

CITY OF NORFOLK, VIRGINIA

\$241,325,000 General Obligation Capital Improvement and Refunding Bonds, Series 2025A	\$14,785,000 General Obligation Capital Improvement Bonds, Series 2025B (Federally Taxable)
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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 2025A and 2025B 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 Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the 2025A Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the 2025A Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is of the opinion that interest on the 2025B Bonds is included in gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Bonds is exempt from income taxation by the Commonwealth of Virginia. For a more detailed description of such opinions of Bond Counsel and other tax considerations, see "TAX MATTERS" herein. 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.
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 Nos. 50,102 and 50,108, adopted by the City Council of the City on September 9, 2025.
Purpose	A portion of the proceeds of the 2025A Bonds and the proceeds of the 2025B Bonds, together with other available funds, will be used to (i) finance a portion of the City's Capital Improvements Plan, as the City Council may amend it from time to time, and (ii) pay the costs of issuance of the 2025A Bonds and the 2025B Bonds. The remaining portion of the 2025A Bonds will be used to (i) pay the purchase price for the Purchased Refunded Bonds (as defined herein) tendered to the City pursuant to the Tender Offer (as defined herein) and (ii) refund a portion of certain of the Target Bonds (as defined herein) not tendered for purchase. See "PART I – "PLAN OF FINANCE" and "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 March 1, 2026.
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 October 15, 2025
Bond Counsel	Kutak Rock 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 (www.buynorfolkvbonds.com)

Underwriters for the Bonds:

BofA Securities

J.P. Morgan

Raymond James

Truist Securities

CITY OF NORFOLK, VIRGINIA

\$241,325,000
General Obligation Capital Improvement and Refunding Bonds, Series 2025A
(Base CUSIP Number 655867)*

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

Maturity	Principal Amount	Interest Rate	Price	Yield	Optional Redemption Date	CUSIP* Suffix
9/1/2026	\$ 7,530,000	5.000%	102.233%	2.410%	-	S67
9/1/2027	3,570,000	5.000	104.856	2.340	-	S75
9/1/2028	10,520,000	5.000	107.416	2.320	-	S83
9/1/2029	18,550,000	5.000	109.842	2.330	-	S91
9/1/2030	18,090,000	5.000	111.995	2.380	-	T25
9/1/2031	9,915,000	5.000	113.701	2.480	-	T33
9/1/2032	13,180,000	5.000	114.751	2.640	-	T41
9/1/2033	20,235,000	5.000	115.989	2.730	-	T58
9/1/2034	17,325,000	5.000	116.755	2.850	-	T66
9/1/2035	10,235,000	5.000	115.314 ¹	3.020	9/1/2034	T74
9/1/2036	7,625,000	5.000	113.894 ¹	3.190	9/1/2034	U80
9/1/2036	10,260,000	5.000	108.159 ²	3.180	9/1/2030	V22
9/1/2037	500,000	5.000	112.495 ¹	3.360	9/1/2034	V30
9/1/2037	10,285,000	5.000	107.551 ²	3.310	9/1/2030	U98
9/1/2038	10,315,000	5.000	106.946 ²	3.440	9/1/2030	T82
9/1/2039	10,345,000	5.000	107.792 ³	3.520	9/1/2031	T90
9/1/2040	10,385,000	5.000	107.024 ³	3.660	9/1/2031	U23
9/1/2041	10,415,000	5.000	106.426 ³	3.770	9/1/2031	U31
9/1/2042	10,450,000	5.000	105.885 ³	3.870	9/1/2031	U49
9/1/2043	10,490,000	5.000	105.401 ³	3.960	9/1/2031	U56
9/1/2044	10,530,000	5.000	104.973 ³	4.040	9/1/2031	U64
9/1/2045	10,575,000	5.000	104.600 ³	4.110	9/1/2031	U72

OPTIONAL REDEMPTION

The 2025A Bonds maturing on September 1, 2035 (\$10,235,000 principal amount), September 1, 2036 (\$7,625,000 principal amount), and September 1, 2037 (\$500,000 principal amount), are subject to redemption prior to their respective maturities on or after September 1, 2034, 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 2025A Bond to be redeemed, plus the unpaid interest accrued thereon to the dated fixed for redemption.

The 2025A Bonds maturing on September 1, 2036 (\$10,260,000 principal amount), September 1, 2037 (\$10,285,000 principal amount), and September 1, 2038 (\$10,315,000 principal amount), are subject to redemption prior to their respective maturities on or after September 1, 2030, 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 2025A Bond to be redeemed, plus the unpaid interest accrued thereon to the dated fixed for redemption.

The 2025A Bonds maturing on September 1, 2039 through September 1, 2045, inclusive, are subject to redemption prior to their respective maturities on or after September 1, 2031, 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 2025A Bond to be redeemed, plus the unpaid interest accrued thereon to the dated fixed for redemption.

* See the second to last paragraph on page (iv) regarding the use of CUSIP numbers in this Official Statement.

¹ Priced to the first optional redemption date of September 1, 2034, at par.

² Priced to the first optional redemption date of September 1, 2030, at par.

³ Priced to the first optional redemption date of September 1, 2031, at par.

\$14,785,000
General Obligation Capital Improvement Bonds, Series 2025B (Federally Taxable)
(Base CUSIP Number 655867)*

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

Maturity	Principal Amount	Interest Rate	Price	Yield	CUSIP* Suffix
9/1/2026	\$3,895,000	3.798%	100.000%	3.798%	V48
9/1/2027	5,845,000	3.748	100.000	3.748	V55
9/1/2028	5,045,000	3.755	100.000	3.755	V63

OPTIONAL REDEMPTION

The 2025B Bonds are not subject to optional redemption prior to maturity.

* See the second to last paragraph on page (iv) regarding the use of CUSIP numbers in this Official Statement.

CITY OF NORFOLK, VIRGINIA

CITY COUNCIL

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

Carlos J. Clanton
Courtney R. Doyle
Mamie B. Johnson

Jeremy D. McGee
John E. Paige
Thomas R. Smigiel, Jr

CITY OFFICIALS

Patrick G. Roberts, City Manager
Christine A. Garczynski, Director of Finance
Bernard A. Pishko, City Attorney

BOND COUNSEL

Kutak Rock 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

\$241,325,000 General Obligation Capital Improvement and Refunding Bonds, Series 2025A	\$14,785,000 General Obligation Capital Improvement Bonds, Series 2025B (Federally Taxable)
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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” or “Norfolk”), of its \$241,325,000 General Obligation Capital Improvement and Refunding Bonds, Series 2025A (the “2025A Bonds”), and its \$14,785,000 General Obligation Capital Improvement Bonds, Series 2025B (Federally Taxable) (the “2025B Bonds,” and together with the 2025A 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 annually, 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 March 1, 2026, 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 2025A Bonds. The 2025A Bonds as shown below are subject to redemption prior to their respective maturities on or after September 1, 2034, 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 2025A Bond to be redeemed, plus the unpaid interest accrued thereon to the dated fixed for redemption.

<u>Maturity</u>	<u>Principal Amount</u>	<u>First Optional Redemption Date</u>
September 1, 2035	\$10,235,000	September 1, 2034
September 1, 2036	\$7,625,000	September 1, 2034
September 1, 2037	\$500,000	September 1, 2034

The 2025A Bonds as shown below are subject to redemption prior to their respective maturities on or after September 1, 2030, 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 2025A Bond to be redeemed, plus the unpaid interest accrued thereon to the dated fixed for redemption.

<u>Maturity</u>	<u>Principal Amount</u>	<u>First Optional Redemption Date</u>
September 1, 2036	\$10,260,000	September 1, 2030
September 1, 2037	\$10,285,000	September 1, 2030
September 1, 2038	\$10,315,000	September 1, 2030

The 2025A Bonds as shown below are subject to redemption prior to their respective maturities on or after September 1, 2031, 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 2025A Bond to be redeemed, plus the unpaid interest accrued thereon to the dated fixed for redemption.

<u>Maturity</u>	<u>Principal Amount</u>	<u>First Optional Redemption Date</u>
September 1, 2039	\$10,345,000	September 1, 2031
September 1, 2040	\$10,385,000	September 1, 2031
September 1, 2041	\$10,415,000	September 1, 2031
September 1, 2042	\$10,450,000	September 1, 2031
September 1, 2043	\$10,490,000	September 1, 2031

<u>Maturity</u>	<u>Principal Amount</u>	<u>First Optional Redemption Date</u>
September 1, 2044	\$10,530,000	September 1, 2031
September 1, 2045	\$10,575,000	September 1, 2031

Optional Redemption of the 2025B Bonds. The 2025B Bonds are not subject to optional redemption prior to maturity.

Manner of Redemption of 2025A Bonds. If less than all of the 2025A Bonds are called for redemption, the maturities of such 2025A 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 the beneficial ownership of the 2025A Bonds, if less than all of the 2025A Bonds within a maturity are to be redeemed, The Depository Trust Company (“DTC”) and its participants shall determine which of such 2025A Bonds within a maturity are to be redeemed.

Notice of Redemption of the 2025A Bonds. Notice of redemption shall be given by certified or registered mail to DTC or its nominee as the registered owner of the applicable 2025A 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 2025A Bonds.

Any notice of optional redemption of any of the 2025A 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 specific 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 2025A 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 2025A Bonds so called for redemption. Notice of the rescission of any such redemption of the 2025A Bonds shall be given in the same manner in which notice of redemption of such 2025A Bonds was originally given. The actual receipt by the Beneficial Owner (as defined in Appendix D) of any 2025A 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 Nos. 50,102 and 50,108, adopted by the City Council of the City (the “City Council”) September 9, 2025 (the “Ordinance”).

The City will use a portion of the proceeds of the 2025A Bonds and the proceeds of the 2025B Bonds, together with other available funds, to (i) finance a portion of the City’s Capital Improvement Program, as the City Council may amend it from time to time, and (ii) pay the costs of issuance of the 2025A Bonds and the 2025B Bonds. The remaining portion of the 2025A Bonds will be used to (i) pay the purchase price for the Purchased Refunded Bonds (as defined herein) tendered to the City pursuant to the Tender Offer (as defined herein) and (ii) refund all or a portion of the Target Bonds (as defined herein) not

tendered for purchase. See “PART I -- PLAN OF FINANCE” and “PART I -- APPLICATION OF PROCEEDS OF THE BONDS.” The Bonds will close on or about October 15, 2025.

PLAN OF FINANCE

Capital Project Financing and Refunding

The City expects to use a portion of the proceeds of the 2025A Bonds and the proceeds of the 2025B Bonds, together with other available funds, to (i) finance a portion of the City’s Capital Improvement Program, as the City Council may amend it from time to time and (ii) pay issuance costs of the 2025A Bonds and the 2025B Bonds. See “PART II -- DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Improvement Plan Budget.” The remaining portion of the 2025A Bonds will be used to (i) pay the purchase price for the Purchased Refunded Bonds tendered to the City pursuant to the Tender Offer and (ii) refund all or a portion of the Target Bonds not tendered for purchase. See “Refunding and Invitation to Tender Bonds” and “Tax-Exempt Advance Refunding” immediately following below.

Refunding and Invitation to Tender Bonds

The City released its Invitation to Tender Bonds for Purchase, dated September 12, 2025 (the “Invitation”), inviting owners of certain outstanding general obligation bonds of the City, which are described in more detail in the Invitation (the “Target Bonds”), to tender such Target Bonds for purchase by the City (the “Tender Offer”). The City contemporaneously filed the Invitation with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. The purpose of the Tender Offer was to give the City the opportunity to purchase the Target Bonds and realize debt service savings. Target Bonds tendered and accepted for purchase will be retired and cancelled on the date of issuance of the 2025A Bonds contingent upon sufficient funding from the issuance of the 2025A Bonds being allocated for such purpose.

Pursuant to the Tender Offer as set forth in the Invitation, the owners of Target Bonds were given the opportunity to tender such Target Bonds for cash. Subject to the conditions set forth in the Invitation, the City expects to purchase the Target Bonds accepted for purchase per the terms and at the purchase prices set forth in the Invitation plus accrued interest to but not including the Settlement Date. The Target Bonds purchased pursuant to the Tender Offer (the “Purchased Refunded Bonds”) will be cancelled on the Settlement Date and shall no longer be deemed outstanding. Funds to pay the purchase price of the Purchased Refunded Bonds and to pay costs of the Tender Offer, will be provided from a portion of the proceeds of the 2025A Bonds.

This section is not intended to summarize all of the terms of the Invitation, and reference is made to the Invitation for a complete discussion of the terms of the Tender Offer and the conditions for settlement of the Target Bonds validly tendered and accepted for purchase. The closing related to the Target Bonds tendered for purchase will be contingent upon the City’s issuance of the 2025A Bonds in an amount sufficient for such purpose. Proceeds of the 2025A Bonds will be applied first to fund the planned cost of the Capital Improvement Program to be paid from 2025A Bond proceeds. The City’s purchase of any Target Bonds tendered pursuant to Invitation is subject to certain other conditions, including, without limitation, the Financing Conditions (as defined in the Invitation).

The Purchased Refunded Bonds accepted by the City for tender for purchase pursuant to a Notice of Acceptance, dated September 30, 2025, are listed and more particularly described in Appendix E attached hereto.

Tax-Exempt Advance Refunding of Tendered but not Purchased Target Bonds

The City will use a portion of the proceeds of the 2025A Bonds to defease and prepay certain maturities, or portions of maturities, of the Target Bonds that are not Purchased Refunded Bonds (the “Non-Tendered Refunded Bonds”), as detailed in Appendix E attached hereto. The City will deposit such proceeds in an irrevocable escrow fund (the “Escrow Account”), created under an escrow deposit agreement between the City and Wilmington Trust, N.A, as escrow agent (the “Escrow Agent”). The City will use the balance of the proceeds of the 2025A Bonds as described above to (i) pay the purchase price for the Purchased Refunded Bonds tendered to the City pursuant to the Tender Offer, (ii) finance a portion of the City’s Capital Improvement Program and (ii) pay the costs of issuing the 2025A Bonds.

The Escrow Agent will apply the amount so deposited in the Escrow Account to purchase direct, non-callable obligations of the United States Treasury or other securities guaranteed by the United States of America (the “Escrow Securities”). The Escrow Securities will mature and bear interest at times and in the amounts which, together with cash in the Escrow Account, will be sufficient to pay the interest when due and the principal, on the Non-Tendered Refunded Bonds on their maturity dates, as set forth in Appendix E attached hereto.

Simultaneously with the issuance of the 2025A Bonds, the Escrow Agent will be given irrevocable instructions to defease to their maturity dates the Non-Tendered Refunded Bonds as shown in Appendix E attached hereto. As a result of the deposit of the Escrow Securities to the credit of the Escrow Account and such instructions, the Non-Tendered Refunded Bonds will no longer be deemed outstanding. Amounts held by the Escrow Agent in the Escrow Account are held as trust funds solely for the benefit of the holders of the Non-Tendered Refunded Bonds and will not constitute security for the payment of the 2025A Bonds.

APPLICATION OF PROCEEDS OF THE BONDS

The following table presents the anticipated application of the proceeds of the Bonds for the Plan of Finance:

<i>Sources:</i>	<i>2025A Bonds</i>	<i>2025B Bonds</i>	<i>Total</i>
Bond Proceeds:			
Par Amount	\$241,325,000.00	\$14,785,000.00	\$256,110,000.00
Premium	23,974,008.70	--	23,974,008.70
Total	\$265,299,008.70	\$14,785,000.00	\$280,084,008.70
<i>Uses:</i>	<i>2025A Bonds</i>	<i>2025B Bonds</i>	<i>Total</i>
Project Fund Deposits:			
Project Fund	\$189,546,496.33	\$14,725,000.00	\$204,271,496.33
Tender and Refunding Escrow Deposits:			
Cash Deposit	34,362,319.58	--	34,362,319.58
SLGS Purchases	40,066,839.00	--	40,066,839.00
Total Tender and Refunding Escrow Deposits	74,429,158.58	--	74,429,158.58
Cost of Issuance:			
Costs of Issuance*	1,323,353.79	60,000.00	1,383,353.79
Total	\$265,299,008.70	\$14,785,000.00	\$280,084,008.70

* 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 (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 2024, the Commonwealth provided approximately \$363.1 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

Opinion of Bond Counsel – 2025A Bonds Federal Income Tax Consequences

General Matters. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the 2025A Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the 2025A Bonds. Failure to comply with such requirements could cause interest on the 2025A Bonds to be included in gross income

for federal income tax purposes retroactive to their date of issuance. The City will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the 2025A Bonds. Interest on the 2025A Bonds may affect the federal alternative minimum tax imposed on certain corporations.

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 2025A 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 Internal Revenue Service ("IRS").

Reliance and Assumptions; Effect of Certain Changes

As to questions of fact material to its opinion regarding the 2025A Bonds, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of the City, public officials and certain other third parties, 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 several requirements that must be satisfied after the issuance of the 2025A Bonds in order for interest on the 2025A 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 2025A Bonds and the use of the property financed or refinanced by the 2025A Bonds, limitations on the source of the payment of and the security for the 2025A Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2025A Bonds to the United States Treasury. Prior to the issuance of the 2025A Bonds, the City will enter into a tax certificate and related documents for the 2025A 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 2025A Bonds to become includable 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 2025A Bonds from becoming includable 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 2025A 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 2025A 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.

Original Issue Premium

The 2025A Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Premium Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any

premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding

An owner of a 2025A Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the 2025A Bond if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to properly report interest, dividends or other "reportable payments" (as defined in the Code), or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Internal Revenue Service Audits

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations such as the 2025A Bonds to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is included in the gross income for federal income tax purposes. It cannot be predicted whether or not the Internal Revenue Service will commence an audit of any of the 2025A Bonds. If an audit is commenced, under current procedures the Internal Revenue Service may treat the City as the issuer of the 2025A Bonds as a taxpayer, and the registered owners of the 2025A Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the related 2025A Bonds until the audit is concluded, regardless of the ultimate outcome.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the 2025A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2025A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2025A Bonds or the market value thereof would be impacted thereby. Purchasers of the 2025A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2025A Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE 2025A BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE 2025A BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE 2025A BONDS.

2025B Bonds (Federally Taxable)

General Matters. Bond Counsel is of the opinion that interest on the 2025B Bonds is included in gross income for federal income tax purposes.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the 2025B Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the 2025B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the 2025B Bonds.

In general, interest paid on the 2025B Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the 2025B Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a 2025B Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any 2025B Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Original Issue Discount. If the 2025B Bonds are issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified *de minimis* amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. As a general rule, the owner of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days the owner owned the instrument. Owners of 2025B Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income (notwithstanding the general rule described above in this paragraph) and with respect to the state and local tax consequences of owning such 2025B Bonds.

Market Discount. An investor that acquires a 2025B Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, “market discount” means (a) in the case of a 2025B Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a 2025B Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a 2025B Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a 2025B Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a 2025B Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner’s gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the 2025B Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the 2025B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Recognition of Income Generally. Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the 2025B Bonds under the Code.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the 2025B Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the 2025B Bonds and to gain on the sale of a 2025B Bond.

Sales or Other Dispositions. If an owner of a 2025B Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a 2025B Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a 2025B Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the 2025B Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such 2025B Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding. An owner of a 2025B Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the 2025B Bonds, if such owner, upon issuance of the 2025B Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a 2025B Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a 2025B Bond will generally not be subject to United States income or withholding tax in respect of a payment on a 2025B Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid and original issue discount accruing on 2025B Bonds owned by foreign investors. In those instances in which payments of interest on the 2025B Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of 2025B Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a 2025B Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. Unrelated business taxable income generally means the gross income derived by an organization from any unrelated trade or business as defined in Section 513 of the Code. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a 2025B Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a 2025B Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the 2025B Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the 2025B Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the City or any dealer of the 2025B Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the 2025B Bonds are acquired by such plans or arrangements with respect to which the City or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the 2025B Bonds. The sale of the 2025B Bonds to a plan is in no respect a representation by the City or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the 2025B Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Opinion of Bond Counsel – Virginia Income Tax

Bond Counsel is also of the opinion that, under existing statutes of the Commonwealth, interest on the Bonds, their transfer and income from them and any profit made on their sale, are exempt from taxation by the Commonwealth and its political subdivisions. Bond Counsel will 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. Prospective purchasers of the Bonds should consult their own tax advisors regarding the tax status of interest on the 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 – GENERAL 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 (stable outlook) by S&P Global Ratings ("S&P") and AA+ (negative outlook) by Fitch Ratings ("Fitch").

The 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 2024 (which are sometimes referred to herein as the "Fiscal Year 2024 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 its 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations of the adequacy of the maturing principal amounts of and interest of the Escrow Securities in the Escrow Account to pay when due all principal and interest on the Non-Tendered Refunded Bonds to be defeased to maturity and the sufficiency of the portion of the 2025A Bond proceeds to purchase the Purchased Refunded Bonds will be verified by Bingham Arbitrage Rebate Services Incorporated. See "PART I – PLAN OF FINANCE – Tax-Exempt Advance Refunding" and "PART I – APPLICATION OF PROCEEDS OF THE BONDS." herein.

RELATIONSHIP OF PARTIES

Kutak Rock LLP, Richmond, Virginia, Bond Counsel, represents each Underwriter 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 BofA Securities, Inc., as representative of the Underwriters. The Bond Purchase Agreement sets forth the obligation of the Underwriters to purchase the Bonds at an aggregate purchase price of \$279,469,129.37 (representing the sum of (i) the \$241,325,000.00 par amount of the 2025A Bonds plus original issue premium of \$23,974,008.70, less an underwriting discount of \$592,644.94 on the 2025A Bonds, and (ii) the \$14,785,000.00 par amount of the 2025B Bonds, less an underwriting discount of \$22,234.39 on the 2025B 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.

In connection with the Tender Offer, BofA Securities, Inc. is also serving as Dealer Manager (in such capacity, the “Dealer Manager”) pursuant to the terms of a dealer manager agreement with the City. For its services as Dealer Manager, the Dealer Manager will be compensated (the “Dealer Manager Fee”) in an amount equal to a percentage of the aggregate principal amount of Purchased Refunded Bonds tendered and accepted for purchase. The Dealer Manager Fee is expected to be paid from a portion of the proceeds of the 2025A Bonds.

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.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

JPMS, an underwriter of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement” and together, the “Dealer Agreements”) with each of Charles Schwab & Co., Inc. (“CS&Co.”), and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bond that such firm sells.

Truist Securities, Inc. has entered into an agreement (the “Truist Distribution Agreement”) with Truist Investment Services, Inc. (“TIS”) for the retail distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Truist Distribution Agreement, Truist Securities will share a portion of its underwriting compensation, as applicable, with respect to the Bonds with TIS. Each of Truist Securities and TIS is a subsidiary of Truist Financial Corporation.

Truist Securities is the trade name for the corporate and investment banking services of Truist Financial Corporation and its subsidiaries. Securities and strategic advisory services are provided by Truist Securities, Inc., member FINRA and SIPC. Lending, financial risk management, and treasury management

and payment services are offered by Truist Bank. Deposit products are offered by Truist Bank, Member FDIC. In its normal course of business Truist Bank may currently, or in the future, provide credit, treasury management, or other commercial banking services to the City.

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 distribution of this Official Statement has been duly authorized by the City. The City has deemed this Official Statement final within the meaning of Rule 15c2-12.

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/ Patrick G. Roberts
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 percent of the assessed value of taxable real property.

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 June 30, 2025, was 36.74 percent of the constitutional debt limit.

Table II-1
City of Norfolk, Virginia
Statement of Legal Debt Margin
June 30, 2025⁽¹⁾⁽⁴⁾

Total Assessed Value of Taxed Real Property	\$27,928,781,798
Debt Limit-10 percent of Total Assessed Value	\$2,792,878,180
Amount of Debt Applicable to Debt Limit:	
Gross Debt ⁽¹⁾⁽²⁾	\$ 848,809,932
Series 2021 (Pension Obligation Bonds)	<u>185,255,000</u>
Total Amount of Debt Applicable to Debt Limit	<u>\$1,034,064,932</u>
Legal Debt Margin ⁽³⁾	<u>\$1,758,813,248</u>
Amount of Debt as a percent of Debt Limit	<u>37.03%</u>

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

Notes: (1) 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) The amount of general obligation bonds authorized by ordinance, but not issued is \$518,983,798.

(4) 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 June 30, 2025. 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, 2025. 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 as of June 30, 2025.

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

	<u>As of</u> <u>June 30, 2025</u>
General Fund Outstanding Debt	\$ 762,322,865
Self-Supporting General Fund Outstanding Debt	<u>44,014,875</u>
Total General Fund Outstanding Debt	\$ 806,337,740
Special Revenue Fund Bonds Outstanding	\$ 2,117,395
Enterprise Fund Bonds Outstanding	217,600,339
Total Special Revenue Fund and Enterprise Fund Outstanding Debt	<u>219,717,733</u>
Total General Obligation Bond Indebtedness Outstanding Debt	<u>\$1,026,055,474</u>

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 \$518,983,798.
- (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) (for the benefit of the Norfolk Employees' Retirement System).

Table II-3
City of Norfolk, Virginia
Key Debt Trends
Fiscal Years 2015 – 2024

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⁾
2015	\$ 914,299	\$3,698	4.88%
2016	1,039,960	4,200	5.44
2017	1,123,755	4,530	5.78
2018	1,147,918	4,677	5.78
2019	1,068,372	4,397	5.25
2020	1,103,120	4,515	5.17
2021	1,277,561	5,366	5.77
2022	1,272,576	5,352	5.51
2023	1,323,112	5,557	5.23
2024	1,179,233	4,805	4.33

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024, 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, 2024, 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.

Table II-4
City of Norfolk, Virginia
Principal Retirement
All General Obligation Bonds
As of June 30, 2025

Maturing By Fiscal Year	Cumulative Amount Matured	Percent of Principal Retired
2030	\$ 413,710,837	40.32%
2035	731,187,285	71.26
2040	947,900,474	92.38
2045	1,002,260,474	97.68
2049	1,026,055,474	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 2015-2024

Fiscal Year Ended June 30	Total Debt Service⁽¹⁾	Total General Expenditures⁽²⁾	Percent of Debt Service To Total General Expenditures
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	620,318,236	13.06
2023	97,639,626	662,525,713	14.74
2024	104,284,069	798,661,007	13.06

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

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.

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Table II-6
City of Norfolk, Virginia
Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita
Fiscal Years 2015 – 2024

Fiscal Year Ended June 30	Estimated Population	Assessed Value of Taxable Property (in thousands)	Gross Bonded Debt⁽¹⁾ (in thousands)	Debt Payable from Enterprise Revenue⁽¹⁾	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2015	247,242	\$20,892,353	\$ 914,299	\$247,490	\$ 665,809	3.19%	\$2,693
2016	247,596	21,336,993	1,039,960	252,795	787,165	3.69	3,179
2017	248,046	21,918,700	1,123,755	269,011	854,744	3.90	3,446
2018	245,422	22,096,988	1,147,918	271,164	876,754	3.97	3,572
2019	242,979	22,633,265	1,068,372	226,735	841,637	3.72	3,464
2020	244,348	23,780,896	1,103,120	252,570	850,550	3.58	3,481
2021	238,102	24,637,733	1,277,561	258,887	1,018,674	4.13	4,278
2022	237,770	26,681,757	1,272,576	242,450	1,030,126	3.86	4,332
2023	238,112	27,997,665	1,323,112	261,042	1,062,070	3.79	4,460
2024	245,406	29,924,230	1,179,233	246,909	932,324	3.12	3,799

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024, and Department of Finance, City of Norfolk, Virginia. 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, 2024, 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⁾			Debt Service on the Bonds			Total Debt Service		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2026	91,348,559	31,648,910	122,997,469	-	4,768,573	4,768,573	91,348,559	36,417,483	127,766,042
2027	75,668,855	28,211,491	103,880,346	11,425,000	12,360,476	23,785,476	87,093,855	40,571,968	127,665,822
2028	79,819,151	25,694,861	105,514,012	9,415,000	11,899,475	21,314,475	89,234,151	37,594,336	126,828,487
2029	71,383,982	23,123,615	94,507,597	15,565,000	11,342,970	26,907,970	86,948,982	34,466,585	121,415,567
2030	64,815,290	20,848,322	85,663,611	18,550,000	10,521,500	29,071,500	83,365,290	31,369,822	114,735,111
2031	61,155,290	18,817,303	79,972,593	18,090,000	9,605,500	27,695,500	79,245,290	28,422,803	107,668,093
2032	66,585,290	16,400,566	82,985,856	9,915,000	8,905,375	18,820,375	76,500,290	25,305,941	101,806,231
2033	56,285,290	14,475,066	70,760,356	13,180,000	8,328,000	21,508,000	69,465,290	22,803,066	92,268,356
2034	46,790,290	12,101,657	58,891,946	20,235,000	7,492,625	27,727,625	67,025,290	19,594,282	86,619,571
2035	47,910,290	10,403,838	58,314,128	17,325,000	6,553,625	23,878,625	65,235,290	16,957,463	82,192,753
2036	52,700,290	8,737,880	61,438,170	10,235,000	5,864,625	16,099,625	62,935,290	14,602,505	77,537,795
2037	45,362,899	7,316,799	52,679,698	17,885,000	5,161,625	23,046,625	63,247,899	12,478,424	75,726,323
2038	49,560,000	5,621,702	55,181,702	10,785,000	4,444,875	15,229,875	60,345,000	10,066,577	70,411,577
2039	41,515,000	4,223,801	45,738,801	10,315,000	3,917,375	14,232,375	51,830,000	8,141,176	59,971,176
2040	18,775,000	3,273,150	22,048,150	10,345,000	3,400,875	13,745,875	29,120,000	6,674,025	35,794,025
2041	18,815,000	2,530,692	21,345,692	10,385,000	2,882,625	13,267,625	29,200,000	5,413,317	34,613,317
2042	9,815,000	1,827,950	11,642,950	10,415,000	2,362,625	12,777,625	20,230,000	4,190,575	24,420,575
2043	11,105,000	1,425,706	12,530,706	10,450,000	1,841,000	12,291,000	21,555,000	3,266,706	24,821,706
2044	7,215,000	1,103,108	8,318,108	10,490,000	1,317,500	11,807,500	17,705,000	2,420,608	20,125,608
2045	7,410,000	877,020	8,287,020	10,530,000	792,000	11,322,000	17,940,000	1,669,020	19,609,020
2046	7,600,000	643,921	8,243,921	10,575,000	264,375	10,839,375	18,175,000	908,296	19,083,296
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	\$947,830,474	\$239,926,903	\$1,187,757,377	\$110,000	\$124,027,619	\$380,137,619	\$1,203,940,474	\$363,954,522	\$1,567,894,996

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

Notes: (1) Figures may not sum due to rounding. Figures will be updated with results of pricing. The existing general obligation debt service includes the debt to be tendered for purchase and/or refunded.

(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 percent.

(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 17, 2023, and is valid through November 17, 2025. While the maximum amount of the line of credit has varied over time, it is currently \$150,000,000. 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 June 30, 2025, there was no outstanding amount on the line.

The interest rate on the line is based on the Secured Overnight Financing Rate (“SOFR”). Under the terms of the agreement through November 17, 2025, the tax-exempt borrowing rate is 79 percent of SOFR, plus 33 basis points and the taxable borrowing rate is SOFR, plus 42 basis points. There is no commitment fee on the unutilized portion of the line of credit. There is no minimum advance amounts, and each advance shall be made on three days’ notice given by the City to BANA. The City and BANA are negotiating an extension to the line of credit in the principal amount of \$150,000,000 for up to three years. Based on terms proposed by BANA, the expected tax-exempt borrowing rate is 79 percent of SOFR, plus 44 basis points and the expected taxable borrowing rate is SOFR, plus 56 basis points. The credit line extension was approved by the City Council on September 23, 2025, and is expected to become effective upon the expiration of the existing credit line on November 17, 2025.

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.

Historically, the Federal Emergency Management Agency (“FEMA”) has typically reimbursed most operating expenses related to significant emergencies. However, due to recent changes at FEMA, the reimbursement process and criteria may be updated, potentially affecting the timing and extent of reimbursements. Expanded permitted uses of the line of credit provide the City with 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 percent 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 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 2024 results reflect compliance with these requirements, and Fiscal Year 2025 results are expected to be in compliance as well.

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 2026 on May 13, 2025. The total of the CIP budget for Fiscal Year 2026 is \$260.2 million, which includes a cash contribution of \$79.7 million.

The City takes a strategic, cashflow-based approach to capital project financing, issuing debt only as needed to minimize interest costs and maximize financial efficiency. This approach supports a wide range of major investments that enhance quality of life, public infrastructure, and resilience. Key projects in the FY 2026 CIP include \$28.4 million to maintain and improve cultural, arts, and entertainment facilities — such as Chrysler Hall, Scope, Harbor Park, Nauticus, the Chrysler Museum, and the Virginia Zoo. The City is also allocating \$16.5 million toward school facility maintenance, the acquisition of new school buses, and the design of a new Maury High School. Additional investments include \$16.7 million to maintain and upgrade various municipal facilities, and \$15.8 million for the construction of a new parking deck in the Harbor Park area. To bolster resilience and environmental protection, \$9.6 million is dedicated to the Coastal Storm Risk Management (floodwall) project, with another \$5.3 million allocated as matching funds for the U.S. Army Corps of Engineers' Beach Nourishment Project. The City is also investing \$6.7 million to support the continued revitalization of the St. Paul's community, further advancing the City's long-term vision for inclusive and sustainable urban development.

Each capital project included in the CIP budget for Fiscal Year 2026 would either be approved for funding in the CIP budget for Fiscal Year 2026 or included as a planned project in Fiscal Years 2027 through 2030. 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. See “PART III - GENERAL FUND OPERATING BUDGETS” for more details about the Fiscal Year 2026 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 CIP budget for Fiscal Year 2026 is summarized in Table II-8, and includes anticipated cash financing of \$79,658,378 or 30.6 percent of the total CIP budget.

Table II-8
City of Norfolk, Virginia
Capital Improvement Plan for Fiscal Year 2026 – Funding Sources

Uses	Fiscal Year 2026
General Capital Projects	\$143,542,413
Parking Fund Projects	3,300,000
Storm Water Fund Projects	1,315,200
Wastewater Fund Projects	33,950,000
Water Fund Projects	<u>78,100,000</u>
Total Capital Program	\$260,207,613
Appropriation Source	
General Capital Projects	
From Cash	
Resilience Penny	\$ 6,279,087
Transfer from General Fund	5,000,000
Transfer from General Fund (Coastal Character District room tax dedication)	230,000
Transfer from General Fund Port Authority	681,000
Federal Earmark	1,500,000
Regional Jail Proceeds	5,058,591
State Norfolk Jail Revenue	843,243
Norfolk Public Schools' 2024 Revenue True-up	3,951,457
CDBG Funds	565,000
Casino Option Payments	<u>600,000</u>
From Cash	24,708,378
From Bond Issue	118,834,035
Parking Fund Projects	
From Bond Issue	950,000
From Cash	2,350,000
Storm Water Fund Projects	
From Bond Issue	1,315,000
From Cash	-
Wastewater Fund Projects	
From Bond Issue	27,950,000
From Cash	6,000,000
Water Fund Projects	
From Bond Issue	31,350,000
From Cash	<u>46,600,000</u>
Total Capital Plan	<u>\$260,207,613</u>
Total Cash Contribution to the CIP	<u>\$79,658,378</u>

Source: Capital Improvement Plan, Fiscal Year 2026.

Table II-9
City of Norfolk, Virginia
Approved Capital Improvement Plan
Fiscal Years 2026 – 2030 – Funding Sources

Description	FY 2026 Budget	FY 2027 Plan	FY 2028 Plan	FY 2029 Plan	FY 2030 Plan	FY 2026-2030 Total
General Capital	\$143,542,413	\$254,550,000	\$223,625,000	\$74,640,000	\$72,485,000	\$768,842,413
Parking Facilities Fund	3,300,000	2,900,000	2,900,000	2,900,000	2,900,000	14,900,000
Storm Water Fund	1,315,200	1,315,200	8,000,000	8,000,000	8,000,000	26,630,400
Wastewater Fund	33,950,000	31,250,000	40,000,000	27,000,000	23,000,000	155,200,000
Water Fund	78,100,000	88,650,000	100,350,000	54,600,000	93,600,000	415,300,000
Total Capital Improvement Plan	\$260,207,613	\$378,665,200	\$374,875,000	\$167,140,000	\$199,985,000	\$1,380,872,813

Source: Capital Improvement Plan, Fiscal Year 2026.

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.
 - 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 recognized when earned and expenses are recognized when 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 2024 (which are sometimes referred to herein as the “Fiscal Year 2024 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 2025 and the Fiscal Year 2026, as well as the Fiscal Year 2024 General Fund Operating Budget Results.

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 percent (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 percent of original cost; vehicles and boats are assessed at 100 percent 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 approved in the Operating Budget for Fiscal Year 2026 on each \$100 of assessed value are as follows: \$1.23 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 \$1.23 per \$100 of assessed value (for a total rate of \$1.39 per \$100 of assessed value).

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 to satisfy 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 percent 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 percent, of which 1 percent is dedicated to tourism and economic development, and a \$3 per room, per night surcharge; (8) an amusement and admissions tax of 10 percent; and (9) a food and beverage tax of 6.5 percent, which includes alcoholic beverages, of which 1 percent 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 2015 – 2024
(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	Inter- Governmental Revenue	Total
2015	\$262,433	\$164,271	\$3,013	\$1,264	\$ 9,668	\$59,983	\$10,141	\$158,840	\$669,613
2016	265,943	166,034	3,038	1,111	7,354	62,709	11,325	166,686	684,200
2017	269,816	169,539	3,576	921	7,786	62,315	12,080	176,784	702,817
2018	277,559	174,139	3,292	1,068	7,504	62,383	11,311	193,289	730,545
2019	303,370	177,263	4,118	1,027	11,098	60,905	11,287	182,023	751,091
2020	311,961	171,533	3,599	801	9,861	41,335	11,743	198,634	749,467
2021	327,739	175,217	3,495	978	6,438	43,250	11,105	267,558	835,780
2022	352,648	185,001	3,883	1,359	8,663	44,161	12,226	298,592	906,533
2023	379,812	200,202	5,018	1,098	21,859	49,379	20,854	263,443	941,665
2024	405,409	203,504	3,440	1,100	36,579	49,130	12,687	237,167	949,016
Change 2015-2024	54.5%	23.9%	14.2%	(13.0)%	278.4%	(18.1)%	25.1%	49.3%	41.7%

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

Table III-1B
City of Norfolk, Virginia
Other Local Tax Revenues by Source, Governmental Funds
Fiscal Years 2015 – 2024
(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
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	4,488	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	7,963	19,382	174,533
2021	36,767	39,525	36,384	31,620	7,374	5,039	18,507	175,216
2022	31,207	42,726	43,567	32,645	6,389	2,121	26,345	185,000
2023	37,134	44,955	48,332	34,436	6,373	813	28,159	200,202
2024	34,718	45,776	48,989	36,390	5,722	3,340	28,569	203,504
Change 2015-2024	(19.2)%	52.7%	50.1%	27.1%	(26.8)%	(15.5)%	56.3%	23.9%

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

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, 2024, was approximately \$30 billion.

Table III-2
City of Norfolk, Virginia
Revenue Capacity Information
Assessed Valuations of Taxable Property
Fiscal Years 2015 – 2024
(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⁾
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
2023	25,294,182	2,394,576	308,907	27,997,665	27,997,665
2024	27,210,435	2,360,831	352,964	29,924,230	29,924,230

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

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 2022 through 2026.

Table III-3
City of Norfolk, Virginia
Direct Property Tax Rates
Fiscal Years 2022 – 2026

	Fiscal Year				
	2022	2023	2024	2025	2026
Property tax rate per \$100 of assessed value:					
Real Property	\$1.25	\$1.25	\$1.25	\$1.23	\$1.23
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	1.25	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)	0.000001	0.000001	0.000001	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	94.00%	87.00%	80.00%	N/A	N/A

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024, the Fiscal Year 2025 Approved Operating Budget and the Fiscal Year 2026 Approved Operating Budget.

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

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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 2020 through 2024.

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
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
2023	25,294,182	2,703,483	381,434	7.17
2024	27,210,435	2,713,795	404,302	6.00

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

Table III-5 sets forth information concerning the City's real and personal property tax collection rate for Fiscal Years 2015 through 2024.

Table III-5
City of Norfolk, Virginia
Real and Personal Property Tax Levies and Collections⁽¹⁾
Fiscal Years 2015 – 2024
(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⁾
2015	\$256,040	\$260,734	\$245,803	94.27%	\$14,744	\$260,547	99.93%
2016	264,043	265,482	251,933	94.90	13,241	265,174	99.88
2017	268,718	269,672	255,712	94.82	13,519	269,231	99.84
2018	275,648	277,578	262,585	94.60	12,592	275,537	99.26
2019	300,270	300,270	285,588	95.11	13,367	298,955	99.56
2020	314,540	314,540	288,746	91.80	24,021	312,767	99.44
2021	327,530	327,530	308,016	94.04	16,430	324,446	99.06
2022	355,926	355,926	328,909	92.41	21,030	349,939	98.32
2023	381,434	381,434	353,120	92.58	17,948	371,068	97.28
2024	404,302	404,302	375,710	92.93	-	375,710	92.93

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

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, 2024. The aggregate assessed value of the ten largest taxpayers represented approximately 3.93 percent of the City's real property taxable assessable base at June 30, 2024.

Table III-6
City of Norfolk, Virginia
Ten Principal Real Property Taxpayers⁽¹⁾
June 30, 2024

Taxpayer	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
MPB, Inc.	\$ 212,571,800	1	0.78%
ODU Real Estate Foundation	165,975,600	2	0.61
Fort Norfolk Retirement Community, Inc.	102,926,900	3	0.38
Fort Norfolk Community, Inc.	94,442,100	4	0.35
Ap Arlay Point LLC Et Al	91,861,400	5	0.34
Norfolk Outlets, LLC	89,254,100	6	0.33
Hertz Norfolk 999 Waterside, LLC	78,856,400	7	0.29
North Pine Associates LLC	77,656,800	8	0.29
Crown Point Owner, LLC	77,501,300	9	0.28
PC Roll LLC Et Al	<u>75,905,600</u>	10	<u>0.28</u>
Total	<u>\$1,066,952,000</u>		<u>3.93%</u>
Total Assessed Value	\$27,210,434,577		

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

Notes: (1) Based on total assessed value of taxable real property, including public service corporations, as of June 30, 2024. For a comparison, the principal real property taxpayers as of June 30, 2014, are available in Schedule 3 of the unaudited section of the financial statements included as Appendix A.

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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 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 2024 was \$13,876,977.

The City currently reports 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, 2024, these liabilities were estimated at \$38,114,441 with \$5,851,059 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of Fiscal Year 2024 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 \$4,830,400 as a current liability for medical and pharmacy claims incurred but not reported as of June 30, 2024. 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, 2024, was \$7,835,875. 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 2024 and 2023 are as follows:

	Workers' Compensation and Risk Management		Health Insurance		Total	
	2024	2023	2024	2023	2024	2023
Estimated Outstanding Claims at the Beginning of Year	\$37,151,537	\$37,943,384	\$5,270,600	\$4,892,200	\$42,422,137	\$42,835,584
Additional Incurred Claims or Changes in Estimates	7,815,899	4,924,913	85,354,562	75,398,369	93,170,461	80,323,282
Claims Paid	(6,852,995)	(5,716,760)	(85,794,762)	(75,019,969)	(92,647,757)	(80,736,729)
Estimated Outstanding Claims at the End of Year	<u>\$38,114,441</u>	<u>\$37,151,537</u>	<u>\$4,830,400</u>	<u>\$5,270,600</u>	<u>\$42,944,841</u>	<u>\$42,422,137</u>

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

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.

The NPS also self-insures its workers' compensation and general liability and its future expected self-insured losses as of June 30, 2024, projected at \$4,517,375 of which \$966,690 is the current portion and a longer-term projection of \$3,550,685. 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 2024 and 2023 are as follows:

	Total	
	2024	2023
Estimated Outstanding Claims at the Beginning of Year	\$3,986,535	\$3,856,494
Additional Incurred Claims or Changes in Estimates	1,529,646	1,222,602
Claims Paid	(998,806)	(1,092,561)
Estimated Outstanding Claims at the End of Year	<u>\$4,517,375</u>	<u>\$3,986,535</u>

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

Retirement Plans

General. The City has established a single-employer contributory, defined benefit retirement plan, known as the NERS that covers substantially all employees of the City hired prior to 2022 when it was closed to new hires, 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). City employees hired on or after January 1, 2022, are covered by the Virginia Retirement System (VRS) established by the Commonwealth.

The City established the NERS pursuant to Section 143(a) of the City Charter, and the 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 the NERS. The management and responsibility for the operation of the NERS is vested in a board of trustees (the “NERS Board”). The 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, the NERS provides service retirement benefits, as well as death and disability benefits. All benefits vest after five years of creditable service in the NERS. Since January 8, 2015, all NERS members have been making contributions of five percent of their earnable compensation on a salary reduction basis. Upon vesting, member contributions become an asset of the NERS to be used to pay benefits under the 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 2024 City of Norfolk’s Annual Comprehensive Financial Report (ACFR) for a full description of the NERS and the City’s other retirement plans. NERS financial statements included as part of the Fiscal Year 2024 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 the NERS. Benefits and refunds are recognized when due and payable by the NERS.

Total Assets and Investment Policy; Investment Return. The total assets of the NERS as of June 30, 2024 and 2023, were \$1.32 billion and \$1.25 billion, respectively, and were comprised of cash and cash equivalents, receivables and investments. In accordance with City of Norfolk Code Section 37-96, the Board of Trustees (the Board or Trustees) manages the pension portfolio to maximize return at a prudent level of risk.

The NERS Board has adopted an Investment Policy to establish the guidelines and objectives for the investments of NERS assets. 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. 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 the NERS earns from an investment during a certain time frame. 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, the NERS’ historical returns are 7.2 percent for the last 30 years on average, 6.2 percent for the last 20 years on average, 5.8 percent for the last 10 years on average, and 6.4 percent 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.

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 the NERS as of June 30, 2022, 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. Since Fiscal Year 2023, the rate of return is assumed to be 6.75 percent.

The Fiscal Year 2024 Actuarial Valuation Report concluded that as of June 30, 2024, based on payroll data as of June 30, 2024, the NERS' funded ratio was 85.1 percent. Effective Fiscal Year 2023, the City began making separate \$8.7 million contributions to the NERS from the irrevocable Section 115 Trust that was previously established upon the issuance of the City's General Obligation Bonds, Series 2021 (Federally Taxable) to pay a portion of the City's outstanding Unfunded Actuarial Liability.

The Trust will be used to provide the City long-term budgetary flexibility with respect to its current and future required contributions to the 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. The \$8.7 million annual contribution is projected to continue until the Section 115 Trust assets are depleted. As of June 30, 2024, the Trust held \$70.7 million in assets. If the entire Trust balance had been contributed on June 30, 2024, and recognized as part of the System's assets, the System would be 89.7 percent funded based on the Actuarial Value of Assets and 89.2 percent funded based on the Fair Value of Assets.

Determination of Annual Contributions to the NERS. The 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 investment income, the second is the City's employer contribution, and the third is the employees' mandatory contributions consisting of five percent of their earnable compensation.

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 the NERS for the ensuing Fiscal Year. An annual actuarial valuation of the NERS provides the basis for the certification, and the 2024 Actuarial Valuation Report sets forth the contribution rate for the Fiscal Year 2026.

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 the 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 the NERS at the valuation date and the assets the 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 percent 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, 2023, 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 three percent per year increase.

The 2024 Annual Valuation Report projected the NERS UAL amount to be \$231 million as of June 30, 2024.

The third component of the contribution rate accounts for anticipated administrative expenses in the amount of \$1.13 million in Fiscal Year 2026, based on the 2024 Annual Valuation Report.

The annual employer and employee pension contributions to the NERS over the last five Fiscal Years are presented in Table III-7. The City funded 100 percent of its actuarially required contributions in Fiscal Years 2020 – 2024, and has continued to do so in Fiscal Years 2025 and 2026.

Table III-7
City of Norfolk, Virginia
Schedule of Historical Annual (Employer and Employee) Pension Contributions to NERS⁽¹⁾
Fiscal Years 2020 – 2024

Fiscal Year	Annual Employer Pension Contributions (In Thousands)⁽¹⁾	Annual Employee Pension Contributions (In Thousands)⁽¹⁾	Total Annual Pension Contribution (In Thousands)
2020	\$38,494	\$10,209	\$48,703
2021	160,232	10,367	170,599
2022	41,457	9,937	51,394
2023	40,134	8,096	48,230
2024	42,319	8,587	50,906

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

Notes: (1) 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 the NERS, including, without limitation, inflationary factors, changes in statutory provisions of the 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 the NERS. Any of these factors could give rise to additional liability of the City to the NERS as a result of which the City would be obligated to make additional payments to the NERS in order to fully fund the City's obligations. It is expected that the required contributions to the NERS will be flat in the near future.

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 percent, (ii) the year-over-year increase in the City's total pension contribution exceeds six percent 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 the NERS to New Hires. Following a comprehensive review of the 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 members (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 authorizing joining the VRS.

Norfolk is one of only seven cities in Virginia with employee retirement systems independent of the VRS. After significant study, it was determined that participation in the 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 the 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.

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 the Schools recognize the costs associated with their Other Post-Employment Benefits ("OPEB") – including retiree health insurance, life insurance, and other non-pension benefits – during employees' active service, as the benefits are being earned although they are only paid after employees leave active service. GASB 75 also requires the City and the Schools to report the Unfunded Actuarial Accrued Liability (UAAL) for these benefits to more accurately reflect the total future cost of post-employment obligations and their financial impact. This reporting standard is closely aligned with the requirements for pension benefits under GASB Statement No. 68, Accounting and Financial Reporting for Pensions, ensuring consistency in the treatment of long-term employee compensation obligations.

The City and the Schools provide post-retirement healthcare benefits (collectively known as the OPEB Plan), in accordance with adopted statutes, to all employees who retire directly from active employment with 15 years of service with the City or Schools, respectively. Additionally, the following City employees are eligible to enroll upon retirement, regardless of length of service: (1) City Council members who served on or after April 30, 2010; (2) appointed officials; (3) attorneys employed in the Department of Law; and (4) employees covered under the Executive Pay Plan. For school retirees who attained the age of 50 by July 1, 2013, and were hired prior to July 1, 2008, the requirement is five years of service with the Schools.

The OPEB Plan is funded on a pay-as-you-go basis, and no separate financial report is issued. Since no assets are accumulated in a trust, the City and the School Board report a total OPEB liability, rather than a net OPEB liability. The plan is considered a single-employer plan.

As of July 1, 2012, the City assumed responsibility for providing Line of Duty Act (LODA) benefits, which cover certain paid and volunteer hazardous duty personnel. These benefits are included in the calculation of the City's total OPEB liability.

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 per eligible City retiree and \$75 per month per participating school 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. Additionally effective May 1, 2024, the City eliminated the \$25 or \$35 subsidy for pre-65 retirees going forward; however, they are still eligible to participate in the offered health plans with the active employees. The pre-65 retirees for Schools will continue to receive their \$75 monthly subsidy and are eligible to participate in the offered health plans with the active employees. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. Retirees who elect to participate may purchase healthcare coverage through the same health plans and premium structures offered to active employees which results in an implicit subsidy that is paid by the City and School Board. No requirement exists to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to employees.

The City's and the School Boards' total OPEB liability was measured as of June 30, 2023.

	City	Line of Duty	Schools	Total
Balance at June 30, 2022	\$79,713,028	\$35,897,794	\$62,277,163	\$177,887,985
Service Cost	5,545,774	701,255	3,698,962	9,945,991
Interest	2,881,623	1,260,722	2,230,206	6,372,551
Changes in Benefits	(71,988)	-	-	(71,988)
Difference Between Expected and Actual	(10,237,005)	19,942	(1,201,258)	(11,418,321)
Assumption Changes	3,571,000	(744,789)	(451,969)	2,374,242
Benefits Payments	(2,138,633)	(1,274,604)	(2,240,235)	(5,653,472)
Balance at June 30, 2023	\$79,263,799	\$35,860,320	\$64,312,869	\$179,436,988

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

Employee Relations and Collective Bargaining

Through 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. Effective November 28, 2023, City Council adopted Ordinance Number 49,415 declining the request to authorize collective bargaining for City employees.

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 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 2024 General Fund Operating Budget Results

For Fiscal Year 2024, on the budgetary basis of accounting, General Fund revenues were \$1.14 billion representing 104.2 percent of budgeted revenue. General Fund expenditures were \$1.21 billion representing 110.8 percent 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 2024

	Final Budget	Results	Percent of Budget	Variance Positive (Negative)
Total Revenue and non-revenue receipts	\$1,093,331,201	\$1,139,416,290	104.2%	\$46,085,089
Total Expenditures	<u>1,093,331,201</u>	<u>1,211,831,189</u>	110.8	(118,499,988)
Revenue greater (less) than expenditures	\$ <u> </u> -	\$ <u>(72,414,899)</u>		\$ <u>(72,414,899)</u>

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

The largest revenue variances were attributable to revenue 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 the NPS budget variance. The expenditure variance in Fiscal Year 2024 is not expected to recur in Fiscal Year 2025. As a result of the positive variance in general property and other local taxes, the Fiscal Year 2023 true-up provision of the School Revenue Sharing Policy increased the City contribution to the NPS by approximately \$7.3 million. After end-of-year adjustments and designations, the City ended with an undesignated variance of approximately 1.7 percent or \$17.8 million. The City maintained its Unassigned General Fund reserve above the policy minimum of 10 percent.

Fiscal Year 2025 General Fund Operating Budget

The Fiscal Year 2025 General Fund Operating Budget (the "Fiscal Year 2025 Budget") was adopted on May 14, 2024, and totaled \$1.2 billion reflecting a 7.5 percent increase from the adopted Fiscal Year 2024 Operating Budget. The largest number of drivers in Fiscal Year 2025 were the growth in real estate assessment revenues at 6.4 percent and higher consumption tax revenue, such as sales, meals, hotel and admission.

The Fiscal Year 2025 Budget utilized data from the Fall 2022 Resident Survey to make strategic investments in direct services to residents, neighborhood quality, infrastructure sustainability and maintenance and public safety. The Fiscal Year 2025 Budget included 3.5 percent general wage increase for general employees and a step increase plus 1.0 percent wage increase for sworn public safety employees. The Fiscal Year 2025 Budget supported the City Council priorities that included direct services to residents, the NPS, attracting and retaining talent, recreation and library enhancements, information technology infrastructure and streamlined development services. The Fiscal Year 2025 Budget reflected a 2-cent Real Estate Tax reduction to reflect a tax rate of \$1.23 per \$100 of assessed value. In addition, the City

contribution to the NPS increased by approximately \$8.3 million based on the School Revenue Sharing Policy.

In Fiscal Year 2023, City Council established a Continuity of Services plan utilizing SLFRF funding that ensured the City is operationally sound and responsive in its investment in its growth. The City Council had approved \$21.0 million of Continuity of Services fund in the Fiscal Year 2025 Budget.

Based on collections through June 2025, revenues are conservatively tracking above the Fiscal Year 2025 Budget; driven by consumption-based and real estate taxes. The City preliminarily anticipates an operating surplus of roughly \$7 million for Fiscal Year 2025. Final revenue and expenditure entries are still being made, and final results will be reported in the audited FY 2025 ACFR when completed.

Fiscal Year 2026 General Fund Operating Budget

The Fiscal Year 2026 General Fund Operating Budget (the “Fiscal Year 2026 Budget”) was adopted by City Council on May 13, 2025. The Fiscal Year 2026 General Fund Operating Budget is approximately \$1.2 billion, reflecting growth of 3.3 percent over the prior year.

Key revenue drivers include a 5.7 percent increase in real estate assessed values and strong performance in consumption taxes such as hotel, restaurant and general sales tax. This budget aligns with City Council’s priorities by investing in core services for residents, supporting NPS, enhancing recruitment and retention of City talent, and funding improvements in recreation facilities, libraries, and information technology infrastructure. It also prioritizes streamlined development services to support economic growth. It draws the final \$10.3 million from the Continuity of Services Fund, which was established in Fiscal Year 2023 to help maintain service levels during economic fluctuations. Following this allocation, the Continuity of Services balance is \$0.

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Table III-11A
City of Norfolk, Virginia
General Fund Budget
Fiscal Year 2025

Anticipated Revenue Receipts	Approved Budget	Appropriations for Expenditures	Approved Budget
General Property Taxes	\$397,122,005	Legislative	\$6,737,216
Other Local Taxes	199,722,376	Executive	21,485,144
Permits and Fees	4,416,039	Department of Law	6,676,962
Fines and Forfeitures	1,476,800	Constitutional Officers	65,123,618
Use of Money and Property	28,354,991	Judicial	1,612,132
Charges for Service	27,558,654	Elections	1,241,613
Miscellaneous Revenue	9,905,600	General Management	72,023,807
Recovered Costs	14,038,074	Community Development	22,766,930
Non-Categorical Aid – Virginia	38,915,002	Parks, Recreation and Culture	55,771,257
Shared Expenses – Virginia	28,204,741	Public Health and Assistance	92,415,936
Categorical Aid – Virginia	323,100,033	Public Safety	157,313,201
Federal Aid	8,867,763	Public Works	23,258,513
Other Sources and Transfers In	<u>78,754,528</u>	Transit	12,178,875
		Central and Outside Agency	67,257,235
		Debt Service	113,380,052
		Public School Education	<u>441,194,115</u>
Total	<u>\$1,160,436,606</u>	Total	<u>\$1,160,436,606</u>

Source: Approved Operating Budget for Fiscal Year 2025.

Table III-11B
City of Norfolk, Virginia
General Fund Budget
Fiscal Year 2026

Anticipated Revenue Receipts	Budget	Appropriations for Expenditures	Budget
General Property Taxes	\$ 439,108,193	Legislative	\$ 6,835,029
Other Local Taxes	203,937,237	Executive	19,364,403
Permits and Fees	3,736,799	Department of Law	6,729,961
Fines and Forfeitures	,136,967	Constitutional Officers	71,395,597
Use of Money and Property	23,274,458	Judicial	1,633,709
Charges for Service	31,515,672	Elections	1,588,182
Miscellaneous Revenue	9,930,653	General Management	72,922,412
Recovered Costs	14,253,294	Community Development	21,780,201
Non-Categorical Aid – Virginia	39,967,701	Parks, Recreation and Culture	63,580,117
Shared Expenses – Virginia	29,433,742	Public Health and Assistance	94,367,410
Categorical Aid – Virginia	355,494,100	Public Safety	165,555,231
Federal Aid	8,842,403	Public Works	22,354,699
Other Sources and Transfers In	<u>38,621,554</u>	Transit	13,294,806
		Central and Outside Agency	81,109,896
		Debt Service	106,387,520
		Public School Education	<u>450,353,600</u>
Total	<u>\$1,199,252,773</u>	Total	<u>\$1,199,252,773</u>

Source: Approved Operating Budget for Fiscal Year 2026.

Table III-12
City of Norfolk, Virginia
General Governmental Expenditures by Function
Fiscal Years 2015 – 2024
(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
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	73,448	140,093	816,466
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
2023	158,494	55,377	142,738	41,583	97,249	107,319	52,494	39,286	107,665	77,205	879,410
2024	183,466	58,426	150,884	41,387	95,459	144,334	52,462	30,872	114,045	149,209	1,020,546

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet as of June 30, 2024, and as of June 30, 2023, 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, 2023, with comparative totals for 2024

	2023	2024
ASSETS		
Cash and short-term investments	\$383,075,651	\$468,831,442
Receivables, net:		
Taxes	61,985,580	61,045,397
Accounts	8,342,175	8,161,859
Accrued investment income	-	-
Due from other funds	3,050,564	4,223,960
Due from other governments	38,331,038	27,761,587
Due from Component units	32970830	6,462,467
Leases Receivable	11,577,659	12,161,425
Due from fiduciary fund	-	-
Deposits	-	-
Prepaid expenses	-	-
Inventory	-	-
Total Assets	<u>\$539,333,497</u>	<u>\$588,648,137</u>
LIABILITIES		
Vouchers payable	\$18,178,910	\$21,621,631
Employee withholdings	5,887	1,399,824
Contract retainage	-	3,500
Accrued payroll	10,583,857	6,751,526
Notes Payable	-	-
Due to other funds	-	165,886,189
Due to other governments	36,253	-
Due to component unit	-	-
Other liabilities	<u>4,642,477</u>	<u>11,367,886</u>
Total Liabilities	<u>\$38,447,384</u>	<u>\$207,030,556</u>
Deferred Inflow of Resources		
Revenues levied for the next year and unavailable revenue	57,588,561	\$45,075,351
Deferred lease revenue	<u>11,577,659</u>	<u>12,161,425</u>
Total Deferred Inflows of Resources	<u>\$69,166,220</u>	<u>\$57,236,776</u>
FUND BALANCES		
Nonspendable		
Restricted	115,000	115,000
Committed	21,552,645	25,111,316
Assigned	333,208,721	197,196,371
Unassigned	<u>81,843,527</u>	<u>101,958,118</u>
Total Fund Balances	<u>\$436,719,893</u>	<u>\$324,958,118</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$539,333,497</u>	<u>\$588,648,137</u>

Sources: Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2023, and June 30, 2024.

Table III-14
City of Norfolk, Virginia
Comparative Statement of Revenue and Expenditures, General Fund
Fiscal Years 2020 – 2024

	2020	2021	2022	2023	2024
REVENUE:					
General property taxes	\$305,693,091	\$321,256,589	\$345,879,422	\$372,610,808	\$396,872,615
Other local taxes	161,697,209	165,042,172	173,337,193	187,618,447	194,324,918
Permits and licenses	3,599,315	3,495,079	3,883,494	5,017,579	3,439,696
Fines and forfeitures	798,931	977,880	1,353,222	1,097,691	1,090,260
Use of money and property	8,477,177	6,184,195	8,593,994	16,296,262	26,411,824
Charges for services	17,507,909	17,349,418	19,693,061	23,993,699	23,792,466
Miscellaneous	9,717,468	9,056,295	9,539,408	13,721,045	8,490,509
Intergovernmental	<u>136,554,329</u>	<u>134,830,829</u>	<u>139,326,838</u>	<u>151,209,592</u>	<u>157,024,302</u>
Total Revenue	<u>\$644,045,429</u>	<u>\$658,192,457</u>	<u>\$701,606,632</u>	<u>\$771,565,123</u>	<u>\$811,446,590</u>
EXPENDITURES:					
Current operation:					
General government	\$132,720,760	\$131,973,370	\$146,826,373	\$158,106,229	\$183,078,323
Judicial administration	43,206,587	43,282,831	45,988,944	51,739,346	55,593,276
Public safety	121,458,605	97,289,459	65,702,097	69,881,288	118,725,161
Public works	24,231,282	19,731,512	15,221,488	16,110,056	4,219,692
Health and public assistance	68,899,846	66,389,275	69,440,056	75,911,405	72,935,356
Culture and recreation	41,203,731	32,149,634	37,689,743	49,898,368	49,562,956
Community development	12,700,910	13,498,301	12,499,103	15,811,230	18,055,176
Education	124,710,681	120,973,357	129,622,172	107,319,295	144,333,959
Debt service					
Principal	-	-	-	7,284,994	7,830,337
Interest and other charges	-	-	-	789,827	1,280,120
Debt issuance costs	657,026	542,012	366,442	1,092,326	651,243
Capital outlay	<u>3,339,345</u>	<u>3,754,212</u>	<u>15,746,053</u>	<u>10,941,723</u>	<u>38,111,339</u>
Total Expenditures	<u>\$573,128,773</u>	<u>\$529,583,963</u>	<u>\$539,102,471</u>	<u>\$564,886,087</u>	<u>\$694,376,938</u>
Excess (deficiency) of revenues over expenditures	70,916,656	128,608,494	162,504,161	206,679,036	117,069,652
OTHER FINANCING SOURCES (USES):					
Leases/subscription based information technology arrangements proceeds	-	-	-	16,609,493	15,002,067
Proceeds sale of capital assets	\$16,345	\$15,677,794	\$1,396,813	\$764,489	\$1,226,709
Issuance of debt	-	210,000,000	-	-	-
Transfers in	19,900,499	24,382,000	18,768,400	20,669,395	22,140,968
Transfers out	<u>(87,724,600)</u>	<u>(92,690,071)</u>	<u>(83,879,886)</u>	<u>(137,786,881)</u>	<u>(267,778,484)</u>
Total Other Financing Sources (Uses)	<u>\$67,807,756</u>	<u>\$157,369,723</u>	<u>(\$63,714,673)</u>	<u>(\$99,743,504)</u>	<u>(\$229,408,740)</u>
Net Change in Fund Balance	<u>\$3,108,900</u>	<u>\$75,978,217</u>	<u>\$98,789,488</u>	<u>\$106,935,532</u>	<u>(\$112,339,088)</u>

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2020, through 2024.

Table III-15
City of Norfolk, Virginia
Comparative Statement of Changes in Fund Balance, General Fund
Fiscal Years 2020 – 2024

	2020	2021	2022	2023	2024
Net Change in Fund Balance	\$ 3,108,900	\$ 75,978,217	\$ 98,789,488	\$106,935,532	\$(112,339,088)
Fund Balance at Beginning of Year	<u>151,907,756</u>	<u>155,016,656</u>	<u>230,994,873</u>	<u>329,784,361</u>	<u>436,719,893</u>
Fund Balance at End of Year	<u>\$155,016,656</u>	<u>\$230,994,873</u>	<u>\$329,784,361</u>	<u>\$436,719,893</u>	<u>\$324,380,805</u>

Sources: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2020, through 2024.

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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 the Department of Utilities, is one of the largest municipal water systems in the Commonwealth, serving approximately 1.2 million people. The Water System distributes treated water throughout Norfolk and to the City limits of the Cities of Virginia Beach ("Virginia Beach") and Chesapeake ("Chesapeake"), as well as to the gates of several naval installations located in the City, Virginia Beach and Chesapeake. In addition, a naval base in the City of Portsmouth ("Portsmouth") is provided raw water service. As of June 30, 2024, the Water System provided potable water to more than 67,500 active retail service customers (i.e., accounts) within the City and delivered 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, the City has made regular annual transfers from the Water Utility Fund to the General Fund as payments-in-lieu of taxes and as a return on the City's investment in the Water System. The City intends to fund all future Water System capital costs from revenue of the Water System and proceeds from water revenue bonds.

Wastewater Utility

The City owns and operates a sanitary sewer system (the "Wastewater System") that collects and conveys wastewater from approximately 67,500 accounts within the City to the Hampton Roads Sanitation District, the regional wastewater treatment agency. Since July 1, 1984, the City has operated the Wastewater Utility Fund as a self-supporting enterprise fund, dedicated exclusively to the financial operations of the system.

Debt issued to support capital improvements for the Wastewater System — whether through City general obligation bonds or wastewater revenue bonds — is recorded as a liability on the Wastewater Utility Fund's balance sheet. Debt service on these bonds is paid directly from Wastewater System revenues.

Parking Facilities

The City owns and operates a robust Downtown parking network that includes 14 multi-level garages, 10 surface lots, and more than 500 on-street spaces, totaling over 19,000 parking spaces. These facilities are managed through the Parking Facilities Fund, established in Fiscal Year 1990 as an enterprise fund to account for all parking-related financial activities. The Parking Facilities Fund also manages parking enforcement operations and collects fines and delinquent fees.

City general obligation debt issued to fund parking system improvements is reported as a liability on the Parking Facilities Fund's balance sheet. As of June 30, 2024, the Fund reported total assets of

\$176.4 million, including approximately \$10.4 million in restricted investments dedicated to garage maintenance and operating reserves. Of the total assets, approximately \$136.9 million represents fixed assets such as parking structures.

Transfers from the Parking Facilities Fund to the City's Debt Service Fund have covered all debt service obligations on parking-related general obligation bonds, with Parking System revenues fully supporting these costs.

Storm Water Utility

Effective July 1, 2019, the City's Storm Water Fund, managed by the Department of Public Works, was reclassified from a special revenue fund to an enterprise fund. The fund is responsible not only for maintaining all public storm water infrastructure but also for implementing best management practices and programs aimed at preventing pollution and mitigating flooding throughout the City.

City general obligation debt issued to finance stormwater projects, along with storm water revenue bonds, is recorded as a liability on the Storm Water Fund's balance sheet. Debt service on these obligations is paid from the revenues generated by 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. Beginning July 10, 2025, he assumed the role of Vice Chancellor for Strategic Partnerships with the Virginia Community College System (VCCS), while planning to complete his mayoral term through 2028. As native of Norfolk, Dr. Alexander has dedicated over two decades to public service. He holds 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 nation's oldest private military college, and a Doctorate in Leadership and Change from Antioch University, Yellow Springs, Ohio. Dr. Alexander served in the Virginia Senate from 2012-2016, participating on key committees including Commerce and Labor, Finance, Transportation, and Privileges and Elections. Prior to that, he represented the 89th District in the Virginia House of Delegates from 2002 until 2012, serving on the Commerce, Labor, Education, Privileges and Elections and Rules committees. His career began as an International Relations instructor at Tidewater Community College. He later served as Chancellor at several career colleges, including the Aviation Institute of Maintenance, Centura College, and Tidewater Tech. In addition to his public roles, Dr. Alexander is president of the family-owned Metropolitan Funeral Service.

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.

Carlos J. Clanton, Council Member

Mr. Clanton, representing Super Ward 7, was first elected to City Council in November 2024. He received a Bachelor of Science degree in Occupational and Technical Studies from Old Dominion University, Norfolk, Virginia. Mr. Clanton previously served on the Norfolk School Board from 2018 until his election to City Council. He currently serves as the Executive Director at Friends of the Portsmouth Juvenile Court. He is active in many local professional and civic organizations, where he has held several leadership roles.

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.

Jeremy D. McGee, Council Member

Mr. McGee, representing Super Ward 6, was first elected to City Council in November 2024. A lifelong entrepreneur and small business owner, he is the President and CEO of Radiant Digital, a nationwide digital media company. Mr. McGee previously served on the Norfolk Architectural Review Board from April 2020 to March 2024, and on the Norfolk Planning Commission from July 2022 until election to City Council. He is active in many local professional and civic organizations, where he has held several leadership roles.

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.

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

Patrick G. Roberts, City Manager

Patrick "Pat" Roberts assumed the position of City Manager in June 2023. He serves at the pleasure of City Council and is responsible for the day-to-day management and oversight of the City. In the years since coming to Norfolk, Mr. Roberts served as a Deputy City Manager overseeing Operations, which includes public works, utilities, transportation, resilience and planning. Prior to his appointment as Deputy City Manager in Norfolk, Mr. Roberts served as City Manager of Suffolk, Virginia from 2015 to 2020, and previous to that as Deputy City Manager overseeing operations and development from June 2008 to May of 2015, and Assistant Director for the Department of Planning and Community Development before then. In the prior decade, Mr. Roberts was the Senior Assistant to the Chief Administrative Officer for the City of Richmond, Virginia under Mayor, L. Douglas Wilder. Mr. Roberts is a graduate of the Virginia Military Institute and received a Master's degree in Public Administration from Virginia Commonwealth University, Richmond, Virginia.

Christine A. Gareczynski, Director of Finance

Christine Gareczynski 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. Gareczynski 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. Gareczynski 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.

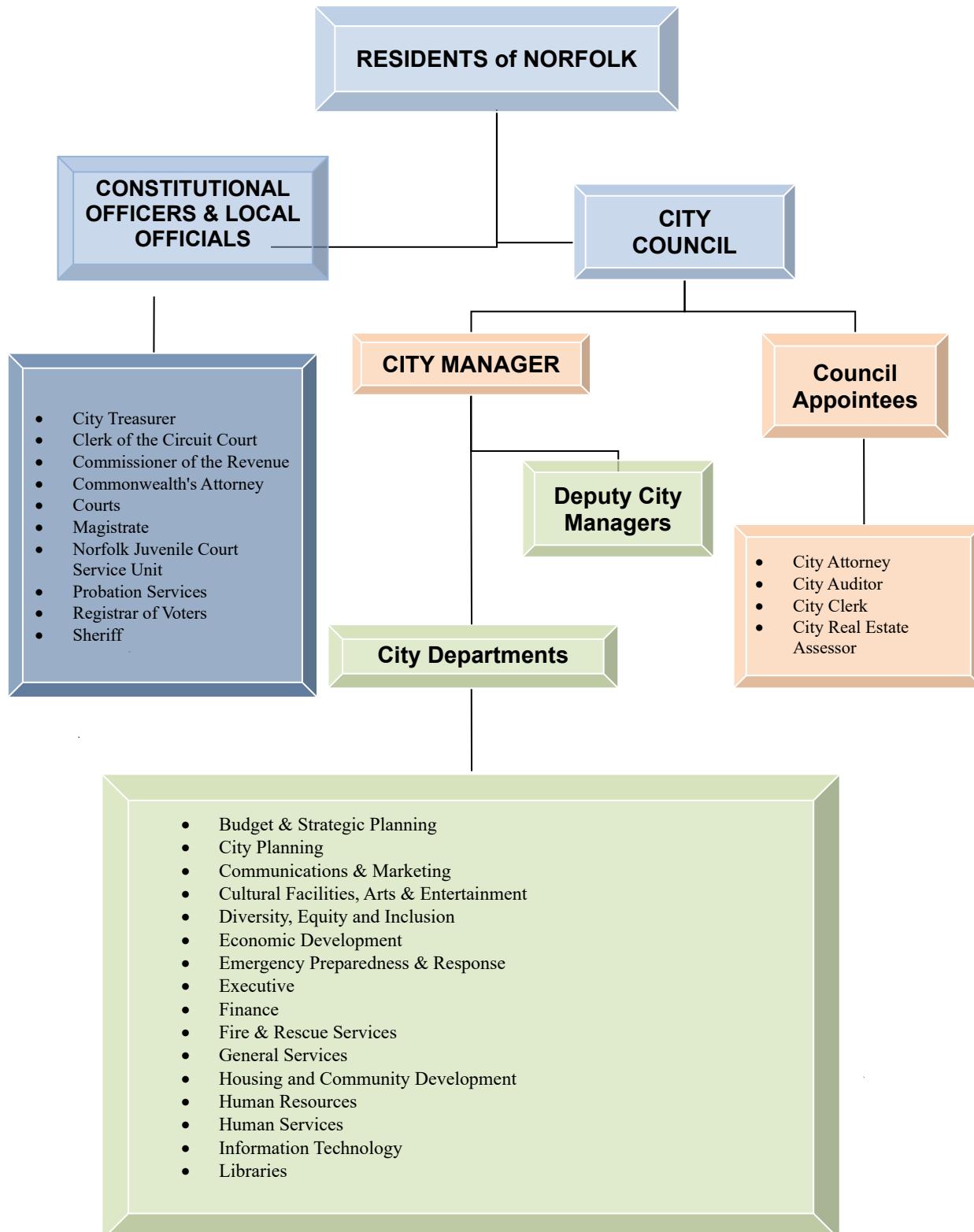
Governmental Services and Facilities

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, 2025

The City government structure has evolved to respond to the challenges of increased demand for quality services, infrastructure needs and organizational complexity. Today, the 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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Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing or other digital networks and systems (collectively, “System Technology”). As a recipient and provider of personal, private, or sensitive information, the City may be the target of cybersecurity incidents that could result in adverse consequences to the City and its System Technology, requiring a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals, either state or non-state actors, attempting to gain access to the City’s System Technology for purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards, including comprehensive training programs for employees.

While the City’s cybersecurity and operational safeguards are periodically tested, no assurance can be given by the City that such measures will ensure against cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the City’s finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risk, which could cause the City to incur material costs related to such legal claims or proceedings.

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 to enhance its resiliency and reduce the impacts of tidal and storm surge flooding. The City is currently 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 \$2.8 million each year, as of Fiscal Year 2026) of the real estate tax to resilience projects.
2. Encouraging and requiring resiliency as part of development activities. For example, 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. The City also maintains the highest rating in Virginia, Class 5, with the Community Rating System of the National Flood Insurance Program. This

provides NFIP policyholders with a 25 percent discount on their flood insurance premium, a savings in excess of \$1 million annually.

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 (CNI) Grant for phase 1 of the St. Paul’s Community Transformation. This project is a major focus of the City and addresses the City’s three resilience goals – coastal 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 community. To support resilience efforts, the Office of St. Paul’s Transformation, a division of the City’s 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 community 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. This project has continued to receive additional grant funds beyond the initial CNI Grant. To date the project has received \$108 million in grant funding, which includes an additional \$10 million for this project from HUD to assist with the construction cost increases received in April 2023.
5. In June 2023, the City completed construction in the Ohio Creek watershed area to address coastal resilience. The Ohio Creek watershed project was funded through 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 added amenities such as a new resilience park that included 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 leverage 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, (Bipartisan Infrastructure Law) 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 CSMR 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 and levees, 11 tide gates, 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. In 2023, City Council authorized a Project Partnership Agreement between the City and the USACE, in which 65 percent of the project will be federally funded. The Commonwealth has provided approximately \$49 million in grant funding to support the project.

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 *Norfolk 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. Additionally, the City has begun planning for *Norfolk 2050* to further enhance its development strategies. 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 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* which was adopted in May 2018 as amendment to the City's *Norfolk 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 healthy 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 under way 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.

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 percent 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 and Housing Opportunity Fund funded at \$2 million. As of the end of Fiscal Year 2024, 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 percent of the General Fund budget with a target at 10 percent or less and a net tax-supported debt maximum of 4.0 percent of total taxable property value with a target of 3.5 percent or less. Debt affordability measures included a ten-year minimum debt pay-out ratio of 55 percent, an overlapping debt maximum of 0.5 percent of taxable property, and a variable rate debt limitation at 20 percent 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. Specifically, 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 also maintain a working cash balance. The Parking Facilities and Water Utility Fund are required to have 240 days of operating expenses in unrestricted cash, while 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 projects cashflow forecasts. Based on Fiscal Year 2024 financial results, the City is in compliance with its Financial Policies for each Enterprise Fund and is expected to remain in compliance in Fiscal Year 2025.

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, the 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:

- Received 39th consecutive Government Finance Officers Association (GFOA) Achievement for Excellent in Financial Reporting Award for its Fiscal Year 2024 Annual Comprehensive Financial Report (ACFR), 2024.
- Received 9th consecutive GFOA Award for Outstanding Achievement for its Fiscal Year 2024 Popular Annual Financial Report (PAFR), 2024.
- Received 8th consecutive Association of Government Accountants (AGA) Certificate of Excellence in Citizen-Centric Reporting for its Fiscal Year 2024 Report to Our Citizens, 2024.
- GFOA Distinguished Budget Presentation Award for its Fiscal Year 2024 Budget, 2024.
- Norfolk Employees' Retirement System Received 19th consecutive GFOA Achievement for Excellent in Financial Reporting Award for its Fiscal Year 2024 ACFR, 2024.
- Norfolk Employees' Retirement System Received 4th consecutive GFOA Award for Outstanding Achievement for its Fiscal Year 2024 PAFR, 2024.
- Triple Crown Winner for winning all three GFOA awards possible for exceptional financial reporting, GFOA, 2023.
- Annual Achievement of Excellence in Procurement (AEP), The National Procurement Institute, 2025.
- Achieved Gold Level Certification from What Works Cities for establishing exceptional data capabilities to inform policy, allocate funding, improve services, evaluate programs, and engage residents, 2025.
- Secretary's Award for Efforts to Hire and Retain Veteran Employees in Fiscal Year 2024, Virginia Secretary of Veterans and Defense Affairs, 2024.
- Recognized for being a SolSmart Gold city, for its efforts to advance solar power in the community; Norfolk is the only city in Hampton Roads and one of six localities in Virginia to achieve this status, 2024.
- Outstanding Achievement for a Public Risk Management Program Award, 1st place winner, The Public Risk Management and Insurance Association (PRIMA), 2023.
- ComPsych Health at Work, Mid-Size Group Silver Award, The Norfolk Healthcare Consortium received the 2023 award for their outstanding commitment to enhancing health and wellness for employees of the City, the NPS and the NRHA, 2023.
- Parks and Recreation Received the Virginia Recreation and Park Society (VRPS) award for Best New Special Event, 2023.

- Savvy Awards Competition, 2nd place winner, The Department of Communications & Marketing received second place in the Community Engagement Plan category for “Creating a Community-Driven ARPA Funding Plan,” 2023.
- Norfolk’s Ohio Creek Watershed Project Awarded the National James Lee Witt Local Award for Excellence in Floodplain Management, the Association of State Floodplain Managers, 2023.

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, 2024, attached hereto as Appendix A.

ECONOMIC AND DEMOGRAPHIC FACTORS

Norfolk benefits from a broad and diverse mix of demographic, economic and cultural forces, as well as the presence of key regional physical and economic assets. These strengths help the City attract new businesses, residents, and a skilled workforce. The foundation of Norfolk’s economy lies in its diversification across a wide range of industries, including healthcare, energy, maritime, higher education and international business. Vital infrastructure such as the Port of Virginia and Norfolk International Airport supports global trade and connectivity. The City’s distinctive Downtown, historic neighborhoods, waterfront areas, and vibrant cultural scene enhance its appeal to both residents and workers. A concentration of universities and a large military population provide a steady pipeline of talent for the local and regional labor market. Additionally, Norfolk’s well-established healthcare institutions, along with its mix of small businesses, professional firms, research facilities, financial institutions, and investment companies, foster innovation and contribute to economic stability. Together, these demographic and economic factors continue to support the growth and vitality of Norfolk’s economy and quality of life.

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Population

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

Table V-1
Population Trend Comparisons
2015 – 2024

Calendar Year	Norfolk⁽¹⁾	Virginia Beach- Norfolk- Newport News, VA-NC MSA⁽¹⁾⁽²⁾	Virginia⁽³⁾	U.S.⁽³⁾
2015	247,242	1,757,775	8,394,902	320,738,994
2016	247,596	1,760,950	8,449,049	323,071,755
2017	248,046	1,763,396	8,506,433	325,122,128
2018	245,422	1,766,989	8,549,345	326,838,199
2019	242,979	1,773,624	8,598,513	328,329,953
2020	244,348	1,781,773	8,646,905	331,577,720
2021	238,102	1,785,817	8,655,608	332,099,760
2022	237,770	1,785,895	8,696,955	334,017,321
2023	238,112	1,788,412	8,729,032	336,806,231
2024	245,406	1,794,278	8,811,195	340,110,988

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

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

(2) Part of the MSA is in northeastern North Carolina.

(3) Virginia Beach-Norfolk-Newport News, VA-NC MSA and U.S. population estimates are from the U.S. Census Bureau.

Table V-2
Most Populous Cities in Virginia

City	2020 Census Population	2024 Population Estimate
Virginia Beach	459,470	452,965
Chesapeake	249,422	253,261
Norfolk	244,348	245,406
Richmond City	226,610	233,039
Newport News	186,247	182,621

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

Per capita income is calculated by dividing total personal income by the area's residential population. Table V-3 presents an annual comparison of per capita personal income since 2014.

Table V-3
City of Norfolk, Virginia
Per Capita Personal Income Comparisons
2014 – 2023

Calendar Year	Norfolk	Virginia Beach- Norfolk- Newport News, VA- NC MSA	Virginia	U.S.
2014	\$36,130	\$43,548	\$49,760	\$46,289
2015	37,002	45,065	51,617	48,062
2016	37,921	46,133	52,656	48,974
2017	38,910	47,359	54,377	51,006
2018	38,323	47,483	56,130	53,311
2019	39,716	49,085	58,362	55,567
2020	42,136	52,346	61,403	59,123
2021	47,076	56,873	66,983	64,460
2022	48,109	58,611	69,707	66,244
2023	51,434	62,575	73,841	69,810

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. 2023 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
2000-2020

Calendar Year	Population	Under 20	20-64	65 or Older
2000	234,403	27.3	61.5	11.2
2010	242,803	25.3	65.3	9.4
2020	238,005	23.9	63.5	12.5

Source: U.S. Census Bureau.

Housing and Construction Availability

The City saw home sales increase by 2.1 percent during the calendar year 2024, as compared to calendar year 2023. Over the same time period, the average price of homes sold increased by approximately 4.4 percent and buyers are actively searching for homes across a wide range of price points. The median price of homes sold in calendar year 2024 rose by approximately 2.0 percent to \$306,000 from \$299,990 in calendar year 2023 and is attributable to ongoing demand, low housing inventory, and continued investment in Norfolk neighborhoods.

Table V-5 provides an annual breakdown of residential building permits from Fiscal Year 2015 through Fiscal Year 2024.

Table V-5
City of Norfolk, Virginia
Residential Construction
Fiscal Years 2015 – 2024

Fiscal Year	Building Permits	Number of Units	Value (in thousands)
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
2023	268	1,104	142,403
2024	169	815	91,453

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

Table V-6 presents annual nonresidential construction permits, which includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures from Fiscal Year 2015 to Fiscal Year 2024.

Table V-6
City of Norfolk, Virginia
Nonresidential Construction
Fiscal Years 2015 – 2024

Fiscal Year	Building Permits	Value (in thousands)
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
2023	36	107,622
2024	25	92,225

Source: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

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.

Table V-7
City of Norfolk, Virginia
Unemployment Rates
2015 – 2024⁽¹⁾

Calendar Year⁽²⁾	Norfolk	MSA	Virginia News, VA-NC	U.S.
2015	5.1%	4.4%	4.1%	5.0%
2016	4.8	4.2	4.0	4.7
2017	3.9	3.5	3.4	4.1
2018	3.4	3.1	3.0	3.9
2019	3.0	2.7	2.7	3.6
2020	6.7	5.2	5.0	6.7
2021	3.6	3.0	2.8	3.9
2022	3.0	2.7	2.9	3.5
2023	3.0	2.6	2.9	3.8
2024	3.1	2.8	2.9	4.1

Source: U.S. Bureau of Labor Statistics.

Note: (1) Unemployment rates are as of December of each year.

(2) For 2020 and 2021, the unemployment rate increased due to the economic impacts of the COVID-19 pandemic.

As shown in Table V-8 below, the estimated employment by industry within the City is summarized as follows.

Table V-8
City of Norfolk, Virginia
Civilian Employment
1st Quarter, 2025⁽¹⁾

	Number of Establishments	Percentage of Employment
Educational and Health Services	1,425	24.4%
Trade, Transportation & Utilities	1,134	19.4
Professional & Business Services	1,159	19.9
Other Services	684	11.7
Leisure and Hospitality	681	11.7
Financial Activities	583	10.0
Construction	0	0
Manufacturing	169	2.9
Information	0	0
Public Administration	<u>0</u>	<u>0</u>
Total	5,835	100.0%

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 Norfolk offers a rich mix of cultural attractions and entertainment that continues to draw both residents and visitors year-round. With nearly three million square feet of Class A office space, all within walking distance of ample parking, restaurants, shops, and waterfront amenities, the area remains a highly accessible and dynamic employment hub. Newer and recently renovated boutique office spaces — such as Assembly — are thriving, reflecting increased demand for high-quality, flexible work environments amid limited new construction.

As of July 2025, the average Class A office vacancy rate stands at 23.2 percent, a figure that also signals opportunity. Several major properties report full occupancy, and others are actively attracting new tenants thanks to strategic investments and evolving tenant preferences. Beyond traditional leasing, adaptive reuse of older office buildings is accelerating, converting underutilized commercial properties into vibrant residential, retail, and mixed-use spaces. This trend is reshaping the Downtown landscape into a more walkable, 24/7 community where people live, work and connect.

Backed by continued public-private investment, innovative redevelopment, and growing interest in amenity-rich urban living, Downtown Norfolk continues to be well-positioned for sustainable growth. Its unique mix of history, culture, commerce, and connectivity continues to reinforce its role as an inclusive, economically diverse, and future-ready urban center.

Residential Development

One of the City's greatest strengths lies in its neighborhoods. With over 120 civic leagues and more than 104,000 housing units, the City offers a diverse range of housing choices from charming starter houses to grand historic and waterfront residences to Downtown lofts, townhomes, and new developments along the Chesapeake Bay. By expanding the diversity of housing opportunities, the City aims to attract a broader, more inclusive population and strengthen its tax base. The City's goal for neighborhood and commercial development is to foster an environment that encourages private sector investment, increases retail sales and corresponding municipal revenues, provides a framework for targeted, coordinated public and private investment, and aligns with and enhances ongoing community development initiatives.

Norfolk's recent residential growth reflects this commitment, including large-scale mixed-income neighborhoods, Downtown luxury mid-rises, infill "missing middle" housing, and adaptive reuse of City-owned parcels. This multi-pronged strategy aims to address housing supply shortages, promote affordability, and revitalize communities across the City.

Norfolk's Vacant Lot Auction Program is a strategic housing initiative focused on transforming City-owned vacant parcels into new, owner-occupied homes. With well-defined construction and occupancy requirements, the program is designed to stimulate the development of single-family homes, duplexes, and small-scale multifamily structures. By encouraging strategic infill development across the City, this program supports neighborhood stability, promotes housing diversity, increases homeownership and strengthens community cohesion across Norfolk's established residential areas.

Residential investment continues to accelerate across Norfolk, with significant momentum in and around Downtown. Fusion @ NEON District, which opened in Fall 2024, is a vibrant 239-unit residential development offering a mix of studio, one-, two-, and three-bedroom apartments in the heart of the City's arts and culture hub. Designed for modern urban living, Fusion features ground-floor coworking space and integrated parking, creating a seamless live-work environment. Its location, just steps from cultural landmarks like the Chrysler Museum of Art and the Elizabeth River Trail, connects residents directly to the creative energy of the NEON District.

Nearby in the Waterside District, Gravity on 400 — a 273-unit mixed-use mid-rise community also opened in Fall 2024 — caters to urban professionals and City dwellers. The development offers upscale studio to three-bedroom apartments and luxury amenities including a resort-style pool, state-of-the-art fitness center, Peloton studio, and ground-floor commercial space, contributing to the vitality of Downtown's residential core.

A key area of focus in Norfolk's Downtown growth strategy is the St. Paul's Area, a transformative revitalization and resilience initiative on 230 acres just east of Downtown. This reimagined neighborhood blends modern living with deep community history and is guided by the City's three pillars of resilience: coastal resilience, economic resilience, and neighborhood resilience — ensuring long-term strength, equity, and sustainability for generations to come. The redevelopment was jumpstarted with a \$30 million Choice Neighborhood Initiative ("CNI") Implementation Grant from the U.S. Department of Housing and Urban Development. With this funding, the City began to redevelop the first phase of the St. Paul's Area transformation, Tidewater Gardens, 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.

Private investment continues to complement the City's public redevelopment efforts in the St. Paul's Area. Three new affordable housing developments — Market Heights, Riverside Station, and Aspire — have been completed adjacent to the City's project area, expanding access to quality housing and signaling growing investor confidence in the broader St. Paul's district. To date, residents now occupy over 190 redeveloped housing units, with an additional 140 residential units expected to come online in late Summer / early Fall. Construction also began in April on an additional 191 mixed-income units. The \$85 million development is anticipated to be completed by the end of 2026. The final project within the first phase of the St. Paul's Area redevelopment will deliver another 191 new mixed-income housing units and nestle residential buildings along the planned Blue/Greenway, creating a walkable, park-adjacent environment that blends housing with green space and community amenities. Construction is expected to begin in 2025 and continue through late 2027 to early 2028. Infrastructure improvements are also progressing, including a new roadway network a new bridge, a modernized storm water network, upgraded water and sewer utilities, and enhanced pedestrian accommodations.

In East Ocean View, The Tern — named both for its location along the curved approach on Shore Drive and the native seabird — is a new 7.3-acre residential development that broke ground in Spring 2024. The community will feature 96 golf-cart-friendly luxury townhomes with breathtaking views of the Chesapeake Bay, priced between \$300,000 and \$500,000. Designed to blend coastal living with convenience, the project will offer shared beach access, a dog park, and the adaptive reuse of a nearby commercial building to create a vibrant restaurant and retail space, enhancing the neighborhood's walkability and appeal.

Additionally, a recent surge in new construction is revitalizing neighborhoods along key corridors in Ocean View and Pretty Lake. A standout among these developments is The Mainsail, a modern townhome community that broke ground in 2024 and quickly sold out. Featuring 3 to 4-bedroom residences with stunning Chesapeake Bay views, these homes blend coastal charm with contemporary living, appealing to families and professionals seeking quality living in a vibrant waterfront neighborhood.

The Norfolk Railroad District, a historic neighborhood just south of Downtown, is transforming from its industrial and railroading roots into a vibrant mixed-use community known for its creative energy and proximity to the Elizabeth River waterfront. Key residential developments such as Peanut Factory Flats, Tidewater Square, and B+G Place have utilized historic tax credits to rehabilitate old buildings into new housing opportunities. These projects expand housing options, preserve the District's historic character, and help foster a walkable, thriving neighborhood.

Commercial Development

Norfolk continues to advance its economic development strategy by focusing on the attraction, expansion, and retention of businesses that align with its core strengths: maritime industries, higher education, medical and research institutions, neighborhood revitalization, and commercial corridor development. This targeted approach has spurred ongoing economic growth and diversification across key sectors of the local economy.

Recent momentum has been driven by a wide range of industries, including manufacturing, research and technology, healthcare, residential development, craft brewing, and boutique retail. Since 2020, Norfolk's Department of Economic Development has facilitated more than \$535 million in publicly announced business attraction and expansion projects, leading to the creation of over 2,900 new jobs. These investments reflect a strong commitment to long-term economic resilience and a diversified business base.

Below are several notable projects that highlight the City's recent and ongoing commercial development efforts.

Colonna's Shipyard, Inc., marking a significant milestone for the oldest continuously operating family-owned shipyard in the United States, announced in October 2025 the acquisition of its fourth drydock. The new drydock represents an investment of over \$79 million on the City's working waterfront, and is expected to have an approximate lifting capacity of 25,000 tons, positioning Colonna's Shipyard to further enhance its capabilities in providing critical ship repair, and conversion and maintenance services to a diverse range of maritime clients.

Land 'N' Sea Distributing, Inc., a wholesale distributor specializing in marine and recreational vehicle parts and accessories, announced in August 2025 a \$1.1 million expansion in Norfolk. This investment in a 120,000-square-foot facility is expected to create 29 new jobs, increase inventory capacity, and support future growth.

Gorove Slade announced in July 2025 that it is expanding its presence in Virginia with a new office in Downtown Norfolk. The expansion marks a significant step in the firm's continued growth across the Hampton Roads region and beyond, bringing its transportation planning and engineering services closer to the heart of one of Virginia's most dynamic areas. The project is currently underway.

CHS Container Group USA, Inc. established its headquarters in Norfolk in April 2025, and officially began operations in May 2025. A subsidiary of CHS Container Handel GmbH of Bremen, Germany, CHS USA and its affiliates—CHS Container Trading & Modifications and CHS Container Carolinas—supply shipping containers across North America. The company brings its offshore container expertise to support the growing offshore wind industries in New England and Virginia, strengthening Norfolk's position in the global logistics and maritime sectors.

TST Fabrication & Machine, a service-disabled, veteran-owned company, is investing \$3 million to expand its Norfolk headquarters, creating 56 new jobs. Announced in March 2025, the project is currently underway, with hiring expected to be complete by 2027. This expansion underscores Norfolk's strong base in advanced manufacturing and defense support, while contributing to innovation, job growth, and economic resilience in the region.

Currie Medical Inc., a company specializing in medical device manufacturing and reprocessing, is investing \$1.22 million to expand its operations in Norfolk. The company has leased a 30,000 square-foot facility to house its medical device reprocessing operation and distribution center, creating 60 new jobs. Announced in October 2024, the project is currently underway. Currie Medical's growth highlights Virginia's strength in specialized manufacturing and innovative medical technology. As a locally based company serving national healthcare systems, Currie Medical's exclusive partnership with Sentara supports regional healthcare with sustainable products and reprocessing services. This investment enhances Norfolk's medical supply chain, brings skilled jobs to the community, and reinforces the City's position as a hub for medical innovation.

PadenCold Inc., a family-owned local business, is investing \$2.8 million to expand its operations in Norfolk. Announced in June 2024 and currently underway, the project not only added 3 full-time jobs, but also supported workforce development through the retraining of 21 local residents in advanced cold storage management. This expansion underscores PadenCold's commitment to both job creation and upskilling, strengthening Norfolk's workforce and supporting the region's evolving cold storage and logistics sector.

Total Quality Logistics (TQL), the second-largest freight brokerage in North America and one of the world's largest third-party logistics firms, invested \$125,000 to expand its operations in Norfolk. The project, announced in June 2024 and now complete, resulted in the creation of 100 new jobs. With over 8,000 employees nationwide and recognized as one of the Best Places to Work in Virginia for eight

consecutive years, TQL's investment reflects Norfolk's strategic position as a long-standing distribution and logistics hub.

In May 2022, Fairwinds Landing, LLC signed a 50-year lease (30-year base term with two 10-year extension options) with Norfolk Southern Railway Company to transform over 130 acres of industrial waterfront into Fairwinds Landing — a world-class maritime operations and logistics center supporting the offshore wind, defense, and transportation industries. The project includes a planned investment of more than \$195 million in infrastructure and facilities, including a \$39 million federal Port Infrastructure Development Program (PIDP) grant, matched by \$39 million in private funding, to enhance marine heavy-lift capabilities and upgrade the quayside bulkhead. Approximately half the site is currently in use, with the remaining acreage pad ready and being actively marketed. At full buildout, Fairwinds Landing is expected to support 1,000 to 1,500 new jobs by 2027.

HII's Newport News Shipbuilding (NNS) division began production at Fairwinds Landing in late Summer 2023, addressing critical space constraints at its primary facility in Newport News. The initial 8-acre footprint is home to 150 shipbuilders constructing steel panels for the Gerald R. Ford-class aircraft carrier Enterprise (CVN 80). Plans are underway to nearly triple the division's presence, with total employment expected to reach 500 and capital investment projected to reach \$100 million. The project was announced in November 2023 and is currently underway, reinforcing Norfolk's role in supporting the nation's shipbuilding and defense infrastructure.

Fairlead Shipbuilding is investing over \$10 million to convert an 88,000-square-foot building at Fairwinds Landing into a metal pre-processing facility dedicated to producing submarine components for the U.S. Navy. The project will create 30 to 40 new jobs, further strengthening Norfolk's role in supporting national defense manufacturing and contributing to the ongoing transformation of Fairwinds Landing into a premier maritime and industrial hub.

Dominion Energy is constructing the Coastal Virginia Offshore Wind (CVOW) project, a 176-turbine offshore wind farm that will generate 2.6 gigawatts of electricity, enough to power 660,000 homes. Fairwinds Landing serves as the site for the project's offshore wind operations and maintenance facility. Dominion's investment at the site includes a new office building and warehouse, totaling over \$60 million in capital improvements and supporting 200 jobs. However, on August 28, 2025, the U.S. Department of Transportation canceled \$679 million in federal funding for several offshore wind projects, including \$39.3 million for the Fairwinds Landing project. Due to this new development, project timelines and investment decisions may be subject to change, though the City currently anticipates that Dominion's facility and the timeline for completion will not be impacted. Efforts to realign the site focused on the City's maritime industrial base are underway.

Katoen Natie Norfolk Inc., a plastics and polymers warehousing and distribution company and subsidiary of Katoen Natie, announced its second expansion in Norfolk, representing a substantial investment of \$59.9 million. The project includes construction of a new 450,000-square-foot warehouse, a rail yard, and expansion of an existing rail spur to accommodate rising demand. Announced in November 2023 and currently underway, the expansion is expected to create 76 new jobs. The company cited Norfolk's strategic East Coast location, access to dual rail service (Norfolk Southern and CSX), deep-water port, and skilled workforce, including former military personnel, as key reasons for choosing to grow in the City.

Lyon Shipyard, a full-service ship repair and industrial services provider, announced an \$8.5 million investment to expand its operations in Norfolk. The project, announced in September 2023, expands the company's capacity to service commercial ships and offshore wind farm vessels, and is

expected to create 134 new jobs. This investment enhances Norfolk's role in supporting the maritime and renewable energy sectors and strengthens the City's industrial base.

Booz Allen Hamilton, a global consulting and technology services firm headquartered outside Washington, D.C., expanded its Norfolk operations in August 2023 by launching a new business services delivery hub team. The team, which provides customer service and HR support for the company's more than 32,000 employees worldwide, joined Booz Allen's long-standing Norfolk office as part of a multi-year, multilocation growth strategy. With over 1,000 employees in Hampton Roads, this expansion—now complete—is expected to create 200 new jobs, leveraging the region's strong military-connected talent pool and long-standing business success.

Bauer Compressors, Inc., a subsidiary of Munich-based Bauer Kompressoren Group, announced a \$7.4 million expansion of its Norfolk operations in May 2023. This investment will boost production capacity for hydrogen and natural gas compressors to meet growing demand in clean energy markets. The project is expected to create 47 new jobs and is anticipated to be complete by Summer 2026, reinforcing Norfolk's position in the advanced manufacturing and green technology sectors.

The former DePaul Medical Center site is undergoing a transformative adaptive reuse led by Next Step To Success, a Norfolk-based nonprofit focused on youth development. Construction is unfolding in two phases, with demolition of the original hospital expected to be completed by November 2025. Phase one will include a main administrative building, gymnasium, cafeteria and auditorium, and two of four planned classroom buildings, with the remaining classroom structures to follow in a future phase. The nonprofit plans to welcome its first cohort of 200 – 250 students by Summer 2027, with the full campus eventually accommodating up to 400 students. The new St. Vincent DePaul House campus will also feature extensive outdoor recreational amenities, including soccer and lacrosse fields, tennis and multipurpose courts, a wiffle ball field, and a community garden. Supported by the James Barry-Robinson Trust, the project preserves the site's legacy of service while reimagining it as a dynamic hub for education, mentorship, and community enrichment in Norfolk's heart.

Impact of Future Economic Development on City Debt

The City actively participates in a range of business-focused public-private partnerships, recruitment and retention efforts, and initiatives to attract and grow both small businesses and international enterprises. Over time, the City has developed a strategic approach to the development and redevelopment of key areas, which will be essential to sustaining long-term economic vitality.

Public-private partnerships are expected to play a central role in these future economic development projects. While many of these initiatives are still in the conceptual or planning stages, the public investment component may include leveraging additional debt not currently identified in the City's CIP. In some cases, the City may also consider offering targeted business incentives strategically applied to secure high-impact private investment and job creation.

The City is in the early stages of evaluating several projects, such as mall redevelopment options. While these initiatives are still in the conceptual stages, public-private partnerships are expected to play a central role and the City's public contribution to these projects is unknown at this time. These are high-profile projects and opportunities that could potentially have a positive, material impact on the City's tax base in the future.

While these public-private partnerships commitments could affect future debt levels, they are intended to be selective and economically beneficial, aligning with the City's broader goals of expanding the tax base, fostering employment growth, and enhancing long-term fiscal sustainability.

Arts and Culture

Norfolk is a vibrant cultural hub offering a diverse mix of attractions and experiences that enrich the lives of residents and draw visitors from across the region and beyond. The City's rich arts scene is anchored by a range of historic and contemporary venues that support theater, music, visual arts, and creative expression.

The City's performing arts venues include several beloved institutions such as the Attucks Theatre, the Harrison Opera House, and the Chrysler Museum of Art, as well as the larger Theater District, which features Chrysler Hall, the Jeanne and George Roper Theater, the Wells Theatre, and The NorVa, a nationally recognized live music venue. Among these, Chrysler Hall, one of the City's most acclaimed cultural landmarks, celebrated its 50th anniversary in 2022. In recognition of its continued significance, a major renovation is planned within the City's Five-Year CIP to modernize the facility while preserving its historic character.

At the heart of Norfolk's creative ecosystem is the NEON District (New Energy of Norfolk), a revitalized arts and cultural corridor in Downtown. The district embodies the City's ongoing transformation, drawing inspiration from the area's industrial past and channeling it into a dynamic future of artistic innovation. Home to murals, galleries, studios, and performance spaces, NEON is anchored by longstanding institutions such as the Chrysler Museum and the Harrison Opera House, and serves as a platform for local artists and entrepreneurs to share their work and ideas.

In addition to its arts and cultural offerings, Norfolk plays a pivotal role in regional tourism through the Peter G. Decker Jr. Half Moone Center, the Commonwealth's only dedicated cruise departure point. Located on the Downtown waterfront between Town Point Park, the Nauticus maritime science center, and the USS Wisconsin, the terminal offers an unmatched embarkation experience. Ahead of the \$12 million renovation of the terminal focused on enhancing the guest experience and supporting year-round cruise operations, 2023 was marked by a record-breaking cruise season, that welcomed nearly 250,000 cruise passengers, making it the busiest year in the City's cruise history.

Beginning in 2025, Norfolk became the East Coast's newest year-round cruise port, marking a significant milestone in the City's growing role as a premier travel and tourism destination. Building on a two-decade partnership with Carnival Cruise Line, Norfolk hosts weekly sailings from its Downtown waterfront. The year-round operations are expected to generate an immediate economic impact of \$17.6 million annually, boosting local businesses, tourism, and hospitality sectors. This investment positions Norfolk as a strategic and attractive homeport for the cruise industry, with a modern facility and a vibrant, walkable Downtown experience just steps from the terminal.

Signaling continued growth for Cruise Norfolk, on September 17, 2025, it was announced that Carnival Freedom will reposition from Port Canaveral to Norfolk in May 2027, replacing Carnival Sunshine. This move establishes a new homeport for Carnival Freedom and launches the most diverse and expansive cruise program ever offered from Norfolk, bringing with it more travel options including sailings from the Bahamas, Bermuda, the Eastern Caribbean, Canada, and more. It is expected the larger ship will enhance the economic impact to the City and the region, generating increased tourism spending at hotels, restaurants, attractions, and local businesses.

Norwegian Cruise Line will significantly increase its presence in the City with weekly visits of the Norwegian Pearl from April to August 2027, marking one of the largest port-of-call commitments in the City's history and bringing approximately 49,000 additional cruise passengers to the region.

Norfolk's commitment to arts education and innovation is also reflected in its specialized institutions. The Virginia Arts Festival headquarters serves as a year-round base for education outreach, artist rehearsals, and intimate performances. Adjacent to the Festival's headquarters is the home of the Hurrah Players, a celebrated local theater company that operates a 100-seat theater and two rehearsal halls, cultivating the next generation of performers and creative professionals.

The Perry Glass Studio, part of the Chrysler Museum of Art, stands out as the only public glass art studio of its kind in the Mid-Atlantic and has earned national recognition as a leader in contemporary glass art and education. In March 2025, the Museum completed a transformative \$55 million expansion, significantly enhancing its capacity for public engagement, artistic innovation, and educational programming. The 18,000-square-foot expansion features three state-of-the-art glassmaking shops, dedicated classrooms for hands-on learning, and a 200-seat performance theater designed for live demonstrations, lectures, and collaborative performances. This investment solidifies Norfolk's role as a major destination for glass artistry and strengthens the City's cultural identity on a national scale.

Other cultural attractions include the Virginia Arts Festival headquarters, a home for the Hurrah Players, and the Perry Glass Studio of the Chrysler Museum. 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 that opened a new three-story facility in late 2024, which features a 100-seat theater and two rehearsal halls, and consolidates their administrative operations into one place. The new building also houses the Nusbaum Family TV & Film Academy, the first television and film academy for youth in Hampton Roads. The academy offers specialized training for middle and high school students in behind-the-scenes crafts like filmmaking, animation and photography.

Nauticus, Norfolk's premier science and maritime museum, completed a \$21 million transformation as part of its "Reimagine Nauticus" capital campaign. Finalized in November 2024, the project modernized the museum's exhibits and facilities to better reflect its educational mission and enhance the overall visitor experience. A key addition is the "STEM to STERN" program, which broadens understanding of maritime-related industries and career paths through hands-on, STEM-focused learning. The renovation also introduced a refreshed lobby and entrance area, featuring the new "Wonder Hall," designed to create an engaging and welcoming first impression for guests. Nauticus has continued its restoration and preservation of the historic Battleship USS Wisconsin, which is included in general admission. This transformation positions Nauticus as a dynamic and forward-looking destination for maritime education and exploration.

Transportation Initiatives

The City's launched its first comprehensive transportation plan that encompasses all modes of transportation in 2019. The Multimodal Transportation Master Plan takes a systems-based approach to mobility — prioritizing safety, convenience, and equity for all users, whether traveling by foot, bike, transit, wheelchair, or car. It reflects the City's commitment to sustainable urban development and the integration of multiple modes of transportation into a cohesive, user-friendly network.

Norfolk's transportation infrastructure already includes several key assets. The City's light rail system, the Tide, provides a vital east-west transit connection, running from the Eastern Virginia Medical School complex near Fort Norfolk to the Newtown Road/Virginia Beach city line. In addition, the Harbor Park Amtrak Station, a modern 3,500-square-foot facility, offers passenger rail service connecting Norfolk to Washington, D.C., via Petersburg and Richmond, and to New York and Boston. In 2024, the Virginia Passenger Rail Authority recognized Norfolk as one of the top five busiest Amtrak stations in the Southeast,

a milestone that underscores the growing demand for intercity rail travel and the City's strategic role in regional connectivity.

To bolster funding for road construction and maintenance, the Commonwealth of Virginia implemented a series of taxes and tax increases effective July 1, 2013. These included higher state sales and use taxes, new taxes on gasoline and motor vehicle sales, and enhanced efforts to collect sales and use taxes from remote sellers — retailers without a physical presence in Virginia but who sell to Virginia residents. In addition, residents and purchasers in the Hampton Roads region, which includes the City of Norfolk, are subject to additional regional sales and fuel taxes on transactions occurring within the region.

The revenue generated from these regional taxes is dedicated solely to funding transportation projects within the Hampton Roads area. These projects are prioritized, selected, and managed by the Hampton Roads Transportation Accountability Commission ("HRTAC"), which allocates funding based on regional transportation needs. The City of Norfolk is not financially liable for any debt obligations incurred by HRTAC, nor is it directly responsible for the execution of these projects. While there is no guarantee that current tax rates or structures will remain unchanged, these dedicated state and regional tax mechanisms are projected to generate approximately \$880 million annually for transportation improvements across Virginia. In Fiscal Year 2024, the Hampton Roads regional sales and fuel taxes funded \$551 million of major transportation initiatives in the region, underscoring the substantial and ongoing investment in improving mobility and infrastructure throughout Hampton Roads.

Announced in 2017, the \$3.9 billion expansion of the I-64 Hampton Roads Bridge-Tunnel (HRBT) represents the largest highway construction project in Virginia's history. This transformative infrastructure initiative will widen approximately ten miles of the I-64 corridor between Norfolk and Hampton, expanding the current four-lane segments and adding twin tunnels beneath the harbor. Once completed, the project will significantly increase roadway capacity, reduce congestion, and improve travel time reliability for the entire Hampton Roads region. The project is primarily funded by the HRTAC through regional sales and gas tax revenues. Importantly, the City is not liable for any project debt obligation. Additional funding includes \$308 million from the Virginia Department of Transportation. Construction began in 2019, and is progressing steadily, with estimated completion in August 2027.

HRTAC also has a transit fund program, which includes funding for six localities in the region, including the City of Norfolk. In Fiscal Year 2024, HRTAC funded \$19.5 million of transit projects in the region.

The U.S. Department of Transportation awarded the City \$14.4 million through the BUILD Grant Program, supporting critical infrastructure improvements as part of the St. Paul's Community Transformation Project. This federal investment is matched by \$6.2 million from the City, resulting in a \$20.6 million initiative to reimagine and modernize 1.33 miles of City streets. The project aims to create a connected, integrated street network with broadband, storm water management, and coastal resilience features to support new housing, mobility, and public spaces. Phase One of the roadwork is complete (June 2024), and Phase Two is underway and expected to finish in late 2026.

Norfolk Airport

Norfolk International Airport ("NIA") is the major airport serving the Commonwealth and Eastern North Carolina, playing a vital role in connecting the region to key national and global destinations. In 2024, NIA further solidified its position as a critical transportation hub by serving nearly 5 million passengers, an increase from the previous year, and supporting more than 75,000 flight operations. This steady growth reflects increasing demand for air travel in the region including a stable base of military-related travel, increased local tourism, a growing role as an aviation gateway to the Outer Banks, and the

airport's ongoing commitment to service expansion, facility improvements, and passenger experience enhancements.

NIA is served by nine airlines, Allegiant, American, Breeze, Delta, Frontier, JetBlue, Southwest, Spirit and United. These carriers offer a robust network of routes, providing travelers throughout the region with convenient access to key destinations across the United States and seamless connections to international markets. NIA currently offers a mix of year-round and seasonal nonstop service to 45 major airports nationwide, with connections to hundreds of additional destinations around the globe.

In 2024, the Norfolk Airport Authority launched a multi-phase modernization plan to upgrade public areas within the airport terminals and enhance the overall traveler experience. This comprehensive initiative is expected to total \$650 million over the coming years. A major milestone was the completion of the \$65 million rehabilitation of the primary commercial Runway 05/23 in November 2024, which extends the runway's service life by up to 20 years. Additional ongoing and upcoming improvements include the installation of moving walkways on the pedestrian bridge, scheduled for completion this Summer, and an expansion of the concourse to add gates and passenger amenities. Construction is also underway for a new Federal Inspection Services (FIS) facility to accommodate international arrivals, with both the concourse expansion and FIS facility projected for completion in early 2026. Further developments include a consolidated Transportation Security Administration checkpoint, a revamped ticketing lobby, a new checked baggage inspection system, expanded baggage makeup and shipping areas, a new rental car facility, an enlarged cell phone lot, and a new Norfolk Airport Authority administration building. These enhancements will significantly elevate passenger convenience and support the airport's continued growth.

Airports across the world have historically proven to be economic engines for their communities, and NIA is one of the most powerful economic generators in the southeastern Virginia region. In total, the consolidated economic impact of NIA in 2023 exceeded 16,700 jobs that paid approximately \$982 million in earnings, with contributions to Gross Domestic Product of more than \$1.7 billion and total economic output of \$2.2 billion.

Waterfront Recreation Investment

The City boasts seven miles of Chesapeake Bay beachfront and a total of 144 miles of shoreline that stretch along Downtown's Elizabeth River, the Lafayette River, the Norfolk Harbor and the Chesapeake Bay. Town Point Park, situated in the heart of Downtown area along the Elizabeth River, attracts thousands of visitors each year, contributing significantly to the local economy through tax and parking revenues.

A \$750 million resort and casino is under development on the waterfront adjacent to the Harbor Park baseball stadium in Downtown. The development includes a 200-room hotel, a casino floor with 1,500 slot machines and 50 table games, a 25,000-square-foot multipurpose event center, and a 1,400-space parking garage. Additional resort amenities will feature a spa, fitness center, eight restaurants — including a food hall, gastropub, and steakhouse, and a 25,000-square foot amenity deck. Construction began in late 2024, with a temporary casino expected to open by November 2025. The full resort and casino complex is slated for completion in Fall 2027. This landmark development is projected to deliver substantial economic benefits to Norfolk, creating approximately 2,500 jobs and generating an annual indirect economic impact of \$850 million. Upon completion, the resort and casino will be the largest of its kind in the region, providing a premier, all-encompassing entertainment destination and cementing Downtown Norfolk's status as the region's leading entertainment hub.

Sports and Recreation

Norfolk is home to the Norfolk Tides, a Triple-A minor league baseball team affiliated with the Baltimore Orioles. The City also hosts the Norfolk Admirals, a member of the East Coast Hockey League. Additionally, Old Dominion University (“ODU”) competes in the Conference USA, while Norfolk State University boasts a long-established football program competing in the Mid-Eastern Athletic Conference.

Broad Creek Legacy Park, an 11-acre green space in the Broad Creek district, embraces the theme “Healthy, Active and Abundant.” The park offers walking trails, open space, game tables and an urban orchard. Alongside the Jordan-Newby Library, Richard Bowling Elementary School and KROC Center, the park serves as a vibrant community hub for education, fitness, recreation, and engagement.

The Spring 2025, Norfolk began demolition on the existing Norfolk Fitness and Wellness Center to build a new \$68 million combined recreation and library center, expected to open in Fall 2027. The new facility will include a natatorium, gymnasium, library, and outdoor amenities including an exercise course, nature explorium, tennis courts and pickleball courts.

The Elizabeth River Trail is a scenic 10.5-mile multi-use path that stretches northward along follows the Elizabeth River, beginning at Norfolk State University (“NSU”). Originally created by repurposing an abandoned railroad spur, the trail offers pedestrians and cyclists a safe and picturesque route with numerous access points along the river. Along the way, interpretive markers highlight the area’s rich history and environmental significance, enhancing the experience for visitors. The trail also connects to key landmarks such as the Atlantic City spur near the Midtown Tunnel and Plum Point Park, a five-acre site dedicated to environmental restoration featuring wetlands, estuarine wildlife, and open meadows.

In Fall 2024, Norfolk plans to begin construction on a new Blue/Greenway, with completion targeted for Spring 2026. Designed to enhance both environmental resilience and community recreation, the Greenway will serve as a natural system for treating and storing storm water runoff, helping to reduce flooding and protect the local ecosystem. In addition to its critical role in flood management, the project will provide a variety of amenities including walking trails, a pavilion with shaded gathering areas, lighting, playgrounds, water features, and paved plazas. The Greenway will also facilitate the relocation of residential and commercial properties away from flood-prone areas, further strengthening Norfolk’s resilience against climate impacts. This thoughtfully designed space aims to blend sustainability with community engagement, offering residents and visitors a beautiful and functional destination for outdoor activities and social connection.

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.

In March 2025, Norfolk City Council directed the Norfolk School Board to develop a comprehensive plan, due by August 2025, to consolidate and close ten schools beginning in August 2026. The goal is to better align resources with declining enrollment and surplus capacity, address aging school facilities, and redirect savings toward critical capital improvement projects.

In June 2025, a designated committee of the School Board recommended a preliminary plan to close ten schools, repurpose five others, and rebuild Maury High School. The proposed changes aim to strengthen the overall school system and ensure long-term investment in modern, high-quality learning environments. This plan remains under review and requires formal approval by the Norfolk School Board before implementation.

In September 2025, the Norfolk School Board tabled a vote on their draft school consolidation plan, which now includes the closure of nine schools, starting in the 2026-2027 school year, rather than the ten schools originally mentioned, indicating the Board's plan is not yet finalized. This plan requires formal approval by the Norfolk School Board before implementation.

The City's CIP for Fiscal Year 2026 continues funding for Maury High School. The five-year CIP plans for an additional \$170 million, bringing the total estimated funding for the project to \$220 million.

The City is home to the Governor's School for the Arts, Virginia's only magnet school dedicated exclusively to the arts. Located in Downtown Norfolk, the school serves as a vibrant cultural anchor, offering specialized instruction in the performing and visual arts to approximately 350 talented students from six cities and two counties across the region.

Student population for the past five Fiscal Years is shown in Table V-9.

Table V-9
City of Norfolk, Virginia
Public Schools Student Population
Fiscal Years 2020 – 2024

Fiscal Year	September 30 Membership	Percent Change
2020	27,988	(0.76)%
2021	26,691	(4.63)
2022	27,995	4.89
2023	26,884	(3.97)
2024	26,807	(0.29)

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

Higher Education

Higher education plays a vital role in shaping Norfolk's workforce by cultivating a highly skilled and competitive talent pool. The City is home to several distinguished institutions, including ODU (effective July 1, 2024, merged with Eastern Virginia Medical School to form the Macon and John Brock Virginia Health Sciences at ODU), NSU, Tidewater Community College ("TCC"), and Tidewater Tech Trade School ("Tidewater Tech").

ODU is a nationally recognized public research institution and one of only 100 public research-extensive universities in the United States and one of just four in Virginia. Located in Norfolk, ODU serves over 24,000 students and offers more than 120 undergraduate and graduate programs across a wide range of disciplines. NSU is Virginia's largest public Historically Black College and University (HBCU) and one of the largest predominantly Black institutions in the nation. Founded in 1935, NSU has a proud legacy of academic excellence, cultural impact, and community service. The university offers a wide range of undergraduate, graduate, and professional programs across disciplines such as science, technology,

education, business, and the liberal arts. Located in Downtown, TCC occupies several key buildings, including the Jeanne and George Roper Performing Arts Center. This central location places TCC at the heart of the City's cultural and educational district, offering students convenient access to local galleries, the NEON Arts District, and other nearby amenities.

In 2021, Norfolk State University (NSU) received the largest single-donor gift in its history—a transformative \$40 million contribution to support its mission of expanding access, promoting student achievement, and advancing academic excellence. NSU continues to earn national recognition for its impact and performance. It was designated a 2025–2026 Top 10 Military Friendly School, ranking No. 5 in the Small Public category by Military Friendly, an organization operated by Viqtory, a service-disabled, veteran-owned small business. Additionally, for the fourth consecutive year, *U.S. News & World Report* has ranked NSU among the Top 20 Historically Black Colleges and Universities (HBCUs) in the nation, further solidifying its role as a leader in higher education and a champion of student success. NSU is advancing its commitment to scientific education and research with the construction of a state-of-the-art science facility. Construction is underway on a \$118 million, 131,000-square foot building, slated for completion in Fall 2027, to house the biology, chemistry, and physics departments, as well as the Dozoretz National Institute for Mathematics and Applied Sciences. The facility will feature modern laboratories, classrooms, a planetarium, a greenhouse, a makerspace, and student collaboration areas.

Founded in 1973, EVMS has served for over four decades as a leading institution for training physicians, health professionals, educators, and medical innovators. EVMS expanded its clinical offerings with the opening of the Goldrich Institute, which provides comprehensive medical management and quality-of-life services for individuals living with neurodegenerative diseases such as Parkinson's, Alzheimer's, and related movement disorders. Housed within Andrews Hall, the Goldrich Institute reflects the continued commitment to advancing specialized care and improving community health outcomes.

In January 2023, Eastern Virginia Medical School (EVMS) and NSU announced a groundbreaking partnership to address healthcare disparities and strengthen the medical workforce. The collaboration, known as the EVMS-NSU Research and Training Incubator for Collaboration in Health Equity Initiative (ENRICHe), aims to reduce health inequities affecting minority communities while expanding career opportunities for NSU students pursuing healthcare professions. A key objective of the initiative is to develop a diverse medical workforce that reflects the communities it serves — an approach supported by research showing that mental health outcomes improve when healthcare providers share cultural and community ties with their patients.

ODU is undergoing significant campus development, including breaking ground on a new Biological Sciences Building in April 2025 that will house classrooms, teaching labs, research spaces, and support areas for the biological sciences. Additionally, anticipated to be completed in 2026, a \$24 million renovation to the Bud Metheny Ballpark is underway, adding improved player amenities, hospitality areas, and a capacity of up to 3,000 guests.

EVMS, known as the first U.S. institution to produce a viable fetus via in vitro fertilization and home to a nationally recognized Cancer Research Center, has officially merged with ODU to form the Macon & Joan Brock Virginia Health Sciences at Old Dominion University. This landmark merger combines EVMS's clinical and research strengths with ODU's excellence in health sciences, nursing, and biomedical research and creates the largest portfolio of health science degrees in the Commonwealth.

Tidewater Tech is a leading vocational and technical training institution in Norfolk, specializing in preparing students for careers in skilled trades such as automotive technology, HVAC, welding, and building maintenance. The school is committed to equipping students with practical, hands-on experience that meets the evolving demands of the regional workforce. With strong ties to local industries and

employers, Tidewater Tech offers programs designed to provide job-ready skills and certifications that enhance employment opportunities. The school continues to innovate its curriculum, recently adding specialized training for electric vehicle maintenance to align with the growth of clean energy and electric transportation sectors in the Hampton Roads region.

TCC is the largest provider of higher education and workforce development services in Hampton Roads, serving as a vital resource for businesses seeking skilled technical employees as well as for companies needing training and retraining programs for their current workforce. As a member of the Community College Workforce Cooperative (CCWC), a regional partnership dedicated to addressing the evolving job training needs of major local industries, TCC plays a critical role in supporting economic growth. Recently, TCC relocated its visual arts programs from Portsmouth to its Downtown Norfolk campus, expanding its footprint with the addition of a new facility. This strategic location allows the college to leverage proximity to nearby galleries, the vibrant NEON Arts District, and the Governor's School for the Arts, enriching the educational experience and fostering stronger connections with the local arts community. A new Child Development Center opened in Downtown Norfolk campus in January 2024 to provide care and developmental learning for the children of TCC students.

ODU is undergoing a significant transformation with the development of several new buildings that enhance its academic, research, and cultural offerings. In April 2025, ODU broke ground on a \$184 million, five-story Biological Sciences Building, the largest capital project in the university's history. This 162,586-square-foot facility will house state-of-the-art classrooms, research laboratories, and the relocated Arthur and Phyllis Kaplan Orchid Conservatory, featuring a two-story tropical display house and a rooftop greenhouse. The building is expected to be completed by Spring 2028. Additionally, the University recently unveiled the Ellmer College of Health Sciences' new 128,257-square-foot facility, which opened in August 2024. This three-story building serves as a hub for health-related disciplines, housing six of ODU's health sciences programs and two public-facing clinics: the Faschini Wallach Center for Restorative Therapies and the Sofia & David Konikoff Dental Hygiene Care Facility. In the arts sector, ODU is expanding its cultural footprint with a \$25 million expansion of the Barry Art Museum. The new three-story wing, expected to be completed in 2026, will add 25,200 square feet of space, including a multi-use event space, a community gallery, a media video gallery, and an educational laboratory.

Medical Institutions

The City is served by 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").

Sentara Norfolk General, a 525-bed tertiary care facility and the region's first magnet hospital, recently underwent extensive renovations and remains home to the area's only Level I Trauma Center, burn trauma unit, and the nationally recognized Sentara Heart Hospital. Its cardiology program is consistently ranked among the nation's top 50 by U.S. News & World Report.

Sentara opened a new two-story outpatient facility in the City's new St. Paul's district. The 20,000-square-foot Sentara Medical Office at St. Paul's offers primary care, family medicine, and physical therapy services.

In July 2024, EVMS officially integrated into ODU, forming the Macon & Joan Brock Virginia Health Sciences at ODU—a unified institution that is now the largest academic health sciences center in the Commonwealth. This merger, backed by a decade-long agreement and over \$350 million in state and private funding—including \$14 million in the 2023 Virginia budget—aims to expand program offerings to more than 56 health sciences disciplines, double residency slots, and enhance research capacity. The

unified entity is focused on addressing regional physician shortages, mitigating health disparities, and strengthening the local healthcare workforce pipeline, while positioning Hampton Roads as a powerhouse for medical education and innovation. Sentara Norfolk General is also nearly doubling its residency program — from approximately 240 to over 400 positions — by introducing new specialties in cardiology, anesthesia, and neurology, thanks to a partnership with the Macon & Joan Brock Virginia Health Sciences at Old Dominion University, supported by a \$350 million Sentara commitment. These expansions not only bolster clinical capacity and surgical capabilities, but also help build a stronger pipeline of locally trained physicians, ensuring long-term improvements in access to care and health outcomes for the Hampton Roads community.

CHKD, the site of Virginia's only standalone, 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 opened a 14-story, \$224 million Children's Pavilion in September 2022 dedicated exclusively to pediatric mental and behavioral health care. 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 fresh air and sunlight.

In addition to the Pavilion, CHKD has expanded its administrative footprint in Downtown Norfolk. In partnership with TowneBank, CHKD purchased the 22-story Norfolk Southern Tower in 2020 for \$30 million. This acquisition allowed CHKD to relocate non-clinical departments such as information services, human resources, and health system administration to the tower, freeing up space on its main campus for expanded clinical services. The move also consolidated TowneBank's financial services divisions under one roof, with approximately 900 employees occupying the building.

In March 2023, Sentara Leigh Hospital's expanded its Family Maternity Center, adding thirteen private postpartum family rooms, advanced maternal-fetal technology, private consultation areas, and increased appointment availability to support growing birth rates.

The Virginia Port Authority

In 1981, the General Assembly enacted landmark legislation to unify the southeastern Virginia ports under the Virginia Port Authority, with operations managed by 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 ports by total trade value. In 2024, the Port handled a total of 26,669,128 tons of general cargo, including 26,225,349 tons of containerized cargo, with 443,779 tons of breakbulk making up the remainder, reinforcing its role as a critical hub for global commerce.

Table V-10
Virginia Port Authority Terminals
General Cargo Tonnage
Calendar Years 2020 – 2025

Calendar Year	Total General Cargo Tonnage (in thousands)	Percent Change Over Previous Year
2020	21,082	(3.92)%
2021	25,354	20.26
2022	26,152	37.46
2023	24,776	(5.26)
2024	26,669	7.64
2025 ⁽¹⁾	16,728	

Source: Virginia Port Authority.

Note: (1) As of August, 2025.

The City also serves as a vital gateway between global commerce hubs and the U.S. Heartland, offering efficient rail connections between the Port and major inland markets. Anchored by one of the world's largest natural deep-water harbors and supported by a temperate climate, the Port plays a central role in Norfolk's economy. Through the Heartland Corridor, the Port has direct rail access to Ohio, Illinois, Michigan, and beyond. In April 2023, the Port expanded its westward reach with a new daily rail service to Norfolk Southern's intermodal terminal near Memphis, Tennessee supporting companies seeking to diversify their supply chains and access 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, and has undergone major modernization, reinforcing its position as a leading East Coast gateway.

In August 2024, NIT’s \$452 million revamped and expanded central rail yard became fully operational, adding two new track bundles and three electric rail-mounted gantry cranes. This \$83 million project boosts annual rail capacity 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 to complete the South Berth’s \$450 million optimization project. 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.

A transformative \$650 million upgrade of the North Berth, underway since September 2023 as part of the broader Gateway Investment Program, is set for completion by 2027. The project includes the installation of 36 automated stacking cranes and new ship-to-shore cranes, expanding the North Berth’s annual capacity to 1.4 million TEUs. Once completed, NIT’s total capacity across both berths will reach approximately 3.6 million TEUs, significantly enhancing the port’s efficiency and competitiveness.

In late 2023, NIT partnered with Verizon Business to launch a private 5G network across its 270-acre campus. This network supports seamless connectivity for industrial operations — including

autonomous trucks, drones, and mobile cranes — enhancing efficiency, safety, and real-time communications.

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. As of 2024 this project has been fully executed and now makes the Port the widest shipping channel on the East Coast.

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. It is anticipated to be completed later Fall 2025.

The Port of Virginia remains a significant contributor to the local economy and the Commonwealth, as demonstrated by the results of the 2022 Economic Impact Study by the College of William & Mary, the most recent available. Across the Commonwealth, the study attributes more than 565,000 jobs and \$41 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

After 25 years of service to Portsmouth, Norfolk, Newport News, Hampton, and Chesapeake, the Hampton Roads Regional Jail (HRRJ) officially closed its doors on April 1, 2024. Following the closure, the City resumed housing its inmates in the local City Jail, which continues to serve as the primary detention facility for Norfolk.

Business, Industry and Commerce

Norfolk is home to a diverse array of industrial, commercial, and service-oriented businesses that play a vital role in supporting the City's economy and workforce. Table V-11 below provides a detailed overview of the largest non-government employers within Norfolk, highlighting the significant role the private sector plays in driving economic activity and employment opportunities across the community.

Table V-11
City of Norfolk, Virginia
Major Non-Government Employers in 3rd Quarter 2024

Employer	Number of Employees	Industry/Product/Services
Sentara Healthcare	1000+	Hospitals
Children's Hospital of the King's Daughters		Hospitals
Sentara Health Management		Insurance Carriers and Related Activities
ADP Incorporated		Professional, Scientific, and Technical Services
Wal Mart		General Merchandise Retailers
Security Forces, Inc.		Administrative and Support Services
Progressive Casualty Insurance	500 - 999	Insurance Carriers and Related Activities
Norshipco		Transportation Equipment Manufacturing
Hampton Roads Connector Partners		Heavy and Civil Engineering Construction
Virginia International Terminal		Support Activities for Transportation
CMA CGM America		Support Activities for Transportation
CP&O LLC		Support Activities for Transportation
Portfolio Recovery Association		Administrative and Support Services
Pam Duncan		Administrative and Support Services
Colonna's Shipyard		Transportation Equipment Manufacturing
Anthem		Insurance Carriers and Related Activities
Food Lion		Food and Beverage Stores
Booz, Allen and Hamilton		Professional, Scientific, and Technical Services
Alion Science & Technology Corporation		Professional, Scientific, and Technical Services
McDonald's	250 - 499	Food Services and Drinking Places
Maersk Line Limited		Water Transportation
ODU Research Foundation		Professional, Scientific, and Technical Services
Nash Finch		Merchant Wholesalers, Nondurable Goods
Transit Management Company		Transit and Ground Passenger Transportation
Lake Taylor Hospital		Nursing and Residential Care Facilities
Top Guard, Inc.		Administrative and Support Services
American Funds Service Company		Securities, Commodity Contracts, and Other Financial Investments and Related Activities
Southwest Airlines		Air Transportation
Towne Bank		Credit Intermediation and Related Activities
Professional Hospitality		Administrative and Support Services
Zim American Integrated Shipping Services		Support Activities for Transportation
Children's Specialty Group		Ambulatory Health Care Services
Lyon Shipyard Inc.		Transportation Equipment Manufacturing
Eds Service Solutions LLC		Personal and Laundry Services
Aramark Campus LLC		Food Services and Drinking Places
Seaward Marine Construction		Heavy and Civil Engineering Construction
Xylem Tree Experts		Administrative and Support Services
Caci		Professional, Scientific, and Technical Services
Harris Teeter Supermarket		Food and Beverage Stores
URS Federal Services		Professional, Scientific, and Technical Services

Source: Virginia Labor Market Information.

Military

The military presence in the City remains a cornerstone of the local economy. With strategic access to the Atlantic, the City is the home of the world's largest naval complex, which marked its centennial in 2017. This vast complex houses key headquarters, including the Commander in Chief of U.S. Atlantic Command, NATO's Supreme Allied Command Atlantic, the Commander in Chief of the U.S. Atlantic Fleet, and numerous other major naval commands that contribute significantly to the operational capabilities of the U.S. Navy's Atlantic Fleet. The naval complex is critical to national and allied military readiness. Hampton Roads also stands at the largest hub of Coast Guard operations globally, with the Atlantic Area Command and Maritime Defense Zone Atlantic based in nearby Portsmouth, and the Maintenance & Logistic Command Atlantic headquarters located 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 rarely have a material impact on the City's economic stability. Annually, approximately 13,000 military personnel transition from active service into the private sector, contributing a highly skilled, disciplined, and experienced workforce that bolsters regional businesses.

The Hampton Roads area hosts five of the U.S.'s eleven nuclear-powered aircraft carriers, including the Gerald R. Ford, which is the world's largest aircraft carrier, and the largest warship ever constructed. This carrier complements others such as the USS Dwight D. Eisenhower, USS John C. Stennis (currently undergoing overhaul at Newport News Shipbuilding), USS Harry S. Truman, and USS George H.W. Bush, all homeported at Naval Station Norfolk. Covering approximately 4,300 acres on Sewells Point peninsula, Naval Station Norfolk is the largest naval base in the world by supported military population. It hosts roughly 75 ships and 134 aircraft, including cruisers, destroyers, amphibious assault ships, submarines, and a range of supply and logistics vessels.

The North Atlantic Treaty Organization (NATO) established a presence in Norfolk due to the region's strategic location, robust military infrastructure, and deep integration with U.S. and allied forces. In 2018, as part of its defense readiness initiative, NATO approved the establishment of two new Joint Force Commands. One is based in Norfolk, Virginia, the only such NATO command on U.S. soil, and the other in Ulm, Germany. These commands were designed to strengthen NATO's ability to respond swiftly to security threats, particularly in the North Atlantic region. As part of this initiative, NATO introduced the "4x30 readiness" concept, which calls for 30 battalions, 30 air squadrons, and 30 major naval combatants to be ready for deployment within 30 days. Together, the two Joint Force Commands 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 the federal 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. According to estimates by the Hampton Roads Planning District Commission, defense-related activities account for more than 40 percent of the region's economy and annual Department of Defense (DoD) spending in the area exceeded \$28 billion in 2023.

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APPENDIX A

**CITY OF NORFOLK, VIRGINIA
GENERAL PURPOSE FINANCIAL
STATEMENTS FOR THE FISCAL YEAR
ENDED JUNE 30, 2024**

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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, 2024, 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, 2024, 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), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the Specifications). Our responsibilities under those standards and specifications 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

As discussed in Note XXIV of the financial statements, effective July 1, 2023, the City adopted new accounting guidance for correction of an error. The guidance requires correction of an error to be reported retroactively by restating prior periods. Our opinions were 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 twelve 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, *Government Auditing Standards* and the Specifications 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, *Government Auditing Standards* and the Specifications, 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.

The Honorable Members of City Council
City of Norfolk, Virginia

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2025, 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

Arlington, Virginia
March 17, 2025

Management's Discussion and Analysis (Unaudited)

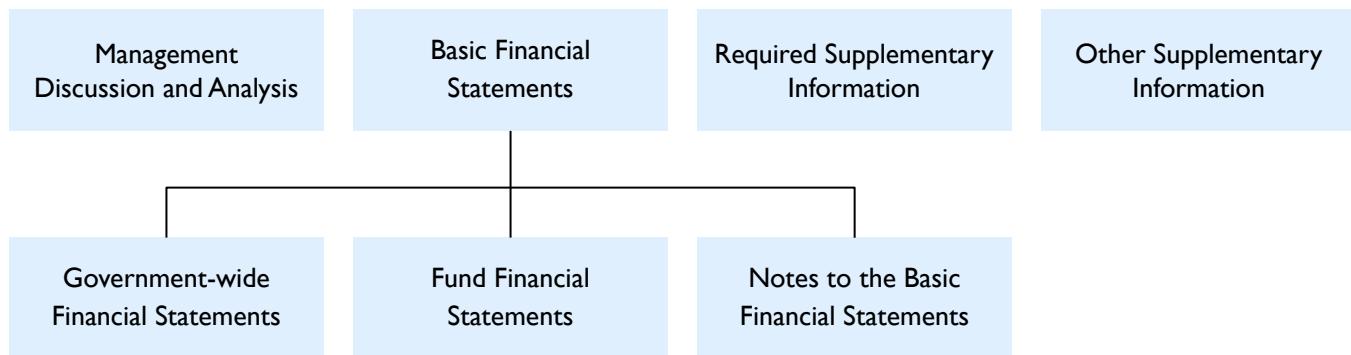
This overview provides an analysis of the City of Norfolk's (the "City") financial performance for the fiscal year ending June 30, 2024.

For comprehensive understanding, readers should review this discussion in conjunction with the transmittal letter at the beginning of this report and the accompanying financial statements and notes.

Financial Highlights

- **Net Position:** The City's assets and deferred outflows, excluding component units, exceeded its liabilities and deferred inflows by \$1,392,411,496 (net position) at the end of FY 2024. Within this amount, the unrestricted net position is \$218,733,966. Total net position increased by \$135,566,034, although the unrestricted net position increased by \$53,871,029 from the previous fiscal year.
- **Governmental Activities:** The City's governmental activities reported a net position of \$623,654,539 reflecting an increase of \$83,536,847 from the previous year.
- **General Fund:** The General Fund's total unassigned fund balance reached \$101,958,118 at the end of fiscal year, which represents 9.4% of the original General Fund budget.
- **Bonded Indebtedness:** The City's total outstanding bonded indebtedness decreased by \$58,028,653 primarily due to principal payments made during the year without the issuance of any new debt.

Components of the Financial Section



Overview of the Financial Statements

This discussion and analysis introduce 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 consist of three main components:

- **Government-wide Financial Statements:** These provide a broad overview of the City's financial position and results.
- **Fund Financial Statements:** These statements offer a more detailed look at individual City funds.
- **Notes to the Basic Financial Statements:** These notes provide essential information to enhance understanding of the data presented in the financial statements.

Additionally, this report includes other supplementary information beyond the basic financial statements and related notes, offering further context and details on the City's financial activities.

Government-wide financial statements – The *government-wide financial statements* provide a broad overview of the City's finances, similar to private-sector reporting, using the accrual basis of accounting. These statements include all the City's assets, liabilities, deferred outflows and deferred inflows and consist of two main reports:

Statement of Net Position: Presents the City's assets and deferred outflows against liabilities and deferred inflows. The difference is reported as net position, which can serve as an indicator of financial health over time.

Statement of Activities: Shows changes in net position throughout the fiscal year, reporting revenues and expenses when they occur, regardless of cash flow timing (e.g., uncollected taxes, accrued vacation).

These statements differentiate between:

- **Governmental Activities:** Functions supported primarily by taxes and intergovernmental revenues (governmental activities), such as general government, judicial administration, public safety, public works, health and public assistance, culture and recreation, and community development.
- **Business-Type Activities:** Self-sustaining enterprise activities funded by the user fees, such as Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility.

In addition to the primary government, the financial statements include separate reports for legally distinct component units for which the City is financially accountable, such as 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 73-74 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 the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental 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. Detailed 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, while individual data for non-major funds are provided in combined statements elsewhere in this report.

The City adopts annual budgets for certain funds. Budgetary comparison statements are included in this report to demonstrate compliance. (Reference Exhibits E-1 and E-2.)

The basic governmental fund financial statements are found on pages 63-66 of this report.

Proprietary funds – Proprietary funds provided detailed information similar to the government-wide financial statements but with greater specificity. The proprietary fund statements present separate information for the City's enterprise funds - Water and Wastewater Utilities, the Parking Facilities and the Storm Water Utility operations, - all of which are major funds.

The enterprise funds are used to account for the Water and Wastewater Utilities, the Parking Facilities and the Storm Water Utility operations, where services are financed through user charges. Enterprise funds align with 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. For reporting purposes, the internal service funds are combined into a single aggregated presentation in the proprietary fund statements, while individual fund details are allocated to governmental activities at the entity-wide level elsewhere in this report.

The proprietary fund financial statements can be found on pages 67-70 of this report.

Fiduciary funds – The City's fiduciary funds include the pension trust fund, the pension funding trust, the Commonwealth of Virginia custodial fund and other custodial funds. These funds account for resources held on behalf of entities outside the City. Fiduciary funds are excluded from the government-wide financial statements since their resources are earmarked for specific non-City programs. Accounting for fiduciary funds is similar to the method used in proprietary funds.

The fiduciary fund financial statements are available on pages 71-72 of this report.

Notes to the basic financial statements – The notes offer essential information to enhance understanding of the data presented in the government-wide and fund financial statements. They provide context, explanations, and details that are critical for a comprehensive understanding of the City's financial position. The notes to the financial statements begin on page 80 of this report.

Other Information – Beyond the basic financial statements and accompanying notes, this report includes required supplementary information on budgetary comparisons for the General fund, as well as details on the City's net pension liability and other post-employment benefits to its employees. This required supplementary information is available on pages 169-193 of this report.

Additionally, combining statements for nonmajor governmental funds and internal service funds are presented on pages 201-202 and 207-209, respectively.

Government-wide Financial Analysis

The City's net position can be a valuable indicator of its financial health. As of the close of fiscal year 2024, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,392,411,496.

The City's largest portion of the net position, totaling \$1,106,220,848 or 79.4 percent, is invested in capital assets - such as land, buildings, equipment, intangibles and infrastructure - net of accumulated depreciation and related debt, deferred inflows and outflows. These capital assets are essential for providing services to citizens and are not available for future spending. While the net position reflects the City's investment in these assets, the funds to repay the associated debt must come from other resources, as the assets themselves cannot be liquidated for liability purposes.

An additional approximately 4.8 percent of the City's net position consists of resources with external restrictions governing their use. The balance of \$218,733,966 in unrestricted net position is largely because of an increase in Water unrestricted net position.

Summary of the City of Norfolk's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$ 787,521,276	\$ 845,573,208	\$ 239,423,958	\$ 186,314,486	\$ 1,026,945,234	\$ 1,031,887,694
Capital Assets	1,313,399,881	1,215,243,601	1,176,563,347	1,146,246,921	2,489,963,228	2,361,490,522
Total Assets	2,100,921,157	2,060,816,809	1,415,987,305	1,332,561,407	3,516,908,462	3,393,378,216
Deferred Outflows of Resources	166,284,227	232,461,726	41,654,788	52,496,234	207,939,015	284,957,960
Total Assets and Deferred Outflows of Resources	2,267,205,384	2,293,278,535	1,457,642,093	1,385,057,641	3,724,847,477	3,678,336,176
Long-Term Liabilities	1,402,754,687	1,514,991,613	655,659,879	646,292,921	2,058,414,566	2,161,284,534
Other Liabilities	189,227,026	195,063,541	28,696,268	17,729,873	217,923,294	212,793,414
Total Liabilities	1,591,981,713	1,710,055,154	684,356,147	664,022,794	2,276,337,860	2,374,077,948
Deferred Inflows of Resources	51,569,132	43,105,689	4,528,989	4,307,077	56,098,121	47,412,766
Total Liabilities and Deferred Inflows of Resources	1,643,550,845	1,753,160,843	688,885,136	668,329,871	2,332,435,981	2,421,490,714
Net Position:						
Net Investment in Capital Assets	520,426,088	448,924,433	585,794,760	590,891,927	1,106,220,848	1,039,816,360
Restricted	29,826,394	18,776,764	37,630,288	33,389,401	67,456,682	52,166,165
Unrestricted	73,402,057	72,416,495	145,331,909	92,446,442	218,733,966	164,862,937
Total Net Position	\$ 623,654,539	\$ 540,117,692	\$ 768,756,957	\$ 716,727,770	\$ 1,392,411,496	\$ 1,256,845,462

The City's governmental activities saw a 15.5 percent increase in total net position, totaling \$83,536,847.

In business-type activities, net position increased by \$52,029,187, or 7.3 percent. This increase includes, \$32,256,303 from the Water Utility, \$14,574,278 from the Wastewater Utility, \$8,753,535, from the Storm Water Utility, and a decrease of \$3,554,929 from the Parking Facilities. Overall revenues rose by \$6,023,747 compared to the prior year, largely driven by approved rate increases, higher consumption, and a reclassification of interest revenue.

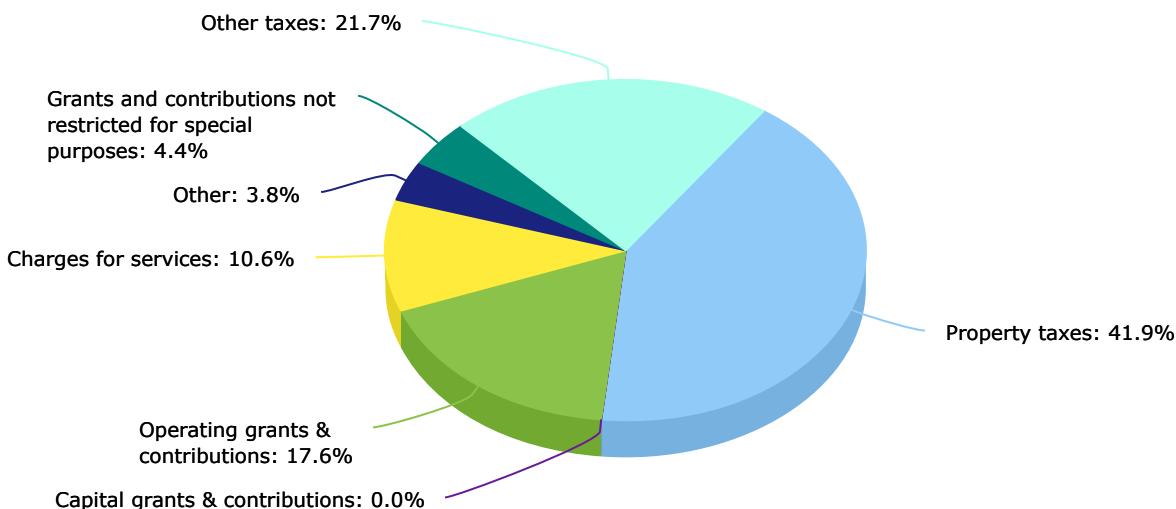
The following presents key programmatic and functional elements contributing to changes in the government-wide net position:

Changes in the City of Norfolk's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues:						
Charges for Services	\$ 99,025,919	\$ 95,710,121	\$ 195,030,268	\$ 186,768,133	\$ 294,056,187	\$ 282,478,254
Operating Grants & Contributions	165,152,487	201,095,425	-	-	165,152,487	201,095,425
Capital Grants & Contributions	273,572	14,507,612	940,347	6,812,429	1,213,919	21,320,041
General Revenues:						
Property Taxes	392,895,405	395,914,526	-	-	392,895,405	395,914,526
Other Taxes	203,504,142	200,201,555	-	-	203,504,142	200,201,555
Grants and Contributions not restricted for specific purposes	41,384,425	38,583,643	-	-	41,384,425	38,583,643
Other	36,092,214	32,043,797	6,823,359	3,189,665	42,915,573	35,233,462
Total Revenues	<u>938,328,164</u>	<u>978,056,679</u>	<u>202,793,974</u>	<u>196,770,227</u>	<u>1,141,122,138</u>	<u>1,174,826,906</u>
Expenses:						
General Government						
General Government	184,796,350	163,078,726	-	-	184,796,350	163,078,726
Judicial Administration	57,359,497	61,730,007	-	-	57,359,497	61,730,007
Public Safety	161,392,975	135,118,042	-	-	161,392,975	135,118,042
Public Works	89,245,393	85,372,658	-	-	89,245,393	85,372,658
Health and Public Assistance	98,090,823	96,769,724	-	-	98,090,823	96,769,724
Culture and Recreation	67,086,852	64,618,422	-	-	67,086,852	64,618,422
Community Development	39,799,765	45,021,559	-	-	39,799,765	45,021,559
Education	154,787,859	118,262,832	-	-	154,787,859	118,262,832
Interest on Long-Term Debt	30,190,185	30,084,375	-	-	30,190,185	30,084,375
Water Utility	-	-	77,836,386	74,370,318	77,836,386	74,370,318
Wastewater Utility	-	-	22,840,448	23,191,209	22,840,448	23,191,209
Parking Facilities	-	-	23,610,378	21,813,638	23,610,378	21,813,638
Storm Water Utility	-	-	22,019,386	20,144,889	22,019,386	20,144,889
Total Expenses	<u>882,749,699</u>	<u>800,056,345</u>	<u>146,306,598</u>	<u>139,520,054</u>	<u>1,029,056,297</u>	<u>939,576,399</u>
Increase (decrease) in Net Position before Special Items and Transfers	55,578,465	178,000,334	56,487,376	57,250,173	112,065,841	235,250,507
Special Items	23,500,193	(3,228,246)	-	-	23,500,193	(3,228,246)
Transfers	4,458,189	9,837,734	(4,458,189)	(9,837,734)	-	-
Increase (decrease) in Net Position	83,536,847	184,609,822	52,029,187	47,412,439	135,566,034	232,022,261
Net Position Beginning of Year	<u>540,117,692</u>	<u>355,507,870</u>	<u>716,727,770</u>	<u>669,315,331</u>	<u>1,256,845,462</u>	<u>1,024,823,201</u>
Net Position End of Year	<u>\$ 623,654,539</u>	<u>\$ 540,117,692</u>	<u>\$ 768,756,957</u>	<u>\$ 716,727,770</u>	<u>\$ 1,392,411,496</u>	<u>\$ 1,256,845,462</u>

Governmental Activities – For the fiscal year ending June 30, 2024, the City's governmental activities generated total revenues of \$938,328,164. Property taxes and other taxes are the City's primary revenue sources, comprising 64.0 percent of total governmental revenues. Property tax revenue, which includes personal and real estate taxes, decreased by \$3,019,121 over the prior year. The real estate tax rate for fiscal year 2024 was \$1.25 per \$100 of assessed value. Additionally, revenue from other taxes rose by \$3,302,587, or 1.6 percent, compared to the previous fiscal year.

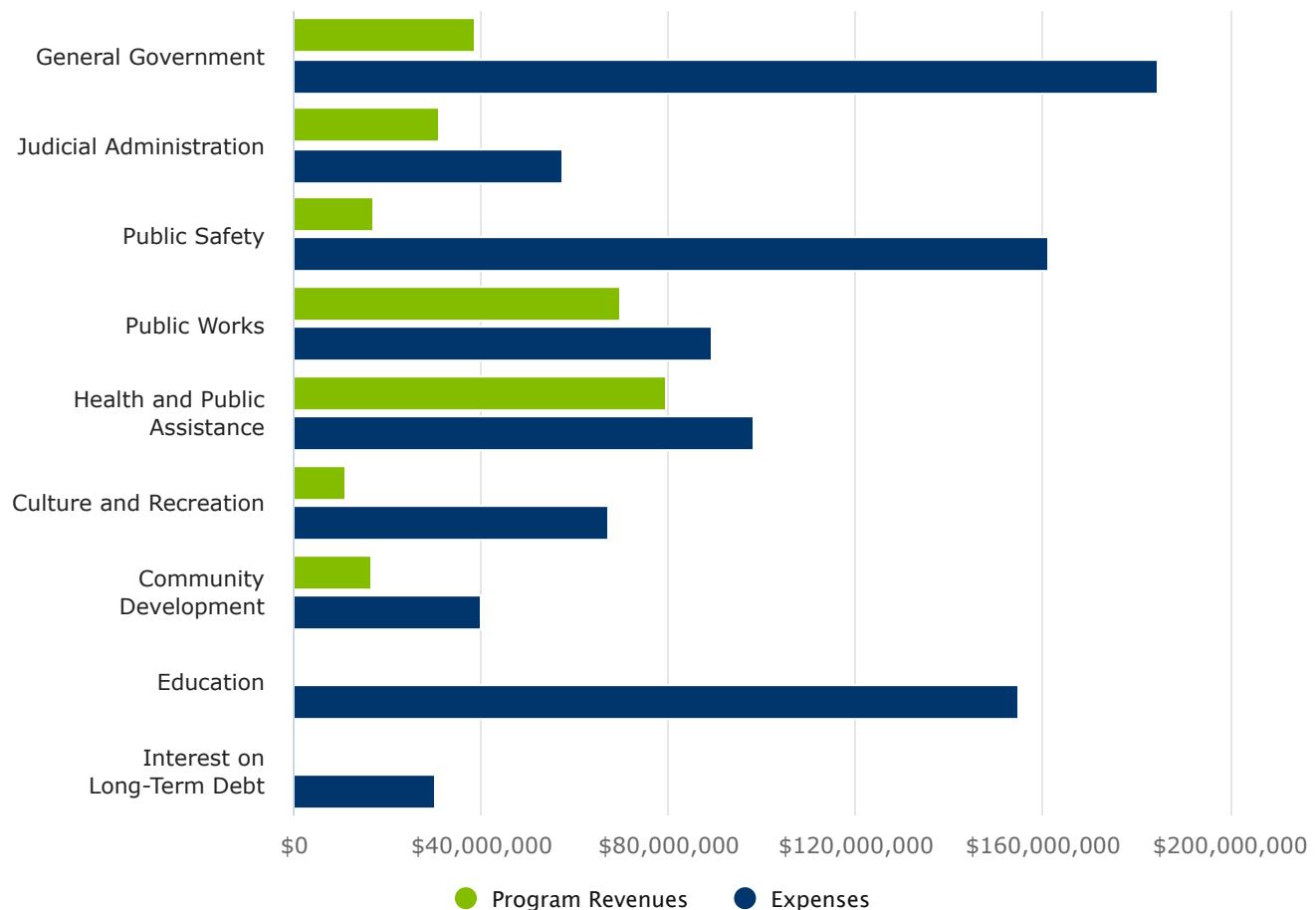
Governmental Activities: Revenues by Source



Operating grants and contributions for governmental activities totaled \$165,152,487 reflecting a decrease of approximately 17.9 percent from the prior year, primarily due to decrease in ARPA funds and the end of the Ohio Creek Watershed Project. For fiscal year 2024, unrestricted grants and contributions amounted to \$41,384,425 representing an increase of approximately 7.3 percent compared to the prior year, primarily due to an increase in accruals in fiscal year 2024 to accurately record revenue to the appropriate year resulting in duplicate revenue that will balance out in fiscal year 2025 and additional state revenue spending for law enforcement. Additionally, other revenue overall increased by \$4,048,417 from the prior year, primarily due to an increase in investment interest from more shares being purchased and a decrease from a fiscal year 2023 one-time revenue from Section 108 funding and a fiscal year 2024 reduction in new lease and SBITA arrangements over fiscal year 2023.

The City's expenses for governmental activities encompass a broad range of services, with \$184,796,350 (20.9 percent) allocated to general government, \$161,392,975 (18.3 percent) for public safety, and \$154,787,859 (17.5 percent) for education, which includes payments to the School Board, a component unit. Overall expenses for governmental activities increased by 10.3 percent, primarily driven by a decrease in ARPA funding for public safety, increase in spending for downtown floodwall, transportation VDOT project spending and a fiscal year 2023 decrease in education expenses as a result of unspent appropriations by the schools.

Governmental Activities - Expenses and Program Revenues

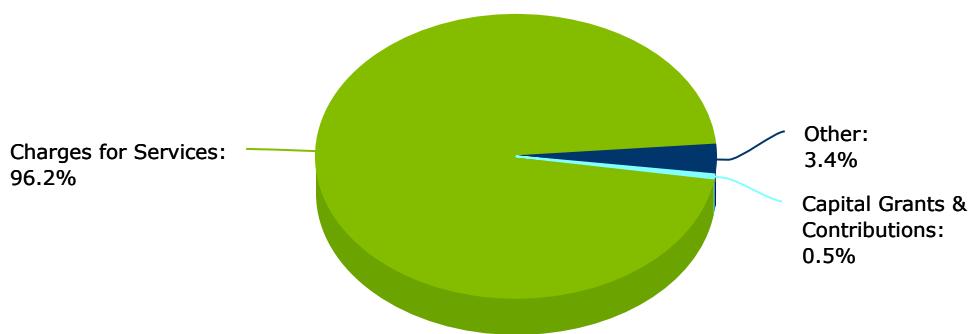


Depreciation and amortization expenses for governmental activities amounted to \$64,197,549.

Business-type Activities – Business-type activities contributed to an increase in the City's net position of \$52,029,187. Key elements of this change include:

- Revenue from charges for services for business-type activities increased by 4.4 percent in fiscal year 2024.
 - **Water Utility:** Charges for services increased \$6,877,646 or 6.4 percent.
 - **Wastewater Utility:** Charges for services increased \$2,071,894 or 5.8 percent.
 - **Parking Facilities:** Revenues decreased \$1,970,902 or 9.6 percent.
 - **Storm Water Utility:** Charges for services increased by \$1,283,497 or 5.5 percent.

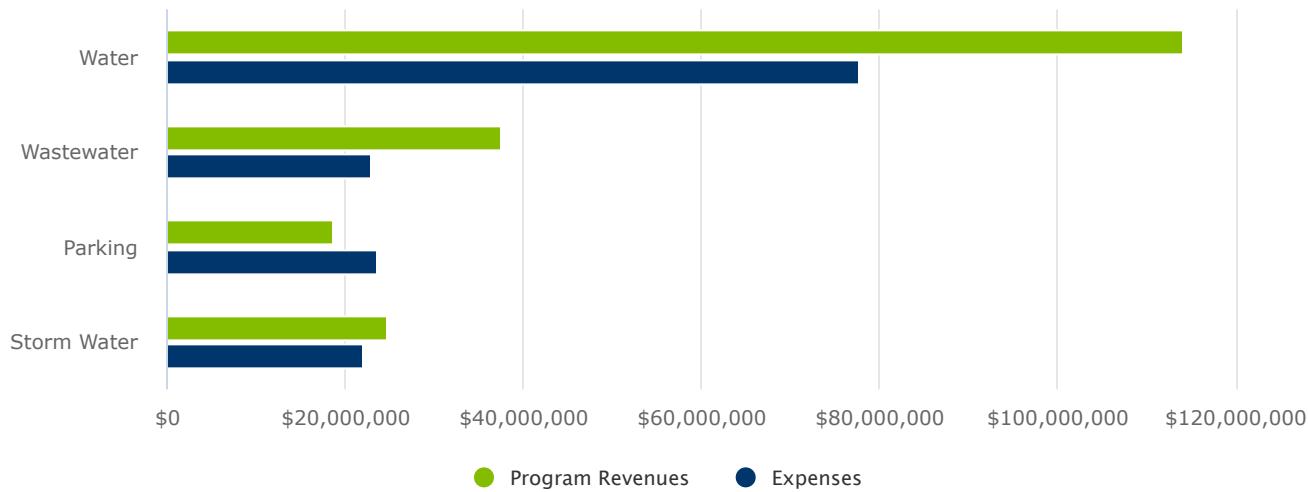
Business-Type Activities: Revenues by Source



Total expenses for business-type activities increased by \$6,786,544, or 4.9 percent overall.

- **Water Utility:** Expenses increased by \$3,466,068, or 4.7 percent
- **Wastewater Utility:** Expenses decreased by \$350,761, or 1.5 percent
- **Parking Facilities:** Expenses increased by \$1,796,740, or 8.2 percent
- **Storm Water Utility:** Expenses increased by \$1,874,497, or 9.3 percent

Business Type Activities - Expenses and Program Revenues



Financial Analysis of the Government's Funds

As previously noted, the City utilizes fund accounting to ensure compliance with finance-related legal requirements and to demonstrate accountability in managing its financial resources.

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 crucial for assessing

the City's financing requirements. In particular, the unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City classifies its fund balance within a hierarchy based on the constraints imposed on the use of its financial resources. 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 a combined ending fund balance of \$509,156,922 reflecting a net decrease of \$50,715,620 primarily due to no issuance of debt, increase in capital project spending and a decrease in ARPA funding. The restricted fund amounts to \$21,554,414, which can only be used for specific purposes stipulated by a third party or legislation. This category typically includes federal and state awards/grants and certain tax revenues earmarked for designated purposes.

The committed fund balance totals are \$186,229,532, representing amounts designated for specific purposes by the City Council. This includes funds allocated for the City's self-insured workers' compensation, general liability programs and \$143,095,763 in capital projects funds.

The assigned fund balance is \$199,414,858, representing funds intended for specific purposes as determined by the City. This category includes encumbrances that are not considered committed.

Lastly, the remaining balance of \$101,958,118 is classified as unassigned and is available for spending at the government's discretion.

The City's primary governmental fund is its General fund. As a matter of fiscal policy, the City's unassigned fund balance is no less than 10 percent of the total combination of General fund operating expenditures and transfers out, which amounted to \$96,215,542 for fiscal year 2024.

On a budgetary basis, the City ended the fiscal year with revenues exceeding projections by \$46,085,089. However, total expenditures exceeded appropriations by \$118,499,988, primarily due to transfer of previously assigned fund balance to fund Capital Projects.

The General fund revenues increased by \$39,881,467, or 5.2 percent from the prior year. Overall expenditures increased by \$129,490,851, or 22.9 percent from fiscal year 2023. General fund financial and budget highlights of fiscal year 2024 include:

- General property tax revenues increased by \$24,261,807, or 6.5 percent, primarily due to a rise in housing market demand.
- Use of money and property revenues increased by \$10,115,562, or 62.1 percent, primarily due to an increase in investment interest revenues.
- Other local tax revenues rose by \$6,706,471, or 3.6 percent, attributed to increases in admission, restaurant and meals, and hotel taxes, reflecting continued economic recovery, as well as a reporting entity change from Emergency Operations Center/911 fund to the General fund.
- Education expenditures increased by \$37,014,664, or 34.5 percent, primarily due to a fiscal year 2023 decrease in education expenses as a result of unspent appropriations by the schools.
- Public Safety expenditures increased by \$48,843,873, or 69.9 percent, primarily due to a decrease in ARPA funding for public safety, as well as a reporting entity change from Emergency Operations Center/911 fund to the General fund.
- Capital outlay expenditures increased by \$27,169,616, or 248.3 percent, primarily due to the purchase of MacArthur Center Mall.

The Grants fund has been reported as a major fund since fiscal year 2021 due to funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA). In fiscal year 2024, revenues decreased by 19.9 percent, expenditures decreased by 23.8 percent, assets decreased by 30.1 percent and liabilities decreased by 55.3 percent.

The City allocated \$111,098,001 from the Capital Projects fund for major capital projects, repairs to City and School buildings, infrastructure enhancements and neighborhood improvements. The fund ended with a total fund surplus of \$143,095,763. Fiscal year 2024 saw the City utilizing existing general obligation bonds on hand, but also used available cash and its line of credit to fund these expenditures.

At the end of fiscal year 2024, the Debt Service fund had no assets, liabilities or net position. Additionally, the City drew a net \$55,000,000 from a line of credit established for flexible interim financing for managing capital projects related to both governmental and business-type activities.

Proprietary Funds – The City's proprietary funds offer detailed financial information similar to the government-wide financial statements, specifically for enterprise operations. Typically, the net position of these funds is restricted to supporting the ongoing operations and obligations of the associated enterprises, such as the Water, Wastewater, and Storm Water Utilities, as well as Parking Facilities. Relevant financial considerations for these proprietary funds have already been covered within the analysis of the City's business-type activities, which included factors like revenue growth, expense fluctuations, and operational efficiencies.

Capital Asset and Debt Administration

Capital Assets – As of June 30, 2024, the City's net investment in capital assets for both governmental and business-type activities totaled \$1,106,220,848, as presented on the Statement of Net Position. This investment encompasses a broad range of assets, including land, buildings and improvements, infrastructure such as streets, roads, bridges, highways, water/wastewater systems, etc., machinery and equipment, intangibles and construction in progress. These assets are reported net of any outstanding debt and lease liabilities associated with their financing. The inclusion of lease assets net of the lease liability reflects additional investments made to support the City's infrastructure and operational needs. Infrastructure assets represent 12.9 percent of total general governmental assets.

Major capital projects spending in fiscal year 2024 included:

- \$26.5 million dedicated to constructing a Downtown floodwall and beach erosion control measures.
- \$18.0 million for upgrades to civic facilities, including enhancements at City Hall.
- \$16.6 million for improvements to various community developments, notably in the St. Paul's area.
- \$14.1 million for cultural facilities improvements, including Nauticus, Scope and Chrysler Hall.
- \$11.1 million allocated for bridge and streets improvements.

Additionally, construction in progress totaled \$192.5 million for governmental activities, \$144.5 million for business-type activities, covering ongoing projects in Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility improvements.

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

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 143,125,653	\$ 123,664,100	\$ 45,726,971	\$ 45,050,591	\$ 188,852,624	\$ 168,714,691
Buildings, equipment and vehicles	671,961,910	680,498,412	916,863,241	918,467,047	1,588,825,151	1,598,965,459
Improvements other than buildings	98,208,728	101,629,968	61,228,525	54,273,281	159,437,253	155,903,249
Construction in progress	192,549,218	103,748,388	144,545,017	120,489,068	337,094,235	224,237,456
Intangible assets	392,746	679,022	6,635,646	6,025,121	7,028,392	6,704,143
Infrastructure	168,918,728	172,599,679	-	-	168,918,728	172,599,679
Lease Building	21,535,508	25,197,307	1,540,898	1,933,048	23,076,406	27,130,355
Lease equipment and vehicles	831,455	1,129,463	23,049	8,765	854,504	1,138,228
Subscription-based information technology arrangement liability	15,875,935	6,097,262	-	-	15,875,935	6,097,262
Total	<u>\$1,313,399,881</u>	<u>\$1,215,243,601</u>	<u>\$1,176,563,347</u>	<u>\$1,146,246,921</u>	<u>\$2,489,963,228</u>	<u>\$2,361,490,522</u>

Further details on the City's capital assets, can be found in Note VI on pages 101-103 of this report.

Long-term Debt – As of June 30, 2024, the City (inclusive of enterprise funds), had total bonded debt outstanding of \$1,448,736,094. Of this amount, \$1,109,793,738 comprises general obligation debt and line of credit backed by the full faith and credit of the City. The remaining debt amount represents bonded debts 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	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$ 876,832,260	\$ 950,481,682	\$ 232,961,478	\$ 245,335,025	\$ 1,109,793,738	\$ 1,195,816,707
Revenue Bonds	-	-	338,942,356	310,948,040	338,942,356	310,948,040
Total	<u>\$ 876,832,260</u>	<u>\$ 950,481,682</u>	<u>\$ 571,903,834</u>	<u>\$ 556,283,065</u>	<u>\$ 1,448,736,094</u>	<u>\$ 1,506,764,747</u>

The City's total debt outstanding decreased by \$58,028,653 or 3.9 percent, during the fiscal year.

The Capital Improvement Plan (CIP) for General Capital projects - those funded with bonds not supported by self-supporting user fees is developed according to two key measures of affordability adopted by the City. These debt limits, aligned with the approved CIP, are as follows:

- Debt service as a percentage of the General Fund Budget (remain below 10 percent, with a not to exceed of 11 percent of the General Fund budget)
- Net debt as a percentage of taxable property (remain below 3.5 percent, with a not to exceed of 4 percent of the total assessed value of taxable property)
- Ten-year General Obligation Payout Ratio (retirement of the principal amount of the long-term general obligation bonds by at least 55 percent or greater within 10 years)
- Variable Rate Debt Limits (the city's outstanding debt with variable interest rate will not exceed 20 percent by fund)

Debt practices for the City's business-type activities are governed by revenue bond indentures but also by specific City Council financial policies that focus on affordability.

The most recent 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+	AAA

On September 24, 2024, Fitch Ratings announced an upgrade to its rating for the City's Water Revenue Bonds to "AAA" from "AA+." The City's Wastewater and Storm Water Revenue Bonds do not maintain an underlying or stand-alone unenhanced credit rating.

The Commonwealth of Virginia imposes a constitutional statutory limit that restricts the amount of general obligation debt the City may issue to 10 percent of its total assessed valuation. On June 30, 2024, the City's general obligation debt remains well below the City's current debt limitation, which stands at \$2,721,043,458.

Further details on the City's long-term debt can be found in Note IX on pages 104-115 of this report.

Economic Factors and Fiscal Year 2025 Budget and Rates

- The City continues to experience a recovery from the pandemic, reelected in strong revenue growth. Fiscal year 2024 revenues, driven primarily by consumption-based and real estate taxes, have outperformed budget expectations. However, this growth occurs alongside economic challenges such as inflation, a tight labor market, and rising interest rates on municipal bonds. The adopted FY 2025 budget emphasizes delivering services at the appropriate scale. The City is focusing on strategic resource allocation informed by data and resident feedback, allowing for the expansion or right-sizing services where necessary.
- Taxable real estate assessments are projected to increase by 6.4 percent in fiscal year 2025.
- Other local taxes, comprising of consumer and business-based taxes, are anticipated to be significantly influenced by the lingering economic impacts of COVID-19. This revenue category is expected to exceed the fiscal year 2024 budget by 10.3 percent.
- The following are the projected changes in specific tax categories for the fiscal year 2025:
 - Hotel taxes – projected increase of 21.0 percent.
 - Meals taxes – projected increase of 13.0 percent.
 - Personal property taxes – projected increase 6.8 percent.
- To ensure adequate funding for capital improvements and operations, rate increases for the Water Utility, the Wastewater Utility, and the Storm Water Utility funds have been implemented.

All these economic factors were considered while preparing the City's budget for fiscal year 2025. The operating budget includes approximately \$24.8 million in transfers from non-general funds and carries forward approximately \$23.4 million in unspent appropriations from the prior year.

The following table outlines the fee structure for the Water Utility, Wastewater Utility, Storm Water Utility, and the Waste Management services as implemented in the City's fiscal year 2025 budget.

Description	FY 2025 Approved	FY 2024 Approved
Storm Water Fees – Residential	\$14.07/month	\$13.57/month
Storm Water Fees – Commercial	\$14.07/month per 2,000 sq. ft.	\$13.57/month per 2,000 sq. ft.
Wastewater Fees	\$5.44/100 cubic feet	\$5.23/100 cubic feet
Water Fees	\$6.29/100 cubic feet	\$6.08/100 cubic feet
Refuse Disposal – Residential Single or Multiple Units (4 or less)	\$28.51/unit/month	\$28.51/unit/month
Refuse Disposal – Residential Multiple Units (5 or more)	\$47.44/container/month	\$47.44/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 aims to present a comprehensive overview of the City's financial status for all stakeholders and interested parties. Questions regarding the information contained in this report or requests for further details 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.



Basic Financial Statements



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Exhibit I

Statement of Net Position
June 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and short-term investments	\$ 603,556,465	\$ 164,403,738	\$ 767,960,203	\$ 107,493,132
Receivables, net:				
Taxes	62,017,092	-	62,017,092	-
Accounts	36,671,979	30,847,901	67,519,880	565,806
Leases	12,161,425	586,074	12,747,499	1,079,380
Notes	-	-	-	863,485
Accrued investment income	40,698	612,854	653,552	-
Internal balances	7,876,844	(7,876,844)	-	-
Due from other governments	42,532,053	90,507	42,622,560	63,009,792
Due from component unit	16,862,940	-	16,862,940	-
Inventories	-	4,755,766	4,755,766	2,009,663
Property held for resale	-	-	-	1,812,152
Prepaid items	-	93,178	93,178	53,600
Restricted cash and investments	-	45,453,800	45,453,800	773,986
Net pension asset	5,801,780	456,984	6,258,764	-
Non-depreciable capital assets	335,771,885	194,882,859	530,654,744	48,256,646
Depreciable capital assets, net	939,385,098	980,116,541	1,919,501,639	46,689,230
Amortizable right to use assets, net	38,242,898	1,563,947	39,806,845	2,056,236
Total assets	2,100,921,157	1,415,987,305	3,516,908,462	274,663,108
Deferred outflows of resources				
Related to pensions	106,266,173	11,875,147	118,141,320	64,334,584
Related to OPEB	26,206,830	2,527,848	28,734,678	17,428,266
Loss on defeasance of bonds	33,811,224	27,251,793	61,063,017	-
Total deferred outflow of resources	166,284,227	41,654,788	207,939,015	81,762,850
Total assets and deferred outflows of resources	\$ 2,267,205,384	\$ 1,457,642,093	\$ 3,724,847,477	\$ 356,425,958
LIABILITIES				
Vouchers payable	\$ 61,772,217	\$ 15,392,107	\$ 77,164,324	\$ 29,351,411
Employees withholdings	1,399,824	-	1,399,824	-
Contract retainage	670,013	3,661,883	4,331,896	869,560
Accrued interest	8,909,169	4,003,648	12,912,817	-
Accrued payroll	7,365,953	1,161,420	8,527,373	31,053,866
Due to other governments	723,737	-	723,737	11,847,241
Due to primary government	-	-	-	16,862,941
Unearned revenue	30,448,033	684,231	31,132,264	12,974,395
Other current liabilities	22,938,080	3,792,979	26,731,059	602,724
Line of credit	55,000,000	-	55,000,000	-
Long-term liabilities:				
Due within one year	96,778,999	42,844,139	139,623,138	9,306,000
Due in more than one year	946,495,739	574,490,306	1,520,986,045	-
Net pension liability	255,694,554	30,149,446	285,844,000	208,002,114
Net OPEB liability	103,785,395	8,175,988	111,961,383	100,755,008
Other	-	-	-	7,081,501
Total liabilities	1,591,981,713	684,356,147	2,276,337,860	428,706,761
Deferred inflows of resources				
Related to pensions	14,533,985	1,443,722	15,977,707	38,799,661
Related to OPEB	24,841,292	1,933,965	26,775,257	17,769,299
Related to leases	12,161,425	584,120	12,745,545	1,079,380
Gain on defeasance of bonds	32,430	567,182	599,612	-
Total deferred inflows of resources	51,569,132	4,528,989	56,098,121	57,648,340
NET POSITION				
Net investment in capital assets	520,426,088	585,794,760	1,106,220,848	70,668,763
Restricted for:				
Endowed care - nonexpendable	7,410,834	-	7,410,834	-
General government	115,000	-	115,000	-
Judicial administration	320,210	-	320,210	-
Public safety	1,661,704	-	1,661,704	-
Health and public assistance	577,117	-	577,117	-
Public works	11,469,549	-	11,469,549	-
Net pension asset	5,801,780	456,984	6,258,764	-
Opioid settlement	2,470,200	-	2,470,200	-
Water utility	-	27,215,203	27,215,203	-
Wastewater utility	-	4,757,258	4,757,258	-
Parking facilities	-	4,085,757	4,085,757	-
Storm water utility	-	1,115,086	1,115,086	-
Other programs	-	-	-	24,761,277
Unrestricted	73,402,057	145,331,909	218,733,966	(225,359,183)
Total net position (deficit)	623,654,539	768,756,957	1,392,411,496	(129,929,143)
Total liabilities, deferred inflows of resources and net position	\$ 2,267,205,384	\$ 1,457,642,093	\$ 3,724,847,477	\$ 356,425,958

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

Statement of Activities
For the Fiscal Year Ended June 30, 2024

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Units			
					Primary Government							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total					
Primary government:												
Governmental activities:												
General government	\$ 184,796,350	\$ 7,336,329	\$ 31,216,930	\$ 273,572	\$ (145,969,519)	\$ (26,250,105)	\$ (145,969,519)	\$ (26,250,105)				
Judicial administration	57,359,497	26,613,795	4,495,597	-	(144,208,950)	-	(144,208,950)	-				
Public safety	161,392,975	15,105,318	2,078,707	-	(19,256,635)	-	(19,256,635)	-				
Public works	89,245,393	25,782,485	44,206,273	-	(18,337,268)	-	(18,337,268)	-				
Health and public assistance	98,090,823	12,848,947	66,904,608	-	(56,118,846)	-	(56,118,846)	-				
Culture and recreation	67,086,852	10,619,689	348,317	-	(23,178,354)	-	(23,178,354)	-				
Community development	39,799,765	719,356	15,902,055	-	(154,787,859)	-	(154,787,859)	-				
Education	154,787,859	-	-	-	(30,190,185)	-	(30,190,185)	-				
Interest on long-term debt	30,190,185	-	-	-	-	-	-	-				
Total governmental activities	\$ 882,749,699	\$ 99,025,919	\$ 165,152,487	\$ 273,572	\$ (618,297,721)	\$ (618,297,721)	\$ (618,297,721)	\$ (618,297,721)				
Business-type activities:												
Water utility	\$ 77,836,386	\$ 114,141,778	\$ -	\$ 132,776	\$ 36,438,168	\$ 36,438,168	\$ 36,438,168	\$ 36,438,168				
Wastewater utility	22,840,448	37,592,566	-	299,867	15,051,985	15,051,985	15,051,985	15,051,985				
Parking facilities	23,610,378	18,647,022	-	-	(4,963,356)	(4,963,356)	(4,963,356)	(4,963,356)				
Storm Water utility	22,019,386	24,648,902	-	507,704	3,137,220	3,137,220	3,137,220	3,137,220				
Total business-type activities	\$ 146,306,598	\$ 195,030,268	-	\$ 940,347	\$ 49,664,017	\$ 49,664,017	\$ 49,664,017	\$ 49,664,017				
Total primary government	\$ 1,029,056,297	\$ 294,056,187	\$ 165,152,487	\$ 1,213,919	\$ (618,297,721)	\$ 49,664,017	\$ (568,633,704)	\$ (568,633,704)				
Component units:												
Norfolk Public Schools	\$ 457,479,875	\$ 956,916	\$ 337,056,431	\$ 7,807,677					\$ (111,658,851)			
Norfolk Economic Development Authority	6,439,736	363,981	2,885,766	-					(3,189,989)			
Total component units	\$ 463,919,611	\$ 1,320,897	\$ 339,942,197	\$ 7,807,677					\$ (114,848,840)			
General revenues:												
Taxes:												
General property taxes - real estate and personal property					392,895,405	-	392,895,405	-				
Consumption utility taxes					34,718,005	-	34,718,005	-				
Sales and use taxes					45,775,754	-	45,775,754	-				
Meals taxes					48,989,338	-	48,989,338	-				
Business license taxes					36,389,886	-	36,389,886	-				
Hotel/Motel taxes					16,347,210	-	16,347,210	-				
Cigarette taxes					5,722,166	-	5,722,166	-				
Admissions taxes					5,608,793	-	5,608,793	-				
Motor vehicle licenses					3,339,892	-	3,339,892	-				
Franchise, recordation and other miscellaneous local taxes					6,613,098	-	6,613,098	-				
Use of money and property					84,773	-	84,773	-	1,593,711			
Gain (loss) on investment					26,347,128	6,794,350	33,141,478	-				
Gain (loss) on disposal of capital assets					1,232,025	(309,315)	922,710	(97,356)				
Grants and contributions not restricted to specific programs					41,384,425	-	41,384,425	-				
Miscellaneous					8,428,288	-	8,428,288	-	3,063,905			
Intergovernmental revenue - Commonwealth of Virginia					-	338,324	338,324	37,761,310				
Payment from Primary Government					-	-	-	145,350,963				
Capital asset transfers					(6,555,141)	-	(6,555,141)	6,555,141				
Other capital asset transfers					30,055,334	-	30,055,334	-				
Transfers					4,458,189	(4,458,189)						
Total general revenues and transfers					701,834,568	2,365,170	704,199,738	194,227,674				
Changes in net position					83,536,847	52,029,187	135,566,034	79,378,834				
Net position (deficit) - beginning, as previously presented					540,117,692	716,727,770	1,256,845,462	(221,720,113)				
Error correction					-	-	-	12,412,136				
Net position (deficit) - beginning, as restated					540,117,692	716,727,770	1,256,845,462	(209,307,977)				
Net position (deficit) - ending					\$ 623,654,539	\$ 768,756,957	\$ 1,392,411,496	\$ (129,929,143)				

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

Exhibit A-1

Balance Sheet
Governmental Funds
June 30, 2024

	Major Funds			Nonmajor Governmental Funds		Total Governmental Funds	
	General Fund	Special Revenue Grants	Capital Projects				
ASSETS:							
Cash and short-term investments	\$ 468,831,442	\$ 36,968,948	\$ 33,044,839	\$ 18,774,574		\$ 557,619,803	
Receivables, net:							
Taxes	61,045,397	-	-	-		61,045,397	
Accounts	8,161,859	5,147,694	1,650,000	4,343,346		19,302,899	
Accrued investment income	-	-	40,698	-		40,698	
Due from other funds	4,223,960	-	173,386,189	-		177,610,149	
Due from other governments	27,761,587	12,514,007	-	1,705,229		41,980,823	
Due from Component units	6,462,467	540,221	13,258,077	183,516		20,444,281	
Leases receivable	12,161,425	-	-	-		12,161,425	
Restricted cash	-	-	-	418,200		418,200	
Total assets	\$ 588,648,137	\$ 55,170,870	\$ 221,379,803	\$ 25,424,865		\$ 890,623,675	
LIABILITIES:							
Vouchers payable	\$ 21,621,631	\$ 6,511,939	\$ 13,028,366	\$ 1,459,846		\$ 42,621,782	
Employee withholdings	1,399,824	-	-	-		1,399,824	
Contract retainage	3,500	13,665	542,173	110,675		670,013	
Accrued payroll	6,751,526	190,214	-	292,706		7,234,446	
Line of credit	-	-	55,000,000	-		55,000,000	
Due to other funds	165,886,189	-	-	841,240		166,727,429	
Due to other governments	-	540,221	-	183,516		723,737	
Due to component unit	-	-	3,581,341	-		3,581,341	
Unearned revenue	-	18,839,944	-	3,772,214		22,612,158	
Other liabilities	11,367,886	581,338	6,132,160	26,296		18,107,680	
Total liabilities	207,030,556	26,677,321	78,284,040	6,686,493		318,678,410	
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue-property tax	45,075,351	-	-	-		45,075,351	
Unavailable revenue-Opioid	-	5,551,567	-	-		5,551,567	
Deferred lease revenue	12,161,425	-	-	-		12,161,425	
Total deferred inflows of resources	57,236,776	5,551,567	-	-		62,788,343	
FUND BALANCES:							
Restricted	115,000	14,028,580	-	7,410,834		21,554,414	
Committed	25,111,316	6,904,064	143,095,763	11,118,389		186,229,532	
Assigned	197,196,371	2,009,338	-	209,149		199,414,858	
Unassigned	101,958,118	-	-	-		101,958,118	
Total fund balances (deficit)	324,380,805	22,941,982	143,095,763	18,738,372		509,156,922	
Total liabilities, deferred inflows of resources and fund balances	\$ 588,648,137	\$ 55,170,870	\$ 221,379,803	\$ 25,424,865		\$ 890,623,675	

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

BASIC FINANCIAL STATEMENTS

Exhibit A-2

Reconciliation of Government Funds Balance Sheet to Governmental Activities Statement of Net Position June 30, 2024

Fund balances - total governmental funds		\$ 509,156,922
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	2,955,957,633	
Accumulated depreciation	<u>(1,645,662,581)</u>	
		1,310,295,052
Recognition of deferred inflows as revenue in government wide statements		50,626,918
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	(14,134,245)	
Deferred outflows related to pensions	105,158,175	
Deferred inflows related to OPEB	(24,558,391)	
Deferred outflows related to OPEB	25,963,614	
Net pension asset	5,765,239	
Loss on defeasance	33,811,224	
Gain on defeasance	<u>(32,430)</u>	
		131,973,186
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	(23,749,021)	
Subscription-based information technology arrangements liability	(17,139,410)	
Bonds payable - including premium	(932,323,956)	
Net pension liability	(253,167,340)	
OPEB	(106,062,960)	
Compensated absences	(25,347,223)	
Workers' compensation unpaid claims	(38,114,441)	
Other	(3,270,057)	
Accrued interest payable	<u>(8,909,169)</u>	
		(1,408,083,577)
Internal service funds		29,134,809
Receivable for Build America Bonds - interest rate subsidy		<u>551,229</u>
Net position of governmental activities		<u>\$ 623,654,539</u>

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

Annual Comprehensive Financial Report, 2024 • City of Norfolk, Virginia

Exhibit A-3

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue Grants	Capital Projects	Debt Service		
REVENUES:						
General property taxes	\$ 396,872,615	\$ -	\$ -	\$ -	\$ 8,536,000	\$ 405,408,615
Other local taxes	194,324,918	-	-	-	9,179,224	203,504,142
Permits and licenses	3,439,696	-	-	-	-	3,439,696
Fines and forfeitures	1,090,260	10,000	-	-	-	1,100,260
Use of money and property	26,411,824	6,545,820	3,290,722	-	331,108	36,579,474
Charges for services	23,792,466	102,949	-	-	25,234,684	49,130,099
Miscellaneous	8,490,509	3,513,214	616,194	-	66,731	12,686,648
Intergovernmental	157,024,302	72,722,724	-	-	7,419,792	237,166,818
Total revenues	<u>811,446,590</u>	<u>82,894,707</u>	<u>3,906,916</u>	<u>-</u>	<u>50,767,539</u>	<u>949,015,752</u>
EXPENDITURES:						
Current operating:						
General government	183,078,323	-	-	-	387,878	183,466,201
Judicial administration	55,593,276	2,832,933	-	-	-	58,426,209
Public safety	118,725,161	32,158,698	-	-	-	150,883,859
Public works	4,219,692	13,156,992	-	-	24,010,774	41,387,458
Health and public assistance	72,935,356	20,917,532	-	-	1,606,190	95,459,078
Culture and recreation	49,562,956	632,458	-	-	2,266,605	52,462,019
Community development	18,055,176	7,171,533	-	-	5,645,507	30,872,216
Education	144,333,959	-	-	-	-	144,333,959
Debt service:						
Principal	7,830,337	-	-	73,649,422	-	81,479,759
Interest and other charges	1,280,120	-	-	30,634,647	-	31,914,767
Debt issuance costs	651,243	-	-	-	-	651,243
Capital outlay	<u>38,111,339</u>	<u>-</u>	<u>111,098,001</u>	<u>-</u>	<u>-</u>	<u>149,209,340</u>
Total expenditures	<u>694,376,938</u>	<u>76,870,146</u>	<u>111,098,001</u>	<u>104,284,069</u>	<u>33,916,954</u>	<u>1,020,546,108</u>
Excess (deficiency) of revenues over expenditures	<u>117,069,652</u>	<u>6,024,561</u>	<u>(107,191,085)</u>	<u>(104,284,069)</u>	<u>16,850,585</u>	<u>(71,530,356)</u>
OTHER FINANCING SOURCES (USES):						
Issuance of leases / subscription-based information technology arrangements	15,002,067	-	-	-	-	15,002,067
Gain (loss) on disposal of capital assets	1,226,709	-	-	-	-	1,226,709
Transfers in	22,140,968	1,181,221	163,229,079	104,284,069	739,332	291,574,669
Transfers out	<u>(267,778,484)</u>	<u>(369,884)</u>	<u>(1,713,220)</u>	<u>-</u>	<u>(17,127,121)</u>	<u>(286,988,709)</u>
Total other financing sources (uses)	<u>(229,408,740)</u>	<u>811,337</u>	<u>161,515,859</u>	<u>104,284,069</u>	<u>(16,387,789)</u>	<u>20,814,736</u>
Net changes in fund balances	<u>(112,339,088)</u>	<u>6,835,898</u>	<u>54,324,774</u>	<u>-</u>	<u>462,796</u>	<u>(50,715,620)</u>
NET POSITION:						
Net position - beginning	436,719,893	16,106,084	88,770,989	-	18,275,576	559,872,542
Net position - ending	<u>\$ 324,380,805</u>	<u>\$ 22,941,982</u>	<u>\$ 143,095,763</u>	<u>\$ -</u>	<u>\$ 18,738,372</u>	<u>\$ 509,156,922</u>

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

BASIC FINANCIAL STATEMENTS

Exhibit A-4

Reconciliation of Government Funds Statement of Revenues, Expenditures and Changes in Fund Balance to Governmental Activities Statement of Activities For the Fiscal Year Ended June 30, 2024

Net change in fund balances-total governmental funds		\$ (50,715,620)
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	207,450,338	
Subtract disposals	(45,394,172)	
Subtract depreciation expense	<u>(63,801,141)</u>	
		98,255,024
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.		(10,400,460)
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.		
Add debt repayment	73,649,422	
Loss on defeasance of debt	(3,009,523)	
Gain on defeasance of debt	26,627	
Amortization of premiums, gains and losses	<u>6,096,082</u>	
		76,762,608
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	3,723,599	
Subscription-based information technology arrangements liability	<u>(10,882,417)</u>	
		(7,158,818)
Change in non-capital long-term liabilities (Note VIII):		
Compensated absences	(1,391,309)	
Total OPEB liability, net of changes in deferred inflows and outflows	(5,370,184)	
Workers' compensation unpaid claims	(962,904)	
Landfill closure	(100,790)	
Net pension liability, net of changes in deferred inflows and outflows	(19,400,081)	
Accrued interest payable	<u>(86,023)</u>	
		(27,311,291)
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		4,145,010
Adjustment for Build America Bonds - interest rate subsidy		<u>(39,606)</u>
Change in net position of governmental activities		<u>\$ 83,536,847</u>

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

Exhibit B-1

Statement of Fund Net Position
Proprietary Funds
June 30, 2024

	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	\$ 91,675,174	\$ 14,603,123	\$ 27,449,286	\$ 30,676,155	\$ 164,403,738	\$ 45,518,463	
Receivables, net							
Accounts	12,702,972	4,417,717	848,262	2,982,663	20,951,614	18,340,775	
Unbilled accounts	6,621,189	2,019,951	177,069	1,078,078	9,896,287	-	
Accrued investment income	555,558	57,296	-	-	612,854	-	
Leases	-	-	329,632	-	329,632	-	
Due from other funds	-	-	-	5,000,000	5,000,000	-	
Due from other governments	-	-	-	90,507	90,507	-	
Inventories	4,740,586	14,705	-	475	4,755,766	-	
Prepaid expenses	93,178	-	-	-	93,178	-	
Restricted cash and investments	27,215,203	4,816,232	10,398,964	3,023,401	45,453,800	-	
Total current assets	<u>143,603,860</u>	<u>25,929,024</u>	<u>39,203,213</u>	<u>42,851,279</u>	<u>251,587,376</u>	<u>63,859,238</u>	
Noncurrent assets:							
Net pension asset	232,287	58,974	51,933	113,790	456,984	36,542	
Leases receivable, noncurrent	-	-	256,442	-	256,442	-	
Capital assets:							
Non-depreciable capital assets	96,625,719	48,534,455	34,839,374	14,883,311	194,882,859	415,000	
Depreciable capital assets	869,228,982	419,632,289	214,047,885	93,542,629	1,596,451,785	12,732,639	
Accumulated depreciation	(335,517,518)	(135,736,057)	(112,054,714)	(33,026,955)	(616,335,244)	(10,042,810)	
Amortizable right to use assets	2,159,736	-	28,811	-	2,188,547	-	
Accumulated amortization	(618,838)	-	(5,762)	-	(624,600)	-	
Capital assets, net	631,878,081	332,430,687	136,855,594	75,398,985	1,176,563,347	3,104,829	
Total noncurrent assets	632,110,368	332,489,661	137,163,969	75,512,775	1,177,276,773	3,141,371	
Total assets	<u>775,714,228</u>	<u>358,418,685</u>	<u>176,367,182</u>	<u>118,364,054</u>	<u>1,428,864,149</u>	<u>67,000,609</u>	
DEFERRED OUTFLOWS OF RESOURCES:							
Related to pensions	6,663,818	1,650,285	1,091,093	2,469,951	11,875,147	1,107,998	
Related to OPEB	1,431,208	382,887	231,751	482,002	2,527,848	243,216	
Loss on defeasance of bonds	8,079,298	2,869,238	15,285,885	1,017,372	27,251,793	-	
Total deferred outflows of resources	<u>16,174,324</u>	<u>4,902,410</u>	<u>16,608,729</u>	<u>3,969,325</u>	<u>41,654,788</u>	<u>1,351,214</u>	
Total assets and deferred outflows of resources	<u>\$ 791,888,552</u>	<u>\$ 363,321,095</u>	<u>\$ 192,975,911</u>	<u>\$ 122,333,379</u>	<u>\$ 1,470,518,937</u>	<u>\$ 68,351,823</u>	
LIABILITIES:							
Current liabilities:							
Vouchers payable	\$ 9,227,444	\$ 3,170,610	\$ 609,375	\$ 2,384,678	\$ 15,392,107	\$ 19,150,435	
Contract retainage	1,852,985	1,237,222	86,808	484,868	3,661,883	-	
Accrued interest	2,149,235	672,028	887,255	295,130	4,003,648	-	
Accrued payroll	634,440	182,516	127,172	217,292	1,161,420	131,507	
Due to other funds	376,844	-	12,500,000	-	12,876,844	3,005,876	
Unearned Revenue	-	-	684,231	-	684,231	7,835,875	
Current portion of bonds payable	17,880,000	14,301,826	5,906,215	3,442,722	41,530,763	-	
Current compensated absences	307,736	68,054	117,932	248,868	742,590	177,294	
Current OPEB liability	103,452	28,712	15,997	36,226	184,387	17,126	
Other current liabilities	3,287,019	117,993	774,050	316	4,179,378	4,830,400	
Total current liabilities	<u>35,819,155</u>	<u>19,778,961</u>	<u>21,709,035</u>	<u>7,110,100</u>	<u>84,417,251</u>	<u>35,148,513</u>	
Noncurrent liabilities:							
General obligation bonds payable	-	60,622,281	126,119,873	44,806,192	231,548,346	-	
Revenue bonds payable	266,802,005	73,222,919	-	209,813	340,234,737	-	
Net pension liability	17,168,247	4,464,324	2,742,546	5,774,329	30,149,446	2,527,215	
Net OPEB liability	4,657,269	1,209,224	744,495	1,565,000	8,175,988	683,658	
Compensated absences	1,007,809	207,845	78,621	160,434	1,454,709	174,987	
Lease liabilities	1,234,901	-	17,613	-	1,252,514	-	
Total noncurrent liabilities	<u>290,870,231</u>	<u>139,726,593</u>	<u>129,703,148</u>	<u>52,515,768</u>	<u>612,815,740</u>	<u>3,385,860</u>	
Total liabilities	<u>326,689,386</u>	<u>159,505,554</u>	<u>151,412,183</u>	<u>59,625,868</u>	<u>697,232,991</u>	<u>38,534,373</u>	
DEFERRED INFLOWS OF RESOURCES:							
Related to Pensions	785,236	208,396	124,184	325,906	1,443,722	399,740	
Related to OPEB	1,057,366	348,766	178,663	349,170	1,933,965	282,901	
Related to leases	-	-	584,120	-	584,120	-	
Gain on defeasance of bonds	-	2,217	437,422	127,543	567,182	-	
Total deferred inflows of resources	<u>1,842,602</u>	<u>559,379</u>	<u>1,324,389</u>	<u>802,619</u>	<u>4,528,989</u>	<u>682,641</u>	
Total liabilities and deferred inflows of resources	<u>328,531,988</u>	<u>160,064,933</u>	<u>152,736,572</u>	<u>60,428,487</u>	<u>701,761,980</u>	<u>39,217,014</u>	

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

BASIC FINANCIAL STATEMENTS

Exhibit B-1

Statement of Fund Net Position Proprietary Funds June 30, 2024

	Business-Type Activities				Governmental Activities	
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Internal Service Funds
NET POSITION:						Continued
Net investment in capital assets	344,707,972	187,514,851	19,567,896	34,004,041	585,794,760	3,104,829
Restricted for:						
Net pension asset	232,287	58,974	51,933	113,790	456,984	36,542
Water Utility fund operations	27,215,203	-	-	-	27,215,203	-
Wastewater Utility fund operations	-	4,757,258	-	-	4,757,258	-
Parking Facilities fund operations	-	-	4,085,757	-	4,085,757	-
Storm Water Utility fund operations	-	-	-	1,115,086	1,115,086	-
Unrestricted	91,201,102	10,925,079	16,533,753	26,671,975	145,331,909	25,993,438
Total net position	463,356,564	203,256,162	40,239,339	61,904,892	768,756,957	29,134,809
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 791,888,552</u>	<u>\$ 363,321,095</u>	<u>\$ 192,975,911</u>	<u>\$ 122,333,379</u>	<u>\$ 1,470,518,937</u>	<u>\$ 68,351,823</u>

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

Annual Comprehensive Financial Report, 2024 • City of Norfolk, Virginia

Exhibit B-2

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2024**

	Business-Type Activities				Governmental Activities	
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 112,206,910	\$ 37,356,183	\$ 18,540,570	\$ 24,582,696	\$ 192,686,359	\$ 103,412,162
Miscellaneous	1,934,868	236,383	106,452	66,206	2,343,909	1,332,802
Total operating revenues	<u>114,141,778</u>	<u>37,592,566</u>	<u>18,647,022</u>	<u>24,648,902</u>	<u>195,030,268</u>	<u>104,744,964</u>
OPERATING EXPENSES:						
Personal services	19,229,196	5,681,819	4,065,442	7,187,588	36,164,045	4,286,694
Healthcare costs	-	-	-	-	-	84,464,663
Cost of goods sold	-	-	-	19,079	19,079	6,143,740
Plant operations	9,523,546	2,636,880	1,285,888	2,181,210	15,627,524	4,711,655
Chemicals	6,848,044	125	5,234	15	6,853,418	-
Depreciation and amortization	16,423,209	8,054,492	6,068,848	1,600,474	32,147,023	396,408
Pension and OPEB expense	4,923,328	1,237,430	685,977	1,582,192	8,428,927	504,429
Administrative expenses	2,244,865	716,843	-	491,810	3,453,518	-
Other	8,968,716	2,500,137	7,370,251	7,341,653	26,180,757	262,257
Total operating expenses	<u>68,160,904</u>	<u>20,827,726</u>	<u>19,481,640</u>	<u>20,404,021</u>	<u>128,874,291</u>	<u>100,769,846</u>
Operating income (loss), net	<u>45,980,874</u>	<u>16,764,840</u>	<u>(834,618)</u>	<u>4,244,881</u>	<u>66,155,977</u>	<u>3,975,118</u>
NONOPERATING REVENUES (EXPENSES):						
Interest income	5,087,076	870,760	544,750	282,184	6,784,770	-
Intergovernmental revenue	-	286,245	-	52,079	338,324	-
Interest expense and fiscal charges	(9,675,482)	(2,012,722)	(4,128,738)	(1,615,365)	(17,432,307)	-
Gain (loss) on disposal of capital assets	(83,485)	43,530	(276,825)	7,465	(309,315)	(15,514)
Gain (loss) on investments	-	-	-	9,580	9,580	-
Total nonoperating revenues (expenses)	<u>(4,671,891)</u>	<u>(812,187)</u>	<u>(3,860,813)</u>	<u>(1,264,057)</u>	<u>(10,608,948)</u>	<u>(15,514)</u>
Net income (loss) before contributions and transfers	<u>41,308,983</u>	<u>15,952,653</u>	<u>(4,695,431)</u>	<u>2,980,824</u>	<u>55,547,029</u>	<u>3,959,604</u>
Capital contribution	-	-	-	-	-	313,177
Capital contribution - Grants	132,776	299,867	-	507,704	940,347	-
Transfer in	-	-	1,250,000	5,495,552	6,745,552	-
Transfers out	(9,185,456)	(1,678,242)	(109,498)	(230,545)	(11,203,741)	(127,771)
Changes in net position	32,256,303	14,574,278	(3,554,929)	8,753,535	52,029,187	4,145,010
Net position - beginning	431,100,261	188,681,884	43,794,268	53,151,357	716,727,770	24,989,799
Net position - ending	<u>\$463,356,564</u>	<u>\$203,256,162</u>	<u>\$40,239,339</u>	<u>\$61,904,892</u>	<u>\$768,756,957</u>	<u>\$29,134,809</u>

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024

	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	\$ 110,274,091	\$ 38,339,681	\$ 19,175,374	\$ 24,525,679	\$ 192,314,825	\$ 90,616,555	
Payments to suppliers	(15,901,775)	(2,310,360)	(2,616,171)	(8,079,597)	(28,907,903)	(4,693,271)	
Payments to employees	(21,375,258)	(6,322,515)	(3,833,615)	(8,115,358)	(39,646,746)	(92,947,231)	
Other payments	(8,998,525)	(3,091,157)	(7,791,794)	(630,882)	(20,512,358)	1,417,120	
Net cash and short-term investments provided by (used in) operating activities	63,998,533	26,615,649	4,933,794	7,699,842	103,247,818	(5,606,827)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Internal activity	2,140,081	-	1,140,502	(4,874,329)	(1,593,746)	(127,771)	
Intergovernmental revenues		586,112		507,704	1,093,816		
Operating subsidies and transfers to other funds	(9,185,456)	(1,678,816)	(1,250,000)	139,339	(11,974,933)		
Net cash provided by (used in) noncapital financing activities	(7,045,375)	(1,092,704)	(109,498)	(4,227,286)	(12,474,863)	(127,771)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from issuance of debt	51,515,000	3,738,140	-	-	55,253,140	-	
Capital contributions	132,775	-	-	5,000,000	5,132,775		
Purchases / leases of capital assets	(24,225,655)	(16,438,848)	(5,388,788)	(9,408,767)	(55,462,058)		
Lease liability payments made	(361,382)	-	(5,546)	-	(366,928)		
Proceeds from sale of capital assets	(83,485)	43,529	(276,825)	9,076	(307,705)		
Principal paid on capital debt	(19,195,000)	(14,442,120)	(2,277,946)	(3,717,385)	(39,632,451)		
Interest paid on capital debt	(8,642,374)	(2,328,561)	(3,204,316)	(1,698,997)	(15,874,248)		
Net cash provided by (used in) capital and related financing activities	(860,121)	(29,427,860)	(11,153,421)	(9,816,073)	(51,257,475)		
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments	31,334,484	3,190,654	-	-	34,525,138	-	
Purchase of investments	(32,432,527)	-	(544,750)	(78,087)	(33,055,364)		
Lease receivable payments received	-	-	365,300	-	365,300		
Interest and dividends	5,609,570	873,786	544,750	282,189	7,310,295		
Net cash provided by (used in) investing activities	4,511,527	4,064,440	365,300	204,102	9,145,369		
Net increase (decrease) in cash and short-term investments	60,604,564	159,525	(5,963,825)	(6,139,415)	48,660,849	(5,734,598)	
Cash and short-term investments - beginning of the year	31,070,610	14,443,598	33,413,111	36,815,570	115,742,889	51,253,061	
Cash and short-term investments - end of the year	\$ 91,675,174	\$ 14,603,123	\$ 27,449,286	\$ 30,676,155	\$ 164,403,738	\$ 45,518,463	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:							
Operating income (loss)	\$ 45,980,874	\$ 16,764,840	\$ (834,618)	\$ 4,244,881	\$ 66,155,977	\$ 3,975,118	
Adjustments to reconcile operating income (loss) to net cash and short-term investments provided by (used in) operating activities:							
Depreciation expense and amortization	16,423,209	8,054,492	6,068,848	1,600,474	32,147,023	396,408	
Effect of changes in assets, deferred outflows and liabilities, deferred inflows:							
Receivables, net	(3,867,687)	747,115	771,817	(123,223)	(2,471,978)	(14,103,362)	
Inventories	233,563	8,215	-	-	241,778		
Vouchers payable	276,550	668,574	(1,325,048)	1,323,288	943,364	1,932,627	
Lease receivables	-	-	-	-	-	2,119,577	
Accrued payroll	114,890	(17,002)	19,468	(14,724)	102,632	18,926	
Net pension liability	2,131,197	499,127	140,115	(1,107,217)	1,663,222	78,926	
OPEB liability	531,176	114,606	72,245	(25,619)	692,408	-	
Other liabilities	2,174,761	(224,318)	20,967	1,801,982	3,773,392	(25,047)	
Net cash and short-term investments provided by (used in) operating activities	\$ 63,998,533	\$ 26,615,649	\$ 4,933,794	\$ 7,699,842	\$ 103,247,818	\$ (5,606,827)	
Noncash investing, capital and financing activities:							
Unrealized gain / (loss) on investments	\$ (926,988)	\$ (40,440)	\$ -	\$ -	\$ (967,428)	\$ -	
Gain/ (Loss) on sale or disposal of capital assets	\$ (83,485)	\$ 74,215	\$ -	\$ (1,611)	\$ (10,881)	\$ -	
Capital contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 313,177	
Acquisition of capital assets through change in contract retainage	\$ 22,911	\$ 397,999	\$ 74,548	\$ 430,764	\$ 926,222	\$ -	
Acquisition of capital assets through vouchers payable	\$ 4,374,410	\$ 460,286	\$ -	\$ 500,909	\$ 5,335,605	\$ -	
Capitalized interest, less interest earned on certain long-term construction contracts	\$ 16,541	\$ (13,564)	\$ -	\$ -	\$ 2,977	\$ -	
Deferred inflow of resources	\$ 637,588	\$ 75,659	\$ 124,184	\$ (168,608)	\$ 668,823	\$ -	

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

Exhibit C-1

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	Trust Funds	Custodial Funds
ASSETS:		
Cash and short-term investments	\$ 11,973,503	\$ 14,575,974
Investments, fair value:		
Fixed income securities	37,287,473	-
Equity securities	28,297,623	-
Balanced commingled funds:		
Equity	843,573,000	-
Fixed income	302,294,000	-
Real estate	102,502,000	-
Hedge Funds	63,668,000	-
Total investments	<u>1,377,622,096</u>	<u>-</u>
Receivables:		
Accrued investment income	805,158	-
Other	-	110,456
Total assets	<u><u>\$ 1,390,400,757</u></u>	<u><u>\$ 14,686,430</u></u>
LIABILITIES:		
Vouchers payable	\$ 3,994,000	\$ 244,289
Other liabilities	-	219,169
Total liabilities	<u>3,994,000</u>	<u>463,458</u>
NET POSITION:		
Restricted for pension	1,386,406,757	-
Restricted for individuals, organizations and others	-	14,222,972
Total net position	<u>1,386,406,757</u>	<u>14,222,972</u>
Total liabilities and net position	<u><u>\$ 1,390,400,757</u></u>	<u><u>\$ 14,686,430</u></u>

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

BASIC FINANCIAL STATEMENTS

Exhibit C-2

Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Fiscal Year Ended June 30, 2024

	Trust Funds	Custodial Funds
CHANGES TO NET POSITION ATTRIBUTED TO:		
Additions:		
Investment income:		
Net appreciation in fair value of investments	\$ 117,152,095	\$ -
Interest	787,201	-
Dividends	7,241,812	-
Other	5,492,269	-
Less investment expense	(2,043,392)	-
Net investment income	<u>128,629,985</u>	<u>-</u>
Employer contributions	42,319,000	-
Employee contributions	8,036,000	-
Purchase of service	551,000	-
Custodial fund additions	-	43,342,194
Total additions	<u>179,535,985</u>	<u>43,342,194</u>
Deductions:		
Benefit payments and expenses:		
Refunds of contributions	935,000	-
Benefits paid to plan members and beneficiaries	101,407,000	-
Administrative costs	958,355	-
Contributions to retirement system	8,716,323	-
Custodial fund deductions	-	41,309,783
Total deductions	<u>112,016,678</u>	<u>41,309,783</u>
Net increase in net position	<u>67,519,307</u>	<u>2,032,411</u>
NET POSITION:		
Net position - beginning	1,318,887,450	12,190,561
Net Position - ending	<u>\$1,386,406,757</u>	<u>\$ 14,222,972</u>

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

Annual Comprehensive Financial Report, 2024 • City of Norfolk, Virginia

Exhibit D-1

**Statement of Net Position
Component Units
June 30, 2024**

	Norfolk Public Schools	Norfolk Economic Development Authority	Total
ASSETS:			
Cash and cash equivalents	\$ 100,864,455	\$ 6,628,677	\$ 107,493,132
Accounts receivable, net of allowance for uncollectible accounts	347,779	218,027	565,806
Leases receivable	-	1,079,380	1,079,380
Loan receivable	-	863,485	863,485
Due from other governments	61,409,324	1,600,468	63,009,792
Inventories	2,009,663	-	2,009,663
Property held for sale	-	1,812,152	1,812,152
Prepaid expenses	-	53,600	53,600
Restricted cash	-	773,986	773,986
Non-depreciable capital assets	40,580,211	7,676,435	48,256,646
Depreciable capital assets, net	37,907,665	8,781,565	46,689,230
Amortizable right to use assets, net	2,056,236	-	2,056,236
Total assets	245,175,333	29,487,775	274,663,108
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	64,334,584	-	64,334,584
Deferred outflows related to OPEB	17,428,266	-	17,428,266
Total deferred outflows	81,762,850	-	81,762,850
Total assets and deferred outflows of resources	\$ 326,938,183	\$ 29,487,775	\$ 356,425,958
LIABILITIES:			
Vouchers payable	\$ 27,239,492	\$ 2,111,919	\$ 29,351,411
Contract retainage	869,560	-	869,560
Accrued payroll	31,053,866	-	31,053,866
Unearned revenues	12,933,230	41,165	12,974,395
Due to primary government	2,881,127	13,441,593	16,322,720
Revolving loan program due to city	-	540,221	540,221
Due to other governments	11,847,241	-	11,847,241
Revolving loan program defederalized	-	602,724	602,724
Current portion of long-term liabilities	9,306,000	-	9,306,000
Net pension liability	208,002,114	-	208,002,114
Other post-employment benefits liability	100,755,008	-	100,755,008
Other long-term liabilities	7,081,501	-	7,081,501
Total liabilities	411,969,139	16,737,622	428,706,761
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to leases	-	1,079,380	1,079,380
Deferred inflows related to pensions	38,799,661	-	38,799,661
Deferred inflows related to OPEB	17,769,299	-	17,769,299
Total deferred inflows	56,568,960	1,079,380	57,648,340
Total liabilities and deferred inflows of resources	468,538,099	17,817,002	486,355,101
NET POSITION:			
Net investment in capital assets	67,088,840	3,579,923	70,668,763
Restricted for:			
Child nutrition	7,308,006	-	7,308,006
Other programs	16,679,285	-	16,679,285
Economic Development Authority	-	773,986	773,986
Unrestricted	(232,676,047)	7,316,864	(225,359,183)
Total net position (deficit)	(141,599,916)	11,670,773	(129,929,143)
Total liabilities, deferred inflows of resources and fund balances	\$ 326,938,183	\$ 29,487,775	\$ 356,425,958

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

BASIC FINANCIAL STATEMENTS

Exhibit D-2

Statement of Activities Component Units For the Fiscal Year Ended June 30, 2024

	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	\$ 319,714,010	\$ 945,151	\$ 313,749,324	\$ -	\$ (5,019,535)	\$ -	\$ (5,019,535)
Administration, attendance and health	22,936,970	-	-	-	(22,936,970)	-	(22,936,970)
Pupil transportation	18,294,588	-	-	-	(18,294,588)	-	(18,294,588)
Operation and maintenance	43,384,794	-	-	-	(43,384,794)	-	(43,384,794)
Information technology	18,903,430	-	-	-	(18,903,430)	-	(18,903,430)
School facilities	11,661,520	-	-	14,362,818	2,701,298	-	2,701,298
Food services	22,523,813	11,765	23,307,107	-	795,059	-	795,059
Interest on long-term debt	60,750	-	-	-	(60,750)	-	(60,750)
Total Norfolk Public Schools	<u>457,479,875</u>	<u>956,916</u>	<u>337,056,431</u>	<u>14,362,818</u>	<u>(105,103,710)</u>	<u>-</u>	<u>(105,103,710)</u>
Norfolk Economic Development Authority:							
Economic development	6,439,736	363,981	2,885,766	-	-	(3,189,989)	(3,189,989)
Total Norfolk Economic Development Authority	<u>6,439,736</u>	<u>363,981</u>	<u>2,885,766</u>	<u>-</u>	<u>-</u>	<u>(3,189,989)</u>	<u>(3,189,989)</u>
Total Component Units	<u><u>\$ 463,919,611</u></u>	<u><u>\$ 1,320,897</u></u>	<u><u>\$ 339,942,197</u></u>	<u><u>\$ 14,362,818</u></u>	<u><u>\$ (105,103,710)</u></u>	<u><u>\$ (3,189,989)</u></u>	<u><u>\$ (108,293,699)</u></u>
General revenues:							
Use of money and property					760,705	833,006	1,593,711
Payment from Primary Government					144,333,959	1,017,004	145,350,963
Miscellaneous					2,963,265	100,640	3,063,905
Intergovernmental revenue - Commonwealth of Virginia					37,761,310	-	37,761,310
Gain (loss) on disposal of capital assets					(97,356)	-	(97,356)
Total general revenues					<u>185,721,883</u>	<u>1,950,650</u>	<u>187,672,533</u>
Changes in net position					<u>80,618,173</u>	<u>(1,239,339)</u>	<u>79,378,834</u>
Net position (deficit) - beginning, as previously presented					<u>(234,630,225)</u>	<u>12,910,112</u>	<u>(221,720,113)</u>
Error correction					<u>12,412,136</u>	<u>-</u>	<u>12,412,136</u>
Net position (deficit) - beginning, as restated					<u>(222,218,089)</u>	<u>12,910,112</u>	<u>(209,307,977)</u>
Net position (deficit) - ending					<u><u>\$ (141,599,916)</u></u>	<u><u>\$ 11,670,773</u></u>	<u><u>\$ (129,929,143)</u></u>

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

Annual Comprehensive Financial Report, 2024 • City of Norfolk, Virginia



Notes to the Basic Financial Statements



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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 238,000 residents, as authorized by its charter or code: public safety, highway and street maintenance, solid waste management, cultural and parking facilities, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public libraries, general administration, environmental storm water management, water production and quality and wastewater treatment.

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 the 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 employees of the City of Norfolk, excluding City employees, 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 three Pre-Schools, one Pre-K – elementary school, twenty-six elementary schools, five K – 8 school, six 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 Office
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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

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, public amenities, cemetery operations, golf operations, 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 of the City of Norfolk (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 United States generally accepted accounting principles (U.S. 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 reimbursable federal, state, and other grants for the purpose of funding specific expenditures, is recognized at the time expenditures occur. Revenue from general purpose grants is recognized when earned throughout the life of the grant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

- 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 *Reconciliation of the Balance Sheet of Governmental Funds to the 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 *Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the 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 and 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,

NOTES TO THE BASIC FINANCIAL STATEMENTS

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 a 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, 2024, were rated by S&P Global Ratings 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.

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 unavailable, assets are recorded at estimated historical cost. Gifts or donated capital assets are recorded at their acquisition value on the date received. 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 (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 because 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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. The cost is determined by acquisition price if purchased, or by the estimated acquisition value at the date of contribution, if contributed. Subsequent land improvements are capitalized and added to the carrying value of 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. For members of the Virginia Retirement System (VRS), the unused sick leave is forfeited at termination.

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.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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 Political Subdivision Retirement Plan, the VRS Norfolk Public Schools Teacher Retirement Plan, the VRS Norfolk Public Schools Political Subdivision Retirement Plan and the Employees’ Retirement System of the City of Norfolk 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 affected 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 total 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 total OPEB liability and other OPEB amounts to participating funds is based on employer contributions.

R Intangible Right-To-Use Asset Liability

The City has recorded intangible right-to-use assets (lease assets) as a result of implementing GASB 87. These lease assets are initially measured at an amount equal to the initial measurement 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. Lease assets are recognized for leases with a total value equal to or exceeding \$100,000. The lease assets are amortized on a straight-line basis over the shorter of lease term or useful life of the underlying asset.

S Lease Receivable

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.

T Right To Use Subscription Assets

The City has recorded right to use subscription assets in response to the implementation of GASB 96, Subscription-Based Information Technology Arrangements (SBITAs). The subscription asset is measured as the sum of the initial subscription liability amount, payments made to the vendor at the commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the vendor at or before the commencement of the subscription term. SBITAs are recognized for arrangements with a total value equal to or exceeding \$125,000. The amortization of the subscription asset is recognized as an outflow of resources over the term of the subscription on a straight-line basis.

U Right to Use Subscription Liabilities

The City's right to use subscription liability is measured at the present value of the subscription payments expected to be made during the subscription term.

V Conduit Debt Obligations

The Economic Development Authority (the Authority) is authorized to issue revenue bonds for the purpose of acquiring and constructing facilities. Liability under the bonds is assumed by the enterprises for which facilities are constructed. The revenue bonds are not deemed to constitute a debt or pledge of faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the City. The bonds are payable solely from revenues generated from the sale or lease of the facilities constructed or acquired. Although the Authority provides a conduit to execute such transactions, it retains neither the benefits of asset ownership, nor the liability for bond liquidation. Accordingly, the Authority does not recognize in its financial statements associated assets, liabilities, rental income or interest expense associated with the bond issuances. The Authority has issued eight bonds that remain outstanding as of June 30, 2024, with a total balance of \$396,397,169 maturing through fiscal year 2036. All of these bonds are tax-exempt and are issued for the benefit of nonprofit organizations, manufacturing companies or enterprise-zone businesses (as defined in Sections 1397(c) and 1394(b)(3) of the Internal Revenue Code of 1986, as amended). There are no commitments that need to be disclosed.

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 and Principal Custody Solutions as custodians. 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, 2024.

Primary Government and Fiduciary Funds

Investment Type	Total Investments	Investment Maturities						N/A
		Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +		
Corporate Bonds	\$ 38,884,362	\$ 4,400,679	\$ 34,483,683	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Securities	138,359,014	14,702,680	115,242,872	-	-	-	-	8,413,462
Equity Funds	843,573,766	-	-	-	-	-	-	843,573,766
Municipal Bonds	2,006,497	555,486	1,451,011	-	-	-	-	-
Commercial Paper	10,482,984	9,238,938	1,244,046	-	-	-	-	-
Certificates of Deposit	10,503,858	9,312,444	1,191,414	-	-	-	-	-
Equity Securities	6,428,781	1,839,160	-	-	-	-	-	4,589,621
Fixed Income Funds	302,293,829	-	59,610,843	38,513,581	36,826,085	141,840,377	25,502,943	
Real Estate Funds	102,502,026	-	-	-	-	-	-	102,502,026
Money Market Fund	23,951,972	23,707,623	244,349	-	-	-	-	-
Hedge Funds	63,667,803	-	-	-	-	-	-	63,667,803
External Investment Pools	539,973,298	539,973,298	-	-	-	-	-	-
Total	\$ 2,082,628,190	\$ 603,730,308	\$ 213,468,218	\$ 38,513,581	\$ 36,826,085	\$ 141,840,377	\$ 1,048,249,621	

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 I (Primary Government):

Cash and unrestricted short-term investments	\$ 767,960,203
Restricted cash and investments	45,453,800
Total Primary Government	813,414,003

Per Exhibit C-1 (Fiduciary):

Cash and short-term investments	\$ 26,549,477
Investments	1,377,622,096
Total Fiduciary funds	1,404,171,573
Total Primary Government and Fiduciary funds	2,217,585,576
Less cash	134,957,386
Carrying value of deposits and investments	\$ 2,082,628,190

NOTES TO THE BASIC FINANCIAL STATEMENTS

Credit Risk Related to Issuer

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Based on the current asset allocation policy, the City's Pension Trust fund has adopted a 4 percent target allocation to below investment grade bonds but will allow a range of up to 9 percent. The City's Pension Trust fund defines this as securities rated below investment grade by two of the three primary rating agencies, Moody's Investors Service, Inc. (Moody's), Fitch Ratings (Fitch), and S&P Global Ratings (S&P). 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 various exposures including, but not limited to, exposure to foreign currency rate fluctuation and to duration within the fixed income investment portfolio. The City's rated debt investments as of June 30, 2024, 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.

Rated Debt Investments

U.S.													
Ratings (S&P)	Corporate Bonds	Government Securities	Equity Funds	Equity Securities	Commercial Paper	Certificates of Deposit	Municipal Bonds	Fixed Income Funds	Real Estate Funds	Money Market Funds	Hedge Funds	External Investment Pools	
AAA	\$ 416,809	\$ 129,945,552	\$ -	\$ -	\$ -	\$ -	\$ 813,016	\$ -	\$ -	\$ -	\$ -	\$ -	
AAAm	-	-	-	-	-	-	-	-	-	-	-	-	
AA+	2,811,986	-	-	-	9,238,938	-	421,629	-	-	-	-	-	
AA	1,791,383	-	-	-	-	-	-	-	-	-	-	-	
AA-	6,829,333	-	-	-	1,244,046	-	771,852	-	-	-	-	-	
AAm-	-	-	-	-	-	-	-	-	-	-	-	-	
A+	-	-	-	-	-	-	-	-	-	-	-	-	
A	-	-	-	-	-	-	-	-	-	-	-	-	
A-	-	-	-	-	-	-	-	-	-	-	-	-	
BBB+	-	-	-	-	-	-	-	-	-	-	-	-	
BBB	-	-	-	-	-	-	-	-	-	-	-	-	
BBB-	-	-	-	-	-	-	-	-	-	-	-	-	
BB+	-	-	-	-	-	-	-	-	-	-	-	-	
BB	-	-	-	-	-	-	-	-	-	-	-	-	
BB-	-	-	-	-	-	-	-	-	-	-	-	-	
B+	-	-	-	-	-	-	-	-	-	-	-	-	
Below	-	-	-	-	-	-	-	-	-	-	-	-	
Not Rated	27,034,851	8,413,462	843,573,766	6,428,781	-	10,503,858	-	302,293,829	102,502,026	23,951,972	63,667,803	539,973,298	
Total	\$ 38,884,362	\$ 138,359,014	\$ 843,573,766	\$ 6,428,781	\$ 10,482,984	\$ 10,503,858	\$ 2,006,497	\$ 302,293,829	\$ 102,502,026	\$ 23,951,972	\$ 63,667,803	\$ 539,973,298	

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, 2024:

	Market Value	% of Portfolio
SSGA Russell 3000 Index	\$ 187,906,261	14.3
First Eagle Global Equity	124,519,019	9.4
Artisan Global Opportunities	100,750,383	7.6
SSGA MSCI EAFE	86,159,403	6.5
Wellington Core Bond	75,650,793	5.7

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 prioritizes 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The following table provides the inputs used to determine the fair value on June 30, 2024:

	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	(Level 3)
Investments Measured at Fair Value				
Fixed Income Securities				
U.S. Government Securities	\$ 138,359,014	\$ -	\$ 138,359,014	\$ -
Corporate Bonds	38,884,362	-	38,884,362	-
Commercial Paper	10,482,984	-	10,482,984	-
Certificates of Deposit	10,503,858	-	10,503,858	-
Municipal Bonds	2,006,497	-	2,006,497	-
Money Market Funds	23,951,972	-	23,951,972	-
Equity Securities	6,428,781	-	6,428,781	-
Total Fixed Income Securities	<u>230,617,468</u>	<u>-</u>	<u>230,617,468</u>	<u>-</u>
Total Investments by Fair Value Level	<u>\$ 230,617,468</u>	<u>\$ -</u>	<u>\$ 230,617,468</u>	<u>\$ -</u>

Investments Measured at the Net Asset Value (NAV)

Commingled Funds	
Equity Funds	\$ 843,573,766
Fixed Income Funds	302,293,829
Real Estate Funds	102,502,026
Hedge Funds	63,667,803
Total Investments Measured at NAV	<u>\$ 1,312,037,424</u>

Investments Measured at Amortized Costs

External Investment Pools	\$ 539,973,298
Total Investments	<u>\$ 2,082,628,190</u>

External investment pools include the LGIP and PFMAM-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 \$513,939,299 in LGIP funds and \$26,033,999 in PFMAM-SNAP funds on June 30, 2024.

The remaining commingled funds are reported at net asset value (NAV) as a practical expedient, based on the fair market values of the underlying securities in the respective fund. There are no unfunded commitments for these types of investments.

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 invests 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 Property Index – Open End Diversified Core Equity (NFI-ODCE) Index. These investments can be redeemed quarterly with a 45–60-day notice.
4. Hedge Funds. This type of investment has an investment objective to diversify the portfolio and provide downside protection. These investments can utilize options, derivatives, and leverage and invest across all asset classes (equity, rates, currencies, etc.). The liquidity varies by strategy ranging from daily liquid to monthly. Some strategies have a soft lock up (e.g., illiquid for a year but then monthly thereafter). There are four hedge funds as of June 30, 2024.

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.

School Board

As of June 30, 2024, the School Board had cash totaling approximately \$116.4 million, including \$15.6 million held in custodial funds, which are excluded from the amounts reported in Exhibit D-1.

Economic Development Authority (EDA)

Cash includes cash on hand and cash deposited with financial institutions. As of June 30, 2024, there was \$7,402,663 in cash and cash equivalents (\$773,986, that is considered restricted), including \$2,714,147 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*.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2024, 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, 2024:

Water Utility fund	\$ 6,621,189
Wastewater Utility fund	2,019,951
Parking Facilities fund	177,069
Storm Water Utility fund	1,078,078
	<hr/>
	\$ 9,896,287

The associated revenue is included in charges for services. All amounts were billed in July 2024.

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, 2024, are as follows:

Primary Government:

General fund:	
Taxes	\$ 14,132,507
Accounts	30,297,734
Community Services Board	<u>747,025</u>
Total General fund	45,177,266
Special Revenue Grants fund	569,692
Nonmajor fund:	
Towing fund	43,399
Waste Management fund	2,329,800
Cemeteries fund	21,620
Endowed Care fund	<u>540</u>
Total Nonmajor fund	2,395,359
Fleet internal service fund	389,382
Enterprise fund:	
Water Utility fund	3,949,154
Wastewater Utility fund	2,000,000
Parking Facilities fund	1,997,405
Storm Water Utility fund	<u>1,277,706</u>
Total Enterprise fund	9,224,265
Total Primary Government	<u>\$ 57,755,964</u>

C Lease Receivable

The City, acting as lessor, leases buildings under long-term, non-cancelable lease agreements. The leases expire at various dates through 2069 and provide for renewal options ranging from zero to five years. During the year ended June 30, 2024, the governmental activities recognized \$613,801 and \$242,192 in lease revenue and interest revenue, respectively, pursuant to these contracts. The business-type activities recognized \$483,974 and \$14,276 in lease revenue and interest revenue, respectively, pursuant to these contracts.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2025	\$ 544,934	\$ 251,742	\$ 329,632	\$ 7,144	\$ 1,133,452
2026	430,605	238,272	144,483	3,049	816,409
2027	444,608	224,722	41,517	1,644	712,491
2028	425,391	210,733	19,905	1,071	657,100
2029	306,519	198,084	50,537	2,143	557,283
2030-2034	731,607	927,403	-	-	1,659,010
2035-2039	914,210	831,374	-	-	1,745,584
2040-2044	715,040	740,971	-	-	1,456,011
2045-2049	946,087	662,577	-	-	1,608,664
2050-2054	1,243,891	558,404	-	-	1,802,295
2055-2059	1,551,011	423,990	-	-	1,975,001
2060-2064	1,757,242	269,255	-	-	2,026,497
2065-2069	2,150,280	84,069	-	-	2,234,349
	<u>\$ 12,161,425</u>	<u>\$ 5,621,596</u>	<u>\$ 586,074</u>	<u>\$ 15,051</u>	<u>\$ 18,384,146</u>

V Due From Other Governments

Amounts due from other governments, at June 30, 2024, are as follows:

	General Fund	Grants Fund	Special Revenue Funds	Total Governmental Funds	Total Component Unit
Commonwealth of Virginia	\$ 27,761,587	\$ 2,705,228	\$ -	\$ 30,466,815	\$ 26,210,462
Federal Government	-	9,808,779	1,705,229	11,514,008	36,799,330
Total - Due from other governments	<u>\$ 27,761,587</u>	<u>\$ 12,514,007</u>	<u>\$ 1,705,229</u>	<u>\$ 41,980,823</u>	<u>\$ 89,220,254</u>

VI

Capital Assets

A summary of changes in capital assets at June 30, 2024, is as follows:

	Primary Government					
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance	
Governmental activities:						
Non-depreciable capital assets:						
Land	\$ 123,664,100	\$ 21,186,214	\$ (1,724,661)	\$ -	\$ 143,125,653	
Intangible assets	97,014	-	-	-	97,014	
Construction in progress	103,748,388	92,887,551	(38,233,119)	34,146,398	192,549,218	
Total non-depreciable assets	227,509,502	114,073,765	(39,957,780)	34,146,398	335,771,885	
Depreciable/amortizable assets:						
Buildings	1,182,165,557	10,488,450	(5,263,223)	-	1,187,390,784	
Improvements other than buildings	177,128,457	15,607,518	-	(10,646,205)	182,089,770	
Equipment and vehicles	143,660,138	21,252,433	(6,770,040)	-	158,142,531	
Intangible assets amortizable	5,714,099	-	(626,543)	-	5,087,556	
Infrastructure	1,209,087,362	7,839,088	(168,749,808)	-	1,048,176,642	
Lease building	32,388,679	-	(1,822,859)	-	30,565,820	
Lease equipment and vehicles	1,862,949	280,339	(137,557)	-	2,005,731	
Subscription-Based Information Technology Arrangements (SBITAs)	9,522,714	14,721,728	(4,369,889)	-	19,874,553	
Total depreciable/amortizable assets	2,761,529,955	70,189,556	(187,739,919)	(10,646,205)	2,633,333,387	
Less accumulated depreciation/amortization:						
Buildings depreciation	(540,302,063)	(25,879,242)	1,859,535	-	(564,321,770)	
Improvements other than buildings depreciation	(75,498,489)	(9,094,060)	711,507	-	(83,881,042)	
Equipment and vehicles depreciation	(105,025,220)	(10,687,502)	6,463,087	-	(109,249,635)	
Intangible assets amortization	(5,132,091)	(286,276)	626,543	-	(4,791,824)	
Infrastructure depreciation	(1,036,487,683)	(9,066,889)	166,296,658	-	(879,257,914)	
Lease building amortization	(7,191,372)	(3,661,799)	1,822,859	-	(9,030,312)	
Lease equipment and vehicles amortization	(733,486)	(578,726)	137,936	-	(1,174,276)	
Subscription-Based Information Technology Arrangements amortization	(3,425,452)	(4,943,054)	4,369,889	-	(3,998,618)	
Total accumulated depreciation/amortization	(1,773,795,856)	(64,197,549)	182,288,013	-	(1,655,705,391)	
Total Depreciable/amortizable assets, net	987,734,099	5,992,007	(5,451,905)	(10,646,205)	977,627,996	
Total governmental activities capital assets, net	\$ 1,215,243,601	\$ 120,065,772	\$ (45,409,685)	\$ 23,500,193	\$ 1,313,399,881	
Business-Type activities:						
Non-depreciable capital assets:						
Land	\$ 45,055,764	\$ 671,207	\$ -	\$ -	\$ 45,726,971	
Intangible assets	4,610,871	-	-	-	4,610,871	
Construction in progress	120,489,069	55,374,645	(31,318,697)	-	144,545,017	
Total non-depreciable assets	170,155,704	56,045,852	(31,318,697)	-	194,882,859	
Depreciable/amortizable assets:						
Land improvements	83,659,637	5,079,012	-	-	88,738,649	
Buildings	497,532,739	1,955,544	(70,857)	-	499,417,426	
Building improvements	19,662,187	98,842	(985,886)	-	18,775,143	
Equipment and vehicles	960,297,427	29,890,443	(11,288,603)	-	978,899,267	
Intangible assets amortizable	9,524,906	1,096,392	-	-	10,621,298	
Lease building	2,159,736	-	-	-	2,159,736	
Lease equipment and vehicles	22,295	28,811	(22,295)	-	28,811	
Total depreciable/amortizable assets	1,572,858,927	38,149,043	(12,367,641)	-	1,598,640,330	
Less accumulated depreciation/amortization:						
Land improvements depreciation	(26,385,113)	(1,125,011)	-	-	(27,510,124)	
Buildings depreciation	(184,545,043)	(9,886,588)	16,388	(29,244)	(194,444,487)	
Building improvements depreciation	(14,084,942)	(992,149)	983,886	-	(14,093,205)	

NOTES TO THE BASIC FINANCIAL STATEMENTS

Primary Government				
Beginning Balance	Additions	Retirements	Transfers	Ending Balance
(363,396,561)	(19,264,673)	10,941,087	29,244	(371,690,903)
(8,115,833)	(480,690)	-	-	(8,596,523)
(226,688)	(392,150)	-	-	(618,838)
(13,530)	(5,762)	13,530	-	(5,762)
(596,767,710)	(32,147,023)	11,954,891	-	(616,959,842)
976,091,217	6,002,021	(412,750)	-	981,680,488
\$ 1,146,246,920	\$ 62,047,872	\$ (31,731,447)	\$ -	\$ 1,176,563,347

Beginning Balance	Additions	Retirements	Transfers	Ending Balance
\$ 7,385,420	\$ -	\$ -	\$ -	\$ 7,385,420
13,190,651	50,332,709	-	(22,652,134)	40,871,226
20,576,071	50,332,709	-	(22,652,134)	48,256,646
Depreciable assets:				
Buildings and mobile classrooms	6,053,554	-	-	6,053,554
Improvements other than buildings	-	-	-	-
Building improvements	10,198,899	-	-	10,198,899
Equipment and vehicles	39,152,332	2,490,498	(1,552,736)	29,207,275
Intangible assets amortizable	1,323,387	-	(1,323,387)	-
Lease building	851,293	-	-	851,293
Lease equipment and vehicles	-	-	-	-
Subscription-Based Information Technology Arrangements (SBITAs)	7,618,471	-	(3,206,855)	4,411,616
Total depreciable assets	65,197,936	2,490,498	(6,082,978)	29,207,275
Less accumulated depreciation / amortization:				
Buildings and mobile classrooms	(5,015,440)	(35,238)	-	(5,050,678)
Improvements other than buildings	-	-	-	-
Building improvements	(1,664,537)	(554,238)	-	(2,218,775)
Equipment and vehicles	(30,162,506)	(2,884,933)	1,456,300	(31,591,139)
Intangible assets amortization	(1,323,386)	-	1,323,386	-
Lease building amortization	(103,302)	(51,651)	-	(154,953)
Lease equipment and vehicles depreciation	-	-	-	-
Subscription-Based Information Technology Arrangements amortization	(1,983,498)	(1,984,466)	916,244	(3,051,720)
Total accumulated depreciation / amortization	(40,252,669)	(5,510,526)	3,695,930	(42,067,265)
Total Depreciable assets, net	24,945,267	(3,020,028)	(2,387,048)	29,207,275
Total Component units capital assets, net	\$ 45,521,338	\$ 47,312,681	\$ (2,387,048)	\$ 6,555,141
				\$ 97,002,112

Governmental Construction in Progress transfers include \$518,208 from the Nauticus Foundation, \$24,755,976 from Norfolk Botanical Gardens and \$8,872,214 from Norfolk Public Schools. Improvements other than buildings transfers include transfer out of \$14,470,985 and transfer in of \$3,824,780 from Norfolk Public Schools to net to \$10,646,205.

Depreciation and amortization expense at June 30, 2024, was allocated to governmental, business type, and component unit activities as follows:

Governmental activities:	
General government	\$ 14,507,720
Judicial administration	680,460
Public safety	4,357,843
Public works, which includes the depreciation of infrastructure assets	13,476,010
Health and sanitation	2,078,259
Culture and recreation	16,790,265
Community development	599,467
Education	11,311,117
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	
Total depreciation expense	<u>396,408</u> <u>\$ 64,197,549</u>
Business-type activities:	
Water Utility fund	\$ 16,423,209
Wastewater Utility fund	8,054,492
Parking Facilities fund	6,068,848
Storm Water fund	1,600,474
Total depreciation expense	<u>\$ 32,147,023</u>
Component unit activities:	
School Board	\$ 4,956,288
Norfolk Economic Development Authority	554,238
Total depreciation expense	<u>\$ 5,510,526</u>

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 935 Denison Avenue that are recorded at approximately \$115,000 per acre totaling \$230,000 and 7.5 acres on Prime Outlets Boulevard with a total value of \$100,000 net of easements and 0.92 acres located at 331 Riverview Avenue with assessed value of \$879,200.

VIII Short-term Obligations

On December 17, 2014, the City established a revolving line of credit agreement with Bank of America, N.A. ("BANA"). The City has amended to adjust the maximum balance on the line of credit several times since inception. As of June 30, 2024, the City's maximum available credit through its line of credit is \$150,000,000. This line of credit provides flexible interim financing for capital improvement projects, including school construction, and is secured by the full faith and credit pledge of the City, with repayment through general obligation bonds or other City sources. Borrowing under the credit agreement bear interest payable semi-annually in February and August, with no minimum advance amount and a three-day notice required for each advance.

In April 2020, the credit agreement was amended to allow draws of up to \$50,000,000 for operating expenses related to a significant emergency event. However, to date, the line of credit has not been used for such purposes.

NOTES TO THE BASIC FINANCIAL STATEMENTS

On November 17, 2023, the City amended its credit agreement with Bank of America Merrill Lynch (“BAML”) to extend the termination date of the Line of Credit from November 17, 2023 to November 17, 2025. The amendment also changed the interest rate index to the Secured Overnight Financing Rate (“SOFR”) plus 42 basis points, and provided for an alternate rate in the event the SOFR is unavailable for taxable draws and 79% of SOFR plus 29 basis points for tax-exempt draws. The agreement does not include a commitment fee on the unutilized portion of the line of credit.

As of June 30, 2024, the outstanding balance on the line of credit is \$55 million for capital expenditures.

Activity for the year ended June 30, 2024 is as follows:

	Balance as of June 30, 2023	Additions	Reductions	Balance as of June 30, 2024
Capital Projects Fund	\$ 50,000,000	\$ 55,000,000	\$ 50,000,000	\$ 55,000,000

IX Long-term Obligations

A General Obligation and Revenue Bonds

The City has historically utilized general obligation or revenue bonds to finance a significant portion of the construction and acquisition costs of capital projects. General obligation bonds have been issued to support both governmental and business-type activities. In 1993, the City launched its Water Revenue Bond program, followed by the establishment of the Wastewater Revenue Bond program in 2008. Most recently, in 2019, the City introduced a Storm Water Revenue Bond program.

General obligation bonds are direct obligations that are backed by the full faith and credit of the City, whereas revenue bonds are limited liability obligations, with debt service payments secured by revenues generated from the assets acquired or constructed with the bonds.

NOTES TO THE BASIC FINANCIAL STATEMENTS

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2024, follows:

	Business-type Activities							Total Enterprise Funds		
	Governmental Activities		Water Utility Bonds		Wastewater Utility Bonds		Parking Facilities Bonds			
	General Obligation Bonds									
General obligation bonds outstanding at July 1, 2023	\$ 950,481,682	\$ -	\$ 68,225,624	\$ 129,758,284	\$ 47,351,117	\$ 245,335,025				
Bonds retired	(73,649,422)	-	(6,412,794)	(2,277,946)	(3,682,807)	(12,373,547)				
Bonds issued	-	-	-	-	-	-				
Bonds outstanding at June 30, 2024	876,832,260	-	61,812,830	127,480,338	43,668,310	232,961,478				
Unamortized (discount) premium	55,491,696	-	4,856,317	4,545,750	4,545,940	13,948,007				
General obligation bonds outstanding at June 30, 2024, adjusted for unamortized (discount) premium	<u>\$ 932,323,956</u>	<u>\$ -</u>	<u>\$ 66,669,147</u>	<u>\$ 132,026,088</u>	<u>\$ 48,214,250</u>	<u>\$ 246,909,485</u>				
Revenue bonds outstanding at July 1, 2023	\$ -	\$ 224,900,000	\$ 85,768,986	\$ -	\$ 279,055	\$ 310,948,041				
Bonds retired	-	(19,195,000)	(8,029,252)	-	(34,578)	(27,258,830)				
Bonds reamortized	-	-	3,738,145	-	-	3,738,145				
Bonds issued	-	51,515,000	-	-	-	51,515,000				
Revenue Bonds outstanding at June 30, 2024	-	257,220,000	81,477,879	-	244,477	338,942,356				
Unamortized (discount) premium	-	27,462,005	-	-	-	27,462,005				
Revenue bonds outstanding at June 30, 2024, adjusted for unamortized (discount) premium	<u>\$ -</u>	<u>\$ 284,682,005</u>	<u>\$ 81,477,879</u>	<u>\$ -</u>	<u>\$ 244,477</u>	<u>\$ 366,404,361</u>				
Total bonds outstanding at June 30, 2024, adjusted for unamortized (discount)/premium	<u>\$ 932,323,956</u>	<u>\$ 284,682,005</u>	<u>\$ 148,147,026</u>	<u>\$ 132,026,088</u>	<u>\$ 48,458,727</u>	<u>\$ 613,313,846</u>				

The general obligation bonds outstanding as of June 30, 2024, are comprised of the following individual issues:

Bond Issue/Purpose	Dated	Governmental Activities		Business-type Activities				Balance Outstanding	
		Issue Amount	Interest Rate	Public Improvement	Wastewater Utility	Parking Facilities	Storm Water Utility		
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	3.88% ⁽¹⁾	19,770,000	-	-	-	19,770,000	
Series 2010B Capital Improvement	1/21/2010	117,650,000	5.20 - 5.962%	49,311,264	4,110,000	-	2,428,736	55,850,000	
Series 2010F Capital Improvement	2/25/2010	5,000,000	4.95 - 5.60%	1,750,000	-	-	-	1,750,000	
Series 2012D Capital Improvement	6/28/2012	7,350,000	4.35%	7,350,000	-	-	-	7,350,000	
Series 2013C QEBC	11/7/2013	2,470,000	4.86%	2,470,000	-	-	-	2,470,000	
Series 2014 Refunding	4/2/2014	65,155,000	3.00 - 5.00%	6,395,224	1,691,708	-	358,068	8,445,000	
Series 2014C Refunding	9/30/2014	58,510,000	4.00-5.00%	25,060,292	4,280,641	-	1,189,067	30,530,000	
Series 2016A		106,680,000	5.00%	14,420,000	3,425,000	-	1,650,000	19,495,000	
Series 2016B Refunding		69,870,000	3.50 - 5.00%	40,301,022	5,074,131	12,230,164	2,184,683	59,790,000	
Series 2016C		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	0.00%	-	-	-	1,481,374	1,481,374	
Series 2017A GO Capital Improvement	12/5/2017	103,520,000	5.00%	5,510,000	-	-	-	5,510,000	
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%	4,133,979	407,277	1,509,987	338,757	6,390,000	
Series 2018 SW VRA Brownfield	9/27/2018	1,117,725	0.25%	-	-	-	492,363	492,363	
Series 2018 Refunding		11,710,000	3.54%	880,000	-	8,260,000	-	9,140,000	
Series 2019 GO Capital Improvement	2/7/2019	133,695,000	5.00%	46,875,000	-	-	-	46,875,000	
Series 2019B GO Refunding	8/15/2019	159,305,000	1.933 - 3.346%	85,551,199	10,342,164	49,532,587	1,889,050	147,315,000	
Series 2019C GO Refunding	8/15/2019	28,905,000	1.831 - 3.186%	21,338,919	3,454,065	3,271,588	200,428	28,265,000	
Series 2019D GO Refunding	9/19/2019	89,025,009	1.84 - 2.92%	62,603,362	2,858,785	16,984,825	1,738,029	84,185,001	
Series 2020A GO Capital Improvement	4/2/2020	37,275,000	4.00 - 5.00%	16,415,595	8,592,269	-	8,307,136	33,315,000	
Series 2020B GO Refunding	4/2/2020	45,630,000	1.30 - 2.50%	31,600,439	1,966,172	8,225,579	382,810	42,175,000	
Series 2020C GO Refunding		77,825,000	0.429 - 1.514%	47,449,608	7,163,095	12,557,010	1,860,287	69,030,000	
Series 2021 GO	6/29/2021	210,800,000	0.265 - 2.434%	197,105,000	-	-	-	197,105,000	
Series 2021A GO Capital Improvement	8/12/2021	74,220,000	5.00%	59,821,346	2,357,245	7,271,321	1,570,088	71,020,000	
Series 2021B GO Refunding	8/12/2021	36,895,000	0.30 - 1.42%	25,195,011	205,278	1,762,277	797,434	27,960,000	
Series 2023A	5/17/2023	108,800,000	5.00%	84,910,000	5,885,000	-	16,800,000	107,595,000	
Series 2023B	5/17/2023	15,070,000	4.066%	6,715,000	-	2,285,000	-	9,000,000	
Total General Obligation Bonds				\$ 876,832,260	\$ 61,812,830	\$ 127,480,338	\$ 43,668,310	\$ 1,109,793,738	

1. Variable rate as of June 30, 2024

NOTES TO THE BASIC FINANCIAL STATEMENTS

The Series 2007 General Obligation Variable Rate Demand Bonds (VRDBs), issued to finance the construction of the cruise terminal, are remarketed on a weekly basis. As of June 30, 2024, the interest rate on these bonds was set at 388 basis points (3.88 percent) (see Note VIII).

The revenue bonds outstanding as of June 30, 2024, are comprised of the following individual issues:

Bond Issue/Purpose	Dated	Interest Rate	Business-type Activities		Storm Water Utility	Balance Outstanding
			Water Utility	Wastewater Utility		
Series 2007 Wastewater Revenue	11/9/2007	0.00%	\$ -	\$ 4,675,000	\$ -	\$ 4,675,000
Series 2009 Wastewater Revenue	11/17/2009	0.00%	-	2,625,000	-	2,625,000
Series 2010 Wastewater Revenue	10/19/2010	0.00%	-	4,000,000	-	4,000,000
Series 2011 Wastewater Revenue	10/21/2011	0.00%	-	4,417,500	-	4,417,500
Series 2012 Wastewater Revenue	12/18/2012	0.00%	-	6,089,653	-	6,089,653
Series 2013 Wastewater Revenue	12/12/2013	0.00%	-	5,750,000	-	5,750,000
Series 2015 Wastewater Revenue	3/2/2015	0.00%	-	5,461,905	-	5,461,905
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%	48,600,000	-	-	48,600,000
Series 2016 Wastewater Revenue	4/21/2016	0.00%	-	3,785,579	-	3,785,579
Series 2017 Wastewater Revenue	5/31/2017	0.00%	-	4,662,045	-	4,662,045
Series 2017 Water Revenue Refunding	12/18/2017	5.00%	100,745,000	-	-	100,745,000
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%	-	5,786,233	-	5,786,233
Series 2019A Wastewater Revenue	5/16/2019	2.00%	-	303,832	-	303,832
Series 2019B Wastewater Revenue	5/16/2019	1.00%	-	1,417,089	-	1,417,089
Series 2019C Wastewater Revenue	5/16/2019	1.00%	-	2,036,711	-	2,036,711
Series 2019D Wastewater Revenue	5/16/2019	0.00%	-	2,850,000	-	2,850,000
Series 2019E Wastewater Revenue	11/21/2019	0.00%	-	8,750,000	-	8,750,000
Series 2020 Wastewater Revenue	11/19/2020	0.00%	-	8,460,000	-	8,460,000
Series 2020 Storm Water Revenue	11/19/2020	0.25%	-	-	244,477	244,477
Series 2022A Wastewater Revenue	1/28/2022	0.50%	-	6,710,619	-	6,710,619
Series 2022B Wastewater Revenue	7/28/2022	0.50%	-	3,696,713	-	3,696,713
Series 2023 Water Revenue	11/14/2023	0.50%	51,515,000	-	-	51,515,000
Total Revenue Bonds			\$ 257,220,000	\$ 81,477,879	\$ 244,477	\$ 338,942,356

B General Obligation Bonds

As of June 30, 2024, the City's general obligation bonds have the following requirement for amortization:

Year Ending June 30,	Governmental Activities				Business-type Activities			
	Bonds		Direct Borrowings and Direct Placements		Bonds		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 66,677,125	\$ 27,483,056	\$ 580,000	\$ 214,581	\$ 15,122,875	\$ 7,218,580	\$ 238,264	\$ 282,617
2026	68,509,534	25,782,836	150,000	193,606	15,160,466	6,401,482	693,559	282,321
2027	69,270,138	23,644,652	150,000	188,165	15,144,862	6,045,947	723,855	265,519
2028	69,029,880	21,406,155	-	182,750	15,410,120	5,651,357	899,151	247,716
2029	63,384,657	19,319,880	3,400,000	182,750	14,885,343	5,051,611	823,982	223,663
2030-2034	265,633,545	68,236,509	-	578,708	66,911,455	18,370,194	3,531,448	746,763
2035-2039	195,248,963	28,845,272	-	-	57,961,037	8,243,784	3,323,478	337,451
2040-2044	51,029,068	7,118,658	-	-	14,695,932	3,041,949	-	-
2045-2049	23,769,350	1,420,357	-	-	7,435,651	720,129	-	-
Total	\$ 872,552,260	\$ 223,257,375	\$ 4,280,000	\$ 1,540,560	\$ 222,727,741	\$ 60,745,033	\$ 10,233,737	\$ 2,386,050

NOTES TO THE BASIC FINANCIAL STATEMENTS

The detailed requirements to amortize general obligation bonds for the enterprise funds are as follows:

Year Ending June 30,	Wastewater Utility Fund*		Parking Facilities Fund*		Storm Water Utility Fund*	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 6,046,866	\$ 2,134,956	\$ 5,906,215	\$ 3,590,689	\$ 3,408,058	\$ 1,775,551
2026	6,027,865	1,967,804	6,469,831	3,047,476	3,356,328	1,668,523
2027	6,043,604	1,805,527	6,492,965	2,956,240	3,332,149	1,549,700
2028	6,087,283	1,598,393	6,799,779	2,879,741	3,422,209	1,420,938
2029	5,391,160	1,221,089	7,036,877	2,816,417	3,281,289	1,237,767
2030-2034	16,417,006	4,345,091	40,945,094	10,168,310	13,080,803	4,603,556
2035-2039	8,402,779	2,243,321	43,927,527	4,127,881	8,954,209	2,210,033
2040-2044	5,496,009	1,230,953	4,366,657	1,402,685	4,833,265	408,311
2045-2049	1,900,258	195,237	5,535,393	524,892	-	-
	<u>\$ 61,812,830</u>	<u>\$ 16,742,371</u>	<u>\$ 127,480,338</u>	<u>\$ 31,514,331</u>	<u>\$ 43,668,310</u>	<u>\$ 14,874,379</u>

*Includes direct borrowings and direct placements.

General Obligation Direct Borrowings and Direct Placements

General Obligation Bonds, Series 2021 (the “Series 2021 Bonds”)

On June 29, 2021, the City issued its \$210.8 million General Obligation Bonds, Series 2021 (“the Series 2021 Bonds”) to fund a portion of the City’s pension liability. In accordance with the financial policies adopted by City Council, the City’s enterprise funds repay their respective portion of pension costs and debt service from their dedicated fees and revenues to the General Fund. The portion of the Series 2021 Bonds paid by the enterprise funds in FY 2024, and planned for FY 2025, is summarized below:

	Business-type Activities					Governmental Activities
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total Enterprise Funds	
FY 2024						
Total Debt Service	\$685,455	\$178,242	\$109,498	\$230,545	\$1,203,740	\$10,082,659
Principal Outstanding as of June 30, 2024	\$11,970,758	\$3,112,803	\$1,912,270	\$4,026,218	\$21,022,048	\$176,082,952
FY 2025						
Total Debt Service	\$925,805	\$240,740	\$147,893	\$311,383	\$1,623,821	\$13,618,062
Principal Outstanding as of June 30, 2025	\$11,251,073	\$2,925,660	\$1,797,304	\$3,784,161	\$19,758,198	\$165,496,802

General Obligation Refunding Bonds, Series 2018 (the “Series 2018 Bonds”)

As of June 30, 2024, the total outstanding balance on the Series 2018 Bonds is \$9,140,000.

General Obligation Variable Rate Demand Bonds, Series 2007 (the “Series 2007 Bonds”)

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, 2024, \$19,770,000 remains outstanding, which was included in the City’s long-term debt. These Series 2007 Bonds are general obligations of the City, with its full faith and credit irrevocably pledged to the repayment of principal and interest.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

The City maintains a Standby Bond Purchase Agreement (the “liquidity Facility”) dated as of March 1, 2019, among the City, the Trustee and Bank of America, N.A. (the “Bank”). The annual fee for the Liquidity Facility is 38 basis points (0.38 percent) for a five-year term. Additionally, the Bank also serves as the Remarketing Agent for the Series 2007 Bonds for a fee of 8 basis points (0.08 percent).

During the fiscal year ended June 30, 2024, the average weekly interest rate on the Series 2007 Bonds was 360 basis points (3.60 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 agreement. However, through June 30, 2024, all the Series 2007 Bonds have been successfully remarketed by the Remarketing Agent.

General Obligation Property Acquisition Bond, Series 2002 (the “Series 2002 Bonds”)

As of June 30, 2024, the total outstanding on the Series 2002 Bonds was \$3,400,000. The City issued these bonds 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 (the “Series 2017 and Series 2018 Bonds”)

As of June 30, 2024, the City has two separate series of Storm Water direct borrowing General Obligation Bonds that it has borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the Virginia Resources Authority (VRA). The total outstanding Storm Water General Obligation Bonds at June 30, 2024, was \$1,973,737, with \$1,481,374 from Series 2017 and \$492,363 from Series 2018.

C Revenue 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 with the revenue bond indenture, certain resources have been set

aside for repayment of the revenue bonds and are classified as restricted cash and investments on the Statement of Net Position due to the limitations imposed by the 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 U.S. 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, as their use is restricted 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 U.S. 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, as their use is restricted by applicable bond covenants.

The detailed requirements to amortize Water, Wastewater and Storm Water revenue bonds are as follows:

Ending June 30,	Water Utility Revenue Bonds ⁽¹⁾		Wastewater Utility Revenue Bonds ⁽²⁾		Storm Water Utility Revenue Bonds ⁽²⁾	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 17,880,000	\$ 12,590,388	\$ 8,254,960	\$ 55,505	\$ 34,664	\$ 590
2026	18,965,000	11,676,763	8,266,297	86,592	34,751	503
2027	16,235,000	10,793,563	7,563,579	70,946	34,838	416
2028	14,000,000	10,031,113	6,880,459	62,286	34,925	329
2029	13,400,000	9,339,138	6,170,539	58,756	35,012	241
2030-2034	57,670,000	37,483,231	24,709,349	240,205	70,287	220
2035-2039	43,415,000	24,735,813	13,628,706	149,260	-	-
2040-2044	52,215,000	12,937,119	5,904,637	56,015	-	-
2045-2049	23,440,000	1,436,731	99,353	383	-	-
Total	<u>\$ 257,220,000</u>	<u>\$ 131,023,859</u>	<u>\$ 81,477,879</u>	<u>\$ 779,948</u>	<u>\$ 244,477</u>	<u>\$ 2,299</u>

1. Water Utility revenue bonds consist of publicly sold debt.

2. Wastewater Utility and Storm Water Utility revenue bonds include direct borrowing and direct placement debt.

Water Revenue Bonds

On November 14, 2023, the City issued a \$51,515,000 Water System Revenue Bond, Series 2023 (the “Series 2023”). The Series 2023 carries an interest rate of 5.0 percent.

Revenue Bond Direct Borrowing and Direct Placement Debt

The City’s Revenue Bond portfolio includes several direct borrowing and direct placement issuances including:

NOTES TO THE BASIC FINANCIAL STATEMENTS

Storm Water Revenue Bonds

As of June 30, 2024, the City has one series of Storm Water Revenue Bonds borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the VRA. The total outstanding for the Storm Water Revenue Bond at June 30, 2024, was \$244,477. Debt service on the Storm Water Revenue Bond is secured by a revenue pledge of the Storm Water Utility fees.

Wastewater Revenue Bonds

As of June 30, 2024, the City has seventeen separate series of Wastewater Revenue Bonds borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the VRA. The total outstanding balance for the Wastewater Revenue Bonds at June 30, 2024, were \$81,477,879. Debt Service on the Wastewater Revenue Bonds is secured by a revenue pledge of the Wastewater Utility fees.

For the fiscal year 2024, the Wastewater Utility fund drew a total of \$3,738,140 for project expenses, with \$1,404,996 and \$2,333,144 drawn from bond issuances in fiscal year 2021 and 2022, respectively. The VRA, in conjunction with the State Water Control Board, administers and manages the Virginia Water Facilities Revolving Fund.

D Current and Advanced Refundings

The City defeases certain general obligation and revenue bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

As of June 30, 2024, the following defeased bonds from advance refundings remain outstanding:

General Obligation Bonds				
Defeased In	Original Issue	Amount	Redemption	
2020	2014	\$ 8,845,000	8/1/2024	
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	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	
		\$ 279,995,000		

Water Revenue Bonds				
Defeased In	Original Issue	Amount	Redemption	
2022	2010	\$ 18,050,000	11/1/2031	
2022	2012	1,275,000	11/1/2039	
		\$ 19,325,000		

E Economic Development Authority

The City has agreed to finance a project on behalf of the EDA in the amount of \$12,762,400. The City reasonably expects to be repaid by the EDA for this project. As of the end of the fiscal year, the balance outstanding is \$12,878,077, which includes interest. Additionally, there is a separate cooperative agreement from May 23, 2017, for another economic development project with a balance of \$380,000. Further, another cooperative agreement from February 1, 2017, for supporting the administration of the Innovation fund program with a balance of \$183,516. There are no set repayment terms.

In the past, the EDA has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the third-party entity served by the bond issuance. Neither the EDA nor the City is obligated in any manner for the repayment of these conduit debt issues. As a result, these bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2024, there were eight series of limited commitment conduit bonds outstanding, with an aggregate unpaid principal amount of \$408,402,024.

F Lease Obligations

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 2035 and provide for renewal options ranging from one year to five years.

A summary of the Governmental Activities' long-term leases as of June 30, 2024, are as follows:

Buildings are leased for multiple departments within the City, as of June 30, 2024, the lease obligations for buildings are \$22,943,144. Multiple vehicles are leased for the Community Services Board. As of June 30, 2024, the lease obligations for vehicles are \$286,369. The City has a lease agreement with Ricoh for printers through 2029, and as of June 30, 2024, the lease obligations for equipment are \$519,508.

A summary of the Business-Type Activities' long-term leases as of June 30, 2024 are as follows:

The Department of Utilities leases building spaces for its call-center and offices. As of June 30, 2024, the lease obligations are \$1,615,648. The Parking Facilities fund has a lease agreement with Ricoh for printers through 2025, and as of June 30, 2024, the lease obligations for equipment are \$23,265.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Total future minimum lease payments under lease agreements are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2025	\$ 3,487,384	\$ 525,630	\$ 386,399	\$ 34,574	\$ 4,433,987
2026	3,114,155	442,377	406,630	26,789	3,989,951
2027	2,861,945	369,694	427,648	18,593	3,677,880
2028	2,171,954	305,682	254,872	9,966	2,742,474
2029	2,056,189	256,471	70,140	4,612	2,387,412
2030-2035	10,057,394	531,233	93,224	3,163	10,685,014
	<u>\$ 23,749,021</u>	<u>\$ 2,431,087</u>	<u>\$ 1,638,913</u>	<u>\$ 97,697</u>	<u>\$ 27,916,718</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class:

	Governmental Activities	Business-type Activities
Buildings	\$ 30,565,820	\$ 2,159,736
Equipment and Vehicles	2,005,731	28,811
Less accumulated depreciation	(10,204,588)	(624,600)
	<u>\$ 22,366,963</u>	<u>\$ 1,563,947</u>

G Landfill Liability

The Campostella Landfill, which was issued a permit by the Virginia Department of Health on February 18, 1983, to operate as a construction demolition debris (CDD) waste landfill, ceased 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. Following regulatory closure, state and federal laws mandate that the City perform specific maintenance and monitoring activities at the site for ten years.

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 \$3,155,057 reported as an obligation for closure and post-closure costs at June 30, 2024, 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.

Additionally, the Campostella Landfill statistically exceeded groundwater protection standards in May 2002. Although corrective action has not yet been determined or approved by the DEQ, a portion of the liability, totaling \$2,381,298, is set aside for groundwater corrective action as required by state law. Given that corrective actions are not expected to be approved within the next year, the entire amount is classified 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	\$ 23,992,728
Grants Fund	342,092
Nonmajor governmental funds	1,012,403
Internal service funds	352,281
Total Governmental Activities	<u>\$ 25,699,504</u>
Business-type Activities:	
Water Utility fund	\$ 1,315,545
Wastewater Utility fund	275,899
Parking Facilities fund	196,553
Storm Water Utility fund	409,302
Total Business-type Activities	<u>\$ 2,197,299</u>
Component Unit - School Board	<u>\$ 9,950,436</u>

I Debt Limit

The Commonwealth of Virginia imposes a legal debt limit for municipalities, setting a ceiling of 10 percent of the assessed valuation of taxed real property for the amount of general obligation borrowings a city can issue without holding a referendum. As of June 30, 2024, the City's debt limit is \$2,721,043,458 of which \$1,556,249,661 remains available for the issuance of additional debt. There are no overlapping tax jurisdictions within the City.

J Bonds Authorized and Unissued

A summary of bonds authorized and unissued as of June 30, 2024, is as follows:

Projects	Total
General Obligation Bonds Authorized and Unissued:	
General Capital Improvement Projects	\$ 286,956,315
Maritime Center Capital Improvement Projects	4,664,813
Waste Management Capital Improvement Projects	1,757,223
Storm Water Utility Fund Improvement Projects	80,793,506
Parking Facilities Fund Projects	21,300,822
Wastewater Utility Fund Projects	<u>28,195,424</u>
General Obligation Bonds Authorized and Unissued	<u>\$ 423,668,103</u>
Revenue Bonds Authorized and Unissued:	
Water Utility Fund Projects	<u>\$ 101,440,320</u>
Total Bonds Authorized and Unissued	<u>\$ 525,108,423</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

K Changes in Long-Term Obligations

A summary of fiscal year 2024 changes in long-term obligations, net of unamortized discounts and premiums, is as follows:

	Primary Government			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Additions	Reductions		
GOVERNMENTAL ACTIVITIES:					
Bonds, Direct Borrowing and Direct Placements:					
General obligation bonds	\$ 941,797,603	\$ -	\$ (69,245,343)	\$ 872,552,260	\$ 66,677,125
Direct borrowings and direct placements	8,684,079	-	(4,404,079)	4,280,000	580,000
Net Premiums	61,587,778	-	(6,096,082)	55,491,696	-
Total Bonds	1,012,069,460	-	(79,745,504)	932,323,956	67,257,125
Other Liabilities:					
Vested compensated absences	23,955,914	13,178,888	(11,787,579)	25,347,223	12,756,626
Other post-employment benefits	106,494,319	12,612,692	(13,044,051)	106,062,960	2,961,223
Retiree's life insurance	115,000	-	-	115,000	-
Self-insurance	37,151,537	7,815,899	(6,852,995)	38,114,441	5,851,059
Net pension liability	293,987,779	109,511,066	(150,331,505)	253,167,340	-
Landfill closure and post-closure costs	3,054,267	100,790	-	3,155,057	-
Lease	27,472,619	280,340	(4,003,938)	23,749,021	3,487,384
	6,256,993	14,721,728	(3,839,311)	17,139,410	4,271,162
Total Other Liabilities	498,488,428	158,221,403	(189,859,379)	466,850,452	29,327,454
Internal Service Funds:					
Net pension liability	3,307,368	1,093,011	(1,873,165)	2,527,214	-
Other post-employment benefits	794,204	106,080	(199,500)	700,784	17,126
Vested compensated absences	332,152	189,803	(169,674)	352,281	177,294
Total Internal Service Funds	4,433,724	1,388,894	(2,242,339)	3,580,279	194,420
Total Governmental Activities	\$ 1,514,991,613	\$ 159,610,297	\$ (271,847,222)	\$ 1,402,754,687	\$ 96,778,999
BUSINESS-TYPE ACTIVITIES:					
Bonds, Direct Borrowing and Direct Placements:					
Water Utility	\$ 224,900,000	\$ 51,515,000	\$ (19,195,000)	\$ 257,220,000	\$ 17,880,000
Wastewater Utility	153,994,610	3,738,145	(14,442,046)	143,290,709	14,301,826
Parking Facilities	129,758,284	-	(2,277,946)	127,480,338	5,906,215
Storm Water	47,630,172	-	(3,717,385)	43,912,787	3,442,722
Net Premiums	42,949,893	3,486,503	(5,026,384)	41,410,012	-
Total Bonds Payable	599,232,959	58,739,648	(44,658,761)	613,313,846	41,530,763
Other Liabilities:					
Vested compensated absences	2,094,849	1,516,816	(1,414,366)	2,197,299	742,590
Net pension liability	34,656,853	13,496,926	(18,004,333)	30,149,446	-
Other post-employment benefits	8,322,299	1,375,332	(1,337,256)	8,360,375	184,387
Lease	1,985,961	-	(347,048)	1,638,913	386,399
Total Other Liabilities	47,059,962	16,389,074	(21,103,003)	42,346,033	1,313,376
Total Business-Type Activities	\$ 646,292,921	\$ 75,128,722	\$ (65,761,764)	\$ 655,659,879	\$ 42,844,139

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
COMPONENT UNITS:					
Other Liabilities:					
Vested compensated absences	\$ 10,166,458	\$ 15,589,748	\$ (15,805,770)	\$ 9,950,436	\$ 7,462,827
Other post-employment benefits	100,915,888	17,424,887	(17,585,767)	100,755,008	-
Net pension liability	195,512,717	118,901,619	(106,412,222)	208,002,114	-
Workers' compensation claims	3,880,934	1,198,298	(860,804)	4,218,428	814,399
Long-term notes payable	1,687,406	-	(1,687,406)	-	-
Claims liability	105,601	331,348	(138,002)	298,947	152,291
Lease	761,355	-	(46,254)	715,101	47,133
Subscription-based information technology arrangements	5,449,013	-	(4,244,424)	1,204,589	829,350
Total Component Units Activities	<u>\$ 318,479,372</u>	<u>\$ 153,445,900</u>	<u>\$ (146,780,649)</u>	<u>\$ 325,144,623</u>	<u>\$ 9,306,000</u>

L Subscription-Based Information Technology Arrangements (SBITAs) Obligations

For the period ended June 30, 2024, the City established multiple subscription-based technology arrangements with vendors for diverse purposes. All SBITAs were subject to a discounted rate, specifically calculated at the borrowing rate of 4.074%. For the fiscal year ended June 30, 2024, there was a principal reduction of \$3,839,311. Notably, the total expenditures paid under these subscriptions were \$4,510,396 for the fiscal year ended June 30, 2024.

Total future minimum SBITA payments under agreements are as follows:

Year Ending June 30,	Governmental Activities		
	Principal Reduction	Interest	Total
2025	\$ 4,271,162	\$ 503,849	\$ 4,775,011
2026	2,324,733	412,826	2,737,559
2027	1,390,777	358,370	1,749,147
2028	1,231,934	310,135	1,542,069
2029	1,309,395	258,866	1,568,261
2030-2035	6,611,409	472,572	7,083,981
	<u>\$ 17,139,410</u>	<u>\$ 2,316,618</u>	<u>\$ 19,456,028</u>

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 City of Norfolk employees (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 employees (Note X.B). As of the year ended June 30, 2024, the four plans had the following balances reported in the government-wide financial statements with the measurement date of June 30, 2023:

NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Norfolk Retirement Plans	Governmental Activities	Business-type Activities	Component Unit Norfolk Public Schools
Norfolk ERS			
Total Pension Liability	\$ (1,369,297,454)	\$ (161,456,546)	\$ -
Net Pension Liability	(255,694,554)	(30,149,446)	-
Deferred Outflows	88,128,171	10,252,120	-
Deferred Inflows	(10,880,081)	(1,310,886)	-
Pension Expense	(69,618,482)	(8,196,272)	-
VRS - Political Subdivision			
Total Pension Liability	\$ (146,105,187)	\$ (11,508,146)	\$ (104,528,404)
Net Pension Asset	5,801,780	456,984	-
Net Pension Liability	-	-	(3,992,627)
Deferred Outflows	18,138,002	1,623,027	1,007,604
Deferred Inflows	(3,653,904)	(132,836)	(1,800,610)
Pension Expense	(525,350)	(112,147)	(451,896)
VRS - Teachers			
Total Pension Liability	\$ -	\$ -	\$ (1,125,816,463)
Net Pension Liability	-	-	(204,009,487)
Deferred Outflows	-	-	26,801,703
Deferred Inflows	-	-	(36,999,051)
Pension Expense	-	-	(12,313,807)

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 System or the Plan) that covers eligible 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 members' individual benefit calculations. 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, 2023, the actuarial valuation and net pension liability measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries receiving benefits:	
General	3,044
Public Safety	1,480
Vested Former Members:	
General	1,178
Public Safety	418
Active Plan Members:	
General	1,417
Public Safety	704
	<hr/>
	8,241

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 creditable service for public safety employees. General employees 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 normal service retirement benefit per annum is equal to 2.5 percent of average final compensation (average of the three highest years of 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, 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 creditable service for public safety employees. General employees normal service retirement benefit per annum is equal to 1.75 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 normal service retirement benefit per annum is equal to 2.5 percent of average final compensation (average of the three highest years of 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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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 police officers and firefighters 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 full monthly pension benefit. The participant's DROP balance is not credited with investment gains or 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 \$42,319,000 and \$40,134,000 for the years ended June 30, 2024 and 2023, respectively. The fiscal year 2024 contribution included an additional contribution of \$8,716,323 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 \$8,587,000 and \$8,096,000 for the year ended June 30, 2024 and June 30, 2023, respectively were expected to cover the actuarially determined liabilities.

Actuarial Assumptions

The actuarial assumptions below 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the June 30, 2023, actuarial valuation, the actuarial assumptions included the following:

Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	3-Year Smoothed Value
Amortization Method	Level Percent Closed, 20-Years Layers
Discount Rate	6.75 percent
Investment Rate of Return	6.75 percent
Amortization Growth Rate	3.00 percent
Inflation Rate	3.00 percent
Salary Increases - General Employees	Average of 5.12 percent over a 30-year career; based on rates that vary by year of service and are compounded annually
Salary Increases - Public Safety Employees	Average of 6.19 percent over a 30-year career; based on rates that vary by year of service and are compounded annually
Mortality	Pre-Retirement/Healthy Annuitant 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
	Disableds 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

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2023, are summarized in the following table:

Asset Class	20-year 2023 Long-term Expected Real Rate of Return	Target Allocations
Global Equity	6.60%	52.00%
Private Equity	9.40%	5.00%
High Yield & Bank Loans	9.10%	4.00%
Real Estate	5.20%	8.00%
Natural Resources & Infrastructure	6.10%	5.00%
Gold	3.30%	3.00%
Short-Term TIPS	1.00%	5.00%
Investment Grade Fixed Income	2.10%	14.00%
Hedge Funds	1.90%	4.00%
		<u>100.00%</u>

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 assumes that plan member contributions will continue to be made at the current contributions rate specified in City Charter 37. City (employer) contributions will be made in accordance with the funding policy assumption adopted by the Board of Trustees, whereby City contributions in a particular fiscal year will be no less than the preceding fiscal year until the System reaches 100 percent funded. The GASB 67 depletion schedule, as prepared by the actuary based on those assumptions, was prepared for the next 99 years. Based on the assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future payments and pay administrative expenses. Projected benefit payments are discounted at the long-term expected return of 6.75 percent (net of investment expenses). The single equivalent rate used, for the purposes of GASB 67, to determine the total pension liability as of the measurement date of June 30, 2023, was 6.75 percent.

Net Pension Liability

The net pension liability was measured as of June 30, 2023, with an actuarial valuation date of June 30, 2023. 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 2024 of \$38,113,548 for governmental activities and \$4,205,776 for business-type activities are included as deferred outflows. As of June 30, 2024, the City reported a net pension liability of \$255,694,554 in governmental activities and \$30,149,446 in business-type activities. The net pension liability is allocated based on employer's contributions during the measurement period.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The percentage for governmental activities and business-type activities for fiscal year 2023 was 89.47 percent and 10.53 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)
Balance at June 30, 2022	\$ 1,534,615,000	\$ 1,202,663,000	\$ 331,952,000
Service cost	21,246,000	-	21,246,000
Interest	101,376,000	-	101,376,000
Changes of benefits	(4,451,000)	-	(4,451,000)
Contributions - employer	-	40,134,000	(40,134,000)
Contributions - employee	-	8,096,000	(8,096,000)
Net investment income (loss)	-	102,983,000	(102,983,000)
Benefits payments, including refunds of member contributions	(107,961,000)	(107,961,000)	-
Difference between expected and actual experience	(14,071,000)	-	(14,071,000)
Administrative expense	-	(1,005,000)	1,005,000
Balance at June 30, 2023	\$ 1,530,754,000	\$ 1,244,910,000	\$ 285,844,000

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 6.75 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 5.75 percent or 1- percentage-point higher 7.75 percent than the current rate:

	I% Decrease (5.75)	Current Discount Rate (6.75)	I% Increase (7.75)
ERS Net Pension Liability	\$ 455,494,000	\$ 285,844,000	\$ 143,259,000

Pension Expense and Deferred Inflows and Outflows of Resources Related to the ERS Pension

Total pension expense included for the City is \$69,618,482 for governmental activities and \$8,196,272 for business-type activities or \$77,814,754 combined for the City.

At June 30, 2024, deferred inflows and 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	\$ 10,601,710	\$ 1,229,290	\$ 11,831,000
Net change in proportionate share (Internal Service Funds)	278,371	-	278,371
Net change in proportionate share (Storm Water Utility)	-	65,996	65,996
Net change in proportionate share (Water Utility)	-	15,600	15,600
	\$ 10,880,081	\$ 1,310,886	\$ 12,190,967

NOTES TO THE BASIC FINANCIAL STATEMENTS

Deferred Outflows of Resources			
	Governmental Activities	Business-Type Activities	Total
Net difference between projected and actual earnings on plan investments	\$ 49,686,635	\$ 6,014,365	\$ 55,701,000
Net change in proportionate share (Parking Facilities)	-	30,332	30,332
Net change in proportionate share (Wastewater Utility)	-	1,647	1,647
Net change in proportionate share (Governmental Funds)	327,988	-	327,988
	<u>\$ 50,014,623</u>	<u>\$ 6,046,344</u>	<u>\$ 56,060,967</u>

Deferred outflows related to pension contributions made after the measurement date of \$38,113,548 for governmental activities and \$4,205,776 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 and outflows of resources will be recognized in pension expense as follows:

Amortization of Deferred (Inflows) and Outflows			
Year Ended:	Governmental Activities	Business-type Activities	Total
2025	\$ 3,718,071	\$ 495,929	\$ 4,214,000
2026	1,985,301	348,699	2,334,000
2027	37,455,639	4,365,361	41,821,000
2028	(4,024,469)	(474,531)	(4,499,000)
	<u>\$ 39,134,542</u>	<u>\$ 4,735,458</u>	<u>\$ 43,870,000</u>

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 multiple employers, agent (for school employee political subdivision and City of Norfolk political subdivision) and a multiple employer, cost- sharing (for teachers) defined benefit pension plan as well as a hybrid plan containing both defined benefit and defined contribution aspects. All full-time, permanent employees of the School Board, the City of Norfolk, 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 eligible and for which the City or the School Board and members 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 retirement multiplier, 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.

Plan Membership

As of June 30, 2022, actuarial valuation, the following employees were covered by the benefit terms of the pension plan for the measurement date June 30, 2023:

Agent Multiple-Employer Plans		
	City of Norfolk Political Subdivisions	School Board Political Subdivisions
Inactive member or their beneficiaries currently receiving benefits	397	613
Inactive members:		
Vested	107	84
Non-vested	291	336
Active elsewhere in the VRS	290	109
Total inactive members	688	529
Long-term disability members	3	1
Active members	1,150	565
Total	2,238	1,708

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00 percent of their annual reported compensation to the VRS. The City and Norfolk Public Schools' actuarially determined contribution rates as of June 30, 2024, were 12.84 percent of covered payroll for the City employees, 6.31 percent of the annual covered payroll for School Board professional employees and 16.62 percent of annual covered payroll for the other school employees based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rates, after considering projected investment earnings and employee contributions, were expected to finance the costs of benefits earned by employees during the year, as well as any unfunded liability accrued.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The School Board's contributions to the VRS for teachers for the fiscal years ended June 30, 2024, and 2023 were \$35,168,000 and \$32,135,000, respectively. The School Board's contributions to the VRS for other school employees for the years ended June 30, 2024, and 2023 were \$1,357,268 and \$1,154,904, respectively. The City contributions to the VRS for the fiscal years ended June 30, 2024, and 2023 were \$14,804,821 and \$11,700,979, respectively.

Actuarial Assumptions

The total pension liabilities for the Political Subdivisions and Teachers plans were based on an actuarial valuation as of June 30, 2022, 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, 2023.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization period	2 - 24 years
Asset Valuation Method	5-year Smoothed Market
Inflation	2.50%
Projected Salary Increases	3.50 - 5.35% - General 3.50 - 4.75% - Public Safety 3.50 – 5.95% - Teachers
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Mortality Rates	
Pre-Retirement	General - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
	Public Safety – Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale: 95% of rates for males; 105% of rates for females set forward 2 years
	Teachers – Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
Post-Retirement	General - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
	Public Safety – Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale: 110% of rates for males; 105% of rates for females set forward 3 years
	Teachers – Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
Post-Disablement	General - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

NOTES TO THE BASIC FINANCIAL STATEMENTS

	<p>Public Safety – Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale: 95% of rates for males set back 3 years; 90% of rates for females set back 3 years</p> <p>Teachers – Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females</p> <p>General - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years</p> <p>Public Safety – Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years</p> <p>Teachers – Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally</p>
Beneficiaries and Survivors	<p>General/Public Safety/Teachers- Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates</p>
Mortality Improvement	

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	<p>General/Public Safety/Teachers – Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020</p>
Retirement Rates	<p>General – Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age</p>
Withdrawal Rates	<p>Public Safety – Adjusted rates to better fit experience and changed final retirement age from 65 to 70</p>
Disability Rates	<p>Teachers – Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all</p>
Salary Scale	<p>General/Teachers – Adjusted rates to better fit experience at each year age and service though 9 years of service</p>
Discount Rate	<p>Public Safety – Decrease rates</p>
Line of Duty Disability	<p>No change</p>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan 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 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 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%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
Multi-Asset Public Strategies (MAPS)	4.00%	4.50%	0.18%
Private Investment Partnership (PIP)	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u><u>100.00%</u></u>	<u><u>5.75%</u></u>	
		Inflation	2.50%
		*Expected arithmetic nominal return	<u><u>8.25%</u></u>

* The above allocation provides a one-year return of 8.25 percent. However, one-year returns do not consider 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 7.14 percent, including expected inflation of 2.50 percent. On June 15, 2023, the VRS Board elected a long-term rate of 6.75 percent which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14 percent, including expected inflation of 2.50 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. Through the fiscal year ended June 30, 2023, the rate contributed by the school division for the VRS Teacher plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 112% of the actuarially determined contribution rate. From July 1, 2023, on, school divisions are assumed to continue to contribute 112% of the actuarially determined contribution rates. 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, 2023, 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, 2022, actuarial valuations, whichever was greater. From July 1, 2023 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.

Net Pension Liability

The net pension liability (asset) represents the total pension liability determined in accordance with GASB Statement No. 68, less the fiduciary net position. The net pension liability (asset) was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023. Below are the schedules of changes in net pension liability (asset) for each of the agent multiple-employer plans:

City of Norfolk Political Subdivision

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2022	\$ 141,251,691	\$ 142,992,895	\$ (1,741,204)
Service cost	7,469,996	-	7,469,996
Interest	9,832,433	-	9,832,433
Difference between expected and actual experience	5,171,227	-	5,171,227
Contributions - employer	-	10,620,748	(10,620,748)
Contributions - employee	-	6,603,494	(6,603,494)
Net investment income	-	9,848,375	(9,848,375)
Benefits payments, including refunds of employee contributions	(6,112,014)	(6,112,014)	-
Administrative expense	-	(85,463)	85,463
Other changes	-	4,062	(4,062)
Balance at June 30, 2023	\$ 157,613,333	\$ 163,872,097	\$ (6,258,764)

School Board Political Subdivision

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2022	\$ 100,797,363	\$ 98,747,906	\$ 2,049,457
Service cost	1,430,172	-	1,430,172
Interest	6,690,110	-	6,690,110
Difference between expected and actual experience	1,840,334	-	1,840,334
Contributions - employer	-	1,024,787	(1,024,787)
Contributions - employee	-	837,702	(837,702)
Net investment income	-	6,216,548	(6,216,548)
Benefits payments, including refunds of employee contributions	(6,229,575)	(6,229,575)	-
Administrative expense	-	(64,151)	64,151
Other changes	-	2,560	(2,560)
Balance at June 30, 2023	\$ 104,528,404	\$ 100,535,777	\$ 3,992,627

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability (asset) using the discount rate of 6.75 percent, as well as what the proportionate share of the net pension liability (asset) 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:

NOTES TO THE BASIC FINANCIAL STATEMENTS

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Agent Multiple-Employer Plans			
City of Norfolk - Political Subdivisions - Net Pension Liability (Asset)	\$ 15,738,482	\$ (6,258,764)	\$ (23,946,540)
School Board - Political Subdivisions - Net Pension Liability (Asset)	15,945,438	3,992,627	(6,035,321)
Cost Sharing Plans			
School Board - Teachers - Net Pension Liability	\$ 261,636,016	\$ 204,009,487	\$ 74,427,431

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2024, the City of Norfolk, recognized pension expense of \$525,350 for governmental activities and \$112,147 for business-type activities or \$637,497 in total. The School Board Political Subdivision and School Board Teachers recognized pension expense of \$451,896 and \$12,313,807 respectively. At June 30, 2024, the reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources			
	Governmental Activities	Business-type Activities	School Board Political Subdivisions	School Board Teachers
	City of Norfolk Political Subdivisions	City of Norfolk Political Subdivisions	School Board Political Subdivisions	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	\$ 8,533	\$ 106,489	\$ -	\$ 15,773,091
Differences between expected and actual experience	1,359,713	26,347	146,127	7,961,283
Net difference between projected and actual earnings on plan investments	2,285,658	-	1,654,483	13,264,677
	<u>\$ 3,653,904</u>	<u>\$ 132,836</u>	<u>\$ 1,800,610</u>	<u>\$ 36,999,051</u>
	Deferred Outflows of Resources			
	Governmental Activities	Business-type Activities	School Board Political Subdivisions	School Board Teachers
	City of Norfolk Political Subdivisions	City of Norfolk Political Subdivisions	School Board Political Subdivisions	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	\$ 115,022	\$ -	\$ -	\$ 28,630
Change in assumptions	781,504	-	-	9,248,465
Differences between expected and actual experience	3,632,960	286,154	1,007,604	17,524,608
Net difference between projected and actual earnings on plan investments	11,650	143,062	-	-
	<u>\$ 4,541,136</u>	<u>\$ 429,216</u>	<u>\$ 1,007,604</u>	<u>\$ 26,801,703</u>

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 Subdivision and the School Board Teachers contributed \$14,790,677 (\$13,596,866 for governmental activities and \$1,193,811 for business-type activities), \$1,357,268 and \$35,168,009 respectively for the year ended June 30, 2024. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended:	Amortization of Deferred Inflows and Outflows			
	Business-type Activities			
	City of Norfolk Political Subdivisions	City of Norfolk Political Subdivisions	School Board Political Subdivisions	School Board Teachers
2025	\$ (716,033)	\$ 65,269	\$ (478,308)	\$ (9,841,391)
2026	(1,722,340)	102,478	(1,805,458)	(15,963,234)
2027	3,139,329	116,947	1,430,868	12,944,450
2028	186,276	11,686	59,892	2,662,827
	<u>\$ 887,232</u>	<u>\$ 296,380</u>	<u>\$ (793,006)</u>	<u>\$ (10,197,348)</u>

Pension Plan Data

Detailed information about the VRS Political Subdivision and Teachers Retirement Plans is available in the separately issued VRS 2024 Annual Comprehensive Financial Report. A copy of the 2024 ACFR 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/2022-annual-report.pdf>

Payables to the Pension Plan

As of June 30, 2024, no outstanding amounts are payable to the Political Subdivision pension plan for the fiscal year ended June 30, 2024.

As of June 30, 2024, no outstanding amounts are payable to the Teachers' pension plan for the fiscal year ended June 30, 2024.

XI Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferral amount can be up to the IRS's annual maximum allowable contribution, 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 2023 and 2024, excluding catch up contributions, were \$30,000 and \$30,500 respectively. The benefits from the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2023, 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	67	78	67
Active members	4,162	1,337	3,721
Total	4,229	1,415	3,788

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, 2023. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions applied to all periods included in the measurement.

Actuarial Assumptions

For the June 30, 2023, actuarial valuation, the actuarial assumptions included the following:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 years rolling
Asset Valuation Method	Not Applicable
Investment Rate of Return	3.65 percent
Rate of Salary Increase for Amortization	3.00 percent
Rate of Medical Inflation	7.50 percent (Pre-Medicare) grading to 4.04 percent over 19 years
Mortality (City - ERS members)	
Pre-Retirement	General - Pub-2010(B) General Employee Below-Median Table (5.00 percent of deaths assumed accidental)
Healthy Annuitants	Public Safety - Pub-2010 Safety Employee Table (60.00 percent of deaths assumed accidental)
Disabled	General - Pub-2010(B) General Healthy Annuitant Below-Median Table
Mortality Projection Scale	Public Safety - Pub-2010 Safety Healthy Annuitant Table
Mortality (City & School Board - VRS members)	
Pre-Retirement	General - Pub-2010 General Disabled Annuitant Table (25.00 percent of disabilities assumed accidental)
City General - Pub-2010 Amount Weighted General Employee Rates; males set forward 2 years; 105.00 percent rates for females set forward 3 years	Public Safety - Pub-2010 Safety Disabled Annuitant Table (70.00 percent of disabilities assumed accidental)

NOTES TO THE BASIC FINANCIAL STATEMENTS

	School Board - Pub-2010 Amount Weighted Teachers Employee Rates; 110.00 percent of rates for males
Healthy Annuitants	City General - Pub-2010 Amount Weighted General Healthy Retiree Rates; 95.00 percent of rates for males set forward 2 years; 95.00 percent of rates for females set forward 1 year
	School Board - Pub-2010 Amount Weighted Teachers Healthy Retiree Rates; males set forward 1 year; 105.00 percent of rates for females
Disabled	City General - Pub-2010 Amount Weighted General Disabled Rates; 110.00 percent of rates for males set forward 3 years; 110.00 percent of rates for females set forward 2 years
	School Board - Pub-2010 Amount Weighted Teachers Disabled Rates; 110.00 percent of rates for males and females
Beneficiaries & Survivors	City General - Pub-2010 Amount Weighted General Healthy Contingent Annuitant Rates
	School Board - Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates
Mortality Projection Scale	Rates projected generationally from the base year using the Modified MP-2020 Improvement Scale that is 75.00 percent of the MP-2020 rates

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, 2023, was 3.65 percent. Since the Plan utilizes a pay-as-you-go contribution policy, the discount rate used at the June 30, 2023, measurement date was based on the Bond Buyer 20-Bond General Obligation Index.

Changes in Total OPEB Liability

The total OPEB liability was measured as of June 30, 2023, with an actuarial valuation date of June 30, 2023. The City OPEB expense and liability are allocated to governmental and enterprise funds. As of June 30, 2023, the City (including Line of Duty) and the School Board reported a total OPEB liability of \$115,124,119 (\$106,763,744 in governmental activities and \$8,360,375 in business-type activities) and \$64,312,869 respectively. Changes to the total OPEB liability are as follows:

NOTES TO THE BASIC FINANCIAL STATEMENTS

	City	Line of Duty	School Board	Total OPEB Liability
Balance at June 30, 2022	\$ 79,713,028	\$ 35,897,794	\$ 62,277,163	\$ 177,887,985
Service cost	5,545,774	701,255	3,698,962	9,945,991
Interest	2,881,623	1,260,722	2,230,206	6,372,551
Change in benefits	(71,988)	-	-	(71,988)
Difference between expected and actual experience	(10,237,005)	19,942	(1,201,258)	(11,418,321)
Assumption changes	3,571,000	(744,789)	(451,969)	2,374,242
Benefits payments	(2,138,633)	(1,274,604)	(2,240,235)	(5,653,472)
Balance at June 30, 2023	\$ 79,263,799	\$ 35,860,320	\$ 64,312,869	\$ 179,436,988

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability using the discount rate of 3.65 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 (2.65 percent) or one percentage point higher (4.65 percent) than the current rate:

	Current Discount Rate (3.65%)		
	1% Decrease (2.65%)	1% Increase (4.65%)	
City	\$ 88,308,666	\$ 79,263,799	\$ 71,930,423
Line of Duty	39,650,161	35,860,320	32,542,574
School Board	71,109,671	64,312,869	58,362,732

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:

	Healthcare Cost Trend Rates (7.50% decreasing to 4.04%)		
	1% Decrease (6.50% decreasing to 3.04%)	1% Increase (8.50% decreasing to 5.04%)	
City	\$ 69,907,727	\$ 79,263,799	\$ 90,427,236
Line of Duty	31,627,471	35,860,320	40,910,853
School Board	56,721,562	64,312,869	73,370,632

NOTES TO THE BASIC FINANCIAL STATEMENTS

OPEB Expense and Deferred Inflows and Outflows of Resources

OPEB expense reported for the fiscal year ended June 30, 2024, for the City (including Line of Duty) and the School Board was \$9,485,035 and \$3,177,078 respectively. At June 30, 2024, 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		Business-Type Activities	Governmental Activities
	City	City	Line of Duty	School Board
Change in assumptions	\$ 1,506,515	\$ 177,637	\$ 7,356,008	\$ 632,714
Net change in proportionate share (Wastewater Utility)	-	59,896	-	-
Net change in proportionate share (Parking Facilities)	-	7,272	-	-
Net change in proportionate share (Internal Services Fund)	112,311	-	-	-
Differences between expected and actual experience	14,518,908	1,689,160	1,347,550	9,616,974
Total	<u>\$ 16,137,734</u>	<u>\$ 1,933,965</u>	<u>\$ 8,703,558</u>	<u>\$ 10,249,688</u>

	Deferred Outflows of Resources			
	Governmental Activities		Business-type Activities	Governmental Activities
	City	City	Line of Duty	School Board
Change in assumptions	\$ 18,048,824	\$ 2,100,477	\$ 1,532,547	\$ 6,995,983
Net change in proportionate share (Governmental Fund)	52,396	-	-	-
Net change in proportionate share (Water Utility)	-	82,168	-	-
Net change in proportionate share (Storm Water Utility)	-	44,915	-	-
Differences between expected and actual experience	982,939	115,901	2,611,775	518,202
Total	<u>\$ 19,084,159</u>	<u>\$ 2,343,461</u>	<u>\$ 4,144,322</u>	<u>\$ 7,514,185</u>

Contributions made after the measurement date of the total OPEB liability but before the end of the reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. The City and the School Board contributed \$3,162,736 (\$2,978,349 for governmental activities and \$184,387 for business-type activities) and \$1,987,930, respectively in fiscal year 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended:	Amortization of Deferred (Inflows) and Outflows			
	Governmental Activities		Business-Type Activities	Governmental Activities
	City	City	Line of Duty	School Board
2025	\$ 1,647,736	\$ 193,064	\$ (1,923,334)	\$ (787,723)
2026	1,420,066	178,255	(717,583)	(1,049,577)
2027	1,894,742	244,059	(1,676,704)	(567,560)
2028	(1,008,060)	(102,941)	(120,808)	(330,643)
2029	(1,008,059)	(102,941)	(120,807)	-
	<u>\$ 2,946,425</u>	<u>\$ 409,496</u>	<u>\$ (4,559,236)</u>	<u>\$ (2,735,503)</u>

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.

B Virginia Retirement System Post-Employment Benefits Trust Funds

The 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 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 Group Life Insurance Program (GLI) 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, permanent employees of the state agencies, teachers, and employees of participating political subdivisions. This plan is administered along with the pensions and other OPEB plans for public employer groups in the Commonwealth of Virginia.

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 Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI 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 1.34 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

NOTES TO THE BASIC FINANCIAL STATEMENTS

on an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits payable during the year.

In June 2023, the Commonwealth of Virginia made a special contribution of approximately \$10.1 million to the GLI plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution.

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation Rate	2.50 percent
Salary Increases, including inflation	3.50 percent - 5.35 percent - Non-Hazardous Duty 3.50 percent - 4.75 percent - Hazardous Duty 3.50 percent – 5.95 percent - Teachers
Investment Rate of Return	6.75 percent, net of investment expenses, including inflation
Mortality Rates	
Pre-Retirement	
General Employees	Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105 percent of rates for females set forward 3 years
Hazardous Duty	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95 percent of rates for males; 105 percent of rates for females set forward 2 years
Teachers	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110 percent of rates for males
Post-Retirement	
General Employees	Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95 percent of rates for males set forward 2 years; 95 percent of rates for females set forward 1 year
Hazardous Duty	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110 percent of rates for males; 105 percent of rates for females set forward 3 years
Teachers	Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105 percent of rates for females
Post-Disablement	
General Employees	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110 percent of rates for males; 110 percent of rates for females set forward 2 years

NOTES TO THE BASIC FINANCIAL STATEMENTS

Hazardous Duty	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95 percent of rates for males set back 3 years; 90 percent of rates for females set back 3 years
Teachers	Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110 percent of rates for males and females
Beneficiaries and Survivors	
General Employees	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
Hazardous Duty	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110 percent of rates for males and females set forward 2 years
Teachers	Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75 percent of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective July 1, 2021. Changes to the actuarial assumption as a result of the experience study are as follows:

Mortality Rates	
General Employees/Teachers	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Hazardous Duty	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	
General Employees/Teachers	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Hazardous Duty	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	
General Employees\Teachers	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Hazardous Duty	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO THE BASIC FINANCIAL STATEMENTS

Net GLI OPEB Liability

The net OPEB liability for the GLI Program represents the program's total OPEB liability determined by VRS in accordance with GASB Statement No. 74, less the School Board's associated fiduciary net position. As of the measurement date of June 30, 2023, the net OPEB liability amounts for the GLI program are as follows:

	School Board Political Subdivisions	School Board Teachers	Total
Total GLI OPEB Liability	\$ 3,091,260	\$ 33,464,568	\$ 36,555,828
Plan Fiduciary Net Position	2,142,363	23,192,243	25,334,606
Net GLI OPEB Liability	<u>\$ 948,897</u>	<u>\$ 10,272,325</u>	<u>\$ 11,221,222</u>

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, 2023, 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 General Assembly. From July 1, 2023 on, employers 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 the VRS 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:

NOTES TO THE BASIC FINANCIAL STATEMENTS

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%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
Multi-Asset Public Strategies (MAPS)	4.00%	4.50%	0.18%
Private Investment Partnership (PIP)	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	8.25%

* The above allocation provides a one-year return of 8.25 percent. However, one-year returns do not consider 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 7.14 percent, including expected inflation of 2.50 percent. On June 15, 2023, the VRS Board elected a long-term rate of 6.75 percent which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14 percent, including expected inflation of 2.50 percent.

Sensitivity of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the net GLI OPEB liability using the discount rate of 0.00 percent, as well as what the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (-1.00 percent) or one percentage point higher (1.00 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net GLI OPEB Liability - Teachers	\$ 15,226,759	\$ 10,272,325	\$ 6,266,586
Net GLI OPEB Liability - Political Subdivision	1,406,562	948,897	578,872

GLI OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2024, the School Board recognized GLI OPEB expense of \$12,758. The School Board reported deferred outflows of resources and deferred inflows of resources related to VRS GLI OPEB as follows:

NOTES TO THE BASIC FINANCIAL STATEMENTS

Deferred Inflows of Resources

	School Board Political Subdivisions	School Board Teachers	Total
Change in proportion and difference between contribution and proportionate rate	\$ 100,395	\$ 1,121,345	\$ 1,221,740
Change in assumptions	65,743	711,707	777,450
Differences between expected and actual experience	28,804	311,818	340,622
Net difference between projected and actual earnings on Plan investments	38,132	412,800	450,932
	<u>\$ 233,074</u>	<u>\$ 2,557,670</u>	<u>\$ 2,790,744</u>

Deferred Outflows of Resources

	School Board Political Subdivisions	School Board Teachers	Total
Change in proportion and difference between contribution and proportionate rate	\$ 2,297	\$ 4,155	\$ 6,452
Change in assumptions	20,283	219,575	239,858
Differences between expected and actual experience	94,772	1,025,954	1,120,726
	<u>\$ 117,352</u>	<u>\$ 1,249,684</u>	<u>\$ 1,367,036</u>

The School Board reported \$3,163,743 (\$2,870,412 for Teachers and \$293,331 political subdivision) as deferred outflows related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date and will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to GLI OPEB will be recognized in GLI OPEB expense in the future reporting periods as follows:

Amortization of Deferred Inflows and Outflows

Year Ended:	School Board Political Subdivisions	School Board Teachers	Total
2025	\$ (37,002)	\$ (420,544)	\$ (457,546)
2026	(70,241)	(707,269)	(777,510)
2027	(6,871)	(30,017)	(36,888)
2028	(10,621)	(157,791)	(168,412)
2029	9,013	7,635	16,648
	<u>\$ (115,722)</u>	<u>\$ (1,307,986)</u>	<u>\$ (1,423,708)</u>

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, 2024 and June 30, 2023 were approximately \$3,163,397 and \$2,864,320 respectively.

Health Insurance Credit (HIC) Plans

Plan Description

The School Board contributes to the VRS Health Insurance Credit Program (HIC), a multiple-employer defined benefit plan that provides a credit toward the cost of health insurance coverage for eligible retirees. The Health Insurance Credit Program 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. For purposes of measuring the net OPEB HIC liability, deferred outflows of resources and deferred inflows of resources related to the OPEB HIC and OPEB HIC expense, information about the fiduciary net position of the VRS HIC Program; and the additions to/deductions from the VRS HIC Program's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

All full-time, permanent employees are automatically covered by either the VRS Teacher Health Insurance Credit Program (THICP), (teachers and professionals), a multiple-employer, cost-sharing plan or the VRS Political Subdivision Health Insurance Credit Program (HICP), (non-professionals), a multiple-employer, agent plan. The plans are administered by the Virginia Retirement System along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. 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 ends upon the retiree's death.

Teacher Health Insurance Credit Program (THICP)

The THICP was established for retired teachers and professional employees of public school divisions covered under VRS. The THICP provides eligible employees with the following benefits:

- At retirement (for teachers and other professional school employees who retire with at least 15 years of service credit):
 - \$4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement (for teachers and other professional school employee who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP)):
 - \$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.

Political Subdivision Health Insurance Credit Program (HICP)

The School Board began contributing to the HICP July 1, 2020, for retired non-professional employees covered under VRS. This separate plan covers employees working in maintenance, custodial, nutritional, and transportation services. The HICP provides eligible employees with the following benefits:

NOTES TO THE BASIC FINANCIAL STATEMENTS

- At retirement (for non-professional school employees who retire with at least 15 years of service credit):
 - \$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)):
 - \$45.00 per month.

Health Insurance Credit Program Notes

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.
- No Health Insurance Credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.

Employees Covered by Benefit Terms

As of the June 30, 2023, actuarial valuation, the following employees were covered by the benefit terms of the HICP OPEB Plan:

	School Board Political Subdivision
Active members	555
Inactive member or their beneficiaries currently receiving benefits	263
Total	818

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) and §51.1-1402(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, 2024, was 1.21 percent of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. The contractually required employer contribution rate for the School Board Political Subdivision Health Insurance Credit Program for the year ended June 30, 2024, was 1.02 percent of covered employee compensation. These rates were based on an actuarial valuation as of June 30, 2021. The actuarially determined rates were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

In June 2023, the Commonwealth made a special contribution of approximately \$4.0 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution. The School Board Teachers' proportionate share is reflected in the NPS financial statements.

Actuarial Assumptions

The HIC OPEB liabilities were based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation Rate	2.50 percent
Salary Increases, including inflation	3.50 percent - 5.35 percent - Non-Hazardous Duty 3.50 percent - 4.75 percent - Hazardous Duty 3.50 percent – 5.95 percent - Teachers
Investment Rate of Return	6.75 percent, net of investment expenses, including inflation
Mortality Rates	
Pre-Retirement	
General Employees	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95 percent of rates for males; 105 percent of rates for females set forward 3 years
Hazardous Duty	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95 percent of rates for males; 105 percent of rates for females set forward 2 years
Teachers	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110 percent of rates for males
Post-Retirement	
General Employees	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110 percent of rates for males; 105 percent of rates for females set forward 3 years
Hazardous Duty	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110 percent of rates for males; 105 percent of rates for females set forward 3 years
Teachers	Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105 percent of rates for females
Post-Disablement	
General Employees	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95 percent of rates for males set back 3 years; 90 percent of rates for females set back 3 years
Hazardous Duty	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95 percent of rates for males set back 3 years; 90 percent of rates for females set back 3 years
Teachers	Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110 percent of rates for males and females
Beneficiaries and Survivors	

NOTES TO THE BASIC FINANCIAL STATEMENTS

General Employees	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110 percent of rates for males and females set forward 2 years
Hazardous Duty	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110 percent of rates for males and females set forward 2 years
Teachers	Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75 percent of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board are as follows:

Mortality Rates	
General Employees/Teachers	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Hazardous Duty	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	
General Employees/Teachers	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Hazardous Duty	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	
General Employees\Teachers	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Hazardous Duty	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net HIC OPEB Liability

The School Board Political Subdivision net HIC OPEB liability was measured as of June 30, 2023. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023. Changes to the net HICP OPEB liability are as follows:

School Board Political Subdivision

	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balance at June 30, 2022	\$ 2,204,573	\$ 245,395	\$ 1,959,178
Service cost	14,199	-	14,199
Interest	147,479	-	147,479
Difference between expected and actual experience	(940,699)	-	(940,699)
Change in assumptions	-	186,523	(186,523)
Net investment income	-	19,743	(19,743)
Benefits payments, including refunds of employee contributions	(67,783)	(67,783)	-
Administrative expense	-	(548)	548
Other changes	-	50	(50)
Balance at June 30, 2023	\$ 1,357,769	\$ 383,380	\$ 974,389

The School Board's proportion of the net THIC OPEB liability was based on the actuarially determined employer contributions to the VRS THIC OPEB plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the School Board Teachers' proportion of the VRS Teacher Employee Health Insurance Credit Program was 2.23 percent as compared to 2.33 percent at June 30, 2022. As of June 30, 2024, the net OPEB liability portion applicable to the School Board are as follows:

School Board Teachers

Total HIC OPEB Liability	\$ 29,531,597
Plan Fiduciary Net Position	5,285,048
Net HIC OPEB Liability	\$ 24,246,549

Plan fiduciary net position as a percentage of the total THICP and HICP liabilities were 17.90 percent and 28.24 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, 2022, 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

NOTES TO THE BASIC FINANCIAL STATEMENTS

General Assembly which was 100 percent of the actuarially determined contribution rate. From July 1, 2022 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%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
Multi-Asset Public Strategies (MAPS)	4.00%	4.50%	0.18%
Private Investment Partnership (PIP)	2.00%	7.18%	0.14%
Total	<u>99.00%</u>		<u>5.74%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	8.25%

* The above allocation provides a one-year return of 8.25 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 6.72 percent, including expected inflation of 2.50 percent. The VRS Board elected a long-term rate of 6.75 percent which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11 percent, including expected inflation of 2.50 percent.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net HIC 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%)
Net THICP OPEB Liability - Teachers	\$ 27,425,555	\$ 24,246,549	\$ 21,552,618
Net HICP OPEB Liability - Political Subdivision	1,115,422	974,389	854,030

HIC OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2024, the School Board recognized THICP and HICP OPEB expenses of \$950,650 and \$(82,337) respectively. At June 30, 2024, the School Board reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB as follows:

Deferred Inflows of Resources			
	School Board Political Subdivisions	School Board Teachers	Total
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ 2,838,792	\$ 2,838,792
Change in assumptions	-	24,433	24,433
Differences between expected and actual experience	798,430	1,067,212	1,865,642
	<u>\$ 798,430</u>	<u>\$ 3,930,437</u>	<u>\$ 4,728,867</u>

Deferred Outflows of Resources			
	School Board Political Subdivisions	School Board Teachers	Total
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ 453	\$ 453
Change in assumptions	34,442	564,418	598,860
Net difference between projected and actual earnings on Plan investments	4,570	12,168	16,738
	<u>\$ 39,012</u>	<u>\$ 577,039</u>	<u>\$ 616,051</u>

Contributions made after the measurement date, reported as deferred outflows of \$2,560,267 and \$219,400, will be recognized as a reduction of the net OPEB Liability in the fiscal year ending June 30, 2025 for teacher's HIC program and the political subdivision HIC program, respectively.

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			
Year Ended:	School Board Political Subdivisions	School Board Teachers	Total
2025	\$ (223,958)	\$ (943,873)	\$ (1,167,831)
2026	(233,813)	(745,213)	(979,026)
2027	(212,424)	(534,272)	(746,696)
2028	(89,223)	(502,001)	(591,224)
2029	-	(428,479)	(428,479)
Thereafter	-	(199,560)	(199,560)
	<u>\$ (759,418)</u>	<u>\$ (3,353,398)</u>	<u>\$ (4,112,816)</u>

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, 2024 and

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023 were approximately \$2,560,267 and \$2,339,380, respectively. The School Board's total employer contribution into the political subdivision HIC program for the years ended June 30, 2024 and June 30, 2023 were \$219,400 and \$186,688 respectively.

Other OPEB Plans

The City provides supplemental life insurance benefits through General fund appropriation to City employees. 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, 2024, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor Governmental funds	\$ 841,240
	Water Utility fund	376,844
	Internal Services Funds	3,005,876
	Total General fund	4,223,960
Capital Projects fund	Parking Facilities fund	12,500,000
	General fund	160,886,189
	Total Capital Projects fund	173,386,189
	Total Governmental funds - Receivable	177,610,149
Receivable Fund	Payable Fund	Amount
Storm Water fund	General fund	5,000,000
	Total Storm Water fund	5,000,000
	Total Enterprise and Internal Service funds	5,000,000
	Total Due from Other funds	\$ 182,610,149
Payable Fund	Receivable Fund	Amount
General fund	Capital Projects fund	\$ 160,886,189
	Storm Water fund	5,000,000
	Total General fund	165,886,189
Nonmajor Governmental funds	General fund	841,240
	Total Nonmajor Governmental funds	841,240
	Total Governmental funds - Payable	166,727,429
Payable Fund	Receivable Fund	Amount
Water Utility fund	General fund	376,844
Parking Facilities fund	Capital Projects fund	12,500,000
Internal Services Funds	General fund	3,005,876
	Total Enterprise and Internal Service funds	15,882,720
	Total Due to Other funds	\$ 182,610,149

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 is made.

The following interfund transfers occurred during fiscal year 2024:

Fund	Transfers In	Transfers Out
General	\$ 22,140,968	\$ 267,778,484
Grants	1,181,221	369,884
Capital Projects	163,229,079	1,713,220
Debt Service	104,284,069	-
Nonmajor Governmental	739,332	17,127,121
Internal Services Fund	-	127,771
Water Utility	-	9,185,456
Wastewater Utility	-	1,678,242
Parking Facilities	1,250,000	109,498
Storm Water Utility	5,495,552	230,545
	<u>\$ 298,320,221</u>	<u>\$ 298,320,221</u>

The purpose of the transfer balances are as follows:

General fund transfers in of \$22,140,968 includes \$1,604,968 to transfer in pension debt obligations from various funds, in addition to \$8,500,000 from the Water Utility fund, \$1,500,000 from the Wastewater Utility fund, \$7,036,000 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 \$267,778,484 represent a transfer of \$99,466,404 to the Debt Service fund to fund general obligation debt, \$843,669 to the Grants special revenue fund in support of grant projects, \$5,000,000 to the Storm Water Utility fund, \$161,729,079 to the Capital Projects fund as a contribution for the annual capital improvement plan budget and \$739,332 to the Cemeteries fund.

The Grants special revenue fund received transfers in of \$1,181,221 as support of grant projects transferred from the General fund of \$843,669 and Capital Project \$463,220. Storm Water Utility fund had a reduction to Grants special revenue funds transfers in of \$125,668 due to an adjustment and a Grants special revenue fund transfers out of \$369,884 for a net transfer out of \$244,216.

The Capital Projects fund transfers in of \$163,229,079 includes \$1,500,000 from the Tax Increment Financing special revenue fund, and \$161,729,079 from the General fund. The Capital Projects fund transfers out of \$1,713,220 includes \$463,220 to the Grants special revenue fund and \$1,250,000 to the Parking Facilities.

Debt service transfers in of \$104,284,069 include \$4,534,676 from the Public Amenities special revenue fund, \$159,741 from the Towing and Recovery Operations special revenue fund, \$123,248 from the Waste Management special revenue fund, and \$99,466,404 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 \$4,534,676 to the Debt Service fund to cover its general obligation debt service cost.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The Towing and Recovery Operations special revenue fund transferred \$159,741 to the Debt Service fund to cover its general obligation debt service cost and \$16,217 to the General fund for pension debt obligations.

The Tax Increment Financing special revenue fund transferred \$7,036,000 to the General fund and \$1,500,000 to the Capital Projects fund.

The Water and Wastewater Utility funds transferred \$9,185,456 and \$1,678,242 to the General fund, respectively. These amounts include the transfer for pension debt obligations of \$685,456 and \$178,242, respectively.

The Storm Water Utility, Parking Facilities, Fleet Management, Healthcare, Waste Management and Cemeteries funds transferred \$230,545, \$109,498, \$100,901, \$26,870, \$211,087 and \$46,152 for pension debt obligations 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 four components as follows:

	General fund	Grants fund	Capital Projects fund	Non-major	Total
FUND BALANCES					
Restricted					
General government	\$ 115,000	\$ -	\$ -	\$ -	\$ 115,000
Judicial administration	-	320,210	-	-	320,210
Public safety	-	1,661,704	-	-	1,661,704
Public works	-	11,469,549	-	-	11,469,549
Health and public assistance	-	577,117	-	-	577,117
Culture and recreation	-	-	-	7,410,834	7,410,834
Total Restricted	115,000	14,028,580	-	7,410,834	21,554,414
Committed					
General government	8,000,000	-	40,965,733	-	48,965,733
Judicial administration	-	347,124	2,113,878	-	2,461,002
Public safety	-	61,697	909,970	-	971,667
Public works	-	5,361,093	24,786,006	-	30,147,099
Health and public assistance	15,111,316	652,297	328,318	-	16,091,931
Culture and recreation	-	1,360	32,513,169	204,027	32,718,556
Community development	2,000,000	480,493	10,326,154	-	12,806,647
Education	-	-	31,152,535	-	31,152,535
Total Committed	25,111,316	6,904,064	143,095,763	204,027	175,315,170
Assigned					
General government	83,960,388	-	-	-	83,960,388
Judicial administration	-	14,348	-	-	14,348
Public safety	156,726	224,663	-	-	381,389
Public works	9,010,522	-	-	2,238,860	11,249,382
Health and public assistance	5,815,682	93,121	-	8,675,502	14,584,305
Culture and recreation	3,849,589	1,392,946	-	209,149	5,451,684
Community development	16,409,133	284,260	-	-	16,693,393
Education	51,286,157	-	-	-	51,286,157
(FY-2024 Budget appropriation)	26,708,174	-	-	-	26,708,174
Total Assigned	197,196,371	2,009,338	-	11,123,511	210,329,220
Unassigned					
Other	101,958,118	-	-	-	101,958,118
Total Unassigned	101,958,118	-	-	-	101,958,118
Total fund balances	\$ 324,380,805	\$ 22,941,982	\$ 143,095,763	\$ 18,738,372	\$ 509,156,922

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, 2024, are comprised of the following:

A Unavailable Revenues

Deferred inflows in the General fund, Special Revenue Grants fund and Nonmajor Governmental fund, representing uncollected tax billings and other accounts receivable not available for funding of current expenditures, were \$45,075,351 and \$5,551,567 respectively as of June 30, 2024.

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 \$33,811,224 for governmental activities and \$27,251,793 for business-type activities that consists of a loss of \$8,079,298 for the Water Utility fund, \$2,869,238 for the Wastewater Utility fund, \$15,285,885 for the Parking Facilities fund and \$1,017,372 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 \$32,430 for governmental activities and \$567,182 for business-type activities, specifically \$2,217 for the Wastewater Utility fund, \$437,422 for the Parking Facilities fund and \$127,543 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 of June 30, 2024, the amount reported as governmental activities was \$14,533,985 (which includes \$399,740 in the Fleet Management fund), and the amounts reported in business-type activities were \$785,236 for the Water Utility fund, \$208,396 for the Wastewater Utility fund, \$124,184 for the Parking Facilities fund and \$325,906 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 2024 that will not be reflected in the pension liabilities because they were made after the measurement date. As of June 30, 2024, the amount reported as governmental activities was \$106,266,173 (which includes \$1,107,998 in the Fleet Management fund), and the amounts reported in business-type activities were \$6,663,818 for the Water Utility fund, \$1,650,285 for the Wastewater Utility fund, \$1,091,093 for the Parking Facilities fund and \$2,469,951 for the Storm Water Utility fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Deferred inflows and outflows related to pensions are summarized as follows:

	Applicable to Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Business-Type Activities
ERS:								
Deferred Outflows	\$ 87,160,071	\$ 968,100	\$ 88,128,171	\$ 5,836,267	\$ 1,439,223	\$ 860,093	\$ 2,116,537	\$ 10,252,120
Deferred Inflows	<u>(10,491,023)</u>	<u>(389,058)</u>	<u>(10,880,081)</u>	<u>(713,932)</u>	<u>(192,008)</u>	<u>(109,546)</u>	<u>(295,400)</u>	<u>(1,310,886)</u>
	<u>\$ 76,669,048</u>	<u>\$ 579,042</u>	<u>\$ 77,248,090</u>	<u>\$ 5,122,335</u>	<u>\$ 1,247,215</u>	<u>\$ 750,547</u>	<u>\$ 1,821,137</u>	<u>\$ 8,941,234</u>
VRS:								
Deferred Outflows	\$ 17,998,104	\$ 139,898	\$ 18,138,002	\$ 827,551	\$ 211,062	\$ 231,000	\$ 353,414	\$ 1,623,027
Deferred Inflows	<u>(3,643,222)</u>	<u>(10,682)</u>	<u>(3,653,904)</u>	<u>(71,304)</u>	<u>(16,388)</u>	<u>(14,638)</u>	<u>(30,506)</u>	<u>(132,836)</u>
	<u>\$ 14,354,882</u>	<u>\$ 129,216</u>	<u>\$ 14,484,098</u>	<u>\$ 756,247</u>	<u>\$ 194,674</u>	<u>\$ 216,362</u>	<u>\$ 322,908</u>	<u>\$ 1,490,191</u>
Total Deferred Outflows	<u>\$ 105,158,175</u>	<u>\$ 1,107,998</u>	<u>\$ 106,266,173</u>	<u>\$ 6,663,818</u>	<u>\$ 1,650,285</u>	<u>\$ 1,091,093</u>	<u>\$ 2,469,951</u>	<u>\$ 11,875,147</u>
Total Deferred Inflows	<u>\$ (14,134,245)</u>	<u>\$ (399,740)</u>	<u>\$ (14,533,985)</u>	<u>\$ (785,236)</u>	<u>\$ (208,396)</u>	<u>\$ (124,184)</u>	<u>\$ (325,906)</u>	<u>\$ (1,443,722)</u>

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 the average remaining service. As of June 30, 2024, the amount reported as governmental activities was \$24,841,292 (which includes the Fleet Management fund of \$282,901), and the amounts reported in business-type activities were \$1,057,366 for the Water Utility fund, \$348,766 for the Wastewater Utility fund, \$178,663 for the Parking Facilities fund and \$349,170 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 2024 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, 2024, financial statements are \$26,206,830 for governmental activities (which includes \$243,216 in the Fleet Management fund), \$1,431,208 for the Water Utility fund, \$382,887 for the Wastewater Utility fund, \$231,751 for the Parking Facilities fund and \$482,002 for the Storm Water Utility fund.

Deferred inflows and outflows related to OPEB are summarized as follows:

	Applicable to Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Business- Type Activities
City:								
Deferred Outflows	\$ 20,511,900	\$ 243,216	\$ 20,755,116	\$ 1,431,208	\$ 382,887	\$ 231,751	\$ 482,002	\$ 2,527,848
Deferred Inflows	<u>(15,854,833)</u>	<u>(282,901)</u>	<u>(16,137,734)</u>	<u>(1,057,366)</u>	<u>(348,766)</u>	<u>(178,663)</u>	<u>(349,170)</u>	<u>(1,933,965)</u>
	<u>\$ 4,657,067</u>	<u>\$ (39,685)</u>	<u>\$ 4,617,382</u>	<u>\$ 373,842</u>	<u>\$ 34,121</u>	<u>\$ 53,088</u>	<u>\$ 132,832</u>	<u>\$ 593,883</u>
Line of Duty:								
Deferred Outflows	\$ 5,451,714	\$ -	\$ 5,451,714	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows	<u>(8,703,558)</u>	<u>-</u>	<u>(8,703,558)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (3,251,844)</u>	<u>\$ -</u>	<u>\$ (3,251,844)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Deferred Outflows	<u>\$ 25,963,614</u>	<u>\$ 243,216</u>	<u>\$ 26,206,830</u>	<u>\$ 1,431,208</u>	<u>\$ 382,887</u>	<u>\$ 231,751</u>	<u>\$ 482,002</u>	<u>\$ 2,527,848</u>
Total Deferred Inflows	<u>\$ (24,558,391)</u>	<u>\$ (282,901)</u>	<u>\$ (24,841,292)</u>	<u>\$ (1,057,366)</u>	<u>\$ (348,766)</u>	<u>\$ (178,663)</u>	<u>\$ (349,170)</u>	<u>\$ (1,933,965)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

E Deferred Inflows Related to Leases

Deferred inflows in the Governmental activities and Business-type activities, representing future lease revenue, were \$12,161,425 and \$584,120, respectively as of June 30, 2024. See section IV paragraph C Lease Receivable for the 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, 2024, are as follows:

Water Utility fund projects	\$ 46,519,743
Wastewater Utility fund projects	30,089,648
Parking Facilities fund projects	6,360,905
Storm Water Utility fund projects	15,247,313
Total	<u>\$ 98,217,609</u>

See Exhibit J-3 Schedule of Expenditures – Budget and Actual for listing of capital projects in the governmental activities, authorized at June 30, 2024.

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 for 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, 2024, no significant liabilities existed for pollution remediation.

E Encumbrances

Encumbrances as of June 30, 2024, in the General fund, Grant fund and Capital Projects fund totaled \$33,015,552, \$39,448,148, and \$123,093,738, respectively. Encumbrances as of June 30, 2024, for nonmajor governmental funds in the aggregate totaled \$4,472,203.

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, 2024, 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, 2024, 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

NOTES TO THE BASIC FINANCIAL STATEMENTS

	Tax Abatement Program	Technology Zone	New Business License Incentive Program	Local Utility Tax Relief	Economic Development Program
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	City Council, designated to the City Manager
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	<p>A. Residential structure must be at least 15 years old, and improvements will increase assessed value by at least 20 percent.</p> <p>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.</p>	<p>Applicants must meet criteria of establishing their technology related business according to certain criteria mentioned in the above-mentioned ordinance.</p>	<p>The business must apply and meet several criteria. Below is a list of the top 3 requirements:</p> <ol style="list-style-type: none"> 1) Must be located 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. 	<p>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.</p>	<p>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.</p>
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	<p>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:</p> <ul style="list-style-type: none"> 11th year – 20% 12th year – 40% 13th year – 60% 14th year – 80% 15th year – 100% 	<p>Below is the schedule for the reduction of tax:</p> <ul style="list-style-type: none"> • Year 1 - 2 = 100% • Year 3 - 4 = 50% 	<p>Receives a \$50 per tax class reduction for the first two years.</p> <p>The abatement eligibility is determined by a qualification process. The taxpayer must answer 25 questions to qualify.</p>	<p>Below is the schedule for the reduction of tax:</p> <ul style="list-style-type: none"> • 1st year - 50% • 2nd year - 40% • 3rd year - 30% • 4th year - 20% • 5th year - 10% 	<p>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 negotiation of agreement.</p>

	Tax Abatement Program	Technology Zone	New Business License Incentive Program	Local Utility Tax Relief	Economic Development Program
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	<u>2024</u> \$3,938,249	<u>2024</u> \$-	<u>2024</u> \$-	<u>2024</u> \$-	<u>2024</u> \$1,288,715

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 2024 was \$13,876,977.

The City currently reports on 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, 2024, these liabilities were estimated

NOTES TO THE BASIC FINANCIAL STATEMENTS

at \$38,114,441 with \$5,851,059 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal year 2024 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 \$4,830,400 as a current liability for medical and pharmacy claims incurred, but not reported as of June 30, 2024. 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, 2024, was \$7,835,875. 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 2024 and 2023 are as follows:

	Workers' Compensation and Risk Management		Health Insurance		Total	
	2024	2023	2024	2023	2024	2023
Estimated Outstanding Claims at the Beginning of Year	\$ 37,151,537	\$ 37,943,384	\$ 5,270,600	\$ 4,892,200	\$ 42,422,137	\$ 42,835,584
Additional Incurred Claims or Changes in Estimates	7,815,899	4,924,913	85,354,562	75,398,369	93,170,461	80,323,282
Claims Paid	(6,852,995)	(5,716,760)	(85,794,762)	(75,019,969)	(92,647,757)	(80,736,729)
Estimated Outstanding Claims at the End of Year	<u>\$ 38,114,441</u>	<u>\$ 37,151,537</u>	<u>\$ 4,830,400</u>	<u>\$ 5,270,600</u>	<u>\$ 42,944,841</u>	<u>\$ 42,422,137</u>

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 (NPS) also self-insures its workers' compensation and general liability and its future expected self-insured losses as of June 30, 2024, projected at \$4,517,375 of which \$966,690 is the current portion and a longer-term projection of \$3,550,685. 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 2024 and 2023 are as follows:

	2024	2023
Estimated Outstanding Claims at the Beginning of Year	\$ 3,986,535	\$ 3,856,494
Additional Incurred Claims or Changes in Estimates	1,529,646	1,222,602
Claims Paid	(998,806)	(1,092,561)
Estimated Outstanding Claims at the End of Year	<u>\$ 4,517,375</u>	<u>\$ 3,986,535</u>

XXI Jointly Governed Organizations

A Hampton Roads Regional Jail Authority (HRRJA)

HRRJA is a regional organization composed of the cities of Chesapeake, Hampton, Newport News, Norfolk and Portsmouth. It was created to provide, operate and maintain a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, established pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended. It is governed by a twelve-member Board of Directors, with three representatives from each member city. 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 finances 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 it engages.

As the participating governments do not have an equity interest in the HRRJA, no equity interest is reflected in the City's financial statements as of June 30, 2024. Complete financial statements of HRRJA can be obtained from HRRJA. HRRJA's facility was closed and ceased operations on April 1, 2024. City of Hampton is currently handling and monitoring the facility's financial operations until April 1, 2026.

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, 2024. Complete financial statements of the Commission can be obtained from the Commission.

C Transportation District Commission of Hampton Roads (TDC)

TDC was established on June 29, 1999, to merge 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. It provides public transportation facilities and services within the cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake and Hampton, Virginia. Oversight responsibility is exercised by all the participating localities through their designated representatives. Oversight responsibility is exercised by all the participating localities through their designated representatives, while day-to-day operations are managed by professional staff. TDC serves as the governing body for Hampton Roads Transit (HRT), which is responsible for the construction and operation of the City's light rail system.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Since the participating governments do not hold an equity interest in TDC, no equity interest is reflected in the City's financial statements for the fiscal year ending June 30, 2024. Complete financial statements of TDC can be obtained directly 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 as well as the counties of Isle of Wight and Southampton, SPSA was; created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing, and disposal of solid waste refuse. SPSA operates as a primary government, with no component units; and is recognized as a public body politic and corporate, created pursuant to the Virginia Water and Sewer Authorities Act. It is governed by a Board of Directors consisting of eight member representatives appointed by each of the member cities and counties.

SPSA is responsible for its own financial matters, including maintaining its books of account and engaging independent auditors for annual audits, Budgeting and financing decisions are subject to approval by the Board of Directors, with each representative holding an equal vote. Since the participating governments do not hold an equity interest in SPSA, no equity interest is reflected in the City's financial statements for the fiscal year ending June 30, 2024. Complete financial statements of the SPSA can be obtained directly from SPSA.

B The Slover Library Foundation (The Foundation)

The Slover Library Foundation, a not-for-profit organization established on October 31, 2008, was created to support the funding of a central library for the City, now known as the Slover Library. The library was developed by merging two historic downtown structures, the Seaboard Building and the Selden Arcade, with an architecturally significant new building to create a modern technologically advanced library. Moving forward, the Foundation will provide funding for the purchase and maintenance of technology used in the library. The Foundation operates independently, with its own management, accounting books, and independent accountant, and generates revenue from third party sources.

C Norfolk Botanical Gardens Society (The Society)

The City of Norfolk has an agreement with the Norfolk Botanical Garden Society to operate the Norfolk Botanical Garden which is owned by the City. Per Ordinance No. 49,593, the agreement for the capital improvement for Fiscal Year 2025 expires on June 30, 20245. Under the terms of the agreement, the Society receives annual funding from the City of Norfolk to support improvements and cover operating costs associated with the garden's maintenance and operations.

XXIII Related Organizations

A Norfolk Redevelopment and Housing Authority (NRHA)

The *Norfolk Redevelopment and Housing Authority (NRHA)* is a political subdivision of the Commonwealth of Virginia, established by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA is responsible for providing subsidized public housing and overseeing redevelopment and conservation efforts within the City, in alignment with state and federal legislation. The Board of Commissioners consists of seven members, all appointed by the City Council. While NRHA operates independently, it does so under a contract with the City to manage activities such as community development and urban renewal.

The City does not exert significant oversight over NRHA's operations. NRHA develops its operating budget without City Council approval and is authorized to execute contracts on its own name. It manages its financial matters independently, maintaining its own book of accounts, and undergoes an annual audit by independent auditors it engages. NRHA retains authority over earnings, deficits, and funds, other than those related to City contracts. The City contracts with NRHA for specific projects, usually capital improvement projects, but does not have a direct role in NRHA's overall financial operations.

B Norfolk Airport Authority (The Authority)

The Norfolk Airport Authority, a political subdivision of the Commonwealth of Virginia, was established to operate Norfolk International Airport and promote industrial growth in the region. The Authority consists of two main funds: the Airport fund and the Investment fund. The Airport fund is dedicated to managing the operations of the *Norfolk International Airport*, using the revenue generated from airport operations to cover all operating expenses and to pay the principal and interest on the Authority's debt related to the Airport. The Investment fund was created to finance certain capital improvements at the airport.

To fund capital projects, the Authority issues bonds, obtains loans and applies for intergovernmental grants. These capital projects are financed through leases that ensure payment of principal and interest on the related obligations. The Authority also generates revenue through rental income on non-airport properties it owns and from interest on investments.

The Authority is governed by Commissioners appointed by the City Council, but it designates its own management and maintains oversight responsibility for its fiscal matters. While the City does not fund the operations of the Authority, it does require the Authority to submit its annual budget to the City Council for informational purposes only, as per Section 144(q) of the City Charter. Additionally, the City has the option to reacquire title to all property and equipment at the airport, without consideration, once the Authority has paid off all obligations related to 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 Museum's primary mission is to advance, encourage and promote the study and appreciation of art. It is self-sustaining and independently managed, with its own management team and financial operations. The Museum maintains its own books of account and engages an independent

NOTES TO THE BASIC FINANCIAL STATEMENTS

accountant for annual audits. Its revenue is generated through facility rental fees, patron membership, planned giving, and various independent grants.

While the Museum operates autonomously, the City owns the building housing the Museum and provides support for its maintenance. This partnership ensures the ongoing preservation and operation of the Museum, allowing it to continue serving the community as a cultural and educational institution.

D The Hospital Authority of Norfolk (HAN)

The Hospital Authority of Norfolk is a tax-exempt, not-for-profit political subdivision of the Commonwealth, established pursuant to an Agreement of Transfer dated July 1, 1998. The Authority operates Lake Taylor Hospital, a long-term care facility that is licensed by the Virginia State Health Department. The hospital provides a wide range of patient care services, from sub-acute hospital services to skilled nursing care, as part of its continuum of care. HAN is governed by a nine-member Board of Commissioners, all of whom are appointed by the City Council. This governance structure ensures that the Authority remains accountable to the City while fulfilling its role in providing essential healthcare services to the community.

XXIV Restatement

A Changes within the Financial Reporting Entity

During fiscal year 2024, the financial reporting entity for the Emergency Operations Center (EOC) and 911 Call Center was changed from the nonmajor EOC/911 Fund to the General Fund. The taxes and other revenues in this fund have not been sufficient to cover its expenses and it has required subsidy from the General Fund to operate. As a result, it is now included in the General Fund's balances and activities. This change in reporting entity resulted in a zero dollar change to beginning net position.

B Correction of an Error

During the fiscal year ended June 30, 2024, the School Board identified an error in the prior year's financial statements related to the reporting of capital assets not being depreciated. Specifically, costs associated with the construction of heating, ventilation, and air conditioning systems within various schools, which were incurred during the fiscal year ended June 30, 2023, were not recorded in the Construction in Progress account. The error resulted in an understatement of capital assets and an overstatement of expenses for the fiscal year ended June 30, 2023.

The following table presents a reconciliation of the fund balance impacted by error correction made in fiscal year 2024:

	Component Unit
	Norfolk Public School
6/30/23, as previously reported	\$(234,630,225)
Error correction	12,412,136
6/30/23, as adjusted or restated	\$(222,218,089)

XXV Subsequent Events

Water Revenue Refunding Bonds, Series 2024 and Water Revenue Refunding Bonds, Series 2025 (Forward Delivery)

On December 12, 2024, the City completed the sale of two series of tax-exempt Water Revenue Refunding Bonds, totaling an aggregate principal amount of \$60,015,000. The Bonds were issued at a true interest cost of 3.83 percent.

The City issued \$25,185,000 Water Revenue Refunding Bonds, Series 2024, with the goal of lowering the interest cost on existing debt and achieving savings. The refunding generated net present value savings of \$4,767,416, which represents 16.1 percent of the original debt.

Additionally, the City sold \$34,830,000 in Water Revenue Refunding Bonds, Series 2025 (Forward Delivery), also aimed at lowering the interest cost on existing debt and achieving debt service savings. The refunding generated a net present value savings of \$4,596,551, or 11.9 percent of the original debt.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Wastewater Revenue Bond, Series 2024

On December 17, 2024, the City issued an \$18,110,000 Wastewater Revenue Bond, with the Virginia Resources Authority (VRA). The Bond will partially fund wastewater infrastructure projects. The Virginia Clean Water Revolving Loan Fund is administered by the VRA in collaboration with the State Water Control Board. The Bond was sold at an interest rate of 0.50 percent.

Water Revenue Bond, Series 2024 (Lead and Cooper Rule Revisions Compliance Project)

On December 17, 2024, the City issued a \$15,600,000 Water Revenue Bond, with VRA. This Bond will partially fund the capital costs associated with developing a lead water service line inventory and replacing lead service lines, in response to the U.S. Environmental Protection Agency's Lead and Copper Rule Revisions. The Virginia Drinking Water State Revolving Fund is administered and managed by the VRA in conjunction with the Virginia Department of Health. This fund supports drinking water infrastructure projects throughout the Commonwealth, and the Bond was sold at a favorable interest rate of 1.00 percent. Further, the loan is structured with an additional \$10,400,000 principal forgiveness component, made possible through federal funding under the Bipartisan Infrastructure Law.

Line of Credit Repayment and Draw

On July 31, 2024, the City repaid \$55 million of existing notes along with the accrued interest on its existing line of credit with Bank of America, N.A. Following this repayment, the outstanding balance on the line of credit was reduced to \$0.

Additionally, on February 21, 2025, the City drew \$50 million on the line for capital expenditures, and executed a rollover of this principal amount on March 21, 2025, paying all accrued interest. The advance under the line of credit bears interest at a Term SOFR Interest Rate Period of one-month. The maturity date of the existing one-month advance of \$50 million is April 21, 2025. The City intends to continue to rollover the principal portion of this advance and then subsequently repay it prior to June 30, 2025, with bond proceeds or other available funds.

XXVI Adoption of New Accounting Pronouncements

The City adopted the following GASB pronouncements in fiscal year 2024:

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.

XXVII Accounting Pronouncements Issued, But Not Yet Implemented

The GASB has issued the following pronouncement(s) that will impact future financial presentations.

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.

GASB Statement No. 102, *Certain Risk Disclosures*. The objectives of this Statement are to improve financial reporting by providing users with essential information that is currently not often provided. This statement will allow users to have better information with which to understand and anticipate certain risks to a government's financial condition. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Additionally, governments are required to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 103, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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.



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Required Supplementary Information

**(OTHER THAN MANAGEMENT'S
DISCUSSION & ANALYSIS)
(UNAUDITED)**



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Employees' Retirement System of the City of Norfolk
Schedule of Proportionate Share of Net Pension Liability (unaudited)
For the Measurement Dates of June 30, 2014 through 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service Costs	\$ 24,578,759	\$ 25,467,399	\$ 25,919,058	\$ 26,310,000	\$ 25,146,000	\$ 26,372,000	\$ 26,978,000	\$ 27,208,000	\$ 25,972,000	\$ 21,246,000
Interest	80,203,196	82,839,251	84,710,490	86,974,000	92,517,000	94,853,000	96,458,000	98,032,000	98,454,000	101,376,000
Changes of benefit terms	20,689,842	352,800	568,480	590,000	11,698,000	-	-	-	(880,000)	(4,451,000)
Difference between expected and actual experience	(10,654,079)	(2,471,392)	(2,665,615)	(2,543,000)	(1,598,000)	(8,189,000)	(6,398,000)	-	4,369,000	(14,071,000)
Changes in assumptions	-	-	(6,508,735)	53,197,000	16,606,000	(7,031,000)	-	(19,181,000)	77,210,000	-
Benefits payments, including refunds of member contributions	(77,065,376)	(79,031,490)	(80,783,975)	(83,977,000)	(85,933,000)	(92,866,000)	(93,998,000)	(95,572,000)	(102,025,000)	(107,961,000)
Net Change in Total Pension Liability	37,752,342	27,156,568	21,239,703	80,551,000	58,436,000	13,139,000	23,040,000	10,487,000	103,100,000	(3,861,000)
Total Pension Liability - Beginning of year	1,159,713,871	1,197,466,213	1,224,622,781	1,245,862,000	1,326,413,000	1,384,849,000	1,397,988,000	1,421,028,000	1,431,515,000	1,534,615,000
Total Pension Liability - Ending of year	<u>\$ 1,197,466,213</u>	<u>\$ 1,224,622,781</u>	<u>\$ 1,245,862,484</u>	<u>\$ 1,326,413,000</u>	<u>\$ 1,384,849,000</u>	<u>\$ 1,397,988,000</u>	<u>\$ 1,421,028,000</u>	<u>\$ 1,431,515,000</u>	<u>\$ 1,534,615,000</u>	<u>\$ 1,530,754,000</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 42,330,492	\$ 34,932,005	\$ 30,761,340	\$ 33,457,000	\$ 35,494,000	\$ 37,079,000	\$ 38,494,000	\$ 160,252,000	\$ 41,457,000	\$ 40,134,000
Employee contributions	1,671,644	4,914,726	8,733,481	9,450,000	9,859,000	10,009,000	10,209,000	10,367,000	9,937,000	8,096,000
Net investment income	157,291,834	16,596,553	3,278,018	111,228,000	72,662,000	55,313,000	5,737,000	270,352,000	(134,727,000)	102,983,000
Benefit payments, including refunds of member contributions	(77,065,376)	(79,031,489)	(80,783,975)	(83,977,000)	(85,933,000)	(92,866,000)	(93,998,000)	(95,572,000)	(102,025,000)	(107,961,000)
Administrative expense	(412,809)	(386,495)	(671,568)	(668,000)	(764,000)	(617,000)	(600,000)	(620,000)	(848,000)	(1,005,000)
Net Change in Fiduciary Net position	123,815,785	(22,974,700)	(38,682,704)	69,490,000	31,318,000	8,918,000	(40,158,000)	344,779,000	(186,206,000)	42,247,000
Total Net Position - Beginning of year	912,363,175	1,036,178,960	1,013,204,260	974,522,000	1,044,012,000	1,075,330,000	1,084,248,000	1,044,090,000	1,388,869,000	1,202,663,000
Total Net Position - Ending of year	<u>\$ 1,036,178,960</u>	<u>\$ 1,013,204,260</u>	<u>\$ 974,521,556</u>	<u>\$ 1,044,012,000</u>	<u>\$ 1,075,330,000</u>	<u>\$ 1,084,248,000</u>	<u>\$ 1,044,090,000</u>	<u>\$ 1,388,869,000</u>	<u>\$ 1,202,663,000</u>	<u>\$ 1,244,910,000</u>
Net Pension Liability	\$ 161,287,253	\$ 211,418,521	\$ 271,340,928	\$ 282,401,000	\$ 309,519,000	\$ 313,740,000	\$ 376,938,000	\$ 42,646,000	\$ 331,952,000	\$ 285,844,000
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	86.53%	82.74%	78.22%	78.71%	77.65%	77.56%	73.47%	97.02%	78.37%	81.33%
Covered Payroll	\$ 177,560,789	\$ 178,467,817	\$ 175,678,692	\$ 188,068,000	\$ 191,549,000	\$ 195,358,000	\$ 197,405,000	\$ 200,484,000	\$ 195,554,000	\$ 199,856,000
Net Pension Liability as a percentage of covered payroll	90.83%	118.46%	154.45%	150.16%	161.59%	160.60%	190.95%	21.27%	169.75%	143.02%
Annual money-weighted rate of return, net of investment expense	17.36%	1.97%	0.39%	11.64%	7.16%	8.91%	0.58%	25.85%	-10.32%	8.39%

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

Employees' Retirement System of the City of Norfolk Schedule of Employer Contributions (unaudited) Last 10 Fiscal Years

Fiscal Year	Actuarially Determined Required Contributions	Employer Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 38,263,000	\$ 34,932,000	\$ 3,331,000	\$ 178,468,000	19.57%
2016	30,761,000	30,761,000	-	175,679,000	17.51%
2017	33,457,000	33,457,000	-	188,068,000	17.79%
2018	35,494,000	35,494,000	-	191,549,000	18.53%
2019	37,079,000	37,079,000	-	195,358,000	18.98%
2020	38,494,000	38,494,000	-	197,405,000	19.50%
2021	40,698,000	160,232,000	(119,534,000)	200,484,000	79.92%
2022	41,457,000	41,457,000	-	195,554,000	21.20%
2023	31,417,000	40,134,000	(8,717,000)	199,856,000	20.08%
2024	33,603,000	42,319,000	(8,716,000)	160,320,000	26.40%

Note:

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 2015 through 2024, the balances exclude payroll for active employees participating in DROP in which contributions are not made.

See accompanying independent auditors' report

City of Norfolk
VRS Political Subdivisions Plan
Schedule of Proportionate Share of Net Pension Liability (unaudited)
For the Measurement Dates of June 30, 2014 through 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service costs	\$ 3,600,000	\$ 3,531,000	\$ 3,496,157	\$ 3,487,288	\$ 3,318,884	\$ 3,476,583	\$ 3,744,655	\$ 3,903,237	\$ 3,822,562	\$ 7,469,996
Interest	5,574,000	6,001,000	6,370,584	6,689,417	6,992,769	7,340,551	7,692,139	8,170,060	9,300,295	9,832,433
Changes of benefit terms	-	-	-	-	-	-	-	2,862,884	-	-
Difference between expected and actual experience	-	(763,000)	(1,331,914)	(599,933)	(887,137)	(668,598)	628,451	(1,320,751)	(3,003,466)	5,171,227
Changes in assumptions	-	-	-	(893,223)	-	3,533,431	-	4,823,773	-	-
Benefits payments, including refunds of member contributions	(2,798,000)	(3,377,000)	(3,585,300)	(4,376,843)	(4,323,052)	(4,589,364)	(4,589,364)	(5,380,511)	(5,654,573)	(6,112,014)
Net Change in Total Pension Liability	6,376,000	5,392,000	4,949,527	4,306,706	5,101,464	9,092,603	7,475,881	13,058,692	4,464,818	16,361,642
Total Pension Liability - Beginning of year	81,034,000	87,410,000	92,802,000	97,751,527	102,058,233	107,159,697	116,252,300	123,728,181	136,786,873	141,251,691
Total Pension Liability - Ending of year	\$ 87,410,000	\$ 92,802,000	\$ 97,751,527	\$ 102,058,233	\$ 107,159,697	\$ 116,252,300	\$ 123,728,181	\$ 136,786,873	\$ 141,251,691	\$ 157,613,333
Plan Fiduciary Net Position										
Employer contributions	\$ 3,167,000	\$ 2,830,000	\$ 2,804,570	\$ 2,355,587	\$ 2,394,595	\$ 2,538,585	\$ 2,582,271	\$ 3,215,071	\$ 4,153,369	\$ 10,620,748
Employee contributions	1,422,000	1,373,000	1,357,832	1,362,997	1,316,482	1,365,984	1,379,532	1,399,418	3,492,481	6,603,494
Projected earnings on plan investments	10,933,000	3,742,000	1,525,201	10,677,625	7,206,612	6,951,171	2,111,228	30,602,780	(241,055)	9,848,375
Benefit payments, including refunds of member contributions	(2,798,000)	(3,377,000)	(3,585,300)	(4,376,843)	(4,323,052)	(4,589,364)	(4,589,364)	(5,380,511)	(5,654,573)	(6,112,014)
Administrative expense	(57,000)	(50,000)	(52,120)	(61,057)	(61,420)	(67,621)	(70,713)	(74,847)	(84,767)	(85,463)
Other	1,000	(3,000)	391	(9,527)	(6,456)	(4,399)	(2,517)	(58,742)	3,361	4,062
Net Change in Fiduciary Net Position	12,668,000	4,515,000	2,050,574	9,948,782	6,526,761	6,194,356	1,410,437	29,703,169	1,668,816	20,879,202
Total Net Position - Beginning of year	68,307,000	80,975,000	85,490,000	87,540,574	97,489,356	104,016,117	110,210,473	111,620,910	141,324,079	142,992,895
Total Net Position - Ending of year	\$ 80,975,000	\$ 85,490,000	\$ 87,540,574	\$ 97,489,356	\$ 104,016,117	\$ 110,210,473	\$ 111,620,910	\$ 141,324,079	\$ 142,992,895	\$ 163,872,097
Net Pension Liability/(Asset)	\$ 6,435,000	\$ 7,312,000	\$ 10,210,953	\$ 4,568,877	\$ 3,143,580	\$ 6,041,827	\$ 12,107,271	\$ (4,537,206)	\$ (1,741,204)	\$ (6,258,764)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	92.64%	92.12%	89.55%	95.52%	97.07%	94.80%	90.21%	103.32%	101.23%	103.97%
Covered Payroll	\$ 26,952,068	\$ 26,861,778	\$ 27,083,985	\$ 26,351,750	\$ 27,469,101	\$ 27,660,906	\$ 28,310,269	\$ 28,045,990	\$ 36,741,402	\$ 88,048,870
Net Pension Liability as a percentage of covered payroll	23.88%	27.22%	37.70%	17.34%	11.44%	21.84%	42.77%	(16.18%)	(4.74%)	(7.11%)

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

City of Norfolk
VRS Political Subdivisions Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years

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
2015	\$ 2,830,000	\$ 2,830,000	\$ -	\$ 26,862,000	10.54%
2016	2,805,000	2,805,000	-	27,084,000	10.36%
2017	2,356,000	2,356,000	-	26,352,000	8.94%
2018	2,394,000	2,394,000	-	27,470,000	8.71%
2019	2,606,000	2,606,000	-	27,661,000	9.42%
2020	2,667,000	2,667,000	-	28,310,000	9.42%
2021	3,309,000	3,309,000	-	28,046,000	11.80%
2022	4,335,000	4,335,000	-	36,741,000	11.80%
2023	11,701,000	11,701,000	-	88,049,000	13.29%
2024	14,805,000	14,805,000	-	115,302,000	12.84%

See accompanying independent auditors' report

School Board of the City of Norfolk
VRS Teachers Retirement Plan
Schedule of Proportionate Share of the Net Pension Liability (unaudited)
For the Measurement Dates of June 30, 2014 through 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
School Board's proportion of the Net Pension Liability (Asset)	2.47%	2.43%	2.40%	2.70%	2.57%	2.55%	2.45%	2.43%	2.35%	2.26%
School Board's proportionate share of the Net Pension Liability (Asset)	\$ 298,089,000	\$ 305,901,000	\$ 336,787,000	\$ 283,848,000	\$ 260,983,000	\$ 290,090,000	\$ 309,003,000	\$ 163,869,000	\$ 193,463,000	\$ 204,009,000
Covered Payroll	\$ 189,067,000	\$ 189,624,000	\$ 194,172,000	\$ 192,822,000	\$ 188,385,000	\$ 195,455,000	\$ 185,400,000	\$ 185,754,000	\$ 188,102,000	\$ 193,352,000
School Board's proportionate of the Net Pension Liability (Asset) as a percentage of its covered payroll	157.66%	161.32%	173.45%	147.21%	138.54%	148.42%	166.67%	88.22%	102.85%	94.78%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)	70.88%	70.68%	68.28%	72.92%	74.81%	73.51%	71.47%	81.27%	82.61%	87.88%

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

**School Board of the City of Norfolk
VRS Teachers Retirement Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years**

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
2015	\$ 26,206,000	\$ 26,206,000	\$ -	\$ 189,624,000	13.82%
2016	25,755,000	25,755,000	-	194,172,000	13.26%
2017	26,582,000	26,582,000	-	192,822,000	13.79%
2018	29,028,000	29,028,000	-	188,385,000	15.41%
2019	28,775,000	28,775,000	-	195,455,000	14.72%
2020	29,075,000	29,075,000	-	185,400,000	15.68%
2021	30,900,000	30,900,000	-	185,754,000	16.63%
2022	31,263,000	31,263,000	-	188,102,000	16.62%
2023	32,135,000	32,135,000	-	193,352,000	16.62%
2024	35,168,000	35,168,000	-	199,586,000	17.62%

See accompanying independent auditors' report

School Board of the City of Norfolk
VRS Political Subdivision's Retirement Plan
Schedule of Proportionate Share of the Net Pension Liability (unaudited)
For the Measurement Dates of June 30, 2014 through 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service costs	\$ 1,530,000	\$ 1,563,000	\$ 1,527,000	\$ 1,552,000	\$ 1,504,000	\$ 1,498,000	\$ 1,548,000	\$ 1,500,000	\$ 1,368,000	\$ 1,430,000
Interest	5,586,000	5,770,000	5,891,000	5,976,000	6,054,000	6,129,000	6,173,000	6,308,000	6,621,000	6,690,000
Changes in assumptions	-	-	-	(850,000)	-	2,361,000	-	3,100,000	-	-
Difference between expected and actual experience	-	(1,027,000)	(1,511,000)	(646,000)	(2,076,000)	(1,066,000)	(135,000)	(1,570,000)	(915,000)	1,840,000
Benefits payments, including refunds of member contributions	(4,659,000)	(4,343,000)	(4,814,000)	(4,706,000)	(5,155,000)	(4,992,000)	(5,063,000)	(6,120,000)	(6,002,000)	(6,229,000)
Change in proportionate share	-	21,000	1,000	76,000	9,000	658,000	-	-	-	-
Net Change in Total Pension Liability	2,457,000	1,984,000	1,094,000	1,402,000	336,000	4,588,000	2,523,000	3,218,000	1,072,000	3,731,000
Total Pension Liability - Beginning of year	82,125,000	84,582,000	86,566,000	87,660,000	89,062,000	89,398,000	93,986,000	96,509,000	99,727,000	100,799,000
Total Pension Liability - Ending of year	<u>\$ 84,582,000</u>	<u>\$ 86,566,000</u>	<u>\$ 87,660,000</u>	<u>\$ 89,062,000</u>	<u>\$ 89,398,000</u>	<u>\$ 93,986,000</u>	<u>\$ 96,509,000</u>	<u>\$ 99,727,000</u>	<u>\$ 100,799,000</u>	<u>\$ 104,530,000</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 1,722,000	\$ 1,768,000	\$ 1,794,000	\$ 1,408,000	\$ 1,435,000	\$ 1,151,000	\$ 1,125,000	\$ 1,077,000	\$ 1,066,000	\$ 1,025,000
Employee contributions	775,000	785,000	800,000	807,000	814,000	845,000	832,000	795,000	782,000	837,000
Projected earnings on plan investments	10,151,000	3,321,000	1,248,000	8,877,000	5,851,000	5,486,000	1,636,000	22,627,000	(44,000)	6,216,000
Benefit payments, including refunds of member contributions	(4,659,000)	(4,343,000)	(4,814,000)	(4,706,000)	(5,155,000)	(4,994,000)	(5,063,000)	(6,120,000)	(6,002,000)	(6,229,000)
Administrative expense	(56,000)	(47,000)	(47,000)	(52,000)	(52,000)	(56,000)	(57,000)	(59,000)	(65,000)	(64,000)
Change in proportionate share	-	18,000	1,000	41,000	(2,000)	612,000	-	-	-	-
Other	1,000	(11,000)	(17,000)	(17,000)	(36,000)	(3,000)	(2,000)	2,000	2,000	3,000
Net Change in Fiduciary Net Position	7,934,000	1,491,000	(1,035,000)	6,358,000	2,855,000	3,041,000	(1,529,000)	18,322,000	(4,261,000)	1,788,000
Total Net Position - Beginning of year	65,573,000	73,507,000	74,998,000	73,963,000	80,321,000	83,176,000	86,217,000	84,688,000	103,010,000	98,749,000
Total Net Position - Ending of year	<u>\$ 73,507,000</u>	<u>\$ 74,998,000</u>	<u>\$ 73,963,000</u>	<u>\$ 80,321,000</u>	<u>\$ 83,176,000</u>	<u>\$ 86,217,000</u>	<u>\$ 84,688,000</u>	<u>\$ 103,010,000</u>	<u>\$ 98,749,000</u>	<u>\$ 100,537,000</u>
Net Pension Liability	<u>\$ 11,075,000</u>	<u>\$ 11,568,000</u>	<u>\$ 13,697,000</u>	<u>\$ 8,741,000</u>	<u>\$ 6,222,000</u>	<u>\$ 7,769,000</u>	<u>\$ 11,821,000</u>	<u>\$ (3,283,000)</u>	<u>\$ 2,050,000</u>	<u>\$ 3,993,000</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	86.91%	86.64%	84.37%	90.19%	93.04%	91.73%	87.75%	103.29%	97.97%	96.18%
Covered Payroll	\$ 21,766,000	\$ 22,224,000	\$ 22,219,000	\$ 23,756,000	\$ 22,292,000	\$ 22,848,000	\$ 17,819,000	\$ 17,140,000	\$ 16,904,000	\$ 18,303,000
Net Pension Liability as a percentage of covered payroll	50.88%	52.05%	61.65%	36.79%	27.91%	34.00%	66.34%	-19.15%	12.13%	21.82%

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

**School Board of the City of Norfolk
VRS Political Subdivision's Retirement Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years**

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
2015	\$ 1,768,000	\$ 1,768,000	\$ -	\$ 22,224,000	7.96%
2016	1,794,000	1,794,000	-	22,219,000	8.07%
2017	1,408,000	1,408,000	-	23,756,000	5.93%
2018	1,435,000	1,435,000	-	22,292,000	6.44%
2019	1,195,000	1,195,000	-	22,848,000	5.23%
2020	1,212,000	1,212,000	-	17,819,000	6.80%
2021	1,178,000	1,178,000	-	17,140,000	6.87%
2022	1,165,000	1,165,000	-	16,904,000	6.89%
2023	1,155,000	1,155,000	-	18,303,000	6.31%
2024	1,357,000	1,357,000	-	21,510,000	6.31%

See accompanying independent auditors' report

City of Norfolk
Other Postemployment Benefits
Schedule of Proportionate Share of Total OPEB Liability (unaudited)
For the Measurement Dates of June 30, 2017 through 2023

	2017	2018	2019	2020	2021	2022	2023
Total OPEB Liability							
Service costs	\$ 2,638,578	\$ 2,485,855	\$ 4,029,985	\$ 3,409,119	\$ 8,084,842	\$ 8,049,381	\$ 5,545,774
Interest	864,633	1,178,923	1,461,628	1,323,007	1,705,737	1,642,734	2,881,623
Changes of benefit terms	-	-	-	-	-	-	(71,988)
Difference between expected and actual experience	(1,413,447)	(2,005,011)	(5,055,352)	(3,450,033)	(8,935,659)	1,831,400	(10,237,005)
Changes in assumptions	1,815,771	3,702,351	1,272,010	37,661,645	280,846	(2,806,920)	3,571,000
Benefits payments, including refunds of member contributions	(1,247,913)	(1,223,511)	(1,355,887)	(1,383,661)	(2,401,000)	(2,094,590)	(2,138,633)
Net Change in Total OPEB Liability	2,657,622	4,138,607	352,384	37,560,077	(1,265,234)	6,622,005	(449,229)
Total OPEB Liability - Beginning of year	29,647,567	32,305,189	36,443,796	36,796,180	74,356,257	73,091,023	79,713,028
Total OPEB Liability - Ending of year	\$ 32,305,189	\$ 36,443,796	\$ 36,796,180	\$ 74,356,257	\$ 73,091,023	\$ 79,713,028	\$ 79,263,799
Covered-employee payroll	\$ 196,905,143	\$ 199,097,008	\$ 198,510,945	\$ 201,420,320	\$ 194,653,151	\$ 235,148,147	\$ 192,331,537
Total OPEB Liability as a percentage of covered employee payroll	16.41%	18.30%	18.54%	36.92%	37.55%	33.90%	41.21%

Notes:

The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 was the first year for presentation, no older data is available. Additional years will be included as they become available.

No assets are accumulated in a trust that meets the criteria established in GASB codification P52.101 (Statement No. 75) to pay related benefits for the OPEB plan.

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

City of Norfolk
Other Postemployment Benefits - Line of Duty
Schedule of Proportionate Share of Total OPEB Liability (unaudited)
For the Measurement Dates of June 30, 2017 through 2023

	2017	2018	2019	2020	2021	2022	2023
Total OPEB Liability							
Service costs	\$ 991,486	\$ 1,517,002	\$ 1,454,436	\$ 1,517,526	\$ 1,762,063	\$ 1,787,336	\$ 701,255
Interest	637,503	1,336,572	1,187,989	1,364,547	889,866	939,071	1,260,722
Changes of benefit terms	19,652,972	-	-	-	-	-	-
Difference between expected and actual experience	(2,397)	(3,476,174)	4,206,413	(1,985,552)	1,299,665	1,239,154	19,942
Changes in assumptions	(5,648,603)	(4,964,076)	2,507,435	1,418,301	416,582	(10,043,665)	(744,789)
Benefits payments, including refunds of member contributions	(822,158)	(1,030,394)	(1,007,750)	(1,189,977)	(1,126,835)	(1,214,979)	(1,274,604)
Net Change in Total OPEB Liability	14,808,803	(6,617,070)	8,348,523	1,124,845	3,241,341	(7,293,083)	(37,474)
Total OPEB Liability - Beginning of year	22,284,435	37,093,238	30,476,168	38,824,691	39,949,536	43,190,877	35,897,794
Total OPEB Liability - Ending of year	<u>\$ 37,093,238</u>	<u>\$ 30,476,168</u>	<u>\$ 38,824,691</u>	<u>\$ 39,949,536</u>	<u>\$ 43,190,877</u>	<u>\$ 35,897,794</u>	<u>\$ 35,860,320</u>
Covered-employee payroll	\$ 68,244,678	\$ 66,183,480	\$ 70,942,265	\$ 71,415,407	\$ 67,982,090	\$ 74,507,824	\$ 87,014,129
Total OPEB Liability as a percentage of covered employee payroll	54.35%	46.05%	54.73%	55.94%	63.53%	48.18%	41.21%

Notes:

The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 was the first year for presentation, no older data is available. Additional years will be included as they become available.

No assets are accumulated in a trust that meets the criteria established in GASB codification P52.101 (Statement No. 75) to pay related benefits for the OPEB plan.

See accompanying independent auditors' report

School Board of the City of Norfolk
Other Postemployment Benefits
Schedule of Proportionate Share of Total OPEB Liability (unaudited)
For the Measurement Dates of June 30, 2017 through 2023

	2017	2018	2019	2020	2021	2022	2023
Total OPEB Liability							
Service costs	\$ 1,468,830	\$ 1,381,764	\$ 625,247	\$ 2,947,665	\$ 4,412,775	\$ 4,402,612	\$ 3,698,962
Interest	1,702,533	1,673,986	1,896,670	1,644,140	1,257,459	1,374,480	2,230,206
Changes of benefit terms	-	-	-	-	6,316,408	-	-
Difference between expected and actual experience	(3,274,812)	3,627,408	(4,651,923)	(5,024,887)	(2,835,101)	(6,259,620)	(1,201,258)
Changes in assumptions	(10,475,847)	(1,794,422)	1,277,781	11,937,594	(29,571)	2,524,658	(451,969)
Benefits payments, including refunds of member contributions	(2,580,746)	(2,129,544)	(2,401,320)	(2,262,170)	(2,360,257)	(2,404,662)	(2,240,235)
Net Change in Total OPEB Liability	(13,160,042)	2,759,192	(3,253,545)	9,242,342	6,761,713	(362,532)	2,035,706
Total OPEB Liability - Beginning of year	60,290,035	47,129,993	49,889,185	46,635,640	55,877,982	62,639,695	62,277,163
Total OPEB Liability - Ending of year	<u>\$ 47,129,993</u>	<u>\$ 49,889,185</u>	<u>\$ 46,635,640</u>	<u>\$ 55,877,982</u>	<u>\$ 62,639,695</u>	<u>\$ 62,277,163</u>	<u>\$ 64,312,869</u>
Covered-employee payroll	\$ 202,324,943	\$ 202,324,943	\$ 193,251,731	\$ 185,408,346	\$ 185,123,319	\$ 191,402,722	\$ 195,322,719
Total OPEB Liability as a percentage of covered employee payroll	23.29%	24.66%	24.13%	30.14%	33.84%	32.54%	32.93%

Notes:

The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 was the first year for presentation, no older data is available. Additional years will be included as they become available.

No assets are accumulated in a trust that meets the criteria established in GASB codification P52.101 (Statement No. 75) to pay related benefits for the OPEB plan.

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

School Board of the City of Norfolk
VRS Teachers HIC Plan
Schedule of Proportionate Share of Net HIC OPEB Liability (unaudited)
For the Measurement Dates of June 30, 2017 through 2023

	2017	2018	2019	2020	2021	2022	2023	
School Board's proportion of contributions of the Net HIC OPEB Liability (Asset)		2.70%	2.57%	2.20%	2.12%	2.10%	2.33%	2.24%
School Board's proportionate share of the Net HIC OPEB Liability (Asset)	\$ 29,295,697	\$ 28,146,329	\$ 28,801,987	\$ 29,588,000	\$ 26,974,000	\$ 25,209,000	\$ 24,247,000	
Covered Payroll	\$ 182,244,255	\$ 182,652,676	\$ 184,851,000	\$ 185,400,000	\$ 185,754,000	\$ 188,093,000	\$ 193,337,000	
School Board's proportionate share of the Net HIC OPEB Liability (Asset) as a percentage of its covered payroll		16.07%	15.41%	15.58%	15.96%	14.52%	13.40%	12.54%
Plan Fiduciary Net Position as a percentage of the Total HIC OPEB Liability (Asset)		7.04%	8.08%	8.97%	9.95%	13.15%	15.08%	17.89%

Note:

The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 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

REQUIRED SUPPLEMENTARY INFORMATION

**School Board of the City of Norfolk
VRS Teachers HIC Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years**

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
2015	\$ 2,118,850	\$ 1,903,373	\$ (215,477)	\$ 179,563,539	1.18%
2016	2,162,812	1,942,866	(219,946)	183,289,209	1.18%
2017	2,241,605	2,022,912	(218,693)	182,244,255	1.23%
2018	2,218,572	2,181,192	(37,380)	182,652,676	1.21%
2019	2,181,192	2,181,192	-	184,851,346	1.18%
2020	2,225,202	2,225,202	-	185,399,785	1.20%
2021	2,249,621	2,249,621	-	185,753,972	1.21%
2022	2,276,037	2,276,037	-	188,093,526	1.21%
2023	2,339,380	2,339,380	-	193,337,136	1.21%
2024	2,560,267	2,560,267	-	211,592,390	1.21%

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

**School Board of the City of Norfolk
VRS Political Subdivisions HIC Plan**
Schedule of Proportionate Share of Net HIC OPEB Liability (unaudited)
For the Measurement Dates of June 30, 2021 through 2023

	2021	2022	2023
Total HIC OPEB Liability			
Service costs	\$ 23,828	\$ 21,604	\$ 14,199
Interest	134,222	147,635	147,479
Changes of benefit terms	-	-	-
Difference between actual and expected experience	-	(137,123)	(940,699)
Changes in assumptions	50,981	38,794	-
Benefits payments, including refunds of member contributions	(38)	(63,829)	(67,783)
Net Change in Total HIC OPEB Liability	208,993	7,081	(846,804)
Total HIC OPEB Liability - Beginning of year	1,988,499	2,197,492	2,204,573
Total HIC OPEB Liability - Ending of year	<u>\$ 2,197,492</u>	<u>\$ 2,204,573</u>	<u>\$ 1,357,769</u>
Plan Fiduciary Net position			
Employer contributions	\$ 147,042	\$ 145,655	\$ 186,523
Net investment income	18,451	(1,643)	19,743
Benefit payments, including refunds of member contributions	(38)	(63,829)	(67,783)
Administrative expense	(647)	(460)	(548)
Other	-	864	50
Net Change in Fiduciary Net Position	164,808	80,587	137,985
Plan Fiduciary Net Position - Beginning of year	-	164,808	245,395
Plan Fiduciary Net Position - Ending of year	<u>\$ 164,808</u>	<u>\$ 245,395</u>	<u>\$ 383,380</u>
Total HIC OPEB Liability - Ending of the year	<u>\$ 2,032,684</u>	<u>\$ 1,959,178</u>	<u>\$ 974,389</u>
Plan fiduciary net position as a percentage of the Total HIC OPEB Liability	7.50%	11.13%	28.24%
Covered payroll	\$ 17,097,830	\$ 16,904,462	\$ 18,302,756
Total HIC OPEB Liability as a percentage of covered payroll	11.89%	11.59%	5.32%

Note:

The schedule is intended to illustrate the requirement to show information for 10 years. Since 2021 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

REQUIRED SUPPLEMENTARY INFORMATION

**School Board of the City of Norfolk
VRS Political Subdivisions HIC Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years**

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
2021	\$ 147,041	\$ 147,041	\$ -	\$ 17,097,830	0.86%
2022	145,624	145,624	-	16,904,462	0.86%
2023	186,688	186,688	-	18,302,756	1.02%
2024	219,400	219,400	-	21,509,788	1.02%

Note:

The schedule is intended to illustrate the requirement to show information for 10 years. Since 2021 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

REQUIRED SUPPLEMENTARY INFORMATION

School Board of the City of Norfolk
VRS Teachers GLI Plan
Schedule of Proportionate Share of Net GLI OPEB Liability (unaudited)
For the Measurement Dates of June 30, 2017 through 2023

	2017	2018	2019	2020	2021	2022	2023
School Board's proportion of contributions of the Net GLI OPEB Liability (Asset)		1.16%	1.10%	0.95%	0.91%	0.99%	0.95%
School Board's proportionate share of the Net GLI OPEB Liability (Asset)	\$ 14,976,000	\$ 16,679,000	\$ 15,421,000	\$ 16,592,000	\$ 11,546,000	\$ 10,516,000	\$ 10,272,000
Covered Payroll	\$ 183,561,479	\$ 183,561,479	\$ 185,314,756	\$ 185,408,346	\$ 185,753,972	\$ 188,093,526	\$ 193,337,136
School Board's proportionate share of the Net GLI OPEB Liability (Asset) as a percentage of its covered payroll		8.16%	9.09%	8.32%	8.95%	6.22%	5.59%
Plan Fiduciary Net Position as a percentage of the Total GLI OPEB Liability (Asset)		48.86%	51.22%	52.00%	52.64%	67.45%	67.21%
							69.30%

Note:

The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 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
VRS Teachers GLI Plan
Schedule of School Board Contributions (unaudited)
Last 10 Fiscal Years

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
2015	\$957,946	\$867,574	\$(90,372)	\$180,744,568	0.53%
2016	980,737	888,214	(92,523)	185,044,583	0.53%
2017	713,913	713,913	-	183,561,479	0.39%
2018	928,060	928,060	-	183,561,479	0.51%
2019	967,651	967,651	-	185,314,756	0.52%
2020	1,115,191	1,115,191	-	185,408,346	0.60%
2021	2,508,948	2,508,948	-	185,753,972	1.35%
2022	2,760,597	2,760,597	-	188,093,526	1.47%
2023	2,619,063	2,619,063	-	193,337,136	1.35%
2024	2,870,066	2,870,066	-	199,586,141	1.44%

Note:

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 percent for the employer and 60 percent 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 percent of the total premiums paid by the Norfolk School Board.

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

School Board of the City of Norfolk
VRS Political Subdivisions GLI Plan
Schedule of Proportionate Share of Net GLI OPEB Liability (unaudited)
For the Measurement Dates of June 30, 2017 through 2023

	2017	2018	2019	2020	2021	2022	2023
School Board's proportion of contributions of the Net GLI OPEB Liability (Asset)	0.09%	0.09%	0.09%	0.09%	0.08%	0.08%	0.08%
School Board's proportionate share of the Net GLI OPEB Liability (Asset)	\$ 1,185,000	\$ 1,392,000	\$ 1,503,000	\$ 1,462,000	\$ 984,000	\$ 955,000	\$ 949,000
Covered Payroll	\$ 16,998,577	\$ 17,508,534	\$ 18,647,166	\$ 17,819,139	\$ 17,140,227	\$ 16,904,462	\$ 18,303,000
School Board's proportionate share of the Net GLI OPEB Liability (Asset) as a percentage of its covered payroll	6.97%	7.95%	8.06%	8.20%	5.74%	5.65%	5.18%
Plan Fiduciary Net Position as a percentage of the Total GLI OPEB Liability (Asset)	48.86%	51.22%	52.00%	52.60%	67.45%	67.20%	69.30%

Note:

The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 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
VRS Political Subdivisions GLI Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years

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
2015	\$ 85,773	\$ 77,681	\$ (8,092)	\$ 16,183,507	0.53%
2016	87,509	79,253	(8,256)	16,511,056	0.53%
2017	88,330	88,330	-	16,998,577	0.52%
2018	90,630	90,630	-	17,508,534	0.52%
2019	94,141	94,141	-	18,647,166	0.50%
2020	94,141	94,141	-	17,819,139	0.53%
2021	233,914	233,914	-	17,140,227	1.36%
2022	251,536	251,536	-	16,904,462	1.49%
2023	245,257	245,257	-	18,302,756	1.32%
2024	293,331	293,331	-	21,890,372	1.34%

Note:

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 percent for the employer and 60 percent 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 percent of the total premiums paid by the Norfolk School Board.

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information for the Year Ended June 30, 2024

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, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 of the experience study and the VRS Board action are as follows:

Mortality Rates	Updated to PUB2010 public sector mortality tables. Replaced load with MP-2020
Retirement Rates	Adjusted rated to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

B VRS Retirement Plan for Political Subdivisions

Changes of benefit terms and assumptions

There have been no changes to the benefits provisions since the last valuation.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 of the experience study and the VRS Board action are as follows:

Mortality Rates	Updated to PUB2010 public sector mortality tables. Replaced load with MP-2020
Retirement Rates	Adjusted rated to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 Hazardous Duty: Changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service Hazardous Duty: Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience

Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

C City of Norfolk Other Post-employment Benefit Plan**Changes of benefit terms and assumptions**

Rates of retirement were updated for NERS general employees to reflect the addition of the DROP benefit and for public safety members to account for the increase in the DROP period from 4 to 5 years. The additional \$10 credit per month for completing the personal health assessment survey for retirees.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	No change
Retirement Rates	No change
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	3.65 percent

D 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, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 of the experience study and the VRS Board action are as follows:

Mortality Rates	Updated to PUB2010 public sector mortality tables. Replaced load with MP-2020
Retirement Rates	Adjusted rated to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 Hazardous Duty: Changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service Hazardous Duty: Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience

REQUIRED SUPPLEMENTARY INFORMATION

Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

E 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, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 of the experience study and the VRS Board action are as follows:

Disability Rates	No change
Salary Scale	No change
Discount Rate	No change
Mortality Rates	Updated to PUB2010 public sector mortality tables. Replaced load with MP-2020
Retirement Rates	Adjusted rated to better fit experience for Plan I; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80
Withdrawal Rates	Hazardous Duty: Changed final retirement age from 65 to 70 Adjusted rates to better fit experience at each year age and service through 9 years of service Hazardous Duty: Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit E-1

**Schedule of Revenue, Budget and Actual (Unaudited)
General Fund
For the Fiscal Year Ended June 30, 2024**

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
General property taxes	\$ 384,369,200	\$ 384,369,200	\$ 396,872,615	\$ 12,503,415
Other local taxes	184,656,096	184,656,096	194,324,918	9,668,822
Permits, privilege fees and licenses	4,068,000	4,068,000	3,439,696	(628,304)
Fines and forfeitures	1,505,000	1,505,000	1,090,260	(414,740)
Use of money and property	13,514,434	14,738,273	25,579,215	10,840,942
Charges for services	26,202,840	26,202,840	29,901,837	3,698,997
Miscellaneous revenue	8,659,610	8,659,610	8,463,629	(195,981)
Recovered costs	9,290,966	9,290,966	9,039,283	(251,683)
Non-categorical aid - Virginia	41,137,382	41,137,382	43,175,189	2,037,807
Shared expense - Virginia	25,119,100	26,858,051	26,520,477	(337,574)
Categorical aid - Virginia	321,550,487	321,550,487	293,358,540	(28,191,947)
Categorical aid - Federal	8,615,256	8,615,256	31,225,233	22,609,977
Other sources and transfers	57,580,040	61,680,040	76,425,398	14,745,358
Total General Fund revenue budget	\$ 1,086,268,411	\$ 1,093,331,201	\$ 1,139,416,290	\$ 46,085,089

Exhibit E-1 for GASB 54 includes the General fund, the EOC/911 fund, the Land Acquisition fund, the Nauticus fund, and the Community Services Board.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit E-2

Schedule of Expenditures, Budget and Actual (Unaudited) General Fund For the Fiscal Year Ended June 30, 2024

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
Legislative	\$ 6,378,474	\$ 6,378,474	\$ 6,152,495	\$ 225,979
Executive	4,576,240	4,576,240	4,457,393	118,847
Department of Law	6,213,932	6,213,932	6,160,943	52,989
Finance, City Treasurer, Commissioner of Revenue	14,848,116	15,655,309	14,900,020	755,289
Department of Human Resources	5,280,277	5,280,277	4,966,670	313,607
Courts, Sheriff and Detention	57,741,176	59,139,134	55,541,944	3,597,190
Department of Public Health	3,400,665	3,400,665	1,124,771	2,275,894
Department of Human Services	87,119,242	87,119,242	72,903,051	14,216,191
Department of Public Works	22,188,536	22,188,536	21,480,840	707,696
Recreation Parks and Open Space, Maritime Center	26,938,668	26,938,668	26,778,048	160,620
Education	404,575,172	404,575,172	379,047,217	25,527,955
Norfolk Public Libraries	13,952,331	13,952,331	13,251,214	701,117
Elections	1,179,525	1,480,525	1,441,269	39,256
Department of Planning & Community Development	12,757,678	13,073,394	13,653,180	(579,786)
Department of Neighborhood Development	6,935,607	6,935,607	5,536,882	1,398,725
Department of Cultural Facilities, Arts & Entertainment	6,865,561	6,865,561	6,103,308	762,253
Departmental Support	23,246,702	50,144,627	195,797,153	(145,652,526)
Outside Agencies	50,770,062	55,318,396	63,760,492	(8,442,096)
Department of Police	90,143,680	74,958,155	73,323,268	1,634,887
Department of Fire - Rescue	58,844,372	44,908,847	45,348,147	(439,300)
Debt Service	100,522,354	101,746,193	111,428,139	(9,681,946)
Office of Budget and Strategic Planning	3,342,861	3,342,861	3,155,360	187,501
Office of Resilience	1,158,302	1,158,302	1,100,969	57,333
Department of General Services	35,235,673	35,645,673	45,796,839	(10,151,166)
Department of Economic Development	3,375,939	3,375,939	2,806,052	569,887
Department of Information Technology	21,515,258	21,515,258	20,294,960	1,220,298
Virginia Zoological Park	5,042,106	5,323,981	5,372,046	(48,065)
Transportation	12,119,902	12,119,902	10,148,519	1,971,383
Total General Fund expenditure budget	\$ 1,086,268,411	\$ 1,093,331,201	\$ 1,211,831,189	\$ (118,499,988)

Exhibit E-2 for GASB 54 includes the General fund, the EOC/911 fund, the Land Acquisition fund, the Nauticus fund, and the Community Services Board.

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited) For the Fiscal Year Ended June 30, 2024

	General Fund
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	\$ 1,139,416,290
Differences--budget to GAAP:	
The effects of accounting for school revenue as a component unit	(241,278,310)
The effects of accounting for transfer from fund balance	(39,282,363)
General fund transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(22,140,968)
The effects of reclassification of recovered costs	(9,039,283)
Gross proceeds from other financing sources	<u>(16,228,776)</u>
Total revenues as reported on the Statement of Revenues, Expenditure and Changes in Fund Balances - Governmental Funds	
	<u><u>\$ 811,446,590</u></u>
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$ 1,211,831,189
Differences--budget to GAAP:	
The effects of accounting for school expenditures as a component unit	(234,713,258)
The effects of reclassification of recovered costs	(9,039,283)
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	(5,923,226)
General fund transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(267,778,484)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	
	<u><u>\$ 694,376,938</u></u>



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APPENDIX B

FORM OF BOND COUNSEL OPINION LETTER

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October __, 2025

Mayor and City Council
City of Norfolk, Virginia
Norfolk, Virginia 23510

City of Norfolk, Virginia

\$241,325,000 General Obligation Capital Improvement and Refunding Bonds, Series 2025A

\$14,785,000 General Obligation Capital Improvement Bonds, Series 2025B (Federally Taxable)

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and other documents relating to the issuance and sale by the City of Norfolk, Virginia (the "City") of its \$241,325,000 General Obligation Capital Improvement and Refunding Bonds, Series 2025A (the "2025A Bonds") and its \$14,785,000 General Obligation Capital Improvement Bonds, Series 2025B (Federally Taxable) (the "2025B Bonds", and together with the 2025A Bonds, the "Bonds"). The 2025A Bonds are being issued to (i) fund certain capital improvement projects for the City, (ii) pay the purchase price of certain general obligation bonds of the City tendered for purchase pursuant to the City Invitation to Tender Bonds for Purchase date September 30, 2025 (the "Invitation"), (iii) refund certain bonds of the City included in the Invitation but not purchased, and (iv) to pay certain costs of issuing the Bonds. Reference is made to the forms of the 2025A Bonds and 2025B Bonds for information concerning their details, including payment and redemption provisions, and the proceedings pursuant to which they are issued.

Without undertaking to verify the same by independent verification, we have relied on (a) computations provided by BofA Securities, Inc., the senior managing underwriter for the Bonds, the mathematical accuracy of which has been verified by Bingham Arbitrage Rebate Services, Inc. as verification agent, relating to the yield of investments in the escrow fund established in connection with the refunding and defeasance, as applicable, of the refunded bonds (the "Refunded Bonds"), the sufficiency of such investments to pay when due the principal of and interest on the Refunded Bonds and the yield on the Bonds, and (b) certifications by representatives of the City and other public officials furnished to us as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), including (i) the proceedings authorizing the issuance of the Bonds, (ii) the use, investment and expenditure of the proceeds of the Bonds, and (iii) the projects financed or refinanced by the proceeds of the Bonds.

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 the issuance of the Bonds have been duly authorized, executed and delivered by all parties other

City of Norfolk, Virginia
October __, 2025
Page 2

than the City, and we have further assumed the due organization, existence and powers of such other parties.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the Public Finance Act of 1991, and constitute valid and legally binding obligations of the City, enforceable in accordance with their terms, to which the faith and credit of the City are irrevocably pledged for the payment of principal thereof and interest thereon. The City Council of the City is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, 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, ad valorem taxes on all locally taxable property in the City, without limitation as to rate or amount, over and above other taxes authorized or limited by law, sufficient to pay when due the principal of and interest on the Bonds.

2. Interest on the 2025A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Such interest may affect the federal alternative minimum tax imposed on certain corporations. The opinion set forth above in this paragraph as to such excludability is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2025A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the 2025A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2025A Bonds.

3. Interest on the 2025B Bonds is included in gross income for federal income tax purposes.

4. Interest on the 2025A Bonds and 2025B Bonds is exempt from income taxation by the Commonwealth.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights generally, heretofore or hereafter enacted, and by equitable principles, whether considered at law or in equity.

Our services as bond counsel to the City have been limited to a review of the legal proceedings required for the authorization of the Bonds and to rendering the opinions set forth above. We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement dated September 30, 2025, relating to the Bonds. Further, we express no opinion

City of Norfolk, Virginia
October __, 2025
Page 3

regarding tax consequences arising with respect to the Bonds or any other matter except as expressly set forth herein.

Our opinions set forth above are based upon statutes, regulations, rulings and court decisions in effect on the date hereof. We undertake no obligation to update, revise or supplement this letter to reflect any facts or circumstances that hereafter may come to our attention, or any changes in law that hereafter may occur or become effective.

Very truly yours,

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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 October 15, 2025 (the “Closing Date”), by the City of Norfolk, Virginia (the “City”), in connection with the issuance by the City of its \$241,325,000 General Obligation Capital Improvement and Refunding Bonds, Series 2025A and its \$14,785,000 General Obligation Capital Improvement Bonds, Series 2025B (Federally Taxable) (collectively, the “Bonds”), pursuant to Ordinance Nos. 50,102 and 50,108, adopted by the City Council of the City on September 9, 2025 (collectively, 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 September 30, 2025 (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: _____

Patrick G. Roberts
City Manager

By: _____

Christine A. Garczynski
Director of Finance

Approved as to Form and Correctness:

By: _____

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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APPENDIX D

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 detailed 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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APPENDIX E
PURCHASED REFUNDED BONDS

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APPENDIX E
PURCHASED REFUNDED BONDS

<u>Series</u>	<u>Dated Date</u>	<u>Principal / Sinking Fund Tendered</u>	<u>Interest Rate</u>	<u>Maturity/ Sinking Fund Redemption Date</u>	<u>CUSIP</u>	<u>Purchase Price*</u>
2016B	10/19/2016	\$800,000	3.000%	10/1/2037**	655867VH9	85.674
2019B	8/15/2019	2,550,000	2.230	10/1/2026	655867YW3	98.851
2019B	8/15/2019	945,000	2.404	10/1/2027	655867YX1	98.115
2019B	8/15/2019	3,420,000	2.454	10/1/2028	655867YY9	97.243
2019B	8/15/2019	3,020,000	2.504	10/1/2029	655867YZ6	96.251
2019B	8/15/2019	525,000	2.554	10/1/2030	655867ZA0	95.390
2019B	8/15/2019	1,705,000	2.654	10/1/2031	655867ZB8	94.830
2019B	8/15/2019	1,600,000	2.754	10/1/2032	655867ZC6	93.940
2019B	8/15/2019	1,000,000	2.804	10/1/2033	655867ZD4	92.846
2019B	8/15/2019	2,055,000	2.854	10/1/2034	655867ZE2	91.752
2019B	8/15/2019	8,000,000	3.004	10/1/2036	655867ZG7	89.938
2020B	4/2/2020	365,000	1.550	9/1/2026	655867G45	98.365
2020B	4/2/2020	500,000	2.200	9/1/2034	655867H44	86.959
2020C	10/15/2020	375,000	0.868	10/1/2026	655867J42	97.574
2020C	10/15/2020	3,765,000	0.988	10/1/2027	655867J59	95.451
2020C	10/15/2020	2,500,000	1.184	10/1/2028	655867J67	93.696
2020C	10/15/2020	105,000	1.414	10/1/2030	655867J83	90.250
2020C	10/15/2020	3,540,000	1.514	10/1/2031	655867J91	88.768

*All of the Purchased Refunded Bonds are scheduled to be purchased on October 15, 2025.

**Represents the sinking fund redemption date of the Series 2016B Bonds term bond maturing 10/1/2042.

NON-TENDERED REFUNDED BONDS*

<u>Series</u>	<u>Dated Date</u>	<u>Principal Refunded</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>CUSIP</u>	<u>Price</u>
2019B	8/15/2019	\$475,000	2.230	10/1/2026	655867YW3	100.000
2019B	8/15/2019	765,000	2.454	10/1/2028	655867YY9	100.000
2019B	8/15/2019	2,155,000	2.504	10/1/2029	655867YZ6	100.000
2019B	8/15/2019	4,445,000	2.554	10/1/2030	655867ZA0	100.000
2019B	8/15/2019	1,995,000	2.654	10/1/2031	655867ZB8	100.000
2019B	8/15/2019	2,085,000	2.754	10/1/2032	655867ZC6	100.000
2019B	8/15/2019	9,215,000	2.804	10/1/2033	655867ZD4	100.000
2019B	8/15/2019	2,905,000	2.854	10/1/2034	655867ZE2	100.000
2020B	4/2/2020	5,220,000	1.550	9/1/2026	655867G45	100.000
2020B	4/2/2020	150,000	1.650	9/1/2027	655867G52	100.000
2020B	4/2/2020	155,000	1.750	9/1/2028	655867G60	100.000
2020B	4/2/2020	155,000	1.800	9/1/2029	655867G78	100.000
2020B	4/2/2020	160,000	1.850	9/1/2030	655867G86	100.000
2020B	4/2/2020	165,000	1.950	9/1/2031	655867G94	100.000
2020B	4/2/2020	165,000	2.050	9/1/2032	655867H28	100.000
2020B	4/2/2020	540,000	2.100	9/1/2033	655867H36	100.000
2020B	4/2/2020	2,180,000	2.200	9/1/2034	655867H44	100.000
2020C	10/15/2020	185,000	1.184	10/1/2028	655867J67	100.000
2020C	10/15/2020	4,475,000	1.304	10/1/2029	655867J75	100.000
2020C	10/15/2020	3,865,000	1.414	10/1/2030	655867J83	100.000

*All of the Non-Tendered Refunded Bonds are being refunded to their final maturity.