NEW ISSUE
Book-Entry Only

Bonds Rating: S&P AAA
(See "Ratings" herein) Moody's Aa2

CITY OF NORFOLK, VIRGINIA

$108,800,000
General Obligation
Capital Improvement Bonds,
Series 2023A (Tax-Exempt)

$15,070,000
General Obligation
Capital Improvement Bonds,
Series 2023B (Federally Taxable)

Dated: Date of Delivery **Due: As shown on the inside front cover**

The City of Norfolk, Virginia (the "City"), prepared this Official Statement to provide information on the above-referenced 2023A Bonds and 2023B Bonds (collectively, the "Bonds"). This cover page presents a summary of selected information for your convenience and does not provide a complete description of the Bonds. To make an informed decision regarding the Bonds, this Official Statement should be read in its entirety.

Tax Matters	In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants by and the accuracy of certain representations and certifications of the City and other persons and entities described in "PART I - TAX MATTERS-2023A BONDS" interest on the 2023A Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, for taxable years beginning after December 31, 2022, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See "PART I - TAX MATTERS-2023A BONDS." In the opinion of Bond Counsel, under current law, interest on the 2023B Bonds is includible in gross income for federal income tax purposes. See "PART I - TAX MATTERS-2023B BONDS." Bond Counsel is further of the opinion that interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "PART I - TAX MATTERS-2023A BONDS" and "PART I - TAX MATTERS-2023B BONDS" regarding other tax considerations.
Security	The Bonds are general obligations of the City. See "PART I - SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."
Redemption	See inside front pages and see "PART I - DESCRIPTION OF THE BONDS-Redemption Provisions," for a description of the redemption provisions for the Bonds.
Authorization	Ordinance No. 49,132 adopted by the City Council of the City on April 11, 2023.
Purpose	The proceeds of the Bonds, together with other available funds, will be used to (i) finance capital projects and (ii) pay the costs of issuance of the Bonds. See "PART I - APPLICATION OF PROCEEDS OF THE BONDS."
Interest Payment Dates	Interest on the Bonds will be payable semi-annually on March 1 and September 1, commencing September 1, 2023.
Record Date	February 15 for the March 1 payment date and August 15 for the September 1 payment date for the Bonds.
Registration	Book-Entry Only; The Depository Trust Company. See Appendix D "BOOK-ENTRY ONLY SYSTEM."
Denomination	$5,000 or multiples thereof.
Closing/Delivery Date	On or about May 17, 2023.
Bond Counsel	McGuireWoods LLP, Richmond, Virginia.
Underwriters' Counsel	Kaufman & Canoles, a Professional Corporation, Richmond, Virginia.
Financial Advisor	PFM Financial Advisors, LLC, Arlington, Virginia.
Registrar/Paying Agent	Director of Finance of the City.
Issuer Contact	Director of Finance of the City. (757) 664-4346.

For additional information related to the City, please visit the Investor Relations platform Munite®
(https://go.munite.com/#/retail/norfolk/obligor/13676/0).

Underwriters for the Bonds:

Morgan Stanley

Blaylock Van, LLC **Raymond James** **Wells Fargo Securities**

Dated: April 25, 2023

CITY OF NORFOLK, VIRGINIA

$108,800,000
General Obligation Capital Improvement Bonds, Series 2023A (Tax-Exempt)

(Base CUSIP Number 655867)†

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

Maturity (September 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP† Suffix
2023	$1,205,000	5.000%	100.587%	2.920%	Q28
2024	1,220,000	5.000	102.672	2.870	Q36
2025	4,875,000	5.000	105.341	2.580	Q44
2026	6,290,000	5.000	107.875	2.490	Q51
2027	6,225,000	5.000	110.361	2.440	Q69
2028	5,115,000	5.000	112.785	2.410	Q77
2029	5,045,000	5.000	115.152	2.390	Q85
2030	4,975,000	5.000	117.433	2.380	Q93
2031	4,895,000	5.000	119.185	2.430	R27
2032	4,810,000	5.000	121.066	2.450	R35
2033	15,745,000	5.000	120.329*	2.530*	R43
2034	14,230,000	5.000	119.506*	2.620*	R50
2035	4,435,000	5.000	118.419*	2.740*	R68
2036	4,395,000	5.000	116.899*	2.910*	R76
2037	4,350,000	5.000	115.928*	3.020*	R84
2038	4,305,000	5.000	114.967*	3.130*	R92
2039	4,260,000	5.000	114.274*	3.210*	S26
2040	4,200,000	5.000	113.586*	3.290*	S34
2041	4,145,000	5.000	113.158*	3.340*	S42
2042	4,080,000	5.000	112.902*	3.370*	S59

* Priced to the first optional redemption date of September 1, 2032 at par.

OPTIONAL REDEMPTION

Optional Redemption of the 2023A Bonds at Par. The 2023A Bonds are subject to redemption prior to their respective maturities on or after September 1, 2032, at the option of the City, in whole or in part (in increments of $5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2023A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

† See the last paragraph on page (v) regarding the use of CUSIP numbers in this Official Statement

CITY OF NORFOLK, VIRGINIA

$15,070,000
General Obligation Capital Improvement Bonds, Series 2023B (Federally Taxable)

(Base CUSIP Number 655867)†

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

$15,070,000 4.066% Series 2023B Term Bond due September 1, 2026, Priced at 100.00% to Yield 4.066%
CUSIP Number 655867P94

OPTIONAL REDEMPTION

Optional Redemption of the 2023B Bonds with Make-Whole Payment. The 2023B Bonds are subject to redemption at the option of the City at any time, in whole or in part (in increments of $5,000), at the Make-Whole Redemption Price (as defined below), plus the unpaid interest accrued on the 2023B Bonds to be redeemed to the Scheduled Redemption Date (as defined below). The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the 2023B Bonds to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2023B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption of the 2023B Bonds (the "Scheduled Redemption Date"), discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 5 basis points.

For purpose of determining the Make-Whole Redemption Price, the following definitions apply:

"Treasury Rate" means, with respect to any Scheduled Redemption Date for any particular 2023B Bond the yield to maturity as of the Scheduled Redemption Date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on a business day selected by the City not more than 45 days or less than two days before the Scheduled Redemption Date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Scheduled Redemption Date to maturity; provided, however, that if the period from the Scheduled Redemption Date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City in its sole discretion at the City's expense, which determination shall be conclusive and binding on the owners of the 2023B Bonds.

Any Make-Whole Redemption Price of 2023B Bonds to be redeemed pursuant to the provisions described under this section will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City in its sole discretion to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Pro Rata Redemption of the 2023B Bonds. If the 2023B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2023B Bonds, partial redemptions with respect to the 2023B Bonds will be treated by DTC as a "pro rata pass-through distribution of principal" in accordance with DTC procedures. It is the City's intent that redemption allocations made by DTC, Direct Participants (as defined in Appendix D), Indirect Participants (as defined in Appendix D) or such other intermediaries that may exist between the City and the Beneficial Owners (as defined in Appendix D) be made on a pro rata pass-through distribution of principal basis. However, the City can provide no assurance that DTC, Direct

Participants, Indirect Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis.

If the DTC operational arrangements do not allow for the redemption of 2023B Bonds on a pro rata pass-through distribution of principal basis, then the 2023B Bonds will be selected for redemption, in accordance with the DTC procedures, by lot.

If the 2023B Bonds are not registered in book-entry form, any redemption of less than all of the 2023B Bonds of any maturity will be allocated among the registered owners of such 2023B Bonds as nearly as practicable in proportion to the principal amount of the 2023B Bonds of such maturity owned by each registered owner, subject to the authorized denominations applicable to the 2023B Bonds. This will be calculated based on the formula: (principal amount of applicable maturity to be redeemed) x (principal amount of applicable maturity owned by owner) / (principal amount of applicable maturity outstanding). The particular 2023B Bonds to be redeemed will be determined by the Director of Finance of the City, using such method as he or she deems fair and appropriate, and such determination shall be conclusive and binding on the owners of the 2023B Bonds.

MANDATORY REDEMPTION

The 2023B Bonds maturing on September 1, 2026, are subject to mandatory sinking fund redemption in part, on September 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

Year	**Amount**
2023	$6,070,000
2024	5,955,000
2025	2,250,000
2026 (Final Maturity)	795,000

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CITY OF NORFOLK, VIRGINIA

CITY COUNCIL

Dr. Kenneth Cooper Alexander, Mayor
Martin A. Thomas, Jr., Vice Mayor

Courtney R. Doyle
Mamie B. Johnson
Andria P. McClellan
John E. Paige
Danica J. Royster
Thomas R. Smigiel, Jr.

CITY OFFICIALS

Dr. Larry H. Filer II, City Manager
Christine A. Garczynski, Director of Finance
Bernard A. Pishko, City Attorney

BOND COUNSEL

McGuireWoods LLP
Richmond, Virginia

FINANCIAL ADVISOR

PFM Financial Advisors, LLC
Arlington, Virginia

The Bonds are exempt from registration under the Securities Act of 1933, as amended. The Bonds are also exempt from registration under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under it will, under any circumstances, create any implication that there has been no change in the affairs of the City since the respective dates as of which information is given herein.

All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the City's bond ordinances have not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in the acts. The registration or qualification of the Bonds in accordance with applicable provisions of laws of the states in which the Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

"CUSIP" is a registered trademark of the American Bankers Association ("ABA"). CUSIP Global Services is managed on behalf of the ABA by FactSet Research Systems Inc. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and which has the same meaning as "final official statement" in SEC Rule 15c2-12.

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OFFICIAL STATEMENT

Relating to the Issuance of

CITY OF NORFOLK, VIRGINIA

\$108,800,000 **General Obligation** **Capital Improvement Bonds,** **Series 2023A (Tax-Exempt)**	**\$15,070,000** **General Obligation** **Capital Improvement Bonds,** **Series 2023B (Federally Taxable)**

PART I
THE BONDS

The purpose of this Official Statement, including the financial information contained in Appendix A attached hereto, is to furnish information for the sale by the City of Norfolk, Virginia (the "City"), of its \$108,800,000 General Obligation Capital Improvement Bonds, Series 2023A (Tax-Exempt) (the "2023A Bonds") and \$15,070,000 General Obligation Capital Improvement Bonds, Series 2023B (Federally Taxable) (the "2023B Bonds" and together with the 2023A Bonds, the "Bonds"). The City is a municipal corporation of the Commonwealth of Virginia (the "Commonwealth").

The Bonds will be general obligations of the City. The City's full faith and credit are pledged to the payment of the Bonds. The City has authorized the use of this Official Statement in connection with the sale of the Bonds.

The City has undertaken in the Ordinance, as hereinafter defined, to provide continuing disclosure as described in Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated by the Securities and Exchange Commission (the "SEC") and as in effect on the date hereof, by providing annual financial information and notice of the events required by Rule 15c2-12. See Appendix C "FORM OF CONTINUING DISCLOSURE AGREEMENT."

All financial and other information presented in this Official Statement has been provided by the City from its records except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

DESCRIPTION OF THE BONDS

General

The Bonds shall be dated the date of delivery and shall be payable in annual installments, subject to prior redemption, in the principal amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on the Bonds will be payable semi-annually on March 1 and September 1, commencing September 1, 2023, at the rates set forth on the inside front cover of this Official Statement. The record date for the Bonds is February 15 for the March 1 payment date and August 15 for the September 1 payment date.

Redemption Provisions

Optional Redemption of the 2023A Bonds at Par. The 2023A Bonds are subject to redemption prior to their respective maturities on or after September 1, 2032, at the option of the City, in whole or in part (in increments of $5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2023A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

Manner of Redemption of 2023A Bonds. If less than all of the 2023A Bonds are called for redemption, the maturities of such 2023A Bonds to be redeemed shall be selected by the Director of Finance of the City in such manner as he or she in his or her discretion may determine. So long as a book-entry system is used for determining beneficial ownership of the 2023A Bonds, if less than all of the 2023A Bonds within a maturity are to be redeemed, The Depository Trust Company ("DTC") and its participants shall determine which of such 2023A Bonds within a maturity are to be redeemed.

Optional Redemption of the 2023B Bonds with Make-Whole Payment. The 2023B Bonds are subject to redemption at the option of the City at any time, in whole or in part (in increments of $5,000), at the Make-Whole Redemption Price (as defined below), plus the unpaid interest accrued on the 2023B Bonds to be redeemed to the Scheduled Redemption Date (as defined below). The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the 2023B Bonds to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2023B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption of the 2023B Bonds (the "Scheduled Redemption Date"), discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 5 basis points.

For purpose of determining the Make-Whole Redemption Price, the following definitions apply:

"Treasury Rate" means, with respect to any Scheduled Redemption Date for any particular 2023B Bond the yield to maturity as of the Scheduled Redemption Date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on a business day selected by the City not more than 45 days or less than two days before the Scheduled Redemption Date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Scheduled Redemption Date to maturity; provided, however, that if the period from the Scheduled Redemption Date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense, which determination shall be conclusive and binding on the owners of the 2023B Bonds.

Any Make-Whole Redemption Price of 2023B Bonds to be redeemed pursuant to the provisions described under this section will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Pro Rata Redemption of the 2023B Bonds. If the 2023B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2023B Bonds, partial redemptions with respect to the 2023B Bonds will be treated by DTC as a "pro rata pass-through distribution of principal" in accordance with DTC procedures. It is the City's intent that redemption allocations made by DTC, Direct Participants (as defined in Appendix D), Indirect Participants (as defined in Appendix D) or such other intermediaries that may exist between the City and the Beneficial Owners (as defined in Appendix D) be made on a pro rata pass-through distribution of principal basis. However, the City can provide no assurance that DTC, Direct Participants, Indirect Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis.

If the DTC operational arrangements do not allow for the redemption of 2023B Bonds on a pro rata pass-through distribution of principal basis, then the 2023B Bonds will be selected for redemption, in accordance with the DTC procedures, by lot.

If the 2023B Bonds are not registered in book-entry form, any redemption of less than all of the 2023B Bonds of any maturity will be allocated among the registered owners of such 2023B Bonds as nearly as practicable in proportion to the principal amount of the 2023B Bonds of such maturity owned by each registered owner, subject to the authorized denominations applicable to the 2023B Bonds. This will be calculated based on the formula: (principal amount of applicable maturity to be redeemed) x (principal amount of applicable maturity owned by owner) / (principal amount of applicable maturity outstanding). The particular 2023B Bonds to be redeemed will be determined by the Director of Finance of the City, using such method as he or she deems fair and appropriate, and such determination shall be conclusive and binding on the owners of the 2023B Bonds.

Mandatory Sinking Fund Redemption of the 2023B Bonds. The 2023B Bonds maturing on September 1, 2026, are subject to mandatory sinking fund redemption in part, on September 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

Year	Amount
2023	$6,070,000
2024	5,955,000
2025	2,250,000
2026 (Final Maturity)	795,000

Manner of Redemption for the 2023B Bonds. If less than all of the 2023B Bonds are called for redemption, the maturities of such 2023B Bonds to be redeemed shall be selected by the Director of Finance of the City in such manner as he or she in his or her discretion may determine. So long as a book-entry system is used for determining beneficial ownership of the Bonds, if less than all of the 2023B Bonds within a maturity are to be redeemed, the DTC and its participants shall determine which of such 2023B Bonds within a maturity are to be redeemed.

Notice of Redemption of the Bonds. Notice of redemption shall be given by certified or registered mail to DTC or its nominee as the registered owner of the applicable Bonds. Such notice shall be mailed not more than 60 days nor less than 30 days before the date fixed for redemption. The City will not be responsible for mailing notices of redemption to the Beneficial Owners of the applicable Bonds.

Any notice of optional redemption of any of the Bonds may state that it is conditioned upon there being available on the date fixed for redemption an amount of money sufficient to pay the redemption price plus interest accrued and unpaid to such date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price of any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the City, the corresponding notice of redemption shall be deemed to be revoked. The City may rescind any redemption of the Bonds and notice thereof on any date prior to the scheduled redemption date by causing written notice of such rescission to be given to the Owners of such Bonds so called for redemption. Notice of the rescission of any such redemption of the Bonds shall be given in the same manner in which notice of redemption of such Bonds was originally given. The actual receipt by the Beneficial Owner (as defined in Appendix D) of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

AUTHORIZATION AND PURPOSES OF THE BONDS

The City is issuing the Bonds pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), as authorized by Ordinance 49,132 adopted by the City Council of the City (the "City Council") April 11, 2023 (the "Ordinance").

The City will use the proceeds of the Bonds, together with other available funds, to (i) finance and refinance a portion of the City's Capital Improvement Program and (ii) pay the costs of issuance of the Bonds as set forth in "PART I - PLAN OF FINANCE" and "PART I - APPLICATION OF PROCEEDS OF THE BONDS."

PLAN OF FINANCE

Capital Projects Financing

The City expects to use a portion of the proceeds of the 2023A Bonds and 2023B Bonds to pay the costs of projects identified in the City's Capital Improvement Program, as the City Council may amend it from time to time. See "PART II - DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Improvement Plan Budget" and "PART II - CITY INDEBTEDNESS – Debt Outstanding." The 2023A Bonds and 2023B Bonds will close on or around May 17, 2023, and, subject to market conditions, simultaneously with the City's General Obligation Refunding Bonds, Series 2023C.

APPLICATION OF PROCEEDS OF THE BONDS

The following tables set forth the anticipated application of the proceeds of the Bonds for the purposes described above:

	2023A Bonds	2023B Bonds	Total
Sources of Proceeds:			
Par Amount of Bonds	$108,800,000.00	$15,070,000.00	$123,870,000.00
Original Issue Premium	16,802,179.50	0.00	16,802,179.50
Total:	$125,602,179.50	$15,070,000.00	$140,672,179.50
Uses of Proceeds:			
Deposit to Project Fund	$125,000,000.00	$15,000,000.00	$140,000,000.00
Costs of Issuance*	602,179.50	70,000.00	672,179.50
Total:	$125,602,179.50	$15,070,000.00	$140,672,179.50

* Includes underwriters' discount and other costs of issuing the Bonds, including legal, financial advisory, rating and printing.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

The Bonds are general obligations of the City. The City's full faith and credit are irrevocably pledged to the payment of principal of, premium, if any, and interest on the Bonds. While the Bonds remain outstanding and unpaid, the City Council is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

Bondholders' Remedies in Event of Default

Section 15.2-2659 of the Virginia Code provides that upon affidavit of any owner, or any paying agent therefor, of a general obligation bond or note in default as to payment of principal or interest, the Governor of the Commonwealth of Virginia (the "Governor") shall conduct a summary investigation. If such default is established to the Governor's satisfaction, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply a sufficient portion of the amount so withheld to payment of the defaulted principal and interest. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659, or its predecessors, Sections 15.1-225 and 15.1-227.61, has ever been issued. Although Section 15.2-2659 has not been considered by a Virginia court, the Attorney General of Virginia has opined that appropriated funds may be withheld by the Commonwealth pursuant to one of its predecessor provisions, Section 15.1-225. Each fiscal year of the City (each a "Fiscal Year") ends on June 30, and for Fiscal Year 2022, the Commonwealth provided approximately $344.5 million to the City that was deposited in the City's General Fund.

Although Virginia law currently does not authorize such action, future legislation may enable the City to file a petition for relief under the U.S. Bankruptcy Code (the "Bankruptcy Code") if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on the Bondholders, including (i) delay in the enforcement of their remedies, (ii) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings or (iii) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the owners of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be reliably predicted and may be significantly affected by judicial interpretation.

TAX MATTERS-2023A BONDS

Opinion of Bond Counsel – Federal Income Tax Consequences

Bond Counsel's opinion regarding the federal income tax status of the interest on the 2023A Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the 2023A Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, for taxable years beginning after December 31, 2022, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax under Section 55(b) of the Code. See Appendix B for the form of the opinion of Bond Counsel for the 2023A Bonds.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2023A Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the 2023A Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

As to questions of fact material to its opinion regarding the 2023A Bonds, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of the City, public officials and certain other third parties, and public officials, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the City and certain other persons and entities. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2023A Bonds in order for interest on the 2023A Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2023A Bonds and the use of the property financed or refinanced by the 2023A Bonds, limitations on the source of the payment of and the security for the 2023A Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2023A Bonds to the United States Treasury. Prior to the issuance of the 2023A Bonds, the City will enter into a tax certificate and related documents for the 2023A Bonds (collectively, the "Tax Certificates") that contain covenants under which the City has agreed to comply with such requirements (the "Covenants"). A failure to comply with the Covenants could cause interest on the 2023A Bonds to become includible in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2023A Bonds from becoming includible in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2023A Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2023A Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2023A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such 2023A Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2023A Bonds.

Prospective purchasers of the 2023A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the 2023A Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made to any 2023A Bond owner or to any 2023A Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2023A Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any 2023A Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The issue price for each maturity of the 2023A Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement, but is subject to change based on actual sales. Accrued OID on the 2023A Bonds with OID (the "OID Bonds") is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax with respect to the 2023A Bonds and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the OID accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of such Premium Bond.

Effects of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2023A Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the 2023A Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the 2023A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the 2023A Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes. The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the 2023A Bonds, regulatory interpretation of the Code or actions by a court involving either the 2023A Bonds or other tax-exempt obligations will not have an adverse effect on the 2023A Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the 2023A Bonds.

Prospective purchasers of the 2023A Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the 2023A Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2023A Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2023A Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2023A Bonds should consult their own tax advisors regarding the tax status of interest on the 2023A Bonds in a particular state or local jurisdiction other than the Commonwealth.

TAX MATTERS-2023B BONDS

Opinion of Bond Counsel – Federal Income Tax Consequences

Bond Counsel's opinion with respect to the 2023B Bonds will state that, based on current law, interest on the 2023B Bonds is includible in the gross income of the owners thereof for purposes of federal income taxation.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2023B Bonds. See Appendix B for the form of the opinion of Bond Counsel with respect to the 2023B Bonds.

Summary

The following is a summary of certain of the United States federal income tax consequences of the ownership of the 2023B Bonds as of the date hereof. Each prospective purchaser of the 2023B Bonds should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, which could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the 2023B Bonds generally and does not purport to furnish information in the level of detail or with the prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's own tax advisor. For example, it generally is addressed only to original purchasers of the 2023B Bonds that are "U.S. holders," as hereinafter defined, deals only with 2023B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to owners that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold the 2023B Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in an owner of the 2023B Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a 2023B Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a 2023B Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more U.S. persons have the authority to control all of the trust's substantial decisions.

General Federal Income Tax Status of the 2023B Bonds

The 2023B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Owners of the 2023B Bonds that allocate a basis in the 2023B Bonds that is greater than the principal amount of the 2023B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If an owner purchases the 2023B Bonds for an amount that is less than the principal amount of the 2023B Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a 2023B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Sale and Exchange of the 2023B Bonds

Upon a sale or exchange of a 2023B Bond, an owner generally will recognize gain or loss on the 2023B Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such 2023B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the 2023B Bond not yet taken into income will be ordinary). The adjusted basis of the owner in a 2023B Bond will (in general) equal its original purchase price increased by any original issue discount or market discount includable in the gross income of the owner with respect to the 2023B Bonds and decreased by any principal payments received on the 2023B Bond. In general, if the 2023B Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Defeasance

Defeasance of any 2023B Bond may result in a reissuance thereof, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the 2023B Bond.

Backup Withholding

Under current United States federal income tax laws, a 24% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of a sale, exchange or redemption of, the 2023B Bonds. Certain persons making such payments are required to submit information returns (that is, IRS Forms 1099) to the IRS with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

Foreign Investors

Distributions of the 2023B Bonds to a non-U.S. holder that has no connection with the United States other than holding its 2023B Bond generally will be made free of withholding tax, as long as the non-U.S. holder has complied with certain tax identification and certification requirements.

Medicare Tax

For taxable years beginning after December 31, 2014, an additional 3.8% tax will be imposed on the "net investment income" of certain individuals, estates and trusts that have "modified adjusted gross income" above a certain threshold. Net investment income includes but is not limited to, the interest on the 2023B Bonds and gains from the disposition of the 2023B Bonds. Prospective investors should consult their tax advisors regarding the possible applicability of this tax to an investment in the 2023B Bonds.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the 2023B Bonds is excludable from gross income for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2023B Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2023B Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2023B Bonds should consult their own tax advisors regarding the tax status of interest on the 2023B Bonds in a particular state or local jurisdiction other than the Commonwealth.

PENDING LITIGATION

The City, in the course of its activities, has been named as defendant in certain personal injury lawsuits and lawsuits for property damage.

These suits are being defended by the City Attorney and associated independent counsel retained by the City Attorney. It is the opinion of the City that any possible losses in connection with the lawsuits will not materially or adversely affect the City's ability to pay principal and interest on any outstanding general obligation bonds, including the Bonds. For additional financial information, see "PART I - SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – General," "PART II – CITY INDEBTEDNESS," "PART III - FUND OPERATING BUDGETS," including Tables III-11A and III-11B, and "PART III - RESULTS OF FINANCIAL OPERATIONS," including Tables III-14 and III-15.

None of the above pending lawsuits affect the validity of the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of the Bonds or the interest thereon. There is no pending litigation with respect to the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of such Bonds or interest thereon.

Concerning the Bonds. According to the City Attorney, there is no litigation of any kind now pending or, to the best of his information, knowledge and belief, threatened against the City to restrain or enjoin the issuance or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Bonds are issued or affecting the ability of the City to levy or collect *ad valorem* taxes without limitation as to rate or amount for the payment of the principal of or interest on the Bonds.

RATINGS

The City has requested that the Bonds be rated and has furnished certain information to the rating agencies listed herein, including information that may not be included in this Official Statement. The Bonds have been rated 'AAA' by S&P Global Ratings ("S&P") and 'Aa2' by Moody's Investors Service, Inc. "Moody's").

Each rating reflects only the views of the respective ratings agency. Any explanation of the significance of the rating may be obtained only from each ratings agency. Generally, each ratings agency bases its ratings upon information and materials provided to them and upon investigations, studies and assumptions it makes. There is no assurance that such rating will not be withdrawn or revised downward by each respective ratings agency. Such action may have an adverse effect on the market price of the Bonds. The City has not undertaken any responsibility after the issuance of the Bonds to assure maintenance of the rating or to oppose any such revision or withdrawal.

FINANCIAL STATEMENTS

The City's audited general purpose financial statements for the Fiscal Year 2022 (which are sometimes referred to herein as the "Fiscal Year 2022 Financial Statements") are attached as Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants, CliftonLarsonAllen LLP. These financial statements, along with the accompanying notes, are intended to provide a broad overview of the City's government-wide and various fund financial statements and account groups. See "PART III - BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE" and "PART III - INDEPENDENT ACCOUNTANTS."

FINANCIAL ADVISOR

The City has retained PFM Financial Advisors, LLC of Arlington, Virginia ("PFM"), as Financial Advisor in connection with the issuance and sale of the Bonds. Although PFM has assisted in the preparation of this Official Statement, PFM is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. PFM is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

RELATIONSHIP OF PARTIES

McGuireWoods LLP, Richmond, Virginia, Bond Counsel, represents each Underwriter and the Paying Agent from time to time in unrelated matters.

Kaufman & Canoles, a Professional Corporation, Richmond Virginia, Underwriters' Counsel, represents the Paying Agent from time to time in unrelated matters.

UNDERWRITING

The Bonds are being purchased by the Underwriters pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between the City and Morgan Stanley & Co. LLC ("Morgan Stanley"), as representatives of the Underwriters. The Bond Purchase Agreement sets forth the obligation of the Underwriters to purchase the Bonds at an aggregate purchase price of $140,403,354.21 (representing the sum of the $123,870,000 par amount of the Bonds plus original issue premium of $16,802,179.50, less an underwriting discount of $268,825.29 on such Bonds) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Wells Fargo Corporate & Investment Banking (which may be referred to elsewhere as "CIB," "Wells Fargo Securities" or "WFS") is the trade name used for the corporate banking, capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"), a member of the National Futures Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, N.A. Municipal Finance Group, a separately identifiable department of WFBNA, registered with the U.S. Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA, acting through its Municipal Finance Group, one of the underwriters of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

CONTINUING DISCLOSURE

The City will execute and deliver for the benefit of the beneficial owners a Continuing Disclosure Agreement, the form of which is set forth as Appendix C to this Official Statement, under which the City will covenant and agree to provide certain annual financial information and notice of the events listed in Rule 15c2-12. As described in Appendix C, such undertakings require the City to provide only limited information at specified times.

The continuing obligation of the City to provide annual financial information and notices referred to above will terminate for the Bonds when the Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the applicable Bonds.

MISCELLANEOUS

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The execution and delivery of this Official Statement has been duly authorized by the City.

The references herein to and summaries of federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth, the Virginia Code, the Charter of the City (the "City Charter") and documents, agreements and court decisions are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to the full text of such acts, laws, documents, agreements or decisions, copies of which are available for inspection during normal business hours at the office of the City Attorney.

Any questions concerning the content of this Official Statement should be directed to the City's Director of Finance, 810 Union Street, Suite 600 City Hall Building, Norfolk, Virginia 23510, (757) 664-4346.

CITY OF NORFOLK, VIRGINIA

/s/ Dr. Larry H. Filer II
City Manager

/s/ Christine A. Garczynski
Director of Finance

PART II
CITY INDEBTEDNESS

Limitation on Incurrence of Debt

Pursuant to the Virginia Constitution, the City is authorized to issue bonds and notes secured by a pledge of its full faith and credit and unlimited taxing power. There is no requirement in the Virginia Constitution, the Virginia Code or the City Charter that the issuance of general obligation bonds of the City be subject to approval of the electorate of the City at referendum. Under the Virginia Constitution, the City's issuance of general obligation bonds is subject to a limitation of 10% of the assessed value of taxable real property.

As of March 31, 2023, the total assessed value of taxable real property in the City was $25,250,814,276. Based on the Virginia Constitution debt limitation, this resulted in a debt limit of $2,525,081,428. As presented in Table II-1 below and based on the City's unaudited records, the City's outstanding general obligation bonds and other tax-secured indebtedness as of March 31, 2023, was $1,204,456,852 representing 47.70% of the constitutional debt limit.

Table II-1
City of Norfolk, Virginia
Statement of Legal Debt Margin
March 31, 2023 (1) (6)

Total Assessed Value of Taxed Real Property		$25,250,814,276
Debt Limit-10 percent of Total Assessed Value		$2,525,081,428
Amount of Debt Applicable to Debt Limit:		
Gross Debt (1) (2)	$869,126,852	
Economic Defeasance (2013B)	50,375,000	
Series 2021 (Pension Obligation Bonds)	204,955,000	
Line of Credit Note (3)	80,000,000	
Total Amount of Debt Applicable to Debt Limit	$1,204,456,852	
Legal Debt Margin (4) (5)		$1,320,624,576
Amount of Debt as a percent of Debt Limit		47.70%

Source: Department of Finance, City of Norfolk, Virginia.

Notes:
(1) Figures are unaudited. Legally defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
(2) Storm Water, Water and Wastewater revenue bonds are excluded from gross debt. The revenue bonds are secured solely from revenue of the Storm Water Utility Fund, Water Utility Fund and the Wastewater Utility Fund, respectively.
(3) As of March 31, 2023, the outstanding balance of $80,000,000 on a General Obligation guaranty of up to $125,000,000 on the revolving line of credit issued in December 2014. The revolving line of credit has a current expiration date of November 18, 2023. All or a portion of the outstanding balance on the line of credit is expected to be refinanced on a long-term basis with a portion of the Bonds and other series of long-term general obligation bonds.
(4) Outstanding capital lease obligations for the purchase of equipment are not included for the purposes of the legal debt margin calculations because they are subject to appropriation and not general obligations of the City. The City does not currently have any capital lease obligations outstanding.
(5) The amount of general obligation bonds authorized by ordinance, but not issued, is $362,613,171.
(6) Excludes the Bonds.

Debt Outstanding

The tables that follow detail the City's current general obligation debt outstanding. Table II-2 presents the City's gross and net outstanding tax-supported and self-supporting general obligation bonded indebtedness as of March 31, 2023. Table II-3 provides a comparative statement of key debt ratios for the past ten Fiscal Years and Table II-4 presents the rate of retirement for all general obligation bonds as of June 30, 2022. Table II-5 presents the ratio of debt service on bonds to actual general governmental expenditures for the past ten Fiscal Years. Table II-6 presents the historical relationship of the City's net bonded debt to assessed value of taxable real property and net bonded debt per capita. Table II-7 provides a statement of future annual debt service requirements on the City's existing general obligation bonds.

Table II-2
City of Norfolk, Virginia
General Obligation Debt Statement (1) (2) (3) (4) (5) (6) (7)

	As of March 31, 2023
General Fund Outstanding Debt	$801,559,689
Self-Supporting General Fund Outstanding Debt	31,134,875
Total General Fund Outstanding Debt	$832,694,564
Total Special Revenue Fund and Enterprise Fund Outstanding Debt	$241,387,287
Total General Obligation Bond Indebtedness Outstanding Debt	$1,074,081,852

Source: Department of Finance, City of Norfolk, Virginia.

Notes:
(1) Figures are unaudited.

(2) The amount of general obligation bonds authorized by ordinance, but not yet issued, is $362,613,171.

(3) Storm Water Revenue Bonds, Water Revenue Bonds and Wastewater Revenue Bonds are excluded from enterprise fund debt, because these bonds are secured by and payable solely from the pledged revenues of their respective enterprise activities. Includes the bonded debt of the Maritime Facility Fund, Waste Management Fund and the Towing and Recovery Fund, which are special revenue funds.

(4) Reflects only bonded debt and does not include the City's capital lease obligations. See "PART II - DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Lease Obligations" for information about the City's capital lease obligations. The City does not currently have any capital lease obligations outstanding.

(5) Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.

(6) There are no overlapping or underlying taxing jurisdictions in the City.

(7) Includes self-supporting Public Amenities debt and the City's General Obligation Bonds, Series 2021 (Federally Taxable) (pension obligation bonds).

Table II-3
City of Norfolk, Virginia
Key Debt Trends
Fiscal Years 2013 – 2022

Fiscal Year Ended June 30	Gross Bonded Debt (in thousands) (1) (2) (3) (4)	Gross Bonded Principal Outstanding Per Capita (5)	Percent of Gross Bonded Debt to Real Property Assessed Value (6)
2013	$817,078	$3,311	4.46%
2014	912,045	3,690	4.95
2015	852,703	3,449	4.55
2016	796,268	3,216	4.17
2017	858,219	3,460	4.42
2018	899,101	3,663	4.52
2019	954,715	3,929	4.69
2020	979,509	4,115	4.59
2021	1,133,412	4,760	5.12
2022 (7)	1,150,469	4,839	4.99

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, and Department of Finance, City of Norfolk, Virginia.

Notes:
(1) There are no overlapping or underlying taxing jurisdictions in the City.

(2) Debt payable from Enterprise Revenue can be found in Table II-6.

(3) The defeased portions of bonds are not included in Gross Bonded Debt.

(4) Excludes premiums, discounts and adjustments. However, consistent with governmental accounting standards, the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, presents and the Annual Comprehensive Financial Reports for subsequent Fiscal Years are expected to present the net amount of unamortized premiums, discounts and adjustments as a liability or asset, as applicable.

(5) Gross Bonded Principal Outstanding Per Capita is based on the estimated population figures from Table II-6.

(6) Based on the taxable real property assessed value figures from Table III-2.

(7) Figures are unaudited.

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Table II-4
City of Norfolk, Virginia
Principal Retirement
All General Obligation Bonds
As of March 31, 2023

Maturing By Fiscal Year	Cumulative Amount Matured	Percent of Principal Retired
2026	$391,032,943	36.41%
2031	727,218,684	67.71
2036	955,696,852	88.98
2041	1,035,661,852	96.42
2046	1,071,221,852	99.73
2049	1,074,081,852	100.00

Source: Department of Finance, City of Norfolk, Virginia.

Table II-5
City of Norfolk, Virginia
Ratio of Annual Debt Service to
Total General Governmental Expenditures
Fiscal Years 2013-2022

Fiscal Year Ended June 30	Total Debt Service(1)	Total General Expenditures (2)	Percent of Debt Service To Total General Expenditures
2013	$78,226,814	$594,180,698	13.17%
2014	77,082,711	588,506,007	13.10
2015	76,109,022	593,478,745	12.82
2016	73,130,582	596,768,904	12.25
2017	77,812,952	618,253,153	12.59
2018	79,899,756	644,120,067	12.40
2019	81,333,153	661,339,027	12.30
2020	83,447,322	664,623,252	12.56
2021	91,393,726	629,115,874	14.53
2022	81,013,285	620,115,756	13.06

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Notes: (1) Includes debt service on general obligation bonds supported by the General Fund.

(2) Total general expenditures are presented using the modified accrual basis of accounting.

Table II-6
City of Norfolk, Virginia
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
Fiscal Years 2013 – 2022

Fiscal Year Ended June 30	Estimated Population	Assessed Value of Taxable Property (In Thousands)	Gross Bonded Debt [1]	Debt Payable from Enterprise Revenue[1]	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2013	246,790	$20,093,307	$817,078,050	$179,134,625	$637,943,425	3.17%	$2,585
2014	247,136	20,192,046	912,045,343	247,315,611	664,729,732	3.29	2,690
2015	247,242	20,892,353	852,703,111	236,071,186	616,631,925	2.95	2,494
2016	247,596	21,366,993	796,267,937	225,811,662	570,456,274	2.67	2,304
2017	248,046	21,918,700	858,219,448	244,032,413	614,187,035	2.80	2,476
2018	245,422	22,096,988	899,101,879	242,888,531	656,212,948	2.97	2,674
2019	242,979	22,633,265	954,715,281	202,803,498	751,911,783	3.32	3,095
2020	238,005	23,780,896	979,508,856	249,569,588	729,939,268	3.07	3,067
2021	238,102	24,637,733	1,133,411,765	245,636,154	887,775,611	3.60	3,729
2022	237,770	26,681,757	1,150,469,383	228,217,085	922,252,298	3.46	3,879

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022. Population estimates are from the Weldon Cooper Center.

Note: (1) Excludes premiums, discounts and adjustments. However, consistent with governmental accounting standards, the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, presents and the Annual Comprehensive Financial Reports for subsequent Fiscal Years are expected to present the net amount of unamortized premiums, discounts and adjustments as a liability or asset, as applicable.

Table II - 7
City of Norfolk, Virginia – Long-Term Debt Service Requirements[1]

Fiscal Year Ending June 30	Existing General Obligation Debt Service[2] [3] [4] [5] [6] Principal	Interest	Total Debt Service	Debt Service on the Bonds Principal	Interest	Total Debt Service	Total Debt Service Principal	Interest	Total Debt Service
2023	$76,257,676	$34,854,728	$111,112,404	-	-	-	$76,257,676	$34,854,728	$111,112,404
2024	76,587,969	32,175,868	108,763,838	$7,275,000	$4,621,416	$11,896,416	83,862,969	36,797,285	120,660,254
2025	78,338,264	29,698,556	108,036,820	7,175,000	5,594,125	12,769,125	85,513,264	35,292,681	120,805,945
2026	78,058,559	27,418,368	105,476,927	7,125,000	5,274,942	12,399,942	85,183,559	32,693,310	117,876,869
2027	78,873,855	25,221,392	104,095,247	7,085,000	4,933,912	12,018,912	85,958,855	30,155,304	116,114,159
2028	79,114,151	22,883,102	101,997,254	6,225,000	4,604,875	10,829,875	85,339,151	27,487,977	112,827,129
2029	73,978,982	20,456,702	94,435,685	5,115,000	4,321,375	9,436,375	79,093,982	24,778,077	103,872,060
2030	70,290,290	18,230,279	88,520,569	5,045,000	4,067,375	9,112,375	75,335,290	22,297,654	97,632,944
2031	66,025,290	16,219,034	82,244,324	4,975,000	3,816,875	8,791,875	71,000,290	20,035,909	91,036,199
2032	69,845,290	13,838,835	83,684,125	4,895,000	3,570,125	8,465,125	74,740,290	17,408,960	92,149,250
2033	56,045,290	12,039,085	68,084,374	4,810,000	3,327,500	8,137,500	60,855,290	15,366,585	76,221,874
2034	41,800,290	10,009,548	51,809,837	15,745,000	2,813,625	18,558,625	57,545,290	12,823,173	70,368,462
2035	41,320,290	8,811,960	50,132,250	14,230,000	2,064,250	16,294,250	55,550,290	10,876,210	66,426,500
2036	48,940,290	7,500,421	56,440,711	4,435,000	1,597,625	6,032,625	53,375,290	9,098,046	62,473,336
2037	49,755,290	6,155,503	55,910,793	4,395,000	1,376,875	5,771,875	54,150,290	7,532,378	61,682,668
2038	46,865,290	4,521,383	51,386,673	4,350,000	1,158,250	5,508,250	51,215,290	5,679,633	56,894,923
2039	38,200,145	3,298,387	41,498,532	4,305,000	941,875	5,246,875	42,505,145	4,240,262	46,745,407
2040	14,515,000	2,545,400	17,060,400	4,260,000	727,750	4,987,750	18,775,000	3,273,150	22,048,150
2041	14,615,000	2,014,442	16,629,442	4,200,000	516,250	4,716,250	18,815,000	2,530,692	21,345,692
2042	5,670,000	1,520,325	7,190,325	4,145,000	307,625	4,452,625	9,815,000	1,827,950	11,642,950
2043	7,025,000	1,323,706	8,348,706	4,080,000	102,000	4,182,000	11,105,000	1,425,706	12,530,706
2044	7,215,000	1,103,108	8,318,108	-	-	-	7,215,000	1,103,108	8,318,108
2045	7,410,000	877,020	8,287,020	-	-	-	7,410,000	877,020	8,287,020
2046	7,600,000	643,921	8,243,921	-	-	-	7,600,000	643,921	8,243,921
2047	7,935,000	395,553	8,330,553	-	-	-	7,935,000	395,553	8,330,553
2048	5,400,000	178,431	5,578,431	-	-	-	5,400,000	178,431	5,578,431
2049	2,860,000	45,560	2,905,560	-	-	-	2,860,000	45,560	2,905,560
Totals	$1,150,542,207	$303,980,620	$1,454,522,827	$123,870,000	$55,738,646	$179,608,646	$1,274,412,207	$359,719,266	$1,634,131,473

Source: Department of Finance, City of Norfolk, Virginia.

Notes:
(1) Figures may not sum due to rounding.
(2) Includes General Obligation principal payable from the City's enterprise funds.
(3) Existing General Obligation Debt Service includes self-supporting principal payable from the City's Public Amenities Fund, Maritime Facility Fund, Waste Management Fund and the Towing and Recovery Fund, which are all special revenue funds.
(4) Includes estimated net debt service on the City's General Obligation Variable Rate Demand Bonds, Series 2007, assuming an average interest rate of 5.00%.
(5) Includes all interest on the Build America Bonds, Recovery Zone Economic Development Bonds, Qualified School Construction Bonds and Qualified Energy Conservation Bonds and has not been adjusted for the subsidy payments expected to be received by the City.
(6) The Series 2012D Qualified School Construction Bonds amortization assumes an early prepayment of a portion of the principal, as planned by the City.

In addition to general obligation debt issued in the public markets, the City from time to time enters into direct placement arrangements for its general obligation debt with private parties.

On December 17, 2014, the City established a revolving line of credit agreement with Bank of America, N.A. ("BANA"), which was most recently amended and restated as of November 18, 2021 and is valid through November 18, 2023. While the maximum amount of the line of credit has varied over time, it is currently $125,000,000. Further, the City maintains discretion over future increases and decreases to the line of credit maximum available amount dependent upon future cash flow needs of capital improvement projects. This line of credit has been used to provide flexible interim financing for capital improvement projects, including school construction. The full faith and credit pledge of the City secures the line of credit that will be repaid through the issuance of general obligation bonds or other City sources. As of March 31, 2023, there is an outstanding drawn amount on the line of $80 million for capital expenditures.

Borrowings under the line of credit bear interest payable semi-annually in February and August.

The interest rate on the line is based on the Bloomberg Short-Term Bank Yield Index rate ("BSBY") administered by Bloomberg Index Services Limited and published on the applicable Reuters screen page. The tax-exempt borrowing rate is 79 percent of BSBY, plus 25 basis points. The taxable borrowing rate is 100 percent of BSBY, plus 32 basis points. If the BSBY Rate is not available at such time for any reason or the Bank makes the determination to incorporate or adopt a new interest rate to replace the BSBY Rate in credit agreements, then the bank shall replace the BSBY Rate with the daily Secured Overnight Financing Rate (SOFR). There is no commitment fee on the unutilized portion of the line of credit. There is no minimum advance amount, and each advance shall be made on three days' notice given by the City to BANA.

The City continues to lead the nation in resilience efforts with a focus on long-term strategic resilience across several areas, including coastal, economic and neighborhood resilience. In April 2020, the City amended the credit agreement with BANA to authorize draws on the City's existing revolving line of credit for up to $50 million to fund operating expenses caused by a significant emergency event.

The City initiated this amendment prior to the pandemic, which speaks to its proactive resilience efforts to address these challenges head on, as it prepares for potential significant emergencies. While the Federal Emergency Management Agency (FEMA) typically reimburses most operating expenses related to significant emergencies, the reimbursement process can take several years. Expanding the permitted uses of the line of credit, which previously could only fund capital expenditures, provides the City a low-cost source of interim funding for emergency expenditures. To date, the line of credit has not been used to fund emergency expenditures.

DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES

Overlapping Debt

The City is autonomous from any county, town or other political subdivision. There are no overlapping or underlying taxing jurisdictions with debt outstanding for which City residents are liable.

Short-Term Borrowing for Working Capital

The City does not borrow on a short-term basis for working capital purposes. The City maintains its General Fund cash balance at a level that provides sufficient cash flow for working capital purposes.

Capital Lease Obligations

The City does not have any capital lease obligations outstanding.

Water Revenue Bonds, Storm Water Revenue Bonds, and Wastewater Revenue Bonds

Since 1993, and for all future financings, capital improvements of the Water Utility, Storm Water Utility and Wastewater Utility Systems have been and are anticipated to be financed with revenue bonds. The revenue covenant for water revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the water system, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year net revenues are not less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the Fiscal Year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund and the repair and replacement reserve fund. The revenue covenant for storm water revenue bonds and wastewater revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the water system, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year net revenues available for debt service will equal 115% of the amount required during the Fiscal Year to pay the principal on the local bond, the additional payments, any prior bonds, any existing parity bonds and parity bonds, and all other indebtedness of the City secured by or payable from revenues, including indebtedness from leases which are treated as capital leases under generally accepted accounting principles. The Fiscal Year 2022 results reflect compliance with these requirements.

Debt History Payment Record

The City has never failed to make a payment of either principal of, or interest on, any general obligation bond; however, in the last five years, as a result of an administrative oversight the City made one late payment on revenue bond indebtedness held by the Virginia Resources Authority. Once the late payment was brought to the City's attention the payment was made promptly and within the applicable cure period.

Capital Improvement Plan Budget

The City has a Capital Improvement Plan ("CIP") budget that plans for capital type improvements for a five-year period. This CIP budget is reviewed and revised annually.

The City approved its CIP budget for Fiscal Year 2023 on May 10, 2022. The total of the CIP budget for Fiscal Year 2023 is $299.8 million, which includes a cash contribution of $135.2 million. Each capital project included in the CIP budget for Fiscal Year 2023 is either approved for funding in the CIP budget for Fiscal Year 2023 or included as a planned project in Fiscal Years 2023 through 2027. The CIP budget for Fiscal Year 2023, as amended, totals $317.6 million.

The City's proposed CIP budget for Fiscal Year 2024 was presented by the City Manager to City Council on March 28, 2023. The total of the proposed CIP budget for General Capital projects in Fiscal Year 2024 is $294.2 million, which includes a cash contribution of nearly $100 million. Major projects include $93 million in matching funds for the Downtown Floodwall portion of the Resilient Norfolk project, which includes support by a $24.6 million grant from the Virginia Commonwealth Flood Protection Fund program; $65 million for a combination recreation and library facility; $16 million for School Maintenance and New Construction; and $16 million for street maintenance and bridges.

If approved, each capital project included in the Proposed CIP budget for Fiscal Year 2024 would either be approved for funding in the CIP budget for Fiscal Year 2024 or included as a planned project in Fiscal Years 2024 through 2028. Future year projects in the CIP Budget are considered for planning purposes only and may be modified, at any time, by the City Council. In addition, the CIP budget is used by the City as a means of identifying short-and long-term needs and as a guide for identifying various funding sources for future CIP budgets. Discussions regarding the CIP will continue through April and early May 2023. City Council is expected to adopt the final Budget and CIP on May 23, 2023. See "PART III - GENERAL FUND OPERATING BUDGETS" for more details about the Fiscal Year 2024 Operating Budget and CIP.

The CIP budget is developed in coordination with and at the same time as other City budgets. It is prepared for submission by the City Manager to the City Council concurrently with the Proposed Operating Budget. Hearings are held as appropriate, and the final CIP budget is adjusted with a determination being made of the source and amount of funding to be recommended for each item. See "PART V - ECONOMIC AND DEMOGRAPHIC FACTORS – Norfolk Public Schools" for a description of certain school construction projects that may impact future funding needs.

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The amended CIP budget for Fiscal Year 2023 is summarized in Table II-8A, and includes cash financing of $184,856,666 or 58% of the total CIP budget.

Table II-8A
City of Norfolk, Virginia
Capital Improvement Plan for Fiscal Year 2023 – Funding Sources

Uses	**Fiscal Year 2023 with Amendments**
General Capital Projects	$219,212,185
Parking Facilities Fund Projects	22,800,000
Storm Water Fund Projects	23,015,200
Wastewater Fund Projects	17,000,000
Water Fund Projects	35,600,000
Total Capital Program	$317,617,385
Appropriation Source	
General Capital Projects	
Reappropriation of Previous Bond Authorization	$ 2,085,590
Bonds	63,185,129
From General Capital Bond Issuance	$65,270,719
Fund Balance	64,165,000
Anticipated FY 2022 Budget Savings	10,900,000
Transfer from General Fund Operating	687,284
SWIFT Program	6,000,000
Federal Earmark	2,900,000
Norfolk Public Schools (NPS) FY 2021 Reversion Funds	8,644,000
NPS FY 2021 Funding Formula True-up Funds	8,138,185
NPS FY 2022 Reversion Funds	2,910,000
NPS Federal Recovery Funds	40,000,000
Virginia Public School Construction Grant	7,996,997
Private Equity Contribution – Chrysler Museum, Inc.	1,600,000
From General Capital Cash	$153,941,466
Parking Fund Projects	
From Bond Issue	22,800,000
Storm Water Fund Projects	
From Bond Issue	21,700,000
From Cash	1,315,200
Wastewater Fund Projects	
From Bond Issue	8,000,000
From Cash	9,000,000
Water Fund Projects	
From Bond Issue	15,000,000
From Cash	20,600,000
Total Capital Program	$317,617,385

Source: Capital Improvement Plan, Fiscal Year 2023, as amended.

The proposed CIP budget for Fiscal Year 2024 is summarized in Table II-8B, and includes cash financing of $156,879,437 or 37.8% of the total CIP budget.

Table II-8B
City of Norfolk, Virginia
Proposed Capital Improvement Plan for Fiscal Year 2024 – Funding Sources

Uses	**Proposed Fiscal Year 2024**
General Capital Projects	$294,238,347
Parking Facilities Fund Projects	8,050,000
Storm Water Fund Projects	28,715,200
Wastewater Fund Projects	28,880,000
Water Fund Projects	54,700,000
Total Capital Program	$414,583,547
Appropriation Source	
General Capital Projects	
Reappropriation of Previous Bond Authorization	$ 2,900,000
Bonds	191,354,110
From General Capital Bond Issuance	$194,254,110
Fund Balance: SLFRF Debt Reduction	32,000,000
Other Cash Contributions	9,650,000
Transfer from Fund Balance	10,000,000
Transfer from General Fund Operating	842,890
SWIFT Program	6,000,000
Norfolk Public Schools (NPS) FY 2022 Reversion Funds	9,778,997
NPS Funding Formula True-up Funds	7,112,350
State and Land Match Revenue	24,600,000
From General Capital Cash	$99,984,237
Parking Fund Projects	
From Bond Issue	8,050,000
Storm Water Fund Projects	
From Bond Issue	17,800,000
Reappropriation of Previous Authorization	9,600,000
From Cash	1,315,200
Wastewater Fund Projects	
From Bond Issue	8,000,000
From Cash	20,880,000
Water Fund Projects	
From Bond Issue	20,000,000
From Cash	34,700,000
Total Capital Program	$414,583,547

Source: Proposed Capital Improvement Plan, Fiscal Year 2024.

Table II-9A
City of Norfolk, Virginia
Approved Capital Improvement Plan
Fiscal Years 2023 – 2027 – Funding Sources

Description	FY 2023 Budget, as amended	FY 2024 Plan	FY 2025 Plan	FY 2026 Plan	FY 2027 Plan	FY 2023 – 2027 Total
General Capital	$219,212,185	$165,335,200	$317,615,200	$160,265,200	$118,165,200	$980,592,985
Parking Facilities Fund	22,800,000	5,200,000	3,900,000	3,900,000	3,900,000	39,700,000
Storm Water Fund	23,015,200	17,415,200	15,215,200	12,165,200	15,715,200	83,526,000
Wastewater Fund	17,000,000	18,000,000	18,600,000	18,600,000	18,600,000	90,800,000
Water Fund	35,600,000	33,000,000	33,000,000	33,000,000	33,000,000	167,600,000
Total Capital Program	$317,617,385	$238,950,400	$388,330,400	$227,930,400	$189,380,400	$1,362,218,985

Source: Capital Improvement Plan, Fiscal Year 2023, as amended.

Table II-9B
City of Norfolk, Virginia
Proposed Capital Improvement Plan
Fiscal Years 2024 – 2028 – Funding Sources

Description	FY 2024 Proposed Budget	FY 2025 Plan	FY 2026 Plan	FY 2027 Plan	FY 2028 Plan	FY 2024 - 2028 Total
General Capital	$294,238,347	$169,260,000	$291,760,000	$194,660,000	$162,060,000	$1,111,978,347
Parking Facilities Fund	8,050,000	4,500,000	3,900,000	4,500,000	3,900,000	24,850,000
Storm Water Fund	28,715,200	19,115,200	19,115,200	19,115,200	19,115,200	105,176,000
Wastewater Fund	28,880,000	24,150,000	22,400,000	24,950,000	23,400,000	123,780,000
Water Fund	54,700,000	56,400,000	49,100,000	43,700,000	37,000,000	240,900,000
Total Capital Program	$414,583,547	$273,425,200	$386,275,200	$286,925,200	$245,475,200	$1,606,684,347

Source: Proposed Capital Improvement Plan, Fiscal Year 2024.

PART III
FINANCIAL INFORMATION

Fiscal Year

The City's Fiscal Year (sometimes appearing as "FY") commences July 1 and closes on June 30. References to a particular Fiscal Year are to the Fiscal Year ending on June 30 of the year specified.

Reporting Entity

For financial reporting purposes, in accordance with generally accepted accounting principles ("GAAP"), the City's financial statements include the City of Norfolk (primary government) and the following component units:

- The School Board of the City of Norfolk (the "School Board");
- The Employees' Retirement System of the City of Norfolk ("NERS"); and
- The Economic Development Authority of the City of Norfolk (the "EDA").

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Contact information for such administrative offices can be obtained through contacting the office of the Director of Finance of the City.

BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE

The City's financial statements include the following sections:

Management's Discussion and Analysis ("MD&A").

- The MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities.

Basic Financial Statements. The Basic Financial Statements include:

- Government-wide financial statements, consisting of a statement of net assets and a statement of activities;
- Fund financial statements, consisting of a series of statements that focus on information of the government's major governmental, proprietary and fiduciary funds and component units; and
- Notes to the financial statements provide information essential to a user's understanding of the basic financial statements.

Required Supplementary Information ("RSI"). In addition to MD&A, budgetary comparison schedules are presented as RSI along with other types of data as required by the Government Accounting Standards Board ("GASB").

The government-wide financial statements are reported using the economic resources, measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fiduciary fund financial statements do not have a measurement focus. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the Fiscal Year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the Fiscal Year for which the taxes have been levied, net of allowances for uncollectible accounts. Expenditures, other than interest on general long-term obligations, are recorded as related fund liabilities when incurred. Interest on general long-term obligations is recognized when due.

INDEPENDENT ACCOUNTANTS

Section 99 of the City Charter requires that "*...as soon as practicable after the close of each fiscal year an annual audit shall be made of all the accounts of the city offices...by certified public accountants selected by the council...*". The firm of Clifton Larson Allen LLP serves as the City's independent auditors. The audited general purpose financial statements for Fiscal Year 2022 (which are sometimes referred to herein as the "Fiscal Year 2022 Financial Statements") with accompanying notes are attached as Appendix A.

BUDGETARY PROCESS

The City Charter requires that no less than 60 days before the end of the Fiscal Year, the City Manager must submit to the City Council a proposed balanced operating budget for the ensuing Fiscal Year that commences July 1. The Norfolk Public Schools' ("NPS") proposed budget is approved by the School Board, transmitted to the City Manager for review and then submitted to the City Council for consideration as part of the City's general operating budget. The City Council is required to hold a public hearing on the budget at which time all interested persons have the opportunity to comment. See "PART III - GENERAL FUND OPERATING BUDGETS" for a discussion of the General Fund Operating Budgets for Fiscal Year 2023 and Proposed Fiscal Year 2024.

GENERAL GOVERNMENTAL REVENUE

Overview

General governmental revenue is derived from general property taxes, other local taxes, permits, privilege fees and regulatory 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. General Fund disbursements include the normal recurring activities of the City, such as police, public works, general government, transfers to the School Operating Fund for local share of costs and to the Debt Service Fund to pay principal and interest on the City's general obligation bonds for other than enterprise fund purposes.

Property Tax Rates, Levies and Collections

An annual ad valorem tax is levied by the City on the assessed value of real property located within the City as of July 1, and on tangible personal property located within the City as of October 1. Real property taxes are the largest single source of tax revenue. Tax rates are applied to the assessed valuation of property.

The ratio of the assessed value of real property to its estimated fair market value is 100% (other than public service properties). The City taxes several categories of personal property, each of which is assessed on a different basis. Machinery and tools are assessed at 100% of original cost; vehicles and boats are assessed at 100% of certain published loan values; and mobile homes are assessed on the same basis as real property.

The City has the power to levy taxes on property located within its boundaries without limitation as to rate or amount for the payment of its obligations. Rates are established by the City Council. The tax rates proposed in the Operating Budget for Fiscal Year 2024 on each $100 of assessed value are as follows: $1.25 for real property; $4.33 for personal property; $1.50 for recreational vehicles; $2.40 for airplanes; and $4.25 for machinery and tools. The rate on personal recreational boats consists of a decal fee of $15 or $40, depending on the length of the boat, plus a tax of $0.000001 per $100 on the assessed value of the boat. The tax rate for commercial boats is $1.50 per $100 of the assessed value of the boat and a boat decal is not required. The tax rate for real property located in the City's Downtown Improvement District is an additional $0.16 on the real property rate of $1.25 per $100 of assessed value (for a total rate of $1.41 per $100 of assessed value). The Fiscal Year 2024 Proposed Budget does not reflect any tax rate adjustments as shown above; however, the City Council has a public hearing for real estate assessment planned for May 9, 2023 and June 6, 2023, where City Council will consider the real estate rate. A one cent change in the real estate tax rate equates to $2.25 million each year, as of Fiscal Year 2023. It is the opinion of the City that a marginal reduction in the real estate tax rate does not have a material impact on the financial conditions of the City.

Real property levies are payable during the year of assessment in four equal installments, on or before September 30, December 5, March 31 and June 5. Personal property, recreational vehicles, machinery and tools, mobile homes, airplanes and boat levies are payable on or before June 5 of the year assessed or 30 days after acquisition. Certain types of personal property such as automobiles, trucks, motorcycles, trailers and recreational vehicles are prorated throughout the year and payable 30 days after acquisition.

If any installment of taxes on any of the properties listed above is not paid on or before the due date, then penalties and interest are assessed in accordance with the City Code.

The City Council may require the sale of real property in satisfaction of delinquent taxes, pursuant to the provisions of Section 89 of the City Charter.

Other Revenue Sources

The City levies various other local taxes: (1) a 1% local sales tax (collected by the Commonwealth and remitted to the City); (2) a tax on water, electric and gas utility bills; (3) a cigarette tax of 95 cents per packet of 20 cigarettes; (4) property transfer recordation taxes; (5) an automobile license tax; (6) various business license/franchise taxes; (7) a hotel and motel tax of 8%, of which 1% is dedicated to tourism and economic development, and a $3 per room, per night surcharge; (8) an amusement and admissions tax of 10%; and (9) a food and beverage tax of 6.5%, which includes alcoholic beverages, of which 1% is dedicated to tourism and economic development.

Fees, Licenses and Permits. The City requires that licenses or permits be obtained for the performance of certain activities and that fees be paid for services provided by certain City departments.

Revenue from the Commonwealth. The City receives payments for highway maintenance, a share of state sales taxes allocated for education and, in addition, reimbursement for a portion of expenditures for such functions as Sheriff's office, Commissioner of the Revenue, City Treasurer, Clerk of the Circuit Court and Commonwealth's Attorney office. The City also receives categorical aid revenue for such purposes as public assistance, education and local law enforcement.

Other Revenue. The primary sources of other revenue to the General Fund include transfers from the Water Utility and Wastewater Utility Funds, interest on investments and impact aid from the federal government. Tables III-1A and III-1B show the City's General Fund revenue by source for each of the last ten Fiscal Years.

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Table III-1A
City of Norfolk, Virginia
Total Revenue by Source, Governmental Funds
Fiscal Years 2013 – 2022
(Amounts in Thousands)

Fiscal Year Ended June 30	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-Governmental Revenue	Total
2013	$246,359	$163,297	$4,098	$1,102	$6,539	$56,077	$26,178	$11,396	$161,148	$676,194
2014	256,979	161,500	3,089	1,242	6,329	60,039	29,133	N/A	153,782	672,093
2015	262,433	164,271	3,013	1,264	9,668	59,983	10,141	N/A	158,840	669,613
2016	265,943	166,034	3,038	1,111	7,354	62,709	11,325	N/A	166,686	684,200
2017	269,816	169,539	3,576	921	7,786	62,315	12,080	N/A	176,784	702,817
2018	277,559	174,139	3,292	1,068	7,504	62,383	11,311	N/A	193,289	730,545
2019	303,370	177,263	4,118	1,027	11,098	60,905	11,287	N/A	182,023	751,091
2020	311,961	171,533	3,599	801	9,861	41,335	11,743	N/A	198,634	749,467
2021	327,739	175,217	3,495	978	6,438	43,250	11,105	N/A	267,558	835,780
2022	352,648	185,001	3,883	1,359	8,663	44,161	12,226	N/A	298,592	906,354

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Table III-1B
City of Norfolk, Virginia
Other Local Tax Revenues by Source, Governmental Funds
Fiscal Years 2013 – 2022
(Amounts in Thousands)

Fiscal Year Ended June 30	Consumption Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
2013	$43,211	$29,707	$30,818	$29,301	$7,926	$4,209	$18,124	$163,296
2014	43,055	29,436	31,127	29,889	7,409	3,966	16,618	161,500
2015	42,961	29,981	32,634	28,640	7,821	3,953	18,281	164,271
2016	41,849	30,330	34,224	28,935	7,784	4,448	18,424	166,034
2017	41,452	31,185	34,934	30,557	7,860	4,642	18,909	169,539
2018	41,292	32,799	37,990	28,529	7,492	4,760	21,277	174,139
2019	39,947	33,259	39,210	29,929	7,889	4,903	22,126	177,263
2020	38,890	35,395	35,284	29,916	7,703	4,963	19,382	171,533
2021	36,767	39,525	36,384	31,620	7,374	5,039	18,507	175,217
2022	31,207	42,726	43,567	32,645	6,389	2,121	26,345	185,001

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Table III-2 sets forth the assessed value of all taxable property in the City for the past ten Fiscal Years. The total assessed value of all taxable property in the City as of June 30, 2022, was approximately $26.7 billion.

Table III-2
City of Norfolk, Virginia
Revenue Capacity Information
Assessed Valuations of Taxable Property
Fiscal Years 2013 – 2022
(Amounts in Thousands)

Fiscal Year Ended June 30	Real Property(1)	Personal Property(1)	Other Property(2)	Total Taxable Assessed Value	Estimated Actual Taxable Value(3)
2013	$18,319,947	$1,532,337	$241,023	$20,093,307	$20,093,307
2014	18,421,412	1,512,332	258,302	20,192,046	20,192,046
2015	18,734,201	1,902,442	255,710	20,892,353	20,892,353
2016	19,106,737	1,952,955	277,301	21,336,993	21,336,993
2017	19,433,889	2,219,662	265,149	21,918,700	21,918,700
2018	19,870,881	1,938,053	288,054	22,096,988	22,096,988
2019	20,345,182	2,006,838	281,245	22,633,265	22,633,265
2020	21,334,651	2,141,764	304,481	23,780,896	23,780,896
2021	22,154,798	2,207,130	275,805	24,637,733	24,637,733
2022	23,076,118	3,277,428	328,211	26,681,757	26,681,757

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Notes: (1) Real property and personal property includes both general and public service corporations.

(2) Other property includes machinery and tools, mobile homes, airplanes and boats.

(3) Estimated actual taxable property values are based on data supplied by the City's Commissioner of the Revenue and the City Assessor.

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Table III-3 presents the property tax rate per $100 of assessed value and the equalization ratios used to determine the fair market value of taxable property for Fiscal Years 2020 through 2024.

Table III-3
City of Norfolk, Virginia
Direct Property Tax Rates
Fiscal Years 2020 – 2024

	Fiscal Year				
	Adopted				Proposed
	2020	2021	2022	2023	2024
Property tax rate per $100 of assessed value:					
Real Property	$1.15	$1.25	$1.25	$1.25	$1.25
Downtown Improvement District (1)	0.16	0.16	0.16	0.16	0.16
Personal property	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.15	1.25	1.25	1.25	1.25
Airplanes	2.40	2.40	2.40	2.40	2.40
Boats (business)	1.50	1.50	1.50	1.50	1.50
Boats (recreational)	0.50	0.50	0.25	0.000001	0.000001
Recreational vehicles	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00
Assessed value of real property as a percent of fair market value:					
As determined by the City Assessor	100.00%	100.00%	100.00%	100.00%	100.00%
As determined by the Commonwealth's Department of Taxation	98.00%	98.00%	94.00%	N/A	N/A

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, the Fiscal Year 2023 Approved Operating Budget and the Fiscal Year 2024 Proposed Operating Budget.

Note: (1) Amount is in addition to the Real Property tax for property within the district.

(2) The Fiscal Year 2024 Proposed Budget does not reflect any tax rate adjustments; however, the City Council has a public hearing for real estate assessment planned for May 9, 2023 and June 6, 2023, where City Council will consider the real estate rate. A one cent change in the real estate tax rate equates to $2.25 million each year, as of Fiscal Year 2023. It is the opinion of the City that a marginal reduction in the real estate tax rate does not have a material impact on the financial conditions of the City.

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The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. Table III-4 sets forth the City's assessed values and tax levies on real and personal property for Fiscal Years 2018 through 2022.

Table III-4
City of Norfolk, Virginia
Assessed Valuations and Property Tax Levy and Collections
(Amounts In Thousands)

Fiscal Year Ended June 30	Real Property	Personal Property & Other	Property Tax Levy	Percentage Increase in Property Tax Levy
2018	$19,870,881	$2,226,107	$275,648	2.58%
2019	20,345,182	2,288,083	300,270	8.93
2020	21,334,651	2,446,245	314,540	4.75
2021	22,154,798	2,482,935	327,530	4.13
2022	23,076,118	3,605,639	355,926	8.67

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Table III-5 sets forth information concerning the City's real and personal property tax collection rate for Fiscal Years 2013 through 2022.

Table III-5
City of Norfolk, Virginia
Real and Personal Property Tax Levies and Collections (1)
Fiscal Years 2013 – 2022
(Amounts In Thousands)

Fiscal Year Ended June 30	Original Tax Levy	Adjusted Tax Levy(2)	Current Collections	Percent of Current Collections to Tax Levy(3)	Delinquent Collections	Total Collections	Percentage of Total Tax Collections to Tax Levy(3)
2013	$244,309	$243,683	$229,872	94.33%	$13,784	$243,656	99.99%
2014	254,008	254,598	240,481	94.46	13,977	254,458	99.94
2015	256,040	260,734	245,803	94.27	14,740	260,543	99.93
2016	264,043	265,482	251,933	94.90	13,231	265,164	99.88
2017	268,718	269,672	255,712	94.82	12,360	268,072	99.41
2018	275,648	277,578	262,585	94.60	11,678	274,263	98.81
2019	300,270	300,270	285,588	95.11	12,755	298,343	99.36
2020	314,540	314,540	288,746	91.80	22,491	311,238	98.95
2021	327,530	327,530	308,016	94.04	12,518	320,534	97.86
2022	355,926	355,926	328,905	92.41	-	328,909	92.41

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Notes: (1) Delinquent tax collections are reported in the year collected. Figures are unaudited.

(2) Adjusted to reflect residual taxable amount after exonerations and reassessments.

(3) Calculated using the Adjusted Tax Levy amounts and not the Original Tax Levy amounts.

Table III-6 sets forth the City's ten largest taxpayers and the assessed value of real property owned by each such taxpayer as of June 30, 2022. The aggregate assessed value of the ten largest taxpayers represented approximately 4.69% of the City's real property taxable assessable base at June 30, 2022.

Table III-6
City of Norfolk, Virginia
Ten Principal Real Property Taxpayers[1]
June 30, 2022

Taxpayer	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
MPB, Inc.	$200,247,500	1	0.87%
ODU Real Estate Foundation	139,768,300	2	0.61
MacArthur Shopping Center[2]	134,563,500	3	0.58
Bon Secours-DePaul Med Ctr Inc.	113,622,000	4	0.49
Fort Norfolk Comm Inc.	94,442,100	5	0.41
Ap Arlay Point LLC Et Al	88,216,900	6	0.38
SLNWC Office Company, LLC	87,832,000	7	0.38
Hertz Norfolk 999 Waterside, LLC	76,553,400	8	0.33
Crown Point Owner LLC	75,618,000	9	0.33
Dominion Enterprises	71,081,100	10	0.31
Total	$1,081,945,600		4.69%
Total Assessed Value	$23,076,118,000		

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Notes: (1) Based on total assessed value of taxable real property, including public service corporations, as of June 30, 2022. For a comparison, the principal real property taxpayers as of June 30, 2013, are available in Schedule 2 of the unaudited section of the financial statements included as Appendix A.

(2) In April 2019, Nordstrom, one of the anchor tenants at MacArthur Shopping Center (the "Center"), closed. The NRHA owns the building and together with the City is exploring future reuse options. Wells Fargo, the current owner, assumed responsibility for the Center, after the previous owner, Starwood Property Trust, defaulted on a loan in 2019. The Center has seen several businesses leave. In January 2023, JLL Commercial Real Estate, a commercial real estate broker, listed the Center for sale on behalf of Wells Fargo. The City continues to monitor and assess the situation of this property.

GENERAL FUND EXPENDITURES

Costs of General City Government

The City provides a comprehensive range of general governmental services for its citizens. These services include police, emergency paramedical response, fire protection, collection and disposal of refuse, water and sewer, and storm water services, parks and recreation facilities, cultural facilities, libraries, and maintenance of streets, parks, cemeteries and public beaches. Other services provided include public education in grades kindergarten through twelfth grade, public health and social services, certain technical and special education services, economic development. mental health assistance, planning and zoning services, code enforcement, housing and community development services, general administrative services, and financial support for services and facilities operated by selected agencies of the Commonwealth of Virginia and constitutional offices, such as the correctional center, district and circuit courts, and department of public health. The costs of most general government functions are paid from governmental funds. The City has approximately 4,000 positions budgeted for employees (including salaries and related employee benefits such as health insurance and pension contributions).

Self and Purchased Insurance Programs

The City is exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, injuries to employees, and natural disasters. On July 11, 1978, the City established a protected self-insurance program, pursuant to an ordinance adopted by City Council, to cover these risks. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims (including workers' compensation), and related expense payments made during Fiscal Year 2022 was $10,488,610.

The City currently reports of all these activities as part of the risk management function in the general government section of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. For actuarial purposes, estimated outstanding losses are the accrual cost of unpaid claims valued as of each accounting date. The estimated outstanding losses include case reserves, the development on known claims and incurred but not reported (IBNR) claims. Allocated loss adjustment expenses ("ALAE") are the direct expenses for settling specific claims. ALAE is included in the workers' compensation estimates but excluded in the liability estimates. At June 30, 2022, these liabilities were estimated at $37,943,384 with $5,985,279 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal year 2022 were determined by an independent actuary.

Effective January 1, 2014, the Norfolk Healthcare Consortium ("Consortium") began participating in a City-administered health insurance fund, which is reflected as an internal service fund. The Consortium is comprised of the City, the NPS and the Norfolk Redevelopment and Housing Authority ("NRHA"). Each participating employee and employer deposit their respective premium into the fund. Medical claims, administrative costs, wellness programs costs, fees related to the Affordable Care Act and benefit consultant costs are expended from the fund. Employee premiums from City departments are netted against related expenses as a recovered cost. The City has recorded $4,892,200 for medical and pharmacy claims incurred, but not reported as of June 30, 2022. Payments from the NPS are made in 10 payments per year instead of 12, so there is a portion recognized in the financial statements as unearned income. The unearned income as of June 30, 2022 was $7,787,893. The City is responsible for deficit conditions that may exist when liabilities exceed assets and may make additional assessments to Consortium members as needed.

Changes in the City's claims liability amount in the fiscal years 2022 and 2021 are as follows:

	Workers' Compensation and Risk Management		Health Insurance		Total	
	2022	2021	2022	2021	2022	2021
Estimated Outstanding Claims at the Beginning of Year	$36,098,411	$34,681,787	$7,540,700	$6,552,500	$43,639,111	$41,234,287
Additional Incurred Claims or Changes in Estimates	7,803,623	8,782,980	72,862,963	87,721,507	80,666,586	96,504,487
Claims Paid	(5,958,650)	(7,366,356)	(75,511,463)	(86,733,307)	(81,470,113)	(94,099,663)
Estimated Outstanding Claims at the End of Year	$37,943,384	$36,098,411	$4,892,200	$7,540,700	$42,835,584	$43,639,111

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

The City in its General Fund has committed $8,000,000 of fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage and settled claims have not required the City to utilize its reserves in any of the past three fiscal years.

NPS also self-insures its workers' compensation and general liability and its future expected self-insured losses as of June 30, 2022, projected at $3,856,494 of which $817,658 is the current portion and a longer-term projection of $3,038,836. The NPS provides payments for that entity's risks of loss through a combination of purchased insurance policies and self-insurance plans. These losses are funded through the NPS operating budgets and/or the City's fund balance designation.

Changes in the School Board's liability amount in the fiscal years 2022 and 2021 are as follows:

	Total	
	2022	2021
Estimated Outstanding Claims at the Beginning of Year	$3,628,010	$3,886,945
Additional Incurred Claims or Changes in Estimates	1,320,819	610,532
Claims Paid	(1,092,335)	(869,467)
Estimated Outstanding Claims at the End of Year	$3,856,494	$3,628,010

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Retirement Plans

General. The City has established a single-employer contributory, defined benefit retirement plan, known as NERS, which covers substantially all employees of the City, excluding the employees of the School Board of the City of Norfolk and the City's Constitutional Officers (the Clerk of the Circuit Court, Commonwealth's Attorney, Sheriff, Commissioner of Revenue and the Treasurer). Additionally, City employees hired on or after January 1, 2022 are covered by the Virginia Retirement System established by the Commonwealth ("VRS").

The City established NERS pursuant to Section 143(a) of the City Charter, and NERS began operations as of January 1, 1942. Section 37 of the Code of the City of Norfolk, as amended from time to time (the "City Code"), sets forth the plan details and along with City's adopted financial policies, establishes the City's obligation to contribute to NERS. The management and responsibility for the operation of NERS is vested in a board of trustees (the "NERS Board"). NERS operates a single fund for all participants, and there is no segregation of assets for individual classes of employees or for City and employee contributions.

Pursuant to Section 37 of the City Code, NERS provides service retirement benefits, as well as death and disability benefits. All benefits vest after five years of creditable service effective January 1, 1997. Since January 8, 2015, all NERS members (except for City Council members hired before October 5, 2010) have been making contributions of five percent of earnable compensation on a salary reduction basis. Upon vesting, member contributions become an asset of NERS to be used to pay benefits under NERS. If a member dies or departs prior to retirement or vesting, the member's contributions, including accrued interest, are refunded. Ad hoc cost-of-living adjustments and one-time supplements are provided at the discretion of the City Council.

See Section X of the Notes to the Fiscal Year 2022 Financial Statements for a comprehensive discussion of NERS and the City's other retirement plans. NERS financial statements included as part of the Fiscal Year 2022 Financial Statements are the responsibility of NERS staff and have been prepared in accordance with GAAP. The accrual basis of accounting is used to record assets, liabilities, additions and deductions of NERS. Benefits and refunds are recognized when due and payable by NERS.

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Total Assets and Investment Policy; Investment Return. The total assets of NERS as of June 30, 2022 and 2021 were $1.31 billion and $1.49 billion, respectively, and were comprised of cash and cash equivalents, receivables and investments. The NERS Board has adopted a written Statement of Investment Policy to establish the guidelines and objectives for the investments of NERS. The policy is reviewed annually, and changes are made as warranted, most recently in November 2022. NERS has an asset allocation target of 55% Global Equities; 30% Fixed Income; 7.5% Real Estate and 7.5% Master Limited Partnerships. The NERS Board is empowered to invest NERS' assets utilizing the "Prudent Person" standard and to take appropriate action regarding the investment, management and custodianship of plan assets. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers, and evaluating performance results to assure adherence to guidelines and the achievement of objectives. Each investment manager must adhere to the guidelines established by the NERS Board for investment asset quality, diversification, liquidity and risk. Both annual and longer term (3 to 10 years) goals for investment returns are established for each manager. Attainment of these goals weighs heavily in terms of whether a manager's contract is renewed. Typically, managers who fall below the NERS Board's minimum objectives over the longer term are replaced. The NERS Board recognizes that the objective of a sound and prudent investment policy is to generate total returns consistent with its risk tolerance and return requirements. The NERS Board has carefully exercised its responsibility by prudently diversifying NERS' assets with the guidance of an Outsourced Chief Investment Officer ("OCIO") advisory firm. Since 2008, NERS has maintained the majority of its portfolio in a passive investment structure. The investment results of each manager, as well as the result for the total fund are monitored by an independent pension investment advisory firm who reports its findings to the NERS Board bi-monthly. The OCIO advisory firm interacts with NERS staff; prepares recommendations on investment policies, investment management structure and asset allocation. The OCIO advisory firm also monitors and evaluates the performance of the investment managers and the effectiveness of the custodian.

Return on investments is the money (return) that NERS earns from an investment during a certain timeframe. Return on investments is a percentage that identifies the amount of money earned (return) related to total value of the assets (money) that was invested. While past performance does not guarantee future results, NERS' historical returns are 7.7% for the last 30 years on average, 5.88% for the last 20 years on average, 6.63% for the last 10 years on average, and 5.15% for the last 5 years.

The Financial Condition of NERS. An actuarial valuation of a retirement plan is an estimate of a plan's financial position at a specific point in time. During a valuation, an actuary takes a "snapshot" of the membership as of a given date to determine the plan's liabilities and funded status. The primary non-economic assumptions relate to the incidence of mortality, retirement and termination (i.e., withdrawal from active membership for reasons other than death or retirement). Each of these assumptions is based on estimates developed through applicable experience studies and is considered reasonable by the independent plan actuary. Demographic assumptions are based on a review of past experience combined with future expectations.

A valuation estimates the present value of expected future cash flows. Key components that determine the valuation results are member census data and financial data. Additionally, gains and losses are determined at each valuation based on actual vs. expected experience. The actuarial valuations are necessary to assess the long-term sustainability of a defined benefit pension plan and it serves as a decision-making tool for the governing body of the plan.

On July 13, 2022, as a result of an independent actuarial experience study undertaken for the City, the NERS Board adopted certain changes to its actuarial assumptions, including changes to the assumed rates of termination, retirement, disability, mortality and salary raises. The Actuarial Valuation Report for NERS as of June 30, 2022 ("2022 Actuarial Valuation Report"), was prepared by using the actuarial assumptions as changed pursuant to the 2022 Experience Study. The NERS Board expects to undertake the next experience study early in Fiscal Year 2027.

A key variable for the actuarial calculations is the discount rate. The discount rate is the rate used to value the current cost of future pension obligations. The discount rate is determined by estimating expected rates of return, from NERS investments over the long term. The NERS Board sets the discount rate, and the actuary assumes that the investment return will over time equal the discount rate. From 2001 to 2012 the rate of return was assumed to be 7.5%. Beginning with Fiscal Year 2013, the NERS Board reduced the discount rate to 7.0% in recognition that its rate of return assumptions exceeded then recent returns. When gains are lower than assumed the required contributions increase and the funded ratio falls. As described above, NERS' historical 30-year annual return has been 7.7% on average. On July 13, 2022, the NERS Board approved the change to the discount rate assumption of 7.0% to 6.75%. The change to the discount rate made by the NERS Board was made in conjunction with the 2022 Experience Study.

The 2022 Actuarial Valuation Report concludes that, as of June 30, 2022, based on payroll data as of June 30, 2022, NERS' funded ratio was 84.2%, a slight decrease from 90.6% as of June 30, 2021. This funded ratio does not include any market movements since June 30, 2022. Effective Fiscal Year 2023, the City began making separate contributions to the Plan from the Section 115 Trust that was previously established upon the issuance of the City's General Obligation Bonds, Series 2021 (Federally Taxable) (the "2021 Bonds"). The first $8.7 million contribution was made from the Trust in July 2022. The $8.7 million annual contribution is projected to continue until the Section 115 Trust assets are depleted. As of June 30, 2022, the Trust held $76.5 million in assets. Had this entire amount been contributed on June 30, 2022, and recognized as part of the Plan's assets, the Plan's funded rations would be 89.2% instead of 84.2%.

Determination of Annual Contributions to NERS. NERS' funding objective is to ensure that sufficient assets are available for the payment of current and future member benefits through investment returns on fund assets and annual employer and employee contributions. Three sources fund the yearly benefits paid and NERS' administrative costs. The first and largest source is the City's employer contribution, the second is the employees' mandatory contributions consisting of 5% of their earnable compensation, and the third is investment income.

Section 37-98 of the City Code requires the NERS Board, on or before the first day of April of each year, to file with the City Manager its certification of the amount of the appropriation necessary to pay the normal and accrued liability contributions to NERS for the ensuing Fiscal Year. An annual actuarial valuation of NERS provides the basis for the certification and the 2022 Actuarial Valuation Report sets forth the contribution rate for the Fiscal Year 2023.

The annual contribution rate is determined pursuant to the "Entry Age Actuarial Cost Method." Under this method, there are three components to the total contribution: (i) the normal cost rate; (ii) the unfunded actuarial liability rate; and (iii) the expense rate.

The first component, the normal cost rate, is determined by taking the value, as of entry age into NERS, of each member's projected future benefits. This value is then divided by the value, also at entry age, of the member's expected future salary.

The second component is an amortization payment to pay off the current unfunded actuarial accrued liability (also called unfunded actuarial liability) ("UAL"). The UAL is the difference between the actuarial assets of NERS at the valuation date and the assets NERS should hold as determined by the actuarial cost method. The UAL is adjusted for one year, by increasing it at the assumed interest rate of 6.75% and reducing it by the portion of the City's scheduled contribution not attributable to the value of additional benefits earned (i.e., normal cost) or administrative expenses. The resulting projected UAL is then amortized over a 20-year period and turned into a rate by using the anticipated payroll for the plan year commencing one year after the valuation date. The initial UAL established concurrent with the June 30, 2022, valuation is being amortized over a closed 20-year period. Future annual changes to the UAL due to plan changes, assumption changes, gains and losses, including those established as a result of the annual evaluations, will be amortized over their own closed 20-year period. This method also allows the City to pay down losses more closely related to the working lifetime of members rather than pushing costs beyond their working career. All rates are developed using a level-percent of pay amortization method with a 3% per year increase.

The 2022 Annual Valuation Report projects the NERS UAL amount to be $243 million as of June 30, 2022.

The third component of the contribution rate accounts for anticipated administrative expenses in the upcoming Fiscal Year.

The annual employer and employee pension contributions to NERS over the last five Fiscal Years are presented in Table III-7. The City funded 100% of its actuarially required contributions in Fiscal Years 2018 – 2022.

Table III-7
City of Norfolk, Virginia
Schedule of Historical Annual (Employer and Employee) Pension Contributions to NERS(1)
Fiscal Years 2018 – 2022

Fiscal Year	Annual Employer Pension Contributions (In Thousands)(2)	Annual Employee Pension Contributions (In Thousands)(2)	Total Annual Pension Contribution (In Thousands)
2018	$35,494	$9,858	$45,352
2019	37,079	10,009	47,088
2020	38,494	10,210	48,699
2021	40,698	9,894	50,044
2022	41,457	9,364	50,821

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, and Department of Finance, City of Norfolk, Virginia.

Notes: (1) Excludes the amounts for administrative expenses, which have averaged less than $690,000 annually.

(2) Annual Pension Contributions are funded and paid in the Fiscal Year following the contribution determination.

Estimated Future Contributions to NERS. Many factors influence the amount of the City's required contributions to NERS, including, without limitation, inflationary factors, changes in statutory provisions of NERS, changes in the level of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of NERS. Any of these factors could give rise to additional liability of the City to NERS as a result of which the City would be obligated to make additional payments to NERS in order to fully fund the City's obligations. It is expected that the required contributions to NERS will be flat for the near future.

Near the end of Fiscal Year 2021, the City took a number of steps that are expected to mitigate the expected increases in the City's annual contribution. The steps are described below.

Issuance of 2021 Bonds. On June 29, 2021, the City issued the 2021 Bonds and deposited $119,553,490 of the net proceeds thereof with NERS to pay a portion of the City's outstanding UAL. With this deposit, the City experienced an increase in the NERS funded ratio from approximately 77% to approximately 91% as determined by the NERS actuary.

The City also deposited $90,446,510 of the net proceeds of the 2021 Bonds in an irrevocable trust (the "Trust"), which U.S. Bank Trust Company, National Association holds as trustee. The Trust will be used to provide the City long-term budgetary flexibility with respect to its current and future required contributions to NERS, as more particularly described below. Accumulations in the Trust are expected to be exempt from federal income taxation under Section 115 of the Code and state and local taxation.

Changes to the City's Pension Funding Financial Policies. On May 11, 2021, the City Council adopted a resolution to change the City's pension funding financial policies. The pension funding policy now provides that in the year following the issuance of any bonds issued to fund pension obligations, the City's required total pension contribution will be the current year's actuarially defined contribution plus debt service on the bonds issued to fund pension obligations. Each subsequent year, the City's total pension contribution will be the greater of the prior year's contribution or the current year's actuarially defined contribution. The contribution may be adjusted if one of the following conditions is met: (i) NERS' funded ratio reaches 100%, (ii) the year-over-year increase in the City's total pension contribution exceeds six percent (6%) or (iii) if the total pension contribution rises above eighty million dollars ($80,000,000). If the City's total pension contribution (prior to any payments from the Trust increases significantly over the prior year, the City can use a portion of the Trust to offset the increase. The use of the Trust will be at the City Manager's discretion, in consultation with the Director of Finance. The City's enterprise funds will continue to pay their respective portion, from dedicated fees and revenues, of pension costs including debt.

Closure of NERS to New Hires. Following a comprehensive review of NERS, City Council adopted a resolution on May 11, 2021, stating the City's intent to reform its pension system by closing the NERS defined benefit plan to new enrollees (both general and sworn public safety employees) and requiring participation in the VRS Plans, effective January 1, 2022, for any new or rehired employees. This change was included in the Fiscal Year 2022 Operating Budget and was followed by a formal ordinance on July 13, 2021 amending Section 37 of the City Code for the System closure and to authorize joining VRS. For a period of one year, the City allowed active NERS members the ability to select participation in VRS or to remain in NERS.

Norfolk is one of only seven cities in Virginia with employee retirement systems independent of VRS. After significant study, it was determined that participation in VRS would enhance the City's efforts to attract and retain employees. Also, in making this decision, City Council recognized that traditional defined benefit pension plans such as NERS place investment risk for changes in economic conditions on the City. This investment risk impacts the retirement plan's funded status. By closing the NERS and migrating to the VRS, the City is providing a solution that is affordable and financially responsible for Norfolk taxpayers, more consistent with the majority of government sector retirement plans in Virginia, reliable for government employees, and attractive to the newer workforce. It is expected that, as a result of the closure of NERS to new hires, the City's required contributions to NERS will grow annually over the next ten years by an estimated $5 to $8 million, and then will be reduced as more employees are active in

VRS. Actual cost estimates will not be known until the next valuation report and will be subject to change based on a variety of factors, including the actual experience of the NERS plan.

Other Post-Employment Benefits

In accordance with GASB Statement No. 75 ("GASB 75"), Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, the City and Schools recognize the costs of their Other Post-Employment Benefits ("OPEB") – health insurance, life insurance, and other non-pension benefits provided to its retirees during the period of their employee's active employment, while the benefits are being earned, and report their unfunded actuarial accrued liability in order to accurately report the total future cost of post-employment benefits and the financial impact on the City. These GASB 75 requirements are very similar to requirements for pension benefits.

As of June 30, 2021, the following was projected:

	City	Line of Duty	Schools	Total
Balance at June 30, 2020	$74,356,257	$39,949,536	$55,877,982	$170,183,775
Service Cost	8,084,842	1,762,063	4,412,775	14,259,680
Interest	1,705,737	889,866	1,257,459	3,853,062
Changes in Benefits	-	-	6,316,408	6,316,408
Difference Between Expected and Actual	(8,935,659)	1,299,665	(2,835,101)	(10,471,095)
Assumption Changes	37,661,645	1,418,301	11,937,594	51,017,540
Contributions – Employer	280,846	416,582	(29,571)	667,857
Benefits Payments	(2,401,000)	(1,126,835)	(2,360,257)	(5,888,092)
Balance at June 30, 2021	$73,091,023	$43,190,877	$62,639,695	$178,921,595

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022

Employee Relations and Collective Bargaining

Through new legislation, effective May 1, 2021, the General Assembly of Virginia (the "General Assembly") provided authority to municipalities to collectively bargain or enter into collective bargaining contracts with unions or associations representing City employees through adoption of a local ordinance or by a resolution. The City Administration and the City Attorney's Office are working with City Council on options related to collective bargaining. No timeline or decision to enable collective bargaining has been established yet.

PUBLISHED FINANCIAL INFORMATION

The City issues and distributes an Annual Comprehensive Financial Report on its financial operations for each Fiscal Year. The City also publishes annually an Operating Budget and a five-year Capital Improvement Program Budget. These documents are available via the internet at www.norfolk.gov. In addition, the City will undertake to provide or cause to be provided certain Annual Financial Information described in "PART I – THE BONDS – CONTINUING DISCLOSURE" to fulfill the requirements of the Rule promulgated by the SEC. See Appendix C "FORM OF CONTINUING DISCLOSURE AGREEMENT."

GENERAL FUND OPERATING BUDGETS

Fiscal Year 2022 General Fund Operating Budget Results

For Fiscal Year 2022, on the budgetary basis of accounting, General Fund revenues were $977,270,518 representing 103.2% of budgeted revenue. General Fund expenditures were $826,890,893 representing 87.3% of budgeted expenditures. Table III-10 summarizes key financial results.

Table III-10
City of Norfolk, Virginia
General Fund Operating Budget Summary Results
for Fiscal Year 2022

	Final Budget	Results	Percent of Budget	Variance Positive (Negative)
Total Revenue and non-revenue receipts	$946,899,068	$977,270,518	103.2%	$30,371,450
Total Expenditures	946,899,068	826,890,893	87.3	120,008,175
Revenue greater (less) than expenditures	$ -	$150,379,625		$150,379,625

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

The largest revenue variances were attributable to Revenue variance driven by proceeds from other local taxes, and proceeds from sale of land. The expenditure variance was driven by vacancy savings, use of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to offset qualifying expenses, and NPS budget variance. As a result of the positive variance in general property and other local taxes, the FY 2022 true-up provision of the School Revenue Sharing Policy increased the City contribution to NPS by approximately $7.1 million. After end-of-year adjustments and designations, the City is estimated preliminarily to end with an undesignated variance of approximately 2.3% or $21.8 million. The City maintained its Unassigned General Fund reserve at the policy minimum of 10 percent.

Fiscal Year 2023 General Fund Operating Budget

The Fiscal Year 2023 General Fund Operating Budget (the "Fiscal Year 2023 Budget") was adopted on May 10, 2022, and totals $1,008,355,624 reflecting an 8.52% increase from the adopted Fiscal Year 2022 Operating Budget. Fiscal Year 2023 revenue was above pre-COVID estimates and continued the expansion of key services. The largest drivers in Fiscal Year 2023 were the growth in real estate assessment revenues at 8.6% and higher consumption tax revenue, such as sales, meals, hotel and admission.

The Fiscal Year 2023 Budget prioritized Public Safety, recruitment, employee retention, enhancements to improve direct services to residents and increase organizational capacity, general inflation, and school improvements. The Fiscal Year 2023 Budget included a 5% wage increase for all City employees – the largest citywide increase in more than 20 years. No tax or fee increases were included in the Fiscal Year 2023 General Fund Operating Revenues. In addition, the City contribution to NPS increased by approximately $10.7 million based on the revenue sharing policy, the largest in recent memory.

The Fiscal Year 2023 Budget puts into motion the City's investment plan for the $154.1 million received from the State and Local Fiscal Recovery Fund ("SLFRF") through the American Rescue Plan Act - State and Local Fiscal Recovery Funds ("ARPA-SLFRF"). City Council approved spending for $59.5 million of the SLFRF funds as part of the adopted Fiscal Year 2023 Budget. In Fiscal Year 2023, City Council established a Continuity of Services plan utilizing ARPA-SLFRF funding that ensured the City is operationally sound and responsive in its investment in its growth. The Fiscal Year 2023 Budget included the appropriation of $3.5 million from the Continuity of Services Fund.

Based on the preliminary financial results through the second quarter of Fiscal Year 2023, the City is estimating a net surplus relative to the Fiscal Year 2023 Budget.

Fiscal Year 2024 Proposed General Fund Operating Budget

The Fiscal Year 2024 Proposed General Fund Operating Budget (the "Fiscal Year 2024 Proposed Budget") was presented by the City Manager to City Council on March 28, 2023, and a final budget will be considered for adoption on May 23, 2023. The Fiscal Year 2024 Proposed Budget is approximately $1.08 billion, which is 6.5% greater than the adopted Fiscal Year 2023 Budget.

Within the Fiscal Year 2024 Proposed Budget the City's revenues are estimated to increase by 6.9 percent over the prior year driven by strong growth in real estate, personal property and consumption taxes. The Fiscal Year 2024 Proposed Budget supports the City Council priorities that include direct services to residents, Norfolk Public Schools, attracting and retaining talent, recreation and library enhancements, information technology infrastructure and streamlined development services. The Fiscal Year 2024 Proposed Budget does not reflect any tax rate adjustments; however, the City Council has a public hearing for real estate assessment planned for May 9, 2023 and June 6, 2023, where City Council will consider the real estate rate. A one cent change in the real estate tax rate equates to $2.25 million each year, as of Fiscal Year 2023. It is the opinion of the City that a marginal reduction in the real estate tax rate does not have a material impact on the financial conditions of the City. The Fiscal Year 2024 Proposed Budget does include certain enterprise fee increases (e.g., storm water, waste management, parking and cemetery services) to allow for enhanced services and increased investment. The Fiscal Year 2024 Proposed Budget includes $13.3 million from the Continuity of Services funds.

Strategic funding decisions within the Fiscal Year 2024 Proposed Budget were informed by resident survey data regarding priorities and satisfaction with City services. The Fiscal Year 2024 Proposed Budget and the Fiscal Year 2024 Proposed Capital Improvement Plan were focused on addressing the priorities identified by the survey, primarily in the areas of neighborhood flooding, public safety and aging infrastructure.

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Table III-11A
City of Norfolk, Virginia
General Fund Budget
Fiscal Year 2023

Anticipated Revenue Receipts	Approved Budget	Appropriations for Expenditures	Approved Budget
General Property Taxes	$355,118,800	Legislative	$5,765,596
Other Local Taxes	171,966,025	Executive	14,642,550
Permits and Fees	3,965,900	Department of Law	5,509,385
Fines and Forfeitures	1,340,000	Constitutional Officers	58,356,436
Use of Money and Property	9,013,620	Judicial	1,446,826
Charges for Service	25,491,731	Elections	1,031,721
Miscellaneous Revenue	9,227,966	General Management	60,235,927
Recovered Costs	12,058,130	Community Development	14,570,246
Non-Categorical Aid – Virginia	38,682,200	Parks, Recreation and Culture	45,806,308
Shared Expenses – Virginia	23,544,200	Central and Outside Agency	76,153,863
Categorical Aid – Virginia	306,286,328	Public Health and Assistance	84,576,523
Federal Aid	8,420,256	Public Safety	133,452,386
Other Sources and Transfer In	43,240,468	Public Works	22,366,099
		Transit	11,564,407
		Debt Service	87,696,721
		Public School Education	385,180,630
Total	$1,008,355,624	Total	$1,008,355,624

Source: Approved Operating Budget for Fiscal Year 2023.

Table III-11B
City of Norfolk, Virginia
Proposed General Fund Budget
Fiscal Year 2024

Anticipated Revenue Receipts	Proposed Budget	Appropriations for Expenditures	Proposed Budget
General Property Taxes	$382,982,200	Legislative	$6,056,602
Other Local Taxes	182,484,500	Executive	18,833,190
Permits and Fees	4,068,000	Department of Law	5,693,932
Fines and Forfeitures	1,505,000	Constitutional Officers	62,793,765
Use of Money and Property	13,603,434	Judicial	1,522,739
Charges for Service	26,172,740	Elections	1,148,465
Miscellaneous Revenue	8,669,610	General Management	65,324,791
Recovered Costs	10,997,183	Community Development	16,645,003
Non-Categorical Aid – Virginia	39,362,165	Parks, Recreation and Culture	52,154,206
Shared Expenses – Virginia	25,119,100	Central and Outside Agency	74,938,097
Categorical Aid – Virginia	319,960,477	Public Health and Assistance	90,411,907
Federal Aid	8,615,256	Public Safety	141,560,062
Other Sources and Transfer In	53,891,333	Public Works	22,087,308
		Transit	12,030,746
		Debt Service	101,365,244
		Public School Education	404,594,941
Total	$1,077,430,998	Total	$1,077,430,998

Source: Proposed Operating Budget for Fiscal Year 2024.

Table III-12
City of Norfolk, Virginia
General Governmental Expenditures by Function
Fiscal Years 2013 – 2022
(Amounts In Thousands)

Fiscal Year Ended June 30	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Public Assistance	Education	Culture and Recreation	Community Development	Debt Service	Capital Outlay	Total
2013	$112,804	$50,920	$117,427	$54,427	$88,413	$109,287	$47,153	$15,128	$78,227	$116,580	$790,366
2014	109,292	51,673	113,394	55,267	88,671	111,854	46,705	12,482	77,944	100,709	767,991
2015	110,904	51,360	112,055	61,369	85,631	117,722	48,765	12,303	76,831	103,113	780,053
2016	118,468	50,513	116,436	58,716	85,815	114,769	44,531	13,677	73,131	140,093	816,149
2017	127,367	50,767	121,494	63,231	87,330	114,972	44,825	14,994	77,813	98,492	801,285
2018	131,203	52,012	123,905	66,882	86,702	120,972	45,968	22,237	80,807	67,938	798,626
2019	136,987	45,914	127,610	62,511	87,554	122,972	45,399	28,212	83,157	49,790	790,106
2020	133,751	47,359	131,883	53,665	91,787	124,711	43,499	38,095	92,462	49,490	806,702
2021	144,751	47,296	136,809	52,029	88,067	120,973	34,012	72,093	92,420	44,918	833,368
2022	149,596	49,664	136,670	55,308	92,189	129,622	39,991	70,985	82,295	47,952	854,272

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022

RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet as of June 30, 2022, and as of June 30, 2021, is presented in Table III-13. The Comparative Statement of Revenue and Expenditures for the City's General Fund for the past five Fiscal Years is presented in Table III-14. The City's most recent General Fund Comparative Statement of Changes in Fund Balances for the past five Fiscal Years is summarized in Table III-15.

Table III-13
City of Norfolk, Virginia
Balance Sheet, General Fund
June 30, 2022, with comparative totals for 2021

	2022	2021
ASSETS		
Cash and short-term investments	$318,792,392	$198,358,226
Receivables, net:		
Taxes	59,486,111	53,339,472
Accounts	5,251,665	6,635,346
Accrued investment income	4,739,603	15,972,866
Due from other funds	20,597,584	21,614,043
Due from other governments	12,661,984	-
Inventory	14,993	14,993
Total Assets	$421,544,332	$295,934,946
LIABILITIES		
Vouchers payable	$25,402,205	$16,312,327
Employee withholdings	512,876	455,514
Contract retainage	2,208	7,495
Accrued payroll	7,661,309	6,493,665
Due to other governments	36,253	36,253
Other liabilities	4,499,614	4,479,117
Total Liabilities	$38,114,465	$27,784,371
Deferred Inflow of Resources		
Revenues levied for the next year and unavailable revenue	$41,587,568	$37,155,702
Deferred lease revenue	12,057,938	-
FUND BALANCES		
Nonspendable	$619,039	$14,993
Restricted	115,000	120,000
Committed	18,883,878	16,404,139
Assigned	217,246,402	138,914,250
Unassigned	92,920,042	75,541,491
Total Fund Balances	$329,784,361	$230,994,873
TOTAL LIABILITIES AND FUND BALANCES	$421,544,332	$295,934,946

Sources: Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2022, and June 30, 2021.

Table III-14
City of Norfolk, Virginia
Comparative Statement of Revenue and Expenditures, General Fund
Fiscal Years 2018 – 2022

	2018	2019	2020	2021	2022
REVENUE:					
General property taxes	$272,292,962	$297,514,769	$305,693,091	$321,256,589	$345,879,422
Other local taxes	163,653,948	166,543,602	161,697,209	165,042,172	173,337,193
Permits and licenses	3,292,146	4,117,711	3,599,315	3,495,079	3,883,494
Fines and forfeitures	1,067,796	1,026,622	798,931	977,880	1,353,222
Use of money and property	7,218,466	9,870,335	8,477,177	6,184,195	8,593,994
Charges for services	21,187,427	20,825,291	17,507,909	17,349,418	19,693,061
Miscellaneous	9,192,510	8,610,224	9,717,468	9,056,295	9,539,408
Intergovernmental	136,027,038	136,264,389	136,554,329	134,830,829	139,326,838
Total Revenue	$613,932,293	$644,772,943	$644,045,429	$658,192,457	$701,606,632
EXPENDITURES:					
Current operating:					
General government	$127,385,076	$133,760,262	$132,720,760	$131,973,370	$146,826,373
Judicial administration	48,968,656	42,543,907	43,206,587	43,282,831	45,988,944
Public safety	114,236,758	119,238,659	121,458,605	97,289,459	65,702,097
Public works	24,655,168	26,553,243	24,231,282	19,731,512	15,221,488
Health and public assistance	70,032,115	69,052,789	68,899,846	66,389,275	69,440,056
Culture and recreation	43,727,974	43,178,862	41,203,731	32,149,634	37,689,743
Community development	10,956,137	16,506,700	12,700,910	13,498,301	12,499,103
Education	120,971,922	122,971,922	124,710,681	120,973,357	129,622,172
Debt service					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Debt issuance costs	(465,814)	699,530	657,026	542,012	366,442
Capital outlay	3,618,000	5,500,000	3,339,345	3,754,212	15,746,053
Total Expenditures	$564,085,992	$580,005,874	$573,128,773	$529,583,963	$539,102,471
Excess (deficiency) of revenues over expenditures	49,846,301	64,767,069	70,916,656	128,608,494	162,504,161
OTHER FINANCING SOURCES (USES):					
Issuance of debt	-	-	-	$210,000,000	-
Proceeds from the sale of capital	$18,691,961	$1,377,711	$16,345	15,677,794	$1,396,813
Transfer in	16,888,089	39,065,338	19,900,499	24,382,000	18,768,400
Transfers out	(76,973,896)	(77,874,726)	(87,724,600)	(92,690,071)	(83,879,886)
Total Other Financing Sources (Uses)	($41,393,846)	($37,431,677)	($67,807,756)	$157,369,723	($63,714,673)
Debt proceeds to trust	-	-	-	(210,000,000)	-
Total Other Financing Sources (Uses) and Special Items	($41,393,846)	($37,431,677)	($67,807,756)	($52,630,277)	($63,714,673)
Net Change in Fund Balance	$8,452,455	$27,335,392	$3,108,900	$75,978,217	$98,789,488

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2018, through 2022.

Table III-15
City of Norfolk, Virginia
Comparative Statement of Changes in Fund Balance, General Fund
Fiscal Years 2018 – 2022

	2018	2019	2020	2021	2022
Net Change in Fund Balance	$8,452,455	$27,335,392	$3,108,900	$75,978,217	$98,789,488
Fund Balance at Beginning of Year	116,119,909	124,572,364	151,907,756	155,016,656	230,994,873
Adjustment to Beginning Balance	-	-	-	-	-
Fund Balance at End of Year	$124,572,364	$151,907,756	$155,016,656	$230,994,873	$329,784,361

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2018, through 2022.

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PART IV
ENTERPRISE FUNDS

An enterprise fund is a self-supporting government fund that sells goods and services to the public for a fee. The City has four enterprise funds used to account for activities of its Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility Funds. In 2019, Council adopted financial policies for the City's self-supporting funds to ensure long-term sustainability

Water Utility

The City-owned water system (the "Water System"), operated by its Department of Utilities, is one of the largest municipal water systems in the Commonwealth. Approximately 1.2 million people are served by the Water System. The Water System distributes treated water throughout the City, to the City limits of the Cities of Virginia Beach ("Virginia Beach") and Chesapeake ("Chesapeake") and to the gates of naval bases located in the City, Virginia Beach and Chesapeake. A naval base in the City of Portsmouth ("Portsmouth") is provided raw water service. As of June 30, 2022, the Water System provided potable water to over 67,600 active City retail service customers (i.e., accounts) and wholesale service to the United States Navy, Virginia Beach, Chesapeake, Portsmouth and the Western Tidewater Water Authority ("WTWA"), which includes the City of Suffolk and Isle of Wight County.

On July 1, 1979, the City Council established the Water Utility Fund as a distinct enterprise fund to account for the financial activity related to providing water services to its customers.

Historically, regular annual transfers have been made from the Water Utility Fund to the City's General Fund for payments-in-lieu of taxes and as a return on the City's investment in the Water System. The City intends to pay for all future Water System capital costs from revenue of the Water System and proceeds of water revenue bonds.

Wastewater Utility

The City owns and operates a sanitary sewer system (the "Wastewater System") that collects and conveys wastewater to the regional treatment agency, the Hampton Roads Sanitation District. Approximately 67,000 accounts located within the City are served by the Wastewater System. Since July 1, 1984, the Wastewater Utility Fund has been operated as an enterprise fund.

City general obligation debt issued to finance Wastewater Utility projects, as well as wastewater revenue bond debt, is carried as a liability on the Wastewater Utility Fund balance sheet. The Wastewater Utility Fund pays for debt service on such bonds from the revenues of the Wastewater System.

Parking Facilities

The City presently owns and operates 14 multi-level parking garages, 10 surface lots and more than 700 on-street spaces. These facilities provide a total inventory of over 19,000 downtown parking spaces. The Parking Facilities Fund was established during Fiscal Year 1990. City general obligation debt issued to finance Parking Facilities Fund projects is carried as a liability on the Parking Facilities Fund's balance sheet. The Parking Facilities Fund's audited balance sheet on June 30, 2022, presents total assets of $180.7 million, which includes restricted investments of over $6.6 million, to be utilized for garage maintenance and operating reserves. In addition, audited fixed assets, including parking structures, consist of over $138.3 million of the total $180.7 million in assets. The Parking Facilities Fund also manages parking enforcement operations and collects fines and delinquent fees. In Fiscal Year 2022, 32,326 tickets were issued resulting in a 67.2% collection rate and revenue of $1.67 million.

Transfers have been made from the Parking Facilities Fund to the Debt Service Fund to pay all debt service on general obligation bonds issued by the City to pay for Parking System improvements. Revenue of the Parking System has fully covered debt service on general obligation bonds issued for the Parking System.

Storm Water Utility

Effective July 1, 2019, the Storm Water Fund, which is overseen by the City's Department of Public Works, was converted from a special revenue fund to an enterprise fund. In addition to maintaining all the public storm water infrastructure, the Storm Water Fund is also responsible for implementing best management practices and programs that prevent pollution, and reduce flooding.

City general obligation debt issued to finance Storm Water projects, as well as storm water revenue bond debt, is carried as a liability on the Storm Water Fund balance sheet. The Storm Water Fund pays for debt service on such bonds from the revenues of the Storm Water System.

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PART V
THE CITY OF NORFOLK

INTRODUCTION

The City was established as a town in 1682, as a borough in 1736 and incorporated as a city in 1845. The City lies at the mouth of the James and Elizabeth Rivers and the Chesapeake Bay, and is adjacent to the Atlantic Ocean and the cities of Virginia Beach, Portsmouth and Chesapeake. The City is 65.98 square miles.

CITY GOVERNMENT

The City is an independent, full-service City with sole local government taxing power within its boundaries. It derives its governing authority from the City Charter, originally adopted by the General Assembly in 1918, which provides for a Council-Manager form of government. The governing body of the City is the City Council, which formulates policies for the administration of the City. The City Council exercises all of the governmental powers conferred upon the City. The City Council is comprised of eight members, a Mayor (elected at large) and seven members from the "ward system". Two members of the seven members are elected from super wards. The City Council elects a Vice Mayor from among its members.

Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager carries out the policies of the City Council, directs business procedures and appoints, with the power to remove, the heads of departments and other employees of the City except those otherwise specifically covered by statutory provisions.

The City Council also appoints members to certain boards, commissions and authorities as it deems necessary to or beneficial for the operation of the City.

Certain Elected Officials

The City's current elected officials include:

Dr. Kenneth Cooper Alexander, Mayor

In May 2016, Dr. Alexander was elected Mayor of the City of Norfolk. He is the President of Metropolitan Funeral Service and Chancellor of Centura College and their Aviation Institute of Maintenance. As a City native, he began his public service career more than two decades ago. Mr. Alexander received a Bachelor's degree in Political Science from Old Dominion University, Norfolk, Virginia, a Master's degree in Diplomacy from Norwich University, in Northfield, Vermont, the oldest private military college in the country and a Doctorate in Leadership and Change from Antioch University, Yellow Springs, Ohio. Dr. Alexander previously served in the Senate of Virginia from 2012-2016, where he was a member of the Commerce and Labor, Finance, Transportation and Privileges and Election committees. Prior to his election to the Senate, Dr. Alexander represented the 89th District in the House of Delegates from 2002 until 2012, serving on the Commerce, Labor, Education, Privileges and Elections and Rules committees.

Martin A. Thomas, Jr., Vice Mayor

Mr. Thomas, representing Ward 1, was first elected to City Council in August 2016. He received a Bachelor of Science degree in Public Affairs from Virginia Polytechnic Institute and State University, Blacksburg, Virginia and graduated from the University of Richmond School of Law (T.C. Williams School of Law), Richmond, Virginia. He is currently a partner at the Decker Law Firm in downtown Norfolk where he has litigated personal injury cases since 2006. He served on the Norfolk Planning Commission from April 2011 until his election to City Council and on the Norfolk Architectural Review Board from April 2014 until his election to City Council. He is involved in many local professional and civic organizations, where he has held several leadership positions.

Courtney R. Doyle, Council Member

Mrs. Doyle, representing Ward 2, was first elected to City Council in May 2018. She received a Bachelor's degree in Government and Politics from the University of Maryland, College Park, Maryland, and holds a Master of Business Administration from Old Dominion University, Norfolk, Virginia. She is currently the Director of Customer Development and Marketing for Sentara Healthcare where she has worked for over 20 years. She served on the Norfolk School Board from 2013 until her election to City Council. She is active in many local professional and civic organizations, where she has held several leadership positions.

Mamie B. Johnson, Council Member

Mrs. Johnson, representing Ward 3, was first elected to City Council in May 2014. Mrs. Johnson was employed with NPS as a teacher for 14 years and an Instructional Specialist for six years. She received a Bachelor's degree in Education from Norfolk State University, Norfolk, Virginia. She is active in many local professional and civic organizations, where she has held several leadership positions.

Andria P. McClellan, Council Member

Mrs. McClellan, representing Super Ward 6, was first elected to City Council in May 2016. She received a Bachelor's degree from the University of Virginia, Charlottesville, Virginia, and graduated from the Wharton Management Program at the University of Pennsylvania. She is active in many local professional and civic organizations, and she presently serves on several boards.

John E. "JP" Paige, Council Member

Mr. Paige, representing Ward 4, was first elected to the City Council in November 2022. He received a Bachelor's degree from Norfolk State University, Norfolk, Virginia where he majored in hotel/restaurant management and a Master's degree in Management from Troy State University, Troy, Alabama. Mr. Paige is currently the Director of Student Services for the School of Business at Norfolk State University and owns a business in Norfolk. He is active in many local professional and civic organizations where he has held several leadership positions.

Danica J. Royster, Council Member

Ms. Royster, representing Super Ward 7, was appointed to City Council in January 2021 and elected in November 2022. She received a Bachelor's degree in Business Management from Old Dominion University, Norfolk, Virginia. Ms. Royster is a wealth consultant and junior partner at First Genesis of Virginia, LLC, an African American family-owned financial planning firm in the historic Huntersville neighborhood. She currently works with young professionals assisting them in establishing a solid financial foundation.

Thomas R. Smigiel, Council Member

Mr. Smigiel, representing Ward 5, was first elected to City Council in May 2010. He received a Bachelor of Science degree in Education from Old Dominion University, Norfolk, Virginia, and a Master's degree in School Administration and Supervision from Cambridge College, Chesapeake, Virginia. He is Principal at Granby High School in Norfolk. He is involved in many local professional and civic organizations, where he has held several leadership positions.

Certain Appointed Officials

Larry H. Filer II, City Manager

Dr. Larry "Chip" Filer assumed the position of City Manager in September 2019. He serves at the pleasure of City Council and is responsible for the day-to-day management and oversight of the City. Prior to his appointment as City Manager, Dr. Filer had established a strong record of accomplishments in the fields of management and finance and is a recognized expert in economic development. Dr. Filer previously served at Old Dominion University as the Director of the MBA Program, Associate Dean for Executive Programs and External Affairs, Chairman of the Economics Department and most recently the Associate Vice President for Entrepreneurship and Economic Development. He received his Bachelor of Arts in Economics from Westminster College in New Wilmington, Pennsylvania and earned a Doctorate and Master's in Economics from the University of Kentucky in Lexington, Kentucky.

Christine A. Garczynski, Director of Finance

Christine Garczynski assumed her position as Director of Finance in January 2016. At the direction of the City Manager, she is responsible for the comprehensive oversight of financial operations for the City. In addition, she is responsible for the administration of the financial affairs of the City which includes financial accounting and reporting; accounts payable; accounts receivable; payroll; cash management; risk management; debt management; purchasing; fiscal systems and the Norfolk Employees' Retirement System. Ms. Garczynski has worked for the City since 1992. She previously served as Acting Director of Finance from June 2015 to January 2016, and prior to her appointment as Acting Director of Finance, her most recent position was Debt Manager responsible for successfully coordinating and administering the City's debt obligations and the day-to-day management of the City's cash and investment portfolio. Ms. Garczynski earned a Bachelor of Science in Business Administration from Longwood University, Farmville, Virginia. In 2018, she was honored with an Outstanding Service Award from the Virginia Women in Public Finance for her 25 years of outstanding service and dedication to public finance.

Bernard A. Pishko, City Attorney

Bernard A. Pishko was first appointed by City Council as City Attorney in November 1997. He previously served as Deputy City Attorney from 1989 to 1997 and as an Assistant City Attorney from 1984 to 1989. He has practiced law since 1982. The City Attorney is also general counsel for the Norfolk School Board, Norfolk Recreational Facilities Authority, Norfolk Community Services Board, Hospital Authority of Norfolk, Norfolk Employees' Retirement System, Norfolk Electoral Board, Civil Service Commission and The Chrysler Museum of Art. Mr. Pishko is a member of many professional associations and community organizations. He received his undergraduate degree from Brown University, Providence, Rhode Island, a Master's degree in Business Administration from the College of William and Mary, Williamsburg, Virginia, and a law degree from the Marshall-Wythe School of Law, Williamsburg, Virginia.

Governmental Services and Facilities

In Virginia, cities and counties are not overlapping units of government. Each city or county is a distinct political entity providing services for the population within its respective jurisdiction. The City provides a comprehensive range of public services characteristic of its form of government under Virginia law. These services are designed to provide an environment within which the educational, physical, social and cultural needs of its citizens are met. These general governmental services include police protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, economic development, housing and community development, solid waste disposal and general administrative services. In addition, storm water, water and wastewater utilities and parking facilities services are provided under an enterprise fund concept with user-charges set by City Council. Since inception, these enterprise funds have operated on a self-supporting basis.

City Organization as of July 1, 2022

The City government structure has evolved to respond to the challenges of increased demand for quality services, infrastructure needs and a slowdown in population and revenue growth. Today, a city manager and several deputy city managers (DCMs) each assigned to portfolios of multiple City departments oversee day-to-day operations while carrying out the policies established by City Council. The organizational chart of the City follows on the next page.

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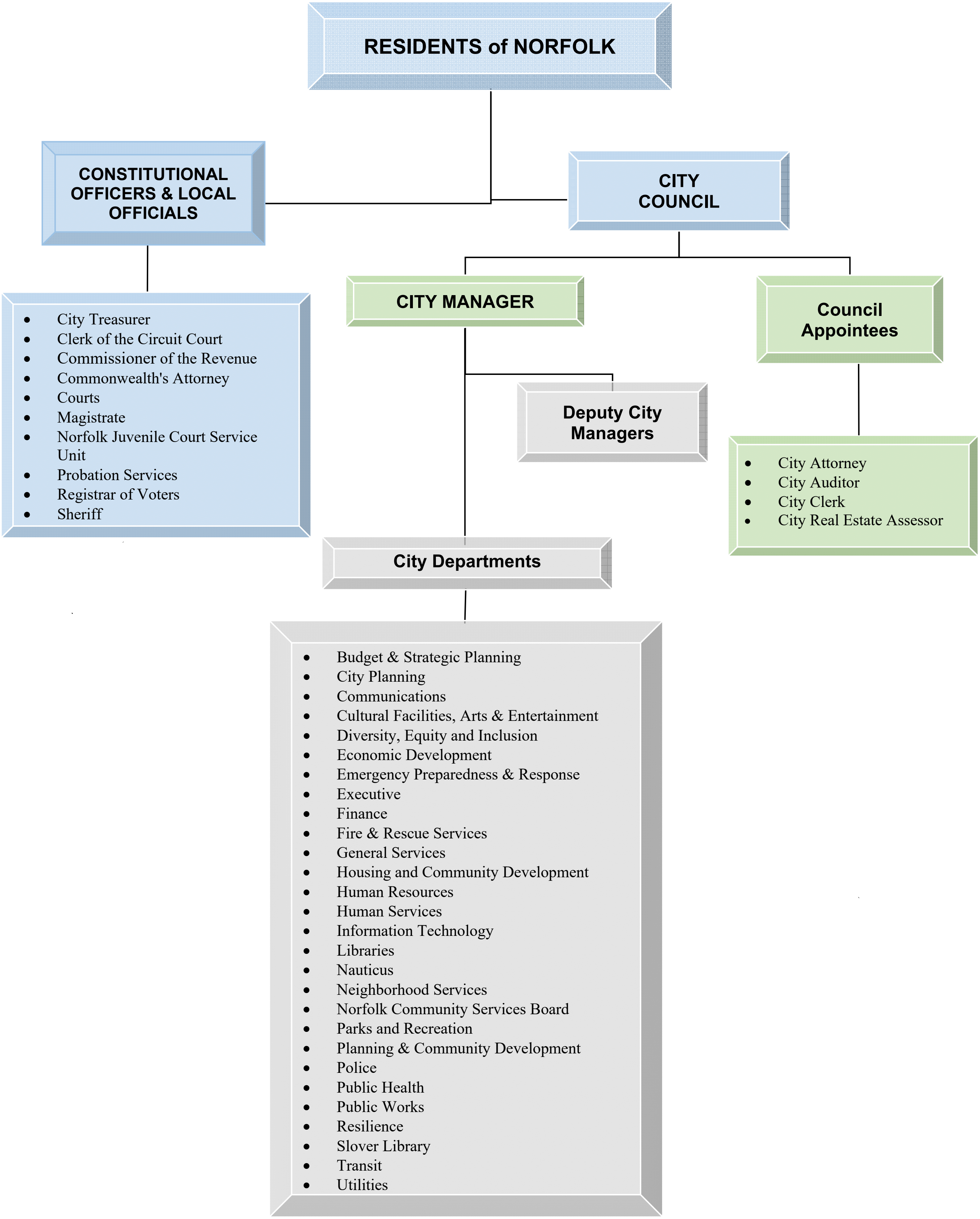
RESIDENTS of NORFOLK
CONSTITUTIONAL OFFICERS & LOCAL OFFICIALS
City Treasurer
Clerk of the Circuit Court
Commissioner of the Revenue
Commonwealth's Attorney
Courts
Magistrate
Norfolk Juvenile Court Service Unit
Probation Services
Registrar of Voters
Sheriff
CITY COUNCIL
CITY MANAGER
Council Appointees
Deputy City Managers
City Attorney
City Auditor
City Clerk
City Real Estate Assessor
City Departments
Budget & Strategic Planning
City Planning
Communications
Cultural Facilities, Arts & Entertainment
Diversity, Equity and Inclusion
Economic Development
Emergency Preparedness & Response
Executive
Finance
Fire & Rescue Services
General Services
Housing and Community Development
Human Resources
Human Services
Information Technology
Libraries
Nauticus
Neighborhood Services
Norfolk Community Services Board
Parks and Recreation
Planning & Community Development
Police
Public Health
Public Works
Resilience
Slover Library
Transit
Utilities

Cybersecurity

The City, like many other municipalities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other such attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could impact operations and/or digital networks and the costs of remedying any such damage could be significant. The City's Information Technology Department includes a dedicated cyber security team. The team focuses on system-wide hardware and software mitigation solutions, including regularly implementing software patches, back-ups for redundancy for critical records and system processes, enforcing a Complex Password Policy, implementing a Data Sensitivity Policy, requiring mandatory cyber defense training for all City staff, encrypting data stored on laptops and tablets, and limiting user downloads and system uses.

Despite the City's cybersecurity policies and procedures designed to protect its data and information technology infrastructure, no assurance is given that the City's security measures will prevent cyber-attacks, nor can any assurance be given that any cyber-attacks, if successful, will not have a material impact on City operations.

Environmental, Social & Governance (ESG) Considerations

Environmental

The City is on the frontlines of the challenge of sea-level rise and has long been a national leader for its resilience strategy and efforts. As a coastal community, the City is one of several localities in the United States vulnerable to flooding from sea level rise and storm-surge. Named as one of the world's first members of Resilient Cities Network, a program pioneered by The Rockefeller Foundation, the City is helping to build a global practice of resilience by working with cities around the world.

To help address this challenge, the City maintains a dedicated Resilience Office that is focused on expanding and institutionalizing an integrated approach to building resilience in the environment, mitigating economic and social stresses, and potential shocks that challenge the City. Additionally, the Resilience Office actively leverages opportunities and resources across City departments, the local community, and national and international partners.

The City is proactively assessing its vulnerability, developing strategies, implementing policies, and designing engineering measures that will enhance its resiliency and reduce the impacts of tidal and storm surge flooding. Further, the City is undertaking many initiatives to address its resilience goals, including the following:

1. City Council has shown its commitment to resilience by dedicating 1 cent (equating to $2.25 million each year, as of Fiscal Year 2023) of the real estate tax to resilience projects.

2. Encouraging and requiring resiliency as part of development activities: the City's zoning code includes resilient development activities. These efforts go far beyond the FEMA floodplain requirements and include provisions that target the City's unique situation and circumstances.

3. The City conducted a multi-year process to identify resiliency challenges and opportunities. Beginning in 2015, the City engaged in the "Dutch Dialogues Virginia," which was a workshop that brought together urban water management experts from New Orleans and the Netherlands – urban designers, engineers, architects, and planners – to meet with their counterparts in Hampton

Roads to discuss ideas and solutions for the future. At the workshop's conclusion, the team identified numerous, applicable strategies to promote integrated water management and resilience across Hampton Roads.

4. In May 2019, the City received a $30 million HUD Choice Neighborhood Implementation Grant for phase 1 of the St. Paul's Area Transformation. This project is a major focus of the City and addresses the City's three resilience goals – costal resilience, economic resilience and neighborhood resilience. The transformation focuses on the built environment, as well as the expansion of amenities for all residents of the area. To support resilience efforts in the St. Paul's area, the Office of St. Paul's Transformation, a division of the City's new Department of Housing and Community Development, oversees and coordinates all aspects of the transformation in partnership with the NRHA, residents, other City departments, community organizations, and private partners. Together, they work to ensure a successful transformation that adheres to the six design principles developed by residents, and transforms the area into one of the City's most desirable neighborhoods where residents of all income levels, races, ages and cultures can live, learn, work, play and thrive. Additionally, in April 2023, the City received an additional $10 million for this project from HUD to assist with the construction cost increases.

5. Construction began in January 2020 to address coastal resilience in the City's Ohio Creek watershed area, which is expected to be complete in April 2023. The Ohio Creek watershed project is funded by a grant totaling $112.7 million through the U.S. Department of Housing and Urban Development's National Disaster Resilience Competition. In addition to providing coastal resilience to the area, the project will add amenities such as a new resilience park that will include open space, walking paths, basketball courts, and a fishing pier.

6. To effectively align opportunities, connect internal and external stakeholders and resources, the City has a multi-disciplinary Resilience Office. The Resilience Office is focused on expanding and institutionalizing this integrated approach to building resilience in the environment, mitigating economic and social stresses and potential shocks that challenge the City and actively leveraging opportunities and resources across City departments, local community, as well as national and international partners.

7. As discussed in "PART II - CITY INDEBTEDNESS - Debt Outstanding," in April 2020, the City amended its revolving line of credit to authorize draws for up to $50 million to fund operating expenses caused by a significant emergency event. Expanding the permitted uses of the line of credit, which previously could only fund capital expenditures, provides the City a low-cost source of interim funding for emergency expenditures. To date, the line of credit has not been used to fund emergency expenditures.

8. As part of the Infrastructure Investment and Jobs Act, the City will receive nearly $400 million in Federal funding to increase community resilience to support the City's Coastal Storm Risk Management ("CSRM") project, also known as Resilient Norfolk. This funding comes after years of coordination and planning efforts to address flooding in the City. In 2016, the City and the U.S. Army Corps of Engineers ("USACE") began the Norfolk CSRM Final Integrated Feasibility Report and Environmental Impact Statement, with the Chief of Engineer's Report completed in February 2019. The project aims to reduce the City's risk from coastal flooding and damage due to nor'easters, hurricanes and other significant storm events. The project features storm-surge barriers, nearly eight miles of floodwalls, nearly one mile of levees, 11 tide gate, and 10 pump stations, along with a series of nonstructural projects that include home elevations, basement fills, and commercial floodproofing. The total project cost is estimated at $2.6 billion over the next ten

years. City Council authorized a Project Partnership Agreement on April 25, 2023, between the City and the USACE, in which 65% of the project will be federally funded.

Complementing the initiatives described above, the City maintains several additional policy and planning efforts to help manage the changing environment. These include:

1. The City's *plaNorfolk 2030, which was last amended in August 2022,* a comprehensive plan for the physical development of the City, is organized into 13 chapters. Chapter 6 promotes environmental sustainability. The City's environmental sustainability goals and outcomes include:

    a) Ensure high quality natural resources;

        i. Outcome ES1.1. Enhanced water quality in the City's waterways and reservoirs, including the Chesapeake Bay and its tributaries.

        ii. Outcome ES1.2. Clean, healthy air that supports plant, animal, aquatic, and human life.

        iii. Outcome ES1.3. An ecosystem that supports a diversity of plant and animal life.

    b) Prepare for the consequences of natural hazards;

        i. Outcome ES2.1. Reduced risk and increased resilience to gradual and catastrophic natural events.

    c) Incorporate sustainability into daily living.

        i. Outcome ES3.1. Reduced energy consumption due to the application of energy efficient design features and technologies.

        ii. Outcome ES3.2. Residents and businesses who take responsibility for reducing their impact on the environment and take steps towards improving it.

2. The City's *Norfolk Vision 2100, which was adopted in November 2016,* addresses City planning beyond 30 years, given the growing challenges of sea level rise, aging infrastructure, population growth, and an uncertain regional and global economy. *Norfolk Vision 2100* provides broad guidance to the City's decision makers and complements the more specific guidance provided by plaNorfolk2030. *Norfolk Vision 2100* promotes the City's plan of designing a coastal community of the future. Specific action items addressing the City's long-term environmental goals include:

    a) Designing New Urban Centers;

        i. Action: Focus major infrastructure investments in the most resilient areas

    b) Enhancing Economic Engines;

        i. Action: Expand the flood protection system

    c) Adapting to Rising Waters;

        i. Action: Exploit new and innovative technologies to reduce flood risk to the build environment

        ii. Action: Develop a solution for sea level rise adaptation in historic neighborhoods

d) Establishing Neighborhoods of the Future.

3. The City's *Green Infrastructure Plan* was adopted in May 2018 as amendment to the City's *plaNorfolk 2030.* It addresses the future of the City's coastal community by using the City's natural assets to improve environmental and community health and to protect infrastructure, such as roads and buildings. An assessment was conducted to determine the extent and conditions of the City's natural assets. This assessment included analysis of the City's land cover (tree canopy, water, and impervious surfaces), the connectivity of its trails and parks, and the locations of large patches of intact open spaces, marshes and shorelines. Additionally, several of the Actions within the *Green Infrastructure Plan* have the potential to promote the protection or restoration of habitats that are found to be critical for several threatened and endangered species deemed "priority species" by the Virginia Department of Game and Inland Fisheries.

   Goals of the City's *Green Infrastructure Plan* include:

   a) Land, focusing on protecting, connecting and re-greening the landscape to provide pathways for people and wildlife, treat stormwater and reduce flooding, and beautify the City.

      i. Goal 1: Increase and maintain natural green infrastructure – urban forest, shrub and meadow habitats – to support wildlife, infiltrate and clean water, improve air quality, reduce high temperatures and provide scenic beauty

      ii. Goal 2: Install and maintain constructed green infrastructure to detain and retain stormwater and beautify areas where natural green infrastructure practices are less suitable.

      iii. Goal 3: Provide adequate open space access to ensure a healthful city for residents and visitors.

   b) Water, focusing on restoring shoreline habitats to support aquatic life, buffer areas from storm surge, and foster recreation, including birding, boating and fishing.

      i. Goal 1: Protect and restore natural shorelines to support healthy aquatic life, storm buffering and water filtration.

      ii. Goal 2: Expand water access for boaters, fishers, birders and walkers

4. The City's *Climate Action Plan*, which was adopted in May 2019 by the Mayor's Advisory Commission on the Climate Change Mitigation and Adaptation, includes strategies for the City to optimize its energy efficiency, to utilize clean renewable energy resources, and to review internal policies and practices. The *Climate Action Plan* includes strategies for City businesses, schools, and neighborhoods. The *Climate Action Plan* does not address strategies related to flooding or green infrastructure, as there are already strategies underway to address these critical areas. Rather, the focus of the *Climate Action Plan* is to supplement the flooding mitigation and adaptation work with a focus on reducing greenhouse gas emissions.

   Goals within the Climate Action Plan include:

   i. Renewable Energy Production: Increase usage of renewable energy

   ii. Buildings & Energy Use/Efficiency: Increase building and operation energy efficiency and reduce energy consumption

iii. Transportation: Increase energy efficiency, use of clean energy, and reduce vehicle reliance

iv. Consumption & Waste: First reduce, then reuse, then recycle

v. Food & Agriculture: Create and promote a sustainable food system

vi. Engagement, Outreach, & Education: Environmental education and engagement

Social

The City is committed to improving the social well-being of its citizens. This is reflected in various departments and initiatives underway, including:

1. The City is committed to being a Diverse, Equitable, and Inclusive city and is the first city in Hampton Roads to launch a Diversity, Equity, and Inclusion initiative. The goal of this initiative is to create a community where everyone feels welcomed, included, and equipped to thrive. The Office of Diversity, Equity, and Inclusion strives to promote diversity, equity, and inclusion through its daily operations. Key focus areas include: workforce / human resources, economic opportunity / inclusive economic growth, planning / infrastructure, and outreach and neighborhood engagement.

2. In 2013, the City established the Mayor's Commission on Poverty Reduction (the "Commission"). The Commission brought together members of the community to identify the root causes of poverty in the City and specific barriers to economic opportunity experienced by City residents. In June 2014, the Commission published the City's Plan to Reduce Poverty, which is a strategy built on a collaborative model which creates opportunities to access education, training, and economic development services, so that people living in poverty can obtain family sustaining employment. Specifically, the strategy includes early childhood education, youth education and career pathways, adult workforce development, and neighborhood revitalization and support. The poverty reduction plan is underway in the City.

3. The Department of Housing and Community Development's ("DHCD") mission is to improve the quality of life for all City residents and strengthen City neighborhoods through people-driven community and physical transformation by increasing access to quality affordable housing opportunities in thriving, resilient, and connecting communities of choice. The department is divided into four divisions:

    - <u>Federal Program Management:</u> The Federal Program Management division administers the City's U.S. Department of Housing and Urban Development entitlement and community development grant programs and oversees federal grants compliance.
    - <u>Neighborhood and Housing Preservation:</u> The Neighborhood and Housing Preservation program is responsible for preserving and enhancing the quality and safety of existing housing stock through rehabilitation and repair assistance programs.
    - <u>Housing Policy and Real Estate:</u> The Housing Policy and Real Estate Division employs strategic planning to enrich the lives of City residents by expanding quality, affordable housing, and economic opportunities.

- Neighborhood Transformation: The Neighborhood Transformation program oversees the place-based and human-centered transformation of select neighborhoods into thriving, resilient, mixed-income communities of choice.

4. The City's Community Services Board ("CSB") was created in 1969 to allow City residents with mental health, intellectual disability, and substance abuse needs to receive treatment in their own community. Today, the CSB provides treatment and rehabilitation services to over 9,000 citizens each year. The CSB is the primary provider of public mental health, substance abuse, and intellectual disabilities services for the City. A continuum of services spans from outreach and prevention through intensive psychiatric care, provided by highly clinically oriented service professionals with expertise in these service areas. Services include case management, housing support, medical care, outreach, psychiatric care, support services and therapy.

Governance

The City is guided by long-standing, conservative practices and internal and budgetary controls. Additionally, the City Council has adopted formal financial policies that serve as a foundation for the City's financial planning. The section below outlines some of the City's key governance policies and practices.

Financial Forecasting in the Budget

The financial forecast, the first step in the budget process, is an essential component of the annual process of assessing the City's overall financial condition and looking at its finances in a multi-year context. The primary objective of the financial forecast is to project where current budget decisions lead in terms of future revenue and expenditures and their impact on the City's financial stability. It is believed that the financial forecast provides the opportunity to proactively evaluate policies with the goal of maximizing opportunities or, in the worst case, minimizing the negative impact of economic downturns.

Financial Policies

On February 26, 2019, the City Council adopted updated formal financial policies (the "Financial Policies"). The updated Financial Policies are comprehensive and further strengthened the City's financial position. The adopted Financial Policies established a General Fund Unassigned Reserve of 10% of General Fund Expenditures plus General Fund Transfers Out, a maximum funding in the Risk Management Reserve of $8 million, an Economic Downturn Reserve maximum of $5 million, and an Inclusive Development Opportunity Fund funded at $2 million. As of the end of Fiscal Year 2022, the City exceeded the minimum level in the General Fund Unassigned Reserve and was at the maximum funding of the Economic Downturn Reserve, the Risk Management Reserve and the Inclusive Development Opportunity Fund in accordance with the City's Financial Policies. The adopted Financial Policies included a pension funding policy, which established the City's contribution at the greater of the prior year's contribution or the current year's actuarially defined contribution. The adopted Financial Policies included a net tax-supported debt service maximum of 11% of the General Fund budget with a target at 10% or less and a net tax-supported debt maximum of 4.0% of total taxable property value with a target of 3.5% or less. Debt affordability measures included a ten-year minimum debt pay-out ratio of 55%, an overlapping debt maximum of 0.5% of taxable property, and a variable rate debt limitation at 20% by fund.

The City's adopted Financial Policies provide that the Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility Funds will be self-supporting. Each fund must maintain annual net revenue in an amount to provide sufficient debt service coverage to support annual debt service. The Parking Facilities coverage requirement is 1.1 times its total annual debt service. The Water Utility Fund must maintain a coverage above 1.5 times its total annual debt service, and both the Wastewater and Storm Water Utility Funds are required to have a debt service coverage minimum of 1.15 times any revenue debt service and 1.1 times their total annual debt service. Additionally, each fund may only have twenty percent of its outstanding debt in the variable rate form. Each of these funds must maintain a working cash balance. The Parking Facilities and Water Utility Fund are required to have 240 days of operating expenses in unrestricted cash. The Wastewater and Storm Water Funds must maintain at least 180 days of operating expense in unrestricted cash. To monitor these Policies, each fund is required to annually produce a ten-year plan that integrates revenue and expense projections and project cashflow forecast. Based on Fiscal Year 2022 financial results, the City is in compliance with its Financial Policies for each Enterprise Fund.

Historically, regular annual transfers have been made from the Water and Wastewater Utility Funds to the City's General Fund for payments-in-lieu of taxes and as a return on the City's investment in the Water and Wastewater Systems. The Financial Policies limit the amount of the annual return on investment to ensure financial sustainability of the funds.

On May 11, 2021, the City Council updated the Financial Policies to make changes to the City's pension funding policies as described in "PART III - GENERAL FUND EXPENDITURES – Retirement Plans." Additionally, the revised Financial Policies included descriptions of conditions under which the City could draw on each of its reserves.

Investment Policies and Practices

The City, as a political subdivision of the Commonwealth, is limited to investments permitted by Section 2.2-4500 *et seq*. of the Code of Virginia of 1950, as amended. In addition, Norfolk City Code further restrict the types of allowable investments. The City's investment policy provides a set of guidelines that will permit the City's Department of Finance to oversee the investment of funds.

Post-Issuance Compliance

In compliance with Internal Revenue Service recommended practices, the City has established procedures to monitor compliance after the issuance of the Bonds and other tax-advantaged obligations with Federal tax law requirements related to the qualified use of bond proceeds and property financed with such proceeds and requirements related to arbitrage yield restriction and rebate.

Recognition

The strength of the City's policies and practices is reflected in the City's strong credit ratings and in multiple financial awards the City has received, such as:

- Fiscal Year 2021 Employees' Retirement System received 17th consecutive Government Finance Officers Association ("GFOA") recognition for its Annual Comprehensive Financial Report
- Fiscal Year 2021 Popular Annual Financial Report ("PAFR") received 3rd GFOA recognition for its PAFR
- Fiscal Year 2021 Report to Our Citizens received a Certificate of Excellence in Citizen-Centric Reporting from the Association of Government Accountants
- Fiscal Year 2022 Distinguished Budget Presentation Award from GFOA
- Best Places to Work in Local Government for 2021 from Engaging Local Government Leaders.

OTHER GOVERNMENTAL ENTITIES

A description of other governmental entities referenced in this Official Statement can be found in the City's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, attached hereto as Appendix A.

ECONOMIC AND DEMOGRAPHIC FACTORS

The broad and diverse demographic, economic and cultural forces, as well as presence of the regions' key physical and economic assets, help Norfolk attract new businesses, workers, and residents. The strength of the City's economy lies in its diversification. The port and airport are essential to trade, and the amenities – the distinctive downtown, cultural, historic neighborhood, and waterfront areas – are attractive to workers of the growing economy. The concentration of the universities and the large military population provide a ready pool of workers for the City and the region. The well-established health institutions, as well as the unique combination of small business, professional firms, research labs, banks, and investment companies drive innovation and stabilize the economy. Together these demographic and economic factors continue to benefit the economic and residential life of Norfolk.

Population

Table V-1 below includes a ten-year history of the City's population. The 2020 U.S. Census confirmed the City is the third most populous city in Virginia, as estimated by the University of Virginia Weldon Cooper Center, and as shown in Table V-2.

Table V-1
Population Trend Comparisons
2013 – 2022

Calendar Year	Norfolk(1)	Hampton Roads MSA(1)(2)	Virginia(3)	U.S.(3)
2013	246,790	1,741,366	8,275,067	315,993,715
2014	247,136	1,750,937	8,339,117	318,301,008
2015	247,242	1,756,340	8,394,902	320,635,163
2016	247,596	1,758,763	8,449,049	322,941,311
2017	248,046	1,760,926	8,506,433	324,985,539
2018	245,422	1,763,713	8,549,345	326,687,501
2019	242,979	1,768,901	8,598,513	328,239,523
2020	238,005	1,806,423	8,644,727	331,501,080
2021	238,102	1,803,328	8,655,608	331,893,745
2022	237,770	1,753,806	8,696,955	334,233,854

Sources: U.S. Census Bureau and the Weldon Cooper Center.

Notes: (1) Norfolk and Hampton Roads MSA population estimates are from the Weldon Cooper Center.

(2) The Hampton Roads MSA population estimates are for the Virginia portion only. Part of the MSA is in northeastern North Carolina.

(3) Virginia and U.S. population estimates are from the U.S. Census Bureau.

Table V-2
Most Populous Cities in Virginia

City	2020 Census Population	2022 Population Estimate
Virginia Beach	459,470	455,385
Chesapeake	249,422	251,959
Norfolk	238,005	237,770
Richmond	226,610	226,967
Newport News	186,247	183,504

Sources: U.S. Census Bureau and the Weldon Cooper Center.

Per capita income is total personal income divided by the area's residential population. Table V-3 provides an annual comparison of per capita personal income since 2012.

Table V-3
City of Norfolk, Virginia
Per Capita Personal Income Comparisons
2012 – 2021

Calendar Year	Norfolk	Hampton Roads MSA	Virginia	U.S.
2012	35,587	42,846	49,309	44,548
2013	35,364	42,620	48,573	44,798
2014	36,446	43,904	50,318	46,887
2015	37,372	45,505	52,238	48,725
2016	38,236	46,478	53,268	49,613
2017	39,287	47,653	54,879	51,550
2018	38,821	47,782	56,619	53,786
2019	40,294	49,553	59,073	56,250
2020	43,062	52,895	62,189	59,765
2021	46,923	56,716	66,305	64,143

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. 2021 data is the most recent data available.

The age distribution of the City's population is presented in Table V-4

Table V-4
City of Norfolk, Virginia
City Population Distribution by Age
1980-2020

Calendar Year	Population	Under 20	20-64	65 or Older
1980	266,979	30.7%	60.1%	9.2%
1990	261,250	28.1	61.4	10.5
2000	234,403	27.3	61.5	11.2
2010	242,803	25.3	65.3	9.4
2020(1)	238,005	23.7	65.1	11.2

Source: U.S. Census Bureau.

Note: (1) 2020 data are estimated by the Department of Finance.

Housing and Construction Availability

The City saw existing home sales decline by approximately 14.2% (or 609 homes) during calendar year 2022, as compared to calendar year 2021. The existing home sales in 2022 was the second highest level in over 17 years. Similarly, the City saw new home sales decrease by approximately 23.7% (or 71 homes) during calendar year 2022, as compared to calendar year 2021. In contrast, the average price of existing homes sold in calendar year 2022 increased by approximately 5.1% to $304,000, as compared to the average price in calendar year 2021 of $289,300, while the average price of new homes sold increased by approximately 18.6% to $457,100 from $385,300 in calendar year 2021. The median price of existing homes sold in calendar year 2022 rose by approximately 6.6% to $275,000 from $258,000 in calendar year 2021, while the median price of new homes sold increased by approximately 8.8% to $402,450 from $369,900 in calendar year 2021.

Table V-5 provides an annual breakdown of residential building permits over the past 10 Fiscal Years.

Table V-5
City of Norfolk, Virginia
Residential Construction
Fiscal Years 2013 – 2022

Fiscal Year	Building Permits	Number of Units	Value (in thousands)
2013	384	822	$63,728
2014	432	1,393	93,072
2015	399	729	59,018
2016	384	894	74,377
2017	459	1,193	68,571
2018	346	597	54,899
2019	274	1,125	83,245
2020	405	1,182	87,820
2021	410	1,194	125,073
2022	263	1,702	181,971

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

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Table V-6 presents annual nonresidential construction permits, which includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures, over the past 10 Fiscal Years.

Table V-6
City of Norfolk, Virginia
Nonresidential Construction
Fiscal Years 2013 – 2022

Fiscal Year	Building Permits	Value (in thousands)
2013	28	$105,635
2014	33	37,575
2015	36	233,824
2016	20	91,171
2017	25	82,443
2018	15	118,459
2019	31	238,513
2020	26	282,015
2021	25	120,380
2022	25	71,622

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Employment

As illustrated in Table V-7 below, the unemployment rate for the City has, for the most part, been in line with rates for the United States. For 2020 and 2021, the unemployment rate increased due to the economic impacts of the COVID-19 pandemic.

Table V-7
City of Norfolk, Virginia
Unemployment Rates
2014 – 2023

Calendar Year	Norfolk	Hampton Roads MSA	Virginia	U.S.
2014	6.2%	5.6%	5.1%	6.2%
2015	5.5	4.8	4.4	5.3
2016	5.2	4.5	4.0	4.9
2017	4.6	4.0	3.7	4.4
2018	3.6	3.2	3.0	3.9
2019	3.4	3.0	2.8	3.7
2020	8.7	7.1	6.5	8.1
2021	5.7	4.5	3.9	5.3
2022(1)	3.5	3.0	2.9	3.6
2023(2)	3.5	3.2	3.2	3.5

Source: U.S. Bureau of Labor Statistics.

Note: (1) Annual rate for Virginia and U.S. data but December 2022 rate for Norfolk and MSA data.
(2) As of March 2023.

Table V-8
City of Norfolk, Virginia
Civilian Employment
3rd Quarter, 2022(1)

	Number of Establishments	Percentage of Employment
Educational and Health Services	1,397	21.3%
Trade, Transportation & Utilities	1,170	17.8
Professional & Business Services	1,162	17.7
Other Services	891	13.6
Leisure and Hospitality	730	11.1
Financial Activities	589	9.0
Construction	380	5.8
Manufacturing	155	2.4
Information	98	1.5
Public Administration	0	0.0
Total	6,572	100%

Sources: U.S. Bureau of Labor Statistics. Virginia Employment Commission, Quarterly Census of Employment & Wages Program. Includes non-disclosable data.

Note: (1) This is the most recent data available.

Downtown Development

Downtown offers a mix of cultural attractions and entertainment for its citizens and tourists. The average vacancy rate for Downtown Class A office space as of March 2023 is 14.97%, as shown in Table V-9 below.

Table V-9
City of Norfolk, Virginia
Downtown Norfolk Vacancy – Class A

Class A	Rentable SF	Vacant SF	% Vacant
Crown Center	58,674	-	-
Town Point Center	166,116	5,606	3.37
Main Street Tower	199,621	45,044	22.56
150 West Main Street	225,498	35,400	15.70
The Atlantic at City Walk/ADP	288,662	-	-
The Wells Fargo Center	300,000	63,719	21.24
World Trade Center	367,000	66,449	18.11
TowneBank Tower(1)	310,745	-	-
Dominion Tower	403,276	48,471	12.02
Dominion Enterprises Building	563,325	180,075	31.97
Assembly	88,836	-	-
Total	2,971,753	444,764	14.97%

Source: CoStar, March 2023.

Note: (1) Formerly Norfolk Southern Tower, now the Towne Bank Tower. In June 2020, Towne Bank and Children's Hospital of The King's Daughters completed the purchase of the building, which is Towne Bank's new corporate headquarters.

Residential Development

One of the City's greatest strengths is its neighborhoods. With over 120 civic leagues and over 102,000 housing units, the City offers a diversity of housing choices that range from charming starter houses to grand residences and from downtown lofts and town homes to brand new developments along the Chesapeake Bay. By increasing the diversity of housing opportunities, the City expects to increase the diversity of its citizenry and expand the tax base. The City's goal for neighborhood and commercial development is to provide an environment that increases private sector investment, retail sales generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and build upon and coordinate with other ongoing community development initiatives.

Announced in March 2023, DePaul Villages will be a new 488-unit apartment complex at the former DePaul Medical Center, which served as the first hospital in the City for civilians from 1944 – 2021. The adaptive reuse of the 440,000 square-foot hospital and surrounding buildings is expected to be completed in summer 2025, and includes the addition of a 124,400-square-foot parking garage and eight new townhouse apartments using historic tax credits, as well as provides opportunities for long-term affordable housing.

Residential investment continues to grow throughout the City, particularly in and around downtown. The St. Paul's Area, adjacent to downtown, is under major revitalization, and is one of the City's key resilience projects. The transformation project targets significant improvement in all three key components of resilience as defined by the City: coastal resilience, economic resilience and neighborhood resilience. In May 2019, the NRHA and City were awarded a $30 million Choice Neighborhood Initiative ("CNI") Implementation Grant for the Tidewater Gardens Transformation Plan, phase one of the overall redevelopment of the St. Paul's Area. With the award of the CNI Implementation Grant, the City will redevelop the Tidewater Garden community into more than 700 new, mixed-income housing units; improve the neighborhood's landscape by creating new resilient, open space that doubles as storm water mitigation, increase opportunities for local businesses by providing ground floor commercial and retail spaces, reconnect the community through a redesigned multi-modal road network and improving families' access to quality jobs, education and health services through a human development program called People First. Construction of the first buildings and phase 1 construction of the roadway network is expected to be completed in fall 2023. Additional phases will be completed on a rolling basis each year through fall 2025. Private investment in the redevelopment area has already occurred with the addition of two affordable housing developments: Market Heights and Riverside Station, adjacent to the City's development. Additionally, the Reunion Senior Living at Kindred is currently under construction and contains 72 one- and two-bedroom apartment homes.

Another major project that was completed in 2021 is the River Tower at Harbor's Edge in the Fort Norfolk area. This is an expansion of Harbor's Edge, a full-service, premier Life Plan Retirement Community on the Elizabeth River. The $200 million project included a 24-story River Tower with 142 142 additional independent living units, multiple dining venues, an outdoor terrace, entertainment rooms, a salon-spa and support services, as well as more than 100,000 square feet of common space.

Commercial Development

Economic development initiatives focus on the attraction, expansion, and retention of businesses that play to the City's strengths: maritime, higher education, medical and research facilities, neighborhood, community revitalization, and commercial corridor development. New development, expansion and retention of the City's business community has led to continued economic growth. Recent growth in areas such as manufacturing, research and technology, healthcare, residential apartments, craft brewing and boutique retail has increased the diversification of the City's local economy. Since 2018, the City has realized nearly $2.50 billion in new development, business expansion and announcements of pending projects.

Below are some of the significant economic development activities and recent announcements in the City:

Fairwinds Landing, LLC has signed a definitive agreement with Norfolk Southern Railway Company for a 30-year lease to transform Norfolk Southern's 130+ acre, underutilized site into a world-class maritime operations and logistics center that supports the offshore wind, defense and transportation industries. Fairwinds expects to invest more than $195 million in buildings and infrastructure and the project is anticipated to create 700 - 1,000 new jobs. The facility will be rebranded as "Fairwinds Landing" to mark its transformation. Currently, there is a shortage of port facilities that have the capability and availability to support the federal government's goal of installing 30 gigawatts of offshore wind energy by 2030. The Commonwealth passed legislation in 2020 that relies on generating 5,200 megawatts from offshore wind facilities annually by 2034 to assist in transitioning the state to 100% clean energy usage by 2050. Fairwinds Landing will have the capabilities to support its multi-billion-dollar Coastal Virginia Offshore Wind project, and Huntington Ingalls Newport News Shipyard, which with Fairlead Integrated Shipyard will occupy over 40 acres.

As announced in April 2021, Dante Valve Company, a family-owned, international manufacturer and distributor of valves and related products, will invest $1.9 million and create 40 new jobs to expand its operation in the City. The company will add 10,000 square feet to its facility to increase production and better serve its east coast customers.

TechArk Solutions ("TechArk"), a digital solutions company specializing in website development, digital marketing, custom software and app development, announced its plans to expand its City-based headquarters. TechArk will invest over $100,000 to improve its present facility located within the Norfolk Innovation Corridor – a Technology Zone – and create eight new high-tech, high-wage jobs in the City.

Embody, Inc. is a City-based medical device company developing novel collagen-based technologies for soft tissue repair. Announced in April 2022, the investment of $5 million to expand its facilities located in the Innovation Research Park at Old Dominion University ("ODU"). Pioneering regenerative platform for the repair of tendon and ligament injuries with novel collagen-based bio-fabrication techniques with an initial focus on orthopedic applications including foot and ankle, rotator cuff, and knee ligaments, the company will add 10,000 square feet to its operation and create 92 new jobs to increase product research and development capabilities.

Magazine Jukebox Inc. ("MJB"), a company that provides commercial spaces with a digital alternative to traditional print magazines, will invest $1 million to expand in the City. The company's technology will soon be deployed by Ziosk, a tabletop platform currently in use in more than 2,000 quick service restaurants across the country. Providing a green, sustainable method of replacing physical print magazines in public spaces, the company's investment will create 20 new jobs to support its new contracts and rapid growth, quadrupling current staffing.

Yellow Dog Software, an inventory software development company, will invest $150,000 to expand its operation in the City and create 20 new jobs. The company offers an inventory system to the hospitality and sports industries, including casinos, restaurants, amusement parks, universities and stadiums, is increasing its footprint by approximately 10,000 square feet to accommodate additional employees for its expanding sports and hospitality markets.

ARDX, a government healthcare management and technology consulting firm, will invest $2.4 million to relocate and expand in the City. ARDX will establish a new Division of Health Equity, which will improve access, quality and outcomes of service delivery to the nation's most vulnerable populations. The project will create at least 15 new jobs.

Advanced Integrated Technologies ("AIT"), a ship repair contractor for the U.S. Navy, U.S. Coast Guard, Military Sealift Command, and the marine, industrial, and commercial industries in North America, will invest $500,000 to expand in the City and add 76 new jobs. The company will increase capacity at its location in the Norfolk Industrial Park to serve recent government contract awards from the U.S. Department of Defense.

PRINCO LLC, will establish a healthcare products manufacturing facility in the City, with the $8.1 million initial investment and the creation of 284 jobs. Announced in February 2023, PRINCO LLC will manufacture incontinence pads, bringing the production of this product from overseas to the U.S. to support thousands of hospitals and other healthcare providers nationwide.

Colonna's Shipyard, Inc. ("Colonna's") is a diversified industrial company established in 1875 delivering ship repair, machining, and steel fabrication services to commercial and government markets. Colonna's completed in late 2021 the expansion of its primary machining and steel fabrication building, the addition of a propulsion shaft inspection and storage building, and a steel processing center. In addition, Colonna's has established a new division, Weld America, which provides specialty on-site welding services to industrial customers. This project represented a $28 million investment and created 40 new jobs.

Lyon Shipyard, a full-service provider with over 93 years of continuous ship repair service completed in late 2021 completed a new marine travel lift and increasing waterfront dry dock capacity. This project represented a $24.4 million investment and created 119 new jobs.

Announced January 2021, Tabet Manufacturing Company, Inc., a leading developer and manufacturer of large suite communications equipment and custom solutions for military and industrial customers, will invest $6.5 million to expand its operation in the City. Opening in fall 2023, the new manufacturing facility will increase production capacity. The expansion will create 68 new jobs.

Announced in 2021, MetroNet is providing the City with cutting-edge fiber optic telecommunication services, including high-speed Fiber Internet and full-featured Fiber Phone. In June 2021, the City Council granted MetroNet a franchise to construct and operate in the City. Construction of the $90 million project began in January 2022. High-speed internet access contributes to economic growth and business investment by increases to home values and increases to broadband access, which bring ultra-high speed fiber internet and spur growth.

In May 2021, a historic department store building was converted into a Class A office space that includes nearly 89,000 square feet of office space. This building, which is fully leased, is now named Assembly brings together leading creative and technology companies in one iconic building campus. Amenities include a rooftop deck, library, recording studio, event space and more.

CMA-CFM Group, a shipping and logistics company retained its North American headquarters in the City following an investment of $34 million to expand its customer care and finance operations in 2021. CMA-CFM Group's growth resulted in the creation of more than 400 new jobs.

Katoen Natie ("KTN") is an international logistics and service provider for plastic resin pellets. KTN completed the $61 million expansion of its freight distribution center in the City and opened in October 2022. The 243,000 square-foot warehouse and rail facility expansion created 35 new jobs.

Impact of Future Economic Development on City Debt

Over a number of years, the City has developed a strategy for the development and redevelopment of certain areas in the City that will be a critical element of the City's future economic vitality. The use of public-private partnerships is a critical piece in these potential economic development projects. The public portion of these yet unnamed or approved projects could involve additional debt not yet identified in the City's Capital Improvement Program.

Arts and Culture

The City offers a mix of cultural attractions and entertainment for its citizens and tourists. The City's entertainment and theatre venues include the Attucks Theatre, the Harrison Opera House, Chrysler Museum, and the "Theater District" which includes Chrysler Hall, Jeanne and George Roper Theater, Wells Theatre and the NorVa. Built in 1972, one of the City's most acclaimed venues, Chrysler Hall recently celebrated its 50th anniversary and a major renovation is planned for the facility within the five-year CIP.

The City's arts district, the NEON District, is home to a flourishing wave of passion and creativity in downtown. NEON, or New Energy of Norfolk, draws from the neighborhood's history with the automobile industry as it moves into a new and vibrant future. Long time cultural institutions like the Chrysler Museum of Art and Harrison Opera House anchor the district.

The 80,000 square foot Peter G. Decker, Jr. Half Moone Center is in the harbor between Town Point Park and Nauticus/Battleship Wisconsin. The Peter G. Decker, Jr. Half Moone Center continues to serve as a multi-purpose facility for the City offering five distinct event spaces that can accommodate from 50 to 1,500 guests.

In 2018, the City and Carnival Cruise Line ("Carnival") announced the return of the cruise line to the City. Carnival set sail again in May 2019, with destinations to the Bahamas and the Caribbean. In February 2020, the City and Carnival announced a five-year deal that will bring ships to the City from 2021 through 2025 with guaranteed revenue of at least $350,000 per year from Carnival alone. While the 2020 cruise season was cancelled nationwide, Half Moone's 2021 schedule was a significant increase from 2019. Carnival currently has fourteen cruises scheduled for its 4,000+ passenger ship the Carnival Magic. Additionally, sixteen other cruises from a variety of lines will leave from the City. It is projected that in 2023 Carnival is expected to bring 200,000 passengers through the City. Due to an expanded partnership, Carnival will operate out of the City six months out of the year starting in May and year-round service will being by 2025. With this expansion the estimated economic impact is $17.6 million, which will provide a large boost for downtown business.

Other cultural attractions include the Virginia Arts Festival headquarters, a home for the Hurrah Players, and the Perry Glass Studio of the Chrysler Museum of Art Glass Art Studio. The Virginia Arts Festival headquarters houses year-round education outreach activities, a rehearsal and intimate performance space, as well as the Festival's administrative offices. Adjacent to the Virginia Arts Festival headquarters is the home of the Hurrah Players, which features a 100-seat theater and two rehearsal halls. Located adjacent to the museum, the Glass Studio is the only one of its kind in the Mid-Atlantic region and complements the museum's extensive glass collection. In March 2023, the Chrysler Museum of the Art in Norfolk will begin its expansion of the Perry Glass Studio. The 18,000-foot project will include three shops, classrooms for glassmaking, and a performance theater that seats 200 people. This will be a two-phase project expected to be completed in 19 months. The expansion is due to a $55 million capital campaign that included more than 300 donors.

Ahead of its 30th birthday, Nauticus is investing more than $21 million to "reimagine" the downtown science center and museum, with new interactive exhibits, visitor spaces and more. The project is being billed as the first significant investment in exhibits and educational programming since the facility opened in 1994. The "state-of-the-art" additions include five large-scale and interactive gallery spaces across the whole third floor. Visitor spaces overall will see an overhaul, including a new "Wonder Hall" that will greet visitors when they enter. Construction on phase one of the project begin in November 2022 with two galleries expected to open in summer 2023. Phase two brings the comprehensive redesign and will not be completed until early 2024, though Nauticus will remain open to the public.

Transportation Initiatives

The City's first comprehensive transportation plan that encompasses all modes of transportation was launched in 2019. The Multimodal Transportation Master Plan is a systems approach to safe and convenient mobility for everybody, whether we walk, ride, roll, or drive in the City.

The City's light rail system, the Tide, runs from the Eastern Virginia Medical School complex near Fort Norfolk to the Newtown Road/Virginia Beach city line. Amtrak passenger rail line service connecting the City to Washington, D.C. via Petersburg and Richmond operates from the 3,500 square foot train station located at Harbor Park.

To provide additional state funds to road construction and maintenance, effective July 1, 2013, the Commonwealth commenced collecting an increased sales and use tax and new state and regional taxes on gasoline, motor vehicle sales and other specific taxes, which includes the collection of sales and use taxes from remote sellers (i.e., retailers that, other than their sales to residents, do not have a physical presence in the Commonwealth). In addition, purchasers in the Hampton Roads region, which includes the City, pay increased sales and use taxes and other specific regional taxes on transactions that take place in Hampton Roads jurisdictions. Receipts from such additional taxes must be used to pay for transportation projects within the region. Such projects are prioritized and selected by Hampton Roads Transportation Accountability Commission ("HRTAC"), which allocates such tax revenues for regional transportation projects. There can be no assurance that these state and regional taxes will not be changed, but such taxes are expected to generate approximately $880 million per year for transportation funding across the Commonwealth. In Fiscal Year 2022, the Hampton Roads regional sales and fuel taxes generated $243.5 million for major projects in the Hampton Roads region. The City is not directly responsible for related projects or liable for any debt obligations for HRTAC.

Announced in 2017, the $3.8 billion expansion of the I-64 Hampton Roads Bridge Tunnel will become the largest highway construction project in the Commonwealth's history. This transformation will widen the current four-lane segments along nearly ten miles of the I-64 corridor in the City and Hampton, adding twin tunnels across the harbor. The expansion will increase capacity, ease major congestion, as well as enhance travel time reliability for the region. HRTAC is the primary funding agent of the project, which is being financed with regional sales and gas tax collections and the City is not liable for any debt obligation. Additional funding includes $308 million from the Virginia Department of Transportation. Construction began in 2019, with estimated completion in 2026.

The U.S. Department of Transportation has awarded the City $14.4 million as part of the BUILD grant program. The funds were leveraged with a $6.2 million match from the City for a $20.6 million road improvement project throughout the St. Paul's Area transformation project. The improvement project includes 1.33 miles of City streets that will be transformed into a connected network with integrated streets, broadband facilities, resilience and stormwater infrastructure components.

Norfolk Airport

In 2022, Norfolk International Airport ("NIA") served 4.12 million passengers, the most in its 85-year history. NIA passenger volume is up almost 135,000 since its pre-pandemic high in 2019. NIA serves 34 nonstop destinations, an increase of 13 added since the start of the pandemic and has potential of adding flights to San Diego, Los Angeles, Seattle, and Phoenix.

NIA is served by Allegiant Air, American Airlines, Breeze, Delta, Frontier, Southwest, Spirit, United and their regional partners.

Fiscal Year 2022 was a return to normal compared to the last two years of economic hardship associated with the pandemic at NIA. Although passenger traffic has yet to fully return to most airports, NIA's position as a leisure gateway in combination with the return of business travel resulted in Fiscal Year 2022 setting a new record high for passenger traffic. In total, 3,947,153 passengers used NIA during Fiscal Year 2022, which was an increase of 79.2% over the previous year.

NIA is embarking on the largest reconstruction program in its history. Over the next two years, it will reconstruct the concrete pavement areas at each end of the runway and add 3-4 new gates concourse A, bringing the total to 25- 26 gates. Other improvements include enhancements to the parking system and discussions on pursing a hotel at NIA to accommodate early flights, cancelations and delays.

U.S. Senators Mark R. Warner and Tim Kaine announced $5,400,000 in federal funding for NIA. Funds were made available through the Federal Aviation Administration's Airport Terminals Program. This funding was made possible through the bipartisan Infrastructure Investment and Jobs Act. The funding will construct a people mover on the pedestrian bridge connecting the departures and arrivals terminal building.

Breeze Airways is a U.S. based airline offering low-cost, nonstop service to mid-size markets. Since beginning service from the City in June 2021, Breeze has steadily increased its nonstop destinations to 16 currently, with the latest routes announced in December 2022. In March 2023, Spirit Airlines, the eighth largest commercial airline in the U.S., launched new service with daily routes to two popular destinations Fort Lauderdale and Orlando, Florida, as well as to 40 other destinations..

Waterfront Recreation Investment

The City has seven miles of Chesapeake Bay beachfront and a total of 144 miles of shoreline including along Downtown's Elizabeth River, the Lafayette River, the Hampton Roads Harbor and the Chesapeake Bay. Town Point Park, located in the downtown area along the Elizabeth River, brings thousands of visitors downtown annually and generates both tax and parking revenue.

The Pamunkey Indian Tribe and the City recently announced the development of a $500 million casino and resort development. The HeadWaters Resort and Casino ("HeadWaters") will be located on roughly 20-acres of waterfront property adjacent to Harbor Park, home of the City's Triple-A baseball stadium. The project is anticipated to have more than 300 four-diamond hotel rooms, a gaming floor, rooftop bar, waterside infinity pool, luxury spa, sports bar and grill, steakhouse, multi-purpose event center and a rooftop outdoor event space. HeadWaters is initially estimated to produce $24.8 to $44.5 million in annual tax revenues, create 2,500 new jobs and have an annual indirect economic impact value of $850 million. Groundbreaking is anticipated in late 2023, with a permanent venue opening two year later.

The $500 million Headwaters Resort and Casino will redefine Norfolk's waterfront. Together with Harbor Park, the Half Moon Cruise Terminal, and many other arts, culture, and recreation amenities, this latest waterfront addition will solidify the City's downtown as the premiere entertainment center in the region.

Sports and Recreation

The City is home to the Norfolk Tides, a Triple-A minor league baseball team (the "Tides"), which is an affiliate of the Baltimore Orioles. The City is also home to the Norfolk Admirals, a member of the East Coast Hockey League. ODU competes in the Conference USA. Norfolk State University has a long-established football program, which currently competes in the Mid-Eastern Athletic Conference.

Broad Creek Legacy Park is an 11-acre park in the Broad Creek emerging district. The park theme is "Healthy, Active and Abundant," and includes walking trails, open space, game tables and an urban orchard. The new park along with the Jordan-Newby Library, Richard Bowling Elementary School and KROC Center provides the community a nexus for education, fitness, recreation and community engagement.

The 10.5-mile Elizabeth River Trail (the "Trail"), which runs from Norfolk State University ("NSU") following the Elizabeth River northward, began with an abandoned railroad spur being transformed into a walking and bicycle trail. The Trail can be accessed at various points along the Elizabeth River and offers scenic views of the Elizabeth River and interpretive markers tell the history of the area and environment. The Atlantic City spur of the Trail neighbors the Midtown Tunnel and is adjacent to Plum Point Park. Located on five acres of land, Plum Point Park is a site for environmental restoration. With magnificent views of the Elizabeth River, from a park-like setting, Plum Point Park now doubles as an environmental ecosystem with wetland vegetation, estuarine wildlife including blue herons and egrets, and an open meadow with mature interior trees.

Norfolk Public Schools

NPS is on a mission to ensure that all students maximize their academic potential, develop skills for lifelong learning and become successful contributors to a global society. The City offers innovative public school programs, which include Early Childhood Education, a unique, comprehensive program full-day preschool classrooms ensuring 3-year-olds and 4-year-olds enter school with critical early literacy and numeracy skills. NPS has an array of academically challenging programs from which to choose, including five middle school specialty programs, five high school specialty programs, three K-8 choice schools, one 3-8 school, two Pre-K-2 schools, two 3-5 schools and one Pre-K-8 school.

The City is home to the Governor's Magnet School for the Arts, Virginia's only magnet school for the arts, which offers classes in performing or visual arts to approximately 350 students from six cities and two counties in its downtown location in the City on Granby Street.

Student population for the past five Fiscal Years is shown in Table V-10.

Table V-10
City of Norfolk, Virginia
Public Schools Student Population
Fiscal Years 2018 – 2022

Fiscal Year	September 30 Membership	Percent Change
2018	28,858	(1.79)
2019	28,201	(2.28)
2020	27,988	(0.76)
2021	26,691	(4.63)
2022	25,973	(2.69)

Source: Virginia Department of Education, Superintendent's Annual Report.

Higher Education

Higher education plays a critical role in developing a highly skilled and competitive workforce. The City is home to several institutions of higher learning: ODU, NSU, Tidewater Community College ("TCC"), Eastern Virginia Medical School ("EVMS"), and Tidewater Tech Trade School ("Tidewater Tech"). ODU is one of only 100 public research-extensive universities nationwide and one of 4 in Virginia. NSU is Virginia's largest public, historically Black university and one of the largest predominately Black institutions in the nation. Located in Downtown, TCC occupies several buildings, including the Jeanne and George Roper Performing Arts Center.

In 2021, NSU received the largest single-donor gift in its 85-year history. NSU accepted a $40 million donation to advance NSU's mission in support of access, student achievement and academic excellence. NSU has been designated as a 2023-2024 Top 10 Military Friendly School, ranking No. 1 in the Small Public category. The designation is made by Military Friendly, which is owned and operated by Viqtory, a service-disabled, veteran-owned small business. For the third year in a row, NSU has been ranked by U.S. News and World Report as one of the Top 20 Historically Black College or University in the nation.

EVMS opened its doors in 1973, and for more than four decades, has operated as a medical school for physicians and health professionals, educators and medical pioneers. In 2023, the Goldrich Institute offers opened at EVMS offering a full range of medical management and quality-of-life services for people with neurodegenerative diseases such as Parkinson's and Alzheimer's, and related movement disorders, as well as the families of those patients. Approximately 4,000 square feet of state-of-the-art clinical space is currently dedicated for this institute inside Andrews Hall.

EVMS and NSU announced a new partnership in January 2023 to address healthcare disparities and medical workforce. The new program, called the EVMS-NSU Research and Training Incubator for Collaboration in Health Equity Initiative (ENRICHe), will help address healthcare disparities among minorities, as well as help expand career paths for NSU students interested in working in healthcare. Part of the goal is to help create a medical workforce that looks like the community, school leaders as research has shown one of the main aspects to address mental health inequities in neighborhoods is to have the health workforce mirror the community in which they are practicing.

Tidewater Tech specializes in trade vocations including auto technician, HVAC, building maintenance and repair, and welding. Tesla, an American electric vehicle and clean energy company based out of Austin, Texas, opened a new dealership located in the City. This presence of an electric vehicle manufacturer affords Hampton Roads residents the opportunity to shop Tesla in a space closer to home and in addition to increased availability of electric vehicles, this new center offers the opportunity for students in Hampton Roads to serve in the electric car industry through auto technicians. To meet the demand for electric car vehicle maintenance, Tidewater Tech unveiled a unit within their auto technician program to educate students about how to perform quality maintenance on electric vehicles.

TCC is Hampton Road's largest provider of higher education and workforce development services and a resource for business and industry to gain technical employees, as well as expertise for training and retraining programs for current employees. TCC is a part of the Community College Workforce Cooperative (CCWC), a regional partnership, designed to meet the job training needs of the region's major industries and businesses. TCC has moved its visual arts programs from Portsmouth to the City, adding another building to its campus. TCC school officials highlighted the location of the downtown campus in the City allows it to take advantage of nearby galleries, the NEON arts district and the Governor's School for the Arts.

Located in the heart of the ODU campus, the new Student Recreation Center has become the hub of all sport, wellness and fitness activities. The project involved the demolition of most of an existing field house and the creation of the 121,000 square foot state-of-the-art recreation facility built around the existing 31,000 square foot natatorium, which was renovated in phases. Along with the existing natatorium and locker rooms, the facility contains a two-story climbing wall, an elevated jogging track, a three-court open gymnasium and a multipurpose activity court. Other amenities include a 15,000-square-foot fitness center, group exercise studios, a three-tiered group cycling studio, three racquetball courts, indoor hockey and soccer fields, dance studios, cardiovascular training rooms, lounge areas, classrooms, office space and conference rooms.

In addition to these recreation components, the center houses the Department of Human Movement Sciences that includes programs such as Exercise Science and Health & Physical Education. The new space will become home to Student Health Services, Counseling Services and Health Promotion. The expansion is anticipated to be completed by spring 2024.

Medical Institutions

Within the City, there are four general, acute care and specialized hospitals including Sentara Norfolk General Hospital ("Sentara Norfolk General"), Sentara Leigh Hospital, CHKD and Lake Taylor Transitional Care Hospital ("Lake Taylor Transitional").

As the region's first magnet hospital, the recently renovated Sentara Norfolk General Hospital, a 525-bed tertiary care facility, is home to the areas only Level I Trauma Center, burn trauma unit and nationally ranked heart program at Sentara Heart Hospital. The Cardiology and Heart Program at Sentara Norfolk General Hospital has been ranked among the nation's Top 50 heart programs in the U.S. News & World Report's annual hospital rankings.

CHKD, the site of Virginia's only free-standing, full-service pediatric hospital is home to one of the nation's top pediatric residency programs. With 206 beds, the hospital serves the medical and surgical needs of children throughout the greater Hampton Roads metro area, the eastern shore of Virginia and northeastern North Carolina. The CHKD completed a 14-story, $224 million Children's Pavilion in September 2022 that provides prevention treatment, intensive day programs, research, and follow-up care to address mental health needs. The hospital has 60 inpatient beds, an indoor and outdoor recreation center, and a music therapy room and recording studio. The rooftop on the 14th floor features a basketball court, a soccer field with turf and a four-square court. The Pavilion's top floor is a safe place, enclosed with netting, for children to play in the in the fresh air and sunlight.

In March 2023, Sentara Leigh Hospital's opened their newly expanded Family Maternity Center to help accommodate more births. In addition to the thirteen new private postpartum, family rooms and state-of-the-art technology designed for mothers and their babies, the family center also added private consultation spaces, newborn rooms, and increased appointment availability for mothers.

The Virginia Port Authority

In 1981, the General Assembly passed landmark legislation designed to unify the ports in southeastern Virginia Hampton Roads harbor under a single agency, the Virginia Port Authority, with a single operating company, the Virginia International Terminals, Inc. The Port of Virginia (the "Port"), one of the world's largest natural deep-water harbors, is an integral part of Norfolk's economy. The Port is one of the top three ports on the east coast in terms of total value of port trade. In 2022, the Port handled a total of 26,152,441 tons of general cargo, including 25,995,056 tons of containerized cargo, with 157,385 tons of breakbulk making up the remainder.

Table V-11
Virginia Port Authority Terminals
General Cargo Tonnage
Calendar Years 2018 – 2023

Calendar Year	Total General Cargo Tonnage (in thousands)	Percent Change Over Previous Year
2018	21,975	0.01%
2019	21,941	(0.15)
2020	21,082	(3.92)
2021	25,354	20.26
2022	26,152	16.85
2023[1]	6,225	N/A

Source: Virginia Port Authority.

Note: (1) As of March 2023.

The City also serves as a gateway between world commerce centers and the Heartland of the United States, which offers efficient train routing between the Port and the Midwest. With one of the world's largest natural deep-water harbors and a temperate climate, the Port is an integral part of Norfolk's economy. The Heartland Corridor gives the Port rail access to markets in Ohio, Illinois, Michigan and points west. Beginning in April 2023, the Port will expand its westward reach south with a new daily rail service arrangement with Norfolk Southern's regional intermodal terminal near Memphis, Tennessee to meet the needs of those companies that want to diversify their logistics and supply chains and reach new markets. Located on 648 acres along the Elizabeth and Lafayette Rivers, Norfolk International Terminals ("NIT") is the Port's largest terminal. NIT is divided into three major sections: the South Terminal, the North Terminal and the Central Rail Yard.

In January 2018, construction began on a $452 million NIT terminal optimization project. This state-funded project has increased the total capacity of NIT by 46 percent within the same footprint. In total, the Port has added capacity of over 1.2 million containers due to the expansion project at Virginia International Gateway and the terminal optimization project at NIT. In March 2022, NIT welcomed a pair of massive, 171-foot capacity, container cranes to the South berth, the final piece of the land-side investments made at both NIT. The new cranes have the capacity to reach across a vessel that is 26 containers wide and will expand the Port's lift capacity, berth productivity and ability to handle multiple Ultra-Large Container Vessels simultaneously. These expansions and growth at the Port translate into more jobs and greater economic prosperity for the City and the Commonwealth of Virginia.

In October 2020, the Port received a $20 million federal grant towards the $90 million investment to reconfigure and double the size of the on-dock rail yard at NIT. The bulk of the work will focus on construction of 10,700 feet of new track inside the terminal and give the terminal the capacity to process more than 610,000 rail lifts annually. The project seeks to increase the terminal's rail capacity by approximately 75 percent and will be complete in early 2024.

The Port is home to the deepest harbor on the east coast of the United States. The Port is also working to increase the depth of the Norfolk Harbor to 55 feet, while working to widen the Thimble Shoals Channel to 1,400 feet, allowing for simultaneous two-way traffic on Ultra-Large Container Vessels into and out of our harbor. This project received its final segment of federal funding as part of the Infrastructure Investment and Jobs Act and the $450 million project is shared between the federal government and the Commonwealth of Virginia. It is anticipated to be complete by the end of 2024.

In addition to adapting our natural assets, the Port also commenced the modernization of the North berth of NIT, which will seek to densify and semi-automate container stacks, resulting in annual capacity of 800,000 contains along with improved operation efficient and operating leverage. With an estimated cost of $650 million, this will be the largest single construction project undertaken by the Port.

While the movement of cargo remains the Port's top objective, the Port is committed to achieving carbon neutral operations by the year 2040. Through a partnership with the Virginia Department of Energy, the Port secured a significant and scalable portion of the solar-powered electrical output generated by select solar farms, owned and operated by Dominion Energy. This allowed the Port to fulfill 100% of its operational electricity needs through renewable energy sources by 2024, well ahead of its original schedule.

The Port of Virginia remains a significant contributor to the local economy and the Commonwealth, as demonstrated by the results of the 2021 Economic Impact Study by the College of William & Mary. Across the Commonwealth, the study attributes more than 437,000 jobs and $27 billion in labor income to port activity. Increase in the port-related business use of the Virginia International Terminals reverberates throughout Virginia including driving new capital investment into the region.

Hampton Roads Regional Jail Authority

The Hampton Roads Regional Jail Authority ("HRRJA") operates a regional jail to serve its member jurisdictions, which include the City and the Cities of Chesapeake, Hampton, Newport News, and Portsmouth (collectively, the "Member Jurisdictions"), by accepting prisoners from each Member Jurisdiction pursuant to an Amended and Restated Service Agreement dated September 23, 2014 (the "Service Agreement"), by and among HRRJA and the Member Jurisdictions. Under the Service Agreement, the City, along with the other Member Jurisdictions, agrees to commit or offer to commit to the regional jail a guaranteed minimum number of prisoners and to pay a per diem charge established by HRRJA for the care, maintenance and subsistence of at least the guaranteed minimum number of prisoners. The per diem charge includes a component intended to cover the capital costs of the regional jail, including the debt service on outstanding HRRJA bonds. Each Member Jurisdiction is obligated to pay the per diem charges on the guaranteed minimum number of prisoners regardless of whether it actually commits less than the guaranteed minimum number. It is the opinion of the City that this payment does not have a material impact on the financial condition of the City. The Service Agreement obligates HRRJA among other things to operate and maintain the regional jail in accordance with the rules and regulations of the Virginia Board of Local and Regional Jails (the "Jail Board") and all other applicable laws.

Recent news reports indicate that HRRJA is experiencing challenges in operating the regional jail. As reported, these challenges include: (i) a number of deaths at the regional jail in recent years and (ii) severe staffing issues that have led to the regional jail operating under a federal consent decree due to conditions, primarily attributable to the staffing levels, that violate the federal prohibition on cruel and unusual punishment and the Americans with Disabilities Act.

On April 22, 2021, the Jail Review Committee of the Jail Board announced that it had submitted a Notice of Preliminary Findings and Recommended Penalties (the "Notice") after an investigation of three prisoner deaths. The Jail Review Committee found among other things that HRRJA had failed to meet the Jail Board's minimum standards for the supervision of inmates and access to emergency medical and mental health care and that conditions at the regional jail represented a significant public safety threat to inmates and correctional officers. As such, the Jail Review Committee recommended that the Jail Board decertify the regional jail as a facility eligible to receive prisoners and order that any inmates held therein be returned to the custody of Member Jurisdictions or other jurisdiction of origin. An appeal was filed and on December 8, 2021, a Corrective Action Plan was entered into by the Board of Local and Regional Jails and HRRJA to allow the Jail to continue to operate.

Considering the current situation, following the report of the Jail Review Committee, the City, along with the other Member Jurisdictions, withdrew the majority of its inmates housed at the regional jail. To date, and included in the FY 2024 Proposed Operating Budget, the City along with all of the Member Jurisdictions has continued to pay its per diem charges based on its guaranteed minimum number of prisoners under the Service Agreement, which reflects a reduction from prior year payments when the inmate population was larger. The City will continue to monitor the actions of the HRRJA and will take action as it deems appropriate for the safety of the City's inmates.

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Business, Industry and Commerce

There are a large variety of industrial, commercial and service employers located within the City. Table V-12 that follows presents data regarding the major non-government employers in the City.

Table V-12
City of Norfolk, Virginia
Major Non-Government Employers in 3rd Quarter 2022

Employer	Number of Employees	Industry/Product/Services
	1000+	
Sentara Healthcare		Hospitals
Children's Hospital of the King's Daughters		Hospitals
Sentara Health Management		Insurance Carriers and Related Activities
Eastern Virginia Medical School		Educational Services
Anthem		Insurance Carriers and Related Activities
Security Forces, Inc.		Administrative and Support Services
Wal-Mart		General Merchandise Stores
Sentara Healthcare		Hospitals
Children's Hospital of the King's Daughters		Hospitals
	500 - 999	
CP&O, LLC		Support Activities for Transportation
Norshipco		Transportation Equipment Manufacturing
Portfolio Recovery Association		Administrative and Support Services
CMA-CGM America		Support Activities for Transportation
Virginia International Terminal		Support Activities for Transportation
Bon Secours Health System, Inc		Management of Companies and Enterprises
Colonna's Shipyard		Transportation Equipment Manufacturing
Hampton Roads Connector Partners		Heavy and Civil Engineering Construction
ODU Research Foundation		Professional, Scientific, and Technical Services
	250 - 499	
Booz, Allen and Hamilton		Professional, Scientific, and Technical Services
SOC, LLC		Administrative and Support Services
McDonald's		Food Services and Drinking Places
Art FX		Printing and Related Support Activities
Nash Finch		Merchant Wholesalers, Nondurable Goods
Marine Hydraulics International		Transportation Equipment Manufacturing
Lake Taylor Hospital		Nursing and Residential Care Facilities
Superior Staffing LLC		Administrative and Support Services
Transit Management Company		Transit and Ground Passenger Transportation
Lyon Shipyard, Inc.		Transportation Equipment Manufacturing
Portfolio Recovery Associates, Inc.		Professional Hospitality
Professional Hospitality		Administrative and Support Services
American Funds Service Co.		Securities, Commodity Contracts, and Other Financial Investments
Zim American Integrated Shipping Services		Support Activities for Transportation
Southwest Airlines		Air Transportation
Aramark Campus LLC		Food Services and Drinking Places
Harris Teeter Supermarket		Food and Beverage Stores
Coca-Cola Bottling Company		Beverage and Tobacco Product Manufacturing
St. Mary's Home for Disabled Children		Nursing and Residential Care Facilities
Booz, Allen and Hamilton		Professional, Scientific, and Technical Services
SOC, LLC		Administrative and Support Services
McDonald's		Food Services and Drinking Places

Source: Virginia Labor Market Information.

Military

The presence of the military in the City has a significant impact on the local economy. The City is the home of the world's largest naval complex, celebrating its centennial in 2017, with headquarters for Commander in Chief of U.S. Atlantic Command, NATO's Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. Hampton Roads is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in downtown Norfolk.

The military assigns to and reassigns from its various locations within the region ships, squadrons and personnel on a regular basis. Due to the ongoing military presence, the arrivals and departures from the region do not typically have a material impact on the economic condition of the City. Each year, roughly 13,000 military personnel leave their respective branches of service and enter the private sector, offering businesses in the region an abundance of skilled, experienced, and highly disciplined workers.

The Hampton Roads region is home to six aircraft carriers, including the Gerald R. Ford. While not a permanent homeporting, the Gerald R. Ford has been in the region for a few years due to schedule and maintenance requirements for the Navy bringing in more than 2,500 personnel to the region. The additional carrier joined the USS Dwight D. Eisenhower, USS John C. Stennis (currently undergoing overhaul at Newport News Shipbuilding), USS George Washington and the USS George H.W. Bush at Naval Station Norfolk. The Naval Station in the City occupies about 4,300 acres of Hampton Roads real estate in a peninsula known as Sewells Point. It is the world's largest Naval Station; in fact, based on supported military population, it is the largest military station in the world. The Naval Station is home to approximately 64 ships and 187 aircraft that in addition to the six aircraft carriers includes cruisers, destroyers, large amphibious ships, submarines, and a variety of supply and logistics ships.

The North Atlantic Treaty Organization ("NATO") approved the addition of two new Joint Force Commands one based in the City, the only one on U.S. soil, the other in Ulm, Germany. In 2018, as part of NATO's defense readiness initiative, NATO agreed the new force will ensure alliance maritime security in the Atlantic with a 4x30 readiness initiative that would have 30 battalions, 30 air squadrons and 30 major naval combatants ready to employ in 30 days. Those ready forces have since been identified by the nations. Together, the two command centers employ more than 1,200 personnel.

According to the most recent data available to the City, the U.S. Navy's direct economic impact on the region was $15.8 billion in fiscal year 2020, from October 1, 2019 through September 30, 2020, comprised of a total annual payroll of $13.2 billion and the balance consumed on goods and services and procurement contracts. The region, and particularly the City, expect to continue as a center of activity for the U.S. Navy with current total personnel (military and civilian) of approximately 73,150 with an additional 3,000 military contractor personnel. This report shows that even during a global pandemic, the Navy is a source of economic stability in Hampton Roads, and the City.

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APPENDIX A

CITY OF NORFOLK, VIRGINIA
GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of City Council
City of Norfolk, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2021, the City adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information other than MD&A as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section, as listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The Honorable Members of City Council
City of Norfolk, Virginia

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

City of Norfolk, Virginia
December 14, 2022

MANAGEMENT'S DISCUSSION

AND ANALYSIS

(Unaudited)

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The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the City's financial performance during the fiscal year that ended June 30, 2022. Readers are encouraged to read the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements which follows this section. The intent of this discussion and analysis is to provide a summarized view of the City's financial performance as a whole; readers should also review the basic financial statements and supporting notes to enhance their understanding of the City's financial performance.

Financial Highlights

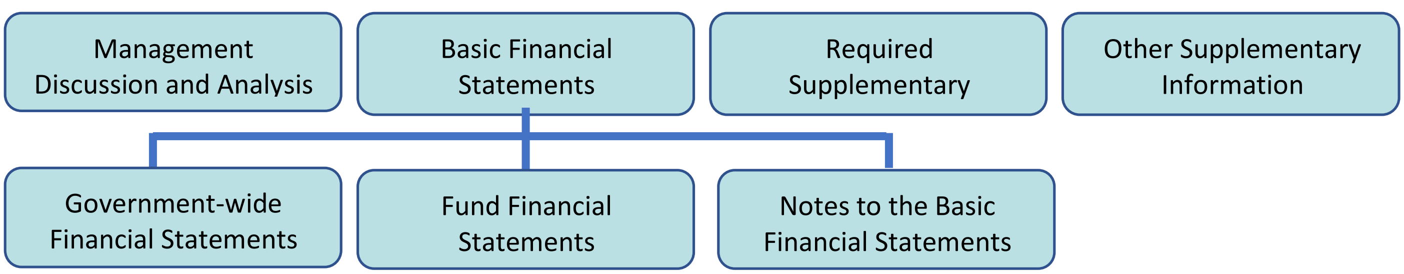
- The assets and deferred outflows of resources of the City, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2022 by $1,024,823,201 (net position). Of this amount, there is an unrestricted net position of $80,122,966. Total net position increased by $222,543,615 and unrestricted net position increased by $144,185,049 from the prior fiscal year end.

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $355,507,870 an increase of $150,327,513 in comparison with the prior year. The increase is attributed to receipt of The American Rescue Plan Act (ARPA) funding. In addition, the City coordinated a debt refunding of general obligation bonds for savings.

- At the end of the current fiscal year, the total unassigned fund balance for the General fund was $92,920,042 or 10.0 percent of the original General fund budget.

- The City's total outstanding bonded indebtedness decreased by $17,879,562 during the current fiscal year primarily due to the refunding of debt.

Components of the Financial Section



Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financials statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements and related notes themselves.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements include all of the government's assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting. The *government-wide financial statements* are comprised of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City's assets plus deferred outflows and liabilities plus deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include activities such as general government, judicial administration, public safety, public works, health and public assistance, culture and recreation, community development and education. The business-type activities of the City include Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility enterprise activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: Norfolk Public Schools ("School Board") and the Norfolk Economic Development Authority ("EDA"). Financial information for these component units is reported separately from the financial information presented for the primary government and can be found on pages 74 - 75 of this report.

Fund financial statements – 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the basic financial statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance for the general, grant, capital projects and debt service funds, all of which are considered major funds. All other governmental funds are combined in a single, aggregated presentation. Individual fund data for each of the non-major funds are presented separately in the form of combined statements elsewhere in this report.

The City adopts an annual budget for certain funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided in this report. (Reference Exhibits E-1 and E-2.)

The basic governmental fund financial statements can be found in pages 65 - 68 of this report.

Proprietary funds – The City maintains two types of proprietary funds: enterprise and internal service.

The enterprise funds are used to account for the Water and Wastewater Utilities, the Parking Facilities and the Storm Water Utility operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City has two internal service funds, Fleet Management and Healthcare. The internal service funds are allocated to governmental activities at the entity wide level.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Utilities, the Parking Facilities and the Storm Water Utility operations, all of which are considered major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 69 – 71 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The fiduciary funds of the City include the pension trust fund, the pension funding trust, the Commonwealth of Virginia custodial fund and other custodial funds. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are dedicated for specific non-City programs. The accounting for fiduciary funds is much like that used in proprietary funds.

The fiduciary fund financial statements can be found on pages 72 - 73 of this report.

Notes to the financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 82.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the General fund, the City's net pension liability and other post-employment benefits to its employees. Required supplementary information can be found on pages 177 - 192 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 197 - 198 and 201 - 203, respectively, of this report.

Government-Wide Financial Analysis

Over time, net position may serve as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by $1,024,823,201 at the close of fiscal year 2022.

By far, the largest portion of the City's net position, $907,737,671 or 88.6 percent is its investment in capital assets (e.g., land, buildings, equipment, intangibles and infrastructure) less accumulated depreciation and amortization and less any related outstanding debt and deferred inflows and outflows of resources used to acquire those assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, approximately 4.0 percent represent resources that are subject to external restrictions on how they may be used. The balance of $80,122,966 of unrestricted net position is primarily due to the receipt of ARPA funding.

Summary of the City of Norfolk's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	$ 692,290,764	$ 490,433,154	$ 185,288,590	$ 210,790,509	$ 877,579,354	$ 701,223,663
Capital Assets	1,185,672,063	1,148,608,872	1,122,409,357	1,089,240,446	2,308,081,420	2,237,849,318
Total Assets	1,877,962,827	1,639,042,026	1,307,697,947	1,300,030,955	3,185,660,774	2,939,072,981
Deferred Outflows of Resources	121,391,789	300,765,531	40,548,129	49,597,131	161,939,918	350,362,662
Total Assets and Deferred Outflows of Resources	$ 1,999,354,616	$ 1,939,807,557	$ 1,348,246,076	$ 1,349,628,086	$ 3,347,600,692	$ 3,289,435,643
Long-Term Liabilities	$ 1,208,309,474	$ 1,452,858,977	$ 619,765,177	$ 710,755,731	$ 1,828,074,651	$ 2,163,614,708
Other Liabilities	272,996,710	256,797,991	41,129,991	38,052,394	314,126,701	294,850,385
Total Liabilities	1,481,306,184	1,709,656,968	660,895,168	748,808,125	2,142,201,352	2,458,465,093
Deferred Inflows of Resources	162,540,562	24,970,232	18,035,577	3,720,732	180,576,139	28,690,964
Total Liabilities and Deferred Inflows of Resources	$ 1,643,846,746	$ 1,734,627,200	$ 678,930,745	$ 752,528,857	$ 2,322,777,491	$ 2,487,156,057
Net Position:						
Net Investment in Capital Assets	372,138,564	374,477,923	535,599,107	451,058,834	907,737,671	825,536,757
Restricted	8,048,225	8,216,570	28,914,339	32,588,342	36,962,564	40,804,912
Unrestricted	(24,678,919)	(177,514,136)	104,801,885	113,452,053	80,122,966	(64,062,083)
Total Net Position	$ 355,507,870	$ 205,180,357	$ 669,315,331	$ 597,099,229	$ 1,024,823,201	$ 802,279,586

For governmental activities, total net position increased by $150,327,513 or 73.3 percent overall during the current fiscal year. The primary factor that contributed to the change in total governmental net position was the receipt of ARPA funding.

For business-type activities, net position increased by $72,216,102 or 12.1 percent during the fiscal year. Of this amount, increases of $37,400,433, $15,641,219, $10,937,429 and $8,237,021 are changes attributed to the Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility funds, respectively. Overall revenues increased by $15,380,486 compared to the prior year due primarily to approved annual rate increases and increase in consumption.

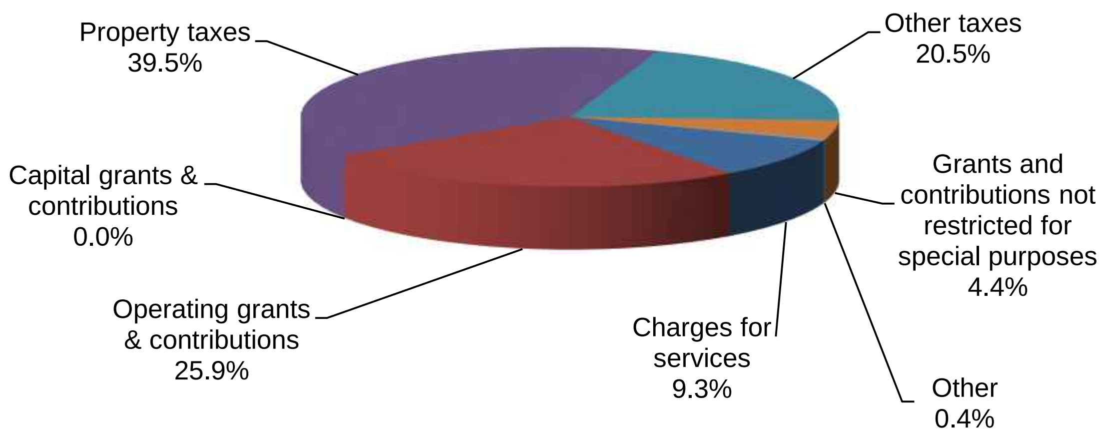
The following presents key programmatic and functional elements of changes in government-wide net position:

Changes in the City of Norfolk's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	$ 84,204,497	$ 78,467,164	$ 178,665,490	$ 167,825,333	$ 262,869,987	$ 246,292,497
Operating Grants & Contributions	233,841,799	207,935,782	-	-	233,841,799	207,935,782
Capital Grants & Contributions	(4,788)	1,982,849	-	-	(4,788)	1,982,849
General Revenues:						
Property Taxes	357,257,211	329,293,467	-	-	357,257,211	329,293,467
Other Taxes	185,001,440	175,216,636	-	-	185,001,440	175,216,636
Grants and Contributions not restricted for specific purposes	39,719,848	39,499,807	-	-	39,719,848	39,499,807
Other	3,611,293	700,504	12,805,556	8,265,227	16,416,849	8,965,731
Total Revenues	903,631,300	833,096,209	191,471,046	176,090,560	1,095,102,346	1,009,186,769
Expenses:						
General Government	142,588,555	150,511,364	-	-	142,588,555	150,511,364
Judicial Administration	47,384,436	47,505,416	-	-	47,384,436	47,505,416
Public Safety	135,155,626	102,696,731	-	-	135,155,626	102,696,731
Public Works	58,040,675	57,246,349	-	-	58,040,675	57,246,349
Health and Public Assistance	90,165,347	76,087,642	-	-	90,165,347	76,087,642
Culture and Recreation	54,751,290	35,794,242	-	-	54,751,290	35,794,242
Community Development	71,342,476	66,150,674	-	-	71,342,476	66,150,674
Education	138,901,682	112,363,179	-	-	138,901,682	112,363,179
Interest on Long-Term Debt	25,473,700	29,875,970	-	-	25,473,700	29,875,970
Water Utility	-	-	57,826,975	63,488,950	57,826,975	63,488,950
Wastewater Utility	-	-	18,658,063	21,086,758	18,658,063	21,086,758
Parking Facilities	-	-	16,309,662	20,030,843	16,309,662	20,030,843
Storm Water Utility	-	-	15,960,244	16,330,958	15,960,244	16,330,958
Total Expenses	763,803,787	678,231,567	108,754,944	120,937,509	872,558,731	799,169,076
Increase (decrease) in Net Position before Special Items and Transfers	139,827,513	154,864,642	82,716,102	55,153,051	222,543,615	210,017,693
Special Items	-	(210,000,000)	-	-	-	(210,000,000)
Transfers	10,500,000	15,900,000	(10,500,000)	(15,900,000)	-	-
Increase (decrease) in Net Position	150,327,513	(39,235,358)	72,216,102	39,253,051	222,543,615	17,693
Net Position Beginning of Year	205,180,357	244,415,715	597,099,229	557,846,178	802,279,586	802,261,893
Net Position End of Year	$ 355,507,870	$ 205,180,357	$ 669,315,331	$ 597,099,229	$ 1,024,823,201	$ 802,279,586

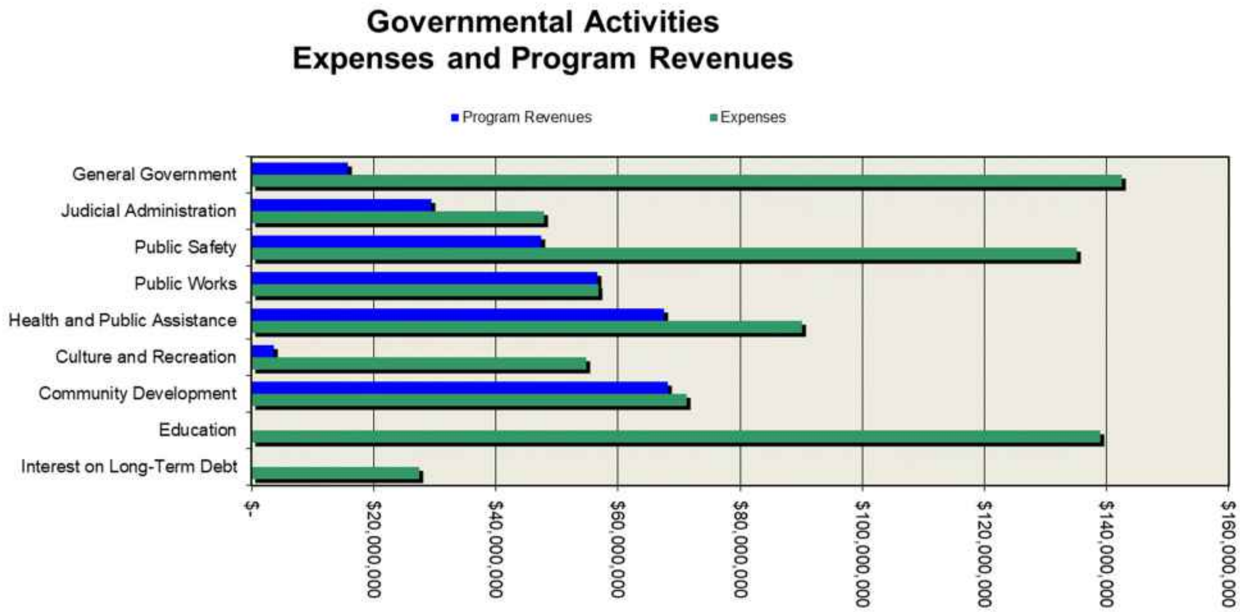
Governmental Activities – The City's total revenues from governmental activities were $903,631,300 for the fiscal year that ended June 30, 2022. The largest sources of revenue for the City are property taxes and other taxes which comprise 60.0 percent of total governmental revenues. Revenues from property taxes, which are comprised of personal and real estate taxes, increased by $27,963,744 compared to prior year. The real estate (general tax) tax rate for fiscal year 2022 was $1.25 per $100 of assessed value which had previously changed to set aside $0.02 for school construction technology and infrastructure spending. Revenues from other taxes increased by $9,787,804 or 5.6 percent in comparison to the prior year. Other taxes include sales & use, consumers' utility, restaurant food, business license and hotel/motel taxes.

Governmental Activities: Revenues by Source



Operating grants and contributions for governmental activities ended the fiscal year at $233,841,799 which represents an increase of approximately 12.5 percent from the prior year. For the 2022 fiscal year, there was $39,719,848 in grants and contributions not restricted for specific programs that represents an increase of approximately 0.6 percent from the prior year. Other revenue increased by $2,910,789 in comparison to prior year.

The City's expenses for governmental activities cover a wide array of services, with $135,155,626 or 17.7 percent related to public safety, $142,588,555 or 18.7 percent related to general government and $138,901,682 or 18.2 percent for education (including payments to the School Board, a component unit). Expenses for governmental activities increased by 12.6 percent largely due to increased Public Safety and Education expenses.



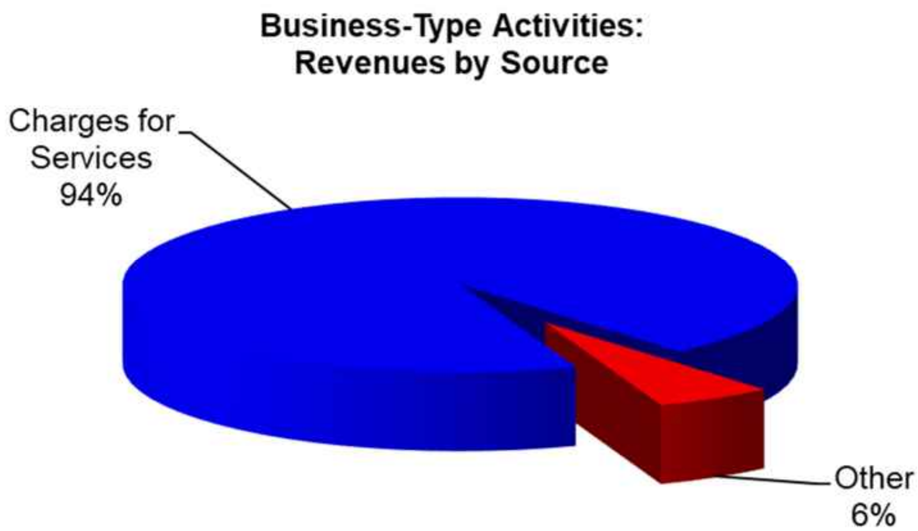
Depreciation expense for governmental activities of $60,782,950 was recorded.

Business-type Activities – Business-type activities increased the City's net position by $72,216,102. Key elements of this change are as follows:

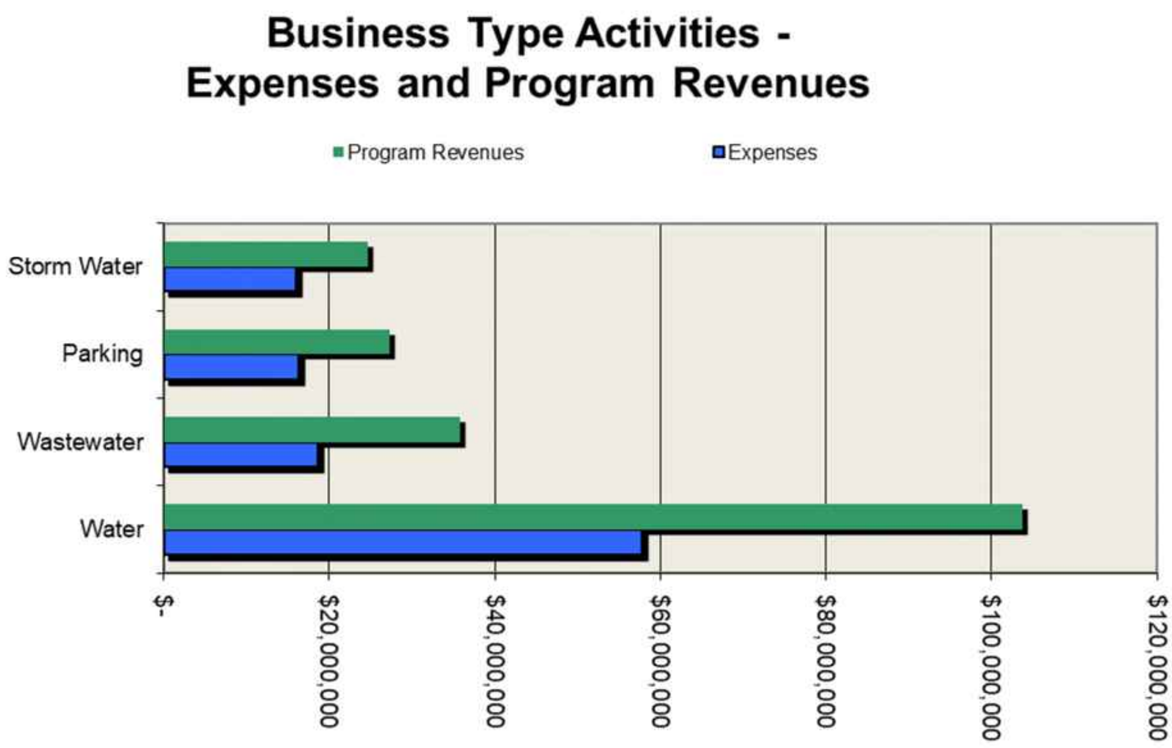
- Revenue from charges for services for business-type activities increased by 6.5 percent. Water Utility charges for services increased $6,692,341 and Wastewater Utility charges for services increased $3,149,491.

- Parking Facilities revenues increased $1,089,788 or 6.0 percent from the prior year.

- Storm Water Utility charges for services decreased by 0.4 percent or $91,463 in fiscal year 2022.



Total operating expenses for business-type activities decreased overall by $17,670,756 or 16.3 percent. The Water Utility fund's expenses decreased by $7,926,576. The Wastewater Utility fund's expenses decreased by $2,806,553. The Parking Facilities fund's expenses decreased by $6,197,128. The Storm Water Utility fund's operating expense decreased by $740,499 in fiscal year 2022.



Financial Analysis of the Government's Funds

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's classifications of fund balance comprise a hierarchy based on the extent to which the City is bound to observe constraints imposed upon the use of the financial resources of the funds. Fund balance is reported in the following categories: nonspendable, restricted, committed, assigned and unassigned.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of $359,772,698, an increase of $154,881,494 over the prior year due primarily to the City receiving ARPA funding from the federal government that was used to offset COVID related expenses. Of the total ending fund balance, there is a nonspendable balance of $619,039 which consists of inventory, lease receivables and deferred lease revenue. Restricted fund balance is $8,335,634 of the total fund balance and is that portion of fund balance that can only be spent for the specific purposes as stipulated by a third party or legislation. Funds that typically fall in this category are federal and state awards/grants, as well as certain tax dollars levied for specific purposes. Committed fund balance is $23,314,384 of total ending fund balance and represents amounts within fund balance that have been designated for a specific purpose by City Council. Included in this classification are amounts designated by City Council for the City's self-insured workers' compensation and general liability programs. Assigned fund balance is $229,466,133 of the total ending fund balance and represents funds intended to be used by the City for specific purposes. Encumbrances that are not considered committed are included in this classification. The remaining $98,037,508 of the ending fund balance in the City's governmental funds is available for spending at the government's discretion and is classified as unassigned.

The City's primary governmental fund is its General fund. As a matter of fiscal policy, the City's unassigned fund balance is targeted to be no less than ten percent of the combination of general fund operation expenditures and transfers out, which was $62,298,236 for fiscal year 2022.

For the General fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues over projections by $30,371,450. Total expenditures were less than appropriations by $120,008,175.

The General fund revenues increased by $43,414,175 from the prior year. Overall expenditures increased by $9,518,508 or .02 percent from fiscal year 2021. General fund financial and budget highlights of the 2022 fiscal year include:

- General property tax revenues increased by $24,622,833 or 7.7 percent;
- Other local tax revenues increased by $8,295,021 or 5.0 percent;
- Charges for services increased by $2,343,643 or 13.5 percent;
- Education expenditures were significantly less than the budget by approximately $30 million primarily as a result of the COVID-19 pandemic.

The Grants fund began being reported as a major fund for fiscal year 2021 due primarily to receipt of Coronavirus Aid, Relief, and Economic Security Act and American Rescue Plan Act of 2021 funding. In fiscal year 2022, revenues increased 44%, Expenditures increased 41%, Assets increased 23% and Liabilities increased 24%.

The City spent $32,205,600 from the Capital Projects fund to support major capital projects, repairs to City and School buildings, infrastructure and neighborhood improvements. The fund had a total fund surplus of $5,117,466**.** In fiscal year 2022, the City issued bonds, but also used cash on hand and a line of credit to fund these expenditures.

The Debt Service fund did not have any assets, liabilities or net position at fiscal year-end. During the year bonds were issued to refund existing debt and new debt was also issued. Additionally, a net $52,762,400 was drawn on the line of credit established for flexible, interim financing for the management of capital projects for governmental and business-type activities.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Generally, the City can only use the net position of these funds to finance continuing operations of the enterprise operations. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets – The City's net investment in capital assets for its governmental and business-type activities as presented on the Statement of Net Position as of June 30, 2022, totaled $907,737,671. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water/sewer systems, etc.), machinery, equipment, intangibles and construction in progress, net of the debt outstanding that was used to finance the assets. Leased assets net of the lease liability are also included in the investment in capital assets. Infrastructure assets represent 14.6 percent of total general governmental assets.

Major capital projects spending during the fiscal year included the following:

- $11.0 million in improvements to various civic facilities including data center and city hall;
- $1.7 million in improvements to various cultural facilities;
- $4.9 million to acquire equipment and technology;
- $5.4 million to acquire City Property; and
- $2.8 million for bridge and street improvements.

Construction in progress totaled $79.1 million for governmental activities at the end of the fiscal year. Construction in progress totaled $110.0 million for business-type activities, which includes Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility projects.

Summary of the City of Norfolk's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	$ 120,100,032	$ 112,317,666	$ 44,829,051	$ 47,298,301	$ 164,929,083	$ 159,615,967
Buildings, equipment and vehicles	703,137,871	722,819,447	906,600,727	905,072,212	1,609,738,598	1,627,891,659
Improvements other than buildings	86,529,686	87,035,854	54,021,559	51,914,068	140,551,245	138,949,922
Construction in progress	79,122,865	67,527,633	109,991,732	79,578,983	189,114,597	147,106,616
Intangible assets	397,819	597,482	6,445,682	5,376,882	6,843,501	5,974,364
Infrastructure	173,265,580	158,310,790	-	-	173,265,580	158,310,790
Leased Building	22,007,838	-	505,116	-	22,512,954	-
Leased equipment and vehicles	1,110,372	-	15,490	-	1,125,862	-
Total	$ 1,185,672,063	$ 1,148,608,872	$ 1,122,409,357	$ 1,089,240,446	$2,308,081,420	$ 2,237,849,318

Additional information on the City's capital assets can be found in Note VI on pages 104 - 105 of this report.

Long-term Debt – At June 30, 2022, the City (including the enterprise funds) had total bonded debt outstanding of $1,534,467,743. Of this amount, $1,203,231,783 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

A summary of the City's outstanding bonded debt is as follows:

City of Norfolk's Bonded Debt

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	$ 922,252,298	$ 887,775,611	$ 228,217,085	$ 245,636,154	$ 1,150,469,383	$ 1,133,411,765
Line of Credit	52,762,400	83,260,000	-	-	52,762,400	83,260,000
Revenue Bonds	-	-	331,235,960	366,771,983	331,235,960	366,771,983
Total	$ 975,014,698	$ 971,035,611	$ 559,453,045	$ 612,408,137	$ 1,534,467,743	$ 1,583,443,748

The City's total debt outstanding decreased by $48,976,005 or 3.1 percent during the fiscal year.

The development of the Capital Improvement Plan for General Capital (bonds not supported by self-supporting user fees) is guided by two adopted measures of affordability. The measures or debt limits are based on the approved Capital Improvement Plan are as follows:

- Debt service as a percent of the General Fund Budget will not exceed 10.0 percent; and
- Net debt as a percent of taxable property will not exceed 3.5 percent.

Business-type activities debt practices are governed by revenue bond indentures in addition to various City Council financial policies governing affordability.

The latest credit ratings for the City's general obligation and water revenue bond programs as of the date of this report are as follows:

Bonding Program	Moody's Investors Service	S&P Global Ratings	Fitch Ratings
General Obligation	Aa2	AAA	AA+
Water Revenue	Aa2	AA+	AA+

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

The Commonwealth of Virginia imposes a constitutional statutes limit for the amount of general obligation debt the City may issue which is limited to 10 percent of its total assessed valuation. The City's general obligation debt outstanding is significantly below the City's current debt limitation of $2,307,611,773.

Additional information on the City's long-term debt can be found in Note IX on pages 108 - 118 of this report.

Economic Factors and Next Year's Budgets and Rates

- Development of the fiscal year 2023 Adopted Budget began the summer of 2021 during a period of unprecedented public health and economic uncertainty. While this Budget begins our recovery from the COVID-19 pandemic, our revenues remain significantly below where they would have been if not for the pandemic. Although the Adopted Budget includes substantial reinvestment in city services, resources are not available to restore all the services reductions in last year's budget. Despite these challenges, the fiscal year 2023 Adopted Budget makes major investments in City Council's priorities and begins the process of rebuilding the organizational capacity necessary to deliver important services effectively.
- Taxable real estate assessments are projected to rise in the fiscal year 2023 by 8.61 percent.
- Other local taxes, which are comprised of consumer and business-based taxes, are expected to be most impacted by the economic effects of COVID-19 as this revenue category has been sensitive to changes in economic conditions. These taxes are expected to be 6.4 percent above the fiscal year 2022 budget.
- The following reflects other tax change projections in the fiscal year 2022 budget:
    - Hotel taxes – 40.0 percent increase;
    - Restaurant food taxes – 12.0 percent increase; and
    - Personal property taxes – 15.0 percent increase.

- Rate increases for the Storm Water Utility, Water Utility and Wastewater Utility funds continue to provide necessary funding to finance capital improvements.

All of these factors were considered in preparing the City's budget for fiscal year 2023. The fiscal year 2023 operating budget includes transfers in from non-general funds of approximately $19.2 million and carrying forward prior year unspent appropriations totaling approximately $21.4 million.

The following table represents the Storm Water, Waste Management, Wastewater and Water Utility fees implemented with the City's fiscal year 2023 budget.

Description	FY 2023 Approved	FY 2022 Approved
Storm Water Fees – Residential	$13.05/month	$12.72/month
Storm Water Fees – Commercial	$13.05/month per 2,000 sq. ft.	$12.72/month per 2,000 sq. ft.
Wastewater Fees	$5.03/100 cubic feet	$4.84/100 cubic feet
Water Fees	$5.87/100 cubic feet	$5.67/100 cubic feet
Refuse Disposal – Residential Single or Multiple Units (4 or less)	$27.01/unit/month	$27.01/unit/month
Refuse Disposal – Residential Multiple Units (5 or more)	$45.94/container/month	$45.94/container/month
Refuse Disposal – Commercial Business once per week	$61.18/unit/month	$61.18/unit/month
Refuse Disposal – Commercial Business 5 times per week	$151.64/unit/month	$151.64/unit/month
Refuse Disposal – Commercial Combined Commercial and Residential	$88.19/unit/month	$88.19/unit/month

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 810 Union Street, Suite 600, Norfolk, Virginia, 23510 or the City's website at www.norfolk.gov.

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BASIC FINANCIAL

STATEMENTS

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CITY OF NORFOLK, VIRGINIA

Statement of Net Position
June 30, 2022

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and short-term investments	$ 503,515,091	$ 97,810,050	$ 601,325,141	$ 71,340,984
Receivables, net:				
Taxes	60,290,364	-	60,290,364	-
Accounts	22,500,951	27,881,025	50,381,976	1,626,716
Leases	12,057,938	1,343,558	13,401,496	-
Notes	-	-	-	1,029,665
Accrued investment income	40,698	22,654	63,352	205,161
Internal balances	15,655,419	-	15,655,419	-
Due from other governments	78,215,310	90,507	78,305,817	50,837,654
Due from primary government	-	-	-	1,349,040
Inventories	14,993	4,040,783	4,055,776	1,656,484
Property held for resale	-	-	-	832,952
Prepaid items	-	80,540	80,540	47,599
Restricted cash and investments	-	54,019,473	54,019,473	1,528,288
Non-depreciable capital assets	199,319,911	159,436,828	358,756,739	8,163,935
Depreciable capital assets, net	963,233,942	962,451,923	1,925,685,865	17,780,532
Depreciable right to use assets, net	23,118,210	520,606	23,638,816	799,642
Total assets	$ 1,877,962,827	$ 1,307,697,947	$ 3,185,660,774	$ 157,198,652
Deferred outflows of resources				
Related to pensions	$ 47,148,153	$ 4,522,977	$ 51,671,130	$ 62,976,545
Related to OPEB	33,603,422	3,347,617	36,951,039	21,133,101
Loss on defeasance of bonds	40,640,214	32,677,535	73,317,749	-
Total deferred outflow of resources	121,391,789	40,548,129	161,939,918	84,109,646
Total assets and deferred outflows of resources	$ 1,999,354,616	$ 1,348,246,076	$ 3,347,600,692	$ 241,308,298
LIABILITIES				
Vouchers payable	$ 54,583,747	$ 18,045,650	$ 72,629,397	$ 12,314,710
Employees withholdings	512,876	-	512,876	-
Contract retainage	4,497,183	2,004,487	6,501,670	159,930
Accrued interest	8,219,434	3,767,698	11,987,132	-
Accrued payroll	8,231,995	835,497	9,067,492	28,149,458
Internal balances	-	15,655,419	15,655,419	-
Due to other governments	36,253	-	36,253	6,897,438
Due to component unit	1,349,040	-	1,349,040	-
Other payables	-	-	-	1,080,917
Unearned revenue	132,758,561	821,240	133,579,801	448,723
Other current liabilities	10,045,221	-	10,045,221	602,724
Line of credit	52,762,400	-	52,762,400	-
Long-term liabilities:				-
Due within one year	88,683,479	37,318,756	126,002,235	8,489,841
Due in more than one year	976,994,152	569,479,167	1,546,473,319	14,126,239
Net pension liability	33,775,973	4,332,821	38,108,794	160,586,303
Net OPEB liability	108,855,870	7,426,030	116,281,900	103,193,187
Other	-	1,208,403	1,208,403	6,230,276
Total liabilities	$ 1,481,306,184	$ 660,895,168	$ 2,142,201,352	$ 342,279,746
Deferred inflows of resources				
Related to pensions	$ 133,985,713	$ 14,363,133	$ 148,348,846	$ 144,017,051
Related to OPEB	16,411,236	1,695,553	18,106,789	21,998,410
Related to leases	12,057,938	1,343,558	13,401,496	147,628
Gain on defeasance of bonds	85,675	633,333	719,008	-
Total deferred inflows of resources	162,540,562	18,035,577	180,576,139	166,163,089
Total liabilities and deferred inflows of resources	$ 1,643,846,746	$ 678,930,745	$ 2,322,777,491	$ 508,442,835
NET POSITION				
Net investment in capital assets	$ 372,138,564	$ 535,599,107	$ 907,737,671	$ 11,704,817
Restricted for:				
Endowed care - nonexpendable	6,602,461	-	6,602,461	-
General government	(1,831,805)	-	(1,831,805)	-
Judicial administration	78,051	-	78,051	-
Public safety	206,511	-	206,511	-
Health and public assistance	2,219,658	-	2,219,658	-
Culture and recreation	3,231	-	3,231	-
Community development	770,118	-	770,118	-
Water utility	-	25,147,479	25,147,479	-
Wastewater utility	-	500,336	500,336	-
Parking fund	-	3,266,524	3,266,524	-
Other Programs	-	-	-	10,755,216
Unrestricted	(24,678,919)	104,801,885	80,122,966	(289,594,570)
Total net position (deficit)	$ 355,507,870	$ 669,315,331	$ 1,024,823,201	$ (267,134,537)
Total liabilities, deferred inflows of resources and net position	$ 1,999,354,616	$ 1,348,246,076	$ 3,347,600,692	$ 241,308,298

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Exhibit 2

Statement of Activities
For the Year Ending June 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
			Operating	Capital	Primary Government			
		Charges for	Grants and	Grants and	Governmental	Business-Type		Component
Functions/Programs	Expenses	Services	Contributions	Contributions	Activities	Activities	Total	Units
Primary government:								
Governmental activities:								
General government	$ 142,588,555	$ 7,812,152	$ 65,187,375	$ (4,788)	$ (69,593,816)	$ -	$ (69,593,816)	$ -
Judicial administration	47,384,436	23,771,587	4,862,455	-	(18,750,394)	-	(18,750,394)	-
Public safety	135,155,626	12,229,610	3,889,398	-	(119,036,618)	-	(119,036,618)	-
Public works	58,040,675	24,484,242	39,048,732	-	5,492,299	-	5,492,299	-
Health and public assistance	90,165,347	6,066,853	66,932,529	-	(17,165,965)	-	(17,165,965)	-
Culture and recreation	54,751,290	7,894,496	798,490	-	(46,058,304)	-	(46,058,304)	-
Community development	71,342,476	1,945,557	53,122,820	-	(16,274,099)	-	(16,274,099)	-
Education	138,901,682	-	-	-	(138,901,682)	-	(138,901,682)	-
Interest on long-term debt	25,473,700	-	-	-	(25,473,700)	-	(25,473,700)	-
Total governmental activities	763,803,787	84,204,497	233,841,799	(4,788)	(445,762,279)	-	(445,762,279)	-
Business-type activities:								
Water utility	47,456,204	103,716,245	-	-	-	56,260,041	56,260,041	-
Wastewater utility	16,424,297	35,333,559	-	-	-	18,909,262	18,909,262	-
Parking facilities	12,079,213	19,229,133	-	-	-	7,149,920	7,149,920	-
Storm Water utility	14,857,903	22,388,729	-	-	-	7,530,826	7,530,826	-
Total business-type activities	90,817,617	180,667,666	-	-	-	89,850,049	89,850,049	-
Total primary government	$ 854,621,404	$ 264,872,163	$ 233,841,799	$ (4,788)	$ (445,762,279)	$ 89,850,049	$ (355,912,230)	$ -
Component units:								
Norfolk Public Schools	$ 400,422,018	$ 1,280,878	$ 266,661,365	$ 4,631,636				$ (127,848,139)
Norfolk Economic Development Authority	6,296,392	470,476	2,250,464	-				$ (3,575,452)
Total component units	$ 395,177,611	$ 2,572,065	$ 231,657,565	$ 4,965,175				(131,423,591)
General revenues:								
Taxes:								
General property taxes - real estate and personal property					357,257,211	-	357,257,211	-
Consumption utility taxes					31,207,179	-	31,207,179	-
Sales and use taxes					42,726,193	-	42,726,193	-
Restaurant food taxes					43,567,303	-	43,567,303	-
Business license taxes					32,645,360	-	32,645,360	-
Hotel/Motel taxes					14,539,389	-	14,539,389	-
Cigarette taxes					6,388,731	-	6,388,731	-
Admissions taxes					3,985,616	-	3,985,616	-
Motor vehicle licenses					2,121,193	-	2,121,193	-
Franchise, recordation and other miscellaneous local taxes					7,820,476	-	7,820,476	-
Use of money and property					40,566	-	40,566	2,662,528
Gain (loss) on Investment					(262,712)	(17,937,327)	(18,200,039)	-
Grants and contributions not restricted to specific programs					39,719,848	-	39,719,848	-
Miscellaneous					3,833,439	8,072,719	11,906,158	2,853,280
Intergovernmental revenue - Commonwealth of Virginia					-	2,730,661	2,730,661	42,835,233
Payment from Primary Government					-	-	-	130,579,634
Transfers					10,500,000	(10,500,000)	-	-
Total general revenues and transfers					596,089,792	(17,633,947)	578,455,845	178,930,675
Changes in net position					150,327,513	72,216,102	222,543,615	47,507,084
Net position (deficit) - beginning					205,180,357	597,099,229	802,279,586	(314,641,621)
Net position (deficit) - ending					$ 355,507,870	$ 669,315,331	$ 1,024,823,201	$ (267,134,537)

The accompanying notes are an integral part of the basic financial statements.

Exhibit A-1

CITY OF NORFOLK, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds				Nonmajor	Total
	General Fund	Special Revenue Grants	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
ASSETS						
Cash and short-term investments	$ 318,792,392	$ 98,854,873	$ 34,116,875	$ -	$ 17,709,616	$ 469,473,756
Receivables, net:						
Taxes	59,486,111	-	-	-	-	59,486,111
Accounts	5,251,665	1,881,966	1,850,031	-	5,310,688	14,294,350
Notes	-	-	12,762,400	-	-	12,762,400
Accrued investment income	-	-	40,698	-	-	40,698
Due from other funds	4,739,603	-	15,207,089	-	-	19,946,692
Due from other governments	20,597,584	31,279,029	-	-	12,947,285	64,823,898
Leases receivable	12,661,984	-	-	-	-	12,661,984
Restricted cash	-	-	-	-	268,812	268,812
Inventory	14,993	-	-	-	-	14,993
Total assets	$ 421,544,332	$ 132,015,868	$ 63,977,093	$ -	$ 36,236,401	$ 653,773,694
LIABILITIES, DEFERRED INFLOWS						
Vouchers payable	$ 25,402,205	$ 3,061,883	$ 4,510,076	$ -	$ 5,993,610	$ 38,967,774
Employee withholdings	512,876	-	-	-	-	512,876
Contract retainage	2,208	-	183,820	-	4,311,155	4,497,183
Accrued payroll	7,661,309	139,230	-	-	337,114	8,137,653
Notes payable	-	-	52,762,400	-	-	52,762,400
Due to other funds	-	-	54,291	-	4,236,982	4,291,273
Due to other governments	36,253	-	-	-	-	36,253
Due to component unit	-	-	1,349,040	-	-	1,349,040
Unearned revenue	-	121,414,341	-	-	-	121,414,341
Other liabilities	4,499,614	500,633	-	-	152,774	5,153,021
Total liabilities	38,114,465	125,116,087	58,859,627	-	15,031,635	237,121,814
Deferred Inflow of Resources						
Revenues levied for the next year and unavailable revenue	41,587,568	-	-	-	3,233,676	44,821,244
Deferred lease revenue	12,057,938	-	-	-	-	12,057,938
Revenues levied for the next year and unavailable revenue	53,645,506	-	-	-	3,233,676	56,879,182
FUND BALANCES						
Nonspendable	619,039	-	-	-	-	619,039
Restricted	115,000	1,618,173	-	-	6,602,461	8,335,634
Committed	18,883,878	4,392,703	-	-	37,803	23,314,384
Assigned	217,246,402	888,905	-	-	11,330,826	229,466,133
Unassigned	92,920,042	-	5,117,466	-	-	98,037,508
Total fund balances (deficit)	329,784,361	6,899,781	5,117,466	-	17,971,090	359,772,698
Total liabilities and fund balances	$ 421,544,332	$ 132,015,868	$ 63,977,093	$ -	$ 36,236,401	$ 653,773,694

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Exhibit A-2

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Fund balances - total governmental funds		$	359,772,698
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Gross capital assets at historical cost	2,899,798,546		
Accumulated depreciation	(1,717,619,372)		
			1,182,179,174
Recognition of deferred inflows as revenue in government wide statements			41,264,917
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Deferred inflows related to pensions	(132,483,405)		
Deferred outflows related to pensions	46,726,708		
Deferred inflows related to OPEB	(16,207,269)		
Deferred outflows related to OPEB	33,251,299		
Loss on defeasance	40,640,214		
Gain on defeasance	(85,675)		
			(28,158,128)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:			
Lease liability	(24,405,114)		
Bonds payable - including premium	(977,364,224)		
Net pension liability	(33,344,810)		
Other post-employment benefits	(108,116,893)		
Compensated absences	(22,687,868)		
Workers' compensation and claims liability	(37,943,384)		
Other	(2,967,790)		
Accrued interest payable	(8,219,434)		(1,215,049,517)
Internal service funds			14,869,714
Receivable for Build America Bonds - interest rate subsidy			629,012
Net position of governmental activities		$	355,507,870

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Exhibit A-3

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending June 30, 2022

	Major Funds				Nonmajor	Total
	General Fund	Special Revenue Grants	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
REVENUES						
General property taxes	$ 345,879,422	$ -	$ -	$ -	$ 6,768,400	$ 352,647,822
Other local taxes	173,337,193	-	-	-	11,664,247	185,001,440
Permits and licenses	3,883,494	-	-	-	-	3,883,494
Fines and forfeitures	1,353,222	5,850	-	-	-	1,359,072
Use of money and property	8,593,994	-	-	-	69,178	8,663,172
Charges for services	19,693,061	196,405	-	-	24,271,412	44,160,878
Miscellaneous	9,539,408	1,794,659	-	-	892,226	12,226,293
Intergovernmental	139,326,838	122,808,416	-	-	36,456,758	298,592,012
Total revenues	701,606,632	124,805,330	-	-	80,122,221	906,534,183
EXPENDITURES						
Current operating:						
General government	146,826,373	2,051,426	347,609	-	371,042	149,596,450
Judicial administration	45,988,944	3,675,125	-	-	-	49,664,069
Public safety	65,702,097	65,276,589	-	-	5,690,882	136,669,568
Public works	15,221,488	16,878,720	-	-	23,207,716	55,307,924
Health and public assistance	69,440,056	21,623,186	-	-	1,126,151	92,189,393
Culture and recreation	37,689,743	627,527	-	-	1,673,892	39,991,162
Community development	12,499,103	23,927,795	-	-	34,557,695	70,984,593
Education	129,622,172	-	-	-	-	129,622,172
Debt service:						
Principal	-	-	-	53,852,387	-	53,852,387
Interest and other charges	-	-	-	27,160,898	-	27,160,898
Debt issuance costs	366,442	-	712,857	202,480	-	1,281,779
Capital outlay	15,746,053	-	32,205,600	-	-	47,951,653
Total expenditures	539,102,471	134,060,368	33,266,066	81,215,765	66,627,378	854,272,048
Excess (deficiency) of revenues over expenditures	162,504,161	(9,255,038)	(33,266,066)	(81,215,765)	13,494,843	52,262,135
OTHER FINANCING SOURCES (USES)						
Issuance of refunding bonds	-	-	-	36,895,000	-	36,895,000
Issuance of debt	-	-	90,520,066	-	-	90,520,066
Proceeds sale of capital assets	1,396,813	-	-	-	-	1,396,813
Payment to bond refunding escrow agent	-	-	-	(36,692,520)	-	(36,692,520)
Transfers in	18,768,400	9,880,638	4,274,131	81,013,285	674,294	114,610,748
Transfers out	(83,879,886)	-	(4,913,734)	-	(15,317,128)	(104,110,748)
Total other financing sources and uses	(63,714,673)	9,880,638	89,880,463	81,215,765	(14,642,834)	102,619,359
Net changes in fund balances	98,789,488	625,600	56,614,397	-	(1,147,991)	154,881,494
Fund balances - beginning	230,994,873	6,274,181	(51,496,931)	-	19,119,081	204,891,204
Fund balances - ending	$ 329,784,361	$ 6,899,781	$ 5,117,466	$ -	$ 17,971,090	$ 359,772,698

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Exhibit A-4

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Year Ending June 30, 2022

Net change in fund balances--total governmental funds		$ 154,881,494
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset.		
Add capital acquisitions	118,604,096	
Subtract disposals	(20,823,719)	
Subtract depreciation expense	(60,364,326)	37,416,051
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.		4,376,662
Bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Less debt issued	(96,650,816)	
Add debt repayment	53,852,387	
Premium on bond sale	77,310,836	
Loss on defeasance of debt	1,193,906	
Gain on defeasance of debt	(26,613)	
Line of Credit	-	
Amortization of premiums, gains and losses	7,473,932	(43,153,632)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Lease liability	(24,405,114)	(24,405,114)
Change in non-capital long-term liabilities (Note VIII)		
Compensated absences	(878,760)	
Retires life insurance	5,000	
Total OPEB Liability, Net of changes in deferred inflows and outflows	(10,324,651)	
Workers' compensation unpaid claims	(1,844,973)	
Landfill closure	(126,414)	
Net Pension Liability, Net of changes in deferred inflows and outflows	18,823,889	
Accrued interest payable	1,205,211	6,859,302
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the Internal Service funds is reported with governmental activity.		14,352,750
Adjustment for federal interest rate subsidy		(35,720)
Change in net position of governmental activities		$ 150,327,513

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Statement of Fund Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities					Governmental Activities-
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and short-term investments	$ 27,633,117	$ 16,199,734	$ 32,429,650	$ 21,547,549	$ 97,810,050	$ 33,772,523
Restricted short-term investments	25,147,479	-	-	-	25,147,479	-
Receivables, net						
Accounts	9,571,409	4,791,693	1,922,716	3,246,045	19,531,863	8,406,808
Unbilled accounts	5,491,182	1,452,760	171,721	1,233,499	8,349,162	-
Accrued investment income	19,851	2,803	-	-	22,654	-
Leases	-	-	1,343,558	-	1,343,558	-
Due from other governments	-	-	-	90,507	90,507	-
Inventories	4,016,772	23,536	-	475	4,040,783	-
Prepaid Expenses	80,540	-	-	-	80,540	-
Restricted cash and investments	15,487,289	4,360,097	6,574,621	2,449,987	28,871,994	-
Total current assets	87,447,639	26,830,623	42,442,266	28,568,062	185,288,590	42,179,331
Noncurrent assets:						
Capital assets:						
Non-depreciable capital assets	73,214,630	50,147,821	30,630,677	5,443,700	159,436,828	415,000
Depreciable capital assets	845,904,024	388,102,025	214,001,795	85,256,279	1,533,264,123	12,453,220
Accumulated depreciation	(312,035,725)	(121,326,907)	(106,356,394)	(31,093,174)	(570,812,200)	(9,375,331)
Depreciable right to use assets	505,116	-	22,295	-	527,411	-
Accumulated amortization	-	-	(6,805)	-	(6,805)	-
Capital assets, net	607,588,045	316,922,939	138,291,568	59,606,805	1,122,409,357	3,492,889
Total noncurrent assets	607,588,045	316,922,939	138,291,568	59,606,805	1,122,409,357	3,492,889
Total assets	$ 695,035,684	$ 343,753,562	$ 180,733,834	$ 88,174,867	$ 1,307,697,947	$ 45,672,220
Deferred outflows of resources						
Related to pensions	2,538,983	754,548	364,996	864,450	4,522,977	421,445
Related to OPEB	1,872,764	549,690	327,001	598,162	3,347,617	352,123
Loss on defeasance of bonds	9,189,614	3,713,363	18,449,893	1,324,665	32,677,535	-
Total deferred outflows	$ 13,601,361	$ 5,017,601	$ 19,141,890	$ 2,787,277	$ 40,548,129	$ 773,568
Total assets and deferred outflows of resources	$ 708,637,045	$ 348,771,163	$ 199,875,724	$ 90,962,144	$ 1,348,246,076	$ 46,445,788
LIABILITIES						
Current liabilities:						
Vouchers payable	$ 9,689,130	$ 6,700,327	$ 419,319	$ 1,236,874	$ 18,045,650	$ 15,615,973
Contract retainage	1,390,993	598,979	13,664	851	2,004,487	-
Accrued interest	2,052,856	745,165	772,315	197,362	3,767,698	-
Accrued payroll	460,979	136,129	75,107	163,282	835,497	94,342
Due to other funds	448,330	-	15,207,089	-	15,655,419	-
Unearned Revenue	-	-	821,240	-	821,240	7,787,893
Current portion of bonds payable	18,090,000	14,113,618	1,120,811	2,800,752	36,125,181	-
Current compensated absences	700,149	178,300	104,435	210,691	1,193,575	165,601
Other current liabilities	856,475	256,085	95,525	318	1,208,403	4,892,200
Total current liabilities	33,688,912	22,728,603	18,629,505	4,610,130	79,657,150	28,556,009
Noncurrent liabilities:						
General obligation bonds payable	224,900,000	67,449,609	132,795,884	32,439,476	457,584,969	-
Revenue bonds payable	30,657,535	79,693,708	-	279,054	110,630,297	-
Net pension liability	2,452,390	730,347	373,902	776,182	4,332,821	431,163
Total OPEB liability	4,203,144	1,251,742	640,833	1,330,311	7,426,030	738,977
Compensated absences	402,742	107,181	69,624	170,306	749,853	143,650
Lease liabilities	505,116	-	8,932	-	514,048	-
Total noncurrent liabilities	263,120,927	149,232,587	133,889,175	34,995,329	581,238,018	1,313,790
Total liabilities	$ 296,809,839	$ 171,961,190	$ 152,518,680	$ 39,605,459	$ 660,895,168	$ 29,869,799
Deferred inflows of resources						
Related to Pensions	7,764,753	2,249,237	1,646,665	2,702,478	14,363,133	1,502,308
Related to OPEB	879,529	236,862	253,026	326,136	1,695,553	203,967
Related to leases	-	-	1,343,558	-	1,343,558	-
Gain on bonds refunding	-	6,649	475,683	151,001	633,333	-
Total deferred inflows of resources	$ 8,644,282	$ 2,492,748	$ 3,718,932	$ 3,179,615	$ 18,035,577	$ 1,706,275
Total liabilities and deferred inflows of resources	$ 305,454,121	$ 174,453,938	$ 156,237,612	$ 42,785,074	$ 678,930,745	$ 31,576,074
NET POSITION						
Net investment in capital assets	$ 333,452,804	$ 152,386,352	$ 22,319,783	$ 27,440,168	$ 535,599,107	$ 3,492,889
Restricted for:						
Water Utility fund operations	25,147,479	-	-	-	25,147,479	-
Wastewater Utility fund operations	-	500,336	-	-	500,336	-
Parking Facilities fund operations	-	-	3,266,524	-	3,266,524	-
Unrestricted	44,582,641	21,430,537	18,051,805	20,736,902	104,801,885	11,376,825
Total net position	$ 403,182,924	$ 174,317,225	$ 43,638,112	$ 48,177,070	$ 669,315,331	$ 14,869,714
Total liabilities and net position	$ 708,637,045	$ 348,771,163	$ 199,875,724	$ 90,962,144	$ 1,348,246,076	$ 46,445,788

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
Proprietary Funds
For the Year Ending June 30, 2022

	Business-Type Activities					Governmental Activities -
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Internal Service Funds
Operating revenues:						
Charges for services	$ 101,931,304	$ 35,269,559	$ 19,163,128	$ 22,301,499	$ 178,665,490	$ 101,063,749
Miscellaneous	1,784,941	64,000	66,005	87,230	2,002,176	138,445
Total operating revenues	103,716,245	35,333,559	19,229,133	22,388,729	180,667,666	101,202,194
Operating expenses:						
Personal services	16,340,372	4,753,556	2,541,700	5,847,805	29,483,433	3,141,381
Healthcare costs	-	-	-	-	-	74,634,572
Cost of goods sold	-	-	-	1,142	1,142	4,933,939
Plant operations	6,364,844	2,618,581	730,001	2,090,201	11,803,627	4,623,795
Chemicals	3,777,974	1,425	4,887	581	3,784,867	-
Depreciation and amortization	15,536,269	7,353,413	5,851,020	1,568,373	30,309,075	383,794
Retirement and OPEB expense	(6,094,822)	(1,779,485)	(1,142,836)	(2,057,264)	(11,074,407)	(1,051,983)
Administrative expenses	2,233,510	1,571,723	-	630,377	4,435,610	-
Other	9,298,057	1,905,084	4,094,441	6,776,688	22,074,270	214,878
Total operating expenses	47,456,204	16,424,297	12,079,213	14,857,903	90,817,617	86,880,376
Operating income (loss), net	56,260,041	18,909,262	7,149,920	7,530,826	89,850,049	14,321,818
Nonoperating revenues (expenses):						
Interest income	(1,030,649)	(116,364)	17,191	10,898	(1,118,924)	-
Intergovernmental revenue	-	391,010	-	2,339,651	2,730,661	-
Interest expense and fiscal charges, net of capitalized interest	(9,340,122)	(2,117,402)	(4,247,640)	(1,113,239)	(16,818,403)	-
Gain (loss) on sale or disposal of capital assets	49,374	74,713	8,017,958	38,760	8,180,805	30,932
Gain (loss) on investments	-	-	-	(79,489)	(79,489)	-
Miscellaneous revenue (expense)	(38,211)	-	-	9,614	(28,597)	-
Total nonoperating revenues (expenses)	(10,359,608)	(1,768,043)	3,787,509	1,206,195	(7,133,947)	30,932
Net income (loss) before contributions and transfers	45,900,433	17,141,219	10,937,429	8,737,021	82,716,102	14,352,750
Transfers out	(8,500,000)	(1,500,000)	-	(500,000)	(10,500,000)	-
Changes in net position	37,400,433	15,641,219	10,937,429	8,237,021	72,216,102	14,352,750
Total net position - beginning	365,782,491	158,676,006	32,700,683	39,940,049	597,099,229	516,964
Total net position - ending	$ 403,182,924	$ 174,317,225	$ 43,638,112	$ 48,177,070	$ 669,315,331	$ 14,869,714

The accompanying notes are an integral part of the basic financial statements.

Statement of Cash Flows - Proprietary Funds
For the Year Ending June 30, 2022

	Business-Type Activities					Governmental Activities -
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	$ 101,183,284	$ 34,251,338	$ 19,769,401	$ 22,604,369	$ 177,808,392	$ 101,909,370
Payments to suppliers	(10,545,346)	(2,568,556)	(727,836)	(9,286,686)	(23,128,424)	(2,788,232)
Payments to employees	(18,731,376)	(5,431,303)	(4,096,427)	(6,733,825)	(34,992,931)	(73,254,342)
Other payments	(10,883,148)	(3,467,478)	(4,090,830)	(772,139)	(19,213,595)	(194,332)
Net cash and short-term investments provided by (used in) operating activities	61,023,414	22,784,001	10,854,308	5,811,719	100,473,442	25,672,464
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Internal activity	75,535	-	(1)	-	75,534	-
Intergovernmental revenues	-	391,010	-	2,276,120	2,667,130	-
Operating subsidies and transfers to other funds	(8,500,000)	(1,500,000)	-	(500,000)	(10,500,000)	-
Net cash provided by (used in) noncapital financing activities	(8,424,465)	(1,108,990)	(1)	1,776,120	(7,757,336)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from issuance of debt	-	11,120,601	(9,592,209)	3,140,434	4,668,826	-
Purchases / leases of capital assets	(30,994,989)	(23,746,902)	8,352,893	(4,503,208)	(50,892,206)	-
Refunding of debt principal	-	(747,069)	-	(627,538)	(1,374,607)	-
Proceeds from sale of capital assets	49,374	74,713	-	38,760	162,847	-
Principal paid on capital debt	(17,170,000)	(13,153,311)	(2,218,072)	(2,634,647)	(35,176,030)	-
Interest paid on capital debt	(19,325,000)	(1,862,343)	(4,397,392)	(1,186,909)	(26,771,644)	-
Advance from general fund	(13,588,062)	-	-	-	(13,588,062)	-
Net cash provided by (used in) capital and related financing activities	(81,028,677)	(28,314,311)	(7,854,780)	(5,773,108)	(122,970,876)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of investments	50,938,415	21,035,002	1,292,110	-	73,265,527	-
Purchase of investments	(64,477,305)	(23,624,789)	(17,191)	(1,000,000)	(89,119,285)	-
Interest and dividends	(998,247)	171,426	17,191	1,144	(808,486)	-
Net cash provided by (used in) investing activities	(14,537,137)	(2,418,361)	1,292,110	(998,856)	(16,662,244)	-
Net increase (decrease) in cash and short-term investments	(42,966,865)	(9,057,661)	4,291,637	815,875	(46,917,014)	25,447,688
Cash and short-term investments - beginning of the year	70,599,982	25,257,395	28,138,013	20,731,674	146,717,242	8,100,059
Cash and short-term investments - end of the year	$ 27,633,117	$ 16,199,734	$ 32,429,650	$ 21,547,549	$ 144,727,064	$ 33,547,747

	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:						
Operating income (loss)	$ 56,260,041	$ 18,909,262	$ 7,149,920	$ 7,530,826	$ 89,850,049	$ 14,321,818
Adjustments to reconcile operating income (loss) to net cash and short-term investments provided by (used in) operating activities:						
Depreciation expense and amortization	15,536,269	7,353,413	5,851,020	1,568,373	30,309,075	383,794
Effect of changes in assets, deferred outflows and liabilities, deferred inflows:						
Receivables, net	(2,532,972)	(1,095,896)	606,272	215,640	(2,806,956)	707,173
Lease receivables	-	-	(1,343,558)	-	(1,343,558)	-
Inventories	(528,241)	(87)	-	1,142	(527,186)	-
Prepaids	-	-	-	-	-	-
Vouchers payable	159,066	51,537	43,682	(560,978)	(306,693)	11,774,508
Accrued payroll	18,811	(15,061)	(21,115)	13,626	(3,739)	45,297
Net pension liability	(9,246,038)	(2,632,055)	(2,877,767)	(6,210,326)	(20,966,186)	(1,560,126)
OPEB liability	741,401	189,888	77,824	(47,874)	961,239	-
Lease liability	-	-	1,343,558			
Other liabilities	615,077	23,000	24,472	3,301,290	3,963,839	-
Net cash and short-term investments provided by (used in) operating activities	$ 61,023,414	$ 22,784,001	$ 10,854,308	$ 5,811,719	$ 99,129,884	$ 25,672,464

	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Internal Service Funds
Noncash investing, capital and financing activities:						
Unrealized gain / (loss) on investments	$ (38,211)	$ -	$ -	$ -	$ (13,816)	$ -
Capital contribution	$ -	$ -	$ -	$ -	$ -	$ 30,932
Acquisition of capital assets through change in in contract retainage	$ 261,988	$ (177,460)	$ -	$ -	$ 670,277	$ -
Acquisition of capital assets through vouchers payable	$ 3,937,673	$ 231,370	$ -	$ (366,772)	$ 70,038	$ -
Capitalized interest, less interest earned on certain long-term construction contracts	$ -	$ -	$ -	$ -	$ 1,477,962	$ -
Deferred inflow of resources	$ 7,256,872	$ 2,135,556	$ 354,555	$ (184,128)	$ 100,649	$ -

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA
Statement of Net Position - Fiduciary Funds
June 30, 2022

	Trust Funds	Custodial Funds
ASSETS		
Cash and short-term investments	$ 115,288,509	$ 12,808,437
Investments, fair value:		
United States Treasury securities	53,721,000	-
Fixed income securities	101,929,000	-
Equity securities	91,432,000	-
Future/options/swaps	(1,097,000)	-
Balanced commingled funds:		
Equity	640,444,000	-
Fixed income	220,874,000	-
Real estate	106,621,000	-
Total investments	1,329,212,509	12,808,437
Receivables:		
Accrued investment income	884,000	-
Due from broker for securities sold	60,237,000	-
Other	2,000	-
Total assets	$ 1,390,335,509	$ 12,808,437
LIABILITIES		
Vouchers payable	$ 3,927,000	$ 196,306
Due to brokers for securities purchased	107,281,000	-
Other liabilities	-	12,612,131
Total liabilities	$ 111,208,000	$ 12,808,437
NET POSITION		
Restricted for pension	-	-
Restricted for individuals, organizations and others	-	-
Total net position	$ 1,279,127,509	$ -

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Exhibit C-2

Statement of Changes in Net Position
Fiduciary Funds
For the Year Ending June 30, 2022

	Trust Funds	Custodial Funds
Changes to net position attributed to:		
Additions:		
Investment income:		
Net appreciation in fair value of investments	$ (144,707,000)	$ -
Interest	2,766,000	-
Dividends	7,837,000	-
Other	2,188,000	-
	(131,916,000)	-
Less investment expense	(2,811,000)	-
Net investment income	(134,727,000)	-
Employer contributions	41,457,000	-
Employee contributions	9,364,000	-
Purchase of service	572,000	-
Custodial fund additions	-	2,851,433
Total Additions	(83,334,000)	2,851,433
Deductions:		
Benefit payments and expenses:		
Refunds of contributions	2,924,000	-
Benefits paid to plan members and beneficiaries	99,100,000	-
Administrative costs	848,000	-
Custodial fund deductions	13,982,001	2,851,433
Total Deductions	116,854,001	2,851,433
Net increase in net position	(200,188,001)	-
Net position restricted for pensions:		
Net position - beginning	1,479,315,510	-
Net Position - ending	$ 1,279,127,509	$ -

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Exhibit D-1

Statement of Net Position - Component Units
June 30, 2022

	Norfolk Public Schools	Norfolk Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	$ 63,249,844	$ 8,091,140	$ 71,340,984
Investments	-	-	-
Accounts receivable, net of allowance for uncollectible accounts	1,622,454	4,262	1,626,716
Leases receivable	-	205,161	205,161
Loan receivable	-	1,029,665	1,029,665
Due from primary government	1,349,040	-	1,349,040
Due from other governments	50,740,303	97,351	50,837,654
Inventories	1,656,484	-	1,656,484
Property held for sale	-	832,952	832,952
Prepaid expenses	-	47,599	47,599
Restricted cash	-	1,528,288	1,528,288
Non-depreciable capital assets	487,500	7,676,435	8,163,935
Depreciable capital assets, net	8,659,629	9,120,903	17,780,532
Depreciable right to use assets, net	799,642	-	799,642
Total assets	128,564,896	28,633,756	157,198,652
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	62,976,545	-	62,976,545
Deferred outflows related to OPEB	21,133,101	-	21,133,101
Total assets and deferred outflows	$ 212,674,542	$ 28,633,756	$ 241,308,298
LIABILITIES			
Vouchers payable	$ 12,004,835	$ 646,409	$ 12,651,244
Contract retainage	159,930	-	159,930
Accrued payroll	28,149,458	-	28,149,458
Unearned revenues	247,419	201,304	448,723
Revolving loan program	-	602,724	602,724
Due to other government agencies	6,897,438	-	6,897,438
Other payable	897,401	183,516	1,080,917
Current portion of long-term liabilities	8,153,307	-	8,153,307
Long-term notes payable	-	14,126,239	14,126,239
Net pension liability	160,586,303	-	160,586,303
Other post-employment benefits liability	103,193,187	-	103,193,187
Other long-term liabilities	6,230,276	-	6,230,276
Total liabilities	$ 326,519,554	$ 15,760,192	$ 342,279,746
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	-	147,628	147,628
Deferred inflows related to pensions	144,017,051	-	144,017,051
Deferred inflows related to OPEB	21,998,410	-	21,998,410
Total liabilities and deferred inflows	$ 492,535,015	$ 15,907,820	$ 508,442,835
NET POSITION			
Net investment in capital assets	$ 9,140,024	$ 2,564,793	$ 11,704,817
Restricted for:			
Child nutrition	7,431,795	-	7,431,795
Other programs	3,323,421	-	3,323,421
Unrestricted	(299,755,713)	10,161,143	(289,594,570)
Total net position (deficit)	$ (279,860,473)	$ 12,725,936	$ (267,134,537)

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Exhibit D-2

Statement of Activities - Component Units
For the Year Ending June 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grant Contributions	Capital Grant Contributions	Norfolk Public Schools	Norfolk Economic Development Authority	Totals
Norfolk Public Schools:							
Instructional	$ 279,557,731	$ 1,235,578	$ 244,260,190	$ -	$ (34,061,963)	$ -	$ (34,061,963)
Administration, attendance and health	20,658,375	-	-	-	(20,658,375)	-	(20,658,375)
Pupil transportation	13,461,573	-	-	-	(13,461,573)	-	(13,461,573)
Operation and maintenance	38,342,736	-	-	-	(38,342,736)	-	(38,342,736)
Information technology	19,914,952	-	-	-	(19,914,952)	-	(19,914,952)
School facilities	9,946,386	-	-	4,631,636	(5,314,750)	-	(5,314,750)
Food services	18,524,091	45,300	22,401,175	-	3,922,384	-	3,922,384
Total Norfolk Public Schools	400,405,844	1,280,878	266,661,365	4,631,636	(127,831,965)	-	(127,831,965)
Norfolk Economic Development Authority:							
Economic development	6,236,530	470,476	2,250,464	-	-	(3,515,590)	(3,515,590)
Interest expense	59,862	-	-	-	(16,174)	(59,862)	(76,036)
Total Norfolk Economic Development Authority	6,296,392	470,476	2,250,464	-	(16,174)	(3,575,452)	(3,591,626)
Total component units	$ 406,702,236	$ 1,751,354	$ 268,911,829	$ 4,631,636	$ (127,848,139)	$ (3,575,452)	$ (131,423,591)
General revenues:							
Use of money and property					356,875	2,305,653	2,662,528
Payment from Primary Government					129,622,172	957,462	130,579,634
Miscellaneous					2,019,911	833,369	2,853,280
Intergovernmental revenue - Commonwealth of Virginia					42,835,233	-	42,835,233
Total general revenues					174,834,191	4,096,484	178,930,675
Changes in net position					46,986,052	521,032	47,507,084
Net position - beginning as restated					(326,846,525)	12,204,904	(314,641,621)
Net position - ending					$ (279,860,473)	$ 12,725,936	$ (267,134,537)

The accompanying notes are an integral part of the basic financial statements.

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NOTES TO THE BASIC

FINANCIAL STATEMENTS

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CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

A. Financial Reporting Entity Information

The City of Norfolk (the "City") was incorporated February 13, 1845, and operates under a charter adopted February 7, 1918, which mandates a Council-Manager form of government. The City and its component units provide the following municipal services to approximately 246,000 residents, as authorized by its charter or code: public safety, highway and street maintenance, water production and quality, solid waste management, wastewater treatment, cultural and parking facilities, environmental storm water management, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public libraries and general administration.

Blended Component Unit: *The Employees' Retirement System of the City of Norfolk (ERS)* has a ten-member Board of Trustees. Eight members are appointed by City Council. The City Manager and the Director of Finance are ex-officio members. The ERS is the administrator of a single-employer contributory defined benefit plan that covers substantially all employees of the City of Norfolk, excluding School Board employees and certain employees of the Constitutional Officers covered by the Virginia Retirement System, as authorized by Section 143(a) of the City Charter. The ERS was established and placed under the management of the Board of Trustees for the purpose of providing retirement and death benefits as authorized by the provisions of Chapter 37 of the Norfolk City Code. The City makes its contributions, in conjunction with investment earnings and certain employee contributions, to provide the funding for pension benefits and administrative costs. The financial data for the operation of the ERS are combined with that of the City and reported in the General fund.

Discretely Presented Component Units: Although these legally separate entities are in substance part of the City's operations, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City.

The School Board for the City of Norfolk (School Board), Norfolk Public Schools is an elected body. The School Board is a corporate body and in its corporate capacity is vested with the duties, obligations and responsibilities imposed upon school boards by law. The City Council is required to appropriate annually to the School Board the amount needed for the support of the public schools in maintaining educational programs that meet the standards of quality prescribed by law. Categorical aid from the Commonwealth of Virginia (the Commonwealth) and the federal government designated for educational purposes is included in the City's General fund budgetary revenue. This categorical aid, plus moneys derived from local sources, provides the funds for the major share of the School Board's operations. On an ongoing basis, the City also issues debt to finance needed capital projects of the school system. The School Board presently operates thirty-three elementary schools, one Pre-K – 8 school, one K – 8 school, eight middle schools, five high schools and several auxiliary schools, including alternative, magnet and specialty programs.

The Economic Development Authority (EDA), a political subdivision of the Commonwealth, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act. The EDA is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The EDA is empowered by the Commonwealth to authorize and issue industrial development bonds. The EDA acts as an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' debt. Although Commissioners are appointed by City Council, the EDA designates its own management, maintains its own books of account and receives revenue from administrative fees charged to borrowers and sale of property. Additionally, there is the potential of financial benefit to the City.

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

The City of Norfolk Retirement Board
810 Union Street
City Hall Building, Suite 309
Norfolk, Virginia 23510
www.norfolk.gov/retirement

The School Board for the City of Norfolk
800 East City Hall Avenue
P.O. Box 1357
Norfolk, Virginia 23510
www.nps.k12.va.us

The Norfolk Economic Development Authority
999 Waterside Drive, Suite 2430
Norfolk, Virginia 23510
www.norfolkdevelopment.com

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on the non-fiduciary activities of the Primary Government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate *component units* for which the *Primary Government* is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that do not meet the criteria for classification as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

The City reports the following major governmental funds:

- The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The *Grants fund* is a special revenue fund. It accounts for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.

- The *Debt Service fund* accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest payments on long-term debt obligations of governmental funds.

- The *Capital Projects fund* accounts for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, which includes the acquisition and construction of major capital facilities of the City, some of which are also used by the School Board and other agencies.

The City reports the following major proprietary funds:

- The *Water Utility fund* accounts for the activities of the City's water system, treatment plant, and distribution systems.

- The *Wastewater Utility fund* accounts for the activities of the City's sewage pumping stations, and collection systems.

- The *Parking Facilities fund* accounts for the activities of City-owned or operated parking facilities.

- The *Storm Water Utility fund* accounts for the activities of the City's environmental storm water management system including maintenance of storm water drainage facilities. Effective July 1, 2019, the Storm Water special revenue fund became an enterprise fund.

Additionally, the City reports the following other fund types:

- *Special Revenue funds* account for proceeds of specific resources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects. Examples include community development, emergency call center services, tax increment financing districts, towing and recovery operations, waste management and individual grant programs.

- *Internal Service funds* account for the City's self-insured healthcare program and fleet management services whose services are provided to other departments or agencies of the City on a cost reimbursement basis. The Healthcare Fund is described in Note XX.

- The *Pension Trust fund* accounts for the activities of the Employees' Retirement System (ERS), which accumulates resources for pension benefit payments to qualified employees and is a fiduciary fund.

- The *Pension Funding Trust fund* was established in fiscal year 2021 for the sole benefit of ERS to help offset potential volatility in the City's annual pension contribution.

- The *Endowed Care fund* is used to report resources that are restricted by the City Code to be used for perpetual and endowed care at certain City-owned cemeteries. Both the investment earnings and the principal may be used to support maintenance of City-owned cemeteries.

- The *Custodial funds* are used to account for the assets held by the City for individuals, private organizations, other governmental units and/or other funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the fiscal year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the fiscal year for which the taxes have been levied, net of allowances for uncollectible accounts. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables when the underlying exchange occurs and are remitted to the City by the state within two (2) months of the transaction. In accordance with generally accepted accounting principles (GAAP) property taxes due and collected within 45 days after June 30 are recognized as revenue; those not collected within 45 days after year-end are reported as deferred inflows. Items such as license fees, permit fees and fines are recorded as revenue when received. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific expenditures expected to be funded by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

Major sources of governmental fund revenue susceptible to accrual include the following:

- Real property taxes
- Personal property taxes
- Sales and use taxes
- Consumer utility taxes
- Revenue from the Commonwealth
  - Shared expenses
  - Categorical aid
- Revenue from the federal government

Amounts reported as *program revenues* include: 1) charges for services, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues,* rather than as program revenues. Therefore, all taxes are general revenue.

Expenditures, other than interest on general long-term obligations, are recorded as related fund liabilities when incurred. Interest on general long-term obligations is recognized when due.

Since the governmental funds' financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds' Balance Sheet and total Governmental activities net position as shown on the Government-wide Statement of Net Position is presented in Exhibit A-2. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances and the change in net position of governmental activities as shown on the Government-wide Statement of Activities is presented in Exhibit A-4.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility enterprise funds, and of the City's internal service funds are charges to customers for sales and services and administrative expenses, as well as depreciation on capital assets.

Revenues and expenses not meeting this definition, including interest income or expense are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, less restrictive resources next – committed, assigned, and finally unassigned resources.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Budgets and Budgetary Accounting

An operating budget is adopted each fiscal year for the General fund, Water Utility enterprise fund, Wastewater Utility enterprise fund, Parking Facilities enterprise fund, Storm Water Utility enterprise fund, Public Amenities special revenue fund, Cemeteries special revenue fund, Emergency Operations Center/911 special revenue fund, Golf special revenue fund, Towing & Recovery Operations special revenue fund, Tax Increment Financing special revenue fund, Waste Management special revenue fund, and internal service funds. The General fund budget includes the budgets for Norfolk Public Schools, Maritime Center and the Community Services Board. Project length budgets are appropriated for the Capital Projects fund, Community Development special revenue fund and Grants special revenue fund. All funds are under formal budgetary control.

No less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of funding them. Prior to the adoption of the budget, a public hearing is conducted, then on or before July 1, the budget is legally enacted through adoption of an ordinance. The property taxes included in the budget become a lien on real properties on July 1.

The ordinance for the annual operating budget appropriates funds by department. Additional budgetary controls are exercised administratively, both on an appropriation unit basis over parts, all, or any combination of object categories (budgetary account groups) such as: (1) personal services; (2) materials, supplies and repairs; (3) general operations and fixed charges; (4) equipment; (5) public assistance; and (6) all-purpose appropriations, as well as on a line-item basis over individual objects (budgetary accounts). The City Manager is authorized to transfer funds between departments and funds without further approval by City Council. The legal level of budgetary control is at the fund level.

The School Board manages and controls all funds made available for public school purposes by the City Council with the exception funds for construction of new school buildings. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated by City Council. Consistent with the enabling ordinance, the Schedules of Revenue and Expenditures

– Budget and Actual of the General fund presented in Exhibits E-1 and E-2 include the revenues and expenditures of the School Board.

A reconciliation of revenues and expenditures reported in accordance with U.S. generally accepted accounting principles (GAAP) and those presented in accordance with non-GAAP budgetary basis, for the General fund, can be found following Exhibit E-2. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with U.S. GAAP.

Except for capital projects and certain special revenue funds' appropriations, unencumbered annual appropriations lapse at the end of the fiscal year. City Council may authorize supplemental appropriations to the operating budgets during the fiscal year. Budgeted amounts as reported in the financial statements represent the original appropriations, and all supplemental adjustments or appropriations.

City Council adopts a capital improvement budget on a project basis. As in the case of the General fund budget, these budgets are submitted by the City Manager, public hearings are held, and the budgets are legally enacted through adoption of an ordinance. Appropriations for these budgets continue until the purpose of the appropriation has been fulfilled. Amendments to these budgets are affected by City Council.

E. Deposits and Investments

The City's cash and short-term investments include cash on hand, demand deposits, and short-term investments with maturities of one year or less from the date of acquisition.

Investment statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by S & P Global Ratings or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, Virginia State Non-Arbitrage Program (SNAP) and the State Treasurer's Local Government Investment Pool (LGIP). SNAP and LGIP investments are valued at amortized cost and qualify as external investment pools per GASB 79, *Certain External Investment Pools and Pool Participants*. The LGIP and SNAP are not registered with the Securities and Exchange Commission (SEC) as an investment company but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Pursuant to the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their monthly meetings.

The City has formal investment policy that addresses credit risk, interest rate risk, concentration of credit risk and custodial credit risk. The City's fixed income investments as of June 30, 2022, were rated by Standard and Poor's and the ratings are presented in Note II. The Pension Trust fund is authorized to invest in common stocks and other investments as directed by statutes of the Commonwealth.

Investments, except for external investment pools and real estate that are reported at amortized cost or net asset value, are reported at fair value as established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See additional disclosure within Note II.

The City uses the pooled cash investment method, and as a result individual fund overdrafts are reclassified as due to/due from other funds or internal balances for financial statement purposes. Income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments.

For purposes of the statements of cash flows, all highly liquid debt instruments, with a maturity of 90 days or less, and certificates of deposit are grouped into cash and short-term investments. The cash and investment pool discussed above is considered cash, since it has the same characteristics as a demand deposit account.

F. Restricted Assets

Restricted assets are those whose use is subject to externally imposed constraints such as debt covenants, grantors or laws or regulations of other governments.

G. Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying fund financial statements generally reflect such transactions as transfers.

Internal Service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the Internal Service funds as operating expenditures or expenses. The Fleet Management fund, and the Healthcare fund primarily support governmental activities and are therefore included with governmental funds in the government-wide financial statements. A distinct presentation of the City's internal service funds can be found in the "Other Supplementary Information" section of this document.

The General fund provides administrative services to enterprise funds and internal service funds. Charges for these services are treated as operating expenses by the enterprise and internal service funds and as expense reimbursements by the General fund in the fund financial statements.

H. Inventories

Inventories are stated at cost, using either the first-in, first-out or the moving average method. Proprietary funds expense inventories when consumed. Inventories are stated at cost, using either the first-in, first-out or the moving average method. Proprietary funds expense inventories when consumed.

I. Capital Assets

Capital assets, which include property, plant, equipment, intangibles and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported at historical cost less accumulated depreciation and amortization in the applicable governmental or business-type activities column in the government-wide financial statements and in proprietary funds. Capital assets are defined by the City's capitalization policy as assets owned by the City with an initial, individual cost of more than $5,000 and an estimated useful life greater than one year. Capital outlays of governmental funds are recorded as expenditures at the time of purchase and are not capitalized in the governmental funds. However, they are capitalized in the Government-wide Statement of Net Position if they meet the criteria for capitalization in the City's financial statements. Where historical cost records are not available, assets are recorded at estimated historical cost. Gifts or donated capital assets are recorded at their acquisition value on the date received. In the enterprise and internal service funds, interest costs incurred on funds borrowed for construction projects are capitalized, net of interest earned on the temporary investment of the unexpended portion of those funds. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated, and any resulting gain or loss is reflected as non-operating revenue or expense.

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of the carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances that result in the impairment of a capital asset are netted against the impairment loss. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Capital assets of the City, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives (in years):

	Governmental Funds	Enterprise Funds	Internal Service Funds
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures	-	-	7-10
Transmission and distribution mains	-	50-99	-
Service meters and meter installation	-	35-50	-
Pumping and utilities' equipment	-	10-30	-
Vehicles and garage equipment	4-20	4-10	4-25
Data processing equipment	5-10	5-10	5-10
Furniture, fixtures and equipment	3-25	3-25	3-20
Infrastructure	5-100	-	-
Intangibles	5-10	5-10	5-10

J. Land and Land Improvement Held for Resale

Land and land improvements held for resale are recorded at the lower of cost or estimated acquisition value. Cost is determined by acquisition price, if purchased, or at estimated acquisition value at the date of contribution, if contributed. Subsequent land improvements are added to land and land improvements held for sale.

K. Compensated Absences

It is the City and the School Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by City employees. Accumulated vacation leave cannot exceed certain limits as codified in Section 2-49 in the City Code of Ordinances. Sick leave does not vest for City employees; however, upon retirement, City employees receive credit for each day of accumulated sick leave toward their pension benefit. There is no liability for unpaid accrued sick leave service since the City does not pay it when the employee separates from service. The additional retirement benefit is reflected in the actuarial liability of the ERS. The entire unpaid liability for vacation leave is recorded in the government-wide financial statements.

Upon retirement, School Board employees are paid $20 for each day of accumulated sick leave. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Most School Board employees have ten-month employment contracts and are not entitled to vacation.

L. Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements may be classified as net investment in capital assets; restricted; and unrestricted. Restricted net position has constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statutes.

Fund balances in governmental fund financial statements are classified as nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that are not in spendable form. Restricted fund balance includes amounts that can be spent only for specific purposes as stipulated by a third party or through enabling legislation. Committed fund balance includes amounts that can be used only for specific purposes as determined by City Council through formal action (ordinance). Committed amounts cannot be used for any other purpose unless approved by City Council by taking the same type of formal action. In the General fund, assigned fund balance includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. In the governmental funds, except for the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assignment authority has been given to the City Manager by the City Council. The unassigned fund balance classification is for all amounts not included in other classifications.

Under GASB Statement No. 54, positive unassigned fund balances are only reported in the General fund. However, in governmental funds other than the General fund, expenditures incurred for a specific purpose might exceed the amount restricted, committed, or assigned to that purpose, and a negative residual amount may result that is classified as a negative unassigned fund balance in the applicable governmental fund.

M. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

N. Bond Premiums, Discounts, Issuance Costs and Loss on Defeasance

In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payables are reported with the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred. Refer to Note IX for details on the amounts reported in Long-term Obligations.

Gains and losses on defeasance from refunding bonds are reported in the government-wide and proprietary fund financial statements as deferred inflows and outflows of resources and are amortized using the straight-line method over the term of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Deferred Inflows and Outflows of Resources

The City reports deferred inflows and outflows on its fund level balance sheets and government-wide statement of net position. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. They arise in governmental funds when potential revenue does not meet the “measurable” and “available” criteria for recognition in the current period. Certain intergovernmental receivables such as uncollected property tax not meeting the availability criteria have been deferred and will be realized in a subsequent period in governmental funds. Deferred outflows of resources represent a consumption of net assets that apply to future periods. The City reports the gains and losses on defeasance from debt refundings and certain components of the net pension liability as deferred inflows and outflows in governmental and business-type activities.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and the additions and deductions there to, of each of the plans that the City and its component units participate in, which include the Virginia Retirement System (VRS) City of Norfolk Constitutional Offices, the VRS Teacher Retirement Plan, the VRS Political Subdivision Retirement Plan and the City of Norfolk Employees' Retirement System Plan (ERS) have been determined on the same basis as they were reported by each respective plan. Except for deferred outflows related to employer contributions made after the measurement date, deferred inflows and outflows are amortized over a closed five-year period or the average remaining service life of the effected employees. Deferred outflows of resources related to employer contributions made after the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The allocation of proportionate shares of the ERS net pension liability and other pension amounts to participating funds is based on employer contributions.

Q. Other Post-employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense of each of the plans that the City and its component units participate in have been determined on the same basis as they were reported by each respective plan. Deferred outflows of resources related to employer contributions made after the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The allocation of proportionate shares of the net OPEB liability and other OPEB amounts to participating funds is based on employer contributions.

R. Right To Use Leased Assets

The City has recorded right to use leased assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement period of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use leased assets are amortized on a straight-line basis over the life of the related lease.

S. Right To Use Leased Assets

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in the amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

II. Deposits and Investments

Custodial Credit Risk – Deposits

The City maintains a cash and investments pool for all funds except the Pension Trust and Endowed Care funds. Each fund's portion of the pool is disclosed in the Statement of Net Position and respective fund balance sheets as cash and short-term investments. The cash and investments of the Pension Trust and Endowed Care funds, as well as certain restricted assets of the enterprise funds, are held separately from the pooled City funds.

All deposits of the City and its component units are collateralized in accordance with the Virginia Security for Public Deposits Act ("the Act"), Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, any public depository that receives or holds public deposits ("Qualified Public Depositories") shall elect to secure deposits by either the Pooled Method or the Dedicated Method (that became available by amendments made to the Act effective July 1, 2010). The Pooled Method requires any public depository that receives or holds public deposits to pledge collateral, ranging from 50 to 100 percent of the public deposits held, to the State Treasury Board to cover public deposits in excess of Federal deposit insurance. The Pooled Method also provides that if any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of participating governmental entities. If the value of the pool's collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. Under the Dedicated Method, Qualified Public Depositories are responsible for securing their own public deposits, by the pledge and deposit of eligible collateral with a qualified escrow agent, equal to or in excess of required collateral amounts, priced at a minimum of 105 percent to 130 percent of all public deposits held by the bank, based on a rating determined under the Act; and therefore will not be assessed for losses of another bank that is in default or has become insolvent. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. Both methods of securing public deposits are similar to depository insurance. Funds deposited in accordance with the Act are considered to be fully insured. The City's primary banking institution has elected to be governed by the Dedicated Method.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The City's equity and fixed income investments (except for bank deposits) are not insured and are registered in the name of the City and held by State Street Bank as custodian. The remaining City investments are held by the City or in the City's name by the City's custodial banks. The policy for the Pension Trust fund (System) and the City is that all securities purchased by or for the System and City be properly and clearly labeled as an asset of the System or City and held in safekeeping by a third-party custodial bank or institution in compliance with Section 2.2-4515 of the Code of Virginia. The City's other component units have no formal policy regarding custodial credit risk for investments.

Interest Rate Risk

The City's Pension Trust fund uses a "Duration" policy to manage its interest rate risk. The duration policy is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The City's investment policy establishes a maximum maturity requirement for an individual security to effectively manage interest rate risk. The City's investment policy also establishes a maximum weighted average maturity. The City's other discretely presented component units do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City uses the segmented time distribution method to evaluate interest rate risks as disclosed below as of June 30, 2022.

Primary Government and Fiduciary Funds

		Investment Maturities					
Investment Type	Total Investments	Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +	N/A
Corporate Bonds	$ 48,109,719	$ 4,427,669	$ 10,025,165	$ 21,591,952	$ 5,103,791	$ 6,961,141	$ -
Futures/Options/Swaps	(1,096,829)	(1,123,908)	(12,318)	(122,374)	278,103	(116,333)	-
Asset Backed Securities	6,719,898	2,965,252	945,727	2,026,082	318,776	464,062	-
Bank Loans	95,661	-	-	95,661	-	-	-
U.S. Government Securities	144,084,163	15,312,641	62,673,321	40,558,082	3,342,309	22,197,811	-
Mortgage-Backed Securities	54,912,674	900	292,729	37,124	236,152	54,345,769	-
Equity Funds	640,443,527	-	-	-	-	-	640,443,527
Common Stock	35,478,051	-	-	-	-	-	35,478,051
Master Limited Partnerships	49,059,614	-	-	-	-	-	49,059,614
Municipal Bonds	2,782,336	99,942	783,386	131,222	-	1,767,786	-
Commercial Paper	14,746,299	14,746,299	-	-	-	-	-
Certificates of Deposit	30,582,600	30,582,600	-	-	-	-	-
Federal Agencies	8,189,978	2,573,279	5,616,700	-	-	-	-
Fixed Income Funds	227,768,418	-	-	-	-	-	227,768,418
Real Estate Funds	106,621,391	-	-	-	-	-	106,621,391
External investment pools	219,989,773	219,989,773	-	-	-	-	-
Total	$ 1,588,487,274	$ 289,574,448	$ 80,324,710	$ 64,317,749	$ 9,279,130	$ 85,620,236	$ 1,059,371,001

A reconciliation of the carrying value of deposit and investments as reported above to amounts reported in the Statement of Net Position (Primary Government) and the Statement of Fiduciary Net Position for the City is as follows:

Per Exhibit 1 (Primary Government):	
Cash and unrestricted short-term investments	$ 601,325,141
Restricted cash and investments	54,019,473
Total	$ 655,344,614
Per Exhibit C-1 (Fiduciary):	
Cash and short-term investments	$ 128,096,946
Investments	1,329,212,509
Total	$ 1,457,309,455
Total Primary Government and Fiduciary funds	$ 2,112,654,069
Less cash	524,166,795
Deposits and investments reported above	$ 1,588,487,274

Credit Risk Related to Issuer

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Pension Trust fund's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings ("Fitch"), and Standard and Poor's Global Ratings ("S&P"), are not permitted without the written permission of the board. PIMCO, one of the ERS fund managers, has been given the authority by the Board to invest 20 percent of the portfolio in below investment grade securities. The City's Pension Trust fund invests in certain derivatives including futures, swaps and options. Those securities are included in reported investments in the ERS's financial statements. For accounting purposes, all derivative instruments are considered to be investments and not hedges. ERS primarily enters into derivative transactions to manage risks from exposure to foreign currency rate fluctuation and to shorten the duration of the fixed income investment portfolio. The City's rated debt investments as of June 30, 2022, were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P credit quality rating scale.

Ratings (S&P)	Corporate Debt	Futures/ Options/ Swaps	Asset Backed Securities	Bank Loans	Federal Agency	Equity Funds	U.S. Government Securities	Mortgage Backed Securities	Commercial Paper	Certificates of Deposit	Common Stock	Master Limited Partnerships	Municipal Bonds	Fixed Income/ Equity Real Estate Funds	External Investment Pools
AAA	$ 1,325,661	$ -	$ 3,449,700	$ -	$ -	$ -	$ 48,001,972	$ 53,542,169	$ -	$ -	$ -	$ -	$ 282,367	$ -	$ -
AAAm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	219,989,773
AA+	1,758,287	-	-	-	8,189,978	-	90,362,838	-	-	-	-	-	-	30,683,527	-
AA	3,673,987	-	298,466	-	-	-	2,323,011	118,770	-	-	-	-	1,435,135	-	-
AA-	6,289,999	-	-	-	-	-	-	-	-	-	-	-	527,813	-	-
AAm-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A+	4,645,184	-	2,806,136	-	-	-	2,131,636	-	-	-	-	-	-	-	-
A	4,141,466	-	-	-	-	-	-	3,683	-	-	-	-	435,787	-	-
A-	1,796,729	-	-	-	-	-	-	-	14,746,299	30,582,600	-	-	-	6,894,725	-
BBB+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BBB	5,968,563	-	-	-	-	-	-	584,906	-	-	-	-	101,234	-	-
BBB-	9,474,849	-	-	-	-	-	151,804	47,147	-	-	-	-	-	-	-
BB+	1,875,256	-	-	-	-	-	-	107,706	-	-	-	-	-	-	-
BB	691,106	-	-	95,661	-	-	-	8,122	-	-	-	-	-	-	-
BB-	268,328	-	159,116	-	-	-	-	-	-	-	-	-	-	-	-
B+ and Below	6,108,538	-	-	-	-	-	-	500,170	-	-	-	-	-	-	-
Not Rated	91,766	(1,096,829)	6,480	-	-	640,443,527	1,112,902	-	-	-	35,478,051	49,059,614	-	296,811,557	-
Total	$ 48,109,719	$ (1,096,829)	$ 6,719,898	$ 95,661	$ 8,189,978	$ 640,443,527	$ 144,084,163	$ 54,912,674	$ 14,746,299	$30,582,600	$35,478,051	$ 49,059,614	$ 2,782,336	$ 334,389,809	$219,989,773

Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Mutual funds are excluded from this disclosure requirement. For the City's Pension Trust fund investment, no more than 20 percent of each account's fixed income portfolio, including cash equivalents, shall be invested in bonds rated Baa (1, 2 and 3) or BBB (+ or -). Upon written request from an investment manager, the Retirement Board of Trustees will consider allowing more than 20 percent in these ratings and the purchase of bonds rated below Baa3 or BBB-.

The following table represents the fair value of investments that represent 5 percent or more of the System's net position at June 30, 2022:

SSGA MSCI ACWI IMI Index Fund	$	640,444,000
PIMCO Total Return Fund	$	185,546,000
SSGA Bond Market Index Fund	$	190,191,000

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City's Pension Trust does not have a formal policy; however, it manages its' exposure to fair value loss by requiring international securities investment managers to maintain diversified portfolios by issuer to limit foreign currency and security risks. The exposure to foreign currency risk in both cash and investments is presented below:

Currency	Amount	
Australian Dollar	$	11,774
Canadian Dollar		54,341
Danish Krone		588,159
Euro Currency		3,215,787
Japanese Yen		1,545,796
Mexican Peso		6,489
New Zealand Dollar		18,405
Norwegian Krone		181
Pound Sterling		685,813
South African Rand		50
Yuan Renminbi		65
	$	6,126,860

Neither the City, nor its component units, have a formal policy to limit foreign currency risk; however, all the City's authorized investments are subject to the Code of Virginia Section 2.2-4501 and the City's investment policy. Risk of loss arises from changes in currency exchange rates.

Fair Value Measurement

In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, the funds disclose the fair values of their investments in a hierarchy that prioritize the inputs to valuation techniques used to measure fair value. U.S. GAAP requires that investments be measured and reported at fair value and the disclosure of inputs used in the valuation process. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance established three levels of the fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets. Equity securities are priced using an exchange traded price or a broker quote in an active market.

Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and alike factors. The United States treasury and fixed income securities are priced using pricing models based on a compilation of primarily observable market information or a broker quote in a non-active market for an identical or similar security. The certificate of deposit is valued based on discounted cash flows using current interest rates at the stated maturity. The short-term investment trades daily without restriction at $100 per unit.

Level 3 – Unobservable inputs for the assets, including the fund’s own assumptions for determining fair value.

Portfolio investments are assigned a level based upon the observability of the inputs that are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table provides the inputs used to determine the fair value at June 30, 2022.

	June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Investments Measured at Fair Value			
Cash Equivalents			
Government Issues	$ 9,687,000	$ -	$ 9,687,000
Short-Term	24,250,000	-	24,250,000
Short-Term Fund	1,777,000	-	1,777,000
	$ 35,714,000	$ -	$ 35,714,000
Fixed Income Securities			
U.S. Treasury Securities	$ 144,084,163	$ -	$ 144,084,163
Corporate Bonds	48,109,719	-	48,109,719
Futures/Options/Swaps	(1,096,829)	(327,000)	(769,829)
Commercial Paper	14,746,299	-	14,746,299
Certificates of Deposit	30,582,600	-	30,582,600
Municipals	2,782,336	-	2,782,336
Asset Backed Securities	6,719,898	-	6,719,898
Bank Loans	95,661	-	95,661
Mortgage Backed Securities	54,912,674	-	54,912,674
Federal Agency	8,189,978	-	8,189,978
Total Fixed Income Securities	$ 309,126,500	$ (327,000)	$ 309,453,500
Equity Securities			
Common Stock	$ 35,478,051	$ 35,268,000	$ 210,051
Master Limited Partnerships	49,059,614	49,060,000	(386)
Total Equity Securities	$ 84,537,665	$ 84,328,000	$ 209,665
Comingled Securities			
Fixed Income Fund	$ 37,578,252	$ -	$ 37,578,252
Total Comingled Securities	$ 37,578,252	$ -	$ 37,578,252
Total Investments by Fair Value Level	$ 466,956,417	$ 84,001,000	$ 382,955,417
Investments Measured at the Net Asset Value(NAV)			
Commingled Funds			
Equity Funds	$ 640,443,527		
Fixed Income Funds	190,190,166		
Real Estate Funds	106,621,391		
Total Investments Measured at NAV	937,255,085		
Investments Measured at Amortized Costs			
External Investment Pools	219,989,773		
Less Cash Equivalents	(35,714,000)		
Total Investments	$ 1,588,487,274		

External investment pools include the PFM, LGIP and SNAP. These investments are reported at amortized cost in accordance with Rule 2a-7, and qualify as external investment pools per GASB No. 79, *Certain External Investment Pools and Pool Participants*. The City held $223,094,071 in LGIP funds, $0 in SNAP funds, and $154,734,191 in PFM funds at June 30, 2022.

The remaining commingled funds are reported at net asset value (NAV) as a practical expedient, based on the fair values of the underlying securities in the respective fund.

1. Equity Funds. This type includes an investment in an equity fund with an investment object to track the performance of the MSCI ACWI IMI index over the long-term. These investments can be redeemed semi-monthly with semi-monthly notice.

2. Fixed Income Funds. This type includes 2 investments in fixed income funds. An investment in a liquid short-term fund that invest approximately 65 percent of its total assets in a diversified portfolio of fixed income instruments. This investment can be redeemed within 3-7 business days with 1-day notice. An investment in a fund with an investment objective to track the performance of

the Barclay's U.S. Aggregate Bond Index over the long-term. This investment can be redeemed within 1-15 days, depending on trade size, with 1-day notice.

3. Real Estate Funds. This type includes 2 investments in real estate funds that invest in U.S. real estate. These funds compare themselves to the NCREIF Fund index – Open-End diversifies Core Equity (NFI-ODCE) benchmark. These investments can be redeemed quarterly with a 45–60-day notice.

School Board

At June 30, 2022, the School Board had cash of approximately $63.2 million, including $11.0 million held in custodial funds that are excluded from amounts reported in Exhibit D-1.

Economic Development Authority (EDA)

Cash includes cash on hand and cash deposited with financial institutions. At June 30, 2022, there was $9,619,428 in cash and cash equivalents ($1,528,288 that is considered restricted), including $3,179,558 held in the LGIP, which is carried at amortized cost because it qualifies as an external investment pool under GASB 79, *Certain External Investment Pools and Pool Participants.*

The Authority considers all funds with an original maturity of greater than three months, but less than one year, to be short-term investments. At June 30, 2021, the Authority held a certificate of deposit yielding 0.10 percent in the amount of $2,179,488, which is carried at fair value. Upon CD maturity on October 22, 2021, the remaining balance was transferred to a money market account yielding 0.26 percent. At June 30, 2022, there were no investments accounts.

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When considering fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.

- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantively the full term of the asset or liability.

- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

Fair value of the certificate of deposit is determined based on a discounted cash flow analysis using prevailing rates over the stated term, which are Level 2 inputs. Fair value approximates cost due to the short-term nature of the instrument.

III. Property Taxes

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The rates in effect for the year ended June 30, 2022, on each $100 of assessed value, were $1.25 for real property, an additional $0.16 for the Downtown Improvement District, $4.33 for motor vehicles, $4.33 for business furniture, fixtures and equipment, $1.50 for recreational vehicles, $4.25 for machinery and tools, $1.25 for mobile homes, $2.40 for airplanes and $1.50 for business boats. The City has a Real Estate Tax Relief/ Tax Deferral Program for Norfolk homeowners who are 65 and older or completely disabled and meet certain eligibility requirements. The property tax calendar is as follows:

	Real Property	Other than Real Property
Lien date	July 1	January 1
Levy date for existing property	July 1	January 1
Levy date for real property improvement, new construction or newly acquired property	October 1, January 1 and April 1	Date of acquisition
Due dates	September 30, December 5, March 31 and June 5	June 5 or 30 days after acquisition
Collection dates	On or before due date	

In the event any installments of taxes on any of the above properties is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code of Ordinances.

IV. Accounts Receivable

A. Unbilled Accounts Receivable

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2022:

Water Utility fund	$	5,491,182
Wastewater Utility fund		1,452,760
Parking Facilities fund		171,721
Storm Water Utility fund		1,233,499
	$	8,349,162

The associated revenue is included in charges for services. All amounts were billed in July 2021.

B. Allowances for Uncollectible Accounts Receivable

Allowances for uncollectible accounts receivable are generally established using historical collection data, consideration of economic conditions, specific account analysis and subsequent cash receipts. The allowances at June 30, 2022, are as follows:

Primary Government:		
General Fund:		
Taxes	$	10,380,587
Accounts		23,483,662
Community Services Board		760,433
Total General Fund		34,624,682
Waste Management special revenue fund	$	1,666,700
Water Utility fund		3,763,773
Wastewater Utility fund		1,999,950
Parking Facilities fund		22,583,872
Storm Water Utility fund		678,100
Total Primary Government	$	65,317,077

C. Lease Receivable

The City, acting as lessor, leases buildings under long-term, non-cancelable lease agreements. The leases expire at various dates through 2058 and provide for renewal options ranging from zero to five years. During the year ended June 30, 2022, the governmental activities recognized $604,046 and $221,681 in lease revenue and interest revenue, respectively, pursuant to these contracts. The business-type activities recognized $484,284 and $29,637 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

	Governmental Activities		Business-Type Activities		
Year Ending June 30,	Principal	Interest	Principal	Interest	Total
2023	$ 711,305	$ 215,650	$ 482,644	$ 20,484	$ 1,430,083
2024	641,353	202,652	414,500	11,975	$ 1,270,480
2025	481,822	192,392	248,699	5,474	$ 928,387
2026	344,027	185,014	112,777	2,290	$ 644,108
2027	302,710	178,896	11,300	1,492	$ 494,398
Thereafter	9,576,722	4,270,127	73,639	3,949	$ 13,924,438
	$ 12,057,938	$ 5,244,732	$ 1,343,558	$ 45,664	$ 18,691,893

V. Due From Other Governments

Amounts due from other governments, at June 30, 2022, are as follows:

	General Fund	Grants Fund	Capital Projects Fund	Special Revenue Funds	Total Governmental Funds	Component Unit School Board
Commonwealth of Virginia:						
Non-categorical aid	$ 20,551,531	$ 14,057,089	$ -	$ -	$ 34,608,620	$ -
Nonmajor governmental funds grants	-	-	-	-	-	23,050,187
Reimbursement and miscellaneous	-		-	-	-	-
Total - Commonwealth of Virginia	20,551,531	14,057,089	-	-	34,608,620	23,050,187
Federal Government:						
Major governmental funds	46,053	17,221,940	-	-	17,267,993	27,690,116
Nonmajor governmental funds grants	-		-	12,947,285	12,947,285	-
Total - Federal Government	46,053	17,221,940	-	12,947,285	30,215,278	27,690,116
Total - Due from other governments	$ 20,597,584	$ 31,279,029	$ -	$ 12,947,285	$ 64,823,898	$ 50,740,303

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

VI. Capital Assets

A summary of changes in capital assets at June 30, 2022, follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Non-depreciable capital assets:				
Land	$ 112,317,666	$ 8,919,033	$ (1,136,667)	$ 120,100,032
Intangible assets	97,014	-	-	97,014
Construction in progress	67,527,633	32,205,600	(20,610,368)	79,122,865
Total non-depreciable assets	179,942,313	41,124,633	(21,747,035)	199,319,911
Depreciable assets:				
Buildings	1,171,559,355	9,928,434	(1,606,338)	1,179,881,451
Improvements other than buildings	144,605,669	8,599,171	(316,431)	152,888,409
Equipment and vehicles	143,725,266	6,487,467	(7,644,601)	142,568,132
Intangible assets	5,238,251	-	-	5,238,251
Infrastructure	1,186,145,024	24,438,958	(931,580)	1,209,652,402
Leased Building	-	26,601,070	-	26,601,070
Leased equipment and vehicles	-	1,490,127	-	1,490,127
Total depreciable assets	2,651,273,565	77,545,227	(10,498,950)	2,718,319,842
Less accumulated depreciation/amortization:				
Buildings Depreciation	(488,257,974)	(28,618,359)	2,536,925	(514,339,408)
Improvements other than buildings Depreciation	(57,569,815)	(9,395,550)	606,642	(66,358,723)
Equipment and vehicles Depreciation	(104,207,200)	(8,828,806)	8,063,702	(104,972,304)
Intangible assets depreciation	(4,737,783)	(199,663)	-	(4,937,446)
Infrastructure depreciation	(1,027,834,234)	(8,767,585)	214,997	(1,036,386,822)
Leased building depreciation	-	(4,593,232)	-	(4,593,232)
Leased equipment and vehicles depreciation	-	(379,755)	-	(379,755)
Total accumulated depreciation/amortization	(1,682,607,006)	(60,782,950)	11,422,266	(1,731,967,690)
Depreciable assets, net	968,666,559	16,762,277	923,316	986,352,152
Total governmental activities capital assets, net	$ 1,148,608,872	$ 57,886,910	$ (20,823,719)	$ 1,185,672,063
Business-Type activities:				
Non-depreciable capital assets:				
Land	$ 47,298,301	$ -	$ (2,469,250)	$ 44,829,051
Intangible assets	4,616,045	-	-	4,616,045
Construction in progress	79,578,983	61,867,983	(31,455,233)	109,991,732
Total non-depreciable assets	131,493,329	61,867,983	(33,924,483)	159,436,828
Depreciable assets:				
Land improvements	76,129,491	3,090,862	-	79,220,353
Buildings	504,551,737	9,799,320	(2,534,280)	511,816,777
Building Improvements	111,925	98,704	-	210,629
Equipment and vehicles	915,643,450	20,721,801	(3,942,046)	932,423,205
Intangible assets amortizable	8,203,902	1,389,257	-	9,593,159
Leased Building	-	505,116	-	505,116
Leased equipment and vehicles	-	22,295	-	22,295
Totals depreciable assets	1,504,640,506	35,627,355	(6,476,326)	1,533,791,534
Less accumulated depreciation/amortization:				
Land improvements depreciation	(24,215,423)	(983,372)	-	(25,198,795)
Buildings depreciation	(179,351,217)	(10,734,689)	2,534,280	(187,551,626)
Building Improvements Depreciation	(1,127)	(1,131)	-	(2,258)
Equipment and vehicles depreciation	(335,882,557)	(18,262,622)	3,849,179	(350,295,999)
Intangible assets amortization	(7,443,065)	(320,457)	-	(7,763,522)
Leased building depreciation	-	-	-	-
Leased equipment and vehicles depreciation	-	(6,805)	-	(6,805)
Total accumulated depreciation/amortization	(546,893,389)	(30,309,075)	6,383,459	(570,819,005)
Depreciable assets, net	957,747,117	5,318,280	(92,867)	962,972,529
Business-Type activities capital assets, net	$ 1,089,240,446	$ 67,186,262	$ (34,017,350)	$ 1,122,409,357

Component units:				
Non-depreciable capital assets:				
Land	$ 8,604,617	$ -	$ (440,682)	$ 8,163,935
Construction in progress	-	-	-	-
Total non-depreciable assets	8,604,617	-	(440,682)	8,163,935
Depreciable assets:				
Buildings and mobile classrooms	6,401,741	(1,085,335)	-	5,316,406
Improvements other than buildings	-	-	-	-
Building improvements	10,664,569	1,096,748	(1,562,418)	10,198,899
Equipment and vehicles	39,016,755	608,795	(1,814,257)	37,811,293
Intangible assets	1,323,387	-	-	1,323,387
Leased Building	-	851,293	-	851,293
Leased equipment and vehicles	-	-	-	-
Total depreciable assets	57,406,452	1,471,501	(3,376,675)	55,501,278
Less accumulated depreciation:				
Buildings and mobile classrooms	(5,031,571)	70,882	-	(4,960,689)
Improvements other than buildings	-	-	-	-
Building improvements	(653,365)	(684,227)	195,303	(1,142,289)
Equipment and vehicles	(29,314,778)	(1,929,045)	1,800,734	(29,443,089)
Intangible assets	(1,323,386)	-	-	(1,323,386)
Leased building depreciation	-	(51,651)	-	(51,651)
Leased equipment and vehicles depreciation	-	-	-	-
Total accumulated depreciation	(36,323,100)	(2,594,041)	1,996,037	(36,921,104)
Depreciable assets, net	21,083,352	(1,122,540)	(1,380,638)	18,580,174
Component units capital assets, net	$ 29,687,969	$ (1,122,540)	$ (1,821,320)	$ 26,744,109

Depreciation expense was charged to governmental and business-type activities as follows:

Governmental activities:	
General government	$ 10,399,108
Judicial administration	1,232,842
Public safety	4,698,108
Public works, which includes the depreciation of infrastructure assets	11,948,716
Health and sanitation	3,226,856
Culture and recreation	17,966,522
Community development	739,159
Education	10,153,015
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	418,625
Total depreciation expense	$ 60,782,950
Business-type activities:	
Water Utility fund	$ 15,536,270
Wastewater Utility fund	7,353,413
Parking Facilities fund	5,851,020
Storm Water fund	1,568,373
Total depreciation expense	$ 30,309,075
Component unit activities	
School Board	$ 2,037,601
Norfolk Economic Development Authority	556,440
Total depreciation expense	$ 2,594,041

VII. Property Held for Resale

The Authority entered into a real estate purchase agreement on August 28, 2014, to sell approximately 30 acres of the remaining Lake Wright Golf Course property to Northampton Development, LLC. 4.41 acres of Lake Wright Golf Course property was retained by the Authority and is held for resale recorded at $602,952 that represents the cost basis of 4.41 acres at approximately $136,724 per acre.

In addition, land and land improvements held for resale also includes two acres located at 7405 Sewells Point Road that are recorded at approximately $115,000 per acre totaling $230,000.

VIII. Short-term Obligations

A. Variable Rate Bonds

General Obligation Variable Rate Demand Bonds, Series 2007
The City issued $32,365,000 in General Obligation Variable Rate Demand Bonds, Series 2007 (AMT) on March 29, 2007, to finance the Half Moone Cruise & Celebration Center. As of June 30, 2022, $23,000,000 remains outstanding and included in the City's long-term debt. The Series 2007 Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest.

The Series 2007 Bonds shall bear interest from time to time in any one of seven Interest Rate Periods: (i) a Daily Rate Period, (ii) a Weekly Rate Period, (iii) a Monthly Rate Period, (iv) a Commercial Paper Period, (v) an Indexed Put Rate Period, (vi) a Medium-Term Rate Period and (vii) a Fixed Rate Period. All Series 2007 Bonds must be in the same Interest Rate Period at any one time. Since delivery, the interest rate period on the Series 2007 Bonds has been at the Weekly Rate.

A portion of the Series 2007 Bonds maturing on August 1, 2037, in the amount of $1,910,000 are subject to mandatory redemption. The remainder of the Series 2007 Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date. The final maturity on the Series 2007 Bonds is August 1, 2037.

In 2019, the existing liquidity facility was due to expire, and the City entered into a Standby Bond Purchase Agreement dated as of March 1, 2019 (the "Liquidity Facility") among the City, the Trustee and Bank of America, N.A. (the "Bank"). The annual Liquidity Facility fee is 38 basis points (0.38 percent) for a five-year term. Additionally, the Bank also serves as the Remarketing Agent for the 2007 bonds for a fee of 8 basis points (0.08 percent). During the fiscal year ended June 30, 2021, the average weekly interest rate on the Series 2007 Bonds was 9 basis points (0.09 percent).

Under the Liquidity Facility, un-remarketed Bonds held by the Bank (the "Bank Bonds"), if any, shall bear interest at the Bank Rate and have interest payable to the Bank in accordance with the Liquidity Facility.

Through June 30, 2022, all the Series 2007 Bonds have been successfully remarketed by the remarketing agent.

B. Line of Credit

On December 17, 2014, the City established a revolving line of credit agreement with Bank of America, N.A. ("BANA") for up to $125,000,000 that was later amended in May 2016, to increase the maximum available credit to $200,000,000. On June 4, 2019, the City amended the credit agreement to reduce the maximum available credit to $125,000,000 with authorization to increase the amount to $200,000,000. On April 24, 2020, the City amended the credit agreement to increase the maximum available credit to $200,000,000. This line of credit has been used to provide flexible interim financing for capital improvement projects, including school construction. Further, the City maintains discretion over future increases and decreases to the line of credit maximum available amount dependent upon future cash flow needs of capital improvement projects. Borrowings under the line of credit bear interest payable semi-annually in February and August. The full faith and credit pledge of the City secures the line of credit that will be repaid through the issuance of general obligation bonds or other City sources. There is no minimum advance amount, and each advance shall be made on three days' notice given by the City to BANA.

In April 2020, the City amended the credit agreement with BANA to authorize draws on the City's existing revolving line of credit for up to $50 million to fund operating expenses caused by a significant emergency event. To date, the line of credit has not been used to fund emergency expenditures.

On November 21, 2019, the City amended its existing credit agreement with BANA to extend the termination date of the line of credit from December 17, 2019 to December 17, 2021.

On November 18, 2021, the City amended its existing credit agreement with Bank of America Merrill Lynch ("BAML") to extend the termination date of the Line of Credit from December 17, 2021 to November 18, 2023. The amendment also includes a change to the interest rate index to the Bloomberg Short-Term Bank Yield Index rate ("BSBY") administered by Bloomberg Index Services Limited and published on the applicable Reuters screen page. The amended tax-exempt borrowing rate is 79 percent of BSBY, plus 25 basis points. The amended taxable borrowing rate is 100 percent of BSBY, plus 32 basis points. If the BSBY Rate is not available at such time for any reason or the Bank makes the determination to incorporate or adopt a new interest rate to replace the BSBY Rate in credit agreements, then the bank shall replace the BSBY Rate with the daily Secured Overnight Financing Rate ("SOFR"). There is no commitment fee on the unutilized portion of the Line of Credit.

As of June 30, 2022, there is an outstanding drawn amount on the line of $52.8 million for capital expenditures.

Activity for the year ended June 30, 2022, is as follows:

	Balance as of June 30, 2021	Additions	Reductions	Balance as of June 30, 2022
Capital Projects Fund	$ 83,260,000	$ 54,100,200	$ 84,597,800	$ 52,762,400

IX. Long-term Obligations

A. General Obligation and Revenue Bonds

The City has traditionally issued general obligation or revenue bonds to provide funds for the construction and acquisition of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In 1993 and 2008, the City established Water revenue and Wastewater revenue bond programs, respectively. Additionally, in 2019, the City established a Storm Water revenue bond program.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds are limited liability obligations where revenues derived from the respective acquired or constructed assets are pledged to pay debt service.

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2022, follows:

		Enterprise Funds				
	Governmental Activities - General Obligation Bonds	Water Utility Bonds	Wastewater Utility Bonds	Parking Facilities Bonds	Storm Water Bonds	Total Enterprise Funds
General obligation bonds outstanding at July 1, 2021	$ 887,775,611	$ -	$ 71,683,522	$ 141,046,661	$ 32,905,971	$ 245,636,154
Bonds retired	(53,852,387)	-	(5,596,509)	(2,218,072)	(2,600,415)	(10,414,996)
Bonds refunded/defeased	(18,808,950)	-	(747,069)	(9,606,442)	(627,538)	(10,981,050)
Bonds transferred	10,487,208	-	-	(10,487,208)	-	(10,487,208)
Bonds reamortized	-	-	-	-	-	-
Bonds issued	96,650,816	-	2,570,667	9,134,156	2,759,361	14,464,184
Bonds outstanding at June 30, 2022	922,252,298	-	67,910,612	127,869,095	32,437,378	228,217,085
Unamortized (discount) premium	55,111,926	-	5,413,986	6,047,600	2,771,794	14,233,380
General obligation bonds outstanding at June 30, 2022, adjusted for unamortized (discount) premium	$ 977,364,224	$ -	$ 73,324,597	$ 133,916,695	$ 35,209,172	$ 242,450,465
Revenue bonds outstanding at July 1, 2021		$ 279,485,000	$ 86,939,284	$ -	$ 347,777	366,772,061
Bonds retired		(17,170,000)	(7,556,803)	-	(34,232)	(24,761,035)
Bonds reamortized		(19,325,000)	4,704	-	-	(19,320,296)
Bonds transferred		-	-	-	-	-
Bonds issued		-	8,545,230	-	-	8,545,230
Revenue Bonds outstanding at June 30, 2022		242,990,000	87,932,414	-	313,546	331,235,960
Unamortized (discount) premium		30,657,535	-	-	-	30,657,535
Revenue bonds outstanding at June 30, 2022, adjusted for unamortized (discount) premium		$ 273,647,535	$ 87,932,414	$ -	$ 313,546	$ 361,893,494
Total bonds outstanding at June 30, 2022, adjusted for unamortized (discount)/premium	$ 977,364,224	$ 273,647,535	$ 161,257,011	$ 133,916,695	$ 35,522,718	$ 604,343,959

General obligation and revenue bonds outstanding at June 30, 2022, are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Governmental Activities Public Improvement	Business-type Activities Storm Water Utility	Wastewater Utility	Parking Facilities	Balance Outstanding
Series 2002 Property Acquisition	8/14/2002	3,400,000	5.375%	3,400,000	-	-	-	3,400,000
Series 2007 VRDB	3/29/2007	32,365,000	Variable - June 30, 2022, rate of 0.93	23,000,000	-	-	-	23,000,000
Series 2010B Capital Improvement	1/21/2010	117,650,000	4.950 - 5.962%	62,998,054	3,122,661	5,284,286	-	71,405,000
Series 2010F Capital Improvement	2/25/2010	5,000,000	4.65 - 5.60%	2,250,000	-	-	-	2,250,000
Series 2012A Refunding	5/30/2012	69,030,000	3.00 - 5.00%	6,654,844	185,701	689,455	-	7,530,000
Series 2012D Capital Improvement	6/28/2012	7,350,000	4.35%	7,350,000	-	-	-	7,350,000
Series 2013A Capital Improvements and Refunding	11/7/2013	130,990,000	4.25 - 5.00%	8,070,000	630,000	760,000	-	9,460,000
Series 2013B Capital Improvements and Refunding	11/7/2013	81,715,000	3.365 - 4.955%	7,660,000	-	-	-	7,660,000
Series 2013C QECB	11/7/2013	2,470,000	4.855%	2,470,000	-	-	-	2,470,000
Series 2014 Refunding	4/2/2014	65,155,000	3.00 - 5.00%	18,915,903	1,071,029	4,868,068	-	24,855,000
Series 2014B Refunding	10/1/2014	9,900,000	3.290%	3,243,224	131,043	235,733	-	3,610,000
Series 2014C Refunding	9/30/2014	58,510,000	4.00 - 5.00%	38,067,167	1,800,616	6,482,217	-	46,350,000
Series 2015 Refunding	3/2/2015	16,320,000	3.320%	2,978,281	116,748	389,972	-	3,485,000
Series 2016A	10/19/2016	106,680,000	2.50 - 5.00%	20,955,000	2,310,000	4,795,000	-	28,060,000
Series 2016B Refunding	10/19/2016	69,870,000	3.00 - 5.00%	40,856,131	2,219,589	5,161,459	12,372,822	60,610,000
Series 2016C	10/19/2016	10,500,000	3.00 - 3.050%	10,500,000			-	10,500,000
Series 2017 GO Storm Water VRA	5/31/2017	2,405,791	0.000%	-	1,721,953	-	-	1,721,953
Series 2017A GO Capital Improvement	12/5/2017	103,520,000	5.00%	16,530,000	-	-	-	16,530,000
Series 2017B GO Capital Improvement	12/5/2017	3,590,000	3.793%	-	-	-	3,590,000	3,590,000
Series 2017C GO Refunding	12/5/2017	59,275,000	2.50 - 5.00%	4,536,049	370,174	444,764	1,979,012	7,330,000
Series 2018 SW VRA Brownfield	9/27/2018	1,117,725	0.25%	-	727,429	-	-	727,429
Series 2018 Refunding	12/21/2018	11,710,000	3.540%	880,000	-	-	9,355,000	10,235,000
Series 2019 GO Capital Improvement	2/7/2019	133,695,000	5.00%	51,890,000	-	-	-	51,890,000
Series 2019B GO Refunding	8/15/2019	159,305,000	1.899 - 3.346%	92,970,746	2,103,143	10,877,873	49,828,238	155,780,000
Series 2019C GO Refunding	8/15/2019	28,905,000	1.818 - 3.186%	21,664,191	209,813	3,477,556	3,278,440	28,630,000
Series 2019D GO Refunding	9/19/2019	89,025,009	1.810 - 2.920%	64,949,044	1,783,118	2,933,013	16,984,825	86,650,000
Series 2020A GO Capital Improvement	4/2/2020	37,275,000	4.00 - 5.00%	18,211,165	8,837,652	8,906,183	-	35,955,000
Series 2020B GO Refunding	4/2/2020	45,630,000	1.25% - 2.50%	33,190,463	400,217	2,055,573	8,238,747	43,885,000
Series 2020C GO Refunding	10/15/2020	77,825,000	0.359 - 1.514%	53,595,679	2,043,972	7,986,937	13,208,412	76,835,000
Series 2021 GO	6/29/2021	210,800,000	0.215 - 2.434%	210,800,000	-	-	-	210,800,000
Series 2021A GO Capital Improvement	8/12/2021	74,220,000	4.00 - 5.00%	59,821,346	1,570,087	2,357,246	7,271,321	71,020,000
Series 2021B GO Refunding	8/12/2021	36,895,000	0.200 - 1.420%	33,845,011	1,082,434	205,278	1,762,277	36,895,000
Total General Obligation Bonds				922,252,298	$32,437,378	67,910,612	127,869,095	1,150,469,383

Bond Issue/Purpose	Dated	Interest Rate	Business-type Activities Storm Water Utility	Water Utility	Wastewater Utility	Balance Outstanding
Series 2007 Wastewater Revenue	11/9/2007	0.00%	-	-	6,375,000	6,375,000
Series 2009 Wastewater Revenue	11/17/2009	0.00%	-	-	3,375,000	3,375,000
Series 2010 Water Revenue	9/30/2010	2.50 - 4.50%	-	-	-	-
Series 2010 Wastewater Revenue	10/19/2010	0.00%	-		5,000,000	5,000,000
Series 2011 Wastewater Revenue	10/21/2011	0.00%	-	-	5,347,500	5,347,500
Series 2012 Water Revenue Refunding	4/4/2012	5.00%	-	-	-	-
Series 2012 Wastewater Revenue	12/18/2012	0.00%	-	-	7,249,587	7,249,587
Series 2013 Wastewater Revenue	12/12/2013	0.00%	-	-	6,750,000	6,750,000
Series 2015 Wastewater Revenue	3/2/2015	0.00%	-	-	6,335,810	6,335,810
Series 2015A Water Revenue	4/16/2015	5.25%	-	29,660,000	-	29,660,000
Series 2015B Water Revenue Refunding	4/16/2015	5.00 - 5.25%	-	52,085,000	-	52,085,000
Series 2016 Wastewater Revenue	4/21/2016	0.00%	-	-	4,385,579	4,385,579
Series 2017 Wastewater Revenue	5/31/2017	0.00%	-	-	5,312,045	5,312,045
Series 2017 Water Revenue Refunding	12/18/2017	5.00%	-	134,545,000	-	134,545,000
Series 2018 Water Revenue	3/26/2018	2.50 - 5.00%	-	26,700,000	-	26,700,000
Series 2018 Wastewater Revenue	6/22/2018	0.00%	-	-	6,487,594	6,487,594
Series 2019A Wastewater Revenue	5/16/2019	2.00%	-	-	1,489,044	1,489,044
Series 2019B Wastewater Revenue	5/16/2019	1.00%	-	-	2,806,187	2,806,187
Series 2019C Wastewater Revenue	5/16/2019	1.00%	-	-	3,361,049	3,361,049
Series 2019D Wastewater Revenue	5/16/2019	0.00%	-	-	4,275,000	4,275,000
Series 2019E Wastewater Revenue	11/21/2019	0.00%	-	-	9,750,000	9,750,000
Series 2020 Wastewater Revenue	11/19/2020	0.00%	-	-	8,187,786	8,187,786
Series 2020 Storm Water Revenue	11/19/2020	0.25%	313,546	-	-	313,546
Series 2022 Wastewater Revenue	1/28/2022	0.50%	-	-	1,445,233	1,445,233
Total Revenue Bonds			$ 313,546	$ 242,990,000	$ 87,932,414	$ 331,235,960

The Series 2007 General Obligation Variable Rate Demand Bonds, utilized to finance the construction of the cruise terminal, are remarketed weekly and reset at an interest rate of 2 basis points (0.02 percent) as June 30, 2022 (see Note VIII).

B. General Obligation Bonds

A summary of the requirements to amortize general obligation bonds are as follows:

	Governmental Activities				Business-type Activities			
	Bonds		Direct Borrowings and Direct Placements		Bonds		Direct Borrowings and Direct Placements	
Year Ending June 30,	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2023	$ 64,868,190	$ 27,722,249	$ 1,817,426	$ 406,713	$ 8,726,810	$ 6,375,634	$ 1,035,250	$ 350,133
2024	64,895,343	25,580,622	1,602,248	350,019	9,054,657	5,923,074	1,035,721	322,153
2025	62,487,125	23,071,374	2,177,975	297,008	13,197,875	6,036,138	475,289	293,808
2026	63,339,534	21,600,295	751,928	223,311	13,205,466	5,309,081	761,631	285,681
2027	64,175,138	19,711,777	751,928	198,066	13,154,862	5,044,910	791,927	266,639
2028-2032	284,780,006	70,744,400	-	913,750	66,504,994	18,979,818	4,294,002	989,812
2033-2037	180,289,716	34,522,492	3,400,000	30,458	55,145,284	9,460,049	2,619,058	503,388
2038-2042	93,245,482	10,481,859	-	-	24,774,518	3,355,686	1,665,000	62,393
2043-2047	25,835,259	2,701,149	-	-	11,349,741	1,642,159	-	-
2048-2051	7,835,000	215,931	-	-	425,000	8,060	-	-
Total	$ 911,750,793	$ 236,352,147	$ 10,501,505	$ 2,419,326	$ 215,539,207	$ 62,134,611	$ 12,677,878	$ 3,074,005

The detailed requirements to amortize general obligation bonds for the major proprietary funds are as follows:

Year Ending	Storm Water Utility Fund*		Wastewater Utility Fund*		Parking Facilities Fund*	
June 30,	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2023	2,766,261	1,188,595	5,874,988	2,280,661	1,120,811	3,256,510
2024	2,690,789	1,077,266	5,846,643	2,045,455	1,552,946	3,122,506
2025	2,586,434	960,967	5,910,515	1,856,356	5,176,215	3,512,622
2026	2,495,649	896,099	5,761,616	1,698,963	5,709,831	2,999,700
2027	2,471,470	820,725	5,777,355	1,550,746	5,697,965	2,940,078
2028-2032	11,048,267	2,741,243	21,801,036	4,687,409	37,949,694	12,540,977
2033-2037	5,744,726	1,259,640	8,182,289	2,218,726	43,837,327	6,485,072
2038-2042	2,633,782	226,596	5,578,575	1,482,482	18,227,161	1,709,000
2043-2047	-	-	3,177,595	465,341	8,172,146	1,176,819
2048-2051	-	-	-	-	425,000	8,060
	$ 32,437,378	$ 9,171,132	$ 67,910,612	$ 18,286,141	$ 127,869,095	$ 37,751,343

*Includes direct borrowings and direct placements.

General Obligation Direct Borrowings and Direct Placements

General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt) (the "Series 2021A")

On August 12, 2021, the City issued its $74,220,000 General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt) to finance capital improvement projects and provide long-term financing for expenditures that were previously funded on an interim basis as deferred outflows.

General Obligation Refunding Bonds, Series 2018 (the "Series 2018")
As of June 30, 2022, the total outstanding on the Series 2018 is $10,235,000. The City's Series 2018 contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

General Obligation Forward Refunding Bonds, Series 2014B and 2015 (the "Forward Refunding Bonds")
As of June 30, 2022, the total outstanding on the Forward Refunding Bonds was $7,095,000. The Forward Refunding Bonds contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

General Obligation Property Acquisition Bond, Series 2002 (the "Series 2002")
As of June 30, 2022, the total outstanding on the Series 2002 is $3,400,000. The City issued its $3,400,000 General Obligation Property Acquisition Bond, Series 2002 to finance a portion of the purchase price of property, located within the boundaries of Shore Drive and Little Creek Road.

Storm Water General Obligation Bonds
As of June 30, 2022, the City has two separate series of bonds that it has borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the Virginia Resources Authority. The total outstanding Storm Water General Obligation Bonds at June 30, 2022, was $2,449,383. The Storm Water General Obligation Bonds contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

C. Revenue Bonds

Wastewater VRA Revenue Bonds, Series 2022A (the "Series 2022A")
On January 28, 2022, the City issued a $8,545,230 Wastewater System Revenue Bond, with the Virginia Resource Authority (VRA). In conjunction with the State Water Control Board, VRA administers the Virginia Water Facilities Revolving Loan Fund. The Series 2022A bond has an interest rate of 0.5 percent.

Water Revenue Bond Defeasance (2022)
Series 2010 and Series 2012 Water Revenue and Refunding Bonds
On June 10, 2022, the City defeased (retired) $19,325,000 of its existing Series 2010 and 2012 Water Revenue and Refunding Bonds, which were eligible to be prepaid without penalty. This prepayment produces $8.2 million in net present debt service savings for the Water System, by eliminating the associated future interest payments. By prepaying the debt, the City was also able to release over $2.2 million from reserves securing the Series 2010 Bonds.

The Water Revenue Bond covenants require that each year's Water Utility fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the Statement of Net Position because their use is limited by applicable bond covenants.

The Wastewater Revenue Bond covenants require that each year's Wastewater Utility fund net revenue will equal at least 1.15 times the amount required during the fiscal year to pay the principal of the Wastewater Revenue Bonds, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under leases that are treated as capital leases under GAAP, but excluding any general obligation bonds issued to finance wastewater system property. These resources are classified as restricted investments on the Statement of Net Position because their use is limited by applicable bond covenants.

The Storm Water Revenue Bond covenants require that each year's Storm Water Utility fund net revenue will equal at least 1.15 times the amount required during the fiscal year to pay the principal of the Storm Water Revenue Bonds, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under leases that are treated as capital leases under GAAP, but excluding any general obligation bonds issued to finance storm water system property. These resources are classified as restricted investments on the Statement of Net Position because their use is limited by applicable bond covenants.

As of June 30, 2022, draws for project expenses of $2,172,976, $5,908,847, and $2,101,673 from bond issuances in fiscal year 2019, 2020 and 2022 respectively, resulted in total VRA drawdowns of $10,183,496 for fiscal year 2022. In conjunction with the state water control board, the VRA administers and manages the Virginia Water Facilities Revolving Fund.

The detailed requirements to amortize Water, Wastewater and Storm Water revenue bonds are as follows:

Year Ending	Water Revenue		Wastewater Revenue*		Storm Water Revenue*	
June 30, 2022	Principal	Interest	Principal	Interest	Principal	Interest
2023	18,090,000	11,866,138	8,241,153	85,166	34,491	762
2024	19,195,000	10,934,013	8,266,479	59,840	34,578	676
2025	17,880,000	10,014,638	8,020,797	55,504	34,664	590
2026	18,965,000	9,101,013	7,766,367	58,456	34,751	503
2027	11,915,000	8,325,813	7,061,449	44,206	34,838	416
2028-2032	50,120,000	33,001,338	26,534,200	163,438	140,224	790
2033-2037	39,210,000	22,141,538	15,545,531	109,359	-	-
2038-2042	32,735,000	13,280,931	6,341,650	53,913	-	-
2043-2047	33,015,000	3,553,838	154,789	5,727	-	-
2048-2051	1,865,000	46,625	-	-	-	-
Total	$ 242,990,000	$ 122,265,881	$ 87,932,414	$ 635,609	$ 313,546	$ 3,737

*Includes both publicly sold debt and direct borrowing and direct placement debt.

Revenue Bond Direct Borrowing and Direct Placement Debt

Included in the City's Revenue Bond portfolio are several direct borrowing and direct placement issuances that include:

Storm Water Revenue Bonds
As of June 30, 2022, the City has one bond series that it has borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the VRA. The total outstanding Storm Water Revenue Bond at June 30, 2022, was $313,546. The Storm Water Revenue Bond contains a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bond immediately due and payable.

Wastewater Revenue Bonds
As of June 30, 2022, the City has seventeen separate series of bonds that it has borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the VRA. The total outstanding Wastewater Revenue Bonds at June 30, 2022, were $88,531,258. The Wastewater Revenue Bonds contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

As of June 30, 2022, Wastewater Utility fund draws for project expenses were $2,172,976, $5, 246,517, and $1,521,452 from bond issuances in fiscal year 2019, 2020 and 2022, respectively, that resulted in total VRA drawdowns of $8,940,944 for fiscal year 2022. In conjunction with the State Water Control Board, the VRA administers and manages the Virginia Water Facilities Revolving Fund.

D. Current and Advanced Refundings

General Obligation Refunding Bonds, Series 2021B (the "Series 2021B")
On August 12, 2021, the City issued $36,895,000 of General Obligation Refunding Bonds, Series 2021B (Federally Taxable) to lower the interest cost on existing debt and achieve savings. The refunding generated a net present value savings $2,548,768, or 8.6 percent of the original debt.

The City defeases certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

At June 30, 2022, the following defeased bonds from advance refunding are still outstanding:

General Obligation Bonds

Defeased In	Original Issue	Amount	Redemption
2017	2013A	31,540,000	8/1/2023
2018	2013A	53,815,000	8/1/2023
2020	2012A	17,655,000	10/1/2022
2020	2013B	42,605,000	8/1/2023
2020	2014	8,845,000	8/1/2024
2020	2016A	6,690,000	10/1/2022
2020	2016A	36,395,000	10/1/2026
2020	2016B	2,970,000	10/1/2026
2020	2017A	64,945,000	9/1/2024
2020	2017C	19,300,000	3/1/2027
2020	2019	61,045,000	8/1/2028
2021	2012A	6,045,000	10/1/2022
2021	2013B	7,770,000	8/1/2023
2021	2014	17,600,000	8/1/2024
2021	2016A	4,220,000	10/1/2026
2021	2016B	3,885,000	10/1/2026
2021	2017A	5,510,000	9/1/2024
2021	2017C	12,150,000	3/1/2027
2021	2019	5,570,000	8/1/2028
2022	2016B	975,000	10/1/2026
2022	2017C	18,635,000	3/1/2027
2022	2019	10,180,000	8/1/2028
		$ 438,345,000	

Water Revenue Bonds

Defeased In	Original Issue	Amount	Redemption
2022	2010	18,050,000	6/10/2022
2022	2012	1,275,000	6/10/2022
		$ 19,325,000	

E. Economic Development Authority

In April 2016, the City and the Economic Development Authority of the City of Norfolk (the "EDA") entered into a financing agreement, with Bank of America, N.A. ("BANA") to provide funds for an economic development project in the City in the maximum principal amount of $14,500,000. The City and the EDA also entered into a cooperation agreement related to the financing, whereby the City provides a general obligation guarantee of the payments required under the financing agreement. During fiscal year 2021, the bond was paid in full with funds received from the City of Norfolk. These funds were received on January 8, 2021, as an uncollateralized loan from the City. There no set repayment terms. The balance on the loan was $12,762,400 at June 30, 2022.

F. Lease Liability

The City leases equipment as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2034 and provide for renewal options ranging from one year to five years.

A summary of the Governmental Activities' long-term leases are as follows:

Buildings are leased for multiple departments within the City, as of June 30, 2022, the lease obligations for buildings are $23,313,890. Multiple vehicles are leased for Community Services Board, as of June 30, 2022, the lease obligations for vehicles are $95,232. The City has a lease agreement with Ricoh for printers through 2027, as of June 30, 2022, the lease obligations for equipment are $995,991.

A summary of the Business-Type Activities' long-term leases are as follows:

Utilities leases building space for its call-center, as of June 30, 2022, the lease obligations are $505,116. The Parking has a lease agreement with Ricoh for Printers through 2025, as of June 30, 2022, the lease obligations for equipment are $15,636.

Total future minimum lease payments under lease agreements are as follows:

	Governmental Activities		Business-Type Activities		
Year Ending June 30,	Principal	Interest	Principal	Interest	Total
2023	$ 3,697,862	$ 408,505	$ 55,049	$ 14,487	$ 4,175,903
2024	3,123,460	352,288	57,513	13,003	$ 3,546,264
2025	2,388,805	305,461	57,983	11,451	$ 2,763,700
2026	2,182,201	265,398	58,522	9,887	$ 2,516,008
2027	1,982,311	226,538	62,226	8,235	$ 2,279,310
Thereafter	11,030,476	741,365	229,459	14,252	$ 12,015,552
	$ 24,405,115	$ 2,299,555	$ 520,752	$ 71,315	$ 27,296,737

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class:

	Governmental Activities	Business-Type Activities
Equipment	$ 26,438,958	$ 22,295
Buildings	1,490,127	505,116
Less: accumulated depreciation	(4,972,987)	(6,805)
	$ 22,956,098	$ 520,606

G. Landfill Liability

The Campostella Landfill was issued a permit by the Virginia Department of Health on February 18, 1983, to operate a construction demolition debris (CDD) waste landfill. The landfill accepted primarily CDD and inert waste in addition to sanitary and debris waste. The landfill stopped receiving waste on June 30, 1992. The Virginia Department of Environmental Quality (DEQ) approved the closure certification and officially designated the facility closed on August 2, 2002. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 10 years after regulatory closure. During the fiscal year ended June 30, 2010, the DEQ notified the City that it must demonstrate corrective action and years of post-close care costs beyond December 31, 2010. The $2,852,790 reported as an obligation for closure and post-closure costs at June 30, 2022, reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella Landfill statistically exceeded groundwater protection standards in May 2002. Until a remedy for corrective action is chosen and approved, $2,152,405 is included in the liability above for groundwater corrective action as required by state law. It is not anticipated that a corrective action will be approved within one year, as such the entire amount is reported as a long-term liability.

H. Compensated Absences

A liability for vested vacation and sick leave benefits is recorded as general long-term obligations. These benefits represent future obligations of the following funds and component units:

Primary Government	
Governmental Activities:	
General Fund	$ 21,544,131
Grants Fund	292,982
Nonmajor governmental funds	850,755
Internal service funds	309,251
Total Governmental Activities	$ 22,997,119
Business-type Activities:	
Water Utility fund	$ 1,102,891
Wastewater Utility fund	285,481
Parking Facilities fund	174,059
Storm Water Utility fund	380,997
Total Business-type Activities	$ 1,943,428
Component Unit - School Board	$ 9,720,342

I. Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2022, the City's debt limit is $2,307,611,773 of which $1,054,007,991 is available for the issuance of additional debt. There are no overlapping tax jurisdictions.

J. Bonds Authorized and Unissued

A summary of bonds authorized and unissued as of June 30, 2022, are as follows:

Projects		Total
General Obligation Bonds Authorized and Unissued:		
General Capital Improvement Projects	$	152,517,076
Maritime Center Capital Improvement Projects		4,664,813
Waste Management Capital Improvement Projects		2,257,223
Towing and Recovery Capital Improvement Projects		-
Wastewater Utility Fund Projects		19,195,424
Parking Facilities Fund Projects		7,000,000
Storm Water Utility Fund Improvement Projects		61,293,506
G.O. Bonds Authorized and Unissued:	$	246,928,042
Revenue Bonds Authorized and Unissued:		
Water Utility Fund Projects		97,441,821
Revenue Bonds Authorized and Unissued:		97,441,821
Total Bonds Authorized and Unissued:	$	344,369,863

K. Changes in Long-Term Obligations

A summary of fiscal year 2022 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Bonds, Direct Borrowing and Direct Placements:					
General obligation bonds	$ 878,746,359	$ 103,681,708	$ (70,677,274)	$ 911,750,793	$ 64,868,190
Direct borrowings and direct placements	9,029,252	3,456,316	(1,984,063)	10,501,505	1,817,426
Net Premiums	47,637,994	17,353,642	(9,879,710)	55,111,926	-
Total Bonds	935,413,605	124,491,666	(82,541,047)	977,364,224	66,685,616
Other Liabilities:					
Vested compensated absences	21,809,108	11,431,837	(10,553,077)	22,687,868	12,149,119
Other post-employment benefits	105,747,246	13,566,720	(11,197,074)	108,116,892	-
Retiree's life insurance	120,000	-	(5,000)	115,000	-
Self-insurance	36,098,411	7,827,506	(5,982,533)	37,943,384	5,985,279
Net pension liability	345,658,897	132,972,355	(445,286,441)	33,344,811	-
Landfill closure and post-closure costs	2,726,376	126,414	-	2,852,790	-
Lease Liability	-	24,405,114	-	24,405,114	3,697,864
Total Other Liabilities	512,160,038	190,329,946	(473,024,125)	229,465,859	21,832,262
Governmental Activities Long-term liabilities	1,447,573,643	314,821,612	(555,565,172)	1,206,830,083	88,517,878
Internal Service Funds:					
Net pension liability	$ 4,179,446	$ 1,272,487	$ (5,020,770)	$ 431,163	$ -
Other post-employment benefits	824,459	29,136	(114,618)	738,977	-
Vested compensated absences	281,429	155,917	(128,095)	309,251	165,601
Total Internal Service Funds	5,285,334	1,457,540	(5,263,483)	1,479,391	165,601
Total Governmental Activities	$ 1,452,858,977	$ 316,279,152	$ (560,828,655)	$ 1,208,309,474	$ 88,683,479
BUSINESS-TYPE ACTIVITIES:					
Bonds, Direct Borrowing and Direct Placements:					
Water Utility	$ 279,485,000	$ -	$ (36,495,000)	$ 242,990,000	$ 18,090,000
Wastewater Utility	158,622,728	11,120,602	(13,900,381)	155,842,949	14,113,618
Parking Facilities	141,046,661	9,134,156	(22,311,722)	127,869,095	1,120,811
Storm Water	33,253,748	2,759,361	(3,262,185)	32,750,924	2,800,752
Net Premiums	49,311,515	-	(4,424,036)	44,887,479	-
Total Bonds Payable	661,719,652	23,014,119	(80,393,324)	604,340,447	36,125,181
Other Liabilities:					
Vested compensated absences	2,095,064	1,241,319	(1,392,955)	1,943,428	1,193,575
Net pension liability	39,206,928	12,858,953	(47,733,061)	4,332,820	-
Other post-employment benefits	7,734,087	1,023,253	(1,331,310)	7,426,030	-
Lease Liability		520,753	-	520,753	-
Total Other Liabilities	49,036,079	15,644,278	(50,457,326)	14,223,031	1,193,575
Total Business-Type Activities	$ 710,755,731	$ 38,658,397	$ (130,850,650)	$ 618,563,478	$ 37,318,756

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
COMPONENT UNITS:					
Other Liabilities:					
Vested compensated absences	$ 10,303,996	$ 13,226,898	$ (13,810,552)	$ 9,720,342	$ 7,290,257
Other post-employment benefits	102,057,511	1,135,676		103,193,187	-
Net pension liability	320,824,685		(160,238,382)	160,586,303	-
Workers' compensation claims	3,448,960	1,245,676	(1,009,949)	3,684,687	718,828
Long-term Notes Payable	14,970,000		(507,227)	14,462,773	336,534
Claims liability	179,050	75,143	(82,386)	171,807	98,830
Lease Liability		806,747		806,747	45,392
Component Units long-term obligations	$ 451,784,202	$ 16,490,140	$ (175,648,496)	$ 292,625,846	$ 8,489,841

X. Pension Plans

The City and its component units participate in four defined benefit pension retirement plans. These include the Employees' Retirement System (ERS) of the City of Norfolk (Note X.A); a Virginia Retirement System (VRS) agent multiple-employer plan for the benefit of state employees in constitutional offices (Note X.B); a Virginia Retirement System (VRS) cost sharing plan administered by the Commonwealth of Virginia for the benefit of Norfolk School Board employees (Note X.B); and a VRS agent multiple-employer plan for the benefit of Norfolk School Board Political Subdivision Employee (Note X.B). Pension expense for ERS and VRS reported for the fiscal year ended June 30, 2022, for the City (including Line of Duty) was $5,333,000 and $3,510,581, respectively, for a total of $8,843,581.

A. Employees' Retirement System of the City of Norfolk (ERS):

Plan Description

The ERS is the administrator of a single-employer contributory, defined benefit plan (the Plan) that covers substantially all employees of the City, excluding School Board employees and Constitutional Officers' employees who are covered by the VRS. The ERS provides retirement benefits, as well as death and disability benefits. Cost-of-living adjustments (COLAs) are not required, are not regularly instituted and are available solely at the discretion of the City Council. The ERS and its benefits are established by Chapter 37 of the Code of the City of Norfolk, Virginia, as amended. ERS pension expenses and liabilities are allocated based on the employer's contribution to the Plan. The ERS issues a publicly available Annual Comprehensive Financial Report that includes financial statements and required supplementary information. The report may be downloaded from the City of Norfolk website at www.norfolk.gov/retirement or obtained by writing the Employees' Retirement System of the City of Norfolk, 810 Union Street, Suite 309, Norfolk, Virginia 23510.

Plan Closure

The City of Norfolk, a political subdivision of the Commonwealth of Virginia, acting through the Council of the City elected to join the Virginia Retirement System (VRS) and provide VRS retirement benefits for its eligible employees effective January 1, 2022. The System was closed to new membership effective January 1, 2022.

Plan Membership

As of June 30, 2021, the actuarial valuation and net pension liability measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries receiving benefits:	
General	2,912
Public Safety	1,360
Vested Former Members:	
General	1,092
Public Safety	348
Active Plan Members:	
General	2,604
Public Safety	1,137
	9,453

Plan Benefits

The ERS provides retirement benefits, as well as death and disability benefits. All benefits vest after five years of creditable service. Employee eligibility requirements are as follows:

Retirement (for employees who became members prior to July 1, 1980): Normal retirement is the earlier of age 60 or after completion of 30 years of credited service for general employees, and the earlier of age 55 or after the completion of 25 years of credited service for public safety employees. The normal service retirement benefit per annum is equal to 2.0 percent of average final compensation (average of the three highest years of compensation) times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees.

Retirement (for employees who became members on or after July 1, 1980): Normal retirement is the earlier of age 60 or after completion of 30 years of credited service for general employees, and age 55 or after the completion of 25 years of credited service for public safety employees. The normal service retirement benefit per annum for general employees is equal to 1.75 percent of average final compensation times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

Retirement (for employees who became members on or after July 1, 2018): Normal retirement is the earlier of the retirement age as defined under the Social Security Act (42 U.S.C §416) or the age at which the combination of a participant's age and service sums to at least 90 for general employees, and the earlier of age 60 or age 50 with 25 years of creditable service for public safety employees. The normal service retirement benefit per annum for general employees is equal to 1.75 percent of average final compensation times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

Effective December 13, 2011, all employees hired on or after December 2011 are required to meet the vesting requirement of five years to be eligible to receive benefits under the Plan except for Norfolk Community Services Board employees. The aforementioned had their prior service with the Norfolk Community Services Board counted towards the five-year vesting requirement without this service being deemed creditable service in the Plan.

Effective January 1, 2015, the City Council adopted Ordinance Number 45,566 that established a Deferred Retirement Option Program (DROP) for policemen and firemen eligible for normal service retirement. Eligible members may elect to participate for a maximum of four years, deferring receipt of a reduced retirement benefit of 70 percent while continuing employment with the City without loss of any other employee benefits.

Effective January 1, 2023, any active member of the ERS eligible for normal service retirement may elect to participate in DROP. Prior to this change, only sworn police and firefighters were eligible to participate.

Upon the member's election to participate in the DROP; the amount of creditable service and the average final compensation becomes frozen for purposes of determining pension benefits. The participant is considered retired for all purposes related to the Plan and does not accrue additional retirement benefits, except for ad hoc COLAs, if applicable. The DROP participant's monthly pension is held in lieu of being paid to the participant. Upon termination of employment, the participant will receive the DROP balance and will begin receiving the monthly pension directly. The participant's DROP balance is not credited with investment gains and losses.

Contributions

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the Plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. Effective January 8, 2015, all Plan members pay contribution on a salary reduction basis in the amount of 5 percent of earnable compensation, except for the City Council members hired before October 5, 2010. Employees of the Norfolk Community Services Board at June 30, 2012, who became City employees on July 1, 2012, were also required to pay member contributions effective January 8, 2015. Total employer contributions to the ERS plan were $41,457,423 and $160,231,736 for the years ended June 30, 2022 and 2021, respectively. The fiscal year 2021 contribution included an additional contribution of $119,553,490 representing a portion of the $210,800,800 in taxable general obligation proceeds that were issued on June 29, 2021, to increase the funding of ERS. These contributions combined with employee contributions of $9,364,336 and $9,711,6700 for the year ended June 30, 2022 and June 30, 2021, respectively were expected to cover the actuarially determined contributions.

Actuarial Assumptions

The actuarial assumptions above are based on the presumption that the ERS will continue indefinitely. Were the ERS to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial accrued liability.

For the June 30, 2021, actuarial valuation, the actuarial assumptions included the following:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Closed, 20-Years Layers
Asset Valuation Method	3-Year Smoothed Value
Investment Rate of Return	7.00%
Amortization growth Rate	3.00%
Inflation Rate	3.00%
Salary Increases - General	Average of 5.12% over a 30-year-career; based on rates that vary by year of service and are compounded annually
Salary Increases - Public Safety	Average of 6.19% over a 30-year-career; based on rates that vary by year of service and are compounded annually
Mortality	108% of RP-2014 adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages < 86) thereafter for healthy lives; and 100% of RP-2014 Disability Mortality adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages < 86) thereafter for disabled lives

The long-term expected rate of return on the ERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the following table:

Asset Class	30-year 2021 Long-term Expected Real Rate of Return	Target Allocations
Private Core Real Estate	4.75%	7.5%
Master Limited Partnerships	6.50%	7.5%
Core Fixed Income	1.00%	30.0%
Core Plus Income	1.50%	0.0%
Equity (ACWI IMI)	5.15%	55.0%
		100.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The GASB 67 depletion schedule, as prepared by the actuary based on those assumptions was presented for 99 years. Based on the assumptions, the pension plan's fiduciary net position was projected to be available to make projected future payments and pay administrative expenses. Projected benefit payments are discounted at the long-term expected return of 7.0 percent (net of investment expenses) to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.21 percent to the extent it is not available. The single equivalent rate to determine the total pension liability as of the measurement date of June 30, 2021, was 7.0 percent.

Net Pension Liability

The net pension liability was measured as of June 30, 2021, with an actuarial valuation date of June 30, 2021. Pension expense and liability are allocated to governmental and enterprise funds based on the actual employer contributions. Governmental funds typically used to liquidate the pension liability include the General fund, Towing and Recovery Operations, Waste Management, Grants, Community Development, Cemeteries, EOC/911 and Resiliency special revenue funds. The employer contributions made in fiscal year 2022 of $37,129,138 for governmental activities and $4,328,285 for business-type activities are included as deferred outflows. As of June 30, 2022, the City reported a net pension liability of $38,313,179 in governmental activities and $4,332,821 in business-type activities. The net pension liability is allocated based on employer's contributions during the measurement period.

The percentage for governmental activities and business-type activities for 2021 was 89.8 percent and 10.2 percent, respectively. Changes to the ERS net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	$ 1,421,028,000	$ 1,044,090,000	$ 376,938,000
Service cost	27,208,000	-	27,208,000
Interest	98,032,000	-	98,032,000
Changes in Benefits Terms	-	-	-
Contributions - employer	-	160,252,000	(160,252,000)
Contributions - employee	-	10,367,000	(10,367,000)
Net investment income	-	270,352,000	(270,352,000)
Benefits payments, including refunds of member contributions	(95,572,000)	(95,572,000)	-
Difference between expected and actual experience	(19,181,000)	-	(19,181,000)
Change in assumptions	-	-	-
Administrative expense	-	(620,000)	620,000
Balances at June 30, 2021	**$ 1,431,515,000**	**$ 1,388,869,000**	**$ 42,646,000**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.0 percent, as well as what the City's ERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
ERS Net Pension Liability	$ 196,879,000	$ 42,646,000	$ (87,920,000)

Pension Expense and Deferred Inflows and Outflows of Resources Related to the ERS Pension

Total pension expense included for the City is $5,323,773 for governmental activities and $10,963 for business-type activities or $5,334,736 combined for the City.

At June 30, 2022, deferred inflows (outflows) reported in the City's financial statements are as follows:

Deferred Inflows of Resources

	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	$ 17,622,670	$ 2,009,330	$ 19,632,000
Net difference between projected and actual earnings on plan	98,267,367	10,973,633	109,241,000
Change in assumptions	1,572,480	184,520	1,757,000
Net change in proportionate share (Internal Service Funds)	221,263	-	221,263
Net change in proportionate share (Storm Water Utility)	-	344,593	344,593
Net change in proportionate share (Parking Facilities)	-	567,570	567,570
Net change in proportionate share (Water Utility)	-	283,487	283,487
	$ 117,683,780	$ 14,363,133	$ 132,046,913

Deferred Outflows of Resources

	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	$ -	$ -	$ -
Net difference between projected and actual earnings on plan investments	-	-	-
Change in assumptions			-
Net change in proportionate share (Wastewater Utility)	-	91,862	91,862
Net change in proportionate share (Governmental funds)	1,325,051	-	1,325,051
	$ 1,325,051	$ 91,862	$ 1,416,913

Deferred outflows related to pension contributions made after the measurement date of $37,129,138 for governmental activities and $4,328,285 for business-type activities, but before the end of the City's contributing reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period. Other amounts related to deferred inflows (outflows) of resources will be recognized in pension expense as follows:

Amortization of Deferred (Inflows) Outflows

Year Ended:	Governmental Activities	Business-type Activities	Total
2023	$ 28,407,487	$ 3,814,512	$ 32,221,999
2024	25,208,240	3,144,761	28,353,001
2025	27,269,664	3,300,336	30,570,000
2026	35,473,338	4,011,662	39,485,000
	-	-	-
	$ 116,358,729	$ 14,271,271	$ 130,630,000

B. Virginia Retirement System (VRS)

Plan Description – Virginia Retirement System

The School Board and the City of Norfolk both participate in pensions offered by the Virginia Retirement System (VRS), which include two agent multiple-employer plans (for school employee political subdivisions and City of Norfolk state constitutional offices) and a cost-sharing multiple-employer (for teachers) defined benefit pension plan as well as a hybrid plan that contains both defined benefit and defined contribution aspects. All full-time, salaried permanent employees of the School Board, Constitutional Offices of the City of Norfolk, (Commissioner of the Revenue, City Treasurer, Circuit Courts, Commonwealth's Attorney, Sheriff employees) and other members of the School Board must participate in the VRS and are automatically covered by the respective VRS Plans upon employment. Members earn one month of service credit for each month they are employed and for which the City or the School Board and member pay contributions to VRS. Benefits vest after five years of service. Members hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1. Members hired or rehired on or after July 1, 2010, and Plan 1 members who were not vested on January 1, 2013, are covered under Plan 2. Members hired on or after January 1, 2014, are covered under the Hybrid Retirement Plan (Hybrid Plan), as well as Plan 1 and 2 members who are eligible and opted in during the January 1, 2014 to April 30, 2014 election window. The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation. The benefit from the defined contribution component is dependent upon member and employer contributions as well as investment performance. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for Plan 1 (nonhazardous duty) members is 1.7 percent. The retirement multiplier for Plan 2 (nonhazardous duty) members with service accrued prior to January 1, 2013 is 1.7 percent and subsequently reduced to 1.65 percent effective January 1, 2013. The retirement multiplier for Plan 1 and Plan 2 (hazardous duty) members is 1.85 percent. The retirement multiplier for the Hybrid Plan is 1.0 percent. The 2014 valuation included hybrid retirement plan members for the first time.

The VRS provides annual cost-of-living adjustments (COLA) to eligible retirees. Retirees receiving an unreduced benefit or reduced benefit with at least 20 years of service credit are entitled to a COLA effective July 1 after one full calendar year (January 1 – December 31) from the effective retirement date. Retirees receiving a reduced benefit with fewer than 20 years of service credit, are entitled to a COLA effective July 1 after one full calendar year (January 1 – December 31) from the date the retiree would have become eligible for an unreduced benefit. Under Plan 1, the COLA cannot exceed 5.0 percent; under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.0 percent. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available Annual Comprehensive Financial Report that includes financial statements and required supplementary information for the VRS.

The report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications or obtained by writing the VRS System at P.O. Box 2500, Richmond, Virginia 23218-2500.

Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report. A copy may be requested by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500 or can be downloaded from the VRS website at https://www.varetire.org/Pdf/Publications/2020-annual-report.pdf.

The City's participation in the VRS agent multiple-employer plan resides solely within the governmental activities.

Contributions

The contribution requirement for active employees governed by Section 51.1-145 of the Code of Virginia (1950), as amended, by the Virginia General Assembly changed the funding requirements for VRS employees. Employees are required to contribute 5.00 percent of their annual reported compensation to the VRS. The Employers' actuarially determined contribution rates as of June 30, 2022, not including the employee 5.0 percent contributions were 12.84 percent of covered payroll for the City employees, 16.62 percent of the annual covered payroll for School Board professional employees and 6.89 percent of annual covered payroll for the other school employees based on the June 30, 2019 actuarial valuation. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The School Board's contributions to the VRS for teachers for the fiscal years ended June 30, 2022, 2021 and 2020 were $31,262,584, $29,074,631 and $30,900,391, respectively: such amounts comprised 100 percent of the required statutory contributions for each of the three years. The School Board's contributions to the VRS for political subdivisions for the years ended June 30, 2022, 2021 and 2020 were $1,164,717, $1,178,041 and $1,212,412, respectively.

The City of Norfolk contributions to the VRS for constitutional offices for the fiscal years ended June 30, 2022, 2021 and 2020 were $4,574,478, $3,215,071 and $2,582,271, respectively, which is 100 percent of the actuarial determined contribution.

Actuarial Assumptions

The total pension liability was based on an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Closed
Remaining amortization period	16 – 25 years
Asset Valuation Method	5-year Smoothed Market
Investment Rate of Return*	6.75%, net of investment expense
Projected Salary Increases*	3.50% - 5.95%
*Includes Inflation at	2.50%
Cost-of-living Adjustments	2.25% - 2.50%

Mortality rates were based on the following (Agent Multiple Plans)

Pre-Retirement	RP-2014 Employee Rates to age 80; Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates
Post-Retirement	RP-2014 Employee Rates to age 49; Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1% increase compounded from ages 70 to 90
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

Mortality rates were based on the following (Cost Sharing Plan +A30)

Pre-Retirement	RP-2014 White Collar Employee Rates to age 80; Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020
Post-Retirement	RP-2014 White Collar Employee Rates to age 49; White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, that was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Updated mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and changed final retirement from 70 to 75
- Adjust withdrawal rates to better fit experience at year of age and service through 9 years of experience
- Lowered disability rates

- Salary scale remained unchanged
- Line of Duty disability rate increased from 14 percent to 20 percent
- Discount rate decreased from 7.0 percent to 6.75 percent

The long-term expected rate of return on pension plan investments was determined using a lag-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarize in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.39%

* The above allocation provides a one-year return of 7.39 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.39 percent, included expected inflation of 2.50 percent. The VRS Board elected a long-term rate of 6.75 percent that is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations provide a median return of 7.11 percent.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate.

For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100 percent of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Expense and Deferred Inflows and Outflows of Resources

Deferred inflows and outflows are recorded for the net differences between actual and projected investment earnings, contributions made subsequent to the measurement date of June 30, 2021, and changes in proportionate share between June 30, 2020 and June 30, 2021. Pension expense reported for the fiscal year ended June 30, 2022, for the City for Norfolk, the School Board Political Subdivisions and the School Board Teachers was $3,510,581, $(1,012,563) and $(5,374,040), respectively. At June 30, 2022, the reported deferred inflows of resources related to pensions from the following sources:

Deferred Inflows of Resources

	Agent Multiple-Employer Plans		Cost Sharing Plan
	City of Norfolk Constitutional Offices	School Board Non-Professional	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	$ -	$ -	$ 14,676,494
Change in assumptions	-	-	-
Differences between expected and actual experience	1,045,699	960,237	13,957,453
Net difference between projected and actual earnings on plan investments	15,256,234	11,156,699	103,266,168
	$ 16,301,933	$ 12,116,936	$ 131,900,115

Deferred Outflows of Resources

	Agent Multiple-Employer Plans		Cost Sharing Plan
	City of Norfolk Constitutional Offices	School Board Non-Professional	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	$ -	$ -	$ -
Change in assumptions	3,972,449	1,839,744	28,709,500
Differences between expected and actual experience	249,867	-	-
Net difference between projected and actual earnings on plan investments	-	-	-
	$ 4,222,316	$ 1,839,744	$ 28,709,500

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period. The City of Norfolk, the School Board Political Subdivisions and the School Board Teachers contributed $4,574,478 ($4,471,648 for governmental activities and $102,830 for business-type activities), $1,164,717 and $31,262,584, respectively in fiscal year 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Amortization of Deferred Inflows and Outflows

	Agent Multiple-Employer Plans		Cost Sharing Plan
	City of Norfolk Constitutional Employees	School Board Political Subdivisions	School Board Teachers
Year Ended:			
2023	$ (2,009,403)	$ (2,014,907)	$ (27,557,433)
2024	(2,459,116)	(2,255,310)	(22,638,155)
2025	(2,991,351)	(2,595,777)	(23,237,915)
2026	(4,619,747)	(3,411,198)	(29,781,822)
2027	-	-	24,710
	$ (12,079,617)	$ (10,277,192)	$ (103,190,615)

Plan Membership

As of June 30, 2021, actuarial valuation, the plan memberships consisted of the following:

	Agent Multiple-Employer Plans	
	City of Norfolk Constitutional Offices	School Board Political Subdivisions
Inactive member or their beneficiaries currently receiving benefits	372	601
Inactive members:		
Vested	100	73
Non-vested	288	321
Active elsewhere in the VRS	228	96
Total inactive members	616	490
LTD members	1	
Active members	542	611
Total	1,531	1,702

Net Pension Liability

Below are the schedules of changes in Net Pension Liability / (Asset) for each of the agent multiple-employer plans:

City of Norfolk

	Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at June 30, 2020	**$ 123,728,181**	**$ 111,620,910**	**$ 12,107,271**
Service cost	3,903,237	-	3,903,237
Interest	8,170,060	-	8,170,060
Change of benefit terms	2,862,884		2,862,884
Change in assumptions	4,823,773	-	4,823,773
Difference between expected and actual	(1,320,751)	-	(1,320,751)
Contributions - employer	-	3,215,071	(3,215,071)
Contributions - employee	-	1,399,418	(1,399,418)
Net Investment income	-	30,602,780	(30,602,780)
Benefits payments, including refunds of employee contributions	(5,380,511)	(5,380,511)	-
Administrative expense	-	(74,847)	74,847
Other changes	-	(58,742)	58,742
Balance at June 30, 2021	**$ 136,786,873**	**$ 141,324,079**	**$ (4,537,206)**

School Board Political Subdivisions

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at June 30, 2020	**$ 96,508,425**	**$ 84,687,078**	**$ 11,821,347**
Service cost	1,500,286	-	1,500,286
Interest	6,307,770	-	6,307,770
Change in assumptions	3,099,843	-	3,099,843
Difference between expected and actual experience	(1,570,273)	-	(1,570,273)
Contributions - employer	-	1,077,199	(1,077,199)
Contributions - employee	-	794,589	(794,589)
Net Investment income	-	22,627,071	(22,627,071)
Benefits payments, including refunds of employee contributions	(6,119,959)	(6,119,959)	-
Administrative expense	-	(58,816)	58,816
Change in proportionate share	-	-	-
Other changes	-	2,113	(2,113)
Balance at June 30, 2021	**$ 99,726,092**	**$ 103,009,275**	**$ (3,283,183)**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability using the discount rate of 6.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Agent Multiple-Employer Plans			
School Board non-professional employee net pension liability	$ 8,226,045	$ (3,283,183)	$ (12,958,181)
City of Norfolk's constitutional offices net pension liability	$ 14,163,632	$ (4,537,206)	$ (19,905,751)
Cost Sharing Plans			
School Board Teachers net pension liability	$ 316,259,008	$ 163,869,486	$ 38,509,879

Payables to the Pension Plan

As of June 30, 2022, the School Board had no outstanding amounts payable to the political subdivision pension plan for the fiscal year ended June 30, 2022.

As of June 30, 2022, the School Board had no outstanding amounts payable to the teacher's pension plan for the fiscal year ended June 30, 2022.

XI. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferral could be up to 25 percent of gross income up to a maximum per year with increases to the annual contribution limit for catch-up contributions for participants over age 50 or for participants for three years prior to normal retirement age. The maximum contributions for calendar years 2021 and 2022, excluding catch up contributions, were $19,500 and $20,500, respectively. The benefits from the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

The laws governing the City's deferred compensation plan have been complied with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

XII. Other Post-employment Benefits (OPEB)

A. City of Norfolk Sponsored Other Post-employment Benefits

Plan Description

The City of Norfolk and the Norfolk School Board provide post-retirement healthcare benefits, in accordance with adopted statutes, which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. City firefighters and police officers, who have a mandatory retirement age of 65, are eligible to participate at the earlier of age 50 and 15 years of creditable service or 20 years of creditable service. Employees who retire on accidental disability are also eligible. Grandfathered school employees (hired prior to July 1, 2008) who are older than age 50 with at least 5 years of service are eligible as well as non-grandfathered school employees who are older than age 50 with 15 years of creditable service. Retirees that elect to participate may purchase healthcare coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions, are administered by the City's Retirement Bureau and the City's and the School Boards' benefits offices based on the participation guidelines established by the Norfolk City Council and the Norfolk School Board. Benefits are currently managed on a pay-as-you-go basis and a separate financial report of the OPEB Plan is not issued. No assets are accumulated in a trust that meets the criteria established in paragraph 4 of Governmental Accounting Standards Board Statement No. 75. Therefore, rather than a net OPEB liability, the City and School Board report a total OPEB liability. The Plan is considered a single-employer plan. As of July 1, 2012, the City became responsible for payment of the Line of Duty Act benefits (LODA). These benefits, which cover certain hazardous duty personnel who are paid or who volunteer, are included as part of the total OPEB liability in the City's financial statements.

Employees Covered by Benefit Terms

As of the June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the Plan:

	City	Line of Duty	School Board
Inactive member or their beneficiaries currently receiving benefits	84	66	129
Active members	3,615	1,123	3,934
Total	3,699	1,189	4,063

Contributions

No employee contributions are required prior to retirement to participate in or fund the OPEB Plan. The City and the School Board committed to a set contribution amount as an explicit subsidy of $25 or $35 per month for the City and $75 per month for the School Boards per participating retiree. Effective January 1, 2014, the City and the School Boards eliminated healthcare coverage for post 65 retirees (e.g., retirees eligible for Medicare) along with the $25 or $35 and $75 monthly subsidy, respectively. The pre-65 retirees will continue to receive the subsidy and will participate in the consortium with the active employees. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The Plan sponsors also pay an implicit subsidy by allowing retirees to participate in the same benefit plans under the same premium structure as available to active employees, however, the Plan sponsors are not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to employees.

Total OPEB Liability

The City's and the School Boards' total OPEB liability was measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions applied to all periods included in the measurement.

Actuarial Assumptions

For the June 30, 2021, actuarial valuation, the actuarial assumptions included the following:

Actuarial Costs Method	Entry Age Normal
Amortization Method	Level Percent Open
Asset Valuation Method	Not Applicable
Remaining Amortization Period	30-year rolling
Investment Rate of Return	2.16%
Rate of Salary Increases	3.50%
Rate of Medical Inflation	6.75% (Pre-Medicare) grading to 3.00% over 15 years
Mortality (City)	108% of RP-2014 adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages<86) thereafter
	100% of RP-2014 Disabled Mortality adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages<86) thereafter
Mortality (School Board)	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020
	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 74 and 2% increase compounded from ages 75 to 90
	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarial valuations are subjected to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, was 2.16 percent. Since the Plan utilizes a pay-as-you-go contribution policy, the discount rate used at the June 30, 2020, measurement date was based on the Bond Buyer GO 20-Bond Municipal Bond Index.

Changes in Total OPEB Liability

The total OPEB liability was measured as of June 30, 2021, with an actuarial valuation date of June 30, 2021. OPEB expense and liability are allocated to governmental and enterprise funds.

As of June 30, 2022, the City reported a total OPEB liability of $108,855,870 in governmental activities and $7,426,030 in business-type activities. Changes to the total OPEB liability are as follows:

	City	Line of Duty	School Board	Total OPEB Liability
Balance at June 30, 2020	**$ 74,356,257**	**$ 39,949,536**	**$ 55,877,982**	**$ 170,183,775**
Service cost	8,084,842	1,762,063	4,412,775	14,259,680
Interest	1,705,737	889,866	1,257,459	3,853,062
Change in benefits	-	-	6,316,408	6,316,408
Difference between expected and actual Experience	(8,935,659)	1,299,665	(2,835,101)	(10,471,095)
Assumption changes	280,846	416,582	(29,571)	667,857
Contributions - employer	-	-	-	-
Net Investment income	-	-	-	-
Benefits payments	(2,401,000)	(1,126,835)	(2,360,257)	(5,888,092)
Administrative expense	-	-	-	-
Balance at June 30, 2021	**$ 73,091,023**	**$ 43,190,877**	**$ 62,639,695**	**$ 178,921,595**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability using the discount rate of 2.16 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16 percent) or one percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
City	$ 80,903,469	$ 73,091,023	$ 66,415,818
Line of Duty	$ 47,807,400	$ 43,190,877	$ 39,246,371
School Board	$ 69,335,035	$ 62,639,695	$ 56,918,981

Sensitivity of the Total OPEB liability to changes in healthcare cost trend rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (1.16%)	Healthcare Cost Trend Rates (2.16%)	1% Increase (3.16%)
City	$ 63,468,459	$ 73,091,023	$ 84,906,529
Line of Duty	$ 37,504,721	$ 43,190,877	$ 50,172,884
School Board	$ 54,393,067	$ 62,639,695	$ 72,765,695

OPEB Expense and Deferred Inflows and Outflows of Resources

OPEB expense reported for the fiscal year ended June 30, 2022, for the City (including Line of Duty) and the School Board was $14,797,978 and $10,312,182, respectively. At June 30, 2022, the reported deferred inflows of resources and deferred outflows of resources related to the OPEB Plan from the following sources:

Deferred Inflows of Resources

	Governmental Activities City	Business-Type Activities City	Governmental Activities Line of Duty	School Board
Change in assumptions	$ -	$ -	$ 3,741,348	$ 3,786,782
Net change in proportionate share (Internal Service funds)	56,534	-	-	-
Net change in proportionate share (Storm Water Utility)	-	64,302	-	-
Net change in proportionate share (Parking Facilities)	-	116,749	-	-
Net change in proportionate share (Water Utility)	-	65,259	-	-
Differences between expected and actual experience	12,613,354	1,449,243	-	9,545,689
Total	$ 12,669,888	$ 1,695,553	$ 3,741,348	$ 13,332,471

Deferred Outflows of Resources

	Governmental Activities City	Business-Type Activities City	Governmental Activities Line of Duty	School Board
Change in assumptions	$ 26,848,040	$ 3,119,551	$ 2,793,045	$ 9,257,011
Net change in proportionate share (Governmental funds)	293,460	-	-	-
Net change in proportionate share (Wastewater Utility)	-	9,384	-	-
Differences between expected and actual experience	-	-	577,990	1,554,604
Total	$ 27,141,500	$ 3,128,935	$ 3,371,035	$ 10,811,615

Contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2022. The City and the School Board contributed $3,309,569 ($1,875,908 for governmental activities, $1,214,979 for line of duty activities and $218,682 for business-type activities) and $2,404,662, respectively in fiscal year 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization of Deferred Inflows and Outflows

Year Ended:	Governmental Activities City	Business-Type Activities City	Governmental Activities Line of Duty	School Board
2023	$ 2,919,183	$ 285,196	$ (848,910)	$ (1,674,460)
2024	2,919,183	285,195	(848,913)	(1,674,452)
2025	2,871,303	275,602	(41,624)	289,915
2026	2,643,633	260,793	1,164,127	28,061
2027	3,118,310	326,596	205,007	510,080
	$ 14,471,612	$ 1,433,382	$ (370,313)	$ (2,520,856)

Other OPEB Plans

The City provides supplemental life insurance benefits through General fund appropriation to the state employees of its constitutional offices. The respective costs and related total OPEB liability of these benefits are not significant.

B. Virginia Retirement System Post-employment Benefits Trust Funds

The Virginia Retirement System (VRS) is an independent agency of the Commonwealth of Virginia. VRS administers several post-employment benefit trust funds. The School Board participates in two of those funds, the Group Life Insurance (GLI) Plan and the Retiree Health Insurance Credit (HIC) Plan. The VRS Board of Trustees is responsible for the general administration and operation of the pension plans and other employee benefit plans. VRS issues an Annual Comprehensive Financial Report containing the financial statements and required supplementary information for the system's pension and other employee benefit trust funds, which is publicly available on the VRS website at www.varetire.org. The pension and other trust funds administered by VRS are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia.

Group Life Insurance (GLI)

The Virginia Retirement System GLI Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and that provides the authority under which benefit terms are established or may be amended. The GLI program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

Plan Description

The VRS GLI Program upon employment automatically covers all full-time salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions. In addition to the basic GLI benefits, members are also eligible to elect additional coverage for themselves, as well as spouse or dependent children through the Optimal Group Life Insurance Program.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate of the GLI Program was 1.31 percent of covered employee compensation. While covered employees are responsible for 60 percent of the program costs, employers may choose to pay the entire cost. The School Board has elected to pay all program costs. The contribution rate was based on an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year.

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation Rate	2.50%
Salary Increases, including inflation	
Teachers	3.50% - 5.95%
Other employees	3.50% - 5.35%
Investment Rate of Return	6.75% net of plan investment expenses, including inflation
Mortality Rates - Teachers:	
Pre-Retirement	RP-2014 Employee Rates projected with Scale BB to 2020
Post-Retirement	RP-2014 Healthy Annuitant Rates projected with Scale BB to 2020
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumption as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

The estimated Group Life Insurance OPEB liability applicable to the School Board determined by VRS in accordance with GASB Statement No. 74 less the School Board's proportion of the Plan Fiduciary Net Position is as follows:

Total GLI OPEB Liability	$ 35,480,000
Plan Fiduciary Net Position	23,930,000
GLI Net OPEB Liability	$ 11,550,000

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the school divisions for the VRS GLI OPEB plan will be subject to the portion of the VRS Board certified rates that are funded by the Virginia Assembly. From July 1, 2020 on, school divisions are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.39%

* The above allocation provides a one-year return of 7.39 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94 percent, included expected inflation of 2.50 percent. The VRS Board elected a long-term rate of 6.75 percent that is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations provide a median return of 7.11 percent.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability using the discount rate of 6.75 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
GLI Net OPEB Liability	$ 16,870,000	$ 11,550,000	$ 7,250,000

VRS GLI OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2022, the School Board recognized a credit to the OPEB Group Life Insurance expense of $371,085. At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to VRS GLI OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between contribution and proportionate rate	$ 13,124	$ 1,037,944
Change in assumptions	636,552	1,579,800
Differences between expected and actual experience	1,316,913	87,978
Net difference between projected and actual earnings on Plan investments	-	2,755,888
	$ 1,966,589	$ 5,461,610

Contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to GLI OPEB will be recognized in GLI OPEB expense as follows:

Amortization of Deferred Inflows and Outflows

Year Ended:	
2022	$ (945,738)
2023	(765,594)
2024	(623,524)
2025	(968,573)
2026	(191,592)
	$ (3,495,021)

Employer Contribution

Employers' proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution efforts to the other post-employment benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS GLI OPEB Plan that are not representative of the future contribution efforts are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution efforts are contributions for adjustments to prior periods. The School Board's total employer contribution into the GLI program for the years ended June 30, 2022 and June 30, 2021 were approximately $2,760,000 and $2,740,000, respectively.

Health Insurance Credit (HIC) Plans

Plan Description

The School Board contributes to the Virginia Retirement System (VRS), an agent, Teacher Health Insurance Credit Program, a cost-sharing multiple-employer (for teachers and professionals) defined benefit plan that provides a credit toward the cost of health insurance coverage for eligible retired teachers and professionals. Effective July 1, 2020, the School Board contributes to a similar plan, the VRS Health Insurance Credit Program for Political Subdivisions, which administers an agent multiple employer-defined benefit plan that provides a credit toward the cost of health insurance coverage for eligible non-professionals. All full-time, personnel participate and are automatically enrolled upon employment in either the VRS Teacher Health Insurance Credit Program (THICP), (teachers and professionals) or the VRS Health Insurance Credit Program for political subdivisions (non-professionals). This plan is administered by the Virginia Retirement System along with other pension and OPEB plans. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and end upon the retiree's death.

Teacher Health Insurance Credit Program (THICP)

The THICP was established July 1, 1993, for retired teacher employees covered under VRS who retired with at least 15 years of service credit. At retirement, for teacher and other professional school employees, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount. For teachers or other professional employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:

- $4.00 per month multiplied by twice the amount of service credit, or
- $4.00 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program (HICP)

The HICP is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. This separate plan covers employees working in maintenance, custodial, nutritional, and transportation services. The Political Subdivision Health Insurance Credit Programs was established pursuant to § 51.1-1400 et. seq. of the Code of Virginia, as amended, and that provides the authority under which benefit terms are established or may be amended. The HICP for retired political subdivision employees who elect the benefit and who retire with at least 15 years of service credit receive the following benefits:

- At retirement: $1.50 per year of service per month with a maximum benefit of $45.00 per month.
- Disability Retirement: For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to the school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019, was 1.20 percent of covered employee compensation for employees in the VRS Employee Health Insurance Credit Programs. This rate was based on an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Actuarial Assumptions

The HIC OPEB liabilities were based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary Increases, including inflation	3.5% - 5.95%
Investment Rate of Return	6.75% net of plan investment expenses, including inflation
Mortality Rates – Teachers:	
Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020
Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90
Post-Disablement	RP-2014 Disability Mortality Rates with Scale BB to 2020; 115% of rates for males and females

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

The HIC OPEB liabilities were determined in accordance with GASB Statement No. 74. As of June 30, 2022, the net OPEB liability portions applicable to the School Board are as follows:

	Cost Sharing Plan	**Agent Multiple-Employer Plan**
	School Board Teachers	School Board Political Subdivisions
Total OPEB Liability	$ 31,050,000	$ 2,197,492
Plan Fiduciary Net Position	4,080,000	164,808
Net OPEB Liability	$ 26,970,000	$ 2,032,684

Plan fiduciary net position as a percentage of the total THICP and HICP liabilities were 13.15 percent and 40.52 percent, respectively. The total HIC OPEB liabilities are calculated by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75 percent. The projections of cash flows used to determine the discount rate assumed that employer contributions would be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the school divisions for the VRS HIC OPEB plan will be subject to the portion of the VRS Board certified rates that are funded by the Virginia Assembly which was 100 percent of the actuarially determined contribution rate. From July 1, 2020 on, school divisions are assumed to contribute 100 percent of the actuarially determined contribution rates.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	57.00%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.39%

* The above allocation provides a one-year return of 7.39 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.39 percent, included expected inflation of 2.50 percent. The VRS Board elected a long-term rate of 6.75 percent that is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations provide a median return of 7.11 percent.

Sensitivity of the HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the HIC net OPEB liability using the discount rate of 6.75 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
THICP Net OPEB Liability	$ 30,370,000	$ 26,970,000	$ 24,100,000
HICP Net OPEB Liability	$ 2,240,000	$ 2,030,000	$ 1,850,000

HIC OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2020, the School Board recognized THICP and HICP OPEB expenses of $1,592,852 and $163,222, respectively. At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB as follows:

Deferred Inflows of Resources

	Cost Sharing Plan School Board Teachers	**Agent Multiple-Employer Plan** School Board Political Subdivisions
Change in proportion and difference between contribution and proportionate rate	$ 2,259,077	$ -
Change in assumptions	108,408	-
Differences between expected and actual experience	470,701	-
Net difference between projected and actual earnings on Plan investments	355,334	10,809
	$ 3,193,520	$ 10,809

Deferred Outflows of Resources

	Cost Sharing Plan School Board Teachers	**Agent Multiple-Employer Plan** School Board Political Subdivisions
Change in proportion and difference between contribution and proportionate rate	$ -	$ -
Change in assumptions	729,166	38,814
Differences between expected and actual experience	-	-
Net difference between projected and actual earnings on Plan investments	-	-
	$ 729,166	$ 38,814

Contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to HIC OPEB will be recognized in HIC OPEB expense as follows:

Amortization of Deferred Inflows and Outflows

	Cost Sharing Plan		**Agent Multiple-Employer Plans**	
Year Ended:		School Board Teachers		School Board Political Subdivisions
2023	$	(636,998)	$	9,465
2024		(641,032)		9,465
2025		(568,115)		9,465
2026		(375,219)		(390)
2027		(164,714)		-
2028-2032		(78,276)		-
	$	(2,464,354)	$	28,005

Employer Contribution

Employers’ proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer’s projected long-term contribution efforts to the other post-employment benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS HIC OPEB Plans that are not representative of the future contribution efforts are excluded in the determination of employers’ proportionate shares. The School Board’s total employer contribution into the teachers HIC program for the years ended June 30, 2022 and June 30, 2021 were approximately $2,230,000 and $2,220,000, respectively. The School Board’s total employer contribution into the political subdivision HIC program for the years ended June 30, 2022 and June 30, 2021 were $145,624 and $147,041, respectively.

Other OPEB Plans

The City provides supplemental life insurance benefits through General fund appropriation to the state employees of its constitutional offices. The respective costs and related net OPEB liability of these benefits are not significant.

XIII. Interfund Receivable and Payable Balances

The composition of interfund activity as June 30, 2022, is as follows:

Receivable Fund	Payable Fund		Amount
General fund	Capital Projects fund	$	54,291
	Nonmajor Governmental funds	$	4,236,982
	Water Utility fund		448,330
	Total General fund	$	4,739,603
Capital Projects fund	Parking Facilities fund	$	15,207,089
	Total Capital Projects fund	$	15,207,089
	Total Governmental funds	$	19,946,692

Payable Fund	Receivable Fund		Amount
Capital Projects fund	General fund	$	54,291
	Total Capital Projects fund	$	54,291
Nonmajor Governmental funds	General fund	$	4,236,982
	Total Nonmajor Governmental funds	$	4,236,982
	Total Governmental funds	$	4,291,273

Payable Fund	Receivable Fund		Amount
Water Utility fund	General fund	$	448,330
	Total Water Utility fund	$	448,330
Parking Facilities fund	Capital Projects fund	$	15,207,089
	Total Parking Facilities fund	$	15,207,089
	Total Enterprise and Internal Service funds	$	15,655,419
	Total Due to Other funds	$	19,946,692

XIV. Interfund Transfers

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursement occurs, (2) transactions are recorded in the accounting system and (3) payment between funds are made.

The following interfund transfers occurred during fiscal year 2022:

Fund	In	Out
General	$ 18,768,400	$ 83,879,886
Grants	9,880,638	-
Capital Projects	4,274,131	4,913,734
Debt Service	81,013,285	-
Non-major Governmental	674,294	15,317,128
Storm Water Utility	-	500,000
Water Utility	-	8,500,000
Wastewater Utility	-	1,500,000
Parking Facilities	-	-
	$ 114,610,748	$ 114,610,748

The purpose of the transfer balances are as follows:

General fund transfers in of $18,768,400 include $8,500,000 from the Water Utility fund, $1,500,000 from the Wastewater Utility fund, $5,268,400 from the Tax Increment Financing special revenue fund, and $3,500,000 from the Public Amenities special revenue fund.

The General fund transfers out of $83,879,886 represent a transfer of $75,964,232 to the Debt Service fund to fund general obligation debt, $4,467,229 to the Grants special revenue fund in support of grant projects, $2,774,131 to the Capital Projects fund as a contribution for the annual capital improvement plan budget, $132,974 to the Cemeteries fund and $541,320 to the Emergency Operations Center/911 special revenue fund.

The Grants special revenue fund received transfers in of $9,880,638 as support of grant projects. The General fund transferred $4,467,229. The Storm Water fund transferred $500,000 and the Capital Projects fund transferred $4,913,409.

The Capital Projects fund transferred $4,913,409 to the Grants special revenue fund for matching and $325 to Debt Service for debt savings. Capital projects transfers in included $2,774,131 from the General fund and $1,500,000 from the Tax Increment Financing special revenue fund.

Debt service transfers in of $81,013,285 include $4,762,996 from the Public Amenities special revenue fund, $194,657 from the Towing & Recovery Operations special revenue fund, $91,075 from the Waste Management special revenue fund, $325 from the Capital Projects fund and $75,964,232 from the General fund to fund the current fiscal year's debt service payments.

The Public Amenities special revenue fund transferred $3,500,000 to the General fund and $4,762,996 to the Debt Service fund to cover its general obligation debt service cost.

The Towing & Recovery Operations special revenue fund transferred $194,657 to the Debt Service fund to cover its general obligation debt service cost.

The Tax Increment Financing special revenue fund transferred $5,268,400 to the General fund and $1,500,000 to the Capital Projects fund.

The Water and Wastewater Utility funds transferred $8,500,000 and $1,500,000 to the General fund, respectively.

XV. Fund Balance by Functional Category (GASB 54)

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in five components as follows:

	General fund	Grants fund	Capital Projects fund	Non-major Governmental funds	Total Governmental funds
FUND BALANCES					
Nonspendable					
Inventory and Prepaid items	$ 619,039	$ -	$ -	$ -	$ 619,039
Total Nonspendable	619,039	-	-	-	619,039
Restricted					
General government	$ 115,000	$ (1,906,200)	$ -	$ -	$ (1,791,200)
Judicial administration	-	78,051	-	-	78,051
Public safety	-	226,290	-	-	226,290
Public works	-	-	-	-	-
Health and public assistance	-	2,349,745	-	-	2,349,745
Culture and recreation	-	6,263	-	6,602,461	6,608,724
Community development	-	864,024	-	-	864,024
Total Restricted	115,000	1,618,173	-	6,602,461	8,335,634
Committed					
General government	16,573,878	-	-	-	16,573,878
Judicial administration	-	(576,909)	-	-	(576,909)
Public safety	-	6,059	-	-	6,059
Public works	-	3,923,293	-	-	3,923,293
Health and public assistance	2,000,000	9,668	-	-	2,009,668
Culture and recreation	-	272,560	-	37,803	310,363
Community development	310,000	758,032	-	-	1,068,032
Other purposes capital	-	-	-	-	-
Total Committed	18,883,878	4,392,703	-	37,803	23,314,384
Assigned					
General government	151,378,626	-	-	-	151,378,626
Judicial administration	-	36,858	-	(36,858)	-
Public safety	200,000	61,926	-	(25,068)	236,858
Public works	6,216,309	-	-	61,926	6,278,235
Health and public assistance	2,374,071	27,385	-	3,876,323	6,277,779
Culture and recreation	1,291,655	423,381	-	(395,996)	1,319,040
Community development	8,121,915	339,355	-	7,511,144	15,972,414
Education	27,830,249	-	-	-	27,830,249
- Other purposes					
(FY-2022 Budget appropriation)	19,833,577	-	-	-	19,833,577
Total Assigned	217,246,402	888,905	-	11,330,826	229,466,133
Unassigned					
Other	92,920,042	-	5,117,466	-	98,037,508
Total Unassigned	92,920,042	-	5,117,466	-	98,037,508
Total fund balances	$ 329,784,361	$ 6,899,781	$ 5,117,466	$ 17,971,090	$ 359,772,698

XVI. Deferred Inflows and Outflows of Resources

Deferred inflows and deferred outflows of resources, as represented in the entity wide and fund financial statements at June 30, 2022, are comprised of the following:

A. Unavailable Revenues

Deferred inflows in the General fund and nonmajor governmental funds, representing uncollected tax billings and other accounts receivable not available for funding of current expenditures, were $41,587,568 and $3,233,676, respectively as of June 30, 2022.

B. Deferred Inflows and Outflows from Refunding Transactions

Refunding transactions for the City of Norfolk have resulted in a Loss on Defeasance on the entity-wide financial statements of $40,640,214 for governmental activities and $32,677,535 for business-type activities that consists of a loss of $9,189,614 for the Water Utility fund, $3,713,363 for the Wastewater Utility fund, $18,449,893 for the Parking Facilities fund and $1,324,665 for the Storm Water Utility fund. Gains on the defeasance of debt are reported on the financial statements as deferred inflows of resources and were $85,675 for governmental activities and $633,333 for business-type activities, specifically $6,649 for the Wastewater Utility fund, $475,683 for the Parking Facilities fund and $151,001 for the Storm Water Utility fund.

C. Deferred Inflows and Outflows Related to Pensions

Deferred inflows from pension-related items represent the difference between actual and estimated experience and is amortized over a five-year period or estimated remaining service life. As June 30, 2022, the amount reported as governmental activities was $133,985,713 (which includes $1,502,308 in the Fleet Management fund), and the amounts reported in business-type activities were $7,764,753 for the Water Utility fund, $2,249,237 for the Wastewater Utility fund, $1,646,665 for the Parking Facilities fund and $2,702,478 for the Storm Water Utility fund.

Deferred outflows from pension-related items represent the difference between projected and actual investment earnings as well as contributions made in fiscal year 2022 that will not be reflected in the pension liabilities because they were made after the measurement date. As June 30, 2022, the amount reported as governmental activities was $47,148,153 (which includes $421,445 in the Fleet Management fund), and the amounts reported in business-type activities were $2,538,983 for the Water Utility fund, $754,548 for the Wastewater Utility fund, $364,996 for the Parking Facilities fund and $864,450 for the Storm Water Utility fund.

Deferred inflows and outflows related to pensions are summarized as follows:

	Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Business-Type Activities
ERS:								
Deferred Outflows	$ 38,041,131	$ 413,058	$ 38,454,189	$ 2,476,050	$ 743,405	$ 354,596	$ 846,096	$ 4,420,147
Deferred Inflows	(116,181,472)	(1,502,308)	(117,683,780)	(7,764,753)	(2,249,237)	(1,646,665)	(2,702,478)	(14,363,133)
	$ (78,140,341)	$ (1,089,250)	$ (79,229,591)	$ (5,288,703)	$ (1,505,832)	$ (1,292,069)	$ (1,856,382)	$ (9,942,986)
VRS:								
Deferred Outflows	$ 8,685,577	$ 8,387	$ 8,693,964	$ 62,933	$ 11,143	$ 10,400	$ 18,354	$ 102,830
Deferred Inflows	(16,301,933)	-	(16,301,933)	-	-	-	-	-
	$ (7,616,356)	$ 8,387	$ (7,607,969)	$ 62,933	$ 11,143	$ 10,400	$ 18,354	$ 102,830
Total Deferred Outflows	$ 46,726,708	$ 421,445	$ 47,148,153	$ 2,538,983	$ 754,548	$ 364,996	$ 864,450	$ 4,522,977
Total Deferred Inflows	$ (132,483,405)	$ (1,502,308)	$ (133,985,713)	$ (7,764,753)	$ (2,249,237)	$ (1,646,665)	$ (2,702,478)	$ (14,363,133)

D. Deferred Inflows and Outflows Related to OPEB

Deferred inflows from OPEB-related items represent the difference between actual and estimated experience and changes in assumptions and are amortized over a seven-year period. As June 30, 2022, the amount reported as governmental activities was $16,411,236 (which includes the Fleet Management fund of $203,967), and the amounts reported in business-type activities were $879,529 for the Water Utility fund, $236,862 for the Wastewater Utility fund, $253,026 for the Parking Facilities fund and $326,136 for the Storm Water Utility fund.

Deferred outflows from OPEB-related items represent the difference between actual and estimated experience and changes in assumptions as well as contributions made in fiscal year 2022 that will not be reflected in the OPEB liabilities because they were made after the measurement date. The amounts included as deferred outflows of resources in the June 30, 2022, financial statements are $33,603,422 for governmental activities (which includes $352,123 in the Fleet Management fund), $1,872,764 for the Water Utility fund, $549,690 for the Wastewater Utility fund, $327,001 for the Parking Facilities fund and $598,162 for the Storm Water Utility fund.

Deferred inflows and outflows related to OPEB are summarized as follows:

	Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Business-Type Activities
City:								
Deferred Outflows	$ 28,665,285	$ 352,123	$ 29,017,408	$ 1,872,764	$ 549,690	$ 327,001	$ 598,162	$ 3,347,617
Deferred Inflows	(12,465,921)	(203,967)	(12,669,888)	(879,529)	(236,862)	(253,026)	(326,136)	(1,695,553)
	$ 16,199,364	$ 148,156	$ 16,347,520	$ 993,235	$ 312,828	$ 73,975	$ 272,026	$ 1,652,064
Line of Duty:								
Deferred Outflows	$ 4,586,014	$ -	$ 4,586,014	$ -	$ -	$ -	$ -	$ -
Deferred Inflows	(3,741,348)	-	(3,741,348)	-	-	-	-	-
	$ 844,666	$ -	$ 844,666	$ -	$ -	$ -	$ -	$ -
Total Deferred Outflows	$ 33,251,299	$ 352,123	$ 33,603,422	$ 1,872,764	$ 549,690	$ 327,001	$ 598,162	$ 3,347,617
Total Deferred Inflows	$ (16,207,269)	$ (203,967)	$ (16,411,236)	$ (879,529)	$ (236,862)	$ (253,026)	$ (326,136)	$ (1,695,553)

E. Deferred Inflows Related to Leases

Deferred inflows in the Governmental activities and Business-type activities, representing future lease revenue, were $12,057,938 and $1,343,558, respectively as of June 30, 2022. See section IV paragraph C Lease Receivable for lease revenue schedules.

XVII. Commitments and Contingencies

A. Capital Projects

Commitments for completion of capital projects in the business-type activities, authorized at June 30, 2022, are as follows:

Water Utility fund projects	$	33,467,115
Wastewater Utility fund projects		20,735,842
Parking Facilities fund projects		208,156
Storm Water Utility fund projects		7,814,999
Total	$	54,411,112

See Exhibit J-3 Schedule of Expenditures – Budget and Actual for listing of capital projects in the governmental activities, authorized at June 30, 2022.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

C. Litigation

From time to time the City and its component units are defendants in several lawsuits. Although it is not possible to determine the final outcome on these matters, management and the City Attorney are of the opinion that the liability will not be material and will not have a significant effect on the City's financial condition.

D. Pollution Remediation Obligation

GASB Statement No. 49, *Accounting and Financial Reporting or Pollution Remediation Obligations*, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and the government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean-up;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; and

- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

At June 30, 2022, no significant liabilities existed for pollution remediation.

E. Encumbrances

Encumbrances as of June 30, 2022, in the General fund, Grant fund and Capital Projects fund totaled $20,278,419, $26,854,685, and $89,504,595, respectively. Encumbrances as of June 30, 2022, for nonmajor governmental funds in the aggregate totaled $20,453,882.

XVIII. Surety Bonds and Insurance

The Commonwealth of Virginia has secured a blanket bond for the City Treasurer ($1,500,000), Commissioner of Revenue ($3,000), Sheriff ($30,000) and Clerk of the Circuit Court ($2,235,000) that covers the bonds required by law or agreement for the position held. The Commonwealth of Virginia also provides a performance duty bond in the amount of $500,000 for these constitutional officers.

All non-bonded City employees, including employees of elected constitutional officers, are covered by an insurance policy that provides up to $10,000,000 in coverage which is provided by Travelers Insurance Company.

XIX. Tax Abatements

As of June 30, 2022, the City provides tax abatements through five programs – the Tax Abatement Program, Technology Zone, New Business License Incentive Program, Local Utility Tax Relief and the Economic Development Program. The details of these programs for the fiscal year ended June 30, 2022, are as follows:

		Tax Abatement Program	Technology Zone	New Business License Incentive Program	Local Utility Tax Relief	Economic Development Program
1	**Purpose of the program**	Encourages significant improvement of residential, commercial and industrial properties throughout the City, that is of the highest construction quality and architectural design complementing the surrounding area.	Intended to reduce business, professional and occupational license tax for technology-related businesses up to 5 years if they are established in the "Technology Zone."	A temporary exemption in business license tax is available to new businesses that locate in Norfolk after January 1, 2016.	Intended to reduce business utility taxes for a five-year period if they are located in the "Enterprise Zone (EZ)."	To incentive businesses to locate to the City of Norfolk
2	**Type of tax abatement**	Property Tax	Business, professional and occupational license tax	Business License Tax	Utility Tax	Personal Property, Real Estate and Business Tangible Property
3	**Authority for program**	Norfolk Code Section 24-203 & Section 27-76	Norfolk Code 45.6	Norfolk Code 24-25.9 and 24-25.2	Norfolk Code 45.5-5	City Council, designated to the City Manager

		Tax Abatement Program	Technology Zone	New Business License Incentive Program	Local Utility Tax Relief	Economic Development Program
4	**Administering department**	Office of the Real Estate Assessor	Department of Development	Commissioner of the Revenue	Department of Development	Department of Development
5	**Criteria to be eligible to receive abatement**	A. Residential structure must be at least 15 years old, and improvements will increase assessed value by at least 20 percent. B. Multi-family, commercial or industrial structure must be at least 40 years old, and improvements will increase assessed value by at least 40 percent.	Applicants must meet criteria of establishing their technology related business according to certain criteria mention in the above-mentioned ordinance.	The business must apply and meet several criteria. Below is a list of the top 3 requirements: 1) Must be locating to Norfolk for the first time (name change, merger or acquisition are disqualifiers). 2) Must not file a consolidated financial statement with a parent or other affiliated entity with combined taxable gross receipts of more than $1 million. 3) Cannot be considered an affiliated group or have a franchisee relationship.	Existing EZ businesses must make a $100,000 taxable investment within the Enterprise Zone. New EZ businesses must make a $500,000 taxable investment within the Enterprise Zone.	The City evaluates all economic development opportunities on an individual basis. The economic development agreements are specific to each developer and generally constitute a significant economic development opportunity for the City and have a positive factor in achieving the objectives of the City and are worthy of inducement.
6	**"How recipients' taxes are reduced**	Through a reduction of the property's assessed value recipients will not pay full taxes on those improvements for 14 years. The increase in assessed value due to the improvements will not be recognized for tax purposes for the first 10 years following the commencement of the tax abatement.	Through a reduction in business, professional and occupational license.	Reduction in business license tax.	Reduction in utility tax.	Taxes are reduced through performance grant payments that are provided to the recipient in the subsequent year.
7	**How the amount of abatement is determined**	The increase in assessed value due to the improvements will be recognized for tax purposes on a sliding scale in the 11th year through 15th year following the start of the tax abatement as soon: • 11th year – 20% • 12th year – 40% • 13th year – 60%	Below is the schedule for the reduction of tax: • Year 1 - 2 = 100% • Year 3 - 4 = 50%	Receives a $50 per tax class reduction for the first two years. The abatement eligibility is determined by a qualification process. The taxpayer must answer 25 questions to qualify.	Below is the schedule for the reduction of tax: • 1st year - 50% • 2nd year - 40% • 3rd year - 30% • 4th year - 20% • 5th year - 10%	Specific percentages are identified in each agreement that apply to various items (i.e., assessed value, value of business personal property, etc.). Percentages are not uniform and are independently determined during

		Tax Abatement Program	Technology Zone	New Business License Incentive Program	Local Utility Tax Relief	Economic Development Program
		• 14th year – 80% • 15th year – 100%				negotiation of agreement.
8	**Terms for recapture if conditions unmet**	Because taxes are not abated until after the improvements have been made, there is no provisions for recapturing abated taxes	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes	If the business estimates its gross receipts will exceed $1 million, but the actual gross receipts are less than $1 million, the benefits of the program are not available unless the business completes the qualification process. Likewise, if the qualifying business estimated less than $1 million and the actual gross receipts were more than $1 million the business is responsible for the entire tax amount and will be removed from the program.	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes
9	**Types of commitments made by the City, other than to reduce taxes**	N/A	N/A	N/A	N/A	There are some, but they vary by contract. These include percentage back for gross receipts and utility charges.
10	**Gross dollar amount, on accrual basis, by which the tax revenues were reduced due to the abatement**	2022 $3,871,560	2022 $ -	2022 $5,659	2022 $2,393	2022 $1,317,760

XX. Self and Purchased Insurance Programs

The City is exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, injuries to employees, and natural disasters. On July 11, 1978, the City established a protected self-insurance program, pursuant to an ordinance adopted by City Council, to cover these risks. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims (including workers' compensation), and related expense payments made during fiscal year 2022 was $10,488,610.

The City currently reports of all these activities as part of the risk management function in the general government section of the General fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. For actuarial purposes, estimated outstanding losses are the accrual cost of unpaid claims valued as of each accounting date. The estimated outstanding losses include case reserves, the development on known claims and incurred but not reported (IBNR) claims. Allocated loss adjustment expenses (ALAE) are the direct expenses for settling specific claims. ALAE is included in the workers' compensation estimates but excluded in the liability estimates. At June 30, 2022, these liabilities were estimated at $37,943,384 with $5,985,279 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal year 2022 were determined by an independent actuary.

Effective January 1, 2014, the Norfolk Healthcare Consortium (Consortium) began participating in a City-administered health insurance fund, which is reflected as an internal service fund. The Consortium is comprised of the City, the Norfolk Public Schools and the Norfolk Redevelopment and Housing Authority. Each participating employee and employer deposit their respective premium into the fund. Medical claims, administrative costs, wellness programs costs, fees related to the Affordable Healthcare Act and benefit consultant costs are expended from the fund. Employee premiums from City departments are netted against related expenses as a recovered cost. The City has recorded $4,892,200 for medical and pharmacy claims incurred, but not reported as of June 30, 2022. Payments from the Norfolk Public Schools are made in 10 payments per year instead of 12, so there is a portion recognized in the financial statements as unearned income. The unearned income as of June 30, 2022 was $7,787,893. The City is responsible for deficit conditions that may exist when liabilities exceed assets and may make additional assessments to Consortium members as needed.

Changes in the City's claims liability amount in the fiscal years 2022 and 2021 are as follows:

	Workers' Compensation and Risk Management		Health Insurance		Total	
	2022	2021	2022	2021	2022	2021
Estimated Outstanding Claims at the Beginning of Year	$ 36,098,411	$ 34,681,787	7,540,700	6,552,500	43,639,111	$ 41,234,287
Additional Incurred Claims or Changes in Estimates	7,803,623	8,782,980	72,862,963	87,721,507	80,666,586	96,504,487
Claims Paid	(5,958,650)	(7,366,356)	(75,511,463)	(86,733,307)	(81,470,113)	(94,099,663)
Estimated Outstanding Claims at the End of Year	$ 37,943,384	$ 36,098,411	$ 4,892,200	$ 7,540,700	$ 42,835,584	$ 43,639,111

The City in its General fund has committed $8,000,000 of fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage and settled claims have not required the City to utilize its reserves in any of the past three fiscal years.

Norfolk Public Schools also self-insures its workers' compensation and general liability and its future expected self-insured losses as of June 30, 2022, projected at $3,856,494 of which $817,658 is the current portion and a longer-term projection of $3,038,836. The NPS provides payments for that entity's risks of loss through a combination of purchased insurance policies and self-insurance plans. These losses are funded through the NPS operating budgets and/or the City's fund balance designation.

Changes in the School Board's liability amount in the fiscal years 2022 and 2021 are as follows:

	Total	
	2022	2021
Estimated Outstanding Claims at the Beginning of Year	$ 3,628,010	$ 3,886,945
Additional Incurred Claims or Changes in Estimates	1,320,819	610,532
Claims Paid	(1,092,335)	(869,467)
Estimated Outstanding Claims at the End of Year	$ 3,856,494	$ 3,628,010

XXI. Jointly Governed Organizations

A. Hampton Roads Regional Jail Authority (HRRJA)

HRRJA is a regional organization that includes the cities of Chesapeake, Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended, and is governed by a twelve-member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the HRRJA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2022. Complete financial statements of HRRJA can be obtained from HRRJA.

B. Hampton Roads Planning District Commission (the Commission)

A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the Commission is received primarily from member contributions and various state and federal grant programs.

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2022. Complete financial statements of the Commission can be obtained from the Commission.

C. Transportation District Commission of Hampton Roads (TDC)

TDC was formed on June 29, 1999 to effect the merger of the Peninsula Transportation District Commission and the Tidewater Transportation District Commission effective October 1, 1999. TDC was established in accordance with Chapter 45 of Title 15.2 of the Code of Virginia. TDC provides public transportation facilities and services within the cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake, Hampton and Suffolk, Virginia. Oversight responsibility is exercised by all the participating localities through their designated representatives. Responsibility for the day-to-day operations of TDC rests with professional management. TDC serves as the governing body for Hampton Roads Transit (HRT) that constructed the City's light rail system.

The participating governments do not have an equity interest in TDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2022. Complete financial statements of TDC can be obtained from TDC.

XXII. Joint Ventures

A. Southeastern Public Service Authority (SPSA)

SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by a Board of Directors consisting of eight member representatives appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors, with each individual having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements June 30, 2022. Complete financial statements of the SPSA can be obtained from SPSA.

B. The Slover Library Foundation (The Foundation)

The Slover Library Foundation, a not-for-profit organization, was formed on October 31, 2008, to participate in the funding of a central library for the City. The central library was named the Slover Library. Two historic downtown structures, the Seaboard Building and the Selden Arcade, were joined by an architecturally significant structure to create a new technologically advanced library. Funding provided by the Foundation in the future will be used for purchase and maintenance of technology used in the library. The Foundation designates its own management, maintains its own books of account, engages its own independent accountant and receives its revenue from third parties.

C. Norfolk Botanical Garden Society (The Society)

The City of Norfolk has an agreement with the Norfolk Botanical Garden Society to operate the Norfolk Botanical Garden that is owned by the City. This agreement expires on June 30, 2022. The Society receives annual funding from the City of Norfolk for improvements and operating costs.

XXIII. Related Organizations

A. Norfolk Redevelopment and Housing Authority (NRHA)

The Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. The City does not exercise a significant degree of oversight responsibility. The NRHA develops its own operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own financial matters as it maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and moneys other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

The City currently has two significant projects with the NRHA; (1) Waterside Redevelopment and (2) Conference center hotel and garage. The City conveyed ownership of Waterside to the NRHA and agreed to provide $32 million in development support. NRHA will operate Waterside upon completion. The City and Professional Hospitality Resources, Inc. have constructed a conference center, hotel and parking garage that opened in fiscal year 2017. The City contributed up to $64 million to the development costs. The conference center and garage will initially be owned by NRHA; however, ownership will revert to the City once all agreements have been finalized. The ownership of the garage reverted to the City in 2017.

B. Norfolk Airport Authority (The Authority)

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport fund and an Investment fund. The Airport fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment fund was established by the Authority to provide for certain airport capital improvements. The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases that provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council, but the Authority designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and, pursuant to Section 144(q) of the City Charter, the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

C. The Chrysler Museum, Inc. (The Museum)

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980, by incorporating the Chrysler Museum in Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from facility rental fees, patron membership, planned giving and from other independent grants. The City owns the museum building and provides support for its maintenance.

D. The Hospital Authority of Norfolk (HAN)

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

XXIV. Subsequent Events

Wastewater Revenue Bond, Series 2022B

On July 28, 2022, the City's Wastewater capital improvement projects were partially funded through the issuance of a bond through the Virginia Clean Water Revolving Loan Fund, administered by Virginia Resources Authority. The City issued a $5,696,820 Wastewater Revenue Bond at an interest rate of 0.50 percent. Additionally, the City received $303,180 in principal forgiveness on the bond, which will pay for the remainder of the project at no cost to the City (total $6,000,000). The bond will finance improvements to several the replacement of various sewer lines, mains, and pump stations across the City.

Line of Credit Amendment

On November 18, 2021, the City amended its existing credit agreement with Bank of America Merrill Lynch ("BAML") to extend the termination date of the Line of Credit from December 17, 2021, to November 18, 2023. The amendment also includes a change to the interest rate index to the Bloomberg Short-Term Bank Yield Index rate (BSBY) administered by Bloomberg Index Services Limited and published on the applicable Reuters screen page. The new tax-exempt borrowing rate will be 79 percent of BSBY, plus 33 basis points. The new taxable borrowing rate will be 100 percent of BSBY, plus 42 basis points. If the BSBY Rate is not available at such time for any reason or the Bank makes the determination to incorporate or adopt a new interest rate to replace the BSBY Rate in credit agreements, then the Bank shall replace the BSBY Rate with the daily Secured Overnight Financing Rate (SOFR) published on such date by the SOFR Administrator on the Federal Reserve Bank of New York's website. Additionally, the commitment fee on the unutilized portion of the Line of Credit will be waived.

XXV. Adoption of New Accounting Pronouncements

The City adopted the following GASB pronouncements in fiscal year 2022:

- GASB Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement were effective for reporting periods beginning after June 15, 2021.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period to enhance relevance and comparability of information while simplifying the accounting. The requirements of this Statement were effective for reporting periods beginning after December 15, 2020.

- GASB Statement No. 92, *Omnibus 2020*. The purpose of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics The requirements of this Statement were effective for reporting periods beginning after June 15, 2021.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses the accounting and financial reporting implications that result from the replacement of IBOR. The removal of LIBOR as an appropriate benchmark interest rate was effective for reporting periods ending after December 31, 2021.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain benefit plans; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for certain Section 457 plans. The requirements of this Statement for items (1) and (2) were immediately effective upon issuance in June of 2020. The requirements for item (3) were effective for fiscal years beginning after June 15, 2021.

XXVI. Accounting Pronouncements Issued, But Not Yet Implemented

The GASB has issued the following pronouncements that will impact future financial presentations.

- GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. The requirements of this Statement were effective for reporting periods beginning after December 15, 2021.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement provides accounting and financial reporting requirements for those public-private and public-public partnerships that do not meet the definition of a service concession arrangement or are not within the scope of GASB Statement No. 87, as amended. This Statement also requires a government that engages in an availability payment arrangement that contains multiple components to recognize each component as a separate arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

- GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

- GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

- GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Earlier application of these statements is encouraged. Management has not determined what, if any, impact implementation of the following statements will have on the City. For the original pronouncements, please visit the GASB's website, www.gasb.org.

REQUIRED SUPPLEMENTARY INFORMATION

(*OTHER THAN MANAGEMENT'S DISCUSSION & ANALYSIS*)

(Unaudited)

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CITY OF NORFOLK
Norfolk Employees' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios (unaudited)
For Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service Costs	$ 27,208,000	$ 26,978,000	$ 26,372,000	$ 25,146,000	$ 26,310,000	$ 25,919,058	$ 25,467,399	$ 24,578,759
Interest	98,032,000	96,458,000	94,853,000	92,517,000	86,974,000	84,710,490	82,839,251	80,203,196
Changes of benefit terms	-	-	-	11,698,000	590,000	568,480	352,800	20,689,842
Difference between expected and actual experience	-	(6,398,000)	(8,189,000)	(1,598,000)	(2,543,000)	(2,665,615)	(2,471,392)	(10,654,079)
Changes in assumptions	(19,181,000)	-	(7,031,000)	16,606,000	53,197,000	(6,508,735)	-	-
Benefits payments, including refunds of member contributions	(95,572,000)	(93,998,000)	(92,866,000)	(85,933,000)	(83,977,000)	(80,783,975)	(79,031,490)	(77,065,376)
Net change in total pension liability	10,487,000	23,040,000	13,139,000	58,436,000	80,551,000	21,239,703	27,156,568	37,752,342
Total pension liability - beginning	1,421,028,000	1,397,988,000	1,384,849,000	1,326,413,000	1,245,862,000	1,224,622,781	1,197,466,213	1,159,713,871
Total pension liability - ending	$ 1,431,515,000	$ 1,421,028,000	$ 1,397,988,000	$ 1,384,849,000	$ 1,326,413,000	$ 1,245,862,484	$ 1,224,622,781	$ 1,197,466,213
Plan Fiduciary Net Position								
Employer contributions	$ 160,252,000	$ 38,494,000	$ 37,079,000	$ 35,494,000	$ 33,457,000	$ 30,761,340	$ 34,932,005	$ 42,330,492
Employee contributions	10,367,000	10,209,000	10,009,000	9,859,000	9,450,000	8,733,481	4,914,726	1,671,644
Net investment income	270,352,000	5,737,000	55,313,000	72,662,000	111,228,000	3,278,018	16,596,553	157,291,834
Benefit payments, including refunds of member contributions	(95,572,000)	(93,998,000)	(92,866,000)	(85,933,000)	(83,977,000)	(80,783,975)	(79,031,489)	(77,065,376)
Administrative expense	(620,000)	(600,000)	(617,000)	(764,000)	(668,000)	(671,568)	(386,495)	(412,809)
Net change in fiduciary net position	344,779,000	(40,158,000)	8,918,000	31,318,000	69,490,000	(38,682,704)	(22,974,700)	123,815,785
Total net position - beginning	1,044,090,000	1,084,248,000	1,075,330,000	1,044,012,000	974,522,000	1,013,204,260	1,036,178,960	912,363,175
Total net position - ending	$ 1,388,869,000	$ 1,044,090,000	$ 1,084,248,000	$ 1,075,330,000	$ 1,044,012,000	$ 974,521,556	$ 1,013,204,260	$ 1,036,178,960
Net Pension Liability	$ 42,646,000	$ 376,938,000	$ 313,740,000	$ 309,519,000	$ 282,401,000	$ 271,340,928	$ 211,418,521	$ 161,287,253
Plan fiduciary net position as a percentage of the total pension liability	97.02%	73.47%	77.56%	77.65%	78.71%	78.22%	82.74%	86.53%
Covered payroll	$ 200,484,000	$ 197,405,000	$ 195,358,000	$ 191,549,000	$ 188,068,000	$ 175,678,692	$ 178,467,817	$ 177,560,789
Net pension liability as a percentage of covered payroll	21.27%	190.95%	160.60%	161.59%	150.16%	154.45%	118.46%	90.83%

*This schedule is intended to illustrate the requirement to show information for 10 years.
Additional years will be included as they become available.

See accompanying independent auditors' report

CITY OF NORFOLK

Norfolk Employees' Retirement System

Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years
(Amounts in thousands)

Fiscal Year	Actuarially Determined Required Contributions*	Employer Contributions*	Contribution Deficiency (Excess)	Employer's Covered Payroll **	Contributions as a % of Covered Payroll
2022	$ 41,457	$ 41,457	$ -	$ 195,554	21.20%
2021	40,698	160,232	(119,554)	200,484	79.92%
2020	38,494	38,494	-	197,405	19.50%
2019	37,079	37,079	-	195,358	18.98%
2018	35,494	35,494	-	191,549	18.53%
2017	33,457	33,457	-	188,068	17.79%
2016	30,761	30,761	-	175,679	17.51%
2015	38,263	34,932	3,331	178,468	19.57%
2014	42,330	42,330	-	177,561	23.84%
2013	41,466	41,466	-	184,062	22.53%

* The actuarially determined contribution and the employer contributions were adjusted for years prior to 2014 to retrospectively apply to the timing of recognition under GASB Statement No. 67.

** The actuarial determination of the ADC is based on the projection of covered payroll for the period for which the ADC will apply. The covered payroll was provided by the actuary. For the years 2014 through 2022, the balances exclude payroll for active employees participating in DROP for which contributions are not made.

See accompanying independent auditors' report

CITY OF NORFOLK
Virginia Retirement System State Constitutional Offices
Schedule of Changes in Net Pension Liability and Related Ratios (unaudited)
For Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service costs	$ 3,903,237	$ 3,744,655	$ 3,476,583	$ 3,318,884	$ 3,487,288	$ 3,496,157	$ 3,531,000	$ 3,600,000
Interest	8,170,060	7,692,139	7,340,551	6,992,769	6,689,417	6,370,584	6,001,000	5,574,000
Changes of benefit terms	2,862,884	-	-	-	-	-	-	-
Difference between expected and actual experience	(1,320,751)	628,451	(668,598)	(887,137)	(599,933)	(1,331,914)	(763,000)	-
Changes in assumptions	4,823,773	-	3,533,431	-	(893,223)	-	-	-
Benefits payments, including refunds of member contributions	(5,380,511)	(4,589,364)	(4,589,364)	(4,323,052)	(4,376,843)	(3,585,300)	(3,377,000)	(2,798,000)
Net change in total pension liability	13,058,692	7,475,881	9,092,603	5,101,464	4,306,706	4,949,527	5,392,000	6,376,000
Total pension liability - beginning	123,728,181	116,252,300	107,159,697	102,058,233	97,751,527	92,802,000	87,410,000	81,034,000
Total pension liability - ending	$ 136,786,873	$ 123,728,181	$ 116,252,300	$ 107,159,697	$ 102,058,233	$ 97,751,527	$ 92,802,000	$ 87,410,000
Plan Fiduciary Net Position								
Employer contributions	$ 3,215,071	$ 2,582,271	$ 2,538,585	$ 2,394,595	$ 2,355,587	$ 2,804,570	$ 2,830,000	$ 3,167,000
Employee contributions	1,399,418	1,379,532	1,365,984	1,316,482	1,362,997	1,357,832	1,373,000	1,422,000
Projected earnings on plan investments	30,602,780	2,111,228	6,951,171	7,206,612	10,677,625	1,525,201	3,742,000	10,933,000
Benefit payments, including refunds of member contributions	(5,380,511)	(4,589,364)	(4,589,364)	(4,323,052)	(4,376,843)	(3,585,300)	(3,377,000)	(2,798,000)
Administrative expense	(74,847)	(70,713)	(67,621)	(61,420)	(61,057)	(52,120)	(50,000)	(57,000)
Other	(58,742)	(2,517)	(4,399)	(6,456)	(9,527)	391	(3,000)	1,000
Net change in fiduciary net position	29,703,169	1,410,437	6,194,356	6,526,761	9,948,782	2,050,574	4,515,000	12,668,000
Total net position - beginning	111,620,910	110,210,473	104,016,117	97,489,356	87,540,574	85,490,000	80,975,000	68,307,000
Total net position - ending	$ 141,324,079	$ 111,620,910	$ 110,210,473	$ 104,016,117	$ 97,489,356	$ 87,540,574	$ 85,490,000	$ 80,975,000
Net Pension Liability	$ (4,537,206)	$ 12,107,271	$ 6,041,827	$ 3,143,580	$ 4,568,877	$ 10,210,953	$ 7,312,000	$ 6,435,000
Plan fiduciary net position as a percentage of the total pension liability	103.32%	90.21%	94.80%	97.07%	95.52%	89.55%	92.12%	92.64%
Covered payroll	$ 27,457,189	$ 29,006,741	$ 28,350,756	$ 27,469,101	$ 26,351,750	$ 27,083,985	$ 26,861,778	$ 26,952,068
Net Pension liability as a percentage of covered payroll	-16.52%	41.74%	21.31%	11.44%	17.34%	37.70%	27.22%	23.88%

*This schedule is intended to illustrate the requirement to show information for 10 years.
Additional years will be included as they become available.

CITY OF NORFOLK

Virginia Retirement System State Constitutional Offices

Schedule of Employer Contributions (unaudited)

Last 10 Fiscal Years

(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2022	$ 4,574	$ 4,574	$ -	$ 28,047	16.31%
2021	3,215	3,215	-	27,457	11.71%
2020	2,582	2,582	-	29,007	8.90%
2019	2,539	2,539	-	28,351	8.96%
2018	2,394	2,394	-	27,470	8.71%
2017	2,356	2,356	-	26,352	8.94%
2016	2,805	2,805	-	27,084	10.36%
2015	2,830	2,830	-	26,862	10.54%
2014	3,167	3,167	-	26,952	11.75%
2013	3,135	3,135	-	27,300	11.48%
2012	3,212	3,212	-	24,677	13.02%

Note: Covered payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under Statement No. GASB 68, covered payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System Teachers Retirement Plan
Schedule of the School Board's Proportionate Share of the Net Pension Liability (unaudited)
For Fiscal Years
(Amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
School Board's proportion of the Net Pension Liability	2.437%	2.451%	2.545%	2.568%	2.701%	2.400%	2.430%	2.467%
School Board's proportionate share of the Net Pension Liability	$ 163,869	$ 309,003	$ 290,090	$ 260,983	$ 283,848	$ 336,787	$ 305,901	$ 298,089
Covered payroll	$ 185,754	$ 185,400	$ 195,455	$ 188,385	$ 192,822	$ 194,172	$ 189,624	$ 189,067
School Board's proportionate of the Net Pension Liability as a percentage of its covered payroll	88%	167%	148%	139%	147%	173%	161%	158%
Plan fiduciary net position as a percentage of the total pension liability	81.27%	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2015 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System Teachers Retirement Plan
Schedule of School Board Contributions (unaudited)
Last 10 Fiscal Years
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2022	$ 31,263	$ 31,263	$ -	$ 188,094	16.62%
2021	30,900	30,900	-	185,754	16.63%
2020	29,075	29,075	-	185,400	15.68%
2019	28,775	28,775	-	195,455	14.72%
2018	29,028	29,028	-	188,385	15.41%
2017	26,582	26,582	-	192,822	13.79%
2016	25,755	25,755	-	194,172	13.26%
2015	26,206	26,206	-	189,624	13.82%
2014	21,056	21,056	-	189,067	11.14%
2013	20,911	20,911	-	144,714	14.45%

Note: Covered payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under GASB Statement No. 68, covered payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System School Board Political Subdivisions
Schedule of Changes in the School Board's Net Pension Liability and Related Ratios (unaudited)
For Fiscal Years
(Amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service costs	$ 1,500	$ 1,548	$ 1,498	$ 1,504	$ 1,552	$ 1,527	$ 1,563	$ 1,530
Interest	6,308	6,173	6,129	6,054	5,976	5,891	5,770	5,586
Changes in assumptions	3,100	-	2,361	-	(850)	-	-	-
Difference between expected and actual experience	(1,570)	(135)	(1,066)	(2,076)	(646)	(1,511)	(1,027)	-
Benefits payments, including refunds of member contributions	(6,120)	(5,063)	(4,992)	(5,155)	(4,706)	(4,814)	(4,343)	(4,659)
Change in proportionate share	-	-	658	9	76	1	21	
Net change in total pension liability	3,218	2,523	4,588	336	1,402	1,094	1,984	2,457
Total Pension Liability - Beginning	96,509	93,986	89,398	89,062	87,660	86,566	84,582	82,125
Total Pension Liability - Ending	$ 99,727	$ 96,509	$ 93,986	$ 89,398	$ 89,062	$ 87,660	$ 86,566	$ 84,582
Plan Fiduciary Net Position								
Employer contributions	$ 1,077	$ 1,125	$ 1,151	$ 1,435	$ 1,408	$ 1,794	$ 1,768	$ 1,722
Employee contributions	795	832	845	814	807	800	785	775
Projected earnings on plan investments	22,627	1,636	5,486	5,851	8,877	1,248	3,321	10,151
Benefit payments, including refunds of member contributions	(6,120)	(5,063)	(4,994)	(5,155)	(4,706)	(4,814)	(4,343)	(4,659)
Administrative expense	(59)	(57)	(56)	(52)	(52)	(47)	(47)	(56)
Change in proportionate share	-	-	612	(2)	41	1	18	
Other	2	(2)	(3)	(36)	(17)	(17)	(11)	1
Net change in Fiduciary Net Position	18,322	(1,529)	3,041	2,855	6,358	(1,035)	1,491	7,934
Total Net Position - Beginning	84,688	86,217	83,176	80,321	73,963	74,998	73,507	65,573
Total Net Position - Ending	$ 103,010	$ 84,688	$ 86,217	$ 83,176	$ 80,321	$ 73,963	$ 74,998	$ 73,507
Net Pension Liability	$ (3,283)	$ 11,821	$ 7,769	$ 6,222	$ 8,741	$ 13,697	$ 11,568	$ 11,075
Plan fiduciary net position as a percentage of the total pension liability	103.29%	87.75%	91.73%	93.04%	90.19%	84.37%	86.64%	86.91%
Covered payroll	$ 17,140	$ 17,819	$ 22,848	$ 22,292	$ 23,756	$ 22,219	$ 22,224	$ 21,766
Net Pension liability as a percentage of covered payroll	-19.15%	66.34%	34.00%	27.91%	36.79%	61.65%	52.05%	50.88%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2015 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System School Board Political Subdivisions
Schedule of School Board Contributions (unaudited)
Last 10 Fiscal Years
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2022	$ 1,165	$ 1,165	$ -	$ 16,904	6.89%
2021	1,178	1,178	-	17,140	6.87%
2020	1,212	1,212	-	17,819	6.80%
2019	1,195	1,195	-	22,848	5.23%
2018	1,435	1,435	-	22,292	6.44%
2017	1,408	1,408	-	23,756	5.93%
2016	1,794	1,794	-	22,219	8.07%
2015	1,768	1,768	-	22,224	7.96%
2014	1,722	1,722	-	21,766	7.91%
2013	1,734	1,734	-	15,661	11.07%

Note: Covered payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under Statement No. GASB 68, covered payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

See accompanying independent auditors' report

CITY OF NORFOLK
City OPEB Liability
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)
For Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service costs	$ 8,084,842	$ 3,409,119	$ 4,029,985	$ 2,485,855	$ 2,638,578
Interest	1,705,737	1,323,007	1,461,628	1,178,923	864,633
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(8,935,659)	(3,450,033)	(5,055,352)	(2,005,011)	(1,413,447)
Changes in assumptions	280,846	37,661,645	1,272,010	3,702,351	1,815,771
Benefits payments, including refunds of member contributions	(2,401,000)	(1,383,661)	(1,355,887)	(1,223,511)	(1,247,913)
Net change in total OPEB liability	(1,265,234)	37,560,077	352,384	4,138,607	2,657,622
Total OPEB liability - beginning	74,356,257	36,796,180	36,443,796	32,305,189	29,647,567
Total OPEB liability - ending	$ 73,091,023	$ 74,356,257	$ 36,796,180	$ 36,443,796	$ 32,305,189
Covered employee payroll	$ 194,653,151	$ 201,420,320	$ 198,510,945	$ 199,097,008	$ 196,905,143
Total OPEB liability as a percentage of covered employee payroll	37.55%	36.92%	18.54%	18.30%	16.41%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

See accompanying independent auditors' report

CITY OF NORFOLK
City Line of Duty OPEB Liability
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)
For Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service costs	$ 1,762,063	$ 1,517,526	$ 1,454,436	$ 1,517,002	$ 991,486
Interest	889,866	1,364,547	1,187,989	1,336,572	637,503
Changes of benefit terms	-	-	-	-	19,652,972
Difference between expected and actual experience	1,299,665	(1,985,552)	4,206,413	(3,476,174)	(2,397)
Changes in assumptions	416,582	1,418,301	2,507,435	(4,964,076)	(5,648,603)
Benefits payments, including refunds of member contributions	(1,126,835)	(1,189,977)	(1,007,750)	(1,030,394)	(822,158)
Net change in total OPEB liability	3,241,341	1,124,845	8,348,523	(6,617,070)	14,808,803
Total OPEB liability - beginning	39,949,536	38,824,691	30,476,168	37,093,238	22,284,435
Total OPEB liability - ending	$ 43,190,877	$ 39,949,536	$ 38,824,691	$ 30,476,168	$ 37,093,238
Covered employee payroll	$ 67,982,090	$ 71,415,407	$ 70,942,265	$ 66,183,480	$ 68,244,678
Total OPEB liability as a percentage of covered employee payroll	63.53%	55.94%	54.73%	46.05%	54.35%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

See accompanying independent auditors' report

CITY OF NORFOLK
School Board OPEB Liability
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)
For Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service costs	$ 4,412,775	$ 2,947,665	$ 625,247	$ 1,381,764	$ 1,468,830
Interest	1,257,459	1,644,140	1,896,670	1,673,986	1,702,533
Changes of benefit terms	6,316,408	-	-	-	-
Difference between expected and actual experience	(2,835,101)	(5,024,887)	(4,651,923)	3,627,408	(3,274,812)
Changes in assumptions	(29,571)	11,937,594	1,277,781	(1,794,422)	(10,475,847)
Benefits payments, including refunds of member contributions	(2,360,257)	(2,262,170)	(2,401,320)	(2,129,544)	(2,580,746)
Net change in total OPEB liability	6,761,713	9,242,342	(3,253,545)	2,759,192	(13,160,042)
Total OPEB liability - beginning	55,877,982	46,635,640	49,889,185	47,129,993	60,290,035
Total OPEB liability - ending	$ 62,639,695	$ 55,877,982	$ 46,635,640	$ 49,889,185	$ 47,129,993
Covered employee payroll	$ 185,123,319	$ 185,408,346	$ 193,251,731	$ 202,324,943	$ 202,324,943
Total OPEB liability as a percentage of covered employee payroll	33.84%	30.14%	24.13%	24.66%	23.29%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System - Health Insurance Credit Program (HIC)
Schedule of the School Board's Share of the Net OPEB Liability (unaudited)
For Fiscal Years
(Amounts in thousands)

	2022	2021	2020	2019	2018
School Board's proportion of contributions of the Net HIC OPEB Liability	2.10%	2.12%	2.20%	2.57%	2.70%
School Board's proportionate share of the Net HIC OPEB Liability	$ 26,974	$ 29,588	$ 28,802	$ 28,146	$ 29,296
Covered payroll	$ 188,094	$ 185,400	$ 184,851	$ 182,653	$ 182,244
School Board's proportionate of the Net HIC OPEB Liability as a percentage of its covered payroll	14.34%	15.96%	15.58%	15.41%	16.08%
Plan fiduciary net position as a percentage of the Total HIC OPEB Liability	13.15%	9.95%	8.97%	8.08%	7.04%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.
*The amount presented have a measurement date of the previous fiscal year end.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System - Health Insurance Credit Program (HIC)
Schedule of School Board Contributions (unaudited)
Last 10 Fiscal Years
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2022	$ 2,276	$ 2,276	-	$ 188,094	1.21%
2021	2,250	2,250	-	185,754	1.21%
2020	2,225	2,225	-	185,400	1.20%
2019	2,181	2,181	-	184,851	1.18%
2018	2,219	2,181	38	182,653	1.21%
2017	2,242	2,023	219	182,244	1.23%
2016	2,163	1,943	220	183,289	1.18%
2015	2,119	1,903	216	179,564	1.18%
2014	2,096	1,989	107	179,148	1.17%
2013	2,074	1,968	106	177,281	1.17%

*The schedule will eventually report 10 years of data as the information becomes available.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System - Group Life Insurance Program (GLI) Teachers
Schedule of the School Board's Share of the Net OPEB Liability (unaudited)
For Fiscal Years
(Amounts in thousands)

	2022	2021	2020	2019	2018
School Board's proportion of contributions of the Net GLI OPEB Liability	0.99%	0.91%	0.95%	1.10%	1.16%
School Board's proportionate share of the Net GLI OPEB Liability	$ 11,546	$ 16,592	$ 15,421	$ 16,679	$ 14,976
Covered payroll	$ 188,094	$ 185,408	$ 185,315	$ 183,561	$ 183,561
School Board's proportionate of the Net GLI OPEB Liability as a percentage of its covered payroll	6.14%	8.95%	8.32%	9.09%	8.16%
Plan fiduciary net position as a percentage of the Total GLI OPEB Liability	67.45%	52.64%	52.00%	51.22%	48.86%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.
*The amount presented have a measurement date of the previous fiscal year end.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System - Group Life Insurance Program (GLI) Teachers

Schedule of School Board Contributions (unaudited)
Last 10 Fiscal Years
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2022	$ 2,761	$ 2,761	$ -	$ 188,093	1.47%
2021	2,509	2,509	-	185,754	1.35%
2020	1,115	1,115	-	185,408	0.60%
2019	968	968	-	185,315	0.52%
2018	928	928	-	183,561	0.51%
2017	714	714	-	183,561	0.39%
2016	981	888	93	185,045	0.53%
2015	958	868	90	180,745	0.53%
2014	957	866	91	180,487	0.53%
2013	949	860	89	179,135	0.53%

*The amounts shown here represent the employer share of group life insurance contributions and exclude the employee portion of group life insurance costs. The statewide cost sharing for group life insurance is 40% for the employer and 60% for employees. VRS permits school boards to pay both the employee and employer share of contributions, and the Norfolk School Board has elected to do that. The contributions noted above represent 40% of the total premiums paid by the school board.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System - Group Life Insurance Program (GLI) Political Subdivisions

Schedule of the School Board's Share of the Net OPEB Liability (unaudited)
For Fiscal Years
(Amounts in thousands)

	2022	2021	2020	2019	2018
School Board's proportion of contributions of the Net GLI OPEB Liability	0.08%	0.09%	0.09%	0.09%	0.09%
School Board's proportionate share of the Net GLI OPEB Liability	$ 984	$ 1,462	$ 1,503	$ 1,392	$ 1,185
Covered payroll	$ 16,904	$ 17,819	$ 18,647	$ 17,509	$ 16,999
School Board's proportionate of the Net GLI OPEB Liability as a percentage of its covered payroll	5.82%	8.20%	8.06%	7.95%	6.97%
Plan fiduciary net position as a percentage of the Total GLI OPEB Liability	67.45%	52.60%	52.00%	51.22%	48.86%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.
*The amount presented have a measurement date of the previous fiscal year end.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System - Group Life Insurance Program (GLI) Political Subdivisions
Schedule of School Board Contributions (unaudited)
Last 10 Fiscal Years
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2022	$ 251	$ 251	$ -	$ 16,904	1.48%
2021	234	234	-	17,140	1.37%
2020	94	94	-	17,819	0.53%
2019	94	94	-	18,647	0.50%
2018	91	91	-	17,509	0.52%
2017	88	88	-	16,999	0.52%
2016	88	79	9	16,511	0.53%
2015	86	78	8	16,184	0.53%
2014	84	76	8	15,912	0.53%
2013	84	76	8	15,890	0.53%
2012	67	42	25	15,154	0.44%

*The amounts shown here represent the employer share of group life insurance contributions and exclude the employee portion of group life insurance costs. The statewide cost sharing for group life insurance is 40% for the employer and 60% for employees. VRS permits school boards to pay both the employee and employer share of contributions, and the Norfolk School Board has elected to do that. The contributions noted above represent 40% of the total premiums paid by the school board.

See accompanying independent auditors' report

A. VRS Teacher Retirement Plan

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

B. VRS Retirement Plan for Political Subdivisions

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

C. VRS Post-employment Benefit Plan – Group Life Insurance (GLI) Program

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

D. VRS Post-employment Benefit Plan – Health Insurance Credit (HIC) Plan

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

CITY OF NORFOLK, VIRGINIA

Schedule of Revenue, Budget and Actual (Unaudited)
General Fund
For the Year Ending June 30, 2022

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
General property taxes	$ 322,871,000	$ 326,065,057	$ 345,879,422	$ 19,814,365
Other local taxes	161,646,000	161,646,000	173,337,193	11,691,193
Permits, privilege fees and licenses	3,608,000	3,608,000	3,883,494	275,494
Fines and forfeitures	1,218,000	1,218,000	1,353,222	135,222
Use of money and property	7,646,765	7,646,765	7,928,353	281,588
Charges for services	23,380,568	23,380,568	23,581,695	201,127
Miscellaneous revenue	8,976,770	8,976,770	11,337,152	2,360,382
Recovered costs	11,247,290	11,247,290	11,245,573	(1,717)
Non-categorical aid - Virginia	35,777,200	35,777,200	39,719,848	3,942,648
Shared expense - Virginia	22,395,400	23,393,315	22,779,442	(613,873)
Categorical aid - Virginia	288,618,441	290,264,447	282,023,720	(8,240,727)
Categorical aid - Federal	8,790,256	8,790,256	9,316,003	525,747
Other sources and transfers	33,005,400	44,885,400	44,885,400	-
Total revenue budget	$ 929,181,090	$ 946,899,068	$ 977,270,518	$ 30,371,450

Exhibit E-1 for GASB 54 includes the General Fund, the Nauticus Fund and the Community Services Board.

See accompanying independent auditors' report

CITY OF NORFOLK, VIRGINIA

Schedule of Expenditures, Budget and Actual (Unaudited)
General Fund
For the Year Ending June 30, 2022

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
Legislative	$ 5,513,857	$ 5,575,857	$ 5,242,952	$ 332,905
Executive	11,654,617	9,011,034	8,233,378	777,656
Department of Law	5,226,300	5,256,300	5,062,425	193,875
Constitutional Officers	52,316,276	55,164,191	50,799,976	4,364,215
Judicial	1,416,511	1,475,511	1,230,322	245,189
Elections	1,022,942	1,137,915	1,127,520	10,395
General Management	54,622,541	55,508,244	52,447,448	3,060,796
Community Development	13,548,322	17,869,422	15,387,648	2,481,774
Parks, Recreation and Culture	40,564,449	40,596,115	38,187,686	2,408,429
Central and Outside Agency Appropriations	71,396,093	86,417,671	74,402,035	12,015,636
Public Health and Assistance	80,010,964	81,083,891	69,382,604	11,701,287
Public Safety	131,207,173	125,142,309	66,565,403	58,576,906
Public Works	18,507,582	18,818,072	17,469,990	1,348,082
Transit	11,599,756	11,139,266	10,815,326	323,940
Debt service	75,705,398	75,405,398	83,142,679	(7,737,281)
Public School Education	354,868,309	357,297,872	327,393,501	29,904,371
Total expenditure budget	$ 929,181,090	$ 946,899,068	$ 826,890,893	$ 120,008,175

Exhibit E-2 for GASB 54 includes the General Fund, the Nauticus Fund and the Community Services Board.

Notes to Required Supplementary Information
Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited)
For the Year Ending June 30, 2022

		General Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	$	977,270,518
Differences--budget to GAAP:		
The effects of accounting for school revenue as a component unit		(220,166,520)
The effects of accounting for transfer from fund balance		(26,117,000)
General fund transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes		(18,768,400)
The effects of reclassification of recovered costs		(9,215,153)
Gross proceeds from other financing sources		(1,396,813)
Total revenues as reported on the Statement of Revenues, Expenditure and Changes in Fund Balances - Governmental Funds	$	701,606,632
Uses/outflows of resources:		
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	$	826,890,893
Differences--budget to GAAP:		
The effects of accounting for school expenditures as a component unit	$	(197,771,329)
The effects of reclassification of recovered costs	$	(9,215,153)
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	$	3,077,946
General fund transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	$	(83,879,886)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	$	539,102,471

APPENDIX B

FORMS OF BOND COUNSEL OPINION LETTERS

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McGuireWoods

May 17, 2023

Mayor and Council of the
City of Norfolk, Virginia
Norfolk, Virginia

$108,800,000
City of Norfolk, Virginia
General Obligation Capital Improvement Bonds,
Series 2023A (Tax-Exempt)

Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City"), in connection with the issuance and sale of the City's $108,800,000 General Obligation Capital Improvement Bonds, Series 2023A (Tax-Exempt) (the "Bonds"), dated the date of their delivery.

In connection with this opinion letter, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Tax Code") and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon and are assuming the accuracy of certifications and representations of the City, City officers and other public officials and certain other third parties contained in certificates and other documents delivered at closing, including, without limitation, certifications as to the use of proceeds of the Bonds, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.

2. The City Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals (a "Specific Tax Preference Item"). However, for taxable years beginning after December 31, 2022, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In delivering this opinion, we are assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Tax Code. The Tax Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax certificate and related documents for the Bonds (the "Tax Certificates") delivered at closing by the City contain covenants (the "Covenants") under which the City has agreed to comply with such requirements. A failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificates. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Tax Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The opinions are subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences, fraudulent transfers and equitable subordination), reorganization, moratorium and other similar laws affecting creditors' rights generally. The opinions are subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing.

Our services as bond counsel to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the City dated April 18, 2023, as supplemented, and the Official Statement of the City dated April 25, 2023. This opinion letter is given as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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McGuireWoods

May 17, 2023

Mayor and Council of the
City of Norfolk, Virginia
Norfolk, Virginia

$15,070,000
City of Norfolk, Virginia
General Obligation Capital Improvement Bonds,
Series 2023B (Federally Taxable)

Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City"), in connection with the issuance and sale by the City of its $15,070,000 General Obligation Capital Improvement Bonds, Series 2023B (Federally Taxable) (the "Bonds"), dated the date of their delivery.

In connection with this opinion letter, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to this opinion, we have relied upon and are assuming the accuracy of certifications and representations of the City, City officers and other public officials and certain third parties contained in certificates and other documents delivered at closing, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.

2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds is includable in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences with respect to the Bonds.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth, or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The opinions are subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences, fraudulent transfers and equitable subordination), reorganization, moratorium and other similar laws affecting creditors' rights generally. The opinions are subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing.

Our services as bond counsel to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the City dated April 18, 2023, as supplemented, and the Official Statement of the City dated April 25, 2023. This opinion letter is given as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of May 17, 2023 (the "Closing Date"), by the City of Norfolk, Virginia (the "City"), in connection with the issuance by the City of its $108,800,000 General Obligation Capital Improvement Bonds, Series 2023A (Tax-Exempt) and its $15,070,000 General Obligation Capital Improvement Bonds, Series 2023B (Federally Taxable) (collectively, the "Bonds"), pursuant to Ordinance No. 49,132 adopted by the City Council of the City on April 11, 2023 (the "Ordinance"). Pursuant to the Ordinance, the City approved the offering and sale of the Bonds to the public pursuant to an Official Statement relating to the Bonds, dated April 25, 2023 (the "Official Statement"). The City has determined that it constitutes an "obligated person" within the meaning of the Rule, as hereinafter defined, with respect to the Bonds and, accordingly, hereby represents, covenants and agrees as follows:

Section 1. **Definitions.** In addition to the definitions set forth elsewhere in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the City means the following:

(i) the financial statements (consisting of at least a statement of net assets, a statement of cash flows and a statement of revenues, expenses and changes in fund net assets for all governmental/enterprise funds) of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this Disclosure Agreement will prohibit the City after the date of the Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(ii) updates of the operating data contained in the sections in the Final Official Statement titled "Table II-3, Key Debt Trends," "Table II-6, Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita," "Table III-2, Revenue Capacity Information Assessed Valuations of Taxable Property," "Table III-5, Real and Personal Property Tax Levies and Collections," "Table III-6, Ten Principal Real Property Taxpayers" and "Table III-14, Comparative Statement of Revenue and Expenditures, General Fund."

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the City and the results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

"Make Public" or **"Made Public"** has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" shall mean the U.S. Securities and Exchange Commission.

Section 2. Purpose of the Disclosure Agreement; Representation. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and in order to assist the Participating Underwriters in complying with the Rule. The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 3. Obligations of the City. (a) The City shall complete the preparation of the Annual Financial Information with respect to any Fiscal Year of the City not later than March 31 after the end of such Fiscal Year.

(b) The City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), the Annual Financial Information within 30 days after it is prepared in final form.

(c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 - TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material. "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of a payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

Provided that nothing in this subsection (c) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(d) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner, notice of a failure of the City to provide the Annual Financial Information, on or before the date specified in this Disclosure Agreement.

(e) The City shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the current Fiscal Year.

Section 4. **__Information Made Public.__** Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB, in an electronic format as prescribed by the MSRB. Should the SEC approve any additional or subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing system.

Section 5. **__Incorporation by Reference.__** Any or all of the Annual Financial Information may be incorporated by specific reference from other documents, including official statements containing information with respect to the City, which are available to the public on the internet website of the MSRB or filed with the SEC. The City shall clearly identify each such other document so incorporated by reference.

Section 6. **__CUSIP Numbers.__** The City shall reference, or cause the Dissemination Agent (if not the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

Section 7. **__Termination of Reporting Obligation.__** The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

Section 8. **__Dissemination Agent.__** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 9. **__Identifying Information.__** All documents provided to the MSRB hereunder shall be accompanied by identifying information as prescribed by the MSRB.

Section 10. **__Amendment.__** Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and to the Participating Underwriters for the Bonds to the effect that such amendment is permitted or required by the Rule.

Section 11. **__Additional Information.__** Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(c), in addition to that which is required by this Disclosure Agreement. If the City chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(c), in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this

Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

Section 12. **Default.** Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or any other debt authorization of the City, or any Bond and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 13. **Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and the Holders and shall create no rights in any other person or entity.

Section 14. **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Continuing Disclosure Agreement on behalf of the City of Norfolk, Virginia, as of the Closing Date.

CITY OF NORFOLK, VIRGINIA

By: ________________________________
Dr. Larry H. Filer II
City Manager, City of Norfolk, Virginia

By: ________________________________
Christine A. Garczynski
Director of Finance, City of Norfolk, Virginia

Approved as to Form and Correctness:

____
Office of the City Attorney
City of Norfolk, Virginia

[Signature Page to Continuing Disclosure Agreement]

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds (the "Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to a Bond unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (an "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such Bond is credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the bond registrar or paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participants or Indirect Participant and not of DTC, the City or the bond registrar and paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the bond registrar and paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the bond registrar and paying agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Neither the City nor the bond registrar and paying agent has any responsibility or obligation to the Direct Participants or Indirect Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (ii) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (iii) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to such owners; or (iv) any other action taken by DTC, or its nominee, Cede & Co., as Holder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the holders of the Bonds or Bondholders mean Cede & Co. and not the Beneficial Owners, and Cede & Co. will be treated as the only Holder of the Bonds.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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