

Honorable Mayor and City Council

I am submitting to you the Adopted Fiscal Year (FY) 2026 Financial Plan for the City of Norfolk, which is comprised of the General Fund, enterprise funds, special revenue funds, internal service funds, the Capital Improvement Plan (CIP), the Annual Plan for Housing and Urban Development (HUD) Block Grant programs, and the Annual Grants Plan.

Discussions during Council Budget Work Sessions resulted in amendments to the Proposed FY 2026 Operating and Capital Budgets. With the amendments included, the Proposed FY 2026 Budget was adopted at the May 13, 2025, City Council meeting. The table below illustrates the final Adopted FY 2026 Financial Plan:

Fund	Adopted Budget
General Fund	\$1,199,252,773
Enterprise Funds	\$210,104,865
Special Revenue Funds	\$40,232,152
Internal Service Funds	\$118,129,978
Total Operating Funds	\$1,567,719,768
Capital Improvement Plan	\$260,207,613
Total Operating and Capital Funds	\$1,827,927,381
Annual Plan for HUD Block Grants	\$6,707,591
Annual Grants Plan	\$141,149,960
Total Financial Plan	\$1,975,784,932

The Adopted FY 2026 budget maintains the high-quality services that our residents expect and includes targeted enhancements to address resident needs and priorities based on the results of the 2024 resident survey. The city undertook its second resident survey in the spring of 2024, the results of which provided invaluable data that helped to shape the adopted FY 2026 budget. Other input was received from residents through year-round engagement and outreach as well as through Citizen Cents, our online budget public engagement hub. Furthermore, the gradual process of strategically realigning the city's expenditures with recurring revenues after the large influx of one-time federal funding during the pandemic is nearly complete, ensuring financial sustainability and alignment with City Council policies. This year, in addition to our regular CIP closeout process which allows the city to close out completed projects and remaining appropriations, we also undertook a robust review of more recent projects. Through this review and re-scoping of existing CIP projects, we were able to identify unspent or surplus funds that could be closed, reduced, or reallocated to other priority projects.

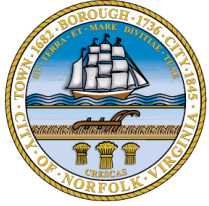
This memo details City Council's budget amendments to the proposed budget.



Budget highlights

The Adopted FY 2026 Operating Budget is around \$1.56 billion – 2.36% more than last year. The total spending plan is more than \$1.97 billion and includes \$260 million in CIP funds, \$6.7 million in HUD entitlement grants, and \$141 million in anticipated grants. Some highlights of the budget include:

- \$3.2 million and 28 full-time equivalent employees (FTE) in the operating budget and \$44.0 million in the FY 2026 CIP for **community safety, health, and well-being**
- \$524,740 and 1 FTE in the operating budget and \$23.2 million in the FY 2026 CIP for **transportation safety and maintenance**
- \$7.8 million and 13 FTE in the operating budget and \$115.2 million in the FY 2026 CIP for the **maintenance and cleanliness of public facilities, public spaces, and thoroughfares**
- \$679,748 and 6 FTE in the operating budget and \$8.5 million in the FY 2026 CIP for **customer service and responsiveness**
- \$7.6 million in the FY 2026 CIP and broadening the purpose of the existing Inclusive Development Opportunity Reserve to support **investments in housing**
- \$3.5 million and 13 FTE in the operating budget and \$45.2 million in the FY 2026 CIP for the **expansion of tourism and Norfolk's visitor economy**
- Two-hour free parking in all downtown parking garages funded through a \$2.00 increase to meter rates
- A \$5 monthly increase to the Waste Management fee, equivalent to just under 17 cents a day, to support the continuation of recycling services and maintain high-quality services and resident satisfaction
- **Enhance employee recruitment and retention:**
 - Phased implementation of a new step and grade compensation plan over the next six to twelve months based on the results of a market and compensation Study
 - General Wage Increase (GWI) effective July 1, 2025
 - 2.5% general wage increase for all general, constitutional, and nonsworn employees
 - A step increase for sworn Public Safety employees and 911 telecommunicators (a minimum of a 2.5% increase, and up to 5% for certain key career progression steps)
 - A one-time retiree supplement of \$625 for those employees who retired before June 30, 2023



Enhancements/Amendments to the Operating Budget

Fund Planning Development Liaison position: \$70,000

Provide funds for a full-time Development Liaison Planner position. This position will primarily focus on assisting small businesses in understanding and navigating the steps required to open, while also providing guidance throughout the city planning process.

Outside Agency funding changes: \$47,387

Adjust funding for Outside Agency organizations to support the installation of a new marquee at Wells Theater and reflect a change in sponsorship funding totals. Costs for the marquee were offset by the \$5,000 reduction in funding for the Ghent Business Association.

Add Fire-Rescue Captain: \$100,000

Provide funds to add an additional Fire-Rescue Captain, for a total of four new captains.

Add two part-time Fire Inspectors: \$66,000

Provide funds to enhance fire inspections within the Community Risk Reduction program. This request will support two part-time Fire Inspector positions.

Holiday downtown lighting: \$180,000

Provide funds to enhance holiday lighting downtown on Boush Street, to expand the city's holiday placemaking efforts.

State Compensation Board funding: \$262,400

Provide funds to recognize additional compensation initiatives funded by the Commonwealth Compensation Board for constitutional officers.

Norfolk Public Schools funding adjustment: \$194,366

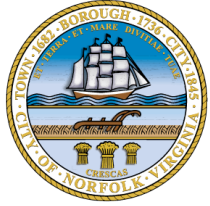
Increase funding for Norfolk Public Schools to reflect higher revenue estimates that are included in the revenue sharing formula.

Support Nutritional Equity Fund: \$80,000

Provide funds to support the Nutritional Equity Fund, which was created by City Council in August 2020 to combat food and health disparities among Norfolk residents. Funds will be used to expand partnerships with community entities, and to develop a mini-grant program to advance development of projects and programs focused on food resilience. \$80,000 will be appropriated each year over the next three years to support this program.

Adjust Parking Fees: \$0

The proposed one-hour free parking in all downtown garages will be expanded for a pilot program of two-hour free parking in all downtown garages. To offset the revenue loss from providing an



additional free hour of parking, meter rates will increase by an additional \$0.20 cents per quarter-hour for a total increase of \$2.00 per hour.

The table below details the actions needed to balance the Operating Budget:

General Fund Reconciliation Changes

Operating Budget Amendments/Adjustments	Expenditures	Revenues
Expenditure impacts:		
Create Nutritional Equity Fund	\$80,000	
Fund Planning Development Liaison position	\$70,000	
Wells Theater Marquee	\$52,387	
Add Fire-Rescue Captain	\$100,000	
Add two part-time Fire Inspectors	\$66,000	
Holiday downtown lighting	\$180,000	
State Compensation Board funding	\$262,400	
Adjust NPS Funding	\$194,366	
Revenue impacts:		
Compensation Board Funding		\$262,400
Nutritional Equity Program		\$80,000
Revised revenue estimates		\$662,753
Change to Proposed Operating Budget	\$1,005,153	\$1,005,153

With the adjustments above, the FY 2026 Operating Budget is balanced and results in a net increase to the total budget of \$1 million.

Annual Grants Plan Amendments

State funding for Schooner Virginia: \$125,000

The state budget includes funding to support educational programming on the Schooner Virginia, located at Nauticus.

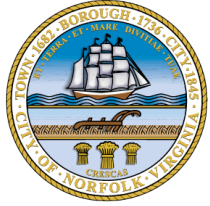
Grant Fund Reconciliation Changes

Grant Adjustments	Amount
Add Schooner Virginia state funding to Grants Plan	\$125,000

Community Development Block Grant Changes (CDBG)

Increase Renovate Norfolk: \$565,000

Increase funding for the Renovate Norfolk program for a total of \$904,719 in CDBG funds.



CDBG changes

Item	Amount
Reduce Maritime Forest Disc Golf Project	-\$565,000
Increase funds for Renovate Norfolk	\$565,000
Total	\$0

Capital Improvement Plan (CIP) Amendments

The FY 2026 – FY 2030 CIP is being increased by \$1,985,000 over the five-year plan based on the adjustments below. The FY 2026 CIP will have a net decrease of \$15,000. The adjustments to projects and sources of funding are:

Increase sand replenishment in FY 2026: \$250,000

Provide additional funding to support sand replenishment in Ocean View and Willoughby. Beach renourishment prevents and corrects shoreline erosion, helping to protect nearby properties during storm events, ensuring emergency vehicle access to the area, and providing areas and opportunities for recreation for residents and visitors.

Reduce maritime disc golf project in FY 2026: (\$515,000)

Due to rescoping of the project, the Maritime Forest Disc Golf project costs are reduced by \$515,000 for a total FY 2026 capital budget of \$50,000.

Increase funds for gateway signage in FY 2026: \$250,000

Provide funds to install gateway signage on major entrances and bridges throughout the city. These funds will support funding previously appropriated for this initiative.

Contribution for Barry Art Museum in FY 2027: \$1,000,000

Provide funding to support the Barry Art Museum's Capital Campaign in FY 2027. The Museum will double in size offering enhanced programming for residents and visitors.

Design Funding for East Side Recreation Center (NFWC-Military Circle) in FY 2027: \$1,000,000

Provide funds for design development for a proposed recreation center at the site of the former Military Circle Mall. Funds will be used for initial design development and analysis on the feasibility of a Tax Increment Finance fund to support the project.



CIP Reconciliation Changes

Sources CIP amendments/adjustments	FY 2026	FY 2027
General Fund Bonds	-\$15,000	\$2,000,000
Total	-\$15,000	\$2,000,000

Uses of CIP amendment funds	FY 2026	FY 2027
Increase Sand Replenishment Project	\$250,000	
Decrease Maritime Forest Disc Golf Project*	-\$515,000	
Increase Gateway Signage project	\$250,000	
Create new project Support Barry Art Museum Capital Campaign		\$1,000,000
Create new project East Side Recreation Center Conceptualization		\$1,000,000
Total	-\$15,000	\$2,000,000

* Due to project rescoping, the CDBG funding for the Maritime Forest Disc Golf Course has been reduced, with \$50,000 for the project remaining in the CIP.

This budget makes strategic investments in resident and council priorities to maintain and improve the city's infrastructure and operations and invests in the city's workforce while balancing fiscal responsibility. I thank City Council for their valuable input on the proposed budget and look forward to implementing the many initiatives supported by the Adopted FY 2026 Budget and CIP.

Sincerely,

Patrick Roberts

City Manager



March 25, 2025

Honorable Mayor and City Council,

I am submitting to you the Proposed Fiscal Year (FY) 2026 Financial Plan for the City of Norfolk, which is comprised of the General Fund, enterprise funds, special revenue funds, internal service funds, the Capital Improvement Plan (CIP), the Annual Plan for Housing and Urban Development (HUD) Block Grant programs, and the Annual Grants Plan. A summary of the Proposed Financial Plan is shown in the table below:

Fund	Proposed Budget
General Fund	\$1,198,247,621
Enterprise Funds	\$210,104,865
Special Revenue Funds	\$40,232,152
Internal Service Funds	\$118,129,978
Total Operating Funds	\$1,566,714,616
Capital Improvement Plan	\$260,222,613
Total Operating and Capital Funds	\$1,826,937,229
Annual Plan for HUD Block Grants	\$6,707,591
Annual Grants Plan	\$141,024,960
Total Financial Plan	\$1,974,669,780

The proposed FY 2026 budget maintains the high-quality services that our residents expect and includes targeted enhancements to address resident needs and priorities based on the results of the 2024 resident survey. The city undertook its second resident survey in the spring of 2024, the results of which provided invaluable data that helped to shape the proposed FY 2026 budget. The results of the survey were very encouraging, with over 60% of respondents indicating that the city is going in the right direction overall, an increase of 13% from the 2022 survey. Results indicate that the city has maintained and improved resident satisfaction in various areas, such as trash pick-up and safety, while other areas such as traffic flow, condition of streets, and affordable housing remain areas for improvement.

Other input is received from residents and City Council members through year-round engagement and outreach as well as through Citizen Cents, our online budget public engagement hub. Like last year, in addition to the traditional public hearing on April 9, an online public comment form will be available on the city's Citizen Cents webpage to give residents multiple avenues to provide input on the budgeting process. A summary of resident responses will be provided to Council.

Furthermore, the gradual process of strategically realigning the city's expenditures with recurring revenues after the large influx of one-time federal funding during the pandemic is nearly complete, ensuring financial sustainability and alignment with City Council policies. This year, in addition to our regular CIP closeout process which allows the city to close out completed projects and remaining appropriations, we also undertook a robust review of more recent projects. Through this

review and re-scoping of existing CIP projects, we were able to identify unspent or surplus funds that could be closed, reduced, or reallocated to other priority projects. The closeout and re-scoping process allowed us to offset some of the impacts of future increases in debt service by releasing the bonds for the projects that were reduced and lowering the city's borrowing costs. The FY 2026 – 2030 proposed General Fund CIP is lower than the FY 2025 – 2029 CIP in every year except for FY 2028. Significant funding is planned in FY 2028 for large projects such as the renovation of Chrysler Hall and Scope Arena as well as the construction of Maury High School and the annual contribution to the Coastal Storm Risk Management (CSRM) project. These large projects have major implications for debt service; we will continue to balance compliance with our established debt ratios and requirements with the cost required to undertake these generational investments.

FY 2026 CORE FOCUS AREAS

Based on the results of the 2024 resident survey, the core focus areas for the proposed FY 2026 budget are:

- Community safety, health, and well-being
- Transportation safety and maintenance
- Maintenance and cleanliness of public facilities, public spaces, and thoroughfares
- Investments in Housing
- Customer service and responsiveness

The proposed FY 2026 budget also makes significant investments to:

- Enhance employee recruitment and retention
- Expand tourism and Norfolk's visitor economy

BUDGET OVERVIEW

Economic Outlook

The city is experiencing modest revenue growth after a strong recovery from the pandemic. The city's unemployment rate is 3.3%. Inflation declined to 2.9% in December 2024 but remained above the Federal Reserve's target of 2%. Overall, prices have dropped 40% from FY 2023 but remain elevated compared to pre-pandemic levels, which continues to increase the cost of city operations and construction.

Norfolk's economy is heavily reliant on federal spending – nearly 15% of all employees in Norfolk are federal workers, compared to just under 2% nationwide. Additionally, like other cities in Hampton Roads, Norfolk is susceptible to fluctuations in export and import activity. Going forward, uncertainty in Washington D.C., especially regarding potential reductions in the federal workforce and the imposition of tariffs, may impact the health and growth of the city's economy. At this time, the economic impact of these uncertainties is not yet clear. This budget does not reflect any revenue impacts of potential changes in federal support. The city will continue to monitor changes at the federal and state levels and keep City Council informed of any known revenue impacts.

The Real Estate Assessor is projecting a 5.7% increase in assessments, lower than last year's increase of 6.4%. Personal property tax revenues are projected to be slightly below last year's as well. Revenue growth for consumption-based taxes (i.e., hotel, sales, and admissions) has moderated to 2%.

Despite three federal interest rate cuts in 2024, the city's interest income remains steady. Lower interest also drives lower debt service for the CIP which is primarily financed by the issuance of bonds. The proposed CIP complies with the City Council's policies for debt affordability.

Budget Highlights

The proposed FY 2026 Operating Budget is around \$1.56 billion – 3% more than last year. The total spending plan is more than \$1.98 billion and includes \$260 million in CIP funds, \$6.7 million in HUD entitlement grants, and \$141 million in anticipated grants. Some highlights of the budget include:

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 - A one-time retiree supplement of \$625 for those employees who retired before June 30, 2023

Community Safety, Health, and Well-being

Public Safety and Health

Safety was a key area of improvement from the FY 2022 resident survey to the FY 2024 resident survey – satisfaction with the overall quality of police services increased by 8%, and over 60% of respondents said they feel safe or very safe in their neighborhood, an increase of 11.6% from the previous survey. Satisfaction with the overall quality of fire and ambulance services remains high at 75%. The proposed FY 2026 budget makes various investments in public safety and health, including:

- Enhanced Emergency Medical Services (EMS) with the addition of 20 new paramedic positions and three captain positions within Fire-Rescue
- Funds to support the drug box exchange mandate for better tracking of certain medications; a change in federal regulations now requires the city to manage this process instead of partnering with local hospitals
- Replacement of Fire-Rescue personal protective equipment including self-contained breathing apparatuses
- Funds to purchase a new ladder truck and two pumper trucks
- Funds to begin the replacement of Fire Station 9
- Replacement of 18 police vehicles
- Improved jail security systems
- Shift the Ryan White program to the Public Health Department
- Create a new Department of Military and Community Affairs; this department will manage the Military Liaison Program as well as the Community Street Team for violence prevention

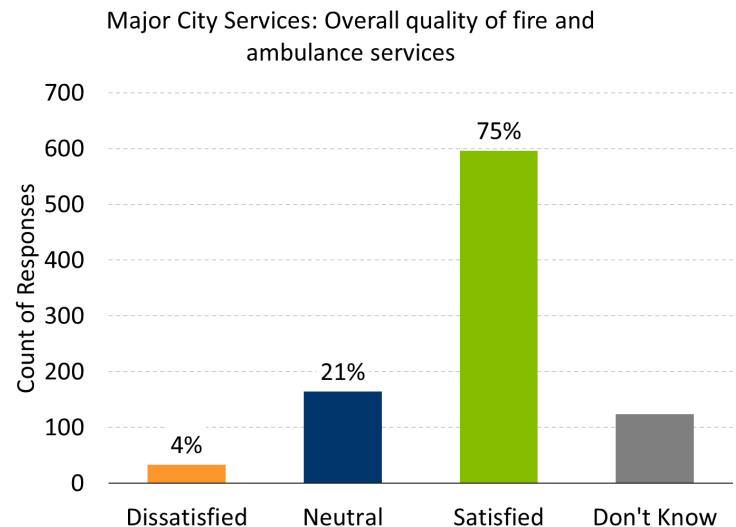
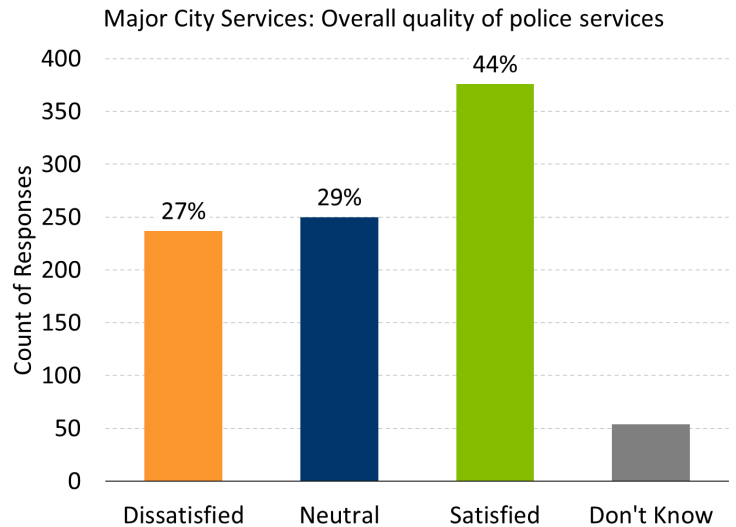
Homelessness

The proposed budget includes additional funding for the Homeless Taskforce established in FY 2025; funds will support enhanced street-level intervention focusing on housing stability, outreach, and prevention strategies.

Funds are also proposed to purchase metal detectors for The Center, the city's homeless shelter to improve safety for guests and staff.

Coastal Storm Risk Management (CSRM) Project

The CSRM project includes a large-scale extension of the Downtown Norfolk Floodwall and the design and construction of storm surge barriers, levees, and pump stations to be completed in five phases over the next several years. Our ability to pay the required non-federal match is dependent on the state's support. There are currently no funds included in the state's upcoming budget for the CSRM project. Funds are included in the FY 2026 CIP to continue efforts on the current phases of the project. As federal and state funding decisions change, the city will continue to modify assumptions for funding and specifics of the project.



Recreation

73% of survey respondents were satisfied or neutral with the overall value of parks and recreation programs/facilities. To enhance opportunities for recreation, the proposed budget includes:

- Continued funding for improvements to Ocean View Beach Park
- Funds toward beach renourishment and access in partnership with the U.S. Army Corps of Engineers; the city's required match will be supported in part by a dedication of vacation rental/homestay room taxes within the Coastal Character District
- Continued investments in community and neighborhood parks and community centers
- Improvements at Stockley Gardens and Stone Park
- Funds for improvements to tennis and pickleball courts at Larchmont Elementary School and Azalea Garden Middle School (based on the 2022 citywide tennis court assessment)
- Support for a Maritime Forest Disc Golf Course in Ocean View
- Funds for a new playground at Crossroads School
- Dredging of the Pretty Lake Main Channel to support recreational boating starting in FY 2027

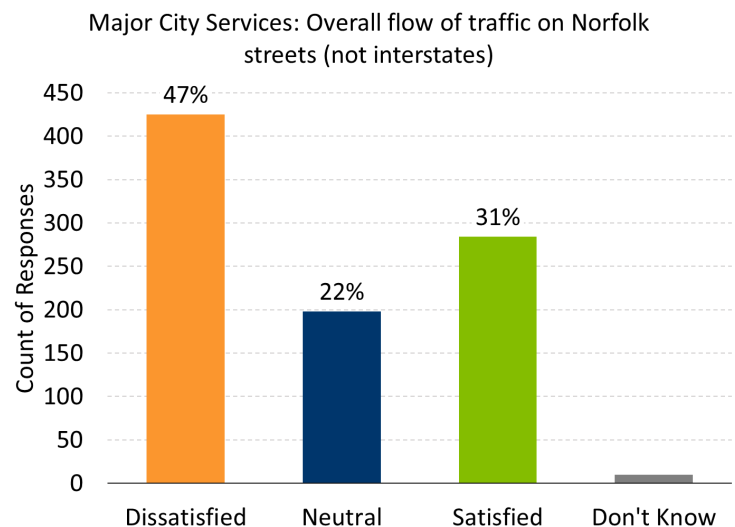
As part of our partnership with the Elizabeth River Trail (ERT), the city will continue to maintain the ERT in addition to contributing \$150,000 for general operating support.

Transportation Safety and Maintenance

Traffic Flow

The 2024 Resident Survey identified the flow of traffic on Norfolk streets to be a high priority and area for improvement, with 47% of respondents dissatisfied. Efforts to improve traffic flow in the proposed FY 2026 budget include:

- Funds for enhanced traffic signals and intersections citywide in 2026 with additional new and replacement signals planned in the future years of the CIP
- Installation of traffic signals at the intersection of Tidewater Drive and Marvin Avenue
- Improved traffic flow at Harbor Park through additional signage and traffic mitigation for Tides home games

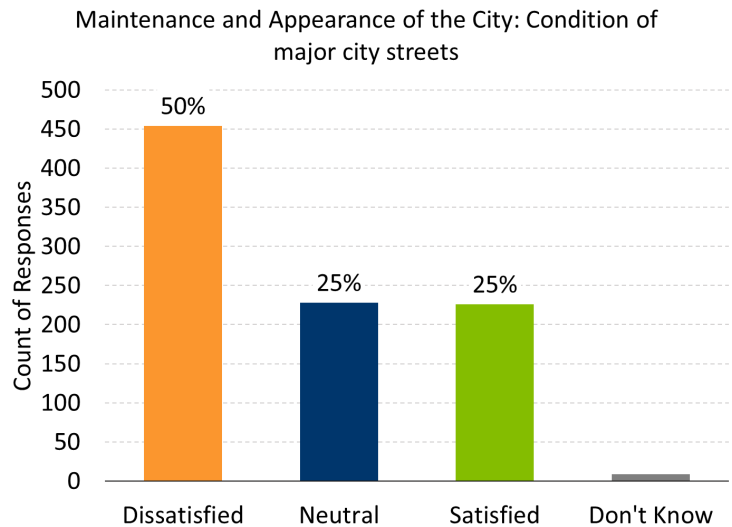


Condition of City Streets

Satisfaction with the condition of city streets remains an area for improvement; significant funding is allocated in the FY 2026 CIP and operating budgets to address these concerns:

- Improvements to neighborhood streets and transportation infrastructure citywide
- Funding to complete the reconstruction of Westminster Avenue

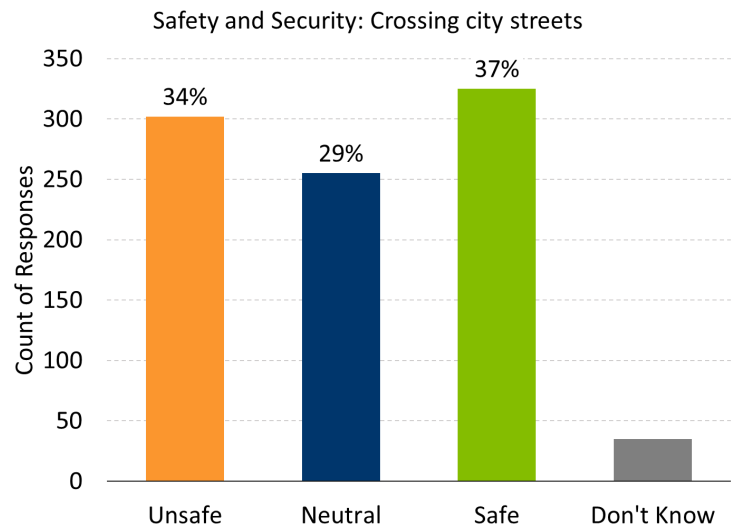
- Improvements to road infrastructure in the St. Paul's/Kindred area
- A new Public Works vehicle for enhanced street maintenance
- Additional staff for transportation project management to increase capacity for capital project planning and execution
- Funds to enhance Virginia Department of Transportation (VDOT) project management and grant applications
- Funds to repair, replace, and maintain bridges including repairs to the Military Highway bridge over Virginia Beach Boulevard



Pedestrian Safety and Multimodal Transportation

While many resident survey respondents felt either safe or neutral regarding the crossing of city streets and the availability of on-street bike lanes and signage, the city continues to strive to improve these areas. Funds are proposed in FY 2026 for:

- Additional funding toward the Complete Streets Initiative to promote safe access for pedestrians, bicyclists, and transit users; this funding supports the city's Vision Zero program to eliminate all traffic fatalities and severe injuries
- Princess Anne Road lane repurposing to include bike lanes in each direction, a two-way left turn lane, and the reduction of the corridor from four lanes to two lanes; pedestrian accommodations and signage will also be added
- The Environmental Sustainability Team, formerly housed in the Department of General Services, will be shifted to the Department of Transportation to focus on the efforts to convert the city's streetlights to LED as well as the implementation of electric vehicle charging stations



Flooding and Drainage Concerns

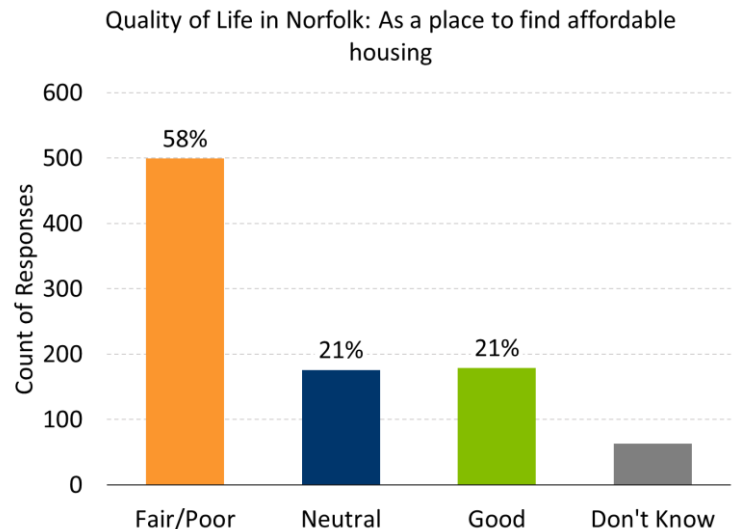
Street flooding and drainage continue to be areas of concern for residents, with 52% of respondents dissatisfied with flood control on city streets. The FY 2026 proposed budget includes funding to:

- Improve drainage at 10th Bay Street and Chesapeake Boulevard
- Reconstruct and rehabilitate the Hague bulkhead
- Replace the Bute Street bulkhead

Investments in Housing

Growing the city's housing stock as well as ensuring sufficient affordable housing is essential for resident quality of life and growing the city's economic base. Funds are included in the proposed CIP to:

- Demolish existing buildings at the Globe Iron site to allow for redevelopment
- Improve infrastructure at the John T. (J.T.) West site to support future housing development in the Olde Huntersville neighborhood
- Continue the revitalization of the St. Paul's/Kindred community
- Nearly \$5 million in federal funding through the Community Development Block Grant (CDBG) will be used to support community development projects and support for housing-related initiatives



Housing affordability continues to be a pressing concern for Norfolk residents. To address this, we will be broadening the purpose of the existing Inclusive Development Opportunity reserve to support housing initiatives. Additional details on how the reserve will be used will be presented to City Council in the coming months.

Maintenance and Cleanliness of Public Facilities, Public Spaces, and Thoroughfares

Utilities – Water and Wastewater

Resident satisfaction with the quality of the city's drinking water was overwhelmingly positive, with 74% of respondents satisfied. We continue to make significant investments to ensure high quality water and wastewater services. Some highlights of the proposed CIP include:

- Essential water and wastewater infrastructure upgrades and replacements of the wastewater collection system and water transmission and distribution mains
- Rehabilitation of the wastewater pump station in the Foxhall neighborhood
- Continued funding for the implementation of advanced metering infrastructure, upgrades to the billing system, and compliance with new Environmental Protection Agency (EPA) mandates for lead and copper
- Replacement of the Lake Smith culvert

Public Facilities

41% of survey respondents were satisfied with the maintenance of public buildings and facilities. While the ongoing facility needs study will inform future investments in public facilities, the city continues to address various maintenance needs including:

- Maintenance of fire stations and municipal facilities
- Improvements to elevators citywide and installation and replacement of emergency generators
- Upgraded security at city facilities
- Enhanced MacArthur Memorial maintenance

- Various jail improvements and repairs, funded through the sale of the Hampton Roads Regional Jail

Public Spaces and Thoroughfares

The FY 2026 proposed budget also includes funding to improve the appearance of public spaces and thoroughfares including:

- Enhanced beach cleanliness and maintenance
- Funding to support a significant contractual increase for recycling
- Downtown waterfront infrastructure repairs
- Acquisition and demolition of blighted properties in Willoughby, Ward's Corner, and other target areas
- Façade improvements in the Sewell's Point and Church Street Commercial Corridors

We will renew our focus on beautification as well as improving the character and appearance of our city, ensuring existing funding is leveraged as effectively as possible.

Parking

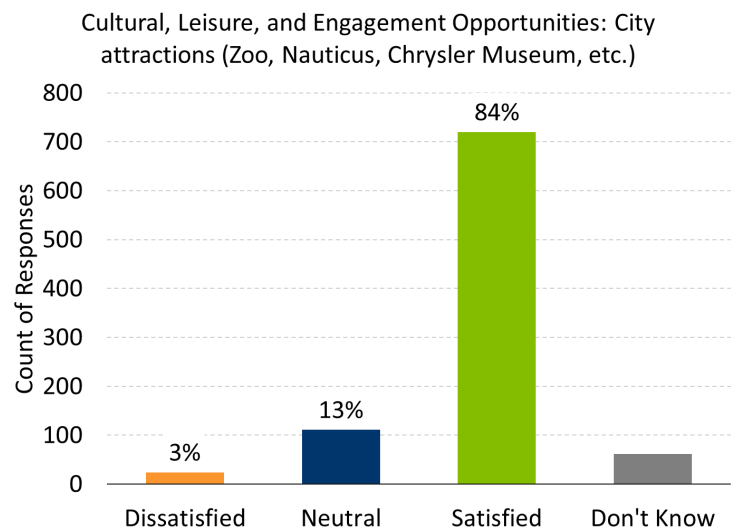
While 41% of survey respondents were satisfied with the city's parking availability, the city's parking infrastructure is aging and in need of upgrades and repairs. The Parking Fund is an enterprise fund intended to be self-sufficient and supported by parking revenues. The FY 2026 proposed budget includes a \$1.20 hourly increase for meters. This increase will help to offset the revenue loss from the provision of one hour of free parking in downtown parking garages. The student rate will remain discounted at \$30 per semester for the next two years. FY 2026 investments to ensure continued safety and availability of parking include:

- Structural repairs and waterproofing
- Upgrades and repairs to elevators in parking garages
- Ongoing maintenance of parking facilities
- Parking garage condition assessment to identify priorities and pressing maintenance needs

Expansion of Tourism and Visitation

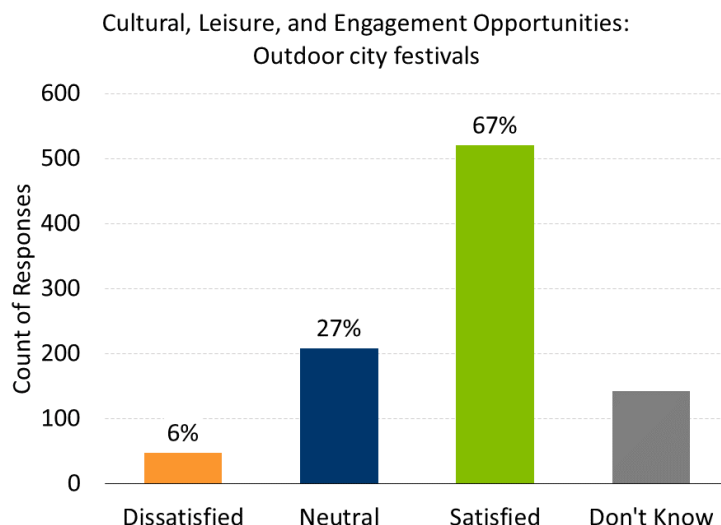
Norfolk is home to many entertainment and cultural venues including Scope Arena, Chrysler Hall, Virginia Zoo, Harbor Park, Nauticus, the Attucks Theatre, and the Half Moone Cruise Terminal, among others. These venues not only provide entertainment for residents and visitors but also generate significant revenue that supports direct services to residents. Growing tourism and expanding Norfolk's visitor economy supports revenue growth and drives investment.

The 2024 resident survey indicated that cultural, leisure, and engagement opportunities is a strength for Norfolk; the FY 2026 proposed



budget includes significant funding to continue to boost visitor activity and support outside agencies to enhance programming and events, and the arts. Highlights include:

- One-hour free parking at city parking garages
- Free parking at MacArthur Mall parking garage along with free use of the light rail for Tides home games
- Improvements and maintenance for Harbor Park
- Significant investments in the renovations of Chrysler Hall and Scope Arena
- Funds for the renovation and expansion of the Jean MacArthur Research Center
- A new position in SevenVenues to enhance city event marketing
- Enhanced event production at Ocean View Beach Park and Five Points Park
- Improved animal care, facility maintenance, and visitor experience at the Virginia Zoo
- Enhanced security for cruise operations and funds to develop visitor initiatives and programs
- Additional funding for outside agencies to support unique events and festivals



Additionally, over the next six to twelve months, I propose to develop a strategy in collaboration with the City Attorney and the City Assessor and other appropriate agencies to develop Tax Increment Financing (TIF) districts in targeted locations including, St. Paul's, Harbor Park, MacArthur Mall, Military Circle, and Fort Norfolk. These TIFs would ensure that the revenue generated in these specific districts will be funneled directly to support greater public and private investments in these areas.

Customer Service and Responsiveness

Excellent customer service and responsiveness are the foundation for high-quality government services. 81% of survey respondents were satisfied or neutral regarding the overall quality of customer services they receive from city employees. To continue to build on this trend, the proposed budget includes funds to:

- Increase Norfolk Cares in-person presence in City Hall through a fully staffed information desk to improve responsiveness to resident inquiries
- Improve efficiency of background checks to enhance employee onboarding and staffing levels
- Enhance advertisement and recruitment for city positions

To support the city's operational needs, this budget continues to allocate \$4.5 million for the purchase of 43 vehicles/pieces of equipment, as well as \$4 million for technology purchases.

Investments in Team Norfolk

Throughout FY 2025, the city engaged a consultant to assist with a thorough review and study of our current compensation plan and to develop a recommendation for a new plan to improve Norfolk's market competitiveness, attract the best talent, and retain highly qualified staff. The study resulted in the creation of several new step and grade plans, similar to other public employers. Grades are based on the market, and the knowledge, skills, and abilities required by the position. The new plans will allow predictability of salary increases, with a projected annual step increase for every employee.

The new compensation plan will be implemented in phases due to the extensive programming and system implications involved in the shift. The new plans will allow for fluid and targeted market adjustments to specific classifications in the future. Employees can expect to migrate to the new pay plan over the next six to twelve months. This is a very significant investment in the city's workforce, and while no plan is perfect, we believe this switch will go a long way to address recruitment and retention as well as provide employees with a clear path forward in their careers and salary progression.

In addition to the new pay plan structure, the ability for the city to provide an additional increase through a GWI will be considered on an annual basis based on affordability. On July 1, 2025, all general, constitutional, and nonsworn employees are recommended to receive a 2.5% increase and sworn Public Safety employees and 911 telecommunicators are recommended to receive a step for a minimum of a 2.5% increase, and up to 5% for certain key career progression steps. This year's proposed GWI will be on the current pay plans since the new pay plans will not be in place until later in the fiscal year. As has been the case for the last several years, employees will also see no rate increases for healthcare premiums.

A one-time supplement of \$625 is proposed for all Norfolk Employee Retirement System (NERS) retirees who retired before July 1, 2023.

NORFOLK PUBLIC SCHOOLS

Operating Budget

Despite continued decreases in average daily membership, Norfolk Public Schools (NPS) will receive more state funding than in FY 2025, with an increase of \$3.4 million over last year. Based on the 2024 – 2026 biennium budget from the Virginia General Assembly, Norfolk's required local contribution declined slightly to \$99.9 million. Consistent with the revenue sharing formula, the city's contribution to NPS for FY 2026 will increase by approximately \$6.4 million, for a total local contribution of \$170.6 million. This is over \$71 million above the state-required local contribution. Highlights of the Superintendent's budget include:

- Increased starting pay for teachers from \$57,500 to \$60,088; a 4.5% increase
- A step increase for all full-time, contracted employees and a cost-of-living adjustment, the equivalent of a 4.5% increase for teachers, administrators, and classified employees
- No rate increases for healthcare

Capital Improvement Plan

Proposed FY 2026 – FY 2030 capital funding for NPS includes nearly \$28 million for school maintenance and \$5 million for school buses. The Superintendent's Proposed CIP budget differs

from the city's proposed CIP below; adjustments were made due to funding constraints, particularly for the Maury project, which has been proposed at a level the city can afford.

NPS previously received a \$30 million grant from the state along with \$20 million of prior-year city funding to construct a new Maury High School. With the additional \$170 million planned in the five-year CIP, the Maury project would be funded at a total of \$220 million. To focus fully on the construction of Maury, funding for Norview Elementary School has been delayed to future fiscal years.

Project Title	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Total
Major School Maintenance	\$3,951,457	\$3,000,000	\$3,000,000	\$9,000,000	\$9,000,000	\$27,951,457
Acquire School Buses	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$5,000,000
Maury High School	\$11,500,000	\$65,500,000	\$93,000,000	\$0	\$0	\$170,000,000
Total	\$16,451,457	\$69,500,000	\$97,000,000	\$10,000,000	\$10,000,000	\$202,951,457

CONCLUSION

The FY 2026 proposed budget addresses the results of the latest resident survey, with targeted enhancements where necessary and continued investment in areas of high resident satisfaction. The budget also makes substantial investments in our workforce, with the phased implementation of new step compensation plans. These investments in our workforce are ultimately felt by our residents through improved services and responsiveness resulting from enhanced recruitment and retention. The data from the resident survey empowers the city to strategically invest in areas which are of most importance to our residents. We will continue to solicit resident feedback throughout the reconciliation process. As we work to complete the process of realigning ongoing expenditures with ongoing revenues, we will continue to place an emphasis on the city's long-term financial sustainability and alignment with City Council's financial policies.

I would also like to thank the Department of Budget and Strategic Planning for their work on this document and the Finance Department for their financial guidance.

I look forward to discussing this budget with you over the next several weeks.

Respectfully,



Patrick Roberts
City Manager

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