



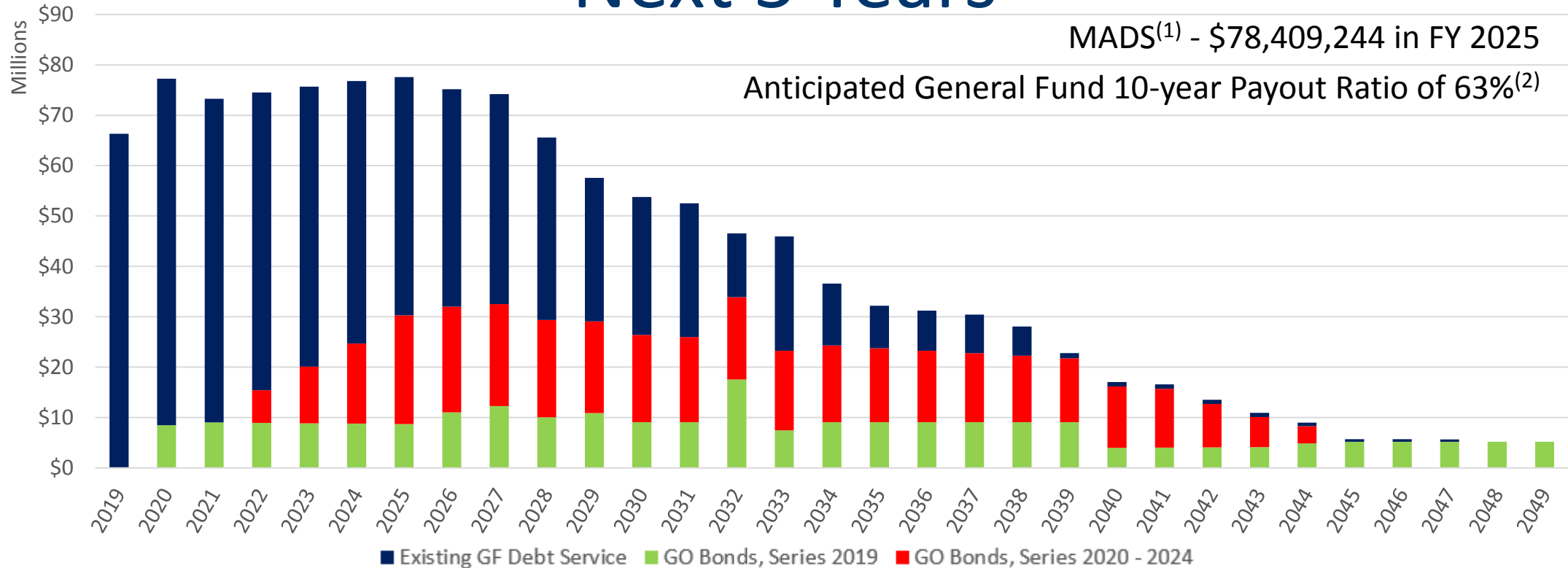
THE CITY OF
NORFOLK



Upcoming Bond
Financing and Proposed
Financial Policies



Debt Service on Existing Debt plus \$304 Million of Planned Debt Issuance Over the Next 5 Years

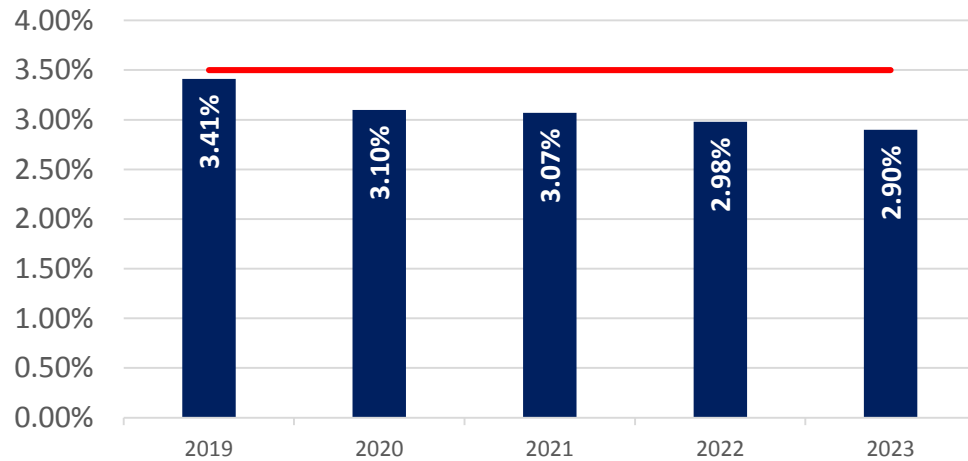


(1) Maximum Annual Debt Service (MADS)

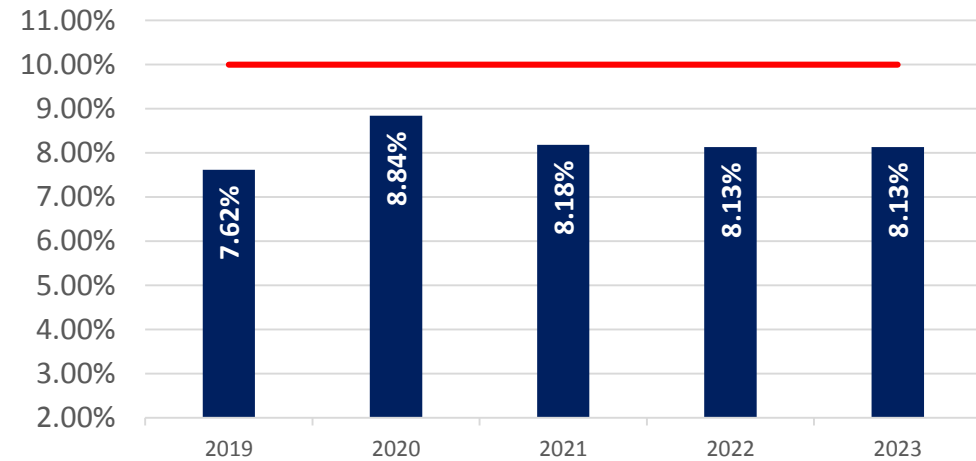
(2) 10-year payout ratio is a measure of how quickly the City repays its debt. The rating agencies prefer a payout ratio of greater than 50%.

Expect to Remain Below Adopted Debt Affordability Measures of 3.5% and 10%

Debt % of Taxable Property



Debt Service % of General Fund Budget



Notes:

1. Exclude all self-supporting General Capital debt.
2. Includes \$151.2 million new money issuance in FY 2019.
3. Includes planned new money issuance of \$56.4 million in FY 2021, \$48.5 million in FY 2022 and \$48.5 million in FY 2023.

Assessed Value and Budget Assumption:

1. Growth of assessed value of taxable property is projected at 2.2% in FY 2019, 1.8% in FY 2020, 1.9% in FY 2021, 1.9% in FY 2022 and 1.9% in FY 2023.
2. Growth of General Fund budget is projected at 2.7% in FY 2019, 0.7% in FY 2020, 1.7% in FY 2021, 1.3% in FY 2022 and 1.6% in FY 2023.

Proposed Financial Policies Expansion Strengthens City's Financial Position

- Debt Management
- Reserves
- Surplus
- Pension Funding
- Enterprise Funds

Financial Policies – Debt Management

Financial Policy	Current Policy Requirement	New Policy Requirements
Net Debt as a Percent of Taxable Property	Not-to-exceed 3.5%	Target to remain below 3.5% Not-to-exceed 4.0%, for projects deemed significant
Debt Service as a Percent of General Fund Budget	Not-to-exceed 10%	Target to remain below 10% Not-to-exceed 11%, for projects deemed significant
10-year Payout Ratio	No currently adopted policy	55% or greater
Overlapping Debt (e.g. Special Service District)	No currently adopted policy	0.5% of total taxable property
Variable Rate Debt	No currently adopted policy	no more than 20% by fund

Financial Policies – Reserves

Financial Policy	Current Policy Requirement	New Policy Requirements
Unassigned General Fund Reserve	5% of annual General Fund budget	10% of General Fund Expenditures plus General Fund Transfers Out
Risk Management Reserve	Three-year average of self-insured liability and property claim expenses, plus \$4 million for a catastrophic reserve, including extraordinary workers' compensation expenses (not-to-exceed \$5 million)	Minimum: \$5 million Maximum: \$8 million
Economic Downturn Reserve	2.5% of three-year average of real estate tax revenues (not-to-exceed \$5 million)	No Change
Inclusive Development Opportunity Fund	No currently adopted policy	\$2 million to support City Council's strategic goal of inclusive economic development

Financial Policies – Surplus

Financial Policy	Current Policy Requirement	New Policy Requirements		
Surplus Policy	50% of the surplus, up to \$2 million, shall be used for the following: (1) Capital projects funding; (2) Debt reduction; and (3) Funding reserves	Tier	Requirement	Use of Surplus
		1	Reserves are not at their required minimum	Entire prior fiscal year-end surplus will fund reserves until the minimum requirement of each reserve has been met
		2	Reserves have met their required minimum, but not maximum	50% of prior fiscal year-end surplus will fund reserves and 50% will cash fund (pay-go) the Capital Improvement Plan
		3	Reserves are fully funded at their maximum requirement	Entire prior fiscal year-end surplus will cash fund (pay-go) the Capital Improvement Plan or one-time technology and equipment purchases

Financial Policies – Pension Funding

Financial Policy	Current Policy Requirement	New Policy Requirements
Pension Funding Policy	No currently adopted policy	Each year the contribution will be the greater of the prior year's contribution or the current year's actuarially defined contribution until 100% funded

Financial Policies – Enterprise Funds

	Current Policy Requirements	New Policy Requirement			
Financial Policy	Parking	Parking	Storm Water	Wastewater	Water
Debt Service Coverage (Gross of Return on Investment and Payment in Lieu of Taxes)	Minimum 1.1x	No Change	Minimum 1.15x Revenue Coverage Minimum 1.1x Combined Coverage	Minimum 1.15x Revenue Coverage Minimum 1.1x Combined Coverage	Minimum 1.5x
Days Cash on Hand	Minimum 240 days	No Change	Minimum 180 days	Minimum 180 days	Minimum 240 days
Repair & Replacement Reserve	No currently adopted policy	\$2 million	\$1 million	\$1 million	\$2 million
Financial Planning	No currently adopted policy	Each year a ten-year financial plan will be developed that integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.			

Next Steps

- City Council consideration of ordinance January 29, 2019
- Annual monitoring to ensure compliance
- Ongoing review and adjustment of financial policies to be updated in FY 2022