

July 1, 2007

To The Honorable Council
City of Norfolk, Virginia

Dear Ladies and Gentlemen:

This letter serves to formally transmit the City of Norfolk Fiscal Year 2008 Approved Operating Budget, Capital Improvement Plan and Annual Consolidated Plan. The Approved Budget is comprised of the following fund allocations:

Type of Funds	Amount
General Operating Fund	795,835,700
Water Utility Fund	78,814,500
Wastewater Utility Fund	24,544,800
Storm Water Utility Fund	10,516,100
Parking Facilities Fund	21,068,200
Other Funds	48,112,100
Annual Capital Improvements	\$251,602,000
Subtotal	1,230,493,400
Annual Consolidation Plan	\$9,922,042
Grand Total	\$1,240,415,442

Together these funds represent a total financial plan of \$1,240,415,442.

BUILDING A BALANCED BUDGET

The FY 2008 Budget for the City of Norfolk has been especially challenging to develop because of the competing expectations placed by residents that the City retain and in some cases enhance the services to the public while reducing the real estate tax burden on homeowners. Nevertheless the City's approach has been to start with the identification and/or reaffirmation of core services based on our municipal mission. Out of this mission, the City has tried to fund services at an adequate level to satisfy basic expectations thus leading to a determination of the revenues needed to support such service levels.

To provide a context for the FY 2008 Approved Budget, taking a step back to the FY 2007 Adopted and Amended Budgets presents a good back drop. The adopted General Fund Budget for FY 2007 was \$766,689,400. Throughout the ensuing year, the budget was adjusted to \$775,029,824. However, for consistency in comparing the ultimately adopted 2008 Budget to the Adopted Budget for 2007, we used the \$766,689,400 to add non-discretionary increases for the ensuing year. Initially, in building the proposed budget, two sources comprise these required, increased expenditures totaling \$17,257,955.

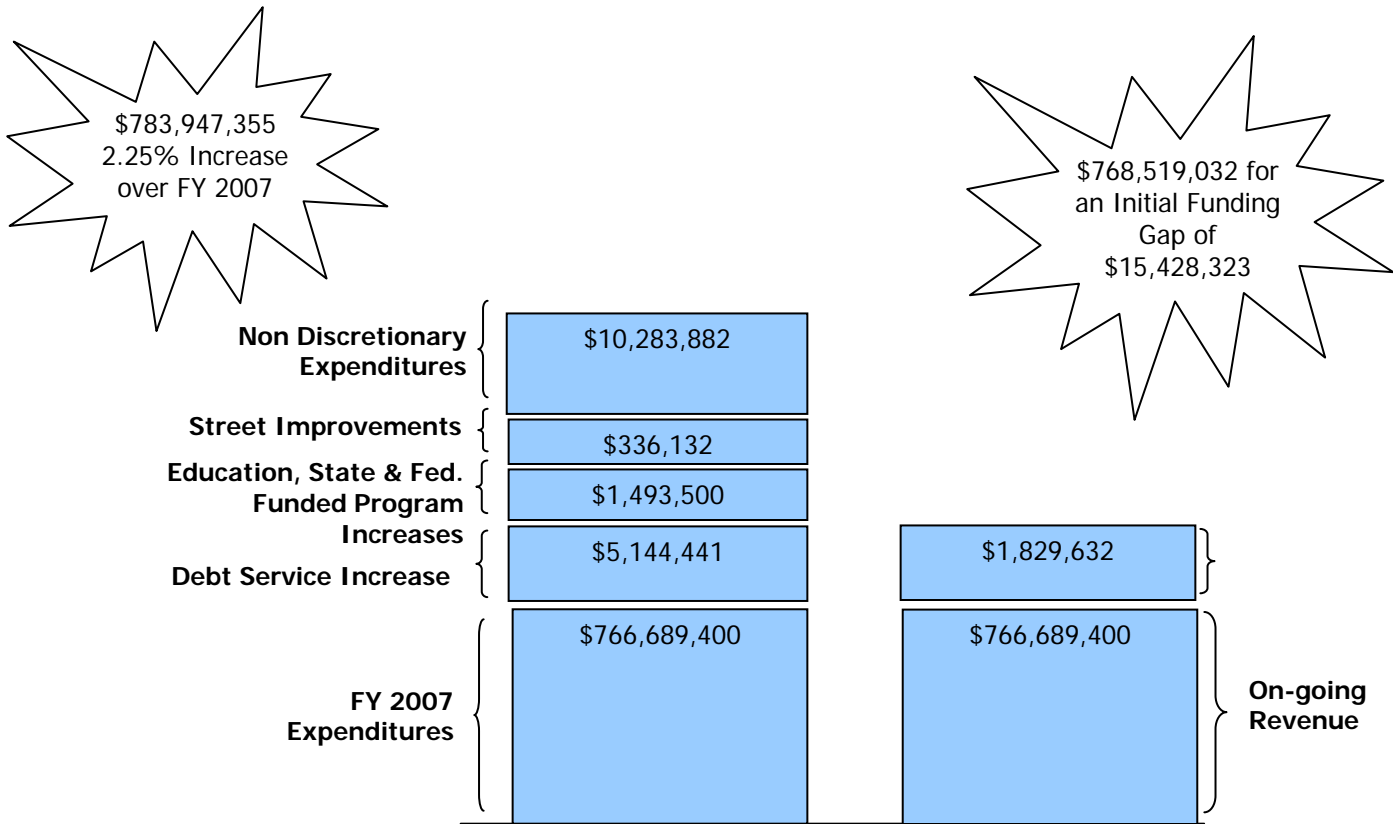
The first of these sources is the increase in the City's debt service for the Capital Budget. Each year, the City Council approves and adopts a Five Year Capital Improvement Plan. This plan is funded by the sale of bonds that are secured by the General Fund. The FY 2008 payment towards this debt service will comprise an additional \$5,144,441 over last year's Adopted Budget. This increase will be discussed in further detail in the Capital Budget section of this transmittal.

Second, we must add to the FY 2007 Budget increased funding from the State and Federal governments in the amount of \$1,493,500 for education and \$336,132 from the State for local street improvements. Before any significant deliberations, these increases for debt service and state/federal aid comprise an overall 0.9% cumulative growth in the FY 2008 base budget.

Continuing with the second source, with non-discretionary adjustments, we next took into consideration several general expenditure adjustments that are a result of annualized salaries resulting from step increases, previously partial year funding, inflationary increases to utilities, fuels, and so forth, and continuing multi-year contractual agreements to list many of the major adjustments. These adjustments total an additional \$10,283,882 which is equivalent to another 1.35% growth in the base budget.

The above actions resulted in a revised starting point for the FY 2008 Approved Budget of \$784 million or a 2.25% increase over the FY 2007 Budget before any other policy decisions were made. The Approved Budget reflects updates and adjustments made to the initial estimates in the proposed budget described above.

The following chart illustrates how the City begins the Fiscal Year of 2008 essentially \$15.4 million out of balance.



This discussion of building the base budget is an important consideration to understand when looking at the City's overall budget decision making process. As with any personal or family budget, the City, too, has fixed expenses that are subject to inflation and other pressures that cause its expenses to rise each year. And so the work begins in earnest to identify expenditure reductions and revenue adjustments culminating in a balanced Approved Budget.

COST CONTAINMENT MEASURES

Despite the fact that these uncontrollable elements impact the budget, the City must regularly examine itself to ensure that we are working as efficiently as possible with the resources given. Each department and operation of the City is subject to review to determine if there are opportunities to reduce or avoid costs, or change service delivery models to gain financial and program improvements. In that vein, the Approved Budget imposes a 1.5% reduction on the non-personnel section of the budgets for the Police and Fire, the Library System, Constitutional Officers, and Council Appointees. All other City departments have been required to take a 3% non-personnel base budget adjustment in the coming year. In addition to these across-the-board savings, City departments have taken targeted reductions related to personnel and programs that do not impact direct service delivery. These efficiency measures will produce almost \$3 million in savings for FY 2008. These reductions come in addition to annual salary savings and efficiency savings of \$8.9 million carried over and embedded in the FY 2007 Adopted Budget.

While it may appear to be a contradiction to consider enhancements to an already challenged situation, the City cannot remain static if we are to fulfill our mission. Therefore, on our road to a recommended budget, certain critical upward adjustments are needed.

CRITICAL ENHANCEMENTS

Norfolk marks its 325th anniversary this year. As with any city of this longevity, there is much to be done. This past year, the City held a number of Town Hall meetings initiated by the Mayor, to hear the needs of Norfolk residents. These meetings were engaging discussions that reinforced the need for the City to focus on key priorities: economic redevelopment, transportation improvements, infrastructure repair and replacement, code enforcement, and last but certainly not least, programs that continue to enhance the quality of life for our children, youth, families and seniors. These priorities were clearly addressed by City departments as they submitted their FY 2008 budget requests. These requests included funding to provide additional Police presence, Fire and Rescue assistance, extended library, parks and recreation facility hours, and additional street sweeping to name only a few, and comprised almost \$90 million in new program requests. The Approved Budget includes only a fraction of these requests (exclusive of education and personnel).

Education

Including all sources of funds, the City will be spending almost \$315 million or approximately 40% of the Budget on public education next year. Of this amount, more than \$101 million is the City's contribution to education (a \$4.5 million increase over FY 2007). The City also chooses to supplement funding for education by providing basic services through the operating budget such as school nurses, landscaping, playground equipment, athletic fields, and crossing guards to name

only a few of the areas augmented. With the combined City contribution and in-kind services, we ensure that education is a top priority. As a result of these investments, last year the City was recognized by the Broad Foundation as the Best Urban School District in the nation. The FY 2008 Approved Budget fully funds schools operating budget request. While the City and Schools had an initial variance in funds requested by schools and the funding increase recommended in the proposed budget, this variance was closed by more accurate revenue projections from schools and the use of schools fund balance.

Personnel

Approximately 67% of the budget is typically spent on salaries and benefits for our workforce. If the City is to continue to provide quality services to the public, the City must maintain a workforce that is compensated in a fair and equitable manner. Without employees who are dedicated to public service, the City cannot continue to be a leader in education, maintain safe streets or meet the needs of the poor. The City Council approved a 2% General Wage Increase (GWI) and step increase of 2.5% for those employees who have not yet reached the top of their wage scales and have satisfactory performance. This will amount to \$5,670,000 in the Approved Budget.

Consideration has also been given to the escalating cost of living for the City retired employees. The Approved Budget includes a 2% cost of living adjustment to their benefits to help mitigate these cost increases. The City also provided almost \$1.2 million to supplement public safety salaries, which included an additional 0.5% GWI to bring the total combined GWI and step increase for police, fire and sheriff to 5%. Police also received a \$1,000 increase in compensation for Lieutenants and below.

For two successive budgets, the recommendation has been made that the City commence funding for Other Post Employment Benefits (OPEB). While some flexibility may remain, the City should not continue to avoid its management of this issue. The FY 2008 proper funding estimate for OPEB is \$2.6 million. The FY 2008 Approved Budget begins to fund a portion of this liability for the City in the amount of \$392,142. While the proposed budget included more than \$3 million for this purpose, this amount was reduced significantly in the Approved Budget in order to provide additional tax relief. It is important to note that Schools' estimates their funding requirement for OPEB will be closer to \$3.5 million with anticipated changes to their compensation plan.

Other major adjustments include:

USS Wisconsin – The City is in the final stages of discussing with the Navy the formal transfer of the ship to Norfolk. As part of this transfer, the City intends to make the necessary repairs and renovations to begin opening the ship below decks to visitors. This budget allocates \$535,000 to provide the necessary staff and operating costs to begin these tasks of readying the ship for further public viewing.

Fire-Rescue Services – A total of \$755,000 is provided for continuing the master firefighter program, adequate funding for overtime expenses due to upgrading the EMT program and ensuring adequate staff coverage while the department undergoes extensive promotional and recruitment activities.

Libraries – In order to accommodate the opening of the new Pretlow Library, funding is provided for staffing (\$536,800) as well as books and other necessary supplies and materials (\$113,200). An additional \$75,000 is provided to libraries for overall system needs.

Police - In the Town Hall meetings, the residents asked for a greater Police presence in the community. Therefore, additional funding of \$515,000 is provided for overtime, increased crossing guard hours, enhanced recruitment and retention programs and special pay for officers certified to speak foreign languages to better serve a diverse population and visitors to our community. The State also assists public safety by providing HB 599 funds. The City will receive approximately \$14 million in state HB 599 funding, an increase of 2.7 percent in the next year.

Commonwealth's Attorney - The Commonwealth's Attorney Office received five new positions from the State in FY 2007. The budget reflects funding for these positions as well as funding for three positions associated with Project Safe Neighborhoods.

Hampton Roads Transit (HRT)– The approved budget has an increase of \$1.1 million for a total of \$7.0 million to support public bus service in Norfolk. The City has ongoing concerns with the increases in support of this service as expressed in total dollars requested. The Administration has requested that HRT provide additional information outlining its future strategic and financial plans.

Southeastern Public Service Authority (SPSA) - The FY 2008 Approved Budget has an increase of \$3.9 million for increased tipping fees (the cost of bringing waste to a landfill) and City vehicle replacements for solid waste operations. Rather than require property owners to absorb the entire difference, the Approved Budget includes that the City absorb half of the increased cost to residents. This will unfortunately still result in an increase in the rate by \$2.41 for residents, from \$14.50 to \$16.91. If the City were to pass on the entire rate increase, the residential rate would have gone up to approximately \$19.40 resulting in an increase of \$4.90.

Any decision on new expenditures such as these must be based on an accurate projection of the revenues the City expects to receive over the 2008 Budget year. We must forecast both the funds controlled by the City and the revenues that will come in from State and Federal sources. This is all the more difficult because decisions on some of these revenues have yet to be determined or may be changed at any time due to various factors such as economic fluctuations. As a result, the FY 2008 Approved Budget has taken an extremely conservative approach to any new or expanded services. As you can see by the above recommendations, next year's

budget enhancements have been restricted to essential, and in some cases, uncontrollable service areas.

REVENUE PROJECTIONS

One of the most important tools in the budget process is a five-year forecast for revenues and expenditures. To develop the forecast, the City looks back five years at historical trends and patterns, and look ahead five years using economic projections, known events expected to impact the City, and inflation. Because Norfolk can be influenced by so many factors it cannot control (such as major weather events, national economic conditions such as inflation, etc.), the first year of this five year forecast is more detailed and accurate than the out years. Among the considerations in FY 2008 are:

- Impact of the housing market slowdown;
- Growth in the Capital Improvement Program and that impact on debt service payments;
- Rising compensation and benefit costs;
- Ford Plant closing;
- General Assembly actions that impact local government;
- Anticipated revenues from non-general fund sources;
- Operating budget impact of new facilities coming on-line: cruise ship terminal, new schools, and libraries;
- Anticipated increases related to health care, retirement, debt service, fuel and utilities; and
- Operating budget impact from projects anticipated to come online such as light rail.

Revenue projections used to prepare the FY 2008 Approved Budget total \$795,835,700. This is an increase of 3.8% percent over the FY 2007 Approved Budget.

The City of Norfolk depends on a number of revenue sources to make up its General Fund. More than 80% of revenues are found in three categories:

- √ General Property Taxes - \$234,990,000 or 29.5% of revenues.
- √ Other Local Taxes - \$156,234,500 or 19.6% of revenues.
- √ Commonwealth Categorical Aid - \$271,419,100 or 34.1% of revenues.

Revenues are best distinguished by two categories. These are locally controlled revenue and funds from state and federal sources.

Local Sources

General Property Taxes account for \$234,990,000 or almost 30% of the general fund budget. The two major revenue sources are Current Real Estate Taxes (\$175.2 million) and Current Personal Property Taxes (\$34.8 million). In FY 2008, Real Estate Tax revenues (the largest general property tax source) are anticipated to grow by 2.2 percent over FY 2007. This is an increase of approximately \$3.8 million.

Personal property tax is expected to grow by approximately 28.1 percent over the FY 2007 approved budget. This is partly due to the increase in the tax rate for personal property (including machinery and tools) from \$4.00 to \$4.25 per \$100 of assessed value and for recreational boats from \$0.01 to \$0.50 per \$100 of assessed value.

Machinery and Tools (\$3.9 million) account for a lesser portion of general property taxes. A significant change in FY 2008 to this account is the loss of almost four and a half million dollars (a 55% drop) due to the closing of the Ford Plant. The decrease was partially offset by the increase in the machinery and tools tax rate, which is expected to generate approximately \$240,000 in additional revenue.

Other Local Taxes (\$156,234,500) include sales and use, business license, telephone franchise, cable TV franchise, bank franchise, motor vehicle license, cigarette, admissions, hotel and motel, bed tax, restaurant, recordation tax and various utilities. These taxes are estimated to grow 5.5% percent over the FY 2007 projection and produce \$8,135,700 in new revenue. Norfolk is generally comparable to other Hampton Roads communities in other local tax rates.

Aid from the Commonwealth

These revenues of \$271,419,100 make up 34 percent of the budget and comprise funding for specified purposes which cannot be reallocated to other programs. These funds include: \$203,697,800 for schools, \$42,289,100 for human services, \$18,698,000 for street maintenance, and \$5,100,000 for jail per diems.

The City also receives more than \$56 million in non-categorical aid and shared expenses from the Commonwealth. These funds are used, in part, to offset the costs of constitutional officer operations and provide funds to localities to assist in establishing vehicle property tax rates.

Federal Aid

The federal government is estimated to provide Norfolk with \$6,247,000 in funds, which is largely federal impact aid for schools in FY 2008. This amount is expected to be reduced by \$2,596,200 from the \$8,843,200 estimated in FY 2007, mainly due to a projected decrease in schools' federal impact aid.

Real Estate Tax Relief

To help our residents protect their financial investment in their properties, the City will once again offer Real Estate Tax Relief. However, one of the most significant and difficult decisions facing the city in FY 2008 is the debate over what level of relief and in what form should this relief take so that the City does not create a future structural imbalance in its ability to maintain funding for essential public services.

When we look at historic trends, we see that despite record assessment increases in the past three years, over the past 25 years assessments have grown on average 6.6%. During the 90's, slow economic growth forced the City to defer critical maintenance and other infrastructure needs, rather than raise the real estate tax rate.

As the economy began to boom, Norfolk was long last able to expand programming and services desperately needed in the community. Initiatives such as East Beach where the City provided over \$40 million in seed investment is an example of the product of those "good years". It was anticipated at that time that the critical investments made in downtown, East Beach, Broad Creek and other areas of the community would pay off in new and increased revenues to support needs in other less fortunate areas of the City.

However, the real estate boom reached peak highs impacting homeowners in double digit assessments that could not have been expected or planned for. Last year saw an estimated overall rise in assessments of 22.6% turn into an overall increase of 24.9%. The cry for tax relief began.

In answer to this dilemma, the City approved an overall 8-cent tax relief package in FY 2007. This package reduced revenues by \$18.6 million by lowering the tax rate for all property owners and increasing tax relief given to senior and disabled residents to the maximum allowed by state law at that point in time.

The future, however, was still unclear. How long would this situation continue? How much of the budget could be set aside for on going tax relief when the economic environment surrounding housing appeared so unstable? While the City would like to attribute much of this increase to Norfolk's long-standing efforts to improve its neighborhoods and housing stock, many areas of the country also saw these rapidly rising assessments, indicating that Norfolk was not unique in this situation.

As a result, the City has looked long and hard at a myriad of economic predictors to determine the scope of this continuing problem. From all accounts, both national and

local Hampton Roads economic predictions indicate that the housing market is showing signs of cooling. The City estimates now are for a 15.3% overall increase in assessments for FY 2008.

This once again begs the issue of what level and form of tax relief can the City sustain?

After considerable review, the City adopted a cut in the tax rate of 16-cents. This will lower the tax rate from \$1.27 per \$100 of assessed value to \$1.11 per \$100 of assessed value. This is the lowest tax rate for the City of Norfolk in modern history. This 16-cent reduction results in a reduction of real estate tax revenues of approximately \$25.4 million. In addition, the FY 2008 approved budget sets aside real estate tax revenues of approximately \$7.5 million for tax relief for senior and disabled homeowners and brings the income limitations to qualify for relief to new State limits that will take effect on July 1, 2007.

This reduction in the tax rate results in a net property tax reduction that the City has granted of 29 cents in the last three years. This rate adoption balances the needs of the City and addresses the concerns of citizens. To help citizens with tax relief, the General Assembly is looking at a permanent homestead tax reduction program. The City supports this amendment to the Virginia constitution that would provide targeted relief to moderate income, owner occupied single-family homes not eligible for any senior/disabled tax relief program. If the General Assembly approves this legislation for a second year, it will be submitted to voters for approval. The City believes that this pending action in FY 2009 will produce sufficient annual tax relief in addition to what Norfolk has accomplished over the last three years.

ANNUAL CAPITAL PROGRAM (CIP)

The City's annual Capital Budget comprises a five year plan of critical capital improvements to address our aging infrastructure as well as new initiatives to drive our economy. Each year, the City Council reviews this five year plan and authorizes the sale of bonds to implement the annual plan. These bonds are secured by the General Fund which contributed \$53,900,152 in FY 2007 and \$59,309,222 in FY 2008 as part of the City's funding commitment.

In an atmosphere of tax reduction and reduced spending, there is a misperception that it would be easy to slow down the spending in the capital plan as a means of expenditure reduction. However, for every million in capital dollars authorized, only \$100,000 of the General Fund is obligated. It would take a reduction of over \$15 million dollars of capital spending to result in the equivalent of a one cent reduction in the property tax. Moreover, this savings would not materialize in the upcoming budget; rather, it would materialize in the following fiscal year.

With this in mind, projects in the Five Year Capital Budget have been recommended that either fulfill past commitments or address immediate needs. The plan is comprised of:

1. Projects currently underway
2. Projects committed to by the City Council in prior budget years
3. Projects that represent community priorities as reinforced during this year's Town Hall meetings.
4. Projects that are a result of local, state, or federal mandates.
5. Projects that enable the City to maintain existing assets.

The range of projects in the Capital plan is broad sweeping, touching almost every element of our community.

Schools

The Approved Capital Budget continues to provide \$2.5 million to address the needs of the aging infrastructure of City schools. In addition, the Approved Budget delays the construction of Crossroad Elementary School by one year so that a comprehensive review of facility and programming needs can be completed. The City will work with Norfolk Public School leaders to find a sustainable, long-term approach that allows us to provide the best learning environment for Norfolk's students. The estimated total for the construction of Crossroads is \$23 million.

Public Safety

In FY 2007, design and preliminary engineering started on the new Police Second Precinct and will continue throughout 2008. The City is committed toward completing this precinct with an additional allocation in FY 2009. Increased construction costs have resulted in a need to provide additional funds to the Police Firing Range Project. It is the City's hope that both projects can be completed with the current funding sources available.

Neighborhood Plans

These four neighborhood plans are the culmination of many years of community planning to address blighted conditions and provide the necessary services and amenities that are present in other parts of our City.

Broad Creek – Years of effort to revitalize the Broad Creek neighborhood are finally coming to fruition. The City continues to support the creation of affordable HOPE VI housing through the addition of \$2 million in FY 2008. Funding is also provided starting in FY 2009 in the total amount of \$5 million to continue overall neighborhood plan elements. Other sections of the capital budget address funding for the future Kroc Community Center and linear park currently under development.

Fairmont Park - In FY 2008, the City will provide over \$2 million in infrastructure improvements to continue the regeneration of the Fairmont Park area. This will be followed in future years with an additional \$6.15 million in additional infrastructure

funding. As for the neighborhood plan, \$505,000 is allocated in FY 2008 with an additional \$1.4 million starting in FY 2009 for plan implementation.

Wards Corner - Although recent changes to eminent domain legislation has altered some of our strategy in Wards Corner, the City will continue to work with NRHA to drive needed change in this neighborhood community. In the FY 2008 Approved Capital Budget, \$1.01 million is provided for incentives to repair or acquire blighted property. Future funds will be awarded after a clearer plan for neighborhood conservation and blight removal is prepared in light of changes to eminent domain law.

Southside – The FY 2008 Approved Budget provides for \$1.01 million in funding to implement the adopted neighborhood plan. This funding is to be followed in the coming years with an additional \$4 million.

Neighborhood Conservation Plans

Overall, the FY 2008 budget provides for \$4.5 million in funds to be distributed among a number of neighborhood conservation areas. These areas have been adopted by the City Council and administered by NRHA. In addition to the \$4.5 million, two additional projects are funded that relate to neighborhood initiatives.

Park Place Conservation Project Plan - With NRHA as lead, staff is working with a Steering Committee comprised of community stake holders to develop a plan amendment. In FY 2008, the City is providing \$600,000 to begin work on the Park Place East at Broadway improvements.

East Church Street Brewery – Funds are provided in FY 2008 in the amount of \$500,000 for infrastructure and street widening work. In addition approximately \$700,000 is provided to address water and wastewater work in the area.

Recreation Centers and Programs

Broad Creek Community Center and Park - The work continues to bring a recreation center to Broad Creek. There is \$4.04 million in the FY 2008 budget to supplement anticipated funding by the Kroc Foundation for the development of a future center on land provided by the City. In addition, funding is provided in FY 2008 to develop the linear park in the amount of \$1.11 million.

Therapeutic Recreation Center - At the Town Hall meetings, senior and handicapped citizens in Norfolk expressed their desire for programs to address their special needs. In response, the City is beginning the planning process to construct a new Therapeutic Recreation Center and Pool. Funding of \$505,000 is allocated in FY 2008 to continue this planning process.

Lambert's Point Community Center – With preliminary planning completed in FY 2006 and 2007, final architectural designs will begin in FY 2008 to allow for the start of construction of this new community center. The total project cost of \$7.4 million will be achieved by providing the last of the necessary funding of \$1.10 million in the FY 2008 budget.

Norview Community Center – With construction well underway, the new Norview Center is also being funded in FY 2008 with an additional \$757,500 to complete all construction costs.

Southside Aquatic Facility - A state-of-the-art Aquatics Facility is planned for the Southside with \$5,891,250 in the budget over the next two years. The facility will include competitive swim lanes, a children's pool, and a family pool. Various properties are under currently under consideration for the site.

Town Point Park - The FY 2008 Capital Budget has added \$1.5 million as committed when the City adopted the FY 2007 Budget for planned improvement to Town Point Park for a total project cost of \$7.6 million.

Northside Park - Plans are well underway for renovating Northside Park. The FY 2008 Budget provides \$893,850 for expanding two softball fields to meet competitive standards, creating an environmental park in the wetlands, and expanding the current parking lot.

Skateboard Park – Another project that has eagerly been awaited by the youth of Norfolk has been the skateboard park. There is \$50,000 from prior funding that covers design costs and \$250,000 is provided to complete construction costs in 2008. Various sites are currently being evaluated and will be discussed with the City Council in the near future.

Libraries

Kirn - The budget includes \$4.5 million for the temporary relocation of Kirn Library to an interim site, and to begin the design of the new main library.

Transportation

There is over \$3.2 million contained in the FY 2008 program that will address enhanced signals at intersections, underpass improvements and major bridge repair. In addition, the CIP begins the funding process for the Norfolk Light Rail Project. Initial funds of \$41 million starting in FY 2009 are scheduled to assist in the route design and land preparation process.

Cultural Arts and Entertainment

Norfolk continues its financial support of the arts to ensure that Norfolk residents have a diverse variety of cultural programs from which to choose. The FY 2008

Capital Budget provides ongoing support for a variety of cultural arts programs including, but not limited to:

- \$2.4 million to the Selden Arcade Building built in 1931. As part of the final work to be done, restoration work will take place on the building's exterior at Plume and Main Streets.
- \$757,500 to Nauticus for exhibit development.
- \$120,000 to the Mac Arthur Memorial Center for a matching grant program to expand the Center.
- \$850,000 to match the capital campaign for the Virginia Arts Festival.
- \$1.6 million to the Virginia Zoo for implementing the next phase of the Master Plan and to continue to match the challenge grant of \$7 million by the Batten Foundation.
- \$1.3 million to replace the scoreboard at SCOPE.
- \$250,000 to renovate the Chrysler Hall balcony area.
- \$2,545,099 for the USS Wisconsin to make necessary repairs and improvements to open the ship below deck to visitors.

Infrastructure Improvements

There is a backlog of \$298.3 million in streets, street lights, bridges, storm water drainage and maintenance of City buildings. The overall budget to address many of these issues for FY 2008 is \$5.2 million. Funding will be used for:

- Street rehabilitation - \$600,000
- Sidewalk repair - \$500,000
- Minor bridge repair - \$400,000
- Flooding - \$500,000
- Gateways - \$200,000
- Dredging - \$1,325,000
- Street lights - \$265,000
- Facility Maintenance - \$1.4 million

The City, along with our municipal Judges, have undertaken extensive research to determine the most economic approach to replacing structures that no longer are safe nor meet the demands of our growing caseloads. As a result, the existing District Court will be torn down and a new annex to the existing Circuit Court will be constructed to accommodate all three of Norfolk's court systems. This \$108 million project has \$29 million budgeted in FY 2008.

Other areas of critical economic development funding are:

- Neighborhood Commercial Corridors - \$600,000
- Cruise Terminal - loan of \$1.5 million in FY 2008 only to cover debt service
- Conference Center infrastructure improvements -\$35 million.
- Atlantic City/Ft. Norfolk infrastructure improvements - \$2.7 million
- Hampton Roads Corridor - \$500,000
- Little Creek upgrades \$1.6 million
- Jail HVAC - \$273,000

Finally, the City Budget contains a number of specialty funds which are restricted by statute in their use.

Enterprise Funds

Water

The FY 2008 Approved Budget for the Water Fund is \$78.8 million. In 2008, the rate adjustment is a 3.5 % increase. This adjustment results in a rate of \$3.49 per CCF as approved by previous actions of the City Council to adopt a multi-year rate structure to support system improvements.

Wastewater

FY 2008 marks the fifth year of a gradual and predictable multi-year rate structure adopted by City Council in 2003. These adjustments were made to support a multi-year system improvement plan intended to reduce failing pipes over a ten-year period. The Wastewater Fund adjusts annually by 4 percent; the FY 2008 rate is \$2.78 per CCF.

Storm Water

Similar to Water and Wastewater funds, Storm Water rates adjust annually by 3 percent. The Approved Budget for FY 2008 is \$10,516,100.

Parking Fund

The City's Parking System is classified as an Enterprise Fund. As such, the parking system is a "stand alone" business. It must pay its debts from the revenues it generates. No personal property taxes are used to fund parking garages. Those who pay to park in the garages pay for the garages. Selected FY 2008 projects include:

- \$45,638,000 budgeted in FY 2008 for the construction of the Wachovia Garage.
- \$1.3 million budgeted to implement a new access and revenue control system.

Consolidated Plan

The Consolidated Plan, funded by the U.S. Department of Housing and Urban Development, provides Norfolk in FY 2008 with a total of \$9,922,042 in grant funds, which represents a 1.4 percent increase from FY 2007.

The funds are provided through four entitlement programs: the Community Development Block Grant \$7,377,042, the HOME Investment Partnership \$2,279,837, the Emergency Shelter \$228,052; and the American Dream Down payment Initiative \$36,661. Requests for funds from community organizations, NRHA, and other City departments were \$17,049,554, more than \$7,127,512 over available funding.

One of the major initiatives funded by CDBG includes the City's efforts to provide housing for the homeless. Norfolk is continuing its efforts to assist the "poorest of the poor", our homeless population. The Gosnold Apartments opened in FY 2007 and houses 42 persons. Now, the City is partnering with Virginia Beach and Portsmouth to build Single Room Occupancy apartments in Virginia Beach to house 12 Norfolk homeless individuals. Norfolk will be providing \$360,000 to assist with this project's construction costs.

CONCLUSION

Norfolk truly is an emerging city, emerging from the small Navy town of the 1980's and 90's into a major east-coast player with a thriving economic base, a growing scientific and medical community, a multitude of diverse neighborhoods, abundant choices in cultural and arts venues, and our most precious resource - our residents. While this progression as a City has also brought us challenges, we are also fortunate to have a community of caring residents that come together to discuss our issues and resolve our differences for the betterment and prosperity of each person living in Norfolk.

This Budget is presented knowing that it strives to address the concerns of our residents in both real estate tax relief and the delivery of programs and services most important to the community of Norfolk.

It is my pleasure to present to you the City of Norfolk's Approved Fiscal Year 2008 Budget.

Respectfully submitted,



Regina V.K. Williams
City Manager