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 2016 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

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, Deputy City Manager and Betty Meyer, Acting Budget Director

Budget Team
Ryan Bergman, Keith Brown, Paris Colburn, Galen Gresalfi, Alan Jones, Patricia Harrison, Julia Martin, Shamenia Nelson-Ricks, Gregory Patrick, Steve Wright, Andrew Yancey, Joseph Younkin, and Darrell Powell (Intern)

Grants Team
Nicole Bailey, Diana Spencer-Saxton, and Anne Marie Strano

City Manager,

DISTINGUISHED BUDGET PRESENTATION AWARD

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, 2014. The review process by GFOA has not commenced for the annual budget for the fiscal year beginning July 1, 2015.

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 2016 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.

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.

Norfolk City Council Members and City Manager

Mayor
Paul D Fraim

Vice Mayor
Angelia Williams Graves
Super Ward 7

Council Member
Andrew A. Protogyrou
Ward 1

Council Member
Dr. Theresa W. Whibley
Ward 2

Council Member
Mamie Johnson
Ward 3

Council Member
Paul R. Riddick
Ward 4

Council Member
Thomas R. Smigiel
Ward 5

Council Member
Barclay C. Winn
Super Ward 6

City Manager
Marcus D. Jones

City of Norfolk Ward Map

City Council's Vision for Norfolk

Vision

Norfolk is an amazing place, a vibrant and historic port city where culturally diverse citizens, the military, and business are creating the most dynamic and authentic urban waterfront community in America.

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.

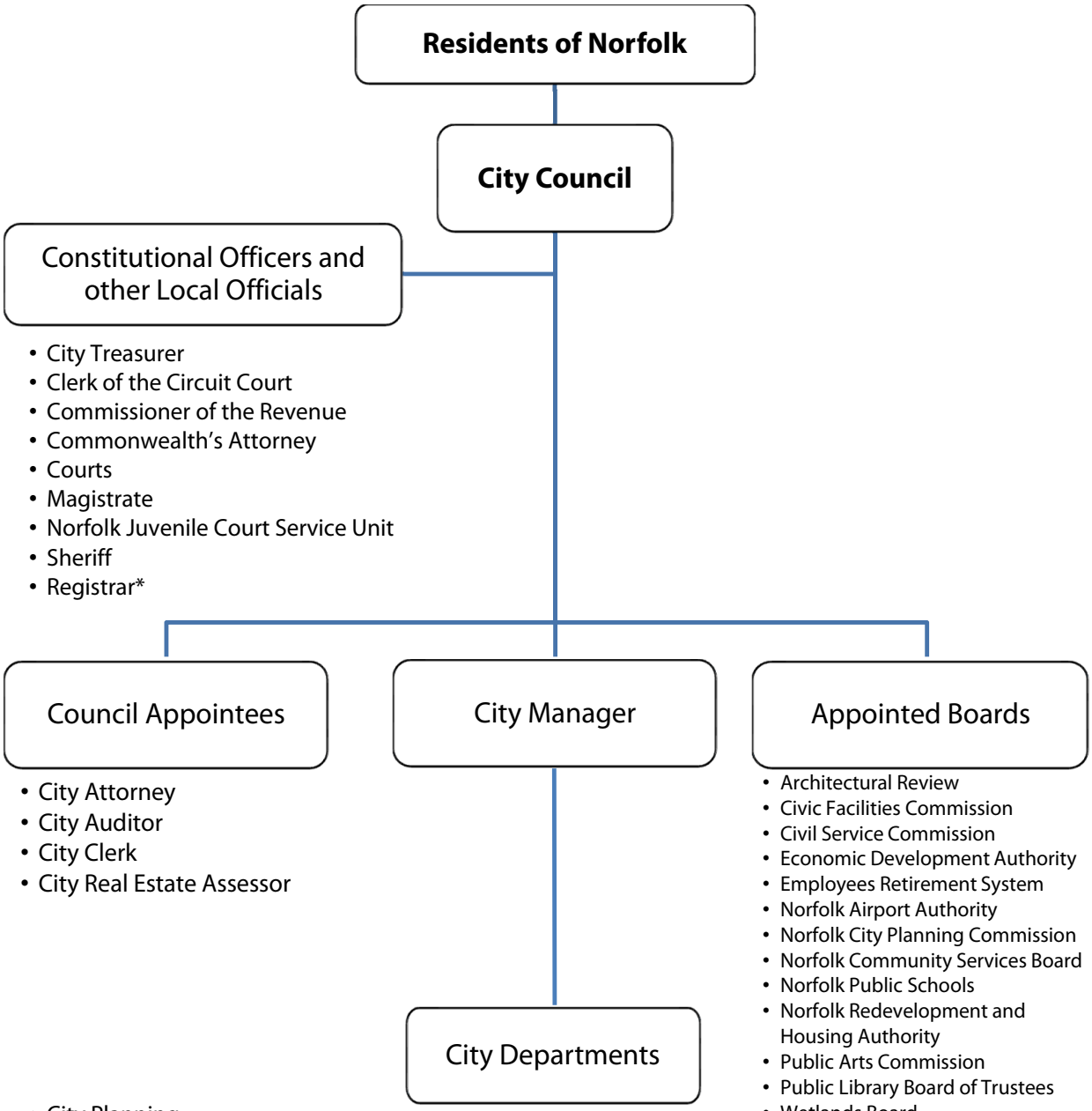
- **Environmental Sustainability** - A premier waterfront community that creates a positive, regenerative effect on its environment, avoids detrimental environmental impacts and thrives economically and culturally.

- **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 public service programs provided by the city government and how the programs are funded. It is the annual plan for coordinating revenues and expenditures. The budget presented covers the period of **July 1, 2015 to June 30, 2016**. The amounts for FY 2016 are approved through the appropriation ordinance adopted by the City Council. The Approved Budget document may include technical changes made after the City Manager's presentation of the Proposed Budget to the City Council.

Budget Overview

This section provides information on budget and financial policies, fund structure, basis of accounting, 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 2014 provided in the summaries do not include designations and financial adjustments posted after June 30, 2014.

Prior Year Accomplishments

This section highlights prior year accomplishments as reported by city departments during the 2014 calendar year and 2015 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 2014 do not include designations and financial adjustments posted after June 30, 2014.

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 2013 and FY 2014 provided in the department summaries do not include designations and financial adjustments posted after June 30 of each fiscal year. FY 2016 approved amounts may include technical changes made after the City Manager's presentation of the Proposed Budget to the City Council.

Public School Education

This section provides information on the approved appropriation for Norfolk Public Schools. FY 2016 approved amounts may include technical changes made after the City Manager's presentation of the Proposed Budget to the City Council.

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 revenues and expenditures for FY 2013 and FY 2014 provided in the department summaries does not include designations and financial adjustments posted after June 30 of each fiscal year. FY 2016 approved amounts may include technical changes made after the City Manager's presentation of the Proposed Budget to the City Council.

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 2016, with future years reflecting planning and not commitment. FY 2016 approved amounts may include technical changes made after the City Manager's presentation of the Proposed Budget to the City Council.

Annual Plan - U.S. Department of 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 2016 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 plan budget and the annual plan. The glossary provides definitions of budget-related terminology. The index contains an alphabetical reference of information contained in the 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 submits 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. 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 (budget 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 Facilities 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 2015 minimum of $41,085,682 is based on the FY 2015 General Fund Budget of $821,713,638 which reflects the budget amendment related to Norfolk Public Schools, citywide improvements and other appropriations. The projected level of $42,332,591 currently exceeds five percent of the budget due to additional funds set aside by City Council in FY 2011 and FY 2012 to strengthen reserves. In FY 2011, City Council elected to not reduce the unassigned General Fund balance by about $2.0 million, maintaining the balance at the FY 2010 level of $41,559,263. During the FY 2013 budget work session, City Council allocated $773,328 of the FY 2011 fund balance, raising the unassigned General Fund balance to $42,332,591.

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 $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 the FY 2013 budget work session, City Council set aside an additional $1,101,429 of the FY 2011 fund balance, raising the Risk Management Reserve to $3.0 million. In FY 2015, City Council allocated $1.0 million of the FY 2014 surplus, raising the reserve to $4.0 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 $5.0 million and no less than $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 the retirement contribution, health insurance or unforeseen emergencies. During the FY 2013 budget work session, City Council allocated $1.0 million of the FY 2011 fund balance to the Economic Downturn/Leveling Reserve to strengthen reserves, raising the reserve from $2.0 million to $3.0 million. In FY 2015, City Council allocated $1.0 million of the FY 2014 surplus, raising the reserve to $4.0 million.

Reserve	Purpose	FY 2015 Minimum	FY 2015 Projected
Unassigned General Fund Balance ("five percent reserve")	Good management practices recommend accumulation of undesignated funds to mitigate current and future risks and provide temporary funding of unforeseen emergency or catastrophic needs.	$41,085,682	$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	$4,000,000
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	$4,000,000

Amounts in the table exclude reserves for encumbrances and other legally restricted reserves and designations. The "five percent reserve" and the Economic Downturn Reserve are required under GASB 54 to be classified in the

unassigned General Fund balance and were formerly in the 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. Although the unprecedented economic times and stagnant growth have lead the city to generate and use one-time budget savings to help balance the budget in prior years, the city has significantly reduced its use of one-time resources in balancing the budget.

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 the legal limit, the city can issue debt in excess of $1.0 billion (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. 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, School Nutrition Services.

School Grants

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

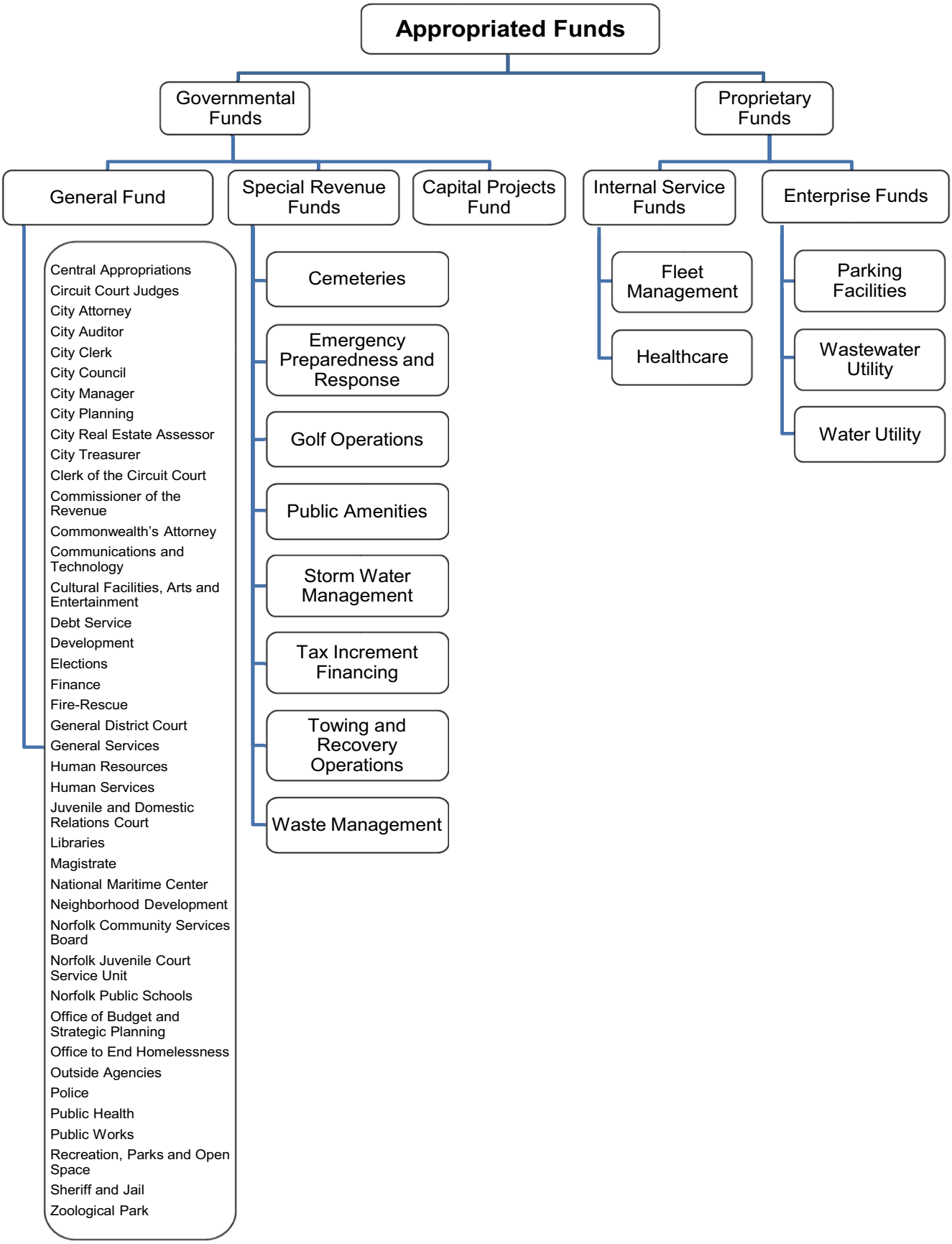
School Nutrition Services

This fund supports the school breakfast and lunch program. School Nutrition Services is a self-funded non-reverting 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.

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 Facilities 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 Proposed Budget to City Council.

City Council's Authorization and Appropriation

After general distribution of the Proposed operating budget, one or more public hearings may be conducted to obtain comments and recommendations from the public. No less than thirty days before the end of the fiscal year, the City Council shall pass an annual appropriation ordinance which shall be based on the budget 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. 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 - November 2014	City Departments	Departments Submit Operating and Capital Improvement Budget Requests	N/A
November - December 2014	Budget and Strategic Planning Executive Staff City Departments	Department Meetings with Budget Staff and Executive Budget Team	N/A
February 5, 2015	Budget and Strategic Planning Communications and Technology Neighborhood Development Executive Staff	Community and Employee Outreach (Budget Exercise)	N/A
April 1, 2015	Norfolk Public Schools	School Board Approved Operating Budget to City Council	Code of Virginia 15.2-2503
April 7, 2015	City Clerk	Public Hearing Notice of the Real Estate Tax Increase (due to increased reassessment)	Code of Virginia 58.1-3321
April 14, 2015	City Manager	City Manager Presentation of Proposed Budget to City Council	City of Norfolk Charter Sec. 67
April 22, 2015	City Clerk	Public Hearing Notice of the Operating and Capital Improvement Plan Budgets, and HUD Grants (CDBG, ESG and HOME)	Code of Virginia 15.2-2506, 58.1-3007 U.S. Department of Housing and Urban Development (HUD)
April 28, 2015	City Council	1st City Council Work Session	N/A
May 6, 2015	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 7, 2015	City Council	Public Hearing on the Real Estate Tax Increase (due to increased reassessment)	Code of Virginia 58.1-3321
May 12, 2015	City Council	2nd City Council Work Session	N/A
May 19, 2015	City Council	3rd City Council Work Session City Council Budget Adoption	City of Norfolk Charter Sec. 68; Code of Virginia 15.2-2503

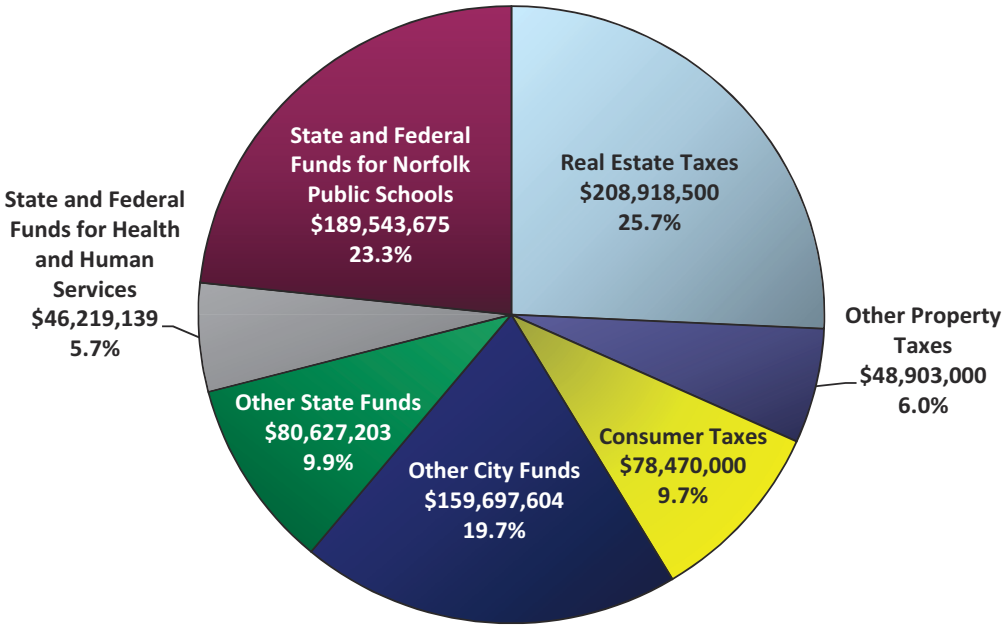
General Fund Budget Overview

Approved FY 2016 General Fund Revenues $812,379,121

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

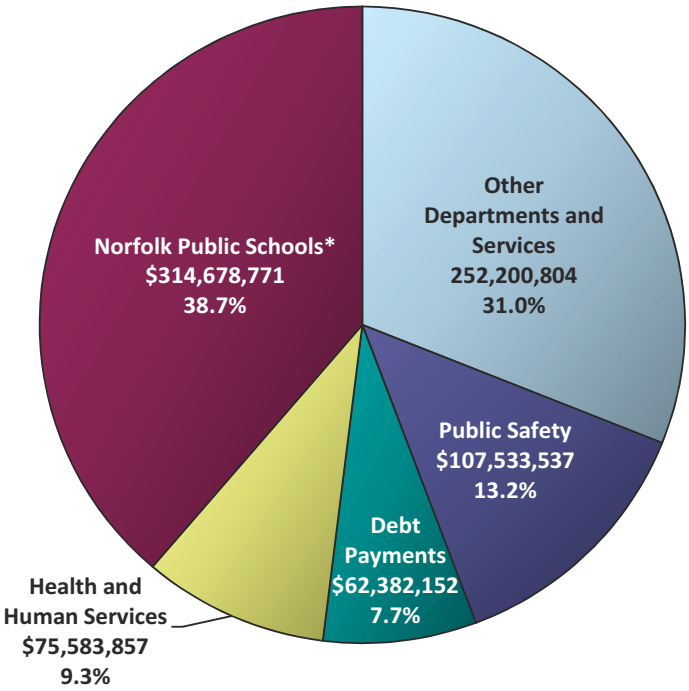
"Other City Funds" include local taxes, fees, charges, fines, rent and interest.

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



Approved FY 2016 General Fund Expenditures $812,379,121

In the FY 2016 budget breakdown, "Other Departments and Services" includes public works, libraries, recreation, cultural facilities, zoo, maritime facility, planning, neighborhood development, economic development, finance, human resources, communications and technology, general services, legislative, executive, law, courts, constitutional officers, outside agencies, and central appropriations.



Note: Percentages have been rounded and may not total to 100. * Does not include in-kind support.

Estimated General Fund Revenues by Source

The following table compares the Approved FY 2016 General Fund Operating Budget to the Approved FY 2015 General Fund Operating Budget and the FY 2014 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.

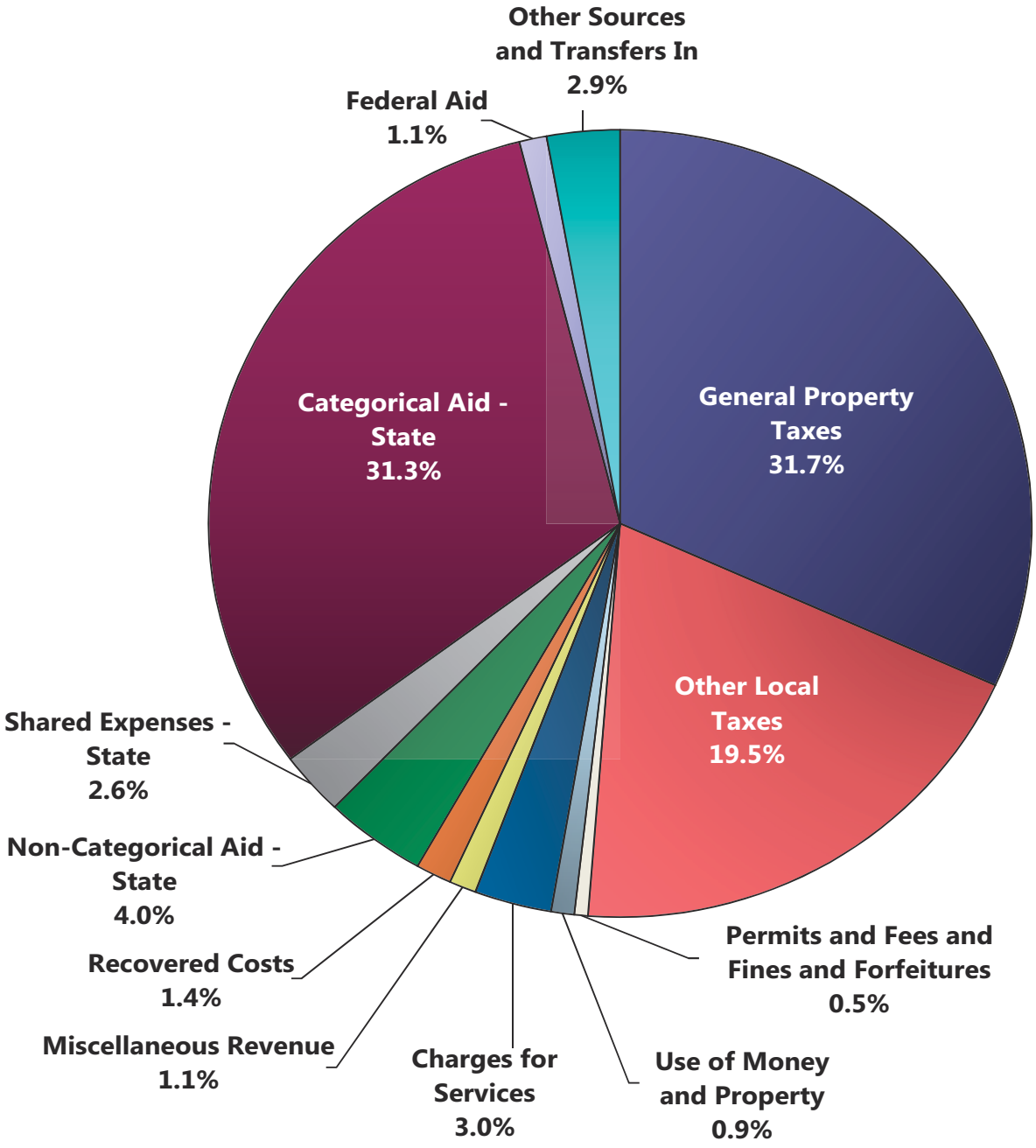
Source	FY 2014 Actual	FY 2015 Approved	FY 2016 Approved	FY 2015 vs. FY 2016 $ Change	FY 2015 vs. FY 2016 % Change
General Property Taxes	254,523,676	256,620,400	257,821,500	1,201,100	0.5%
Other Local Taxes	152,386,188	155,385,600	158,508,748	3,123,148	2.0%
Permits and Fees	3,088,749	3,009,500	3,196,000	186,500	6.2%
Fines and Forfeitures	1,236,647	1,192,600	1,157,600	-35,000	-2.9%
Use of Money and Property	6,689,459	7,414,200	7,368,890	-45,310	-0.6%
Charges for Services[1]	38,221,101	23,438,726	24,633,725	1,194,999	5.1%
Miscellaneous Revenue	10,556,090	9,009,444	8,628,083	-381,361	-4.2%
Recovered Costs	11,215,429	12,312,836	11,405,075	-907,761	-7.4%
Non-Categorical Aid - State	33,046,348	32,802,100	32,571,100	-231,000	-0.7%
Shared Expenses - State	20,794,727	20,802,200	21,043,828	241,628	1.2%
Categorical Aid - State[2]	238,198,194	252,161,961	254,040,223	1,878,262	0.7%
Federal Aid[2]	6,591,065	8,646,137	8,738,866	92,729	1.1%
Other Sources and Transfers In[3]	39,726,339	35,035,434	23,265,483	-11,769,951	-33.6%
General Fund Total	**816,274,012**	**817,831,138**	**812,379,121**	**-5,452,017**	**-0.7%**

[1] The reduction in charges for services from FY 2014 was largely due to classification of Waste Management as a Special Revenue Fund beginning in FY 2015.

[2] The increase in state categorical aid and federal aid from FY 2014 was largely due to classification of Norfolk Community Services Board as General Fund beginning in FY 2015.

[3] The FY 2016 decrease in other sources and transfers in was largely due to decrease in the city and Norfolk Public Schools carryforward from fund balance of prior year savings (about $10.0 million) and transfers in from nongeneral funds (about $1.75 million).

Approved
FY 2016 General Fund Revenues by Source



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

Estimated Revenues by Source (All Funds)

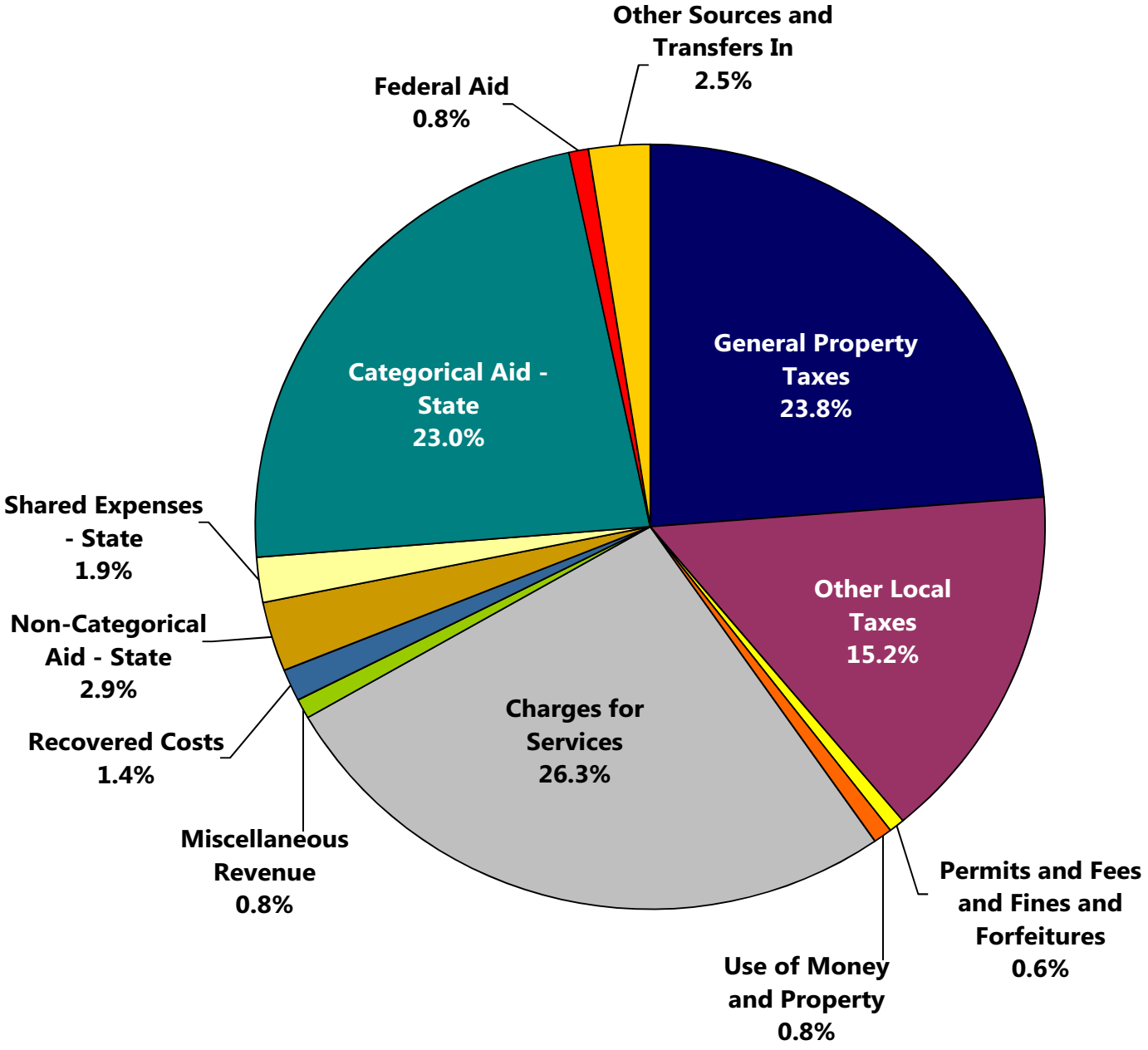
The following table compares the Approved FY 2016 Budget for All Funds as compared to the Approved FY 2015 Budget for All Funds and the FY 2014 Actual amount. Funding sources by category are shown to provide an overview of the sources of revenue for all operating funds of the city. Revenues are contained in those categories where they are originally raised.

Source	FY 2014 Actual	FY 2015 Approved	FY 2016 Approved	FY 2015 vs. FY 2016 $ Change	FY 2015 vs. FY 2016 % Change
General Property Taxes	256,979,376	259,958,700	262,805,600	2,846,900	1.1%
Other Local Taxes	161,499,027	164,684,496	167,931,244	3,246,748	2.0%
Permits and Fees	4,590,121	4,418,800	3,862,100	-556,700	-12.6%
Fines and Forfeitures	3,843,683	3,594,600	3,181,600	-413,000	-11.5%
Use of Money and Property	8,045,828	8,649,107	8,520,229	-128,878	-1.5%
Charges for Services[1]	197,762,893	286,088,069	291,171,567	5,083,498	1.8%
Miscellaneous Revenue	11,087,188	9,579,871	9,198,133	-381,738	-4.0%
Recovered Costs	17,573,195	15,862,972	14,933,211	-929,761	-5.9%
Non-Categorical Aid - State	33,046,348	32,802,100	32,571,100	-231,000	-0.7%
Shared Expenses - State	20,794,727	20,802,200	21,043,828	241,628	1.2%
Categorical Aid - State	248,928,199	252,161,961	254,040,223	1,878,262	0.7%
Federal Aid	9,721,381	8,709,754	8,802,483	92,729	1.1%
Other Sources and Transfers In[2]	47,703,111	40,769,973	27,713,189	-13,056,784	-32.0%
Total All Funds	**1,021,575,077**	**1,108,082,603**	**1,105,774,507**	**-2,308,096**	**-0.2%**

[1] The increase in charges for services in FY 2015 from FY 2014 was largely due to the Healthcare Fund.

[2] The FY 2016 decrease in other sources and transfers in was largely due to decrease in the General Fund carryforward from fund balance of prior year savings (about $10.0 million) and transfers in to General Fund from nongeneral funds (about $1.75 million).

Approved
FY 2016 Revenues by Source (All Funds)



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

Estimated Expenditures by Use (All Funds)

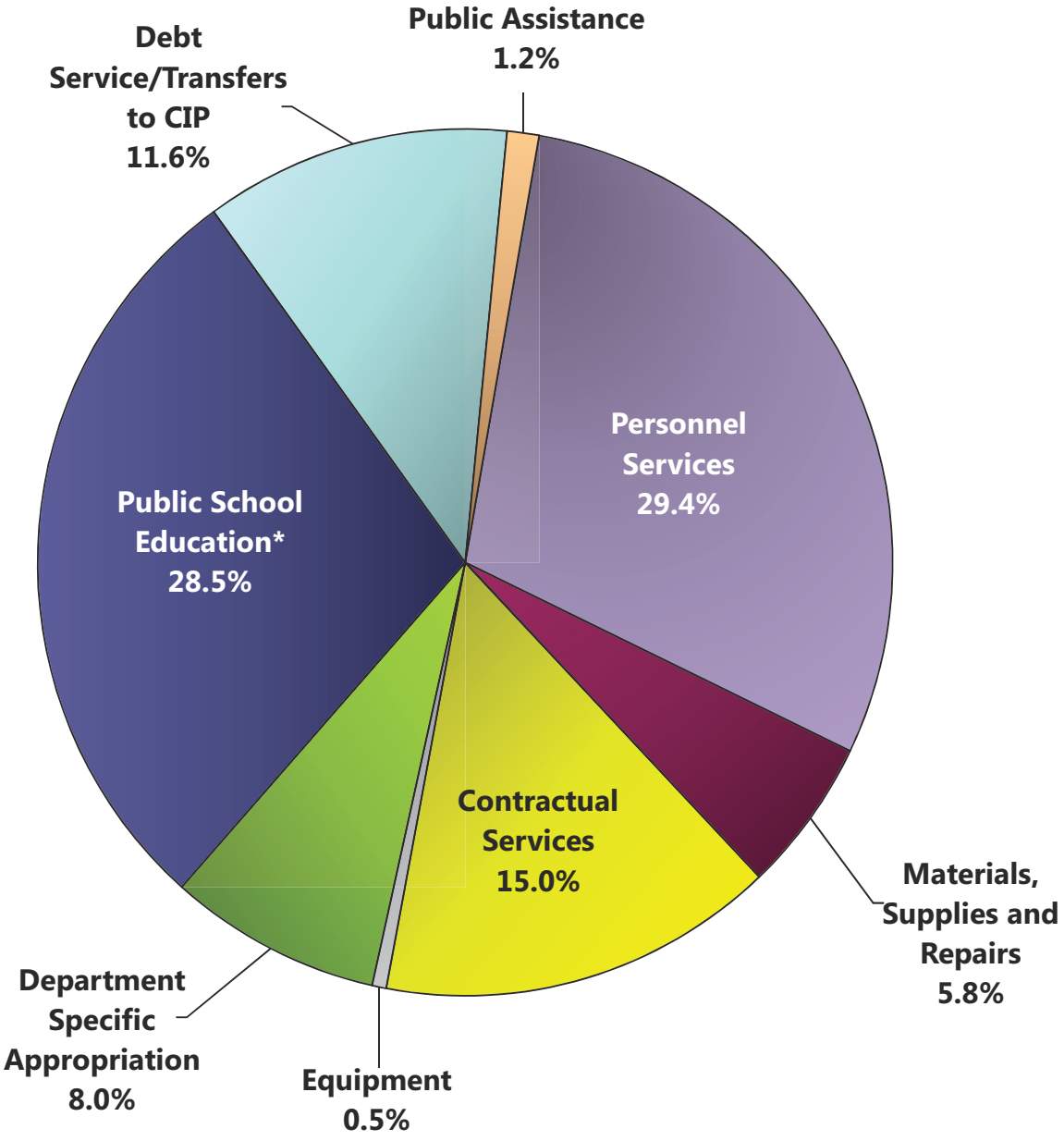
The following table compares the Approved FY 2016 Operating Budget to the FY 2015 Approved Operating Budget and the FY 2014 Actual amount. Funding uses by category are shown to provide an overview of the principal uses of expenditures for all operating funds of the city. Expenditures are contained in those categories where they are originally spent.

Uses	FY 2014 Actual	FY 2015 Approved	FY 2016 Approved	FY 2015 vs. FY 2016 $ Change	FY 2015 vs. FY 2016 % Change
Personnel Services	314,624,878	318,395,599	324,972,893	6,577,294	2.1%
Materials, Supplies and Repairs	64,723,272	66,894,572	63,644,756	-3,249,816	-4.9%
Contractual Services	114,937,750	165,015,086	166,256,949	1,241,863	0.8%
Healthcare Fund[1]	*34,878,683*	*86,282,292*	*89,383,437*	*3,101,145*	*3.6%*
All Other - Contractual Services	*80,059,067*	*78,732,794*	*76,873,512*	*-1,859,282*	*-2.4%*
Equipment	4,742,540	5,651,562	5,921,395	269,833	4.8%
Department Specific Appropriation	77,150,427	83,402,908	88,908,952	5,506,044	6.6%
Public School Education[2]	303,056,986	317,618,431	314,678,771	-2,939,660	-0.9%
Debt Service/Transfers to CIP	107,925,595	137,695,130	127,981,476	-9,713,654	-7.1%
Public Assistance	12,562,210	13,409,315	13,409,315	0	0.0%
Total All Funds	**999,723,658**	**1,108,082,603**	**1,105,774,507**	**-2,308,096**	**-0.2%**

[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.

[2] The FY 2016 decrease in Public School Education was largely due to the reduction of carryforward funds and removal of one-time funds from the FY 2014 Construction, Technology, and Infrastructure (CTI) program.

Approved
FY 2016 Expenditures by Use (All Funds)



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

* Does not include "in-kind" support. See Public School Education section.

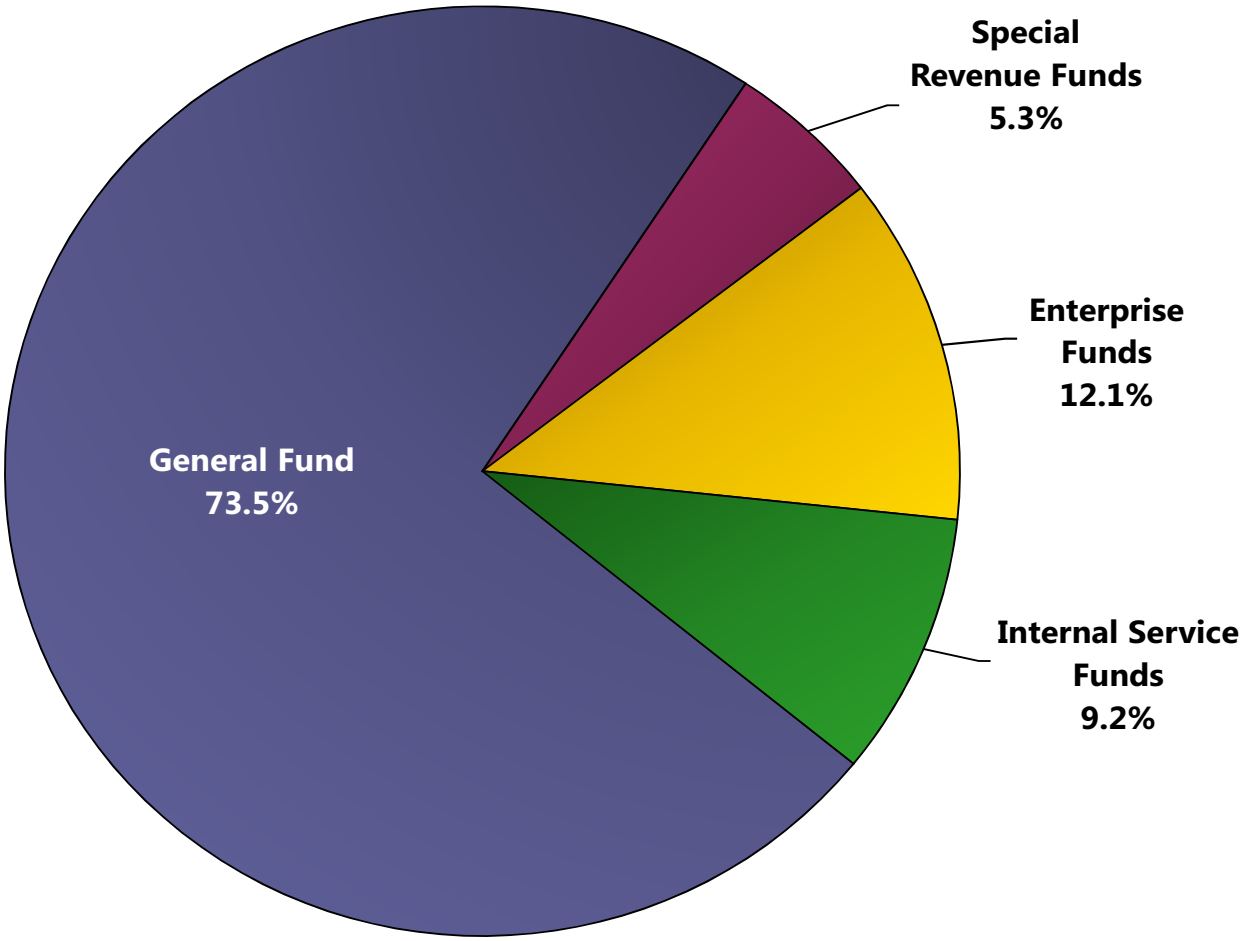
Estimated Expenditures by Fund Type

The following table compares expenditures by fund type in the Approved FY 2016 Operating Budget with the Approved FY 2015 Operating Budget and the FY 2014 Actual amount.

Fund Type	FY 2014 Actual	FY 2015 Approved	FY 2016 Approved	FY 2015 vs. FY 2016 $ Change	FY 2015 vs. FY 2016 % Change
General Fund	801,391,249	817,831,138	812,379,121	-5,452,017	-0.7%
Special Revenue Funds	57,015,040	59,104,682	58,319,152	-785,530	-1.3%
Enterprise Funds	92,956,753	131,354,377	133,696,707	2,342,330	1.8%
Internal Service Funds	48,360,616	99,792,406	101,379,527	1,587,121	1.6%
Total All Funds	**999,723,658**	**1,108,082,603**	**1,105,774,507**	**-2,308,096**	**-0.2%**

[1] The increase internal service funds from FY 2014 was primarily due to the introduction of the Healthcare Fund.

Approved
FY 2016 Expenditures by Fund Type (All Funds)



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

Estimated General Fund Expenditures by Area

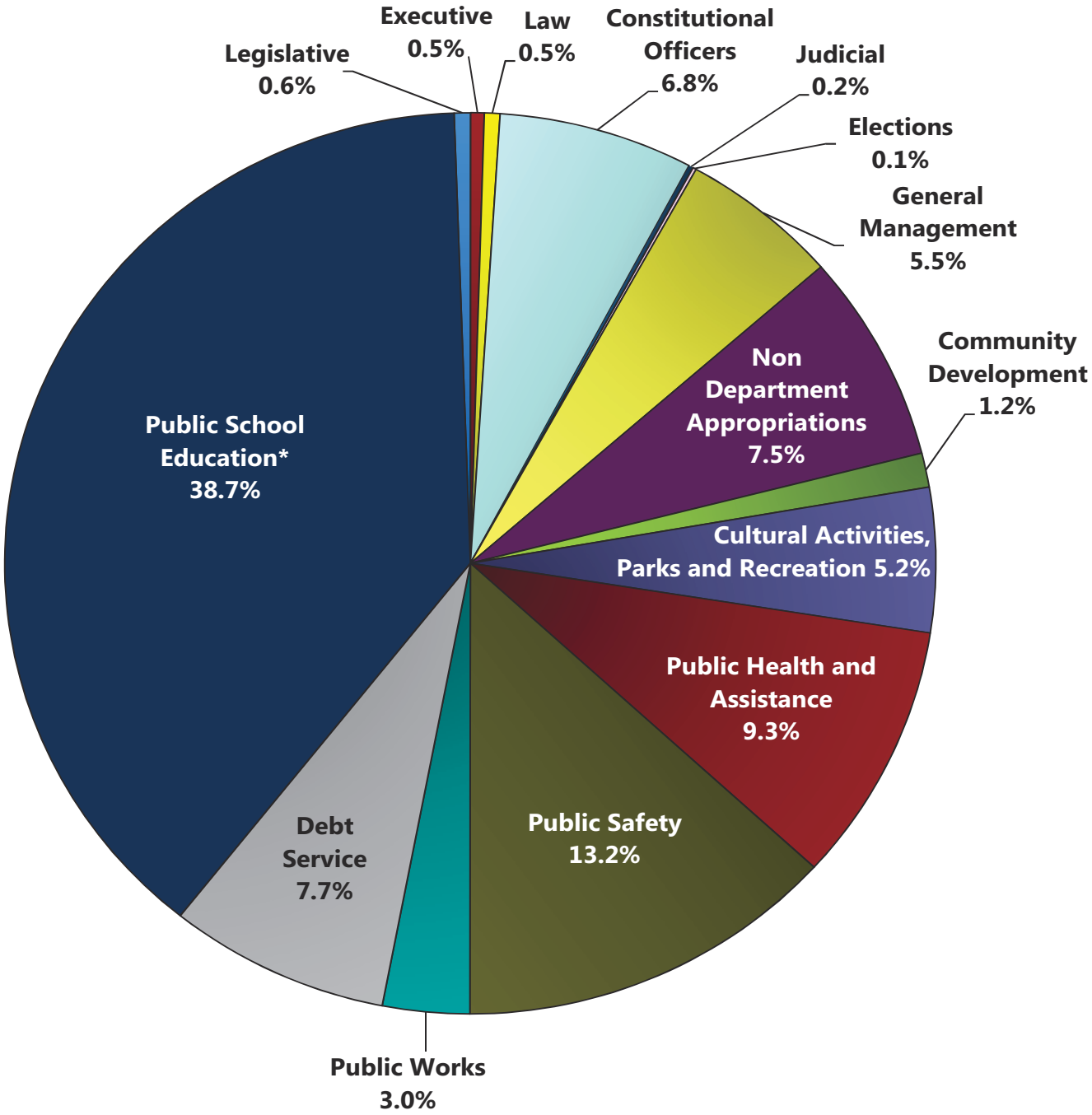
The following table compares the Approved FY 2016 General Fund Operating Budget to the Approved FY 2015 General Fund Operating Budget and the FY 2014 Actual amount. Major areas of service are shown to provide a broad overview of the expenditures for the general operating fund of the city.

Service Area	FY 2014 Actual	FY 2015 Approved	FY 2016 Approved	FY 2015 vs. FY 2016 $ Change	FY 2015 vs. FY 2016 % Change
Legislative	4,570,849	4,551,518	4,623,759	72,241	1.6%
Executive	3,729,336	3,814,940	3,796,901	-18,039	-0.5%
Department of Law	4,089,154	4,035,246	4,386,569	351,323	8.7%
Constitutional Officers	52,768,060	54,308,241	54,943,097	634,856	1.2%
Judicial	1,147,222	1,203,696	1,279,259	75,563	6.3%
Elections	807,970	661,520	978,131	316,611	47.9%
General Management	38,231,626	43,136,891	44,788,631	1,651,740	3.8%
Community Development	8,864,997	9,770,124	9,922,055	151,931	1.6%
Cultural Activities, Parks and Recreation	41,656,821	40,822,657	42,090,368	1,267,711	3.1%
Non Department Appropriations	70,270,027	59,595,589	60,882,376	1,286,787	2.2%
Public Health and Assistance[1]	49,282,868	76,015,632	75,583,857	-431,775	-0.6%
Public Safety	105,644,941	105,107,822	107,533,537	2,425,715	2.3%
Public Works[2]	41,922,478	24,103,966	24,509,658	405,692	1.7%
Debt Service	75,347,914	73,084,865	62,382,152	-10,702,713	-14.6%
Public School Education	303,056,986	317,618,431	314,678,771	-2,939,660	-0.9%
General Fund Total	**801,391,249**	**817,831,138**	**812,379,121**	**-5,452,017**	**-0.7%**

[1] The increase in public health and assistance from FY 2014 reflects the classification of Norfolk Community Services Board as General Fund beginning in FY 2015. The Office to End Homelessness was also reclassified under public health and assistance. See General Fund Expenditure Summary for more details.

[2] The decrease in public works reflects the classification of Waste Management as Special Revenue Fund beginning in FY 2015.

Approved
FY 2016 General Fund Expenditures by Area



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

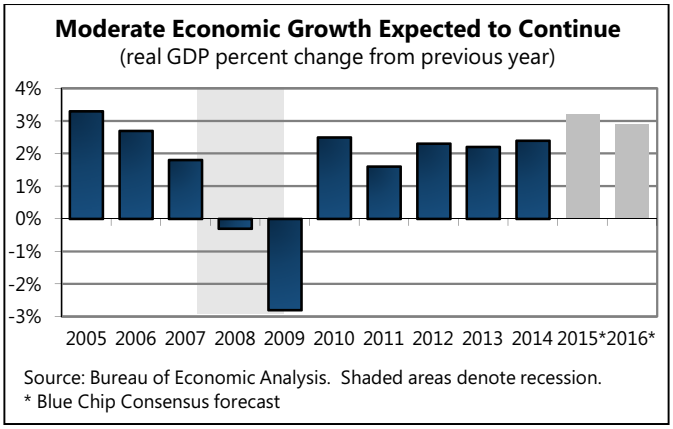
* Does not include "in-kind" support. See Public School Education section.

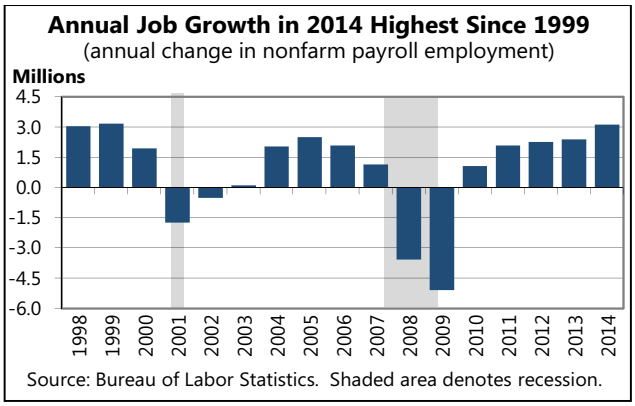
Major Revenue Sources

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 decrease 0.7 percent. Moreover, real estate assessments overall are projected to increase by about 2.0 percent in FY 2016 for the third straight year, after increasing 1.4 percent in FY 2015 and 0.6 percent in FY 2014.

Economic Overview

Although the national economy declined in the first quarter of 2014 (-2.1 percent), its first decline since 2011 and the largest since the Great Recession, the economy rebounded quickly, with real gross domestic product (GDP), the broadest measure of economic activity, growing 4.6 and 5.0 percent in the second and third quarters, respectively, before moderating to a 2.2 percent growth in the fourth quarter. For all of 2014, the economy grew 2.4 percent, above the 2.2 percent growth in 2013. The acceleration in 2014 was due to higher growth in consumer spending, business investment, and state and local government spending. Also, the 1.9 percent decline in federal government spending was considerably lower than the 5.7 percent decline in 2013. The 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 to continue through 2016.

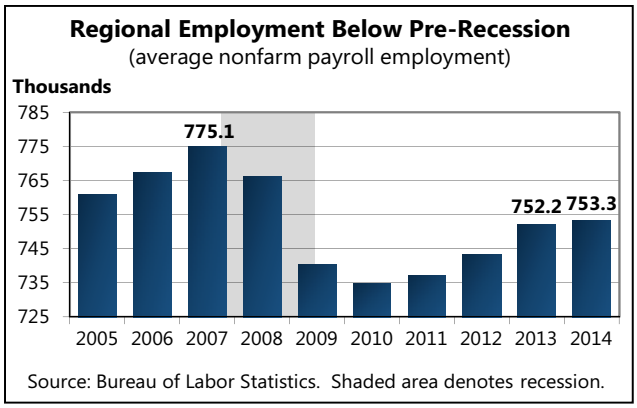




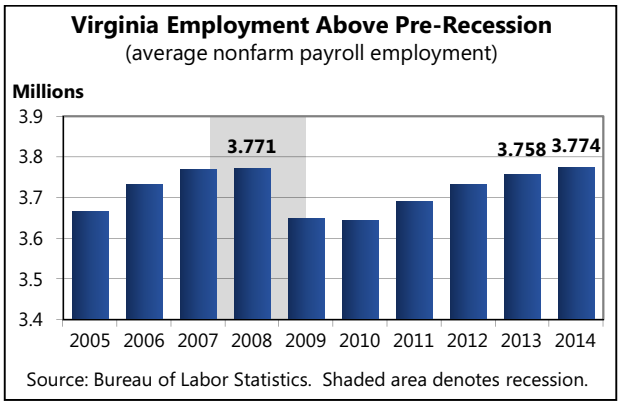
In 2014, the national economy added about 3.1 million jobs, the largest annual increase since 1999. The year marked the first annual increase in public sector jobs since 2008, as gains in state and local government (85,000 jobs) more than offset job losses in the federal government (12,000 jobs). The private sector added jobs for the fifth straight year, over three million jobs in 2014, the most since 1997. Moreover, with the annual benchmark revision, total employment surpassed its pre-recession peak in April 2014, a month earlier than initially reported (May 2014). However, total employment has not returned to pre-recession levels in all the major sectors of the economy. Through March 2015, job growth continued adding 591,000 jobs to date, but mainly in the private sector, while the public sector has shed 4,000 jobs mainly in federal and state government. The unemployment rate continued to decline, falling to 5.5 percent in February and March 2015, its lowest rate since May 2008, but remains above its pre-recession low of 4.4 percent.

Virginia average nonfarm employment rose 0.4 percent (15,900 jobs) in 2014 to 3,774,000. Although this was the smallest annual increase in four years, the job gains in 2014 raised Virginia's average nonfarm employment above the 2008 peak of 3,771,300 (revised) by 2,700 jobs. Most of the gains from the pre-recession peak were largely in Northern Virginia, Richmond, Charlottesville, and Winchester metropolitan areas. In 2014, Virginia's job gains occurred in most of the major sectors, with the largest gains occurring in leisure and hospitality, health services (except hospitals), retail trade, transportation and warehousing, and state government, while information, professional and business services, educational services, and public sector (mainly federal and local government) lost jobs in 2014. Year-to-date through February 2015, statewide nonfarm employment (not seasonally adjusted)

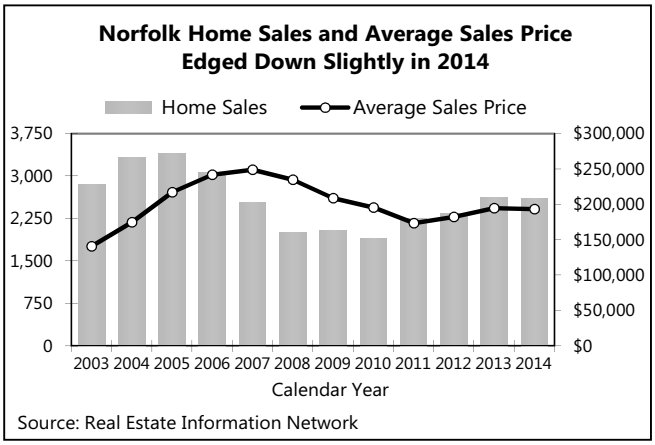
continued to rise year-over-year by 1.1 percent (42,300 jobs) and has been rising year-over-year in every month since April 2014. Prior to the annual benchmark revision, Virginia's nonfarm employment (not seasonally adjusted) had been rising year-over-year in every month since March 2014.



Similar to Virginia, Hampton Roads' average nonfarm employment also saw its smallest increase in four years, rising only 0.1 percent (1,100 jobs) in 2014 to 753,300. However, unlike Virginia, the region's average nonfarm employment remained below its 2007 peak of 775,100 jobs (revised) by about 21,800 jobs despite the gains made in the past four years. In 2014, the biggest gains in employment occurred in: professional and business services; trade, transportation and utilities; health services (except hospitals); and state government. The biggest losses were in federal and local government and information. The region's nonfarm employment (not seasonally adjusted) continued to rise year-over-year in February 2015 by 0.7 percent (5,300 jobs). This was the 4th straight month of year-over-year growth, as jobs in October 2014 were revised to a 0.2 percent decline from the previously reported 0.8 percent growth. Prior to the annual benchmark revision, jobs had been rising year-over-year from June through December. Economists at Old Dominion University and Hampton Roads Planning District Commission are projecting a moderate 0.9 percent growth in employment in 2015, and although the regional economy is expected to continue to grow in 2015, the projected growth will be below historical average and national growth.

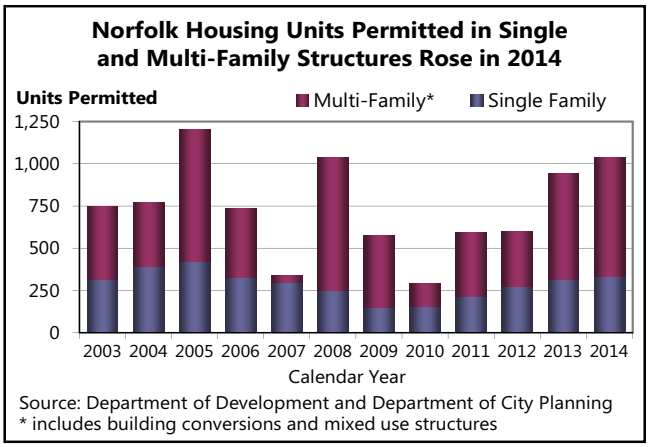


Virginia's economic outlook is for continued moderate growth, but performing below the national economy with regard to personal income, wage and employment growth. Virginia's fiscal condition is of consequence, since about 38 percent of Norfolk's general fund resources comes from the state. Unlike last year, the General Assembly adopted the budget early this year, despite beginning the budget process with a $2.4 billion gap. The gap was largely due to a large drop in nonwithholding payments in FY 2014, resulting from taxpayer response to the federal fiscal cliff. Consequently, Virginia's General Fund revenues in FY 2014 fell 1.6 percent, which was the first time revenues fell outside of a national recession. The decline in FY 2014 rippled through to the FY 2015 – FY 2016 biennium. Proposed actions to close the budget gap included a reduction in aid to localities (ATL) in both years of the biennium which would have resulted in a potential revenue loss of $1.4 million each year to the city. Although the final budget reversed the planned ATL reduction for FY 2016, the $1.4 million ATL reduction that was imposed in FY 2015 remained.



Norfolk's locally generated revenues have continued to improve at a moderate pace. 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 local housing market. In FY 2016, the latest estimate from the Real Estate Assessor's Office based on data through the third quarter of FY 2015 is for a 1.77 percent increase in overall real estate assessments. The increase follows two straight years of growth of 1.4 percent in FY 2015 and 0.6 percent in FY 2014. The Real Estate Assessor's Office also indicated that FY 2016 will see its first increase in residential reassessments. Although residential assessments increased 0.2 percent in FY 2015, the increase

was mainly due to new growth rather than reassessment of existing properties, and while average and median sales price of homes sold in Norfolk increased in 2012 and 2013, residential assessments had not, lagging market trend. In 2014, the average sales price of homes sold in Norfolk edged down slightly by 0.7 percent. However, the decline occurred during the first seven months of the year, and since then, the average sales price of homes sold have been increasing year-over-year through January 2015. Distressed homes, which are typically sold at a discount, have dampened home price growth and still make up a significant portion of homes for sale in the region.



Permitting of new housing units in Norfolk rose for the 4th straight year in 2014. The increase was mainly from housing units permitted in single-family structures, which rose to their highest level since 2006, and housing units permitted in nonresidential buildings being converted to apartments. The latter included the Union Mission building (re-permitted in 2014) and the Madison and the Trader office buildings. Housing units permitted in new multi-family structures fell in 2014, despite several permitted projects such as, Pointe at Pickett Farms and Bolling Square.

In 2014, the value of permits issued for non-residential (or "commercial") projects were lower than last year which had included projects such as, Bauer Compressors building, Wards Corner shopping center, Hampton Roads Sanitation District facility, Sentara Leigh Hospital bed tower, and DePaul Medical Center office building. Commercial projects permitted in 2014 included the Hampton Roads Transit bus transfer facility, Hampton Roads Sanitation District treatment facility, Ghent Station, Walmart Neighborhood Market, and The Main. Other commercial projects permitted included improvements by Amerigroup and Norfolk International Airport. 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 about 38 percent of General Fund revenues, which consists 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 Commonwealth restored the flexible cut to state aid to localities (ATL) in FY 2014 that had been in place since FY 2009, the state once again imposed the ATL cut in FY 2015 mid-year as a measure to close their budget gap. The ATL reduction represented a $1.4 million revenue loss to the city that had not been anticipated in the FY 2015 Approved Budget. Fortunately, the state's final biennial budget reversed the proposed ATL reduction for FY 2016. However, not all state reductions have been restored and revenue from the Commonwealth remain below the peak reached in FY 2009.

The remaining revenue comes from the federal government (largely funds dedicated towards education and the Norfolk Community Services Board), recovered costs, interfund transfers, and carryforward funds of prior year savings. Interfund transfers represent a return on investment from the Waste Management and Water and

Wastewater Utility operations. Carryforward funds are generated through a combination of current and prior year savings.

Preliminary General Fund revenue projections, based on historical trends and latest economic data, were presented in February during the City Manager's mid-year report on the budget. Projections for the FY 2016 budget were updated through March to incorporate the most recent information available. Estimates for each revenue source are based on 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 the FY 2015 budget, FY 2015 end of year estimate ("FY 2015 estimate") and FY 2016 estimate. The FY 2016 General Fund revenue estimate is $812.4 million, which is about $5.5 million (or 0.7 percent) less than the FY 2015 budget.

General Fund Revenues

Source	FY 2014 Actual	FY 2015 Approved	FY 2016 Approved	FY 2015 vs. FY 2016 $ Change	FY 2015 vs. FY 2016 % Change
General Property Taxes	254,523,676	256,620,400	257,821,500	1,201,100	0.5%
Other Local Taxes	152,386,188	155,385,600	158,508,748	3,123,148	2.0%
Permits and Fees	3,088,749	3,009,500	3,196,000	186,500	6.2%
Fines and Forfeitures	1,236,647	1,192,600	1,157,600	-35,000	-2.9%
Use of Money and Property	6,689,459	7,414,200	7,368,890	-45,310	-0.6%
Charges for Services[1]	38,221,101	23,438,726	24,633,725	1,194,999	5.1%
Miscellaneous Revenue	10,556,090	9,009,444	8,628,083	-381,361	-4.2%
Recovered Costs	11,215,429	12,312,836	11,405,075	-907,761	-7.4%
Non-Categorical Aid - State	33,046,348	32,802,100	32,571,100	-231,000	-0.7%
Shared Expenses - State	20,794,727	20,802,200	21,043,828	241,628	1.2%
Categorical Aid - State[2]	238,198,194	252,161,961	254,040,223	1,878,262	0.7%
Federal Aid[2]	6,591,065	8,646,137	8,738,866	92,729	1.1%
Other Sources and Transfers In	39,726,339	35,035,434	23,265,483	-11,769,951	-33.6%
General Fund Total	**816,274,012**	**817,831,138**	**812,379,121**	**-5,452,017**	**-0.7%**

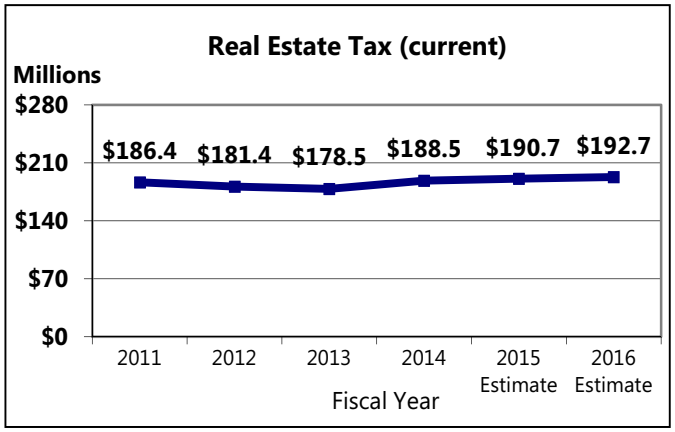
[1] The decrease in charges for services from FY 2014 was largely due to the classification of Waste Management as a Special Revenue Fund beginning in FY 2015.

[2] The increase in state categorical aid and federal aid from FY 2014 was largely due to the classification of Norfolk Community Services Board as General Fund beginning in FY 2015.

REVENUE MONITORING

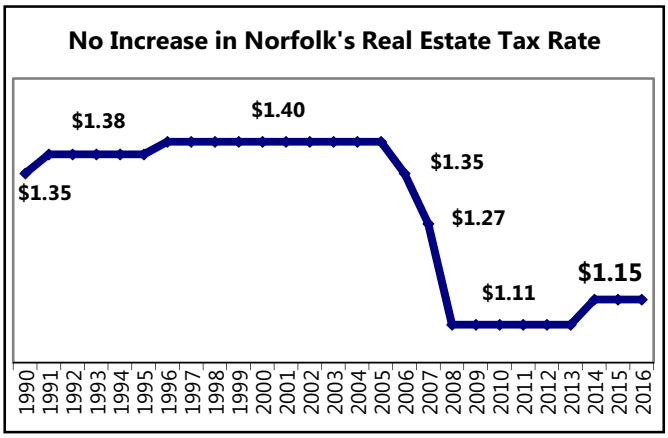
Collection of all of the city's revenue sources are monitored throughout the year. Data from monthly financial reports are monitored to determine the accuracy of budgetary projections. This allows for appropriate administrative action if actual results differ substantially from projections. A detailed 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.

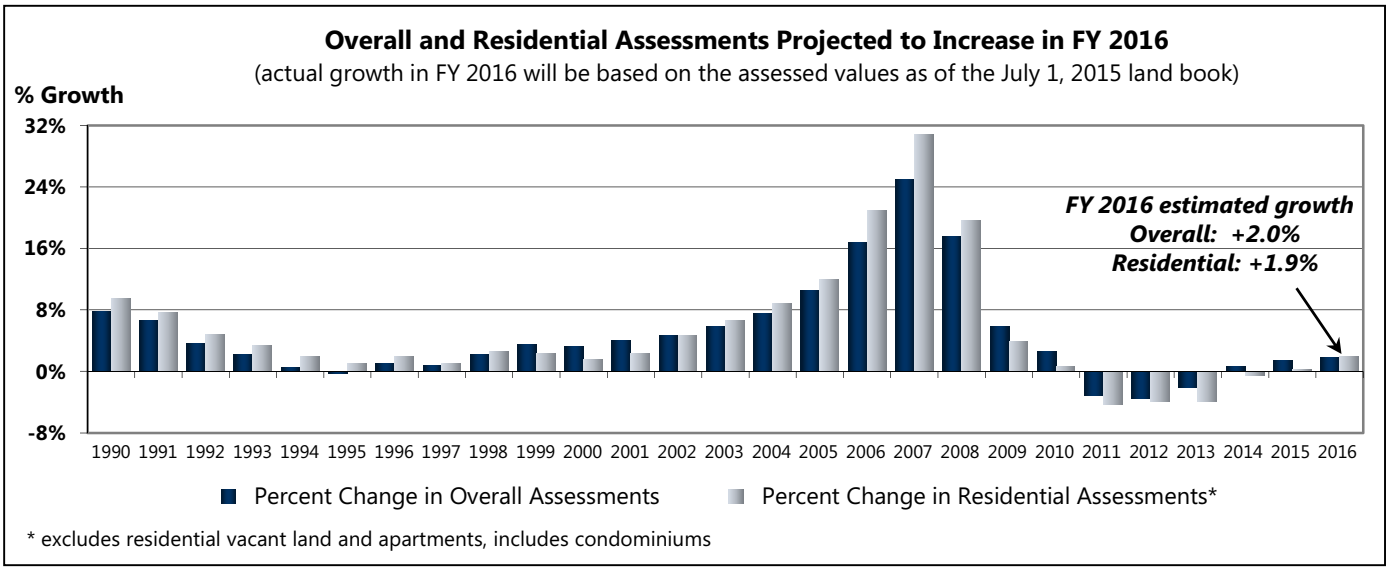
General Property Taxes



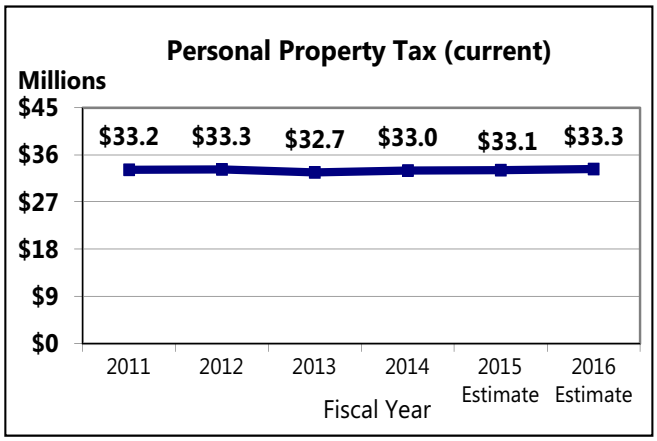
General property taxes are levied on the assessed value of real and personal property. These taxes represent about 31.7 percent ($257.8 million) of the city's General Fund revenues. Real estate taxes make up the largest component of general property taxes ($208.9 million or 25.7 percent of General Fund revenues), which includes current and delinquent taxes and the tax on public service corporations, and Downtown Improvement District real estate. Current real estate taxes make up about 23.7 percent ($192.7 million) of FY 2016 revenues, an increase of 1.4 percent from the FY 2015 budget ($190.0 million) and 1.0 percent from the FY 2015 estimate ($190.7 million). The FY 2016 estimate of current real estate taxes assumes a real estate tax rate of $1.15 per $100 of assessed value and reflects an increase in the collection rate. The estimate also reflects continuing to set aside $5.0 million for real estate tax relief to qualifying senior/disabled homeowners and disabled veterans. The funds to provide real estate tax relief to qualifying surviving spouses of military personnel killed in action recently mandated is also included in the $5.0 million amount.

The FY 2016 estimate of real estate tax (current) reflects the Real Estate Assessor's Office's most recent estimate, including the FY 2015 fourth quarter growth in real estate assessments, of about a 2.0 percent increase in overall assessments. This would mark the third straight year of increase in overall assessments. The Real Estate Assessor's Office indicated the increase is 1.4 percent when new growth is excluded. Moreover, residential reassessments will see its first increase in FY 2016. In the past two years, the increase has mainly come from commercial properties and apartments, and although residential assessments increased 0.2 percent last year, the increase was mainly from new growth rather than reassessment of existing properties. The Real Estate Assessor's Office indicated that fewer neighborhoods are seeing a decrease in their assessed values, and the rate of decline is much less significant in FY 2016 than in previous years.





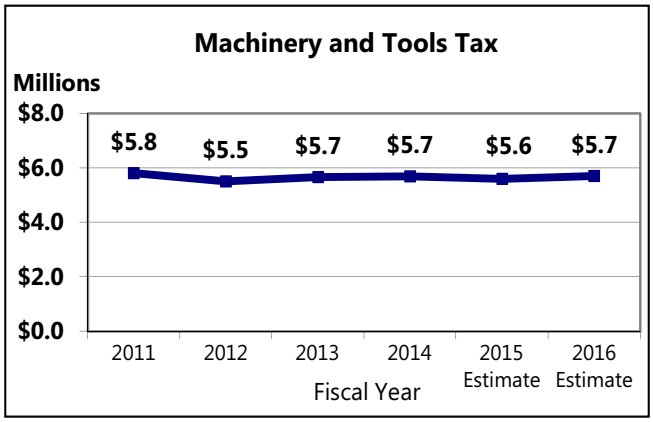
Consideration about the city's real estate assessments and tax rate should take into account that nearly 38 percent of real estate in the city is tax-exempt, mainly due to federal land ownership. Among the seven major cities in the region, only Portsmouth has a higher percentage of tax-exempt real property.



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 ($33.3 million) of FY 2016 revenues and is 0.6 percent ($0.2 million) above the FY 2015 estimate. Personal property taxes in total (delinquent revenue and refunds combined) in FY 2016 are estimated to be about 1.3 percent ($0.6 million) above the FY 2015 estimate but is below the FY 2015 budget by 1.9 percent ($0.8 million) due to reconciling delinquent accounts.

The FY 2016 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 FY 2016 (tax bills due June 5, 2016). 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 will 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 will 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 2016 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.

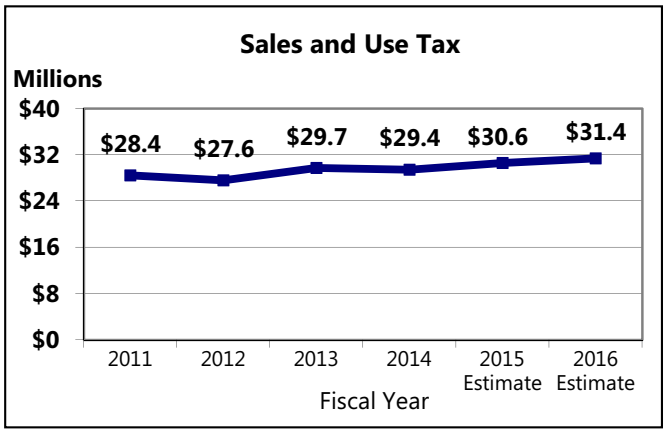
The machinery and tools tax is the third largest component of general property taxes and makes up about 0.7 percent ($5.7 million) of the city's General Fund revenue. The tax is levied on machinery and tools used in manufacturing, mining, radio and television broadcasting, cable television, dry cleaning or laundry businesses. Expansion by businesses in the city has generated some additional revenue from this source. In recent years, the revenue generated from this source has remained 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

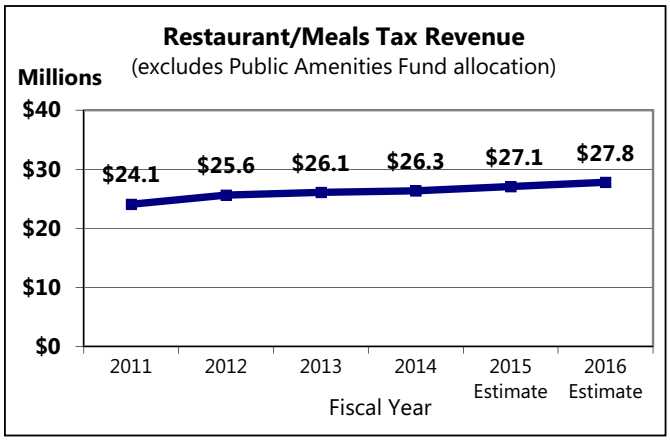
Other local taxes are comprised of consumer and business-based taxes, including excise taxes on utilities, sales, hotel/motel, restaurant, admissions, and cigarettes, as well as franchise, business license, and recordation taxes. In

FY 2016, other local taxes are projected to make up about 19.5 percent ($158.5 million) of the city's General Fund revenues. The revenue category is sensitive to changes in economic conditions.



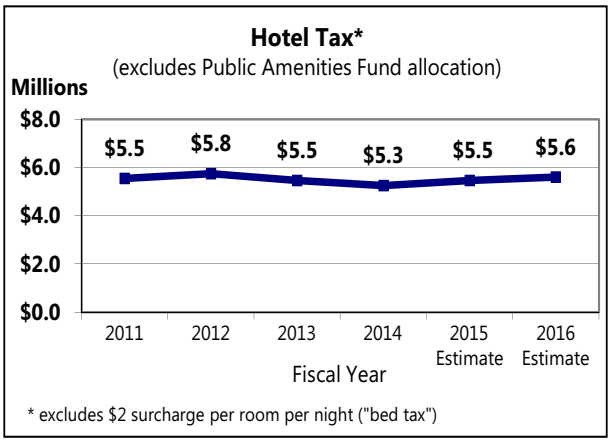
The sales and use tax makes up about 3.9 percent ($31.4 million) of the city's General Fund revenue and is levied on selling, distribution, leasing or renting of tangible personal property, use or consumption of tangible personal property, as well as taxable services in Virginia. Revenue from this source 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, job growth, 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 2.6 percent ($0.8 million) from the FY 2015 estimate, with continued recovery of the economy.

Consumer utility taxes and the communications sales and use tax combined make up about 4.9 percent or $39.6 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 2016, revenue from the consumer utility tax is estimated to increase by about 0.4 percent ($0.2 million) from the FY 2015 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 2016 is estimated to be $18.3 million, which is unchanged from the FY 2015 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 city's largest source in the Other Local Tax category.

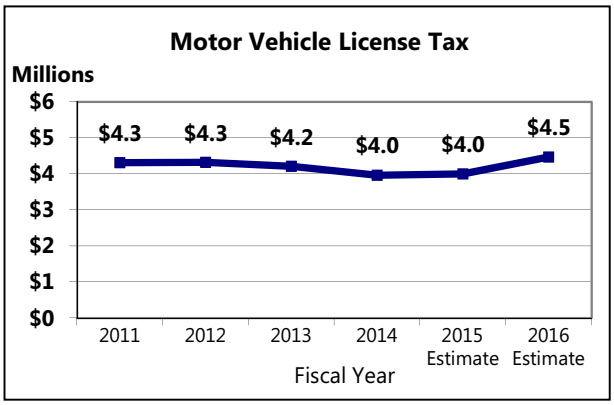
Meals taxes have grown steadily since the end of the economic downturn ("Great Recession") as restaurants have opened citywide in various commercial areas including, downtown Norfolk, Military Highway corridor, and the Ghent and Colley Avenue areas. In FY 2016, meals taxes make up 3.4 percent ($27.8 million) of General Fund revenues. This revenue source is projected to grow by 2.5 percent ($0.7 million) from the FY 2015 estimate and the FY 2015 budget.



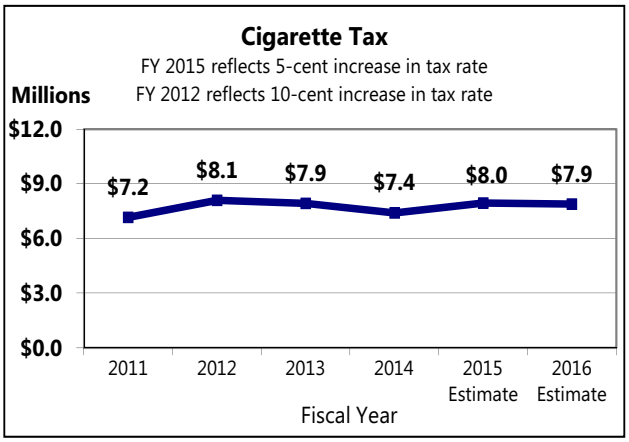
Hotel taxes are levied on hotel rooms rented. The hotel tax rate is 8.0 percent of the room rate. Like the restaurant/meals tax, revenue generated by one percentage point of the tax is allocated to the Public Amenities Fund and revenue generated from the remaining seven percentage points are allocated to the General Fund. Hotel taxes make up about 0.7 percent ($5.6 million) of General Fund revenues in FY 2016, about 2.6 percent ($0.1 million) above the FY 2015 estimate but unchanged from the FY 2015 budget. Federal budget reductions may have affected revenues from this source.

The hotel tax estimate does not include revenue from the $2.00 surcharge per room night ("bed tax"). The city initially imposed a bed tax on April 1, 2006 at the rate of $1.00 per room night with the support of the Norfolk Hotel-Motel Association. It was last raised by City Council in FY 2012 to $2.00 per room per night. 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 Norfolk Arts Consortium.

Business license taxes are collected from anyone who engages in a business, trade, profession, or occupation 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 2016, this revenue source makes up about 3.8 percent ($30.7 million) of General Fund revenues, which is 3.8 percent ($1.1 million) above the FY 2015 estimate with continued moderate recovery of the economy.



Moreover, the Approved FY 2016 Budget includes a business license incentive program, effective January 1, 2016, designed to make the city more business friendly towards new small businesses and startups with gross receipts up to $1.0 million that locate in the city for the first time. Qualifying businesses would receive an exemption from business license taxes for up to two license years. The Approved Budget also includes a $5.00 increase in the motor vehicle license tax (formerly "decal" fee) per vehicle per year. The last time vehicle license rates were raised was in FY 1999, when the rate on cars and trucks were raised by $1.00. The revenue generated from the increase in FY 2016 is estimated to be approximately $469,500 which is earmarked towards the capital improvement program to support neighborhood transportation and infrastructure projects. In FY 2016, revenue from motor vehicle with the $5.00 increase is about $4.5 million.



Cigarette taxes in FY 2016 make up about 1.0 percent ($7.9 million) of General Fund revenues, which is 1.3 percent ($0.1 million) below the FY 2015 estimate. Even though the cigarette tax rate was last increased in FY 2015 by five cents, revenue generated from rate increases generally tends to be short-lived, as seen in FY 2012 when the tax rate increased 10 cents. This is because tax increases may induce smokers to stop or reduce cigarette use or buy their cigarettes elsewhere. According to the Tax Foundation, cigarettes are highly susceptible to border shopping because the cost of transporting them is so low. Norfolk's rate is currently in line with Hampton (80 cents) and is below Newport News (85 cents) and Portsmouth (90 cents).

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 $3.2 million in FY 2016, which is about $187,000 (6.2 percent) over the FY 2015 budget and about $91,000 (2.9 percent) over the FY 2015 estimate. The growth reflects continuation of the current level of building activity through FY 2016. 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.

Use of Money and Property

Revenue from 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. The FY 2016 estimate reflects increased revenue from rent of city property and decreased interest income estimated by Norfolk Public Schools.

Charges for Services

Charges for services include fees charged for various government operations such as, recreation centers, Virginia Zoo, court services, paramedical rescue service, school activities, Cruise Ship Terminal, and National Maritime Center. In FY 2016, charges for services make up about 3.0 percent ($24.6 million) of General Fund revenues which is $1.2 million above the FY 2015 budget and $1.5 million above the FY 2016 estimate. The increase was primarily due to collection of paramedic rescue ("ambulance") fees, charges by the Norfolk Community Services Board, Zoo admission fees, and cruise ship terminal fees.

Recovered Costs

Recovered costs consist of revenues recovered from expenses associated with the cost allocation plan, employee costs, debt service, city and outside agencies, and the public. Recovered costs make up about 1.4 percent ($11.4 million) of FY 2016 General Fund revenues. The FY 2016 estimate is about $0.9 million below the FY 2015 budget and about $0.4 million below the FY 2016 estimate. The majority of the decrease was from distribution and allocation of costs to nongeneral fund departments and timing of receipt of the federal interest subsidy from issuance of Qualified School Construction Bonds.

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. The city is estimated to receive about $8.6 million in FY 2016, which represents

approximately 1.1 percent of General Fund revenues. The FY 2016 estimate reflects removal of one-time revenue received in FY 2015 and decrease in the fee for services from Navy housing.

Non-Categorical Aid - Virginia

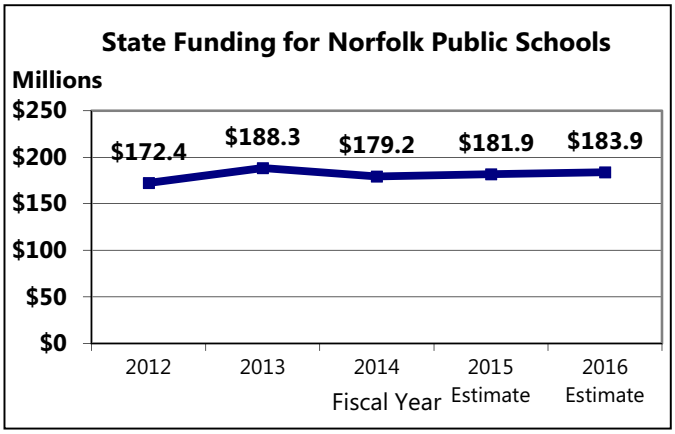
Non-Categorical aid contains state revenues that are generally shared with localities without restriction as to use. In FY 2016, non-categorical aid is estimated to be about $32.6 million which makes up about 4.0 percent of General Fund revenues. The FY 2016 estimate reflects a downward adjustment to HB 599 funds from the amount in the FY 2015 budget. At the time the FY 2015 Budget was approved, the General Assembly had not yet passed a budget for the 2014-2016 biennium. As a result, the Governor's Introduced Budget, which included an increase in HB 599, was used to estimate the FY 2015 amount. However, the budget that was eventually passed during the 2014 Special Session of the General Assembly scaled back HB 599 to level funding from FY 2014 due to state revenue growth being less than projected. Moreover, funding for HB599 in FY 2015 was decreased further due to the state's mid-year reduction in aid to localities.

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 2.6 percent ($21.0 million) of General Fund revenues, which reflects additional funds from the state budget for a two percent state salary increase effective September 2015.

State Categorical Aid

Categorical aid from the Commonwealth consists mainly of revenues for Norfolk Public Schools, public assistance grants and social service programs, Norfolk Community Services Board (NCSB), Virginia Department of Transportation (VDOT) funding for street maintenance and port funding, and local adult correctional facility. State categorical aid makes up about 31.3 percent (or $254.0 million) of General Fund revenues in FY 2016, which is about 0.7 percent ($1.9 million) above the FY 2015 budget and FY 2015 estimate.



The majority of revenue from this source is earmarked for Norfolk Public Schools, about $183.9 million in FY 2016. Categorical aid for Norfolk Public Schools 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. As of July 1, 2012, the city's share of the state sales and use tax is 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) (about $32.2 million), and Norfolk Community Services Board (about $10.9 million) in FY 2016. State aid are tied to operating costs that 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 2016 is about $2.4 million based on the estimate from the state Compensation Board. During the 2015 General Assembly, no changes were made with regard to jail per diem rates; however, the amount appropriated for FY 2016 was below the amount needed statewide to fully fund the cost of jail per diems statewide, although the amended FY 2015 state appropriation fully funds the cost of jail per diems statewide. 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 $4.00 per day from $8.00 per day, while the per diem payments for state inmates housed in local jails was changed to $12.00 per day from $8.00 or $14.00 per day. Payment for jail contract beds fell to $8.00 per day from $14.00 per day. The change in the per diem rates resulted in about a $2.0 million decline in jail funding.

Categorical aid also includes funds for street construction and maintenance (about $23.1 million) and funding for roads impacted by Port activity (about $0.6 million). The funds for street construction and maintenance 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 for the Norfolk Community Services Board from the federal government. In FY 2016, federal aid is about 1.1 percent ($8.7 million) of General Fund revenues, which is approximately $0.1 million above the FY 2015 budget and FY 2015 estimate. The change from FY 2015 was mostly due to the increase in federal aid for Norfolk Public Schools (about $0.4 million) which was partly offset by the decrease in federal aid for Norfolk Community Services Board (about $0.3 million).

Other Sources and Transfers In

Other sources and transfers in consist of intra-governmental transfers and carry over funds. In FY 2016, other sources and transfers includes: transfers in from nongeneral funds (about $14.9 million from Utilities, Waste Management and Tax Increment Financing Fund); and carrying forward from fund balance of prior year savings and closeout of accounts (about $8.4 million). In FY 2016, other sources and transfers total to about 2.9 percent ($23.3 million) of the city's General Fund revenues which is about $11.8 million less than the FY 2015 budget due to decrease in the city and Norfolk Public Schools carryforward from fund balance of prior year savings (about $10.0 million) and transfers in from nongeneral funds (about $1.75 million).

APPROPRIATIONS

Department	FY 2016 Approved
GENERAL FUND	
LEGISLATIVE	
City Council	349,431
City Clerk	1,377,660
City Real Estate Assessor	2,059,476
City Auditor	837,192
Total Legislative	**4,623,759**
EXECUTIVE	
City Manager	2,310,706
Office of Budget and Strategic Planning	1,486,195
Total Executive	**3,796,901**
DEPARTMENT OF LAW	**4,386,569**
CONSTITUTIONAL OFFICERS	
Commissioner of the Revenue	3,061,260
City Treasurer	2,377,916
Clerk of the Circuit Court	3,154,540
Commonwealth's Attorney	5,481,273
Sheriff and Jail	40,868,108
Total Constitutional Officers	**54,943,097**
JUDICIAL	
General District Court	267,742
Juvenile and Domestic Relations Court	79,793
Circuit Court Judges	756,486
Norfolk Juvenile Court Service Unit	163,800
Magistrate	11,438
Total Judicial	**1,279,259**
OFFICE OF ELECTIONS	**978,131**
GENERAL MANAGEMENT	
Communications and Technology	13,565,352
Finance	3,920,330
General Services	23,971,181
Human Resources	3,331,768
Total General Management	**44,788,631**

Department	FY 2016 Approved
COMMUNITY DEVELOPMENT	
City Planning	4,829,234
Neighborhood Development	3,294,228
Development	1,798,593
Total Community Development	**9,922,055**
CULTURAL ACTIVITIES, PARKS AND RECREATION	
Libraries	11,073,353
Cultural Facilities, Arts and Entertainment	5,543,082
Zoological Park	3,727,134
The National Maritime Center	4,803,691
Recreation, Parks and Open Space	16,943,108
Total Cultural Activities, Parks and Recreation	**42,090,368**
NON-DEPARTMENTAL APPROPRIATIONS	
Central Appropriations	18,586,333
Outside Agencies	42,296,043
Total Non-Departmental Appropriations	**60,882,376**
PUBLIC HEALTH AND ASSISTANCE	
Norfolk Community Services Board	25,343,690
Office to End Homelessness	287,498
Public Health	3,476,484
Human Services	46,476,185
Total Public Health and Assistance	**75,583,857**
PUBLIC SAFETY	
Police	66,925,481
Fire-Rescue	40,608,056
Total Public Safety	**107,533,537**
PUBLIC WORKS	**24,509,658**
DEBT SERVICE	**62,382,152**
PUBLIC SCHOOL EDUCATION (Norfolk Public Schools)	**314,678,771**
Total General Fund	**812,379,121**

SPECIAL REVENUE FUNDS	
Storm Water Management	15,609,846
Towing and Recovery Operations	1,701,965
Cemeteries	2,093,487
Golf Operations	15,000
Public Amenities	5,850,900
Emergency Preparedness and Response	5,951,854

Department	FY 2016 Approved
Tax Increment Financing	4,984,100
Waste Management	22,112,000
Total Special Revenue Funds	**58,319,152**
ENTERPRISE FUNDS	
Water	82,880,569
Wastewater	29,421,492
Parking Facilities Fund	21,394,646
Total Enterprise Funds	**133,696,707**
INTERNAL SERVICE FUNDS	
Healthcare Fund	89,383,437
Fleet Management	11,996,090
Total Internal Service Funds	**101,379,527**
TOTAL CITY OPERATIONS	**1,105,774,507**
TOTAL CAPITAL IMPROVEMENT PLAN	**155,505,200**
TOTAL APPROPRIATIONS	**1,261,279,707**

Selected Tax Rates and Fees

Description	FY 2015 Approved	FY 2016 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	80 cents/pack of 20 cigarettes (40 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	**$11.50**
Motorcycles	$15.00	**$20.00**
Cars & Small Trucks	$26.00	**$31.00**
Mid-Size Trucks/Vans (>4,000 pounds)	$31.00	**$36.00**
Large Vehicles (over 19,000 pounds)	$1.60-$1.80/1,000 pounds of gross weight	**$1.60-$1.80/1,000 pounds of gross weight (additional $5 flat fee)**

Description	FY 2015 Approved	FY 2016 Approved
REFUSE DISPOSAL		
Residential		
Single or Multiple Units (four units or less)	$28.01/unit/month	$28.01/unit/month
Multiple Units (five units or more)	$46.94/container/month	$46.94/container/month
Commercial		
Business 1 times per week	$61.18/unit/month	$61.18/unit/month
Business 5 times per week	$151.64/unit/month	$151.64/unit/month
Combined Commercial and Residential	$89.19/unit/month	$89.19/unit/month
WATER AND WASTEWATER FEES		
Water	$4.45/100 cubic feet	**$4.61/100 cubic feet**
Wastewater	$3.67/100 cubic feet	**$3.82/100 cubic feet**
Utilities service charge	$1/month	**$0/month**
STORM WATER FEES (rate calculated based on a 30-day month)		
Residential	$10.52/month	**$11.80/month**
Commercial	$7.55/month per 2,000 sq. ft.	**$8.74/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

General Fund

	FY 2014 Actual	FY 2015 Approved	FY 2016 Approved
Operating Revenues			
General property taxes	254,523,678	256,620,400	257,821,500
Other local taxes	152,386,188	155,385,600	158,508,748
Permits and fees	3,088,749	3,009,500	3,196,000
Fines and forfeitures	1,236,647	1,192,600	1,157,600
Commonwealth	292,039,270	305,766,261	307,655,151
Federal	6,436,145	8,646,137	8,738,866
Charges for services	38,221,101	23,438,726	24,633,725
Miscellaneous	10,711,010	9,009,444	8,628,083
Recovered costs	11,339,490	12,312,836	11,405,075
Total Operating Revenues	769,982,278	775,381,504	781,744,748
Operating Expenses			
Personnel services	254,500,625	270,954,944	276,631,769
Contractual services	51,202,991	43,504,709	41,540,860
Materials, supplies and repairs	37,609,942	39,045,969	39,085,325
Department specific appropriation	356,656,381	374,723,169	376,150,788
Public assistance	11,957,247	13,409,315	13,409,315
Total Operating Expenses	711,927,186	741,638,106	746,818,057
Operating Income (Loss)	58,055,092	33,743,398	34,926,691
Non-Operating Revenues (Expenses)			
Money and use of property	6,565,398	7,414,200	7,368,890
Capital outlay	(1,565,502)	(1,155,379)	(1,676,890)
Debt service	(72,516,849)	(72,475,199)	(60,302,986)
Acctg. for Encumbrances for Budget not GAAP	611,467	0	0
Total Non-Operating Revenue/Expense	(66,905,486)	(66,216,378)	(54,610,986)
Income (Loss) Before Operating Transfers	(8,850,394)	(32,472,980)	(19,684,295)
Operating transfers in	12,408,836	22,577,963	19,299,317
Operating transfers out	(9,566,391)	(2,562,454)	(3,581,188)
Total Operating Transfers	2,842,445	20,015,509	15,718,129
Net Change in Fund Balance	(6,007,949)	(12,457,471)	(3,966,166)
Beginning Fund Balance at July 1	91,273,658	85,265,709	75,888,419
NCSB Fund Balance (estimated available)	(see note)	3,080,181	863,531
Ending Fund Balance at June 30	**85,265,709**	**75,888,419**	**72,785,784**

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. FY 2014 amounts include Land Acquisition Fund due to GASB 54.

Special Revenue Funds

	FY 2014 Actual	FY 2015 Approved	FY 2015 Approved
Operating Revenues			
General property taxes	2,455,700	3,338,300	4,984,100
Other local taxes	9,112,839	9,298,896	9,422,496
Fines and forfeitures	0	24,000	24,000
Commonwealth	12,533,860	0	0
Federal	3,145,514	63,617	63,617
Charges for services	23,337,350	38,782,921	38,950,464
Miscellaneous	324,899	435,427	435,050
Recovered costs	0	2,108,536	2,114,536
Total Operating Revenues	50,910,162	54,051,697	55,994,263
Operating Expenses			
Personnel services	27,437,033	17,315,848	17,866,318
Contractual services	10,775,778	15,520,078	15,857,654
Materials, supplies and repairs	3,735,495	5,672,818	5,609,767
Department specific appropriation	2,966,123	4,402,664	4,403,028
Public assistance	518,127	0	0
Total Operating Expenses	45,432,556	42,911,408	43,736,767
Operating Income (Loss)	5,477,606	11,140,289	12,257,496
Non-Operating Revenues (Expenses)			
Money and use of property	88,329	864,207	801,839
Capital outlay	(974,202)	(2,032,345)	(1,618,019)
Gain/(Loss)-Sale of fixed assets & investments	0	0	1,800
Debt service	(4,565,863)	(5,287,379)	(5,760,762)
Total Non-Operating Revenue/Expense	(5,451,736)	(6,455,517)	(6,575,142)
Income (Loss) Before Operating Transfers	25,870	4,684,772	5,682,354
Operating transfers in	8,257,155	1,952,788	1,502,022
Operating transfers out	(3,310,050)	(8,873,550)	(7,203,604)
Total Operating Transfers	4,947,105	(6,920,762)	(5,701,582)
Net Change in Fund Balance	4,972,975	(2,235,990)	(19,228)
Beginning Fund Balance at July 1	22,020,791	26,993,766	21,677,595
NCSB Fund Balance (estimated going to General Fund)	(see note)	(3,080,181)	(863,531)
Ending Fund Balance at June 30	**26,993,766**	**21,677,595**	**20,794,836**

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.

Summary of Changes in Net Assets

Enterprise Funds

	FY 2014 Actual	FY 2015 Approved	FY 2016 Approved
Operating Revenues			
Permits and fees	0	1,409,300	666,100
Fines and forfeitures	0	2,378,000	2,000,000
Charges for services	126,629,580	124,284,716	126,504,351
Miscellaneous	3,162,207	135,000	135,000
Recovered costs	0	1,341,600	1,341,600
Total Operating Revenues	129,791,787	129,548,616	130,647,051
Operating Expenses			
Personnel services	30,596,051	26,968,823	27,114,222
Contractual services/Other	17,162,702	15,015,455	15,176,658
Materials, supplies and repairs	10,200,251	16,389,392	15,569,037
Depreciation	24,145,703	0	0
Bad debt expense	0	0	0
Department specific appropriation	0	5,014,694	7,443,481
Total Operating Expenses	82,104,707	63,388,364	65,303,398
Operating Income (Loss)	47,687,080	66,160,252	65,343,653
Non-Operating Revenues (Expenses)			
Money and use of property	495,643	365,000	340,000
Capital outlay	0	(883,227)	(869,947)
Intergovernmental revenue	218,551	0	0
Miscellaneous revenue (expense)	(58,996)	0	0
Gain/(Loss)-Sale of fixed assets & investments	(87,573)	7,400	7,400
Debt service	(23,250,687)	(54,107,686)	(54,623,362)
Total Non-Operating Revenue/Expense	(22,683,062)	(54,618,513)	(55,145,909)
Income (Loss) Before Operating Transfers	25,004,018	11,541,739	10,197,744
Capital Contribution	2,760,836	0	0
Operating transfers in	0	0	0
Operating transfers out	(10,051,915)	(12,975,100)	(12,900,000)
Total Operating Transfers/Capital Contribution	(7,291,079)	(12,975,100)	(12,900,000)
Net Income (Loss)	17,712,939	(1,433,361)	(2,702,256)
Beginning Net Assets at July 1	367,070,458	384,783,397	383,350,036
Ending net assets at June 30	**384,783,397**	**383,350,036**	**380,647,780**

Internal Service Funds

	FY 2014 Actual	FY 2015 Approved	FY 2016 Approved
Operating Revenues			
Charges for services	55,677,941	99,581,706	101,083,027
Miscellaneous	9,580	0	0
Recovered costs	0	100,000	72,000
Total Operating Revenues	55,687,521	99,681,706	101,155,027
Operating Expenses			
Personnel services	2,837,757	3,155,984	3,360,584
Cost of Goods Sold	9,008,456	0	0
Contractual services/Other	34,878,683	89,269,418	92,881,777
Materials, supplies and repairs	1,727,329	7,303,626	5,076,666
Depreciation	3,059,840	0	0
Bad debt expense	283,014	0	0
Department specific appropriation	0	0	0
Total Operating Expenses	51,795,079	99,729,028	101,319,027
Operating Income (Loss)	3,892,442	(50,200)	(164,000)
Non-Operating Revenues (Expenses)			
Money and use of property	0	5,700	9,500
Capital outlay	0	(60,500)	(60,500)
Gain/(Loss)-Sale of fixed assets & investments	0	105,000	215,000
Debt service	0	0	0
Total Non-Operating Revenue/Expense	0	50,200	164,000
Income (Loss) Before Operating Transfers	3,892,442	0	0
Operating transfers in	0	0	0
Operating transfers out	(2,356,921)	0	0
Total Operating Transfers	(2,356,921)	0	0
Net Income (Loss)	1,535,521	0	0
Beginning Net Assets at July 1	6,226,561	7,762,082	7,762,082
Ending net assets at June 30	**7,762,082**	**7,762,082**	**7,762,082**

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. City Council passed a resolution in July 2013 updating the city's policies on reserves, described in the "Financial Policies and Practices" section of the Budget Overview.

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, City Council approved adding $1,058,409 from the 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. During the FY 2013 budget work session, City Council strengthened the city's reserves further by raising the total General Fund balance reserves from $45,457,834 to $48,332,591. The projected balance in FY 2015 reflects City Council actions appropriating $1.0 million each to the Risk Management and Economic Downturn reserves from the FY 2014 year-end surplus.

General Fund Balance Reserves

Reserve	FY 2014 Actual	FY 2015 Minimum	FY 2015 Projected
Unassigned Reserve ("five percent reserve")[1]	$42,332,591	$41,085,682	$42,332,591
Risk Management Reserve[2]	$3,000,000	$3 - $5 million	$4,000,000
Economic Downturn Reserve[2]	$3,000,000	$3 - $5 million	$4,000,000
General Fund Balance Reserves at June 30[3]	**$48,332,591**		**$50,332,591**

[1] The minimum for the FY 2015 unassigned reserve of $41,085,682 is based on the amended FY 2015 General Fund Budget of $821,713,638.

[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 $3.0 million (its level in July 2013).

[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 2016 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 2016
Capital Improvement Program	2,079,166
Cemetery Fund	498,017
Emergency Preparedness and Response Fund	1,004,005
Total Transfers from General Fund	**3,581,188**

Transfer to General Fund from	
Water Fund	8,500,000
Wastewater Fund	1,500,000
Waste Management Fund	800,000
Tax Increment Financing Fund	4,088,404
Total Transfers to General Fund	**14,888,404**

Transfer to Capital Improvement Program from	
General Fund	2,079,166
Parking Facilities Fund	2,900,000
Public Amenities Fund	1,000,000
Storm Water Fund	1,315,200
Water Fund	5,350,000
Total Transfers to the Capital Improvement Program	**12,644,366**

Full Time Equivalent (FTE) Staffing Summary

	FY 2014 Approved Positions[1]	FY 2015 Approved FTE[1]	FY 2016 Approved FTE	Change FY 2015 to FY 2016
General Fund				
Budget and Strategic Planning	20	18	18	0
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[2]	89	60	63	3
City Real Estate Assessor	24	24	24	0
City Treasurer	31	31	31	0
Clerk of Circuit Court	50	49	49	0
Commissioner of the Revenue	42	42	42	0
Commonwealth's Attorney	65	63	61	-2
Communications and Technology[2]	131	122.8	123	0.3
Cultural Facilities, Arts & Entertainment	68	52	53	1
Development	18	21	19	-2
Elections	6	6	6	0
Finance	41	43.8	43.8	0
Fire-Rescue[4]	511	503	504	1
General Services[3]	106	127.8	127.8	0
Human Resources	31	33	33	0
Human Services	509	498	525	27
Libraries	101	121.6	121.6	0
Neighborhood Development[2]	0	36	37	1
Norfolk Community Services Board	310	283.2	284.9	1.7
Office to End Homelessness	4	3.6	3	-0.6
Police	872	873	874	1
Public Health	28	25	10	-15
Public Works[5]	336	232	225	-7
Recreation, Parks and Open Space	224	218.3	214.3	-4
Sheriff and Jail	475	475	475	0
The National Maritime Center (Nauticus)	55	42.3	40.3	-2
Zoological Park	55	45.1	47.1	2
Total General Fund	**4,286**	**4,133.4**	**4,138.7**	**5.3**

	FY 2014 Approved Positions[1]	FY 2015 Approved FTE[1]	FY 2016 Approved FTE	Change FY 2015 to FY 2016
Special Revenue Funds				
Cemeteries	34	33.8	33.8	0
Emergency Preparedness and Response	91	91	90	-1
Storm Water Management	96	101.8	105.8	4.1
Towing and Recovery Operations	9	8.9	9.9	1
Waste Management[5]	0	100	101	1
Total Special Revenue Funds	**230**	**335.4**	**340.4**	**5.1**
Enterprise Funds				
Parking Facilities Fund	90	70	65	-5
Wastewater Utility Fund	104	104	106	2
Water Utility Fund	293	292.3	291.3	-1
Total Enterprise Funds	**487**	**466.3**	**462.3**	**-4**
Internal Service Funds				
Fleet	59	56.8	56.8	0
Total Internal Service Funds	**59**	**56.8**	**56.8**	**0**
Total All Funds	**5,062**	**4,991.7**	**4,998.1**	**6.4**

Only permanent positions are reflected in the Budget Document.

[1]In FY 2015, the city transitioned from the use of permanent positions counts to full time equivalent (FTE). The FTE summary still includes FY 2014 due to Government Finance Officers Association staffing summary guidelines.

[2]In FY 2015, divisions from City Planning and Communications and Technology were consolidated to form the Department of Neighborhood Development.

[3]In FY 2015, citywide positions related to facility maintenance were centralized in the Department of General Services.

[4]In FY 2015, Fire-Rescue financial positions were transferred to Norfolk Police Department to form the Bureau of Public Safety Financial Management.

[5]In FY 2015, the Waste Management Unit of Public Works became a self-sufficient Special Revenue Fund.

Totals and changes may not exactly add due to rounding to one decimal point.

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, 2015, 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, 2015 (2) (3)	18,644,331,726	1,864,433,173	853,745,129	45.79%	1,010,688,044
June 30, 2014	18,421,412,121	1,842,141,212	913,380,343	49.58%	928,760,869
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

(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, 2015.
(3)Projected Debt Applicable to Debt Limit excludes $268,250,543 of General Obligation Bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.

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 the respective revenues. The estimated total outstanding bonded indebtedness, including revenue bonds, at the end of FY 2014 is estimated to be $1,237,917,628.

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. These measures or debt limits, based on the approved Capital Improvement Plan, are as follows:

- Debt Service as a percent of the General Fund budget (not to exceed 10 percent) and
- Net debt as a percent of taxable property (not to exceed 35 percent).

The FY 2016 Capital Improvement Plan is within the two measures of affordability listed above. However, the city will need to maintain a moderate Capital Improvement Plan to stay within these measures as it finances some major essential governmental projects, such as a new city courthouse, several schools and a new main library.

Enterprise Operations Debt

Norfolk's Water and Wastewater Revenue Bond programs are governed by bond indentures of trust, which specify 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 2016 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 that money in the respective funds is not sufficient to pay debt service on the general obligations, the city is obligated to pay such debt service from the General Fund or other available revenues.

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 US: 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, 2015 (Estimated)		
Total Assessed Value of Taxed Real Property as of March 31, 2014		$18,644,331,726
Debt Limit: 10 percent of Total Assessed Value		$1,864,433,173
Amount of Debt Applicable to Debt Limit:(1)(2)(3)		$853,745,129
Gross Debt	$845,662,434	
General Obligation (QRBs)	$7,615,000	
General Obligation (QZABs)	$122,694	
General Obligation (Guaranty)	$345,000	$853,745,129
Legal Debt Margin		$1,010,688,044
Amount of Debt as a percent of Debt Limit		45.79%

(1) Includes all non-General 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 $268,250,543 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]			General Obligation Equipment[1]			Water Revenue[1]		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	51,182,006	36,441,364	87,623,370	3,152,047	657,143	3,809,189	8,750,000	15,047,794	23,797,794
2017	53,823,054	34,430,929	88,253,983	2,345,460	526,780	2,872,240	10,655,000	14,591,519	25,246,519
2018	54,281,036	32,094,404	86,375,440	940,000	474,929	1,414,929	13,860,000	13,994,269	27,854,269
2019	55,560,468	29,857,895	85,418,363	2,775,000	383,625	3,158,625	14,820,000	13,291,244	28,111,244
2020	54,951,803	27,645,911	82,597,713	2,785,000	247,367	3,032,367	15,665,000	12,546,769	28,211,769
2021	52,823,982	25,329,620	78,153,602	2,790,000	109,658	2,899,658	16,760,000	11,751,144	28,511,144
2022	51,554,164	23,110,503	74,664,666	365,000	32,325	397,325	17,740,000	10,910,144	28,650,144
2023	50,655,511	20,918,029	71,573,540	380,000	15,300	395,300	19,005,000	10,013,444	29,018,444
2024	49,283,055	18,761,333	68,044,388	120,000	4,400	124,400	20,140,000	9,048,894	29,188,894
2025	44,980,042	16,703,196	61,683,238	-	-	-	18,170,000	8,106,769	26,276,769
2026	42,704,056	14,683,947	57,388,003	-	-	-	19,270,000	7,187,044	26,457,044
2027	41,749,176	12,704,693	54,453,869	-	-	-	12,065,000	6,420,613	18,485,613
2028	36,779,270	10,915,503	47,694,773	-	-	-	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	8,672	383,672	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-
	837,747,622	**348,268,684**	**1,186,016,306**	**15,652,507**	**2,451,527**	**18,104,033**	**317,390,000**	**173,812,316**	**491,202,368**

Fiscal Year	Wastewater Revenue(1)			Totals(1)		
	Principal	Interest	Total	Principal	Interest	Total
2016	3,040,000	-	3,040,000	66,124,052	52,146,301	118,270,353
2017	3,540,000	-	3,540,000	70,363,514	49,549,228	119,912,742
2018	3,790,000	-	3,790,000	72,871,036	46,563,602	119,434,638
2019	3,790,000	-	3,790,000	76,945,468	43,532,763	120,478,232
2020	3,790,000	-	3,790,000	77,191,803	40,440,046	117,631,849
2021	3,790,000	-	3,790,000	76,163,982	37,190,422	113,354,404
2022	3,790,000	-	3,790,000	73,449,164	34,052,972	107,502,135
2023	3,790,000	-	3,790,000	73,830,511	30,946,773	104,777,284
2024	3,790,000	-	3,790,000	73,333,055	27,814,627	101,147,681
2025	3,790,000	-	3,790,000	66,940,042	24,809,965	91,750,006
2026	3,790,000	-	3,790,000	65,764,056	21,870,991	87,635,047
2027	3,790,000	-	3,790,000	57,604,176	19,125,305	76,729,482
2028	3,790,000	-	3,790,000	53,304,270	16,733,765	70,038,035
2029	3,790,000	-	3,790,000	44,335,000	14,585,585	58,920,585
2030	3,365,000	-	3,365,000	40,000,000	12,646,382	52,646,382
2031	2,940,000	-	2,940,000	39,940,000	10,851,960	50,791,960
2032	2,565,000	-	2,565,000	27,090,000	9,007,863	36,097,863
2033	2,065,000	-	2,065,000	36,005,000	7,535,456	43,540,456
2034	1,832,500	-	1,832,500	24,257,500	6,246,343	30,503,843
2035	1,300,000	-	1,300,000	20,865,000	5,246,072	26,111,072
2036	750,000	-	750,000	20,935,000	4,292,077	25,227,077
2037	250,000	-	250,000	19,360,000	3,343,505	22,703,505
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	8,672	383,672
2045	-	-	-	-	-	-
	67,127,500	**-**	**67,127,500**	**1,237,917,627**	**524,532,526**	**1,762,450,155**

(1) Existing Debt Service as of June 30, 2015. 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 the respective funds. The Debt Service portion of the General Fund budget finances only the General Capital projects and not its self-supporting funds.