Budget Overview

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Acknowledgments

The preparation of the city's annual resource allocation plan requires a tremendous amount of hard work and dedication on the part of many people. Developing expenditures and revenue information requires varying sources of data and multiple perspectives.

The FY 2015 Budget includes the assistance of many who deserve acknowledgment and appreciation:

- Residents of the city and civic leagues, particularly those who attended community outreach meetings
- Members of the city's Employee Relations Committees and Retiree Associations
- City employees who attended outreach meetings and submitted their suggestions for improvement
- Executive budget team
- Department and office directors
- Members of the business community
- Council Appointees, especially the City Assessor
- Constitutional Officers, particularly the City Treasurer and Commissioner of the Revenue
- Norfolk Redevelopment and Housing Authority

Special recognition and gratitude to the Office of Budget and Strategic Planning staff who worked to prepare this year's budget.

Office of Budget and Strategic Planning Staff
Sabrina Joy-Hogg, Director

Budget Team
Jose Benitez, Ryan Bergman, Marilyn Burress, Paris Colburn, Wayne Green, Galen Gresalfi, Patricia Harrison, Betty Meyer, Anil Ustun, Morgan Whayland, and Andrew Yancey, and Darrell Powell (Intern)

Grants Team
Kathleen Broughton, Leila LaRock, Lauren Lowery, Gregory Patrick, and Kimberley Pierce

City Manager
Marcus D. Jones

DISTINGUISHED BUDGET PRESENTATION AWARD

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished
Budget Presentation
Award

PRESENTED TO

City of Norfolk

Virginia

For the Fiscal Year Beginning

July 1, 2013

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Norfolk, Virginia for its annual budget for the fiscal year beginning July 1, 2013. The review process by GFOA has not commenced for the annual budget for the fiscal year beginning July 1, 2014.

This prestigious award is presented to governmental entities that prepare budget documents which exhibit the highest qualities in meeting or exceeding both the guidelines established by the National Advisory Council on State and Local Budgeting and GFOA's standards of best practices. Documents submitted for the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting. The award is only valid for a period of one year only. The FY 2015 budget continues to conform to program requirements and will be submitted to GFOA for eligibility.

City of Norfolk Government

Norfolk City Council is the legislative body of the city government. It is authorized to exercise all the powers conferred upon the city by the Commonwealth of Virginia in the state constitution, state laws and the Charter of the City of Norfolk.

City Council is composed of eight members. Seven members are elected through a ward system, and the Mayor is elected at large by the citizen of Norfolk. These members elect a vice president (Vice Mayor) of the Council. For further information on the duties, powers and meetings of the Council, call the Office of the City Clerk 757-664-4253.

The City Council meets the second and fourth Tuesday of each month in the Council Chambers in Norfolk City Hall. There are two formal meetings a month held at 7:00 p.m. On the first Tuesday of the month, there is a Council work session held at 2:00 p.m.

The City of Norfolk operates under a Council-Manager form of government whereby the Council appoints a chief executive, the City Manager, Marcus D. Jones. The Council also appoints a City Attorney, Bernard A. Pishko; City Auditor, John Sanderlin; City Clerk, R. Breckenridge Daughtrey; and City Real Estate Assessor, Deborah Bunn.

City of Norfolk City Council Members and City Manager

Mayor
Paul D. Fraim

Vice-Mayor
Angelia M. Williams
Ward 7

Council Member
Andrew A. Protogyrou
Ward 1

Council Member
Dr. Theresa W. Whibley
Ward 2

Council Member
Alveta V. Green
Ward 3

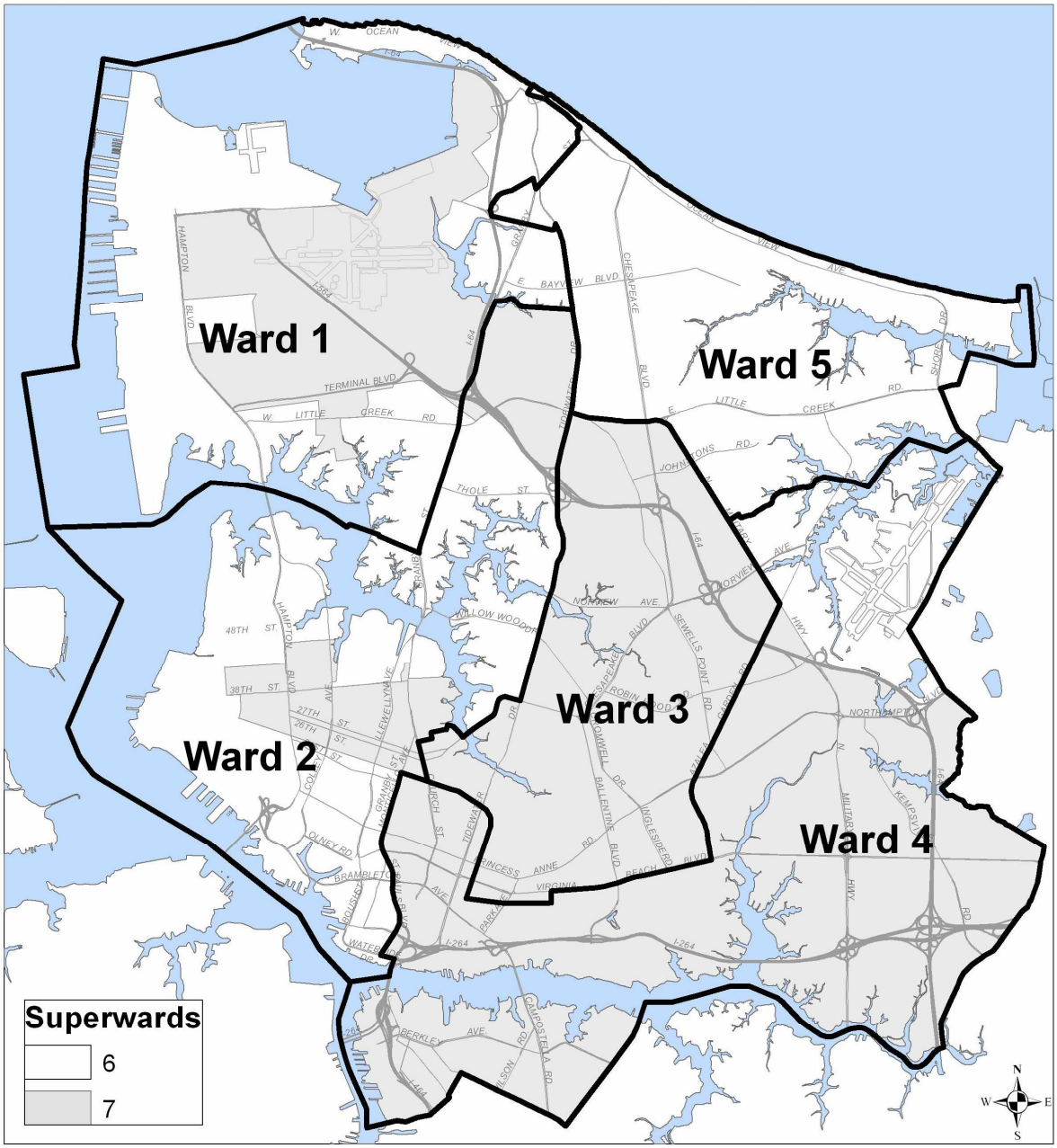
Council Member
Paul R. Riddick
Ward 4

Council Member
Thomas R. Smigiel
Ward 5

Council Member
Barclay C. Winn
Ward 6

City Manager
Marcus D. Jones

City of Norfolk Ward Map



City Council's Vision of Norfolk

The City of Norfolk continues to remain true to its vision. In the early 1990's, City Council established the vision of Norfolk and the current City Council and City Administration remain committed to executing and maintaining the vision.

Vision

Norfolk is a national leader in the quality of life offered to all its citizens.

This is achieved through effective partnerships between city government and its constituents.

As a result, Norfolk is a physically attractive, socially supportive, and financially sound city.

Here, the sense of community is strong.

Neighborhoods are designed so that people of all ages can know their neighbors and travel the streets and sidewalks safely.

The sense of community exists citywide.

Norfolk is known nationally as a strategically located place where there are abundant and fulfilling employment, recreational, and educational opportunities.

Priorities

- **Accessibility, Mobility and Connectivity** - A comprehensive network of accessibility and information gathering options, addressing all traditional transportation modes as well as new technologies, which connect people, goods and information.

- **Economic Vitality and Workforce Development** - A growing, competitive and diversified economy that enhances the quality of life for residents through a wide range of housing, educational, cultural, shopping, business and employment opportunities.

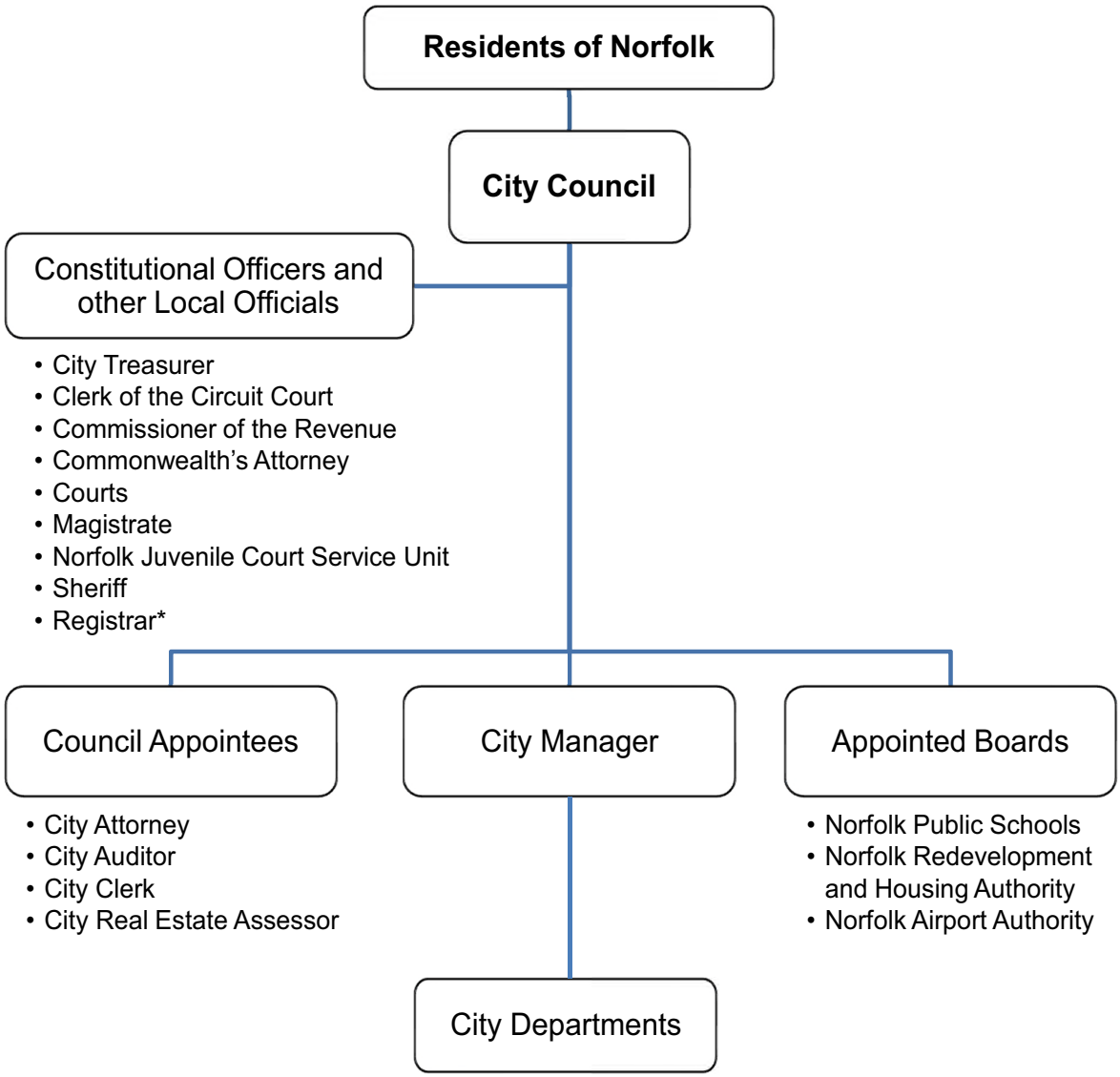
- **Environmental Sustainability** - A premier waterfront community that creates a positive, regenerative effect on its environment, avoids detrimental environmental impacts and thrives economically and culturally.

- **Lifelong Learning** - Residents of all ages enjoy a culture of learning that enables them to reach their full potential, achieve personal goals, and through their knowledge, skills, abilities, and talents become well equipped to support a prosperous economy.

- **Safe, Healthy and Inclusive Communities** - Residents of diverse backgrounds and interests feel encouraged and empowered to assist in the development of safe and healthy neighborhoods thereby fostering a culture of leadership, pride and well-being that advances Norfolk's brand as a desirable and enjoyable place to live, learn, work and play.

- **Well-Managed Government** - A data-driven organization that provides effective and efficient programs and services that are responsive, accountable, inclusive and customer focused.

City of Norfolk Organizational Chart



- City Planning
- Communications and Technology
- Cultural Facilities, Arts and Entertainment
- Development
- Emergency Preparedness and Response
- Executive
- Finance
- Fire-Rescue
- General Services
- Human Resources
- Human Services
- Libraries
- National Maritime Center
- Neighborhood Development
- Norfolk Community Services Board
- Police
- Public Health
- Public Works
- Recreation, Parks and Open Space
- Utilities
- Zoo

*Appointed by State Board of Elections

Reader's Guide to the Budget

Purpose

The budget is an instrument that sets policy and summarizes the services provided by the city government and details how programs and services are funded. It is the annual plan for coordinating revenues and expenditures. The budget presented covers the period of **July 1, 2014 to June 30, 2015**. The amounts for FY 2015 are approved through the appropriation ordinance adopted by the City Council. The Approved FY 2015 amount may include technical changes made after the City Manager's presentation of the Proposed Budget to the City Council. Due to the state budget impasse, the FY 2015 Budget was developed based on the Governor's Introduced Budget for the 2014-2016 Biennium.

Budget Overview

This section provides information on budget and financial policies, fund structure, basis of accounting and budgeting, 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 amounts for FY 2013 provided in the summaries do not include designations and financial adjustments posted after June 30, 2013.

Prior Year Accomplishments

This section highlights prior year accomplishments as reported by City of Norfolk departments during the 2013 calendar year and 2014 fiscal year.

Citywide Priorities

This section provides an overview of the six citywide priorities and selected performance measures for each of the priorities highlighting the work of city departments.

General Fund Revenue and Expenditure

The General Fund is used to account for primary government services. A summary of historical and estimated revenue from each source is provided for the General Fund. For each department within the General Fund, a summary of historical and approved expenditures is provided. Historical revenue and expenditure amounts for FY 2013 do not include designations and financial adjustments posted after June 30, 2013.

Department Budgets

This section provides detailed information on the approved budget of each department within the General Fund. Historical revenue and expenditure amounts for FY 2012 and FY 2013 provided in the department summaries do not include designations and financial adjustments posted after June 30, 2012 and June 30, 2013, respectively.

Public School Education

This section provides information on the approved appropriation for Norfolk Public Schools.

Special Revenue, Enterprise, and Internal Service Funds

These sections provide detailed information on the approved budget of the city's Special Revenue, Enterprise and Internal Service Funds. Historical revenue and expenditure for FY 2012 and FY 2013 provided in the department summaries do not include designations and financial adjustments posted after June 30, 2012 and June 30, 2013, respectively.

Funding by Priority

This section provides a summary of funding activities by priority area as determined by individual departments.

Capital Improvement Plan

This section provides detailed budget information on the five-year Capital Improvement Plan. However, the only year of the plan that is certain is the current budget year, FY 2015, with future years reflecting planning and not commitment. The Approved FY 2015 amount may include technical changes made after the presentation of the City Manager's Proposed Budget to the City Council.

Annual Plan - Housing and Urban Development (HUD) Entitlement Grant Program

This section contains the Annual Plan for the Community Development Block Grant, HOME Investment Partnerships Program, and Emergency Solutions Grant Program. The Annual Plan identifies the annual funding of the city's priority community development projects and activities as outlined in the five-year Consolidated Plan. FY 2015 approved amounts may include technical changes made after the City Manager's presentation of the Proposed Budget to the City Council.

Miscellaneous Statistical Information

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

Ordinances, Glossary and Index

The ordinances included are those adopted by the City Council establishing the operating and capital improvement budget and the annual plan. The glossary provides definitions of budget-related terminology. The index contains an alphabetical reference of information contained in this document.

Financial Policies

Operating Budget

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 60 days before the end of the fiscal year, a proposed operating budget for the ensuing fiscal year. The operating budget includes expenditure amounts based on detailed estimates furnished by departments and other divisions of the city government. Due to the state budget impasse, the FY 2015 Budget was developed based on the Governor's Introduced Budget for the 2014-2016 Biennium. The budget is presented in a manner that identifies recommended appropriations, taxes, and estimated revenues with comparative statements. The budget is prepared by fund and department.

Following the formal presentation of the Proposed Budget by the City Manager, a public hearing is conducted to provide an opportunity for the public to make comments on the proposed operating budget and any proposed tax and fee adjustments, including any proposed changes to the real estate tax rate. The public hearing for the operating budget is 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 30 days before the end of the current fiscal year.

The formal approval of the budget is executed by the adoption of the ordinance delineating appropriations by fund. Additional budget controls are exercised administratively on an appropriation unit basis over combinations of object categories (account groups: personnel services, materials, supplies and repairs, contractual services, equipment, public assistance, department specific appropriation and debt service), as well as on a line item basis over individual objects (budgetary accounts). Departments may transfer funds within a departmental budget with approval from the City Manager or the Office of Budget and Strategic Planning.

The City Manager or designee is authorized to transfer from any department, fund or activity which has an excess of funds appropriated for its use to any department, activity or fund all or any part of such excess. Basic policies and guidelines for the development of the city's annual budget are provided below.

The administration is committed to high standards of financial management and currently maintains and follows financial practices and guidelines. In July 2013, City Council passed a resolution to update the city's policies on reserves and use of surplus funds, commit to achieving a structurally balanced budget, formalize the city's long-standing self-imposed debt affordability measures, and provide for the long-term financial sustainability and viability of the Parking Fund. Financial policies demonstrate commitment to consistent financial practices, operational efficiencies and best practices; preserve fiscal integrity; and improve fiscal stability to promote long-term fiscal sustainability. Sound financial management practices contribute to maintaining high city bond ratings and lower borrowing costs for capital projects.

General Fund Balance Reserves

Annually, after the close of the fiscal year, the Department of Finance produces a schedule of all fund variances to the final budget. Analysis of compliance with the city's reserve requirements and a plan for the use of excess funds is 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.

Unassigned General Fund Balance ('five percent reserve") – The city maintains an unassigned General Fund balance equal to at least five percent of the annual General Fund budget to help mitigate current and future risks and provide temporary funding for unforeseen emergency or catastrophic needs. The FY 2014 goal of $40,875,040 is based on the FY 2014 General Fund Budget of $817,500,799. The projected level of $42,332,591 reflects additional funds set aside by City Council to strengthen reserves in FY 2011 and FY 2012. In FY 2011, Council elected to add approximately $2.0 million to the unassigned General Fund balance to maintain the balance at the FY 2010 level of $41,559,263. During FY 2012, City Council allocated $773,328 of the FY 2011 surplus, raising the unassigned General Fund balance to $42,332,591. As a result, the unassigned General Fund balance currently exceeds five percent of the budget.

Risk Management Reserve – The city is self-insured for many of its risk exposures. The city has targeted a reserve equal to the three year average of self-insured liability and property claim expenses plus $4.0 million dollars for a catastrophic reserve including extraordinary workers' compensation expenses, not to exceed $5.0 million and no less than its current balance of $3.0 million. In FY 2008, the Risk Management Reserve was reduced by $4.9 million from $5,740,162 to $840,162 to settle a major general liability claim. City Council strengthened the reserve in FY 2010 by adding $1,058,409, and during FY 2012, City Council set aside an additional $1,101,429 of the FY 2011 surplus, raising the Risk Management Reserve to $3.0 million.

Economic Downturn Reserve – The city strives to meet the goal set at 2.5 percent of the three year average of real estate tax revenues, not to exceed $5 million and no less than its current balance of $3.0 million 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 or unforeseen emergencies. During FY 2012, City Council allocated $1.0 million of the FY 2011 surplus to the Economic Downturn Reserve to strengthen reserves, raising the reserve from $2.0 million to $3.0 million.

Reserve	Purpose	Minimum FY 2014	Projected FY 2014
Unassigned General Fund Balance ("five percent reserve")	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.	$40,875,040	$42,332,591
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.	$3-$5 million	$3,000,000
Economic Downturn 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. The reserve is intended to be used as needed whereas the "five percent reserve" is to be used for catastrophic needs or unforeseen emergencies.	$3-$5 million	$3,000,000

Amounts in the table exclude reserves for encumbrances and other legally restricted reserves and designations. Under GASB 54, the classification of the "five percent reserve" and the Economic Downturn Reserve was changed

to unassigned General Fund balance from unreserved undesignated fund balance and unreserved designated fund balance, respectively.

Definition and Use of Surpluses

The budget prioritizes and plans the use of financial revenues based on the best data available at the time the budget is approved. Appropriated 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 two percent of the projected budget.

The financial policies adopted by City Council in July 2013 states that once the city has achieved a structurally balanced budget, then in subsequent fiscal years when the final approved General Fund undesignated and unassigned surplus is at least 0.5 percent of the General Fund budget, one half of the surplus (up to $2.0 million) shall be used for the following items listed in order of priority or as recommended by the City Manager:

- Cash Payments for Capital Improvement Projects - excess surplus amounts may be used to provide cash funding for capital projects to reduce the future debt burden upon the city;

- Retirement of Existing Debt - excess surplus amounts may be used to pay principal on existing revenue bonds or any other existing debt; or

- Funding Reserves - the city will add to each of its reserves in the following order of priority until each reserve has reached its respective targeted level: (1) General Fund Unassigned Balance ("five percent reserve"), (2) Risk Management Reserve, and (3) Economic Downturn Reserve.

To the same extent the city attempts to match one-time revenues with one-time expenses, a one-time surplus will also be matched with one-time expenditures. However, unprecedented economic times and stagnant growth have lead the city to generate and use one-time budget savings to help balance the budget in recent years.

Debt Management

The Commonwealth of Virginia imposes a legal limit of ten percent of the assessed valuation of taxed real property as a ceiling on the amount of general obligation borrowings. Based on this legal limit, the city can issue debt in excess of $950 million (see City Indebtedness section). 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 self-imposed debt ratios to guide the development of the Capital Improvement Plan:

- Debt Service as a percent of the General Fund budget should not exceed ten percent; and,

- Net debt as a percent of taxable property 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's bonded debt are a combination of self-supporting, general obligation and revenue bonds. The city's operation for Storm Water's bonded debt is self-supporting utilizing general obligation bonds.

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

Capital Improvement Plan

The city uses several guiding principles and best practices to manage the Capital Improvement Plan (CIP). The principles (see Guiding Principles under CIP section) governing 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 to support the City Council's 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, citizens and businesses.

The CIP includes projects that meet the following City Council priority areas (see CIP section for definitions):

- Accessibility, Mobility and Connectivity
- Economic Vitality and Workforce Development
- Environmental Sustainability
- Lifelong Learning
- Safe, Healthy and Inclusive Communities
- Well-Managed Government

In addition, approved projects must meet the minimum cost threshold of $50,000 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 fund the CIP. These sources include General Fund supported debt and nongeneral 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. However, as in other cities, it has been a challenge to achieve this goal during these unprecedented economic times. Nevertheless, the city is committed to achieving this goal and to becoming a Well-Managed Government.

Fund Structure

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

Governmental funds consist of the General Fund, Special Revenue Funds, Capital Projects Fund, Debt Service Funds and Permanent Fund (see following section). Most governmental functions of the city are financed through these funds. Governmental funds are supported by taxes and intergovernmental revenues. The modified accrual basis of accounting is used for the budgets of all governmental funds.

General Fund
The general operating fund of the city accounts for all financial transactions of the general government, except those required to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the city such as but not limited to police, public education (K-12), public works, and general government. These activities are funded by revenue sources such as: general property taxes; other local taxes; permits, fees and 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 restricted or committed to expenditure for specific purposes (other than expendable trusts or major capital projects) and require separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund
The Capital Projects Fund accounts for the acquisition, construction or renovation of major capital facilities of the city and the School Board.

Proprietary Funds

Proprietary funds consist of Enterprise Funds and Internal Service Funds. Enterprise Funds account for operations similar to those found in the private sector and include Water Utility, Wastewater Utility, and Parking Facilities Funds. Internal Service Funds account for the financing of goods and services provided by one department to other departments in the city on a cost reimbursement basis and include Healthcare and Fleet Management 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 accounting is used to budget for all Proprietary Funds.

Enterprise Funds

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, which include Norfolk residents, commercial customers, the U.S. Navy, and other regional localities.

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

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

Internal Service Funds

Healthcare Fund
This fund accounts for the financing of medical coverage provided to employees of the Norfolk Healthcare Consortium through a city-administered health insurance plan. The Consortium includes City of Norfolk, Norfolk Public Schools, and Norfolk Redevelopment and Housing Authority. Employees and the Consortium share the costs of the health insurance premium. Medical claims, administrative costs, wellness program costs, fees related to the Affordable Care Act, and benefit consultant expenses are paid by the Healthcare Fund.

Fleet Management Fund
Fleet Management provides maintenance, repair and service for the city fleet of vehicles, heavy equipment and miscellaneous machinery on a cost reimbursement basis.

Component Unit Funds

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 state and educational program grants. Major expenditures are for instructional salaries and schools' facility operating costs.

School Operating Fund
The School Operating Fund is the General Fund of the School Board. It accounts all financial resources except those required to be accounted for in another fund, such as, Schools Grants and School Nutrition Services.

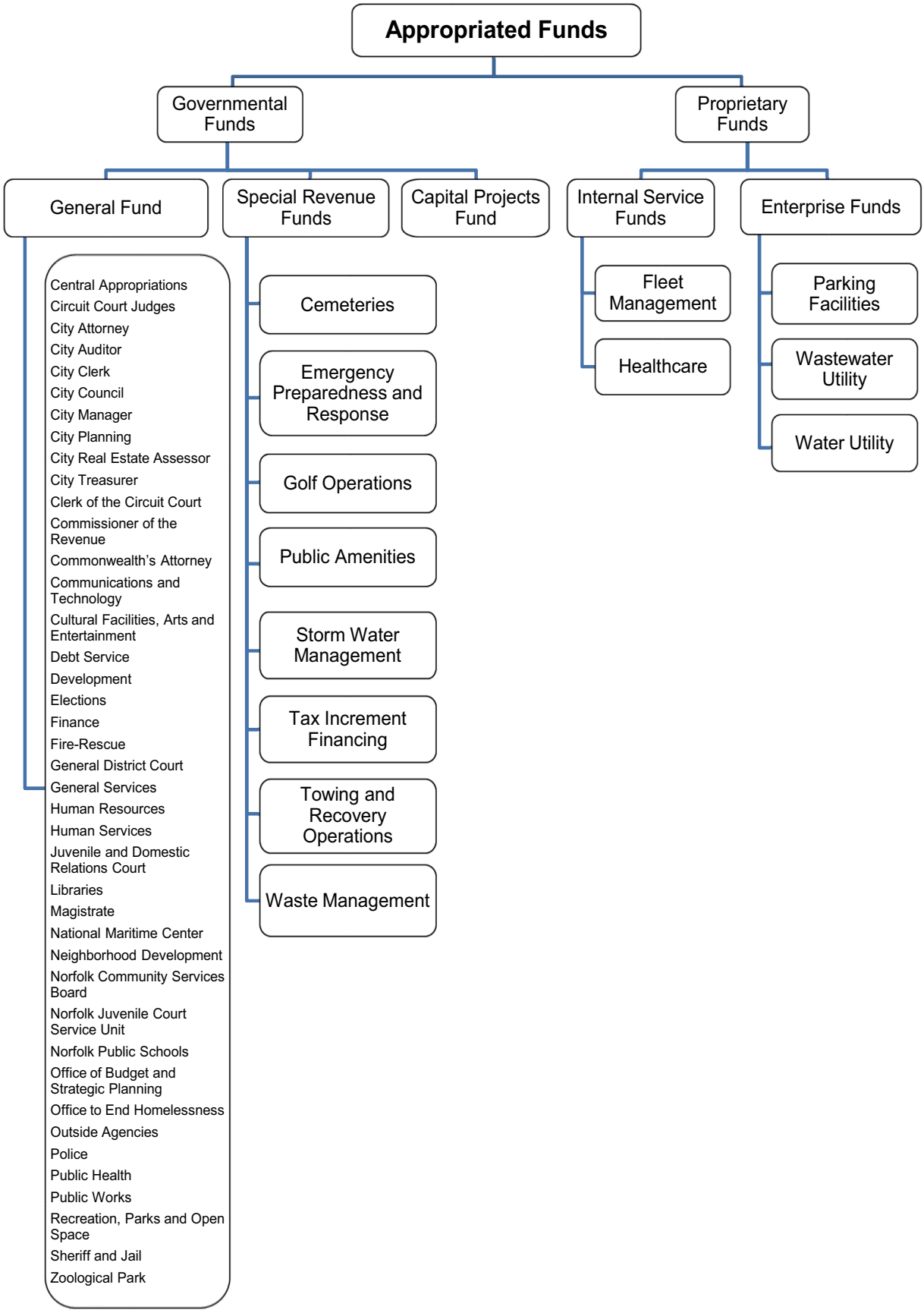
School Grants
This fund accounts for revenues and expenditures for federal, state and other grants for educational programs.

School Nutrition Services
This fund supports the school breakfast and lunch program. School Nutrition Services is a self-funded operation supported through cafeteria sales and federal and state reimbursements.

Fiduciary Funds and Permanent Fund

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

City of Norfolk Fund Structure



Basis of Budgeting and Accounting

Basis of Budgeting

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 of accounting. The accrual basis of accounting is generally used to budget 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, 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. The accrual methodology is based upon known present and future expenses and revenues and not upon cash spent or received.

The level of control at which expenditures may not exceed the budget is at the department level for the General Fund and fund level for all other funds. The City Manager or designee is authorized to transfer from any department, fund or activity with excess funds appropriated to any department, activity or fund all or any part of such excess appropriation. Appropriations lapse at the end of the fiscal year, except appropriations that are designated or are for the Grants (Special Revenue) and Capital Improvement Programs, which are carried forward until the designation, grant or project is completed or terminated.

Basis of Accounting

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 basis), as opposed to being expended when paid (budget basis);

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

Budget Process

Formulation of the City Manager's Budget

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 timeline for the process, dates for submission of departmental requests, budget work sessions and public hearings leading to final adoption of the budget. Due to the state budget impasse, the FY 2015 budget was developed based on the Governor's Introduced Budget for the 2014-2016 Biennium.

Department requests are based on budget instructions. Each request must relate to the organization's program objectives and the priorities of the city. The requests are received and compiled by the budget staff. Due to revenue constraints, departments are generally encouraged to develop proposals to realign 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 Management Fund, Special Revenue Funds (Cemeteries, Emergency Preparedness and Response, Golf Operations, Public Amenities, Tax Increment Financing, Towing and Recovery Operations, and Waste Management), and Internal Service Funds (Fleet Management and Healthcare). Budgets are also individually adopted within the Special Revenue (Grants) Fund. Ordinances are generally approved when a grant to the city has been awarded.

All funds are under formal budget control, the most significant of which is the General Fund. No less than sixty days before the end of the current fiscal year, the City Manager submits to the City Council a proposed operating budget for the next fiscal year. The Operating Budget includes recommended expenditures and the means to finance them. The Approved Budget may include technical changes made after the City Manager's presentation of the Proposes Budget to City Council.

City Council's Authorization and Appropriation

After general distribution of the proposed 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 document submitted by the City Manager and subsequent changes made by the City Council. The annual operating budget ordinance appropriates funding for use by departments for salaries, benefits and positions, and nonpersonnel as set forth in the detailed budget document. Amounts appropriated to each department are intended to be expended for the purposes designated by object group categories including: personnel services; materials, supplies and repairs; general operations and fixed charges; equipment; public assistance; department specific appropriation; and debt service.

City Manager's Authorization

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 or designee is authorized to transfer from any department, fund or activity with excess funds appropriated to any department, fund or activity as necessary.

Budget Implementation

Once the budget is adopted, it is effective on July 1 and becomes the legal basis for the programs and services 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 budget takes place throughout the year. Copies of the budget can be found in the libraries, on the city website, or may be obtained from the Office of Budget and Strategic Planning. The City Manager is responsible for maintaining a balanced budget at all times. In the event a gap is identified between revenues and expenditures, the City Manager will take actions necessary to rebalance the budget. Budget amendments may be made by City Council 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 decreasing the amount of appropriated funds.

Capital Improvement Plan and Consolidated Plan

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 terminated. Amendments to these budgets may be affected by City Council action. The level of budget control is on a project basis with additional administrative controls being exercised.

Budget Principles and Policies

These include the following:

- 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 unanticipated 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; and
- Requirement that the City Manager prepare a Five-Year Capital Improvement Plan that incorporates operating costs and is stated in "year of expenditure dollars."

Budget Calendar

Date	Responsible Party	Description	Legal Requirement
October 2013	City Departments	Departments Submit Operating and Capital Improvement Budget Requests	N/A
November - December 2013	Budget Office Executive Staff City Departments	Department Meetings with Budget Staff and Executive Budget Team	N/A
March - April 2014	Budget Office Communications and Technology Executive Staff	Community and Employee Outreach (Budget Exercise)	N/A
April 1, 2014	Norfolk Public Schools	School Board Presents Proposed Operating Budget to City Council	Code of Virginia 15.2-2503
April 22, 2014	City Manager	City Manager Presentation of Proposed Budget to City Council	City of Norfolk Charter Sec. 67
April 29, 2014	City Council	1st City Council Work Session	N/A
April 29, 2014	City Clerk	Public Hearing Notice of the Operating and Capital Improvement Plan Budgets, HUD Grants (CDBG, ESG and HOME)	Code of Virginia 15.2-2506, 58.1-3007; U.S. Department of Housing and Urban Development (HUD)
May 7, 2014	City Council	Public Hearings on the Operating, Capital Improvement Plan and HUD Grant (CDBG, ESG and HOME) Budgets	Code of Virginia 15.2-2506
May 13, 2014	City Council	2nd City Council Work Session	N/A
May 20, 2014	City Council	3rd City Council Work Session City Council Budget Approval	City of Norfolk Charter Sec. 68; Code of Virginia 15.2-2503

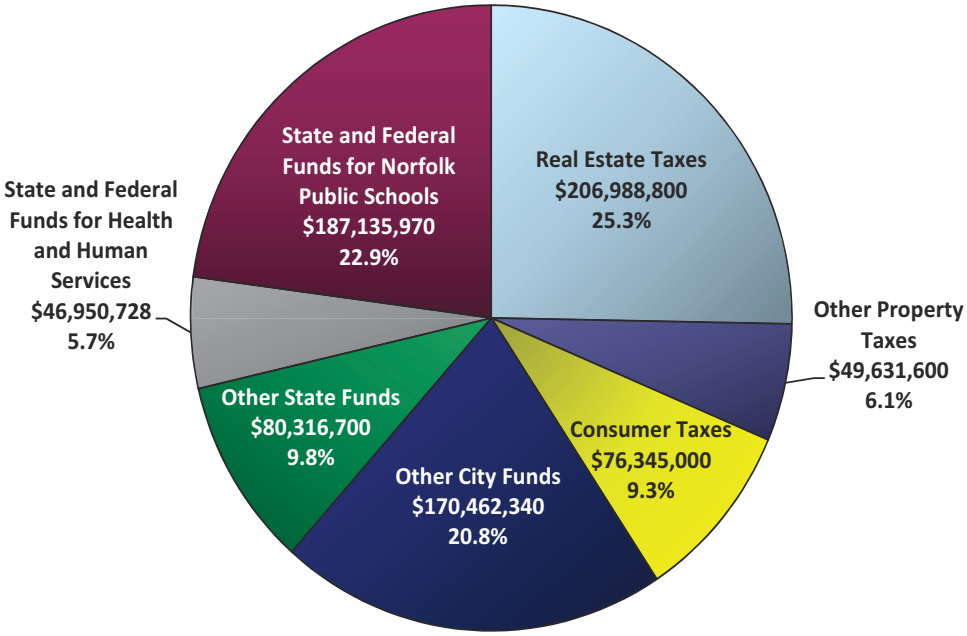
General Fund Budget Overview

Approved FY 2015 General Fund Revenues $817,831,138

Funding for Norfolk comes from a variety of sources as shown at right.

"Other City Funds" include local taxes, fees, charges, fines, rent and interest.

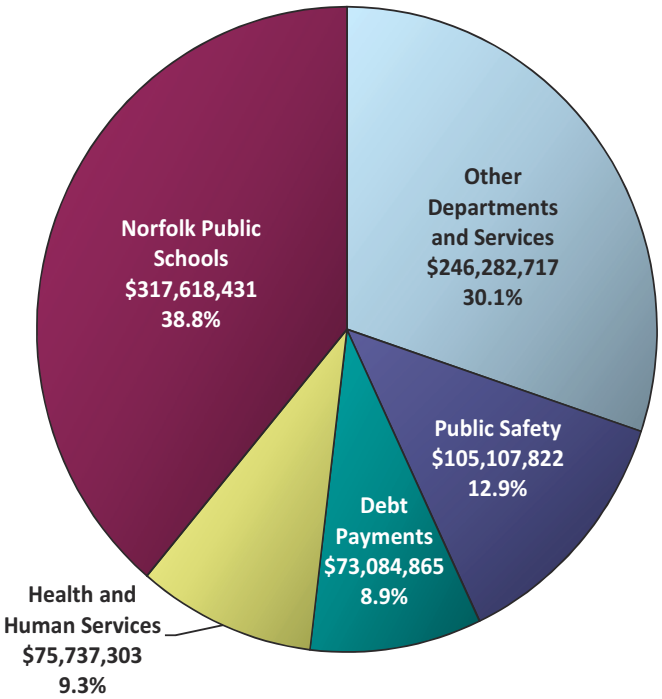
"Consumer Taxes" include sales, hotel, meals, admissions and cigarette taxes.



Approved FY 2015 General Fund Expenditures $817,831,138

In the FY 2015 budget breakdown, "Other Departments and Services" includes public works, libraries, recreation, cultural facilities, zoo, nauticus, planning, neighborhoods, economic development, finance, human resources, communications and technology, general services, legislative, executive, law, courts, constitutional officers, outside agencies, and central appropriations.

"Health and Human Services" includes the Norfolk Community Services Board.



Note: Percentages have been rounded and may not total to 100.

Estimated General Fund Revenues by Source

The following table compares the Approved FY 2015 General Fund Operating Budget to the Approved FY 2014 General Fund Operating Budget and the FY 2013 Actual amount. Funding sources are shown by category to provide an 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 2013 Actual	FY 2014 Approved	FY 2015 Approved	FY 2014 vs. FY 2015 $ Change	FY 2014 vs. FY 2015 % Change
General Property Taxes	243,524,706	255,632,400	256,620,400	988,000	0.4%
Other Local Taxes	154,198,171	154,727,600	155,385,600	658,000	0.4%
Permits and Fees	2,828,267	2,350,340	3,009,500	659,160	28.0%
Fines and Forfeitures	1,098,187	1,203,300	1,192,600	-10,700	-0.9%
Use of Money and Property	6,868,216	7,226,500	7,411,700	185,200	2.6%
Charges for Services[1]	37,746,508	38,372,254	18,438,726	-19,933,528	-51.9%
Waste Management	*20,325,740*	*20,949,000*	*0*	*-20,949,000*	*-100.0%*
All Other - Charges for Services	*17,420,768*	*17,423,254*	*18,438,726*	*1,015,472*	*5.8%*
Miscellaneous Revenue	9,086,588	9,781,303	9,002,944	-778,359	-8.0%
Recovered Costs	11,249,011	10,676,100	12,114,159	1,438,059	13.5%
Non-Categorical Aid - State	32,897,808	31,981,000	32,802,100	821,100	2.6%
Shared Expenses - State	19,333,486	20,820,050	20,802,200	-17,850	-0.1%
Categorical Aid - State	247,454,343	239,087,828	240,921,724	1,833,896	0.8%
Federal Aid[2]	9,439,199	6,539,621	5,340,721	-1,198,900	-18.3%
Other Sources and Transfers In	29,907,122	39,102,503	31,955,253	-7,147,250	-18.3%
Subtotal	**805,631,612**	**817,500,799**	**794,997,627**	**-22,503,172**	**-2.8%**

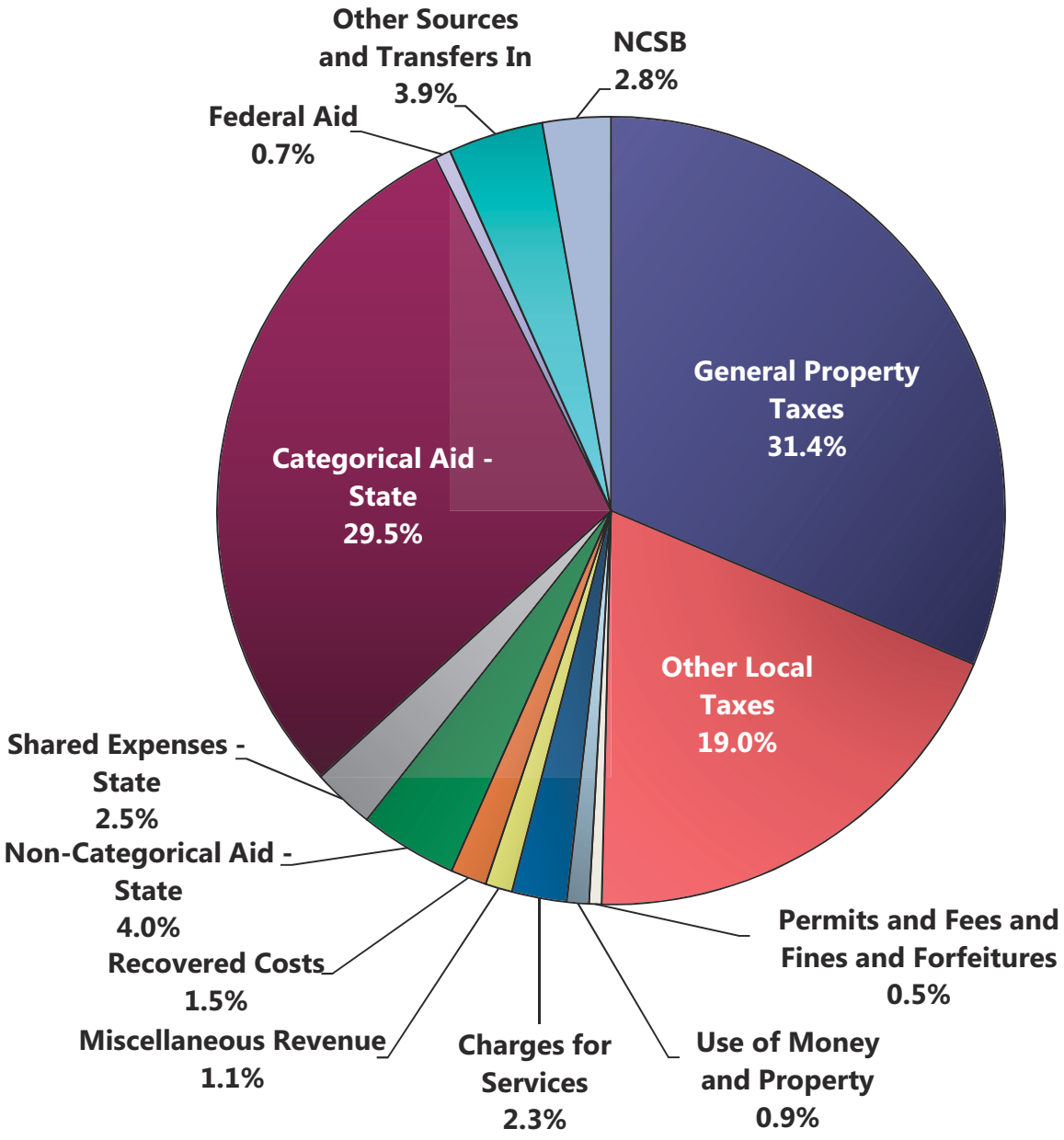
Beginning FY 2015, the Norfolk Community Services Board (NCSB) will be classified as General Fund. The budget impact is reflected below.

NCSB	0	0	22,833,511	22,833,511	N/A
General Fund Total	**805,631,612**	**817,500,799**	**817,831,138**	**330,339**	**0.0%**

[1] Beginning in FY 2015, Waste Management will be classified as a Special Revenue Fund.

[2] The reduction in federal aid from FY 2013 was largely due to recognition of funds from the Federal Emergency Management Agency (FEMA) as deferred revenue in FY 2013.

Approved
FY 2015 General Fund Revenues by Source



Note: Percentages have been rounded and may not total to 100.

Estimated Revenues by Source (All Funds)

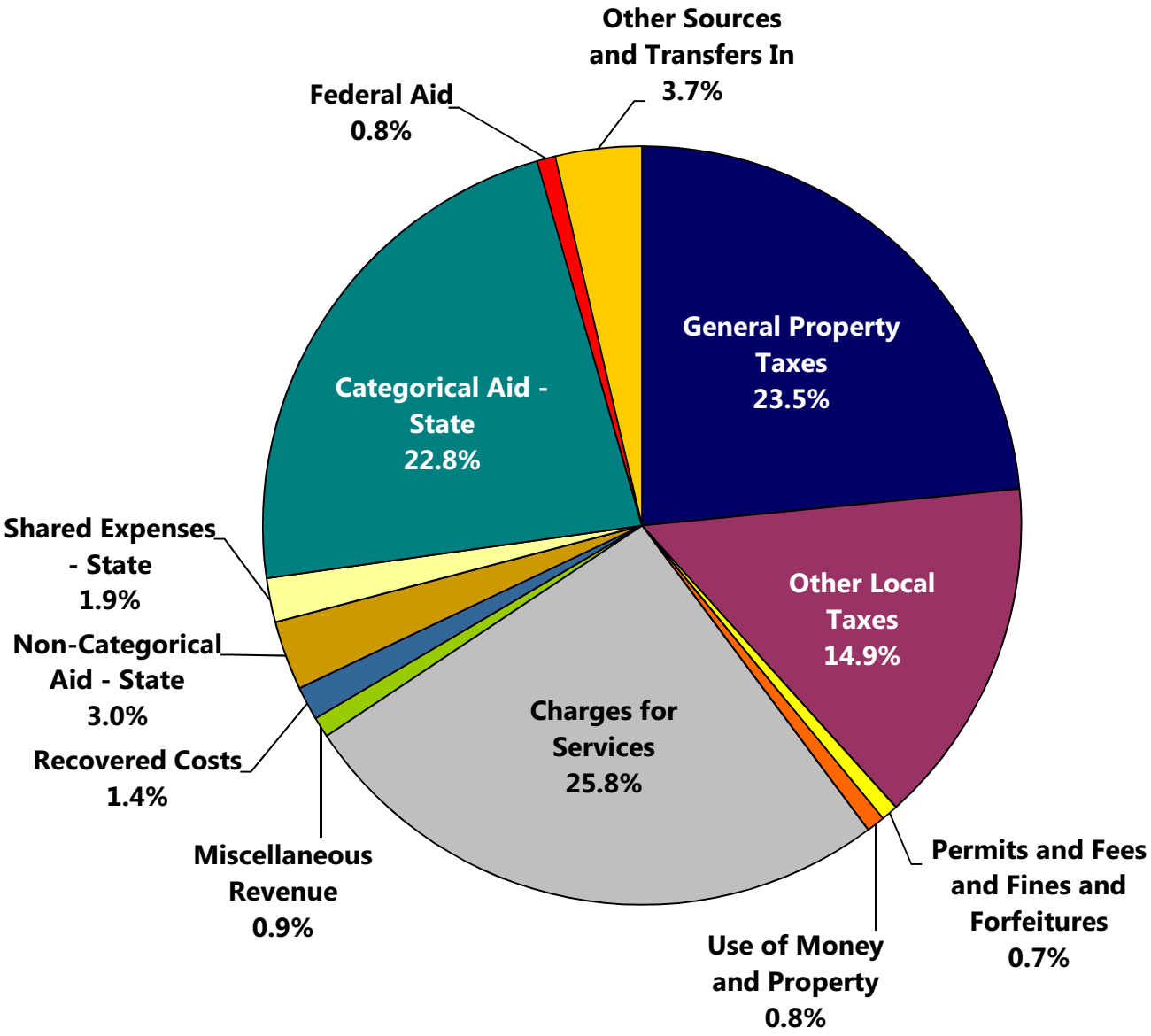
The following table compares the Approved FY 2015 Budget for All Funds as compared to the Approved FY 2014 Budget for All Funds and the FY 2013 Actual amount. Funding sources by category are shown to provide an overview of the sources of revenue for all operating funds of the city. Revenues are contained in those categories where they are originally raised.

Source	FY 2013 Actual	FY 2014 Approved	FY 2015 Approved	FY 2014 vs. FY 2015 $ Change	FY 2014 vs. FY 2015 % Change
General Property Taxes	246,279,555	258,088,100	259,958,700	1,870,600	0.7%
Other Local Taxes	163,296,916	163,913,296	164,684,496	771,200	0.5%
Permits and Fees	4,269,295	3,759,640	4,418,800	659,160	17.5%
Fines and Forfeitures	2,991,082	4,272,910	3,594,600	-678,310	-15.9%
Use of Money and Property	8,148,489	8,559,277	8,649,107	89,830	1.0%
Charges for Services[1]	193,398,010	256,332,283	286,088,069	29,755,786	11.6%
Healthcare Fund[1]	*0*	*57,931,973*	*86,282,292*	*28,350,319*	*48.9%*
All Other - Charges for Services	*193,398,010*	*198,400,310*	*199,805,777*	*1,405,467*	*0.7%*
Miscellaneous Revenue	9,696,098	10,241,181	9,579,871	-661,310	-6.5%
Recovered Costs	15,212,955	14,159,353	15,862,972	1,703,619	12.0%
Non-Categorical Aid - State	32,897,808	31,981,000	32,802,100	821,100	2.6%
Shared Expenses - State	19,333,486	20,820,050	20,802,200	-17,850	-0.1%
Categorical Aid - State	257,679,129	249,476,031	252,161,961	2,685,930	1.1%
Federal Aid[2]	12,498,426	9,879,607	8,709,754	-1,169,853	-11.8%
Other Sources and Transfers In	36,261,195	49,590,354	40,769,973	-8,820,381	-17.8%
Total All Funds	**1,001,962,444**	**1,081,073,082**	**1,108,082,603**	**27,009,521**	**2.5%**

[1] The increase in charges for services in FY 2015 reflects the growth of the Healthcare Fund, primarily due to the annualization of the Fund which was only active for seven months in FY 2014.

[2] The reduction in federal aid from FY 2013 was largely due to recognition of funds from the Federal Emergency Management Agency (FEMA) as deferred revenue in FY 2013.

Approved
FY 2015 Revenues by Source (All Funds)



Note: Percentages have been rounded and may not total to 100.

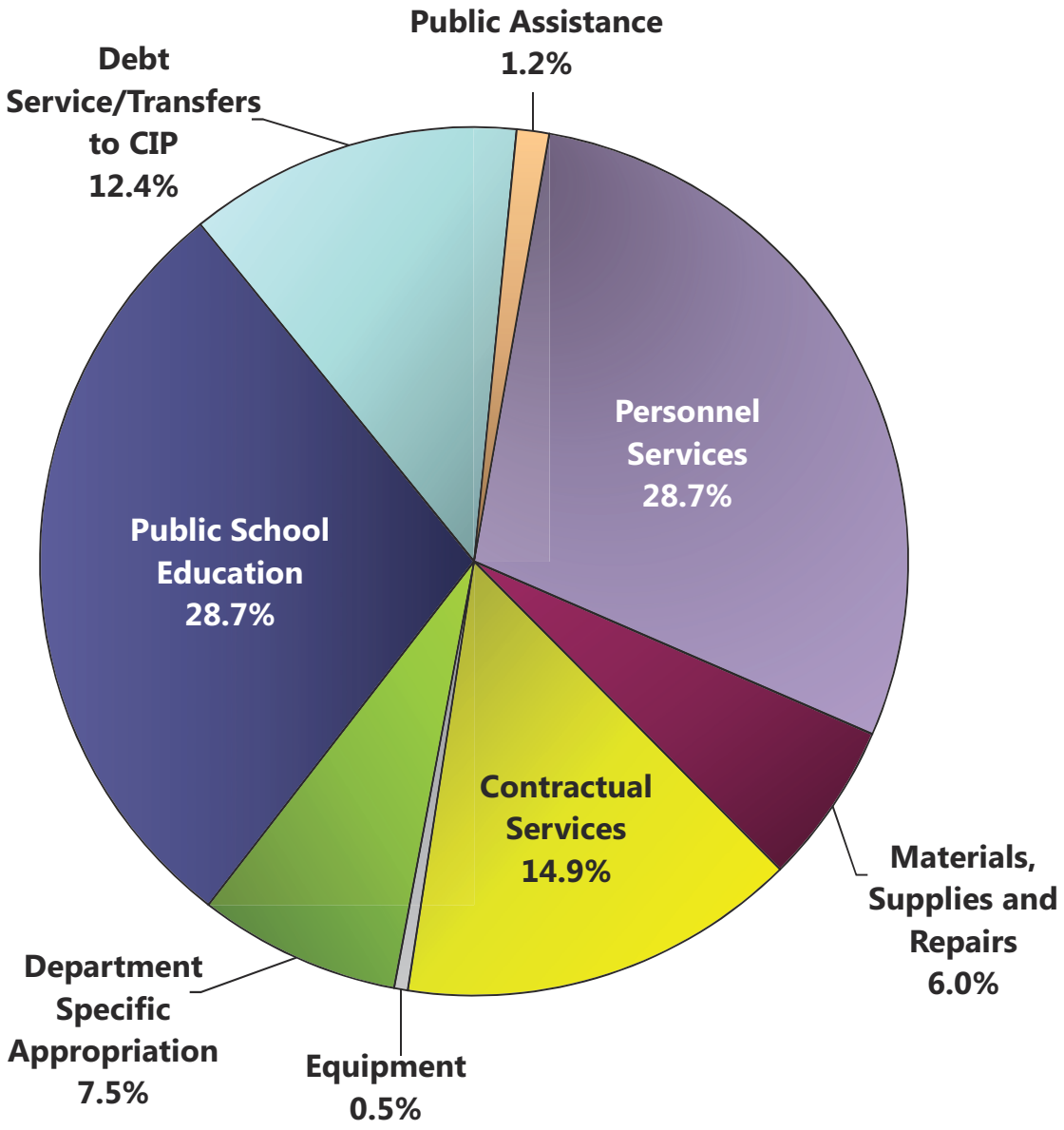
Estimated Expenditures by Use (All Funds)

The following table compares the Approved FY 2015 Operating Budget to the Approved FY 2014 Operating Budget and the FY 2013 Actual amount. Funding uses by category are shown to provide an overview of the principal uses of expenditures for all operating funds of the city. Expenditures are contained in those categories where they are originally spent.

Uses	FY 2013 Actual	FY 2014 Approved	FY 2015 Approved	FY 2014 vs. FY 2015	
				$ Change	% Change
Personnel Services	315,158,524	324,958,568	318,395,599	-6,562,969	-2.0%
Materials, Supplies and Repairs	63,462,038	70,311,282	66,894,572	-3,416,710	-4.9%
Contractual Services	71,680,780	132,972,046	165,015,086	32,043,040	24.1%
Healthcare Fund[1]	*0*	*57,931,973*	*86,282,292*	*28,350,319*	*48.9%*
All Other - Contractual Services	*71,680,780*	*75,040,073*	*78,732,794*	*3,692,721*	*4.9%*
Equipment	5,030,750	5,284,633	5,651,562	366,929	6.9%
Department Specific Appropriation	71,105,848	86,537,568	83,402,908	-3,134,660	-3.6%
Public School Education	298,593,244	311,957,882	317,618,431	5,660,549	1.8%
Debt Service/Transfers to CIP	112,466,929	134,736,965	137,695,130	2,958,165	2.2%
Public Assistance	13,920,516	14,314,138	13,409,315	-904,823	-6.3%
Total All Funds	**951,418,629**	**1,081,073,082**	**1,108,082,603**	**27,009,521**	**2.5%**

[1] The increase in contractual services in FY 2015 reflects the growth of the Healthcare Fund, primarily due to the annualization of the Fund which was only active for seven months in FY 2014.

Approved
FY 2015 Expenditures by Use (All Funds)



Note: Percentages have been rounded and may not total to 100.

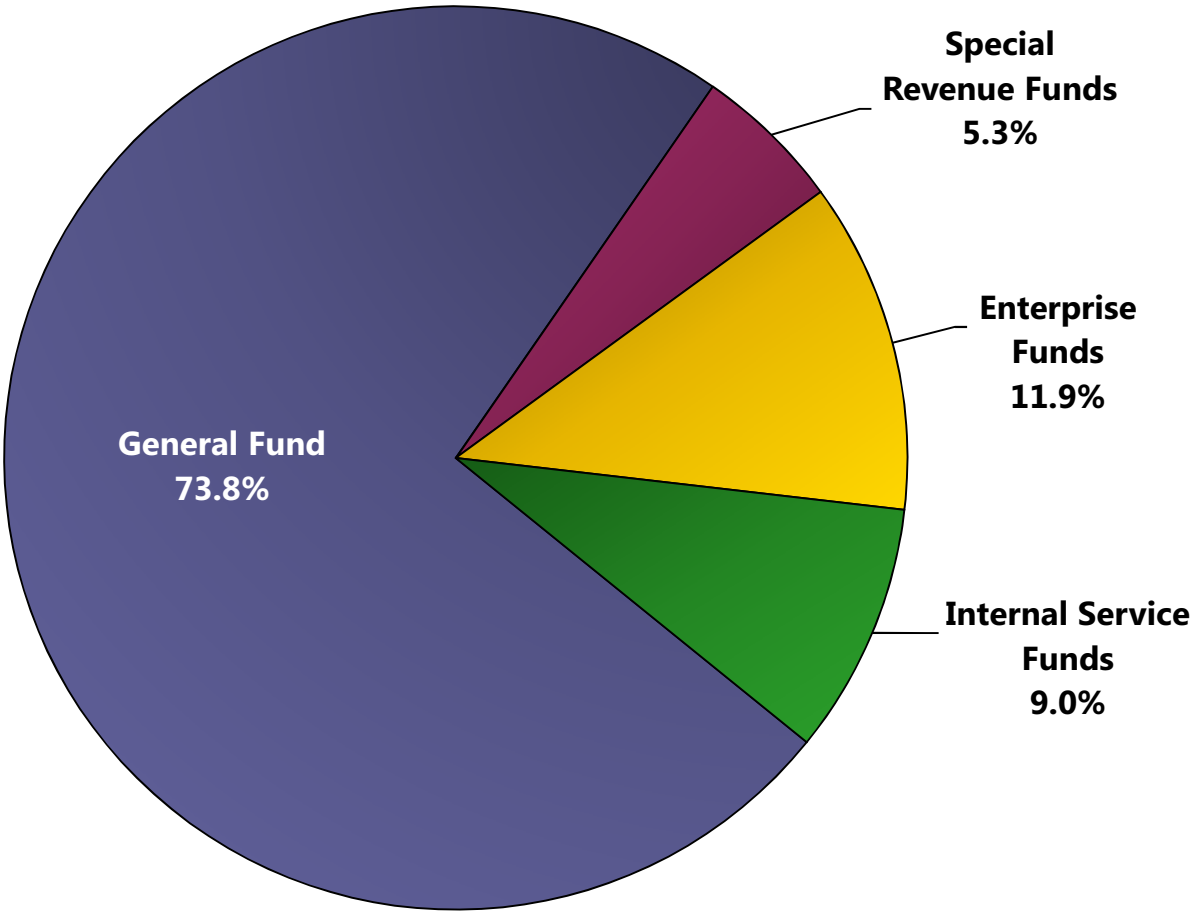
Estimated Expenditures by Fund Type

The following table compares expenditures by fund type in the Approved FY 2015 Operating Budget with the Approved FY 2014 Operating Budget and the FY 2013 Actual amount.

Fund Type	FY 2013 Actual	FY 2014 Approved	FY 2015 Approved	FY 2014 vs. FY 2015 $ Change	FY 2014 vs. FY 2015 % Change
General Fund	785,509,197	817,500,799	817,831,138	330,339	0.0%
Special Revenue Funds	56,193,369	60,991,910	59,104,682	-1,887,228	-3.1%
Enterprise Funds	97,110,551	130,992,500	131,354,377	361,877	0.3%
Internal Service Funds	12,605,512	71,587,873	99,792,406	28,204,533	39.4%
Healthcare Fund[1]	*0*	*57,931,973*	*86,282,292*	*28,350,319*	*48.9%*
Fleet Management	*12,605,512*	*13,655,900*	*13,510,114*	*-145,786*	*-1.1%*
Total All Funds	**951,418,629**	**1,081,073,082**	**1,108,082,603**	**27,009,521**	**2.5%**

[1] The increase in the Healthcare Fund in FY 2015 is primarily due to the annualization of the Fund which was only active for seven months in FY 2014.

Approved
FY 2015 Expenditures by Fund Type (All Funds)



Estimated General Fund Expenditures by Area

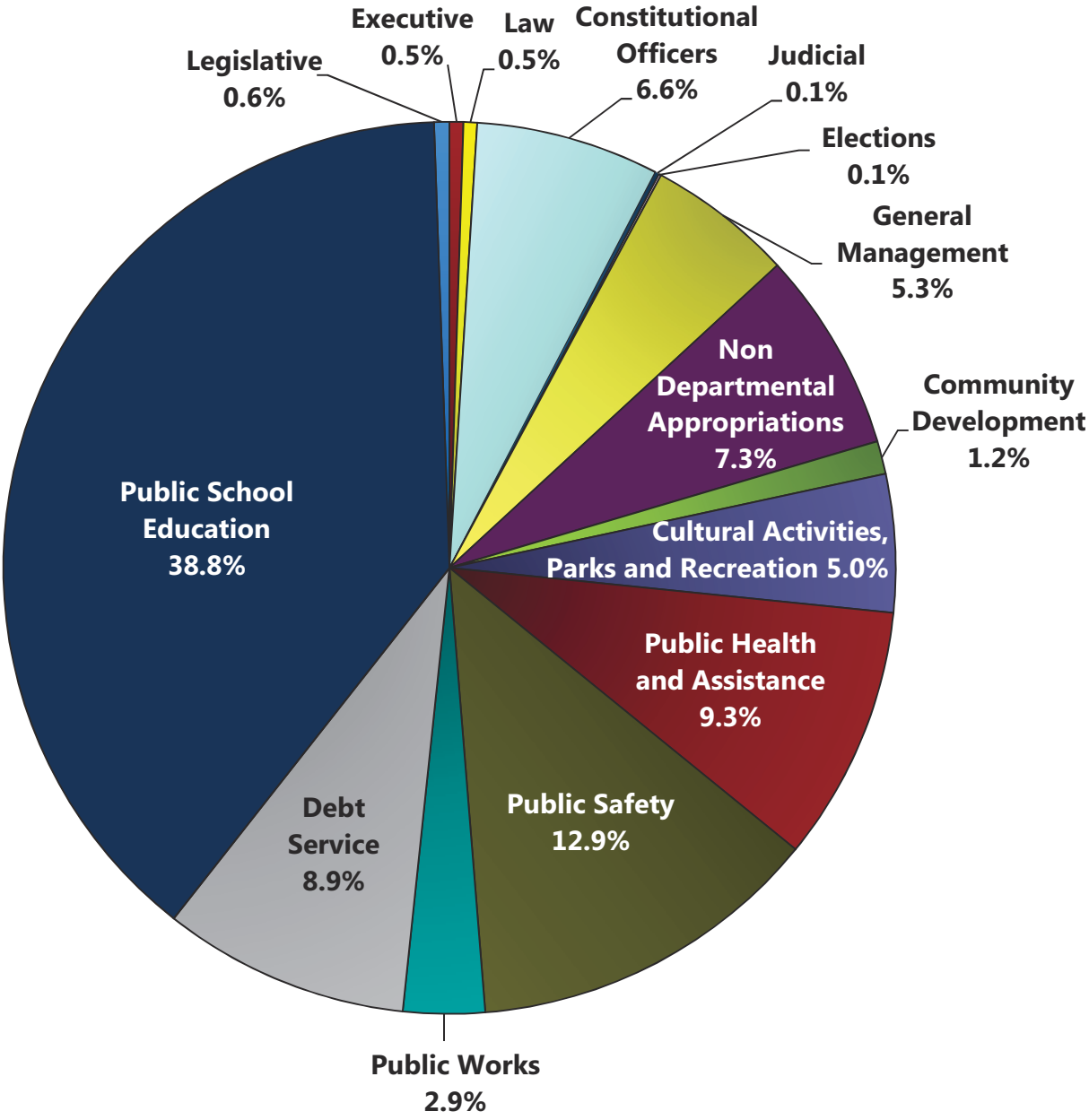
The following table compares the Approved FY 2015 General Fund Operating Budget to the Approved FY 2014 General Fund Operating Budget and the FY 2013 Actual amount. Major areas of service are shown to provide a broad overview of the expenditures for the general operating fund of the City.

Service Area	FY 2013 Actual	FY 2014 Approved	FY 2015 Approved	FY 2014 vs. FY 2015 $ Change	% Change
Legislative	4,554,184	4,607,534	4,551,518	-56,016	-1.2%
Executive	5,891,670	4,384,072	4,093,269	-290,803	-6.6%
Department of Law	3,963,634	4,040,898	4,035,246	-5,652	-0.1%
Constitutional Officers	51,923,226	53,550,280	54,308,241	757,961	1.4%
Judicial	1,150,228	1,234,428	1,203,696	-30,732	-2.5%
Elections	836,058	843,921	661,520	-182,401	-21.6%
General Management	35,654,660	40,679,397	43,136,891	2,457,494	6.0%
Community Development	8,851,706	9,148,345	9,770,124	621,779	6.8%
Non Departmental Appropriations	58,107,223	68,550,148	59,595,589	-8,954,559	-13.1%
Cultural Activities, Parks and Recreation	41,396,383	42,294,665	40,822,657	-1,472,008	-3.5%
Public Health and Assistance	50,498,147	51,093,100	49,776,592	-1,316,508	-2.6%
Public Safety	106,844,610	106,203,040	105,107,822	-1,095,218	-1.0%
Public Works[1]	40,018,268	42,983,976	24,103,966	-18,880,010	-43.9%
Debt Service	77,225,956	75,929,113	73,084,865	-2,844,248	-3.7%
Public School Education	298,593,244	311,957,882	317,618,431	5,660,549	1.8%
Subtotal	**785,509,197**	**817,500,799**	**791,870,427**	**-25,630,372**	**-3.1%**
Beginning FY 2015, the Norfolk Community Services Board (NCSB) will be classified as General Fund. The budget impact is reflected below.					
NCSB	0	0	25,960,711	25,960,711	
General Fund Total	**785,509,197**	**817,500,799**	**817,831,138**	**330,339**	**0.0%**

[1] The decrease in Public Works reflects the classification of Waste Management as a Special Revenue Fund beginning FY 2015.

Approved
FY 2015 General Fund Expenditures by Area

(Norfolk Community Services Board is included in "Public Health and Assistance")

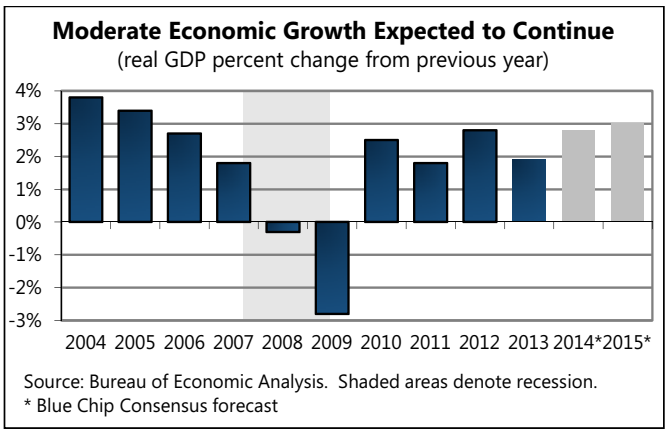


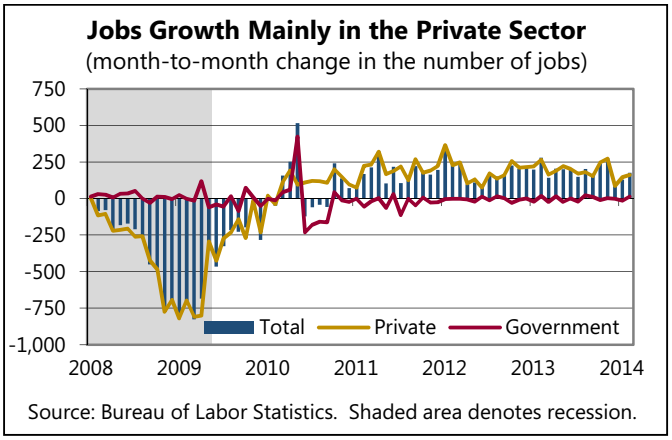
Major Revenue Sources

Evaluating the city's current and long-term financial health requires a review of the economy and major revenue sources. Overall, General Fund revenues are projected to increase slightly. Moreover, real estate assessments overall are projected to increase slightly again in FY 2015 for the second straight year by about one percent, after increasing 0.6 percent in FY 2014.

Economic Overview

The national economy advanced at a slower rate in 2013. Real gross domestic product, the broadest measure of economic activity, grew by only 1.9 percent in 2013, compared to 2.8 percent growth in 2012. The growth in 2013 was driven by slower growth in consumer spending and business investment in commercial structures, equipment, and inventory. Also, federal government spending declined further in 2013 (5.2 percent) compared to 2012 (1.4 percent) and dampened the growth of the economy by 0.41 percent in 2013. In the fourth quarter of 2013 when the federal government shutdown occurred, federal spending fell 12.8 percent, much higher than the 1.5 percent decline in the third quarter. However, the economic outlook of both the Blue Chip Consensus (survey of leading business economists) and Survey of Professional Forecasters (compiled by the Federal Reserve Bank of Philadelphia) is for higher growth through 2015.

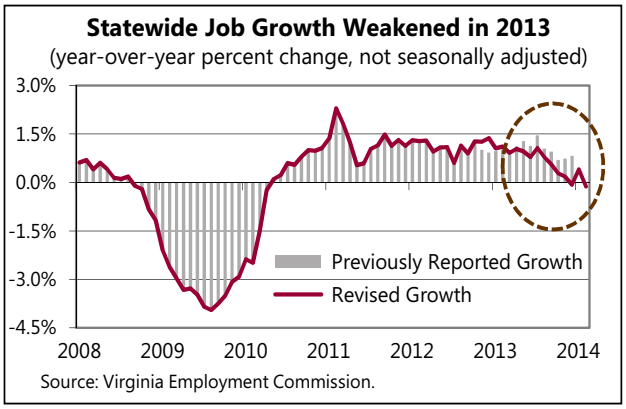




In 2013, the national economy added about 2.3 million jobs, slightly above the revised 2.2 million jobs added in 2012. The national economy continued to add jobs through the first quarter of 2014, about 533,000 jobs were added, an average of 178,000 jobs per month. Since February 2010 when employment was at its lowest, the economy gained about 8.3 million jobs, nearly recovering the 8.7 million jobs lost as a result of the Great Recession. Job growth was mainly in the private sector, while the public sector continued to shed jobs in 2013. However, the losses were mainly in the federal government. State and local government added 14,000 and 30,000 jobs (revised) in 2013, respectively, the first annual increase in local government jobs since 2008, and the second year of state government job growth (revised). The unemployment rate continued to fall and stood at 6.7 percent in March 2014, but the decline was primarily attributed to people who have not found jobs and have left the labor force.

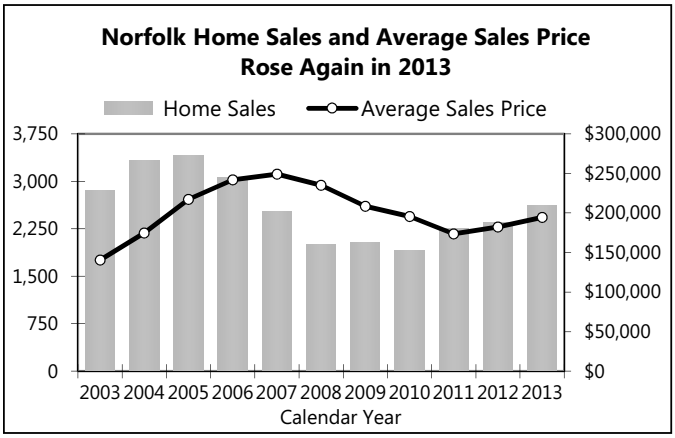
Virginia employment (not seasonally adjusted) began to recover mid-year of 2010, similar to national trends. Prior to the annual revision of employment figures, the number of jobs in Virginia was growing year-over-year in every month since May 2010. However, the revised employment figures reported in March 2014, now show employment statewide (not seasonally adjusted) fell in December 2013 by 2,700 jobs instead of the prior revised report of a gain of 31,200 jobs. This was the first year-over-year decline in statewide employment (not seasonally adjusted) since April 2010. Year-over-year job growth in the latter months in 2013 were also revised down. In February 2014, statewide employment (not seasonally adjusted) fell again year-over-year by 0.12 percent (4,500 jobs), largely in the professional and business services sector.

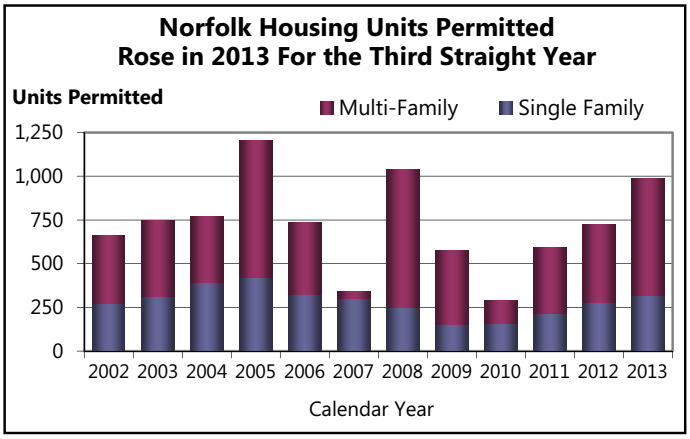
Like Virginia, prior to the revision, employment in Hampton Roads (not seasonally adjusted) had been growing year-over-year consistently since February 2011. The revised employment data for Hampton Roads (not seasonally adjusted) show the region actually lost 1,200 jobs in October 2013, rather than the previously revised reported growth of 11,600 jobs. This was the first year-over-year decline since January 2011, and the region lost jobs in construction, financial activities and manufacturing, instead of gaining jobs as first reported. In January and February 2014, jobs in the region (not seasonally adjusted) again fell year-over-year. Employment (not seasonally adjusted) fell in February 2014 in several Virginia metropolitan areas as well including Northern Virginia, Danville, Lynchburg, Roanoke, and Charlottesville. Economists at Old Dominion University and Hampton Roads Planning District Commission are projecting moderate growth in employment in 2014, and although the regional economy is expected to continue to grow in 2014, the region's economic growth is projected to be below its historical average and the nation's growth.



Virginia is also projected to underperform the nation regarding employment and personal income growth. In the December forecast, the Commonwealth projected continued modest expansion of the state's economy over the 2014-2016 biennium (that is, fiscal years 2015 and 2016). However, the economic outlook for the 2014-2016 biennium was weaker than last year's official forecast for the same period. Risks to the forecast included rising oil prices, federal spending cuts (which will be a drag on the overall economy), higher interest rates, and persistently weak job growth. During the mid-session review in February, the Commonwealth revised downward the revenue forecast for FY 2014 and FY 2015. In the Governor's statement, the revision was due to reduced growth in revenue collections seen through January rather than the underlying economic forecast which was unchanged mid-session. The latest revenue report from the Commonwealth indicated revenue collected through February continued to lag the forecast.

Norfolk's locally generated revenues have improved modestly. Like other localities, the city's largest source of locally generated revenue comes from real property taxes, which have been held back by the slow recovery of the housing market. In FY 2015, the latest estimate from the Real Estate Assessor's Office based on data through the third quarter of FY 2014, shows about a one percent increase in overall real estate assessments, after increasing by only 0.55 percent in FY 2014. This one percent growth includes the assessed value generated from new construction and improvements. The increase in overall assessments were mainly from commercial and industrial properties and apartments. Growth in overall assessments continue to be held back by residential assessments (which include condominiums), which are projected to decline for the fifth straight year. Although the average and median sales price of homes sold in Norfolk increased in 2013 for the second straight year, residential assessments lagged the market. Distressed homes, which are typically sold at a discount, have dampened home price growth and still make up a significant portion of the homes for sale in the region. However, on a positive note, the decline in Norfolk's residential assessments have been lower compared to the previous year.





The permitting of new residential structures in Norfolk rose for the third straight year in 2013. Housing units permitted in single and multi-family structures (including residential conversions) both increased in 2013, although the majority of the increase was from multi-family structures, which included several large projects such as, Element at Ghent, Point at Pickett Farms, and East Beach Marina Apartments. Single-family housing units permitted also increased in 2013 to their highest level since 2007.

Permit values for new non-residential (or "commercial") construction in 2013 were not nearly as high as last year which included several city projects (Slover Library, Courthouse and Kroc Center). Commercial projects permitted in 2013 included Bauer Compressors industrial building, Wards Corner shopping center anchored by Harris Teeter, Hampton Roads Sanitation District facility, Sentara Leigh Hospital bed tower, and DePaul Medical Center office building. Permits for nonresidential improvements were issued for Concourse at Northampton/Amerigroup, Children's Hospital of the King's Daughters, and Lake Taylor Transitional Care Hospital. It is important to note that Norfolk is built out, and the building activity is mainly redevelopment, infill development, and vertical expansion.

General Fund Revenue Overview

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, and human services.

The Commonwealth of Virginia provides at least 36 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 Great Recession, the Commonwealth saw a significant decline in revenues and in turn, reduced Direct Aid to education, HB 599, Constitutional Officers salaries and benefits, jail per diem, and funds for street maintenance, imposed a "flexible cut" to state aid to localities, and eliminated the local share of ABC profits and wine tax. Although the General Assembly has not yet passed a budget for the 2014-2016 biennium, the Governor's introduced budget includes an increase in HB 599, which has been funded at the same level since FY 2012. The increase if approved would bring HB 599 funds nearly back to the FY 2010 level. Although the Commonwealth restored the flexible cut to state aid to localities last year that had been in place since FY 2009, not all state reductions have been restored and revenue from the Commonwealth remain below the peak reached in FY 2009. Due to the state budget impasse, the FY 2015 Budget was developed based on the Governor's Introduced Budget for the 2014-2016 Biennium.

The remaining revenue comes from the federal government (mainly funds dedicated towards education and the Norfolk Community Services Board), 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. Carryforward funds are generated through current and prior year savings.

Preliminary General Fund revenue projections, based on historical trends and the latest economic data, were presented in January/February during the City Manager's mid-year report on the budget. Projections for the FY 2015 budget were updated through April to incorporate the most recent information available. Estimates for each revenue source are based on the analysis 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 FY 2014 end of year estimate ("estimate") and a FY 2015 estimate. The FY 2015 General Fund revenue estimate is $817.8 million, which is about $0.3 million above the FY 2014 budget. The FY 2015 estimate includes the revenue of the Norfolk Community Services Board (NCSB), which will be incorporated into the General Fund beginning in FY 2015. The FY 2015 estimate does not include revenue related to Waste Management, which will be moved and accounted for in a separate special revenue fund beginning in FY 2015.

General Fund Revenues

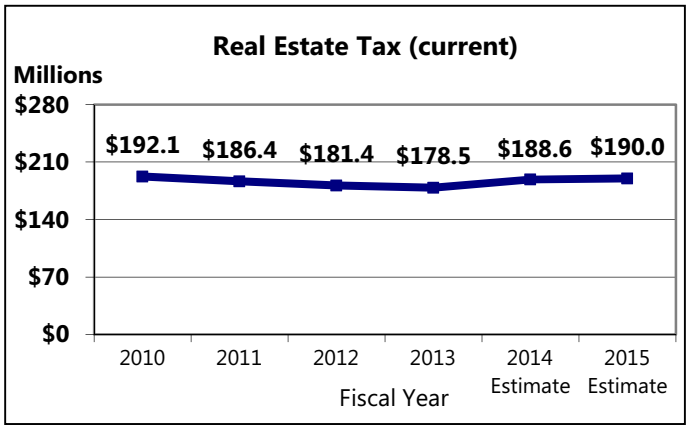
Source	FY 2013 Actual	FY 2014 Approved	FY 2015 Approved	FY 2014 $ Change	vs. FY 2015 % Change
General Property Taxes	243,524,706	255,632,400	256,620,400	988,000	0.4%
Other Local Taxes	154,198,171	154,727,600	155,385,600	658,000	0.4%
Permits and Fees	2,828,267	2,350,340	3,009,500	659,160	28.0%
Fines and Forfeitures	1,098,187	1,203,300	1,192,600	-10,700	-0.9%
Use of Money and Property	6,868,216	7,226,500	7,411,700	185,200	2.6%
Charges for Services[1]	37,746,508	38,372,254	18,438,726	-19,933,528	-51.9%
Waste Management	*20,325,740*	*20,949,000*	*0*	*-20,949,000*	*-100.0%*
All Other - Charges for Services	*17,420,768*	*17,423,254*	*18,438,726*	*1,015,472*	*5.8%*
Miscellaneous Revenue	9,086,588	9,781,303	9,002,944	-778,359	-8.0%
Recovered Costs	11,249,011	10,676,100	12,114,159	1,438,059	13.5%
Non-Categorical Aid - State	32,897,808	31,981,000	32,802,100	821,100	2.6%
Shared Expenses - State	19,333,486	20,820,050	20,802,200	-17,850	-0.1%
Categorical Aid - State	247,454,343	239,087,828	240,921,724	1,833,896	0.8%
Federal Aid[2]	9,439,199	6,539,621	5,340,721	-1,198,900	-18.3%
Other Sources and Transfers In	29,907,122	39,102,503	31,955,253	-7,147,250	-18.3%
Subtotal	**805,631,612**	**817,500,799**	**794,997,627**	**-22,503,172**	**-2.8%**
Beginning FY 2015, the Norfolk Community Services Board (NCSB) will be classified as General Fund. The budget impact is reflected below.					
NCSB	0	0	22,833,511	22,833,511	N/A
General Fund Total	**805,631,612**	**817,500,799**	**817,831,138**	**330,339**	**0.0%**

[1] Beginning in FY 2015, Waste Management will be classified as a Special Revenue Fund.
[2] The reduction in federal aid from FY 2013 was largely due to recognition of funds from the Federal Emergency Management Agency (FEMA) as deferred revenue in FY 2013.

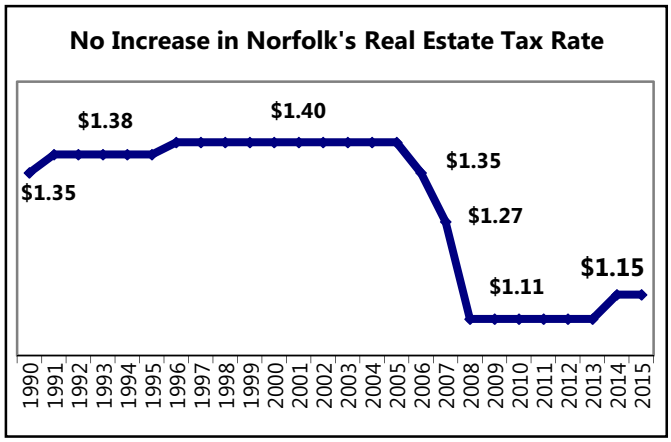
Revenue Monitoring

Collection of 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, seasonal fluctuations and economic conditions. Strong collection rates for locally generated taxes and fees reflect the commitment and fulfillment of responsibility that Norfolk residents show to their city.

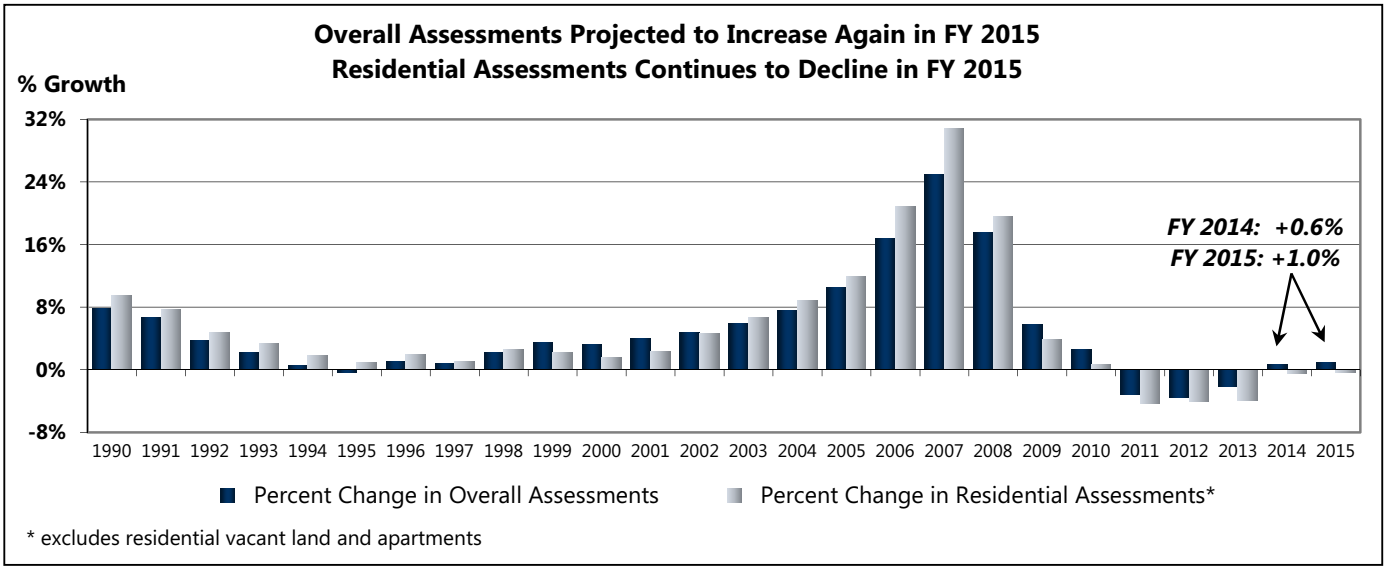
General Property Taxes



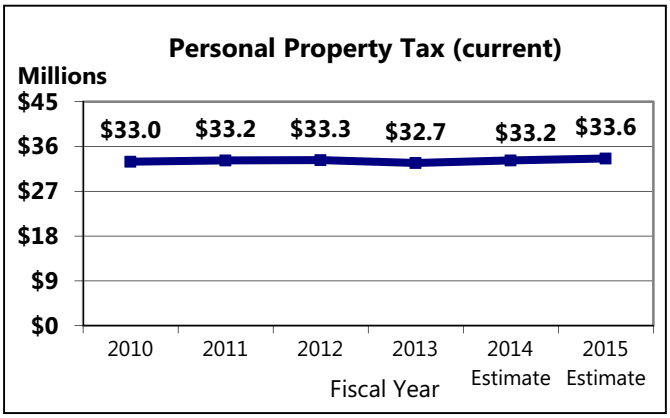
General property taxes are levied on the assessed value of real and personal property and represent approximately 31 percent ($257 million) of the city's General Fund revenues. Real estate taxes ($207 million) make up the largest component of general property taxes (25.3 percent of General Fund revenues), which includes current and delinquent taxes and real estate taxes from public service corporations and Downtown Improvement District. Current real estate taxes make up about 23.2 percent ($190 million) of FY 2015 revenues, an increase of 1.6 percent from the FY 2014 budget ($187 million) and 0.7 percent from the FY 2014 estimate ($188.6 million). The estimate for current real estate taxes in FY 2015 assumes no change in the real estate tax rate ($1.15 per $100 of assessed value) and continuing to set aside $5 million (the same amount as last year) to provide real estate tax relief to certain senior/disabled homeowners and disabled veterans and their surviving spouses.



The FY 2015 estimate of real estate tax (current) also reflects a higher collection rate, an increase in overall real estate assessments of about one percent, and additional revenue from new construction and improvements coming online during the year. In FY 2015, overall real estate assessments are projected to rise again by about one percent, according to the most recent estimate from the Real Estate Assessor's Office. However, the increase has mainly been in the assessed value of commercial and industrial properties and apartments. Residential assessments (with condominiums included) are projected to decline for the fifth consecutive year, although the estimated 0.4 percent decline in FY 2015 will be the smallest in five years. The Real Estate Assessor's Office indicated that the changes in residential assessments varied significantly across and within the neighborhoods, with some, for example, waterfront properties, still seeing double-digit declines.



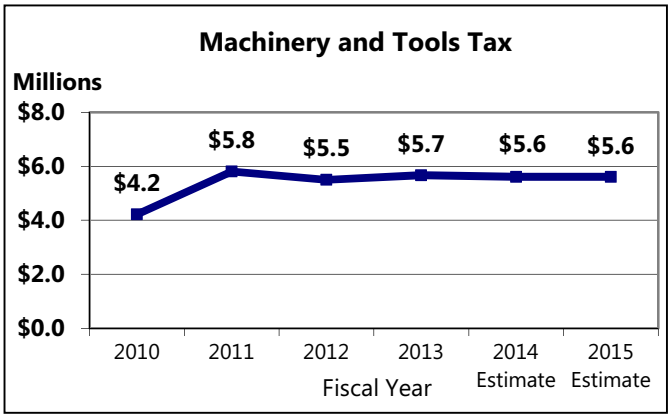
Consideration about the city's real estate assessments and tax rate should take into account that nearly 38 percent of real estate in the city is tax-exempt, mainly due to federal land ownership. Among the seven major cities in the region, only Portsmouth has a higher percentage of tax-exempt real property.



The second largest 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 from taxation. Personal property tax (current) makes up 4.1 percent ($33.6 million) of General Fund revenues in FY 2015 and is estimated to increase from the FY 2014 estimate by 1.2 percent ($400,000). Personal property taxes overall (with delinquent collections and refunds included) are estimated to increase by 1.6 percent (about $700,000) from the FY 2014 estimate.

The FY 2015 estimate assumes no change in the general tax rate on personal property at $4.33 per $100 of assessed value. The estimate also assumes the state car tax relief is unchanged at 55 percent (55%) rate for tax year 2015 (that is, tax bills due on June 5, 2015). The 55 percent relief rate is anticipated to fully exhaust relief funds provided to the city by the Commonwealth of Virginia under the Personal Property Tax Relief Act. This means that qualifying vehicles with an assessed value of more than $1,000 would receive a **55 percent (55%) rate** of tax relief on the vehicle's first $20,000 of assessed value. Qualifying vehicles with an assessed value of $1,000 or less would receive 100 percent (100%) rate of tax relief. Prior to FY 2006, qualifying vehicles with an assessed value of more than $1,000 were reimbursed for 70 percent of the total property tax eligible for relief. State legislation passed in 2004 capped 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 $950 million of statewide personal property tax relief funds per state code. Each locality's share was determined based on the proportional share of actual personal property tax relief payments received in tax year 2005, as certified by the Commonwealth of Virginia Auditor of Public Accounts, of which, Norfolk's share is $16,871,056. Personal property tax relief funds received and not used in FY 2015 shall be carried forward and used to increase the funds available for car tax relief. 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 third largest component of general property taxes and makes up nearly one percent ($5.6 million) of the city's General Fund revenue. The tax is levied on machinery and tools used in manufacturing, mining, radio and television broadcasting, cable television, dry cleaning or laundry businesses. Expansion by existing businesses has generated additional revenue from this source, but in recent years, Norfolk's revenue from this source has been fairly stable. However, there have been several attempts by state legislators in recent years to curtail or eliminate entirely the ability of localities to generate revenue from this source.

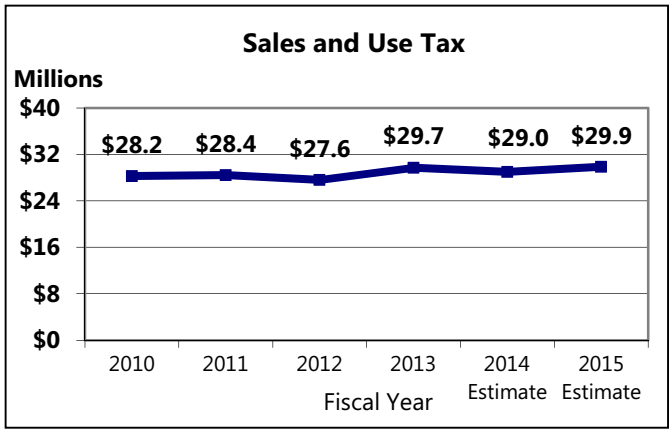


Other Local Taxes

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, business license, and recordation taxes. In

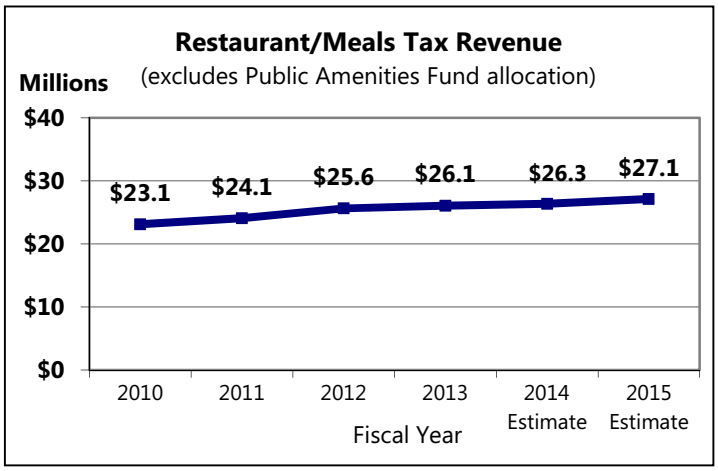
FY 2015, other local taxes are projected to make up about 19.0 percent ($155.4 million) of the city's General Fund revenues. The revenue category is sensitive to changes in economic conditions and more likely to be affected by federal budget reductions.

Sales tax makes up about 3.6 percent ($29.9 million) of the city's General Fund revenue and 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. Adjustments made by the Virginia Department of Taxation for overpayments and underpayments of the tax by businesses also affect collections. Sales tax receipts are projected to increase moderately by 2.9 percent ($0.9 million) from the FY 2014 estimate, as the recovery of the economy continues.



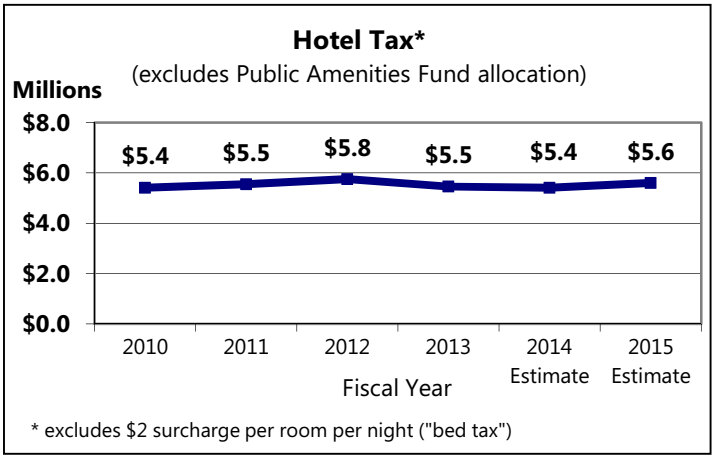
Consumer utility taxes and the communications sales and use tax combined make up about 4.9 percent or $40.0 million of the city's General Fund revenue. The consumer utility tax is levied on the purchase of utility service including water, gas, and electricity. Monthly receipts are monitored and used as a basis for estimating the revenue yield, taking seasonal variations into consideration. In FY 2015, revenue from the consumer utility tax is estimated to increase by 0.5 percent ($204,000) from the FY 2014 estimate. The consumer utility tax on telephones, cell phones and cable TV were abolished and replaced by a statewide uniform communications sales and use tax on January 1, 2007. The Emergency 911 (E-911) tax on telephones was also replaced by a statewide uniform $0.75 tax per phone at the same time. The E-911 tax is distributed to the city together with the communications sales and use tax in one lump sum. Consequently, a portion of the communications sales and use tax received by the city (about $3.6 million) is allocated and goes directly to support emergency communications (E-911) in the Emergency Preparedness and Response special revenue fund. The General Fund portion of the communications sales and use tax in FY 2015 is estimated to be $18.8 million, which is unchanged from the FY 2014 estimate. Since the inception of this tax, the revenue received from this source has fluctuated due to adjustments for overpayments and underpayments of the tax by telecommunications service providers.

Taxes are collected on prepared meals. The tax rate is 6.5 percent of the value of the meal. The revenue generated by one percentage point of the tax rate is allocated to the Public Amenities Fund, and the revenue generated from the remaining 5.5 percentage points are allocated to the General Fund. The total revenue generated by the meals tax in the General Fund and Public Amenities Fund combined is the largest in the Other Local Tax category.



Prior to the economic downturn ("Great Recession"), meals taxes had grown steadily as the number of restaurants opened citywide in areas including, downtown Norfolk and the Military Highway corridor increased. In FY 2015, meals taxes make up 3.3 percent ($27.1 million) of General Fund revenues. This revenue source is projected to grow by 2.9 percent ($770,000) from the FY 2014 estimate and 3.1 percent ($819,000) from the FY 2014 budget.

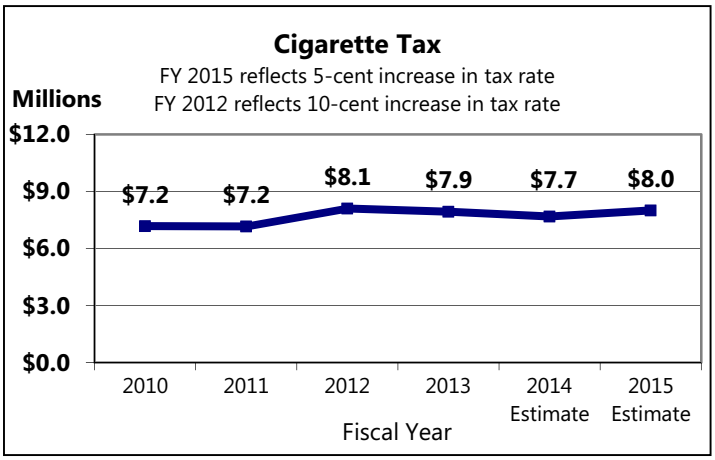
Hotel taxes are levied on hotel rooms rented. The hotel tax rate is 8.0 percent of the room rate. Like the restaurant/meals tax, the revenue generated by one percentage point of the tax is allocated to the Public Amenities Fund and the revenue generated from the remaining seven percentage points are allocated to the General Fund.



In FY 2015, hotel taxes make up about 0.7 percent ($5.6 million) of General Fund revenues. Hotel tax revenue is projected to be above the FY 2014 estimate by about 3.7 percent ($200,000) but below the FY 2014 budget by 4.3 percent ($250,000). Federal budget reductions may have affected revenues from this source. The hotel tax estimate does not include the revenue from the surcharge per room night ("bed tax"), which was raised by the City Council in FY 2012 to $2 per room night. The city began collecting the bed tax on April 1, 2006 initially at the rate of $1 per room night with the support of the Norfolk Hotel-Motel Association. Revenue generated from the surcharge is designated equally between Visit Norfolk (formerly Norfolk Convention and Visitors Bureau) for visitor promotion and advertising for conventions and tourism in Norfolk and the Norfolk Arts Consortium.

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. Norfolk's rates are generally at the state maximum allowed. In FY 2015, this revenue source makes up about 3.6 percent ($29.6 million) of General Fund revenues. It is projected to increase 3.2 percent ($0.9 million) from the FY 2014 budget with continued moderate recovery of the economy.

Cigarette taxes have been declining steadily since FY 2012, when the tax rate was last increased to 75 cents from 65 cents per pack of 20 cigarettes. However, in FY 2015, cigarette taxes are projected to increase primarily due to City Council's approval of the five-cent cigarette tax rate increase from 75 cents to 80 cents per pack of 20 cigarettes. The approved five-cent rate increase is estimated to generate about $473,000. In FY 2015, cigarette taxes make up about 1.0 percent ($8.0 million) of General Fund revenues.



However, the increase in revenue as a result of the tax rate increase generally tends to be short-lived. This is because the tax increase may induce smokers to stop or reduce cigarette use or induce smokers to buy their cigarettes elsewhere. According to the Tax Foundation, cigarettes are considered to be highly susceptible to border shopping because the cost of transporting them is so low. At current FY 2014 rates, the five-cent increase brings Norfolk's rate in line with Hampton (80 cents) and remains below Newport News (85 cents) and is at least 10 cents higher than Virginia Beach and as much as 30 cents higher than in Chesapeake and Suffolk. Among the other seven major cities in the region, Portsmouth also approved an increase in FY 2015 of 30 cents, which raises its rate to 90 cents from 60 cents per pack of 20 cigarettes. Portsmouth's rate in FY 2015 is 10 cents above Norfolk's adopted FY 2015 rate.

Permits and Fees

Permits are issued to regulate new construction and ensure public safety. Permits, privilege fees, and licenses are comprised of fees for permits, licenses and other privileges subject to city regulation, partially to cover the expense of providing regulatory services (taxi permits, zoning inspections, construction permits, right-of-way, etc.) in the city. Revenue from this source is projected to be about $3.0 million in FY 2015, which is about 28 percent ($659,000) above the FY 2014 budget. The growth reflects the changes made to planning user fees in FY 2014 for the Smart Processing initiative and the continuation of the current level of building activity through FY 2015. Permits and fees represent about 0.4 percent of General Fund revenues.

Fines and Forfeitures

Fines and forfeitures in the General Fund mainly consist of revenues received from the courts as fines and forfeitures for violations of city ordinances. These provide 0.1 percent (or approximately $1.2 million) of General Fund revenues.

Charges for Services

Charges for services includes revenues from fees for services, including Zoo admission, the serving of legal papers by local law enforcement officers, court costs, paramedical rescue service, miscellaneous school fees, and charges by the Cruise Ship Terminal in the National Maritime Center. Beginning in FY 2015, charges for services by NCSB will be included in the General Fund. Excluding NCSB, this revenue category is projected to be about $18.4 million in FY 2015 and represents 2.3 percent of General Fund revenues. The FY 2015 estimate is about 52 percent ($19.9 million) below the FY 2014 budget. The decrease is primarily due to waste management fees ($20.9 million) being moved to a special revenue fund in FY 2015. The decrease was partly offset by an increase in collections of paramedic rescue ("ambulance") fees (about $964,000). Including the charges for services by NCSB ($5.0 million), the FY 2015 estimate totals $23.4 million.

Use of Money and Property

Revenue from the use of money and property is comprised primarily of interest earned on cash balances, rents from short-term and long-term property leases, and prudent management of city assets. Revenue from this source represents approximately 0.9 percent ($7.4 million) of the city's General Fund revenues and include the revenue from the National Maritime Center and a minor amount ($2,500) related to NCSB. The FY 2015 estimate is approximately $190,000 or 2.6 percent above the FY 2014 budget, which was partly due to rental revenue from city property.

Recovered Costs

Recovered costs consist of revenues recovered from expenses associated with employee costs, city and outside agencies, and the public. In FY 2015, revenue from this source will also include recovered costs by NCSB. Excluding NCSB, the FY 2015 estimate is 1.5 percent ($12.1 million) of General Fund revenues. The FY 2015 estimate is about 13.5 percent ($1.4 million) above the FY 2014 budget. The increase is primarily due to the distribution and allocation of various costs attributable to nongeneral fund departments. With NCSB, the FY 2015 estimate totals $12.3 million.

Miscellaneous Revenue

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 2015, the city is expecting to receive about $9.0 million, which represents approximately 1.1 percent of General Fund revenues. The estimate for FY 2015 is about 8.0 percent (or $778,000 excluding NCSB) below the FY 2014 budget, mainly due to revenue that would be received only one-time in FY 2014. The FY 2015 estimate also includes a minor amount ($6,500) related to NCSB.

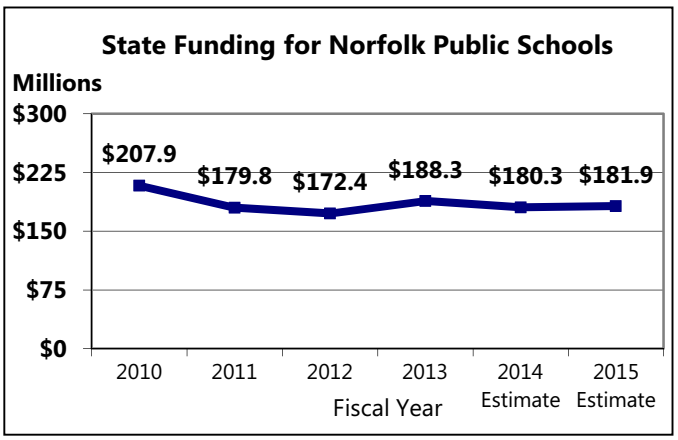
Non-Categorical Aid - Virginia

Non-Categorical aid contains state revenues that are generally shared with localities without restriction as to use. In FY 2015, non-categorical aid makes up about 4.0 percent ($32.8 million) of General Fund revenues. The FY 2015 estimate is about 2.6 percent (about $821,000) above the FY 2014 budget. Although the General Assembly has not yet passed a budget for the 2014-2016 biennium, the Governor's Introduced Budget includes an increase in HB 599. If passed, this would be the first increase since FY 2006. Norfolk's share of the increase is estimated to be about $450,000.

Shared Expenses

Shared expenses consist of recovered costs from the Commonwealth for a portion of the salaries and benefits of constitutional and other offices serving the Norfolk community, including the Norfolk Electoral Board, Sheriff, City Treasurer, Commissioner of the Revenue, Clerk of the Circuit Court, and Commonwealth's Attorney. The shared expenses revenue category makes up about 2.5 percent ($20.8 million) of General Fund revenues, which is about the same as the FY 2014 budget.

State Categorical Aid



Categorical aid from the Commonwealth consists mainly 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. In FY 2015, revenue from this source will also include state categorical aid for NCSB. Excluding state categorical aid for NCSB, the FY 2015 estimate for state categorical aid totals about $241 million and represents about 29.5 percent of General Fund revenues. The majority of revenue from this source is earmarked for Norfolk Public Schools (about $181.9 million). Categorical Aid increased by about 0.8 percent ($1.8 million) from the FY 2014 budget. The majority of the increase ($1.6 million) was for state funding for Norfolk Public Schools. Including the state categorical aid for NCSB ($11.2 million), the FY 2015 estimate totals about $252.2 million. However, it is important to note that due to the state budget impasse, the FY 2015 Budget was developed based on the Governor's Introduced Budget for the 2014-2016 Biennium.

Categorical aid for education includes the state sales and use tax and state school funds. State sales and use tax for schools is the revenue from the city's proportionate share of the one percent of the state sales and use tax, designated for education purposes. Beginning July 1, 2012, the city's share of the state sales and use tax will be

based on the population estimate provided by the Weldon Cooper Center for Public Service at the University of Virginia. Additionally in FY 2005, half of the one-half cent sales and use 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) which is included in state school funds. State school funds reflect 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 funds more than its required share of local effort.

Categorical aid also includes the state reimbursements for the cost of operating the Department of Human Services (DHS). Reimbursable costs include the cost of personnel, fringe benefits, non-personal services, rent for buildings and parking, etc. The reimbursement rate of the overall costs varies by program.

Jail per diem estimate in FY 2015 is unchanged from the FY 2014 budget primarily due to no increase anticipated in the state's appropriation and no change in the jail per diem rates. Jail per diem rates were reduced significantly during the 2010 session of the General Assembly. Since March 1, 2010, per diem payments for local responsible inmates in local or regional jails declined to $4 per day from $8 per day, while the per diem payments for state inmates housed in local jails was changed to $12 per day from $8 or $14 per day. Payment for jail contract beds fell to $8 per day from $14 per day. The change in the per diem rates resulted in about a $2 million decline in jail funding.

Categorical aid also includes funds for street construction and maintenance. The funds are 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 Aid

Federal aid primarily includes funds for Norfolk Public Schools and beginning in FY 2015, funds for the NCSB from the federal government. Excluding federal aid for NCSB, federal aid is about 0.7 percent ($5.3 million) of FY 2015 General Fund revenues, which is approximately $1.2 million (18 percent) below the FY 2014 Budget. The decrease was primarily due to no funds anticipated to be received from the Federal Emergency Management Agency (FEMA). With the federal aid for NCSB, federal aid makes up about 1.1 percent ($8.6 million) of FY 2015 General Fund revenues.

Other Sources and Transfers In

Other sources and transfers in consist of intra-governmental transfers and carry over funds. Excluding the carryforward from NCSB, other sources and transfers total to about 3.9 percent ($31.95 million) of the city's General Fund revenues. The estimate includes: transfers in from nongeneral funds (about $16.63 million from Utilities, Waste Management, Tax Increment Financing Fund and Parking Facilities); carrying forward unspent appropriations from prior years and closeout of accounts (about $15.32 million). With the carryforward from NCSB (about $3.08 million), other sources and transfers in total about $35.0 million.

APPROPRIATIONS

Department	FY 2015 Approved
GENERAL FUND	
LEGISLATIVE	
City Council	362,855
City Clerk	1,361,548
City Real Estate Assessor	2,011,461
City Auditor	815,654
Total Legislative	**4,551,518**
EXECUTIVE	
City Manager	2,264,625
Office of Budget and Strategic Planning	1,550,315
Office to End Homelessness	278,329
Total Executive	**4,093,269**
DEPARTMENT OF LAW	**4,035,246**
CONSTITUTIONAL OFFICERS	
Commissioner of the Revenue	3,107,626
City Treasurer	2,282,686
Clerk of the Circuit Court	3,052,189
Commonwealth's Attorney	5,490,066
Sheriff and Jail	40,375,674
Total Constitutional Officers	**54,308,241**
JUDICIAL	
General District Court	266,291
Juvenile and Domestic Relations Court	79,246
Circuit Court Judges	676,974
Norfolk Juvenile Court Service Unit	161,017
Magistrate	20,168
Total Judicial	**1,203,696**
OFFICE OF ELECTIONS	**661,520**
GENERAL MANAGEMENT	
Communications and Technology	13,135,962
Finance	3,864,623
General Services	22,864,529
Human Resources	3,271,777
Total General Management	**43,136,891**

Department	FY 2015 Approved
COMMUNITY DEVELOPMENT	
City Planning	4,615,334
Neighborhood Development	3,189,860
Development	1,964,930
Total Community Development	**9,770,124**
NON-DEPARTMENTAL APPROPRIATIONS	
Central Appropriations	17,067,237
Grant Providers on Behalf of City	1,642,484
Funds to Community Partners	1,646,480
Public-Private Partnerships for City-Owned Facilities	4,756,404
Public-Private Partnerships for Tourism and Special Event Organizations	8,046,856
Public Partnerships to Provide Services	19,520,555
Contractual Obligations	3,988,198
Memberships and Dues	619,253
Other Arrangements	2,308,122
Total Non-Departmental Appropriations	**59,595,589**
CULTURAL ACTIVITIES, PARKS AND RECREATION	
Libraries	9,850,533
Cultural Facilities, Arts and Entertainment	5,666,941
Zoological Park	3,622,824
The National Maritime Center	4,834,999
Recreation, Parks and Open Space	16,847,360
Total Cultural Activities, Parks and Recreation	**40,822,657**
PUBLIC HEALTH AND ASSISTANCE	
Norfolk Community Services Board	25,960,711
Public Health	3,330,351
Human Services	46,446,241
Total Public Health and Assistance	**75,737,303**
PUBLIC SAFETY	
Police	65,217,042
Fire-Rescue	39,890,780
Total Public Safety	**105,107,822**
PUBLIC WORKS	**24,103,966**
DEBT SERVICE	**73,084,865**
PUBLIC SCHOOL EDUCATION (Norfolk Public Schools)	**317,618,431**
Total General Fund	**817,831,138**

Department	FY 2015 Approved
SPECIAL REVENUE FUNDS	
Storm Water Management	15,236,638
Towing and Recovery Operations	1,707,147
Cemeteries	2,062,926
Golf Operations	702,805
Public Amenities	5,727,300
Emergency Preparedness and Response	6,074,576
Tax Increment Financing	5,539,290
Waste Management	22,054,000
Total Special Revenue Funds	**59,104,682**
ENTERPRISE FUNDS	
Water Utility Fund	81,381,700
Wastewater Utility Fund	28,226,600
Parking Facilities Fund	21,746,077
Total Enterprise Funds	**131,354,377**
INTERNAL SERVICE FUNDS	
Healthcare Fund	86,282,292
Fleet Management	13,510,114
Total Internal Service Funds	**99,792,406**
TOTAL CITY OPERATIONS	**1,108,082,603**
TOTAL CAPITAL IMPROVEMENT PLAN	**104,353,800**
TOTAL APPROPRIATIONS	**1,212,436,403**

Tax Rates and Fees

Description	FY 2014 Approved	FY 2015 Approved
PROPERTY TAXES		
Real Estate (General Tax)	$1.15/$100 Assessed Value	$1.15/$100 Assessed Value
Real Estate (Downtown Improvement District)	$1.31/$100 Assessed Value	$1.31/$100 Assessed Value
Personal Property		
Airplane	$2.40/ $100 Assessed Value	$2.40/ $100 Assessed Value
Motor Vehicle	$4.33/$100 Assessed Value	$4.33/$100 Assessed Value
Recreational Vehicle	$1.50/$100 Assessed Value	$1.50/$100 Assessed Value
Business Furniture, Fixtures, and Equipment	$4.33/$100 Assessed Value	$4.33/$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
Machinery & Tools	$4.25/$100 Assessed Value	$4.25/$100 Assessed Value
OTHER LOCAL TAXES		
Amusement and Admissions	10%	10%
Cigarette	75 cents/pack of 20 cigarettes (37.5 mils/cigarette)	**80 cents/pack of 20 cigarettes (40 mils/cigarette)**
Emergency 911 (Landline)	Replaced by the statewide E-911 tax rate of $0.75/line/month	Replaced by the statewide E-911 tax rate of $0.75/line/month
Hotel/Motel Lodging	8%	8%
Bed Tax	$2 per room night	$2 per room night
Food and Beverage	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)

Description	FY 2014 Approved	FY 2015 Approved
REFUSE DISPOSAL		
Residential		
Single or Multiple Units (four units or less)	$27.01/unit/month	**$28.01/unit/month**
Multiple Units (five units or more)	$45.27/container/month	**$46.94/container/month**
Commercial		
Business 1 times per week	$59.00/unit/month	**$61.18/unit/month**
Business 5 times per week	$146.24/unit/month	**$151.64/unit/month**
Combined Commercial and Residential	$86.01/unit/month	**$89.19/unit/month**
WATER AND WASTEWATER FEES		
Water	$4.30/100 cubic feet	**$4.45/100 cubic feet**
Wastewater	$3.53/100 cubic feet	**$3.67/100 cubic feet**
STORM WATER FEES (rate calculated based on a 30-day month)		
Residential	$10.24/month	**$10.52/month**
Commercial	$7.36/month per 2,000 sq. ft.	**$7.55/month per 2,000 sq. ft.**
UTILITY TAXES		
Commercial		
Gas	Rate/month: $3.225 + $0.167821/CCF 0-70 CCF + $0.161552/CCF 71-430 CCF + $0.15363/CCF on balance (maximum of $500/month)	Rate/month: $3.225 + $0.167821/CCF 0-70 CCF + $0.161552/CCF 71-430 CCF + $0.15363/CCF on balance (maximum of $500/month)
Electricity (Manufacturing)	Rate/month: $1.38 + $0.004965/kWh 0-3,625,100 kWhs + $0.004014/kWh on balance (maximum of $53,000/month)	Rate/month: $1.38 + $0.004965/kWh 0-3,625,100 kWhs + $0.004014/kWh on balance (maximum of $53,000/month)
Electricity (Non-Manufacturing)	Rate/month: $2.87 + $0.017933/kWh 0-537 kWh + $0.006330/kWh on balance	Rate/month: $2.87 + $0.017933/kWh 0-537 kWh + $0.006330/kWh on balance
Telephone (Cellular, Landline)	Replaced by the State Communications Sales & Use Tax 5% of sales price of services	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
Residential		
Cable and Satellite Service Telephone (Cellular, Landline)	Replaced by the State Communications Sales & Use Tax	Replaced by the State Communications Sales & Use Tax
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/Net Assets

General Fund

	FY 2013 Actual	FY 2014 Approved	FY 2015 Approved
Operating Revenues			
General property taxes	243,604,191	255,632,400	256,620,400
Other local taxes	154,198,171	154,727,600	155,385,600
Permits and fees	4,098,178	2,350,340	3,009,500
Fines and forfeitures	1,098,187	1,203,300	1,192,600
Commonwealth	299,685,637	291,888,878	305,766,261
Federal	6,588,650	6,539,621	8,646,137
Charges for services	37,091,919	38,372,254	23,438,726
Miscellaneous	11,857,652	9,781,303	9,009,444
Recovered costs	11,395,841	10,676,100	12,312,836
Total Operating Revenues	769,618,426	771,171,796	775,381,504
Operating Expenses			
Personnel services	259,492,381	263,109,766	270,954,944
Contractual services	45,085,271	48,312,595	43,504,709
Materials, supplies and repairs	36,057,514	38,657,983	37,529,736
Department specific appropriation	353,504,918	367,533,305	374,723,169
Public assistance	13,379,831	13,459,803	13,409,315
Total Operating Expenses	707,519,915	731,073,452	740,121,873
Operating Income (Loss)	62,098,511	40,098,344	35,259,631
Non-Operating Revenues (Expenses)			
Money and use of property	6,106,064	7,226,500	7,414,200
Capital outlay	(1,434,768)	(2,698,654)	(2,671,612)
Debt service	(74,590,545)	(74,619,447)	(72,475,199)
Acctg. for Encumbrances for Budget not GAAP	1,091,482	0	0
Total Non-Operating Revenue/Expense	(68,827,767)	(70,091,601)	(67,732,611)
Income (Loss) Before Operating Transfers	(6,729,256)	(29,993,257)	(32,472,980)
Operating transfers in	10,635,649	19,526,873	22,577,963
Operating transfers out	(5,139,926)	(9,109,246)	(2,562,454)
Total Operating Transfers	5,495,723	10,417,627	20,015,509
Net Change in Fund Balance	(1,233,533)	(19,575,630)	(12,457,471)
Beginning Fund Balance at July 1	92,507,190	91,273,657	71,698,207
NCSB Fund Balance (estimated available for FY 2015)	0	0	3,080,181
Ending Fund Balance at June 30	**91,273,657**	**71,698,207**	**62,320,737**

Note: Beginning in FY 2015, Norfolk Community Services Board (NCSB) will be included in the General Fund and Waste Management will be accounted for separately in a special revenue fund.

Special Revenue Funds

	FY 2013 Actual	FY 2014 Approved	FY 2015 Approved
Operating Revenues			
General property taxes	2,754,849	2,455,700	3,338,300
Other local taxes	9,098,745	9,185,696	9,298,896
Fines and forfeitures	0	0	24,000
Commonwealth	11,685,832	10,388,203	0
Federal	3,535,058	3,339,986	63,617
Charges for services	22,479,451	23,290,341	38,782,921
Miscellaneous	104,889	324,878	435,427
Recovered costs	0	2,041,653	2,108,536
Total Operating Revenues	49,658,824	51,026,457	54,051,697
Operating Expenses			
Personnel services	23,970,005	31,792,694	17,315,848
Contractual services	8,381,185	9,775,160	15,520,078
Materials, supplies and repairs	3,080,429	4,668,851	5,671,818
Department specific appropriation	6,280,029	5,046,216	4,402,664
Public assistance	509,327	854,335	0
Total Operating Expenses	42,220,975	52,137,256	42,910,408
Operating Income (Loss)	7,437,849	(1,110,799)	11,141,289
Non-Operating Revenues (Expenses)			
Money and use of property	118,376	868,002	864,207
Capital outlay	(1,250,342)	(1,588,400)	(2,033,345)
Debt service	(3,636,269)	(4,276,054)	(5,287,379)
Total Non-Operating Revenue/Expense	(4,768,235)	(4,996,452)	(6,456,517)
Income (Loss) Before Operating Transfers	2,669,614	(6,107,251)	4,684,772
Operating transfers in	4,835,840	7,974,580	1,952,788
Operating transfers out	(3,315,200)	(2,990,200)	(8,873,550)
Total Operating Transfers	1,520,640	4,984,380	(6,920,762)
Net Change in Fund Balance	4,190,254	(1,122,871)	(2,235,990)
Beginning Fund Balance at July 1	17,830,537	22,020,791	20,897,920
NCSB Fund Balance (estimated to be included in General Fund)	0	0	(3,080,181)
Ending Fund Balance at June 30	**22,020,791**	**20,897,920**	**15,581,749**

Note: In FY 2013 and FY 2014, special revenue funds include Norfolk Community Services Board (NCSB). Beginning in FY 2015, NCSB will become part of the General Fund and will no longer be a special revenue fund. Also, Waste Management will become a special revenue fund in FY 2015 and will no longer be included in the General Fund.

Enterprise Funds

	FY 2013 Actual	FY 2014 Approved	FY 2015 Approved
Operating Revenues			
Permits and fees	0	1,409,300	1,409,300
Fines and forfeitures	0	3,069,610	2,378,000
Charges for services	121,024,011	123,095,515	124,284,716
Miscellaneous	3,993,930	135,000	135,000
Recovered costs	0	1,441,600	1,341,600
Total Operating Revenues	125,017,941	129,151,025	129,548,616
Operating Expenses			
Personnel services	29,594,988	26,800,859	26,968,823
Contractual services/Other	11,776,639	15,644,087	15,015,455
Materials, supplies and repairs	16,892,408	16,583,406	16,389,392
Depreciation	23,186,593	0	0
Bad debt expense	390,191	0	0
Department specific appropriation	0	8,116,349	5,014,694
Total Operating Expenses	81,840,819	67,144,701	63,388,364
Operating Income (Loss)	43,177,122	62,006,324	66,160,252
Non-Operating Revenues (Expenses)			
Money and use of property	234,360	459,075	365,000
Capital outlay	0	(721,201)	(883,227)
Intergovernmental revenue	1,625,338	0	0
Miscellaneous revenue (expense)	2,710	0	0
Gain/(Loss)-Sale of fixed assets & investments	9,351	7,400	7,400
Debt service	(19,566,693)	(48,816,598)	(54,107,686)
Total Non-Operating Revenue/Expense	(17,694,934)	(49,071,324)	(54,618,513)
Income (Loss) Before Operating Transfers	25,482,188	12,935,000	11,541,739
Capital Contribution	191,592	0	0
Operating transfers in	0	1,375,000	0
Operating transfers out	(10,114,354)	(14,310,000)	(12,975,100)
Total Operating Transfers/Capital Contribution	(9,922,762)	(12,935,000)	(12,975,100)
Net Income (Loss)	15,559,426	0	(1,433,361)
Beginning Net Assets at July 1	355,903,784	371,463,210	371,463,210
Ending Net Assets at June 30	**371,463,210**	**371,463,210**	**370,029,849**

Internal Service Funds

	FY 2013 Actual	FY 2014 Approved	FY 2015 Approved
Operating Revenues			
Charges for services	16,003,714	71,574,173	99,581,706
Miscellaneous	336,047	0	0
Recovered costs	0	0	100,000
Total Operating Revenues	16,339,761	71,574,173	99,681,706
Operating Expenses			
Personnel services	3,039,385	3,255,249	3,155,984
Cost of Goods Sold	11,270,364	0	0
Contractual services/Other	1,634,868	59,205,204	89,269,418
Materials, supplies and repairs	268,414	8,864,042	7,303,626
Depreciation	292,176	0	0
Bad debt expense	-2,536	0	0
Department specific appropriation	0	0	0
Total Operating Expenses	16,502,671	71,324,495	99,729,028
Operating Income (Loss)	(162,910)	249,678	(47,322)
Non-Operating Revenues (Expenses)			
Money and use of property	2,982	5,700	5,700
Capital outlay	0	(263,378)	(63,378)
Gain/(Loss)-Sale of fixed assets & investments	0	8,000	105,000
Debt service	0	0	0
Total Non-Operating Revenue/Expense	2,982	(249,678)	47,322
Income (Loss) Before Operating Transfers	(159,928)	0	0
Operating transfers in	0	0	0
Operating transfers out	0	0	0
Total Operating Transfers	0	0	0
Net Income (Loss)	(159,928)	0	0
Beginning Net Assets at July 1	6,386,489	6,226,561	6,226,561
Ending Net Assets at June 30	**6,226,561**	**6,226,561**	**6,226,561**

Note: In FY 2013, internal service funds included Fleet Management and Storehouse funds. Beginning in FY 2014, Storehouse was decentralized and internal service funds include only Fleet Management and Healthcare funds.

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, unanticipated needs without jeopardizing the ongoing provision of city services. Reserves help to cushion against cash flow challenges as seen in FY 2004 with the significantly large unexpected expenses of Hurricane Isabel when the city appropriated $22.2 million from the General Fund undesignated fund balance to provide an interim source of funding for emergency costs. The appropriate size of reserves depends on variability of revenues and expenditures and an organization's cash flow needs.

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. 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. In FY 2010, the City Council approved distributing $1,058,409 from a combination of FY 2008 and FY 2009 year-end undesignated funds in accordance with the city's practice to replenish the Risk Management Reserve. These funds raised the total Risk Management Reserve balance to $1,898,571. In FY 2012, City Council strengthened the city's reserves further by raising the total General Fund balance reserves from $45,457,834 to $48,332,591. In July 2013, City Council passed a resolution updating the city's policies on reserves, described in detail in the "Financial Policies and Practices" section of the Budget Overview.

General Fund Balance Reserves

Reserve	FY 2013 Actual	FY 2014 Minimum	FY 2014 Projected
Unassigned Reserve ("five percent reserve")[1]	42,332,591	40,875,040	42,332,591
Risk Management Reserve[2]	3,000,000	3,000,000	3,000,000
Economic Downturn Reserve[2]	3,000,000	3,000,000	3,000,000
General Fund Balance Reserves at June 30[3]	**48,332,591**	**46,875,040**	**48,332,591**

[1] The minimum for the FY 2014 unassigned reserve of $40,875,040 is based on the FY 2014 General Fund Budget of $817,500,799.

[2] In July 2013, City Council passed a resolution setting the target level for the Risk Management Reserve and Economic Downturn Reserve at an amount not to exceed $5.0 million and no less than its current level of $3.0 million.

[3] The amounts above exclude reserves for encumbrances and other legally restricted reserves and designations for specific appropriations.

Transfers From/To

The tables below present certain fund to fund transfers in FY 2015 which include: payments made by the General Fund to support capital projects and special revenue funds; transfers from enterprise activities to the General Fund; and transfers of funds to support capital projects.

Transfer from General Fund to	FY 2015
Capital Improvement Program	609,666
Cemetery Fund	465,153
Emergency Preparedness and Response Fund	1,126,727
Golf Fund	360,908
Total Transfers from General Fund	**2,562,454**

Transfer to General Fund from	
Water Fund	8,500,000
Wastewater Fund	1,500,000
Waste Management Fund	1,630,326
Tax Increment Financing Fund	4,928,024
Parking Fund (for Cruise Ship Terminal)	75,100
Total Transfers to General Fund	**16,633,450**

Transfer to Capital Improvement Program from	
General Fund	609,666
Land Acquisition Fund	300,000
Parking Facilities Fund	2,900,000
Public Amenities Fund	1,000,000
Storm Water Fund	1,315,200
Water Fund	1,000,000
Total Transfers to the Capital Improvement Program	**7,124,866**

PERSONNEL STAFFING SUMMARY

	FY 2013 Approved	FY 2014 Approved	FY 2015 Approved	Change FY 2014 to FY 2015
General Fund				
Budget and Strategic Planning	20	20	18	-2
Circuit Court Judges	5	5	5	0
City Attorney	34	34	34	0
City Auditor	8	8	8	0
City Clerk	14	14	14	0
City Council	8	8	8	0
City Manager	15	15	15	0
City Planning[1]	89	89	60	-29
City Real Estate Assessor	24	24	24	0
City Treasurer	31	31	31	0
Clerk of Circuit Court	50	50	49	-1
Commissioner of the Revenue	43	42	42	0
Commonwealth's Attorney	65	65	63	-2
Communications and Public Information[2]	23	0	0	0
Communications and Technology[1,2]	107	131	123	-8
Cultural Facilities, Arts & Entertainment	68	68	52	-16
Development	17	18	21	3
Elections	6	6	6	0
Finance	34	41	44	3
Fire-Rescue[3]	511	511	503	-8
General Services	116	106	129	23
Human Resources	30	31	33	2
Human Services	512	509	500	-9
Libraries	91	101	123	22
Neighborhood Development[1]	0	0	36	36
Office to End Homelessness	4	4	4	0
Police[3]	876	872	873	1
Public Health	34	28	25	-3
Public Works[4]	345	336	232	-104
Recreation, Parks and Open Space	226	224	220	-4
Sheriff and Jail	487	475	475	0
The National Maritime Center (Nauticus)	57	55	43	-12
Zoological Park	57	55	47	-8
General Fund Subtotal without NCSB	**4,007**	**3,976**	**3,860**	**-116**
Norfolk Community Services Board[5]	310	310	292	-18
Total General Fund	**4,317**	**4,286**	**4,152**	**-134**

	FY 2013 Approved	FY 2014 Approved	FY 2015 Approved	Change FY 2014 to FY 2015
Special Revenue Funds				
Cemeteries	35	34	34	0
Emergency Preparedness and Response	91	91	91	0
Storm Water Management	88	96	102	6
Towing and Recovery Operations	9	9	9	0
Waste Management[4]	0	0	100	100
Total Special Revenue Funds	**223**	**230**	**336**	**106**
Enterprise Funds				
Parking Facilities Fund	88	90	71	-19
Wastewater Utility Fund	104	104	104	0
Water Utility Fund	289	293	293	0
Total Enterprise Funds	**481**	**487**	**468**	**-19**
Internal Service Funds				
Fleet	59	59	57	-2
Storehouse	11	0	0	0
Total Internal Service Funds	**70**	**59**	**57**	**-2**
Total All Funds	**5,091**	**5,062**	**5,013**	**-49**

[1]Some permanent positions have been transferred from City Planning and Communications and Technology to create the Department of Neighborhood Development.

[2]Communications and Public Information, and Information Technology were consolidated in the Approved FY 2014 Budget to create the Department of Communications and Technology.

[3]Permanent position count for Police and Fire-Rescue does not include approved Police and Fire Recruit overhires.

[4]Waste Management has been removed from the Department of Public Works in the General Fund and will become a Special Revenue Fund.

[5]Norfolk Community Services Board will become a General Fund Department in FY 2015. Previously it was a Special Revenue Fund.

The permanent position count for General Services; Recreation, Parks and Open Space; and Parking Facilities has been adjusted from the count included in the Proposed Budget Document. Each change is addressed in the corresponding department section.

City Indebtedness

The Virginia Constitution authorizes cities and counties 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 Water and Wastewater enterprise operations finance capital needs through a combination of self-supporting, general obligation and revenue bonds. The city's Parking, Storm Water, Maritime and Towing and Recovery operations finance capital needs with 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, 2014, and for the past four fiscal years.

As of	Taxable Real Property Assessed Value (1)	Debt Limit: 10% of Assessed Value	Debt Applicable to Debt Limit	Amount of Debt as % of Debt Limit	Legal Margin for Additional Debt
June 30, 2014 (2) (3) (4)	18,378,225,321	1,837,822,532	913,360,343	49.70%	924,462,189
June 30, 2013	18,319,948,478	1,831,994,848	818,068,050	44.65%	1,013,926,798
June 30, 2012	18,676,730,533	1,867,673,053	877,060,431	46.96%	990,612,622
June 30, 2011	19,320,643,495	1,932,064,350	829,621,927	42.94%	1,102,442,422
June 30, 2010	19,940,273,451	1,994,027,345	889,556,676	44.61%	1,104,470,669

(1) 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).
(2) Taxable Real Property Assessed Value is estimated as of March 31, 2014.
(3) Projected Debt Applicable to Debt Limit excludes $208,241,003 of General Obligation Bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.
(4) Includes the refunding of Parking Revenue Bonds with General Obligation (GO) Bonds. Converted parking GO bonds are now included in the gross debt calculation.

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 division 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 General Capital Improvements is funded from the General Fund. The debt of the enterprise and other fee-supported operations are paid from their respective revenues. The estimated total outstanding bonded indebtedness including revenue bonds at the end of FY 2014 is estimated to be $1,297,492,843.

General Capital Improvements–Affordability Measures

The Capital Improvement Plan for General Capital Improvements (bonds not supported by self-supporting user fees) is guided by two measures of affordability. The 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) and
- Net debt as a percent of taxable property (not to exceed 3.5 percent).

The FY 2015 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, several schools and a new main library the city may be challenged to stay within these measures in the out years of the Capital Improvement Plan.

Enterprise Operations Debt

Norfolk's Water and Wastewater Revenue Bond programs are governed by bond indentures of trust, specifying debt coverage requirements for their respective operations. Each of the revenue bond programs are backed by the revenues of their respective system. The city has covenanted in each respective indenture that it will establish, fix, charge and collect rates, fees and other charges so that in each Fiscal Year Net Revenues are not less than the debt service coverage requirement. All revenue bond programs, historically and estimated for FY 2015 meet debt coverage requirements. As previously noted, outstanding Water and Wastewater 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, 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.

Bond Ratings

Bond or credit ratings are an independent opinion of the general creditworthiness of an issuer, such as the city, based on relevant risk factors. Long-term general obligation ratings are based on an issuer's ability and willingness to repay fully the principal and interest of its debt obligations on a timely basis. Municipal credit ratings are primarily based on four main factors: the issuer's financial position, the issuer's current and future debt burden, financial management and the economy. Often an investor places significant emphasis on a bond's credit rating to help evaluate a price or willingness to hold the investment.

Each of the three major credit rating agencies in the U.S.: Moody's Investors Service ("Moody's"), Standard and Poor's ("S&P") and Fitch Ratings ("Fitch") applies its own methodology in measuring creditworthiness and uses a specific rating scale to communicate its ratings opinions. Typically, ratings are expressed as letter grades that range, for example, from 'AAA' to 'D' to communicate the agency's opinion of relative level of credit risk. Credits are further distinguished with "notches" within each rating category. Credit ratings for the city's General Obligation and Water Revenue Bond programs are as follows:

Bonding Program	Moody's Investors Service	Standard and Poor's	Fitch Ratings
General Obligation	Aa2	AA+	AA+
Water Revenue	Aa2	AA+	AA+

Norfolk's rating on its General Obligations Bonds of Aa2/AA+/AA+ and its Water Revenue Bonds of Aa2/AA+/AA+ are very strong. S&P upgraded the City's General Obligation bond rating from "AA" to "AA+" in September 2013. In general, AA category rating signifies very high quality bonds with some elements of long-term risks.

The city's Wastewater Revenue Bonds do not maintain an underlying or stand-alone unenhanced credit rating.

Computation of Legal Debt Margin

June 30, 2014 (Estimated)		
Total Assessed Value of Taxed Real Property as of March 31, 2014		$18,378,225,321
Debt Limit - 10 percent of Total Assessed Value		$1,837,822,532
Amount of Debt Applicable to Debt Limit:(1)(2)(3)		
Gross Debt	$904,942,649	
General Obligation (QRBs)	7,615,000	
General Obligation (QZABs)	122,694	
General Obligation (Guaranty)	680,000	$913,360,343
Legal Debt Margin		**$924,462,189**
Amount of Debt as a percent of Debt Limit		**49.70%**

(1)Includes all nongeneral fund supported General Obligation debt such as Water, Wastewater, Parking, Maritime and Towing and Recovery Operations.
(2)The Legal Debt Margin computation does not include any revenue-based debt issued by the city, because such debt is not subject to the Commonwealth's Constitutional Debt Limit.
(3)Excludes $208,241,003 of General Obligation Bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.

YEARLY MATURITY OF LONG-TERM DEBT

Fiscal Year	General Obligation (1)(2)(3)			General Obligation Equipment(1)			Water Revenue(1)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	56,621,491	38,992,472	95,613,963	3,318,723	774,295	4,093,018	7,805,000	15,398,269	23,203,269
2016	51,917,006	37,201,547	89,118,553	3,152,047	657,143	3,809,189	8,750,000	15,047,794	23,797,794
2017	53,428,054	34,996,115	88,424,170	2,345,460	526,780	2,872,240	10,655,000	14,591,519	25,246,519
2018	53,976,036	32,575,660	86,551,696	940,000	474,929	1,414,929	13,860,000	13,994,269	27,854,269
2019	55,275,468	30,313,366	85,588,834	2,775,000	383,625	3,158,625	14,820,000	13,291,244	28,111,244
2020	54,691,803	28,079,658	82,771,461	2,785,000	247,367	3,032,367	15,665,000	12,546,769	28,211,769
2021	52,598,982	25,724,607	78,323,589	2,790,000	109,658	2,899,658	16,760,000	11,751,144	28,511,144
2022	51,399,164	23,436,094	74,835,257	365,000	32,325	397,325	17,740,000	10,910,144	28,650,144
2023	50,550,511	21,196,984	71,747,495	380,000	15,300	395,300	19,005,000	10,013,444	29,018,444
2024	49,218,055	18,999,431	68,217,486	120,000	4,400	124,400	20,140,000	9,048,894	29,188,894
2025	44,985,042	16,868,847	61,853,889	-	-	-	18,170,000	8,106,769	26,276,769
2026	42,784,056	14,772,864	57,556,920	-	-	-	19,270,000	7,187,044	26,457,044
2027	41,894,176	12,727,484	54,621,660	-	-	-	12,065,000	6,420,613	18,485,613
2028	36,949,270	10,910,040	47,859,310	-	-	-	12,735,000	5,818,263	18,553,263
2029	27,065,000	9,400,279	36,465,279	-	-	-	13,480,000	5,185,306	18,665,306
2030	27,995,000	7,983,763	35,978,763	-	-	-	8,640,000	4,662,619	13,302,619
2031	27,930,000	6,596,910	34,526,910	-	-	-	9,070,000	4,255,050	13,325,050
2032	14,990,000	5,180,635	20,170,635	-	-	-	9,535,000	3,827,228	13,362,228
2033	26,090,000	4,113,496	30,203,496	-	-	-	7,850,000	3,421,959	11,271,959
2034	14,195,000	3,205,237	17,400,237	-	-	-	8,230,000	3,041,106	11,271,106
2035	10,935,000	2,604,322	13,539,322	-	-	-	8,630,000	2,641,750	11,271,750
2036	11,135,000	2,066,424	13,201,424	-	-	-	9,050,000	2,225,653	11,275,653
2037	11,060,000	1,518,224	12,578,224	-	-	-	8,050,000	1,825,281	9,875,281
2038	12,080,000	947,423	13,027,423	-	-	-	8,435,000	1,441,775	9,876,775
2039	8,490,000	474,867	8,964,867	-	-	-	8,835,000	1,042,831	9,877,831
2040	1,245,000	235,709	1,480,709	-	-	-	5,505,000	713,850	6,218,850
2041	1,260,000	174,294	1,434,294	-	-	-	5,760,000	461,625	6,221,625
2042	1,280,000	112,069	1,392,069	-	-	-	3,260,000	252,750	3,512,750
2043	1,295,000	49,034	1,344,034	-	-	-	3,425,000	85,625	3,510,625
2044	375,000	-	375,000	-	-	-	-	-	-
Total	893,709,113	391,457,855	1,285,166,968	18,971,230	3,225,821	22,197,052	325,195,000	189,210,584	514,405,584

Fiscal Year	Wastewater Revenue[1]			Totals[1]		
	Principal	Interest	Total	Principal	Interest	Total
2015	2,490,000	-	2,490,000	70,235,215	55,165,035	125,400,250
2016	3,040,000	-	3,040,000	66,859,052	52,906,484	119,765,536
2017	3,290,000	-	3,290,000	69,718,514	50,114,414	119,832,928
2018	3,290,000	-	3,290,000	72,066,036	47,044,857	119,110,893
2019	3,290,000	-	3,290,000	76,160,468	43,988,235	120,148,703
2020	3,290,000	-	3,290,000	76,431,803	40,873,793	117,305,596
2021	3,290,000	-	3,290,000	75,438,982	37,585,409	113,024,392
2022	3,290,000	-	3,290,000	72,794,164	34,378,562	107,172,726
2023	3,290,000	-	3,290,000	73,225,511	31,225,728	104,451,239
2024	3,290,000	-	3,290,000	72,768,055	28,052,725	100,820,779
2025	3,290,000	-	3,290,000	66,445,042	24,975,616	91,420,657
2026	3,290,000	-	3,290,000	65,344,056	21,959,908	87,303,963
2027	3,290,000	-	3,290,000	57,249,176	19,148,096	76,397,273
2028	3,290,000	-	3,290,000	52,974,270	16,728,303	69,702,573
2029	3,290,000	-	3,290,000	43,835,000	14,585,585	58,420,585
2030	2,865,000	-	2,865,000	39,500,000	12,646,382	52,146,382
2031	2,440,000	-	2,440,000	39,440,000	10,851,960	50,291,960
2032	2,065,000	-	2,065,000	26,590,000	9,007,863	35,597,863
2033	1,565,000	-	1,565,000	35,505,000	7,535,456	43,040,456
2034	1,332,500	-	1,332,500	23,757,500	6,246,343	30,003,843
2035	800,000	-	800,000	20,365,000	5,246,072	25,611,072
2036	250,000	-	250,000	20,435,000	4,292,077	24,727,077
2037	-	-	-	19,110,000	3,343,505	22,453,505
2038	-	-	-	20,515,000	2,389,198	22,904,198
2039	-	-	-	17,325,000	1,517,698	18,842,698
2040	-	-	-	6,750,000	949,559	7,699,559
2041	-	-	-	7,020,000	635,919	7,655,919
2042	-	-	-	4,540,000	364,819	4,904,819
2043	-	-	-	4,720,000	134,659	4,854,659
2044	-	-	-	375,000	-	375,000
Total	59,617,500	-	59,617,500	1,297,492,843	583,894,261	1,881,387,104

(1)Existing Debt Service as of June 30, 2014. Excludes any future issuances.
(2)General Obligation bonds have been used to finance Water, Wastewater, Parking, Storm Water, Maritime, and Towing and Recovery projects. The bonded debt associated with those projects is self-supported by their respective funds. The Debt Service portion of the General Fund budget finances only the General Capital projects and not its self-supporting funds.
(3)Includes the refunding of Parking Revenue Bonds with General Obligation (GO) Bonds. Converted parking GO bonds are now included in the gross debt calculation.