of gross receipts generated. This revenue source (approximately \$27 million) makes up 3.3 percent of General Fund revenues. It is projected to stay level over the FY 2010 budget due to slower growth in the economy.



Restaurant taxes are collected on prepared meals. The tax rate is 6.5 percent of the value of the meal, with one percentage point of the tax rate allocated to the Public Amenities Fund and the remaining 5.5 percentage points allocated to the General Fund. Restaurant taxes have continued to grow due to the increase in the number of restaurants that have opened City-wide including, downtown Norfolk and the Military Highway corridor. This revenue source is projected to be level in FY 2010 over the FY 2009 budget but is projected to grow by 4.8 percent over the FY 2009 year-end estimate.

Hotel taxes are levied on hotel rooms rented. The hotel tax rate is 8 percent of the room rate. Like the restaurant tax, one percentage point is allocated to the Public Amenities Fund and the remaining 7 percentage points are allocated to the General Fund. In FY 2006, at the request of the Norfolk Hotel-Motel Association, City Council approved a \$1 surcharge per room per night stay. The City began collecting this tax on April 1, 2006. Revenue received from this surcharge is designated solely for the Norfolk Convention and Visitors Bureau for visitor promotion and advertising for conventions and tourism in Norfolk. The revenue from the \$1 surcharge is budgeted and accounted for as a separate line item from the hotel tax. In FY 2010, hotel tax revenue is projected to decline by 2.2 percent over the FY 2009 budget but is projected to grow 11.7 percent over the FY 2009 year-end estimate. The FY 2010 estimate includes two new hotels projected to come online in FY 2010.



Cigarette taxes are projected to remain level in FY 2010. The increase in revenue seen since FY 2008 is mainly due to the 10-cent increase in the cigarette tax rate from 55 cents per pack of 20 cigarettes to 65 cents per pack of 20 cigarettes that was approved by City Council, as part of the FY 2008 approved budget.

## PERMITS AND FEES

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Permits are issued to regulate new construction and ensure public safety. Permits, privilege fees, and licenses are comprised of fees from parks and recreation, fees for permits, licenses and other privileges subject to City regulation, partially to cover the expense of providing regulatory services (taxi permits, zoning inspections, construction permits, right-of-way, etc.) in the City. Revenue from this source represents less than one percent (\$4.2 million) of General Fund revenues.

## FINES AND FORFEITURES

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Fines and forfeitures consist of revenues received from the courts as fines and forfeitures for violations of City ordinances. These provide less than one percent (\$1.5 million) of General Fund revenues.

## CHARGES FOR SERVICES

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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 category represents approximately 3.9 percent (\$31.8 million) of General Fund revenues. The increase is mainly due to the anticipated increase in the Southeastern Public Service Authority (SPSA) tipping fee from \$104 to \$170. The increase in the tipping fee will be passed on to our customers. Consequently, refuse fees for residential customers will increase \$10.10 per month.

## USE OF MONEY AND PROPERTY

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Revenue from the Use of Money and Property is comprised primarily of interest earned on cash balances, rents from short-term and long-term property leases, and prudent management of City assets. Revenues from this source represent approximately 1 percent (\$8.6 million) of the City's General Fund revenues. The FY 2010 estimate is \$2.4 million or 21.8 percent lower than the FY 2009 approved budget. The decline is mainly due to a projected decrease in interest and earnings from City investments.

## RECOVERED COSTS

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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. In FY 2010, recovered costs are projected to be \$8 million and constitute 1 percent of General Fund revenues. The FY 2010 estimate is 17 percent or \$1.7 million below the FY 2009 approved budget. The decrease is due to the state's reduction of urban allocation funds available to reimburse the City for the cost of servicing the debt associated with constructing the Light Rail.

## MISCELLANEOUS REVENUE

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Miscellaneous revenue consists of revenues that are not classified in the other categories. Included in this category are revenue from payments in lieu of taxes, fee for services from the Navy housing public private venture, and proceeds from land sales. In FY 2010, the City is expecting to receive about \$6.0 million which makes up less than one percent of the General Fund revenues.

## NON-CATEGORICAL AID - VIRGINIA

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Non-Categorical Aid - Virginia contains State revenues shared with localities without restriction as to use. In FY 2010, non-categorical aid is projected to decrease 1.2 percent over the FY 2009 budget, as a result of the state's reduction of HB 599 funds for local law enforcement. Non-categorical aid makes up 4.1 percent (\$33.5 million) of General Fund revenues.

## SHARED EXPENSES

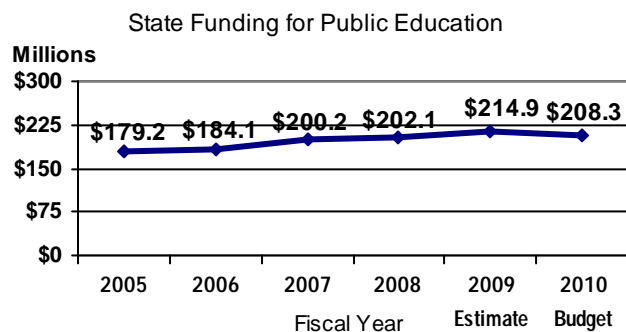
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Shared Expenses consist of recovered costs from the State for a portion of the salaries and operating expenses of constitutional and other offices serving the Norfolk community, including the Sheriff, City Treasurer, Commissioner of the Revenue, Clerk of the Circuit Court, and Commonwealth's Attorney. The shared expenses revenue category makes up 2.6 percent (\$21.7 million) of General Fund revenues.

## STATE CATEGORICAL AID

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Categorical Aid from the Commonwealth consists of revenues for education, public assistance grants and social service programs, Virginia Department of Transportation (VDOT) funding for street maintenance and port funding, and local adult correctional facility. Categorical Aid constitutes 33.6 percent (\$277 million) of General Fund revenues.



Funding for education (\$208 million) makes up the majority of the categorical aid received by the City and includes the State Sales and Use Tax and State School Funds. In FY 2010, embedded in the funding for education is \$12.1 million in Federal stimulus funds. The 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 one 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. Currently, Norfolk more than funds its share of local effort.

State reimbursements for the cost of operating the Social Services Department include cost of personnel, 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.

Street construction and maintenance revenue (\$20 million) 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 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. These funds offset qualifying operating costs recorded in the City's budget.

## FEDERAL CATEGORICAL AID

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Federal Categorical Aid primarily consists of education funds from the federal government and is less than one percent (\$6.3 million) of the FY 2010 General Fund revenues. The decline is mainly due to lower revenues expected for federal aid to schools due to the completion of the payment of funds in arrears due to schools.

## OTHER SOURCES AND TRANSFERS

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Other Sources and Transfers consist of intra-governmental transfers and carry over monies and amount to 1.6 percent (\$13 million) of the City's General Fund revenues. The estimate includes transfers in from non-General Funds (\$12.57 million) and carrying forward unspent appropriations from FY 2009 and appropriating prior year designations (\$470,000).

# TAX RATES AND FEES

Description	FY 2009 Approved	FY 2010 Approved
<b>Property Taxes</b>		
<b>Real Estate</b> (General Tax)	\$1.11/\$100 Assessed Value	\$1.11/\$100 Assessed Value
<b>Real Estate</b> (Downtown Improvement District)	\$1.29/\$100 Assessed Value	\$1.27/\$100 Assessed Value
<b>Personal Property</b>		
Airplane	\$2.40/ \$100 Assessed Value	\$2.40/ \$100 Assessed Value
Motor Vehicle	\$4.25/\$100 Assessed Value	\$4.25/\$100 Assessed Value
Recreational Vehicle	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Business Furniture, Fixtures, Equipment, Machinery & Tools	\$4.25/\$100 Assessed Value	\$4.25/\$100 Assessed Value
Watercraft - Business	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Watercraft - Recreational	\$0.50/\$100 Assessed Value	\$0.50/\$100 Assessed Value
<b>Other Local Taxes</b>		
Amusement and Admissions	10%	10%
Cigarette	65 cents/pack of 20 cigarettes (32.5 mils/cigarette)	65 cents/pack of 20 cigarettes (32.5 mils/cigarette)
Emergency 911 (Landline)	Repealed and replaced by a statewide E-911 tax rate of \$0.75/line/month	Repealed and replaced by a statewide E-911 tax rate of \$0.75/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)
<b>Refuse Disposal</b>		
<b>Residential</b>		
Single Units & Multiple Units (four units or less)	\$16.91/unit/month	\$27.01/unit/month

<b>Description</b>	<b>FY 2009 Approved</b>	<b>FY 2010 Approved</b>
Multiple Units (five units or more)	\$28.34/container/month	\$45.27/container/month
<b>Commercial</b>		
Business 1 time per week	\$36.94/unit/month	\$59.00/unit/month
Business 5 times per week	\$91.56/unit/month	\$146.24/unit/month
Combined Commercial-Residential	\$53.86/unit/month	\$86.01/unit/month
<b>Water and Wastewater Fees</b>		
Water	\$3.61/100 cubic feet	\$3.74/100 cubic feet
Wastewater	\$2.89/100 cubic feet	\$3.01/100 cubic feet
<b>Storm Water Fees</b>		
Residential	\$7.98/month	\$8.19/month
Commercial	\$5.46/month per 2,000 sq. ft.	\$5.61/month per 2,000 sq. ft.
<b>Utility Taxes</b>		
<b>Commercial</b>		
Gas	\$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance/month (Max of \$500/month)	\$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance/month (Max of \$500/month)
Electricity (Manufacturing)	\$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance/ month (Max of \$53,000/month)	\$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance/ month (Max of \$53,000/month)
Electricity (Non-Manufacturing)	\$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance/month	\$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance/month
Telephone (Cellular, Landline)	Repealed and replaced by the State Communications Sales & Use Tax 5% of sales price of services	Repealed and replaced by the State Communications Sales & Use Tax 5% of sales price of services
Water	25% on first \$75 plus 15% of bill in excess of \$75	25% on first \$75 plus 15% of bill in excess of \$75
<b>Residential</b>		
Cable and Satellite Service	Repealed and replaced by the State Communications Sales & Use Tax	Repealed and replaced by the State Communications Sales & Use Tax
Telephone (Cellular, Landline)		
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
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 2008 Actual	FY 2009 Approved	FY 2010 Approved
<b>Operating Revenues</b>			
General property taxes	238,739,614	250,017,800	256,581,700
Other local taxes	153,068,673	158,925,500	156,654,200
Permits and fees	4,055,323	4,124,300	4,198,700
Fines and forfeitures	1,307,680	1,635,000	1,544,000
Commonwealth	324,539,299	337,899,100	332,192,700
Federal	5,078,241	6,291,500	6,291,500
Charges for services	25,043,911	24,032,700	31,829,700
Miscellaneous	4,809,869	4,036,600	6,029,400
Recovered costs	8,620,136	9,648,300	7,978,300
<b>Total Operating Revenues</b>	<b>765,262,746</b>	<b>796,610,800</b>	<b>803,300,200</b>
<b>Operating Expenses</b>			
Personnel services	238,206,768	243,804,377	250,290,465
Contractual services	60,450,303	51,096,656	56,073,293
Materials, supplies and repairs	35,637,886	38,198,249	35,788,747
All purpose appropriations	373,838,568	391,760,812	378,296,229
Public assistance	22,923,773	21,195,994	20,916,262
<b>Total Operating Expenses</b>	<b>731,057,298</b>	<b>746,056,088</b>	<b>741,364,996</b>
<b>Operating Income (Loss)</b>	<b>34,205,448</b>	<b>50,554,712</b>	<b>61,935,204</b>
<b>Non-Operating Revenues (Expenses)</b>			
Money and use of property	8,165,289	10,958,000	8,574,300
Capital outlay	(3,598,384)	(3,395,012)	(2,862,904)
Debt service	(56,960,118)	(74,919,534)	(80,076,934)
Acctg. for Encumbrances for Budget not GAAP	(2,794,155)	-	-
<b>Total Non-Operating Revenue/Expense</b>	<b>(55,187,368)</b>	<b>(67,356,546)</b>	<b>(74,365,538)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(20,981,920)</b>	<b>(16,801,834)</b>	<b>(12,430,334)</b>
Operating transfers in	10,000,000	12,815,700	12,570,000
Operating transfers out	(9,326,313)	(2,909,666)	(609,666)
<b>Total Operating Transfers</b>	<b>673,687</b>	<b>9,906,034</b>	<b>11,960,334</b>
<b>Net Income (Loss)</b>	<b>(20,308,233)</b>	<b>(6,895,800)</b>	<b>(470,000)</b>
<b>Beginning fund balance at July 1</b>	<b>88,279,421</b>	<b>67,971,188</b>	<b>61,075,388</b>
<b>Ending fund balance at June 30</b>	<b>67,971,188</b>	<b>61,075,388</b>	<b>60,605,388</b>

## Special Revenue Funds

	FY 2008 Actual	FY 2009 Approved	FY 2010 Approved
<b>Operating Revenues</b>			
General property taxes	2,550,300	2,982,200	3,344,300
Other local taxes	9,504,620	9,177,202	9,119,596
Permits and Fees	-	1,121,000	800,800
Fines and forfeitures	-	-	-
Commonwealth	-	-	-
Federal	432,495	63,000	63,588
Charges for services	17,705,711	15,302,486	15,784,052
Miscellaneous	1,614,427	491,686	426,123
Recovered costs	305,580	1,729,085	1,907,849
<b>Total Operating Revenues</b>	<b>32,113,133</b>	<b>30,866,659</b>	<b>31,446,308</b>
<b>Operating Expenses</b>			
Personnel services	14,346,786	14,298,578	14,510,115
Contractual services	4,146,790	5,845,902	5,778,989
Materials, supplies and repairs	6,538,883	3,321,343	4,147,270
Depreciation	-	-	-
Bad debt expense	-	-	-
All purpose appropriations	1,290,254	7,578,924	4,956,858
<b>Total Operating Expenses</b>	<b>26,322,713</b>	<b>31,044,747</b>	<b>31,963,210</b>
<b>Operating Income (Loss)</b>	<b>5,790,420</b>	<b>(178,088)</b>	<b>(516,902)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Money and use of property	253,138	2,456,500	2,790,700
Capital outlay	-	(1,108,398)	(1,213,258)
Interest and fiscal charges	-	-	-
Debt service	(3,767,544)	(7,172,255)	(6,872,532)
<b>Total Non-Operating Revenue/Expense</b>	<b>(3,514,406)</b>	<b>(5,824,153)</b>	<b>(5,295,090)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>2,276,014</b>	<b>(6,002,241)</b>	<b>(5,811,992)</b>
Operating transfers in	6,375,643	5,736,295	4,905,292
Operating transfers out	(9,950,000)	(2,000,000)	(4,300,000)
<b>Total Operating Transfers</b>	<b>(3,574,357)</b>	<b>3,736,295</b>	<b>605,292</b>
<b>Net Change in Fund Balance</b>	<b>(1,298,343)</b>	<b>(2,265,946)</b>	<b>(5,206,700)</b>
<b>Beginning fund balance at July 1</b>	<b>17,378,713</b>	<b>16,080,370</b>	<b>13,814,424</b>
<b>Ending fund balance at June 30</b>	<b>16,080,370</b>	<b>13,814,424</b>	<b>8,607,724</b>

## SUMMARY OF CHANGES IN NET ASSETS

### Enterprise Funds

	FY 2008 Actual	FY 2009 Approved	FY 2010 Approved
<b>Operating Revenues</b>			
General property taxes	-	-	-
Other local taxes	-	-	-
Permits and fees	-	1,593,300	1,488,300
Fines and forfeitures	-	2,150,000	1,800,960
Commonwealth	-	-	-
Federal	-	-	-
Charges for services	119,582,149	117,657,949	120,422,739
Miscellaneous	3,088,370	118,000	15,000
Recovered costs	-	1,239,865	1,239,865
<b>Total Operating Revenues</b>	<b>122,670,519</b>	<b>122,759,114</b>	<b>124,966,864</b>
<b>Operating Expenses</b>			
Personnel services	27,622,142	24,889,081	25,851,636
Contractual services/Other	16,988,255	18,679,178	17,741,168
Materials, supplies and repairs	16,900,729	16,545,951	17,075,543
Depreciation	18,672,783	-	-
Bad debt expense	1,287,871	-	-
All purpose appropriations	-	2,893,396	5,456,938
<b>Total Operating Expenses</b>	<b>81,471,780</b>	<b>63,007,606</b>	<b>66,125,285</b>
<b>Operating Income (Loss)</b>	<b>41,198,739</b>	<b>59,751,508</b>	<b>58,841,579</b>
<b>Non-Operating Revenues (Expenses)</b>			
Money and use of property	3,046,304	1,708,386	1,821,636
Capital outlay	-	(1,235,791)	(636,857)
Gain/(Loss)-Sale of fixed assets & investments	(2,135,190)	7,400	7,400
Debt service	(21,555,927)	(49,631,503)	(50,033,758)
<b>Total Non-Operating Revenue/Expense</b>	<b>(20,644,813)</b>	<b>(49,151,508)</b>	<b>(48,841,579)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>20,553,926</b>	<b>10,600,000</b>	<b>10,000,000</b>
Capital Contribution	219,018	-	-
Operating transfers in	-	-	-
Operating transfers out	(10,079,417)	(10,600,000)	(10,000,000)
<b>Total Operating Transfers/Capital Contribution</b>	<b>(9,860,399)</b>	<b>(10,600,000)</b>	<b>(10,000,000)</b>
<b>Net Income (Loss)</b>	<b>10,693,527</b>	<b>0</b>	<b>0</b>
<b>Beginning Net Assets at July 1</b>	<b>305,402,364</b>	<b>316,095,891</b>	<b>316,095,891</b>
<b>Ending Net Assets at June 30</b>	<b>316,095,891</b>	<b>316,095,891</b>	<b>316,095,891</b>

## Internal Service Funds

	FY 2008 Actual	FY 2009 Approved	FY 2010 Approved
<b>Operating Revenues</b>			
General property taxes	-	-	-
Other local taxes	-	-	-
Permits and Fees	-	-	-
Fines and forfeitures	-	-	-
Commonwealth	-	-	-
Federal	-	-	-
Charges for services	16,036,060	13,042,543	11,055,994
Miscellaneous	115,675	-	-
Recovered costs	-	70,000	116,351
<b>Total Operating Revenues</b>	<b>16,151,735</b>	<b>13,112,543</b>	<b>11,172,345</b>
<b>Operating Expenses</b>			
Personnel services	3,795,042	4,074,175	4,059,641
Cost of Goods Sold	10,094,890	-	-
Contractual services/Other	1,302,142	1,162,127	1,163,201
Materials, supplies and repairs	251,869	7,974,363	6,039,680
Depreciation	302,506	-	-
Bad debt expense	15,672	-	-
All purpose appropriations	-	1,000	1,000
<b>Total Operating Expenses</b>	<b>15,762,121</b>	<b>13,211,665</b>	<b>11,263,522</b>
<b>Operating Income (Loss)</b>	<b>389,614</b>	<b>(99,122)</b>	<b>(91,177)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Money and use of property	159,097	166,000	158,055
Capital outlay	-	(66,878)	(3,766,878)
Interest and fiscal charges	-	-	-
Gain/(Loss)-Sale of fixed assets & investments	-	-	-
Debt service	-	-	-
<b>Total Non-Operating Revenue/Expense</b>	<b>159,097</b>	<b>99,122</b>	<b>(3,608,823)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>548,711</b>	<b>-</b>	<b>(3,700,000)</b>
Operating transfers in	-	-	-
Operating transfers out	-	-	-
<b>Total Operating Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>548,711</b>	<b>-</b>	<b>(3,700,000)</b>
<b>Beginning Net Assets at July 1</b>	<b>10,877,420</b>	<b>11,426,131</b>	<b>11,426,131</b>
<b>Ending Net Assets at June 30</b>	<b>11,426,131</b>	<b>11,426,131</b>	<b>7,726,131</b>

# GENERAL FUND BALANCE RESERVES

The establishment and maintenance of general operating reserves is considered one of the most effective management practices a local government can employ.

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 expenses of Hurricane Isabel. The appropriate size of reserves depends on variability of revenues and expenditures and an organization's cash flow needs.

In FY 2008, the balance in the Risk Management Reserve was reduced by \$4.9 million from \$5,740,162 to \$840,162 to settle a major general liability claim. Because the City is self-insured the Risk Management Reserve was created in the event of a major unanticipated workers compensation or general liability claim, such as the settlement made in FY 2008. It is the City's practice to replenish the Risk Management Reserve.

## General Fund Balance Reserves

Reserve	FY 2008 Actual	FY 2009 Goal	FY 2009 Projected
<b>Undesignated Reserve</b>	40,536,112	41,364,015	41,364,015
<b>Risk Management Reserve</b>	840,162	11,600,000	840,162
<b>Economic Downturn/ Leveling Reserve</b>	4,000,000	10,000,000	4,000,000
<b>General Fund Balance Reserves at June 30*</b>	<b>45,376,274</b>	<b>62,964,015</b>	<b>46,204,177</b>

Note: Amount excludes reserves for encumbrances and other legally restricted reserves and designations for specific appropriations. Undesignated reserve goal for FY 2009 is based on FY 2009 General Fund Operating Budget of \$827,280,300.

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# TRANSFERS FROM/TO

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## From General Fund to:

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Capital Improvement Plan	609,666
Cemetery Fund	670,753
Emergency Preparedness and Response Fund	1,627,767
Cruise Ship Terminal Fund (Loan)	1,083,131
National Maritime Center Fund (for Nauticus and Wisconsin)	2,437,772
<b>Total Transfer from General Fund</b>	<b>6,429,089</b>

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## To General Fund from:

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Water Fund	8,500,000
Wastewater Fund	1,500,000
Broad Creek Tax Increment Financing Fund	2,569,978
<b>Total Transfer to General Fund</b>	<b>12,569,978</b>

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## To Capital Improvement Plan from:

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General Fund	609,666
Broad Creek Tax Increment Financing Fund	3,300,000
Public Amenities Fund	1,000,000
<b>Total Transfer to Capital Improvement Plan</b>	<b>4,909,666</b>

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# PERSONNEL STAFFING SUMMARY

	FY 2008	FY 2009 Current	FY 2010 Approved	Increase (Decrease) FY2009 to FY2010
<b>General Fund</b>				
<b>Legislative</b>				
City Council	8	8	8	
City Clerk	15	15	17	2
Records Management	3	3	0	-3
City Auditor	7	8	8	
Real Estate Assessor	22	26	26	
<b>Total Legislative</b>	<b>55</b>	<b>60</b>	<b>59</b>	<b>-1</b>
<b>Executive</b>				
City Manager	20	21	21	
Office of Budget & Management	13	13	16	3
Communications and Public Information	16	16	16	
Office of Grants Management	3	3	0	-3
Intergovernmental Relations	3	3	2	-1
Office to End Homelessness	2	3	3	
Office of Community Empowerment	0	3	3	
<b>Total Executive</b>	<b>57</b>	<b>62</b>	<b>61</b>	<b>-1</b>
<b>Department of Law</b>				
<b>City Attorney</b>	<b>38</b>	<b>37</b>	<b>37</b>	
<b>Constitutional Officers</b>				
City Treasurer	31	31	31	
Commissioner of the Revenue	43	41	41	
<b>Total Constitutional Officers</b>	<b>74</b>	<b>72</b>	<b>72</b>	
<b>Judicial</b>				
Circuit Court Judges	500	5	5	
Clerk of Circuit Court	52	52	51	-1
Commonwealth's Attorney	64	68	68	
Sheriff and Jail	484	484	484	
<b>Total Judicial</b>	<b>605</b>	<b>609</b>	<b>608</b>	<b>-1</b>
<b>Office of Elections</b>				
<b>Elections</b>	<b>9</b>	<b>9</b>	<b>9</b>	

<b>General Management</b>				
Finance and Business Services	134	134	128	-6
Human Resources	36	39	36	-3
Information Technology	94	96	96	
<b>Total General Management</b>	<b>264</b>	<b>269</b>	<b>260</b>	<b>-9</b>
<b>Community Development</b>				
Planning and Community Development	74	74	80	6
Development	20	20	19	-1
<b>Total Community Development</b>	<b>94</b>	<b>94</b>	<b>99</b>	<b>5</b>
<b>Parks, Recreation &amp; Cultural</b>				
Recreation, Parks and Open Space	231	237	236	-1
Neighborhood Preservation	82	102	86	-16
Cultural Facilities, Arts & Entertainment	77	75	70	-5
Libraries	100	101	98	-3
Zoological Park	53	54	54	
<b>Total Parks, Recreational &amp; Cultural</b>	<b>543</b>	<b>569</b>	<b>544</b>	<b>-25</b>
<b>Public Health</b>				
Human Services	562	547	536	-11
Public Health	36	36	36	
<b>Total Public Health</b>	<b>598</b>	<b>583</b>	<b>572</b>	<b>-11</b>
<b>Public Safety</b>				
Fire-Rescue	508	517	517	
Police	899	897	893	-4
<b>Total Public Safety</b>	<b>1,407</b>	<b>1,414</b>	<b>1,410</b>	<b>-4</b>
<b>Public Works</b>				
Public Works	346	346	340	-6
<b>Total General Fund</b>	<b>4,090</b>	<b>4,124</b>	<b>4,071</b>	<b>-53</b>
<b>Special Revenue Funds</b>				
Cemeteries	38	39	39	
Emergency Preparedness and Response	91	91	91	
The National Maritime Center (Nauticus)	37	34	34	
Storm Water Management	76	83	83	
Towing & Recovery Operations	9	9	9	
Cruise Ship Terminal	4	3	3	
<b>Total Special Revenue Funds</b>	<b>255</b>	<b>259</b>	<b>259</b>	
<b>Enterprise Funds</b>				
Parking Facilities Fund	101	101	101	
Wastewater Utility Fund	103	103	103	
Water Utility Fund	289	290	290	

<b>Total Enterprise Funds</b>	<b>493</b>	<b>494</b>	<b>494</b>	
<b>Internal Service Funds</b>				
Fleet	70	71	66	-5
Storehouse	11	11	11	
<b>Total Internal Service Funds</b>	<b>81</b>	<b>82</b>	<b>77</b>	<b>-5</b>
<b>Total All Funds</b>	<b>4,909</b>	<b>4,959</b>	<b>4,901</b>	<b>-58</b>

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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 is subject to a limit of 10 percent of the assessed value of taxable real property in the city.

The Public Finance Act of Virginia 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, 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, Wastewater and Parking bonded debt are a combination of self-supporting, general obligation and revenue bonds. The City's operations for Storm Water, Maritime, and Towing and Recovery bonded debt are intended to be self-supporting general obligation bonds.

The following table shows the estimated general obligation Legal Debt Margins for the current fiscal year as of June 30, 2009, and for the past four fiscal years.

As of	Taxable Real Property Assessed Value <sup>(1)</sup>	Debt Limit: 10% of Assessed Value	Projected Debt Applicable to Debt Limit	Amount of Debt as % of Debt Limit	Legal Margin for Additional Debt
June 30, 2009 <sup>(2)</sup>	19,359,389,455	1,935,938,946	861,421,384	44.50%	1,074,517,562
June 30, 2008	18,401,851,069	1,840,185,107	697,450,234	37.90%	1,142,734,873
June 30, 2007	15,496,207,804	1,549,620,780	579,224,191	37.38%	970,396,589
June 30, 2006	12,691,527,668	1,269,152,767	478,467,462	37.70%	790,685,305
June 30, 2005	10,960,812,421	1,096,081,242	514,905,063	46.98%	581,176,179

<sup>1</sup> The figure includes the assessed valuation of the following properties: public service corporations (as assessed by the State Corporation Commission and the Virginia Department of Taxation); and residential, commercial, apartments and vacant land (as assessed by the City Assessor). Taxable real property estimates are as of June 30, 2008.

<sup>2</sup> Estimated – assumes issuance of all previously authorized General Obligation bonds.

## 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

Debt service for the City's General Capital Improvements is funded from its general fund. The debt of the enterprise and other fee supported operations are paid from their respective revenues. The City's estimated outstanding bonded indebtedness at the end of FY 2009 is estimated to be \$1,057,810,679.

## GENERAL CAPITAL IMPROVEMENTS—AFFORDABILITY MEASURES

The City's Capital Improvement Plan for General Capital Improvements (those bonds not supported by self-supporting user fees) is guided by two measures of affordability. These measures or debt limits, based on the approved Capital Improvement Plan, are as follows:

- Debt Service as a percent of the general fund budget (not to exceed 10 percent)
- Net debt as a percent of taxable real estate (not to exceed 3.5 percent)

The FY 2010 Capital Improvement Plan is within the two measures of affordability listed above. However, in order to finance some major essential governmental projects, such as, a new City courthouse, elementary school and a light rail transit system, the City may be challenged to stay within these measures in the outyears of the Capital Improvement Plan.

## 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 money in the respective funds is 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 is shown in the following tables:

Water Utility Fund							
Fiscal Year	Revenue Bond Principal	Revenue Bond Interest	Income Available for Debt Service	Annual Revenue Bond Debt Service	Annual General Obligation Bond Debt Service	Revenue Bond Coverage	General Obligation & Revenue Bond Coverage
June 30, 2009*	8,050,000	16,411,343	40,492,100	24,461,343	4,382,970	1.66	1.40
June 30, 2008	7,665,000	14,022,200	39,170,822	21,687,200	4,695,964	1.81	1.48
June 30, 2007	7,310,000	14,379,821	40,962,869	21,689,821	4,663,351	1.89	1.55
June 30, 2006	6,580,000	14,827,960	41,701,382	21,407,960	5,272,574	1.95	1.56
June 30, 2005			31,598,462	20,291,059	6,421,487	1.56	1.18

\* Estimated. Does not include outstanding bonds authorized and unissued.

### Wastewater Utility Fund

Fiscal Year	General Obligation Principal	General Obligation Interest	Income Available for Debt Service	Annual Revenue Bond Debt Service	Annual General Obligation Bond Debt Service	Revenue Bond Coverage	General Obligation & Revenue Bond Coverage
June 30, 2009*	6,557,537	3,484,732	13,096,355	-	10,042,269	N/A	1.30
June 30, 2008*	4,806,282	2,813,612	13,180,551	-	7,619,894	N/A	1.73
June 30, 2007	4,315,397	2,505,361	10,117,213	-	6,820,758	N/A	1.48
June 30, 2006	4,093,666	2,058,884	10,369,300	-	6,152,550	N/A	1.69
June 30, 2005	3,763,566	1,667,463	12,077,992	-	5,431,029	N/A	2.22

\*Estimated. Wastewater revenue bond debt service begins in FY 2010. Does not include outstanding bonds authorized and unissued.

### Parking Enterprise Fund

Fiscal Year	Revenue Bond Principal	Revenue Bond Interest	Income Available for Debt Service	Annual Revenue Bond Debt Service	Subordinate and General Obligation Bond Debt Service	Revenue Bond Coverage (Excluding Subordinate Revenue Bonds)	General Obligation & Revenue Bond Coverage (Including Subordinate Revenue Bonds)
June 30, 2009*	1,850,000	4,488,969	8,379,772	6,338,969	1,831,918	1.32	1.03
June 30, 2008	1,935,000	4,592,680	10,783,690	6,527,680	1,999,746	1.65	1.26
June 30, 2007	1,825,000	4,653,189	12,988,705	6,478,189	1,718,801	2.00	1.58
June 30, 2006	1,760,000	4,252,397	12,329,969	6,012,397	1,965,234	2.05	1.55
June 30, 2005	1,225,000	4,219,772	11,345,647	5,444,772	2,874,795	2.08	1.36

\*Estimated. Does not include outstanding bonds authorized and unissued.

## COMPUTATION OF LEGAL DEBT MARGIN JUNE 30, 2009 (ESTIMATED)

Total Assessed Value of Taxed Real Property as of March 31, 2008 (estimated)	<u>\$19,359,389,455</u>
Debt Limit - 10 percent of Total Assessed Value	<u>\$1,935,938,946</u>
Amount of Debt Applicable to Debt Limit:	
Gross Debt *	\$830,322,663
General Obligation (QRBs)	12,645,000
General Obligation (QZABs)	3,443,721
General Obligation (Guaranty)	2,010,000
HUD Section 108 Loan	<u>13,000,000</u>
Legal Debt Margin	<u>\$1,074,517,562</u>
Amount of Debt as a percent of Debt Limit	<u>44.50%</u>

\*Estimated – assumes issuance of all previously authorized General Obligation Bonds.

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# YEARLY MATURITY OF LONG-TERM DEBT

Fiscal Year	General Obligation *			Water Revenue *			Wastewater Revenue		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	53,180,614	23,273,622	76,454,236	8,050,000	16,411,343	24,461,343	-	-	-
2010	49,592,813	20,916,835	70,509,648	9,420,000	15,929,680	25,349,680	425,000	-	425,000
2011	49,251,808	18,937,935	68,189,743	9,875,000	15,467,723	25,342,723	850,000	-	850,000
2012	44,822,449	16,646,431	61,468,879	10,375,000	14,973,521	25,348,521	850,000	-	850,000
2013	37,337,025	14,619,917	51,956,943	10,900,000	14,446,373	25,346,373	850,000	-	850,000
2014	31,406,894	12,987,451	44,394,345	11,455,000	13,889,785	25,344,785	850,000	-	850,000
2015	31,429,115	11,543,838	42,972,952	12,055,000	13,295,473	25,350,473	850,000	-	850,000
2016	28,947,229	10,176,928	39,124,157	12,690,000	12,656,619	25,346,619	850,000	-	850,000
2017	25,868,557	8,927,536	34,796,092	13,375,000	11,969,566	25,344,566	850,000	-	850,000
2018	23,982,558	7,823,087	31,805,645	14,105,000	11,236,323	25,341,323	850,000	-	850,000
2019	23,539,109	6,799,288	30,338,397	14,880,000	10,465,732	25,345,732	850,000	-	850,000
2020	22,198,227	5,793,344	27,991,571	15,695,000	9,649,394	25,344,394	850,000	-	850,000
2021	20,063,886	4,841,074	24,904,959	16,565,000	8,780,507	25,345,507	850,000	-	850,000
2022	19,178,269	4,014,685	23,192,953	17,480,000	7,859,845	25,339,845	850,000	-	850,000
2023	17,569,570	3,228,867	20,798,438	18,470,000	6,884,996	25,354,996	850,000	-	850,000
2024	16,088,852	2,529,343	18,618,196	19,495,000	5,855,239	25,350,239	850,000	-	850,000
2025	11,449,395	1,956,950	13,406,346	15,930,000	4,892,916	20,822,916	850,000	-	850,000
2026	8,250,424	1,508,709	9,759,133	16,820,000	4,003,601	20,823,601	850,000	-	850,000
2027	7,602,159	1,200,630	8,802,790	9,365,000	3,313,863	12,678,863	850,000	-	850,000
2028	2,328,341	1,012,617	3,340,958	9,845,000	2,831,894	12,676,894	850,000	-	850,000
2029	1,290,000	940,302	2,230,302	10,355,000	2,326,896	12,681,896	850,000	-	850,000
2030	1,355,000	874,323	2,229,323	5,315,000	1,945,532	7,260,532	425,000	-	425,000
2031	1,425,000	803,658	2,228,658	5,570,000	1,686,912	7,256,912	-	-	-
2032	1,495,000	730,348	2,225,348	5,850,000	1,411,828	7,261,828	-	-	-
2033	4,970,000	498,562	5,468,562	3,875,000	1,179,621	5,054,621	-	-	-
2034	1,650,000	387,038	2,037,038	4,060,000	992,681	5,052,681	-	-	-
2035	1,730,000	301,206	2,031,206	4,255,000	796,788	5,051,788	-	-	-
2036	1,820,000	211,272	2,031,272	4,465,000	591,354	5,056,354	-	-	-
2037	1,910,000	116,006	2,026,006	3,250,000	408,975	3,658,975	-	-	-
2038	2,005,000	16,754	2,021,754	3,410,000	250,800	3,660,800	-	-	-
2039	-	-	-	3,575,000	84,906	3,659,906	-	-	-
	543,737,293	183,618,554	727,335,847	320,825,000	216,490,685	537,315,685	17,000,000	-	17,000,000

\*Figures do not include the General Obligation bonds anticipated to be issued before June 30, 2008.

Fiscal Year	Parking Revenue			Lease Purchase Equipment			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	2,230,000	4,529,987	6,759,987	2,619,026	121,695	2,740,721	66,079,640	44,336,646	110,416,286
2010	2,560,000	4,437,658	6,997,658	1,385,418	51,519	1,436,937	63,383,230	41,335,691	104,718,922
2011	2,635,000	4,349,050	6,984,050	635,148	14,111	649,258	63,246,956	38,768,817	102,015,773
2012	2,755,000	4,220,648	6,975,648	34,460	1,304	35,764	58,836,909	35,841,903	94,678,812
2013	2,840,000	4,086,138	6,926,138	15,766	485	16,251	51,942,791	33,152,914	85,095,705
2014	2,884,000	3,947,125	6,831,125	1,349	5	1,354	46,597,243	30,824,366	77,421,609
2015	2,970,000	3,805,350	6,775,350	-	-	-	47,304,115	28,644,660	75,948,775
2016	3,085,000	3,679,845	6,764,845	-	-	-	45,572,229	26,513,392	72,085,622
2017	3,240,000	3,536,627	6,776,627	-	-	-	43,333,557	24,433,729	67,767,286
2018	3,385,000	3,386,211	6,771,211	-	-	-	42,322,558	22,445,621	64,768,179
2019	3,545,000	3,229,023	6,774,023	-	-	-	42,814,109	20,494,043	63,308,152
2020	3,755,000	3,077,661	6,832,661	-	-	-	42,498,227	18,520,399	61,018,626
2021	3,945,000	2,892,202	6,837,202	-	-	-	41,423,886	16,513,782	57,937,668
2022	4,145,000	2,697,256	6,842,256	-	-	-	41,653,269	14,571,786	56,225,054
2023	4,350,000	2,492,016	6,842,016	-	-	-	41,239,570	12,605,879	53,845,449
2024	4,555,000	2,276,127	6,831,127	-	-	-	40,988,852	10,660,709	51,649,561
2025	4,780,000	2,049,964	6,829,964	-	-	-	33,009,395	8,899,830	41,909,225
2026	5,025,000	1,811,555	6,836,555	-	-	-	30,945,424	7,323,865	38,269,289
2027	5,275,000	1,560,924	6,835,924	-	-	-	23,092,159	6,075,417	29,167,576
2028	4,840,000	1,297,821	6,137,821	-	-	-	17,863,341	5,142,332	23,005,673
2029	5,100,000	1,041,232	6,141,232	-	-	-	17,595,000	4,308,430	21,903,430
2030	5,195,000	770,913	5,965,913	-	-	-	12,290,000	3,590,767	15,880,767
2031	5,480,000	490,107	5,970,107	-	-	-	12,475,000	2,980,677	15,455,677
2032	945,000	193,881	1,138,881	-	-	-	8,290,000	2,336,058	10,626,058
2033	990,000	147,335	1,137,335	-	-	-	9,835,000	1,825,518	11,660,518
2034	1,035,000	98,568	1,133,568	-	-	-	6,745,000	1,478,287	8,223,287
2035	1,090,000	47,491	1,137,491	-	-	-	7,075,000	1,145,485	8,220,485
2036	-	-	-	-	-	-	6,285,000	802,625	7,087,625
2037	-	-	-	-	-	-	5,160,000	524,981	5,684,981
2038	-	-	-	-	-	-	5,415,000	267,554	5,682,554
2039	-	-	-	-	-	-	3,575,000	84,906	3,659,906
	92,634,000	66,152,712	158,786,712	4,691,166	189,119	4,880,285	978,887,459	466,451,070	1,445,338,529