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# Budget Overview

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# ACKNOWLEDGMENTS

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The preparation of the city's annual resource allocation plan requires a tremendous amount of hard work and dedication on the part of many people. Developing expenditures and revenue information requires varying sources of data and multiple perspectives.

The FY 2021 Budget includes the assistance of many who deserve acknowledgment and appreciation:

- Residents of the city and civic leagues, particularly those who attended community outreach meetings
- Members of the city's Employee Relations Committee
- Executive budget team
- Department and office directors
- Members of the business community
- Council Appointees
- Constitutional Officers

Special recognition and gratitude to the Department of Budget and Strategic Planning staff who worked to prepare this year's budget.

## **Director, Department of Budget and Strategic Planning**

Gregory Patrick

## **Department of Budget and Strategic Planning Staff**

Peter Buryk, Megan Erwin, Naomi Gunnell, Patricia Harrison, Frennyrose Jenkins, Carl Larson, Pamela Marino, Betty Meyer, Barbara Muniz, Seth Parker, Cecelia Rieb, Natasha Singh-Miller, Anne Marie Strano, Natasha Turner, Emily Uselton, Andréa Vargas, Victoria Wallace, Chelsea West, and Amanda Workman.

**City Manager,**



# DISTINGUISHED BUDGET PRESENTATION AWARD

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

## *Distinguished Budget Presentation Award*

PRESENTED TO

**City of Norfolk  
Virginia**

For the Fiscal Year Beginning

**July 1, 2019**

*Christopher P. Morill*

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Norfolk, Virginia for its annual budget for the fiscal year beginning July 1, 2019. The review process by GFOA has not commenced for the annual budget for the fiscal year beginning July 1, 2020.

This prestigious award is presented to governmental entities that prepare budget documents which exhibit the highest qualities in meeting or exceeding both the guidelines established by the National Advisory Council on State and Local Budgeting and GFOA's standards of best practices. Documents submitted for the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting. The award is only valid for a period of one year only. The FY 2021 budget continues to conform to program requirements and will be submitted to GFOA for eligibility.

# CITY OF NORFOLK GOVERNMENT

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Norfolk City Council is the legislative body of the city government. It is authorized to exercise all the powers conferred upon the city by the Commonwealth of Virginia in the state constitution, state laws, and the Charter of the City of Norfolk.

City Council is composed of eight members. Seven members are elected through a ward system, and the Mayor is elected at large by the residents of Norfolk. These members elect a vice president (Vice Mayor) of the Council. For further information on the duties, powers, and meetings of the Council, call the Office of the City Clerk, 757-664-4253.

The City Council meets the first, second, and fourth Tuesday of each month in Norfolk City Hall. There are two formal meetings held at 7:00 p.m. in the Council Chambers on the second and fourth Tuesday. Work sessions are held prior to the formal meetings and on the first Tuesday of each month. Starting times of the work sessions are determined by the agenda.

The City of Norfolk operates under a Council-Manager form of government whereby the Council appoints a chief executive, the City Manager, Larry "Chip" Filer, PhD. The Council also appoints a City Attorney, Bernard A. Pishko; City Auditor, Tammie Dantzler; City Clerk, Richard A. Bull; and City Real Estate Assessor, W.A. (Pete) Rodda.

# NORFOLK CITY COUNCIL AND CITY MANAGER

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Mayor  
Kenneth Cooper Alexander, PhD



Vice Mayor,  
Martin A. Thomas Jr.  
Ward 1



Council Member  
Courtney Doyle  
Ward 2



Council Member  
Mamie B. Johnson  
Ward 3



Council Member  
Paul R. Riddick  
Ward 4



Council Member  
Thomas R. Smigiel Jr.  
Ward 5



Council Member  
Andria P. McClellan  
Super Ward 6



Council Member  
Angelia Williams Graves  
Super Ward 7



City Manager  
Larry "Chip" Filer, PhD

# CITY OF NORFOLK WARD MAP

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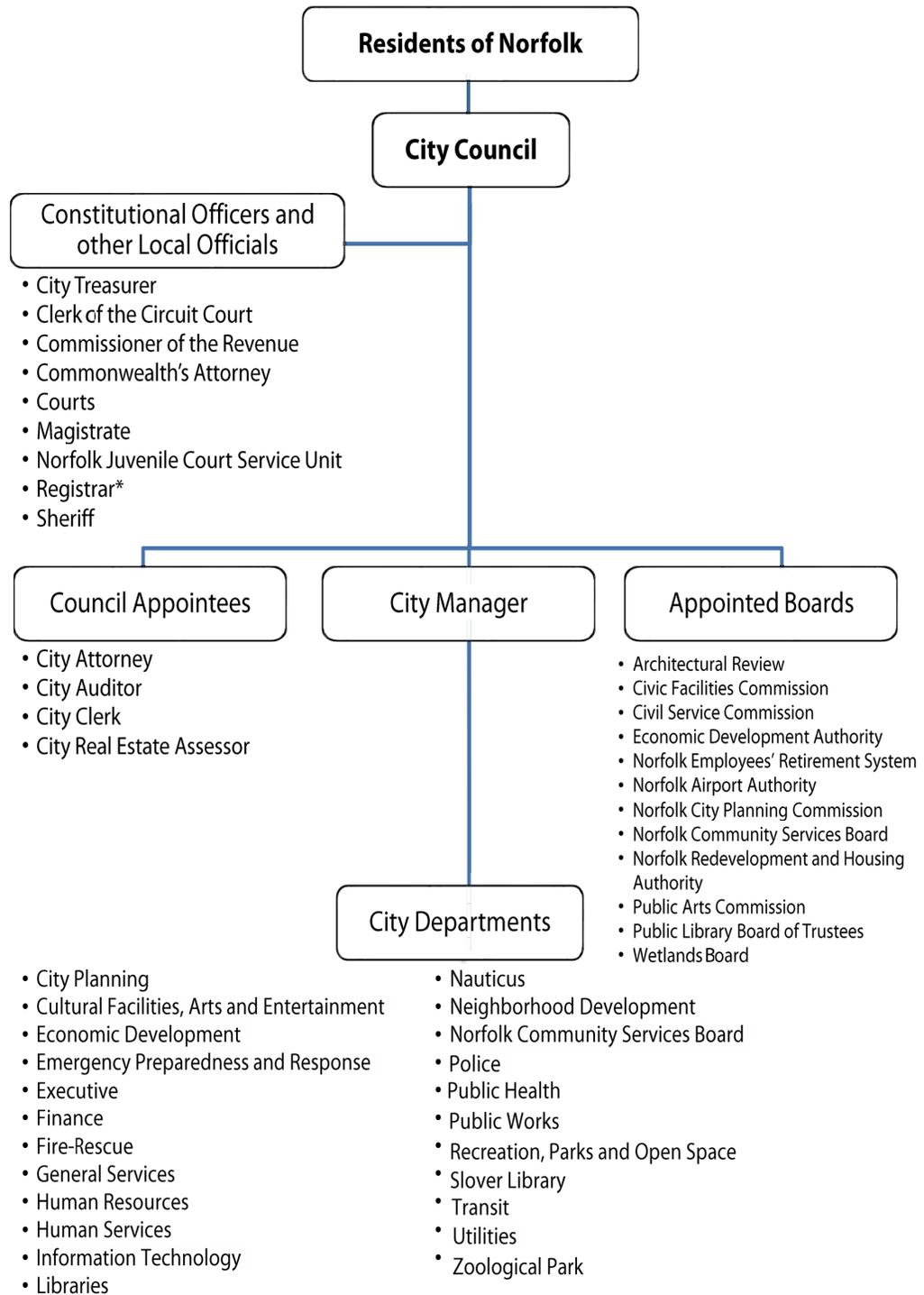
# CITY COUNCIL'S VISION FOR NORFOLK

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## **Vision Statement**

- Norfolk is a national leader in the quality of life offered to all its citizens.
- This is achieved through effective partnerships between city government and its constituents.
- As a result, Norfolk is a physically attractive, socially supportive, and financially sound city.
- Here, the sense of community is strong.
- Neighborhoods are designed so that people of all ages can know their neighbors and travel the streets and sidewalks safely.
- The sense of community exists citywide.
- Norfolk is known nationally as a strategically located place where there are abundant and fulfilling employment, recreational, and educational opportunities.

# CITY OF NORFOLK ORGANIZATIONAL CHART



\*Appointed by State Board of Elections

# READER'S GUIDE TO THE BUDGET

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## PURPOSE

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The budget is an instrument that sets policy and summarizes public service programs provided by the city government and how the programs are funded. It is the annual plan for coordinating revenues and expenditures. The budget presented covers the period of **July 1, 2020 to June 30, 2021**. The amounts for FY 2021 are adopted through the appropriation ordinance adopted by the City Council. The Adopted Budget document may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## BUDGET OVERVIEW

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This section provides information on budget and financial policies, fund structure, basis of budget and accounting, budget process, budget calendar, and the city's organizational chart. The section also includes revenue and expenditure summaries, discussion of major revenue sources, indebtedness, and personnel staffing. Historical revenue and expenditure amounts for FY 2019 provided in the summaries do not include designations and financial adjustments posted after June 30, 2019. FY 2021 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## GENERAL FUND REVENUE AND EXPENDITURE

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The General Fund is used to account for primary government services. A summary of historical and estimated revenue from each source is provided for the General Fund. For each department within the General Fund, a summary of historical and approved expenditures is provided. Historical revenue and expenditure amounts for FY 2019 do not include designations and financial adjustments posted after June 30, 2019. FY 2021 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## STRATEGIC GOALS AND OBJECTIVES

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This section provides an overview of the city's focus areas and strategic direction.

## ANNUAL GRANTS PLAN

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This section provides an overview of the grants that the city anticipates to receive annually from federal, state, and other agencies that are dedicated for specific purposes. This is the second year this information is included in the city's budget document and was added to give readers a more complete picture of the city's resources available to provide programs and services for residents.

## DEPARTMENT BUDGETS

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This section provides detailed information on the budget of each department within the General Fund. A brief description of Adopted FY 2021 budget actions and their impact on the budget and full time equivalent (FTE) personnel are provided in this section. Historical revenue and expenditure amounts for FY 2018 and FY 2019

provided in the department summaries do not include designations and financial adjustments posted after June 30 of each fiscal year. FY 2021 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## PUBLIC SCHOOL EDUCATION

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This section provides information on the proposed appropriation for Norfolk Public Schools. FY 2021 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## SPECIAL REVENUE, ENTERPRISE, AND INTERNAL SERVICE FUNDS

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These sections provide detailed information on the proposed budget of the city's Special Revenue, Enterprise, and Internal Service Funds. A brief description of the Adopted FY 2021 budget actions and their impact on the budget and full time equivalent (FTE) personnel are provided in this section. Historical revenues and expenditures for FY 2018 and FY 2019 provided in the department summaries do not include designations and financial adjustments posted after June 30 of each fiscal year. FY 2021 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## DEPARTMENT BUDGET STRATEGIES

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The Adopted FY 2021 Budget was developed in response to the financial impact resulting from the COVID-19 Pandemic. While the short or long-term financial impact of this pandemic is still uncertain, the city is projecting a revenue loss of up to \$40 million in FY 2021. The strategies outlined in this section were developed in coordination with city departments to address the anticipated budget gap and include description of impact to service levels.

## UNFUNDED REQUESTS

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The city began FY 2021 Budget Development with a base budget gap. Growth in ongoing revenues did not support corresponding growth in expenditures required to maintain the same level of service as FY 2020. The original Proposed FY 2021 Budget was balanced with few enhancements. The COVID-19 Pandemic and projected revenue loss occurred between the Proposed and Adopted FY 2021 Budget. As a result, enhancements included in the Proposed Budget were removed in the final Adopted FY 2021 Budget. The Unfunded FY 2021 Budget Requests report shows enhancements that were requested by departments, but not funded in the Adopted FY 2021 Budget.

## CAPITAL IMPROVEMENT PLAN

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The city's debt service as a percentage of the General Fund budget must not exceed eleven percent (11%). Net debt, as a percentage of property, must not exceed four percent (4%). Due to these affordability measures, the city cannot afford to fund all requested General Capital projects. The Unfunded CIP Request Report shows projects that were requested by departments, but not included in the five-year Capital Improvement Plan.

# ANNUAL PLAN - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) ENTITLEMENT GRANT PROGRAM

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This section contains the Annual Plan for the Community Development Block Grant (CDBG), HOME Investment Partnerships Program, and Emergency Solutions Grant Program. The Annual Plan identifies the annual funding of the city's priority community development projects and activities as outlined in the five-year Consolidated Plan. FY 2021 adopted amounts may include technical changes made after the City Manager's presentation of the Proposed budget to the City Council.

## NORFOLK STATISTICAL INFORMATION

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This section provides statistical and general information about the city such as an overview of the organization, services, and selected functions.

## ORDINANCES, GLOSSARY, AND INDEX

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The ordinances adopted by the City Council establish the operating, capital improvement plan, annual grants, and the Annual Plan budget. The glossary provides definitions of budget-related terminology. The index contains an alphabetical reference of information contained in the document.

# FINANCIAL POLICIES

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## OPERATING BUDGET

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The operating budget for the city is developed pursuant to Section 67 of the Charter of the City of Norfolk, Virginia. In accordance with the City Charter, the City Manager submits to the City Council, no less than 60 days before the end of the fiscal year, a proposed operating budget for the ensuing fiscal year. The operating budget includes expenditure amounts based on detailed estimates furnished by departments and other divisions of the city government. The budget is presented in a manner that identifies appropriations, taxes, and estimated revenues with comparative statements. The budget is prepared by fund and department.

Following the formal presentation of the proposed budget by the City Manager, a public hearing is conducted to provide an opportunity for the public to make comments on the proposed operating budget and any proposed tax and fee adjustments such as, proposed changes to the real estate tax rate. The public hearing for the operating budget is held at least seven days prior to City Council's approval of the budget. City Council is required to approve a final operating budget no later than 30 days before the end of the current fiscal year.

The formal approval of the budget is executed by the adoption of the ordinance delineating appropriations by fund. Additional budget controls are exercised administratively on an appropriation unit basis over combinations of object categories (account groups: personnel services, materials, supplies and repairs, contractual services, equipment, public assistance, department specific appropriation, and debt service), as well as on a line item basis over individual objects (budget accounts). Departments may transfer funds within a departmental budget with approval from the City Manager or the Office of Budget and Strategic Planning.

The City Manager or designee is authorized to transfer from any department, fund, or activity which has an excess of funds appropriated for its use to any department, activity, or fund all or any part of such excess. Basic policies and guidelines for the development of the city's annual budget are provided below.

The administration is committed to high standards of financial management and currently maintains and follows financial practices and guidelines. On February 26, 2019, City Council passed a resolution to update the city's policies on reserves, debt affordability, and surplus funds utilization, and adopt new financial policies on pension funding and enterprise fund financial management. Financial policies demonstrate commitment to consistent financial practices, operational efficiencies, and best practices; preserve fiscal integrity; and improve fiscal stability to promote long-term fiscal sustainability. Sound financial management practices contribute to maintaining high city credit ratings and lower borrowing costs for capital projects.

## RESERVE FUND

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Description	Policy
General Fund Unassigned Reserve	Increase minimum to ten percent (10%) and adjust calculation methodology to percentage of General Fund expenditures plus General Fund transfers out.
Risk Management Reserve	Raise maximum funding to eight million (\$8,000,000) dollars and no less than five million dollars (\$5,000,000).
Economic Downturn Reserve	Fund at no less than two and one-half percent (2.5%) of the three (3) year average of real estate tax revenues, not-to-exceed five million dollars (\$5,000,000).

Reserve Fund (continued)

Description	Policy
Inclusive Development Opportunity Fund	Create a reserve to support inclusive economic growth, with a targeted threshold of two million (\$2,000,000) funding.
Reserve Replenishment	In the event a reserve is used to provide for temporary funding needs, the city shall restore the reserve to the minimum level within five (5) fiscal years following the fiscal year in which the event occurred.

## PENSION FUNDING

Description	Policy
Pension Funding Policy	Contribute each year an amount greater than the prior year's contribution or the current year's actuarially defined contribution until 100% funded.

## DEBT AFFORDABILITY MEASURES

Description	Policy
Net Debt as a Percent of the Total Assessed Value of Taxable Property	Keep General Fund net debt below three and one-half percent (3.5%) with a not-to-exceed of four percent (4.0%) of the total assessed value of taxable property.
Debt Service as Percent of General Fund Budget	Keep General Fund debt service below ten percent (10%) with a not-to-exceed of eleven percent (11%) of General Fund budget.
Ten-year (10) General Obligation Payout Ratio	Strive to repay the principal amount of the long-term general obligation bonds by at least fifty-five percent (55%) or greater within ten (10) years.
Overlapping Debt – e.g. Special service district financing or tax increment financing that would be subject to annual appropriation	The total amount of overlapping debt not to exceed one-half percent (0.5%) of total assessed value of taxable property.
Variable Rate Debt	Limit the city's outstanding debt with variable interest rate to no more than twenty percent (20%) by fund.

## USE OF SURPLUS

Description	Policy	
		Use of Surplus
<b>Surplus Policy</b>	1	If reserves are not at their required minimum. Entire prior fiscal year-end surplus will fund reserves until the minimum requirement of each reserve has been met.
	2	If reserves have met the required minimum, but not the maximum. Fifty percent (50%) of prior fiscal year-end surplus will fund reserves and fifty percent (50%) will cash fund (pay-go) the Capital Improvement Plan.
	3	If reserves are fully funded at the maximum requirement. Entire prior fiscal year-end surplus will cash fund (pay-go) the Capital Improvement Plan or one-time technology and equipment purchases.

## PARKING FACILITIES FUND

Description	Policy
Debt Service Coverage	Maintain debt service at a minimum of 1.1 times.
Unrestricted Cash	Maintain a minimum of 240 days of operating and maintenance expense.
Repair & Replacement Reserve	Establish a repair and replacement reserve of one million dollars (\$1,000,000) within five (5) years.
Ten-Year Financial Plan	Develop a ten-year financial plan annually that integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

## WATER UTILITY FUND

Description	Policy
Debt Service Coverage	Maintain debt service at a minimum of 1.5 times gross of ROI and PILOT.
Unrestricted Cash	Maintain a minimum of 240 days of operating and maintenance expense.
Repair & Replacement Reserve	Establish a repair and replacement reserve of two million dollars (\$2,000,000) within five (5) years.
Return on Investment ("ROI")	The General Fund ROI transfer from the Water Utility Fund shall not exceed \$8.5 million in a given year. Additional transfers may only be considered in the event the Water Utility Fund receives one-time, significant revenues and provided that the additional transfer would not cause the Fund to fail to adhere to any other financial policies.
Payment in Lieu of Taxes ("PILOT")	The PILOT paid by the Water Utility Fund to the General Fund to be based on the taxable assessed value of real property using the applicable tax rate.
Ten-Year Financial Plan	Develop a ten-year financial plan annually that integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

## WASTEWATER UTILITY FUND

Description	Policy
Debt Service Coverage	Maintain revenue bond debt service at 1.15 times and 1.1 times combined coverage (General Obligation and Revenue) minimum gross of ROI and PILOT.
Unrestricted Cash	Maintain a minimum of 180 days of operating and maintenance expense.
Repair & Replacement Reserve	Establish a repair and replacement reserve of one million dollars (\$1,000,000) within five (5) years.
Return on Investment ("ROI")	The General Fund ROI Transfer from the Wastewater Utility Fund shall not exceed \$1.5 million in a given year. Additional transfers may only be considered in the event the Wastewater Utility Fund receives one-time, significant revenues and provided that the additional transfer would not cause the Fund to fail to adhere to any other financial policies.

Wastewater Utility Fund (continued)

Description	Policy
Payment in Lieu of Taxes ("PILOT")	The PILOT paid by the Wastewater Utility Fund to the General Fund to be based on the taxable assessed value of real property using the applicable tax rate.
Ten-Year Financial Plan	Develop a ten-year financial plan annually which integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

## STORM WATER MANAGEMENT FUND

Description	Policy
Debt Service Coverage	Maintain revenue bond debt service coverage minimum at 1.15 times coverage and 1.1 times combined coverage (General Obligation and Revenue).
Unrestricted Cash	Maintain a minimum of 180 days of operating and maintenance expense.
Repair & Replacement Reserve	Establish a repair and replacement reserve of one million dollars (\$1,000,000) within five (5) years.
Ten-Year Financial Plan	Develop a ten-year financial plan annually that integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

## CAPITAL IMPROVEMENT PLAN

The city uses several guiding principles and best practices to manage the Capital Improvement Plan (CIP). The principles (see Guiding Principles under CIP section) governing the CIP are closely linked with the debt affordability measures in the financial policies described in the previous section. Using the principles as a foundation, the CIP is developed to promote capital infrastructure to support the city policies by establishing a five-year capital implementation plan. In formulating this long-range plan, input is solicited from various parties such as city departments, City Council, residents, and businesses. The CIP includes projects that meet the following city policy areas (see CIP section for definitions):

- Education
- Economic Development
- Environmental Sustainability
- Cultural Facilities
- General and Other
- Neighborhood Development
- Public Buildings
- Parks and Recreation Facilities
- Transportation

To be included in the CIP, the project must cost \$75,000 or more and should extend the life of the asset by more than the life of the debt instrument used to finance the improvement or grant program. Various sources of funding are used to fund the CIP. These sources include General Fund supported debt and nongeneral fund supported

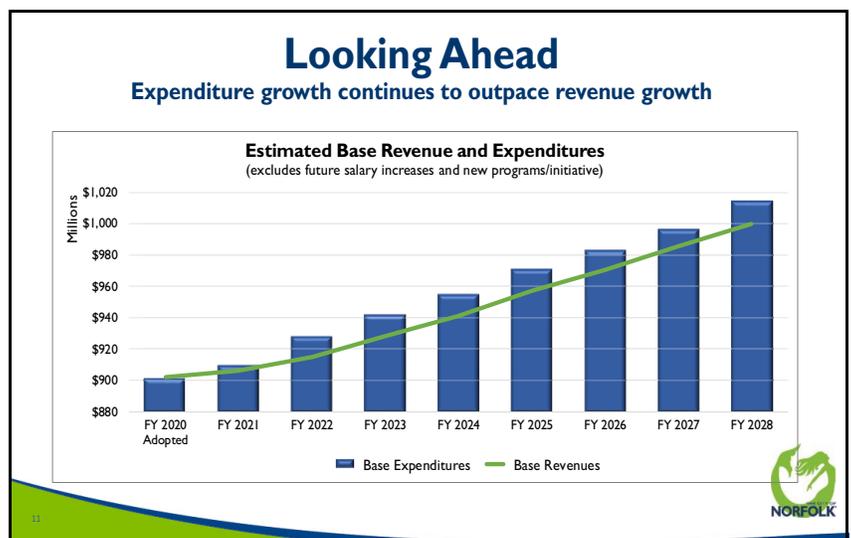
debt, such as revenue bonds or cash contributions from various resources. For general capital improvements, the city strives to achieve an annual pay-as-you-go cash contribution.

## MULTI-YEAR PLANNING

The city's multi-year planning process includes preparing a ten-year base budget forecast annually. The ten-year forecast of base revenues and expenditures enables the city to identify long-term financial challenges and plan for the upcoming fiscal year's budget. In addition, the annual budget development process incorporates a two-year lens, whereby each recommended budget action is analyzed to determine its impact not just in the upcoming fiscal year but also in the following year.

In the summer of each fiscal year, the Office of Budget and Strategic Planning initiates the process of compiling information for the forecast from city departments, regional and city partner agencies, state and federal agencies, and state and regional economists. During FY 2019, the Office of Budget and Strategic Planning integrated the ten-year forecast submission process in the performance budgeting ("budget") system. As a result of the budget system enhancement, items in the ten-year forecast are seamlessly incorporated in the department's base budget in the upcoming fiscal year. The ten-year forecast compiled during the summer and fall was refined and presented to the City Council during the Mid-Year Budget Review and Financial Update in March. The ten-year base revenue forecast is updated to reflect actions in the proposed and adopted budgets. Also, adopted FY 2020 budget actions that impact the following fiscal year's base budget was incorporated in the start point of the FY 2021 ten-year forecasting process.

The ten-year base budget forecast annually incorporates adjustments to base revenues and expenditures due to: state, federal, and local mandates; debt and other inflationary or contractual cost increases needed to maintain existing levels of service; the estimated impact of the Norfolk Public Schools (NPS) revenue sharing formula; obligations related to regional partnerships; the opening of new city facilities; economic development projects coming to fruition; national, state, and regional economic forecasts; state budget actions enacted by the General Assembly; state budget forecasts; annualization of prior year prorated costs; and removal of one-time budgetary items. However, the base revenue and expenditure forecast does not include: new fees; fee or tax rate changes; the cost of budget enhancements such as, future salary increases, new programs or initiatives, and program or service expansion; or policy changes under consideration and requiring City Council or administrative action. The chart above summarizes the General Fund's base budget forecast presented to City Council in March 2020. This preliminary base budget outlook provided the start point of the development of the budget for the upcoming fiscal year (FY 2021) as well as the base budget outlook for the following year. The ten-year forecast is also considered for monitoring the city's debt affordability measures. However, the forecast was developed prior to the actions taken to slow the spread of the coronavirus disease (COVID-19) and has not been adjusted due to the uncertainty of the impact of the COVID-19 actions.



# FUND STRUCTURE

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The city uses fund accounting to ensure and demonstrate compliance with finance-related legal and regulatory requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The city's funds can be divided into four categories: governmental funds, proprietary funds, component unit funds, and fiduciary funds.

## GOVERNMENTAL FUNDS

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Governmental funds consist of the General Fund, Special Revenue Funds, Capital Projects Fund, Debt Service Funds, and Permanent Fund. Most governmental functions of the city are financed through these funds. Governmental funds are supported by taxes and intergovernmental revenues. The modified accrual basis of accounting is used for the budgets of all governmental funds.

### **General Fund**

The general operating fund of the city accounts for all financial transactions of the general government, except those required to be accounted for in another fund. The General Fund accounts for the city's normal recurring activities such as police, fire-rescue, public education (K-12), and public works. These activities are supported by revenue from: general property and other local taxes; permits, fees and licenses; fines and forfeitures; use of money and property; charges for services; recovered costs; and aid from the Commonwealth and Federal Government.

### **Special Revenue Funds**

The Special Revenue Funds account for the proceeds of specific revenue resources restricted or committed to expenditure for specific purposes (other than expendable trusts or major capital projects) and require separate accounting because of legal or regulatory provisions or administrative action.

### **Capital Projects Fund**

The Capital Projects Fund accounts for the acquisition, construction, or renovation of major capital facilities of the city and Norfolk Public Schools.

## PROPRIETARY FUNDS

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Proprietary funds consist of Enterprise Funds and Internal Service Funds. Enterprise Funds account for operations similar to those found in the private sector and include Water Utility, Wastewater Utility, Storm Water Management, and Parking Facilities. Internal Service Funds account for the financing of goods and services provided by one department to other departments in the city on a cost reimbursement basis and include Healthcare and Fleet Management. The Proprietary Funds measurement focus is based upon determination of net income, financial position, and changes in financial position.

### **Enterprise Funds**

#### Water Utility Fund

This fund accounts for the operations of the city-owned water system. The cost of providing services is financed or recovered through user charges to customers, which include Norfolk residents, commercial customers, the U.S. Navy, and other regional localities and authorities.

#### Wastewater Utility Fund

This fund accounts for the operation of the city-owned wastewater (sewer) system. The cost of providing services is financed or recovered through user charges to Norfolk residential and commercial customers.

### Storm Water Management Fund

This fund accounts for the operation of the environmental storm water management system, including maintenance of storm water drainage facilities. The cost of providing services is financed or recovered through user charges to Norfolk residents and commercial and industrial customers.

### Parking Facilities Fund

This fund accounts for the operation of city-owned parking facilities (garages, lots, and on-street meters). The cost of providing services is financed or recovered through user charges for long-term and short-term customer use and fines for parking violations.

## **Internal Service Funds**

### Norfolk Healthcare Consortium

This fund accounts for the financing of medical coverage provided to employees of the Norfolk Healthcare Consortium through a city-administered health insurance plan. The Consortium includes the City of Norfolk, Norfolk Public Schools, and the Norfolk Redevelopment and Housing Authority. Employees and the Consortium share the costs of the health insurance premium. Medical claims, administrative costs, wellness program costs, fees related to the Affordable Care Act, and benefit consultant expenses are paid by the Healthcare Fund.

### Fleet Management Fund

This fund accounts for the maintenance, repair, and service for the city fleet of vehicles, heavy equipment, and miscellaneous machinery on a cost reimbursement basis.

## COMPONENT UNIT FUNDS

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### **Education**

The city's total budget includes the funds of the Norfolk Public Schools. The primary sources of revenue are the city's local contribution, basic school aid and sales tax revenues from the state, and educational program grants. Major expenditures are for instructional salaries and schools' facility operating costs.

### **School Operating Fund**

The School Operating Fund is the General Fund of the School Board. It accounts for all financial resources except those required to be accounted for in another fund, such as School Nutrition Services.

### **School Grants**

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

### **School Nutrition Services**

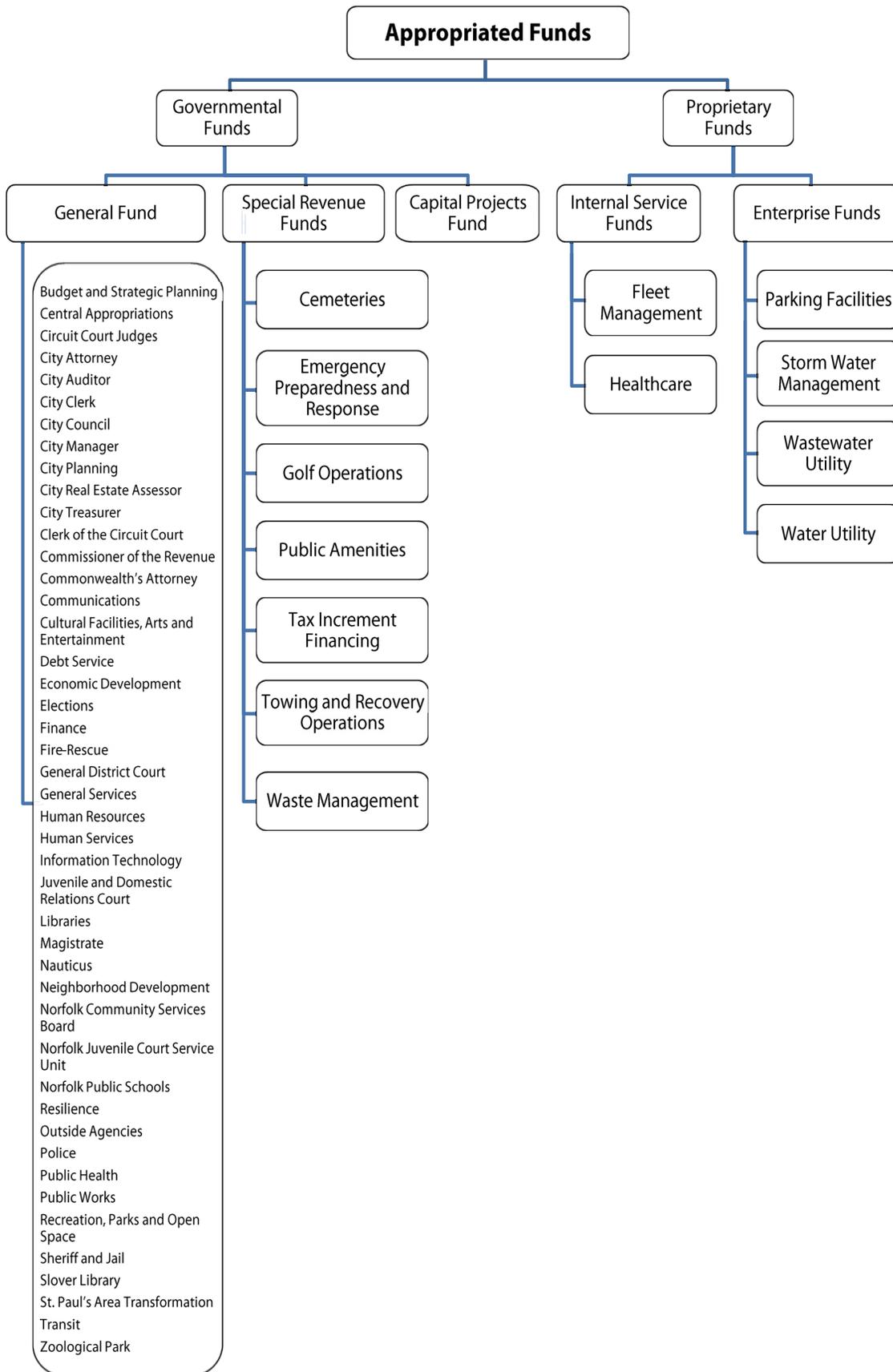
This fund supports the school breakfast and lunch program. School Nutrition Services is a self-funded non-reverting operation supported through cafeteria sales and federal and state reimbursements.

## FIDUCIARY FUNDS AND PERMANENT FUND

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Fiduciary Funds are used to account for resources held for the benefit of parties outside the city and include the city's Pension Trust Fund, Commonwealth of Virginia Agency Fund, and Other Agency Fund. The Permanent Fund is used to report resources legally restricted to the extent that only earnings (not principal) may be used to support the program and includes the Cemetery Endowed Care Fund. Fiduciary and Permanent Funds are not included in the city's budget, since its resources are not available to support the city's own programs. Fiduciary Fund statements are presented separately within the city's Comprehensive Annual Financial Report.

# FUND STRUCTURE



# BASIS OF BUDGETING AND ACCOUNTING

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## BASIS OF BUDGETING

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The budgets of governmental fund types (General Fund, Special Revenue, and Capital Projects Funds) of the city are generally prepared on the modified accrual basis of accounting. The accrual basis of accounting is generally used to budget for the Enterprise Funds and Internal Service Funds except for depreciation, debt principal payments, capital outlay, and contractual commitments (see Basis of Accounting below).

For the modified accrual basis, expenditures are recorded as expenditures when the related fund liability is incurred (other than interest on general long-term liabilities). For budgetary purposes, purchase orders issued and other contractual commitments are considered expenditures when executed. Revenues are recorded when they are measurable and available. The accrual basis recognizes expenses when the liability is incurred regardless of the related cash flows. Revenues, however, are recognized when earned. The accrual methodology is based upon known present and future expenses and revenues and not upon cash spent or received.

The level of control at which expenditures may not exceed the budget is at the department level for the General Fund and fund level for all other funds. The City Manager or designee is authorized to transfer from any department, fund, or activity with excess funds appropriated to any department, fund, or activity all or any part of such excess appropriation. Appropriations lapse at the end of the fiscal year, except appropriations that are designated or are for the Grants (Special Revenue) and Capital Improvement Programs, which are carried forward until the designation, grant, or project is completed or terminated.

## BASIS OF ACCOUNTING

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The Comprehensive Annual Financial Report (CAFR) presents the status of the city's finances in accordance with Generally Accepted Accounting Principles (GAAP). In most cases this conforms to how the city prepares its budget. Exceptions are as follows:

- Compensated absences are recorded as earned by employees (GAAP basis), as opposed to being expensed when paid (Budget basis);
- Principal payments on long-term debt within the Proprietary Funds reduce the amount of debt remaining on a GAAP basis as opposed to being expensed on a Budget basis;
- Capital Outlay within the Proprietary Funds is recorded as assets on a GAAP basis and expensed on a Budget basis;
- Depreciation expenses are recorded on a GAAP basis only; and,
- Recording unfulfilled purchase orders and contractual obligations as expenditures in the year executed.

In addition to the fund financial statements, government-wide financial statements are prepared on the accrual basis of accounting. In government-wide financial statements, certain funds are grouped together for reporting purposes.

# BUDGET PROCESS

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## FORMULATION OF THE CITY MANAGER'S BUDGET

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The City Charter requires the City Manager to prepare and submit to the City Council an annual budget.

The annual budget process commences at the beginning of the fiscal year. The budget calendar establishes the timeline for the process, dates for submission of department requests, budget work sessions, and public hearings leading to final adoption of the budget.

Department requests are based on budget instructions. Each request must relate to the organization's program objectives and the priorities of the city. The requests are received and compiled by the budget staff. Due to revenue constraints, departments are generally encouraged to develop proposals to realign or reduce expenditures rather than seek additional funding.

An operating budget is adopted each fiscal year for the General Fund, Enterprise Funds (Water Utility, Wastewater Utility, Storm Water Management, and Parking Facilities), Special Revenue Funds (Cemeteries, Emergency Preparedness and Response, Golf Operations, Public Amenities, Tax Increment Financing, Towing and Recovery Operations, and Waste Management), and Internal Service Funds (Fleet Management and Healthcare). Budgets are also individually adopted within the Special Revenue (Grants) Fund. Ordinances are generally adopted when a grant to the city has been awarded. Recurring grants identified in the Annual Grants Plan section are appropriated as part of the operating budget ordinance.

All funds are under formal budget control, the most significant of which is the General Fund. No less than sixty days before the end of the current fiscal year, the City Manager submits to the City Council a proposed operating budget for the next fiscal year. The operating budget includes recommended expenditures and the means to finance them. The adopted budget may include technical changes made after the City Manager's presentation of the proposed budget to City Council.

## CITY COUNCIL'S AUTHORIZATION AND APPROPRIATION

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After general distribution of the proposed budget, public hearings are conducted to obtain comments and recommendations from the public. No less than thirty days before the end of the fiscal year, the City Council shall pass an annual appropriation ordinance which shall be based on the budget document submitted by the City Manager and subsequent changes made by the City Council. The annual operating budget ordinance appropriates funding for use by departments for salaries, benefits and positions, and nonpersonnel as set forth in the detailed budget document. Amounts appropriated to each department are intended to be expended for the purposes designated by object group categories including: personnel services; materials, supplies and repairs; contractual services; equipment; public assistance; department specific appropriation; and debt service.

## CITY MANAGER'S AUTHORIZATION

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In accordance with the City Charter, at least sixty days before the end of each fiscal year, the City Manager shall prepare and submit to the City Council an annual budget for the ensuing fiscal year. The budget shall be balanced at all times. The total amount of appropriations shall not exceed the estimated revenues of the city.

In a given year, the City Manager or designee is authorized to transfer from any department, fund, or activity with excess funds appropriated to any department, fund, or activity as necessary.

## BUDGET IMPLEMENTATION

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Once the budget is adopted, it is effective on July 1 and becomes the legal basis for the programs and services of each department of the city during the fiscal year. No department or other agency of the city government may spend in excess of adopted and appropriated amounts, unless authorized by budget transfer as approved by the City Manager or designee. Financial and programmatic monitoring of departmental activities to ensure conformity with the budget takes place throughout the year. The budget can be found in the libraries and on the city website. The City Manager is responsible for maintaining a balanced budget at all times. In the event a gap is identified between revenues and expenditures, the City Manager will take actions necessary to rebalance the budget. Budget amendments may be made by the City Council to meet the changing needs of the city. The means by which the City Council may amend the budget include, but are not limited to, appropriation of additional funds and decreasing the amount of appropriated funds.

## CAPITAL IMPROVEMENT PLAN, ANNUAL GRANTS PLAN, AND ANNUAL PLAN

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City Council also adopts a Capital Improvement Plan, Annual Grants Plan, and the Annual Plan budget. These budgets are submitted by the City Manager with the operating budget, and public hearings are held and the budgets are legislatively enacted through adoption of ordinances.

Appropriations for project funds and grant funds do not lapse at year end, but continue until the purpose of the appropriation has been fulfilled or terminated. Amendments to these budgets may be affected by City Council actions. The level of budget control is on a project basis with additional administrative controls being exercised.

## BUDGET PRINCIPLES AND POLICIES

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These include the following:

- Provisions to strive for a structurally balanced budget whereby ongoing expenditures are supported by ongoing revenues;
- Preparation of a mid-year budget update, reporting projected revenues and expenditures for the entire fiscal year and receipt of unanticipated revenues and other major changes to the adopted budget;
- Preparation of a five to ten-year forecast, which serves as the basis for the City Manager's annual recommended budget; and
- Requirement that the City Manager prepare a Five-Year Capital Improvement Plan that incorporates operating costs and is stated in "year of expenditure dollars."

# BUDGET CALENDAR

Date	Responsible Party	Description	Legal Requirement
September 2019 - December 2019	City Departments	Department Program Catalog Development with Budget Staff Departments Submit Operating and Capital Improvement Budget Requests	N/A
December 2019 - February 2020	Budget and Strategic Planning Executive Staff City Departments	Department Meetings with Budget Staff and Operating and Capital Budget Committees Operating and Capital Budget Committee Meetings	N/A
March 3, 2020	Budget and Strategic Planning	City Manager's Mid-Year Budget Review and Financial Update	N/A
October 2019 - March 2020	Budget and Strategic Planning Marketing and Communications	Community and Employee Outreach	N/A
April 1, 2020	Norfolk Public Schools	Submission of School Board's Proposed Operating Budget to City Council	Code of Virginia 15.2-2503
April 2, 2020	Budget and Strategic Planning	Public Hearing Notice of the HUD Grant (CDBG, ESG, and HOME) Budget	U.S. Department of Housing and Urban Development (HUD)
April 12, 2020	City Clerk	Public Hearing Notice of the Real Estate Tax Increase due to increased reassessment	Code of Virginia 58.1-3321
April 16, 2020	City Council	Virtual Public Hearing: HUD Annual Plan Draft Proposal	U.S. Department of Housing and Urban Development (HUD)
April 21, 2020	City Manager	City Manager Presentation of Proposed Budget to City Council	City of Norfolk Charter Sec. 67
April 27, 2020	City Clerk	Public Hearing Notice of the Operating and Capital Improvement Plan Budgets	Code of Virginia 15.2-2506, 58.1-3007
May 6, 2020	City Council	Public Hearing on the Operating, Capital Improvement Plan, and HUD Grant (CDBG, ESG and HOME) Budgets	Code of Virginia 15.2-2506, 58.1-3007
May 12, 2020	City Council	Public Hearing on the Real Estate Tax Increase due to increased reassessment	Code of Virginia 58.1-3321
May 19, 2020	City Council	City Council Budget Adoption	City of Norfolk Charter Sec. 68 Code of Virginia 15.2-2503

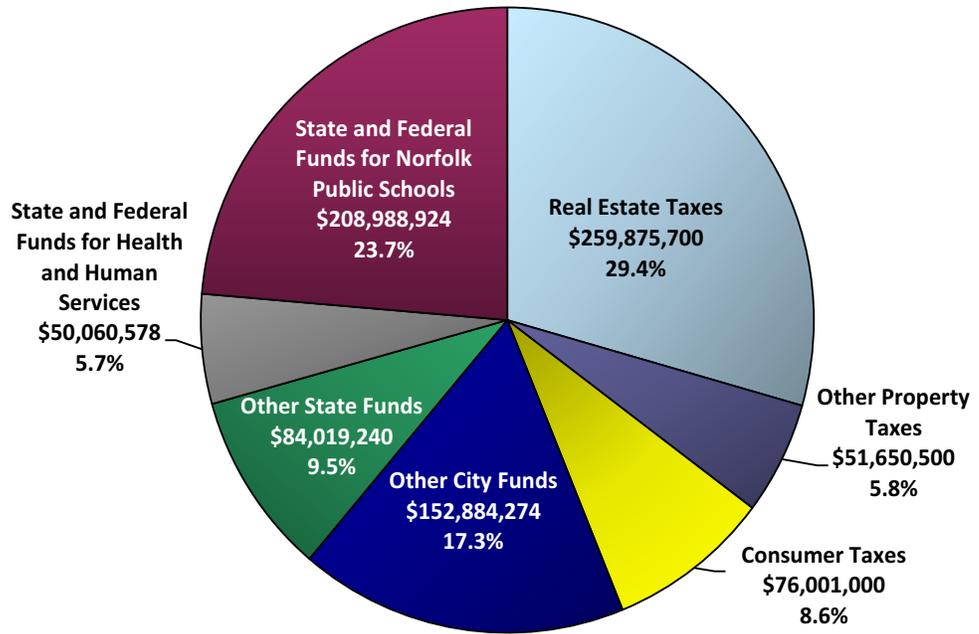
# GENERAL FUND BUDGET OVERVIEW

## Adopted FY 2021 General Fund Revenues \$883,480,216

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

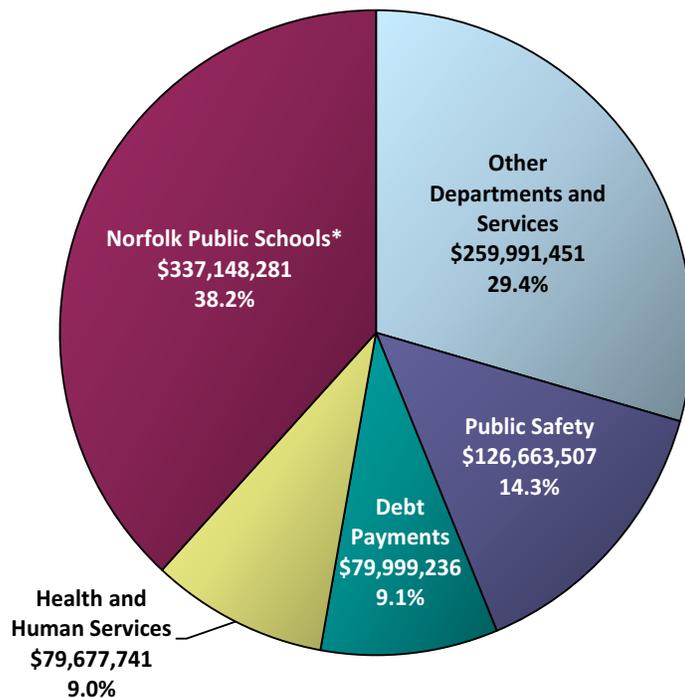
“Other City Funds” include local taxes, fees, charges, fines, rent and interest.

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



## Adopted FY 2021 General Fund Expenditures \$883,480,216

In the FY 2021 budget, “Other Departments and Services” include public works, transit, libraries, Slover library, recreation, cultural facilities, zoo, Nauticus, planning, neighborhood development, economic development, finance, human resources, information technology, general services, legislative, executive, law, judicial, constitutional officers, outside agencies, and central appropriations.



Note: Percentages may not total to 100 due to rounding. \*Does not include in-kind support.

# ESTIMATED GENERAL FUND REVENUES BY SOURCE

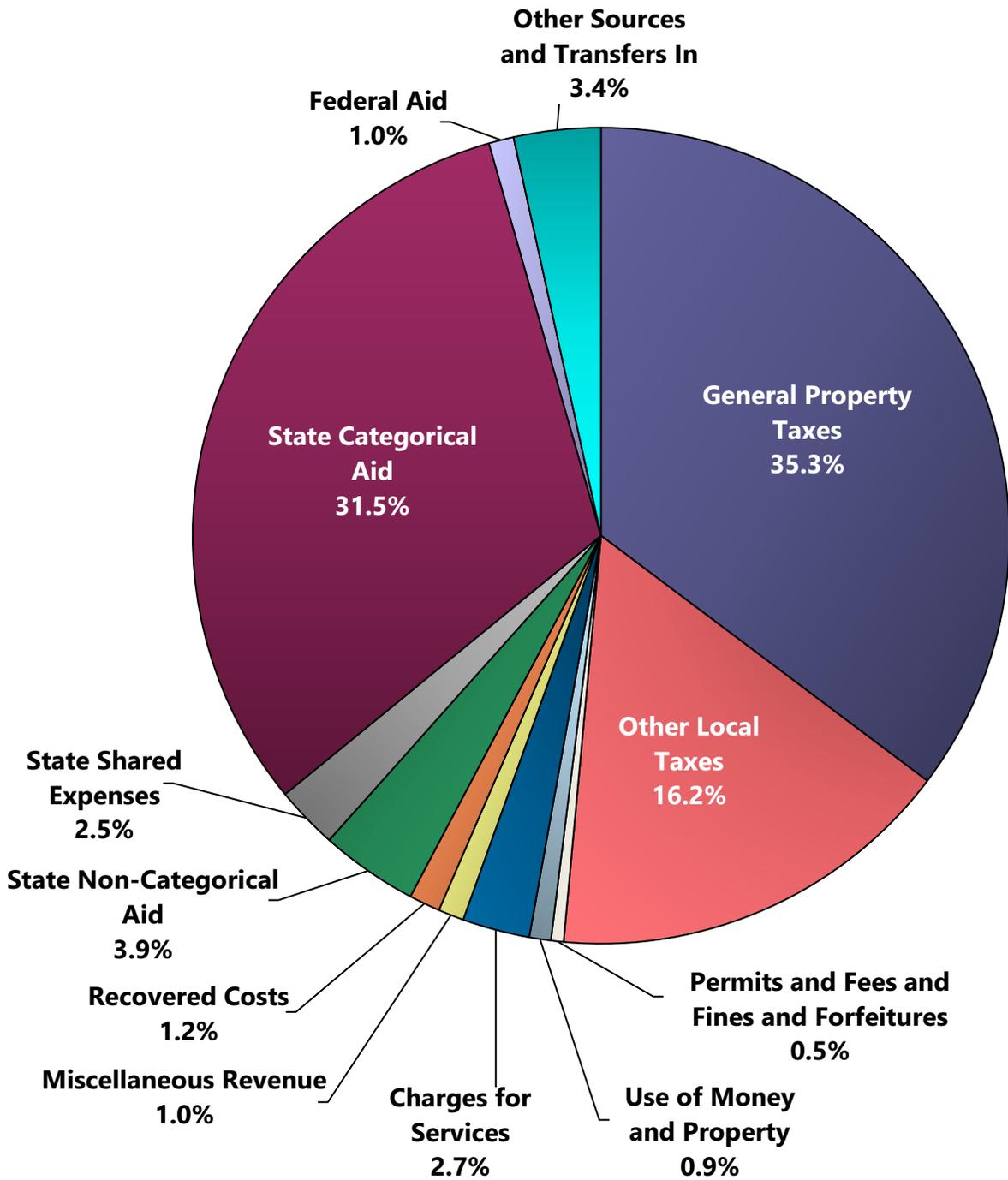
The following table compares the Adopted FY 2021 General Fund Operating Budget to the Adopted FY 2020 General Fund Operating Budget and the FY 2019 Actual amount. Funding sources are shown by category to provide an overview of the principal sources of revenue for the general operating fund of the city. These revenue sources support general government operations. The tables and charts in the pages that follow show revenues and expenditures for all funds.

Source	FY 2019 Actual	FY 2020 Adopted	FY 2021 Adopted	FY 2020 vs. FY 2021	
				\$ Change	% Change
General Property Taxes	297,514,769	305,436,500	311,526,200	6,089,700	2.0%
Other Local Taxes	166,543,602	170,844,800	143,126,000	-27,718,800	-16.2%
Permits and Fees	4,117,711	3,387,500	3,214,000	-173,500	-5.1%
Fines and Forfeitures	1,026,622	1,094,000	1,201,000	107,000	9.8%
Use of Money and Property	9,711,256	8,588,191	7,543,055	-1,045,136	-12.2%
Charges for Services	24,313,829	25,990,999	23,539,021	-2,451,978	-9.4%
Miscellaneous Revenue	9,907,550	9,219,102	8,983,473	-235,629	-2.6%
Recovered Costs	10,861,595	12,005,487	10,880,725	-1,124,762	-9.4%
Non-Categorical Aid - State	35,876,955	36,036,200	34,146,200	-1,890,000	-5.2%
Shared Expenses - State	22,018,860	22,384,860	21,930,000	-454,860	-2.0%
Categorical Aid - State	267,054,754	272,947,989	278,285,660	5,337,671	2.0%
Federal Aid	9,106,119	8,709,175	8,736,882	27,707	0.3%
Other Sources and Transfers In <sup>1</sup>	42,045,334	25,237,926	30,368,000	5,130,074	20.3%
<b>General Fund Total</b>	<b>900,098,956</b>	<b>901,882,729</b>	<b>883,480,216</b>	<b>-18,402,513</b>	<b>-2.0%</b>

Note: The FY 2020 Adopted amount reflects the budgetary impact of the recreational boat tax and license restructuring approved by City Council subsequent to the adoption of the budget in May 2019.

<sup>1</sup> The FY 2019 amount reflects a one-time Virginia Beach water payment.

# Adopted FY 2021 General Fund Revenues by Source



Note: Percentages may not total to 100 due to rounding.

# ESTIMATED REVENUES BY SOURCE (ALL FUNDS)

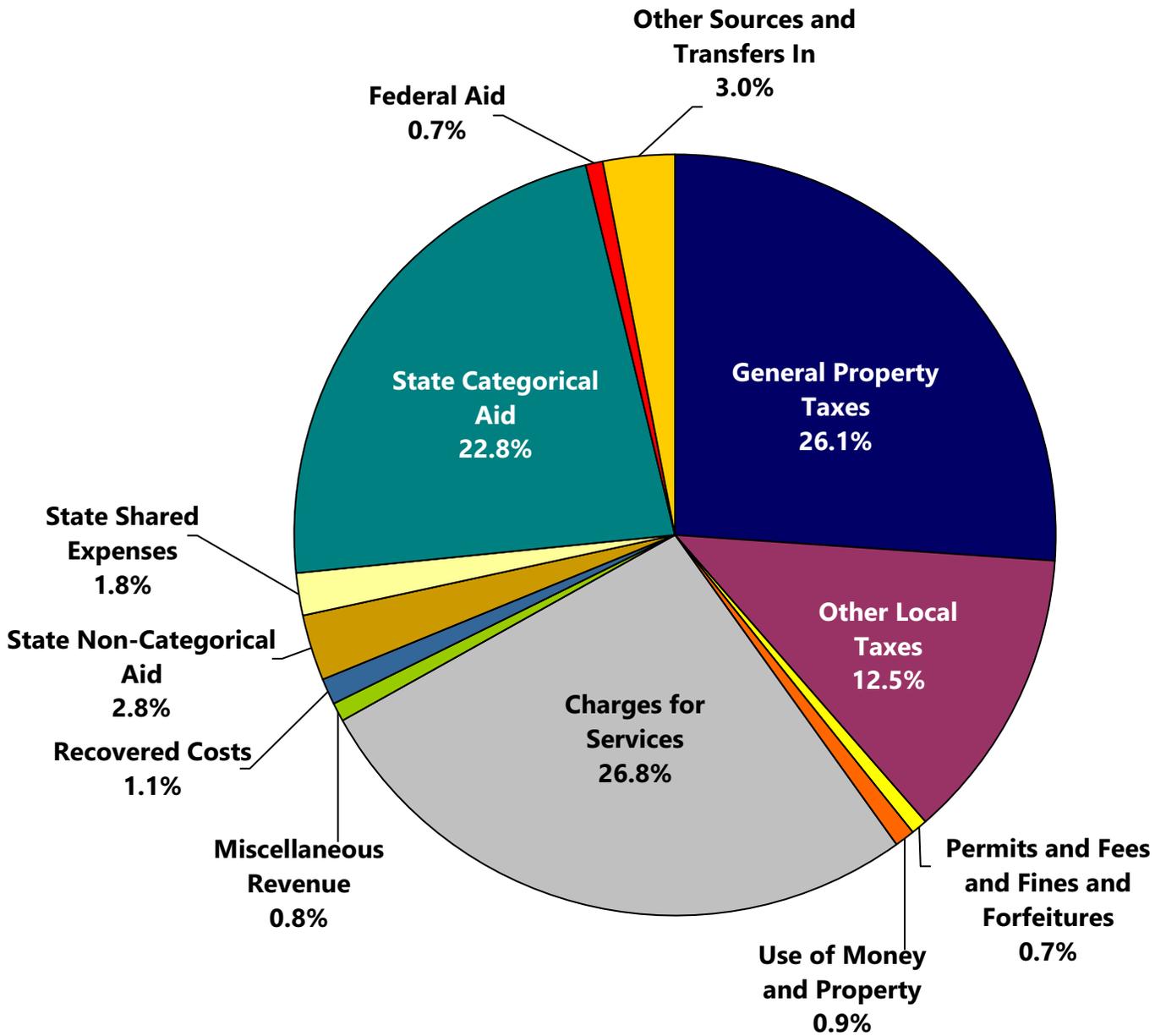
The following table compares the Adopted FY 2021 Operating Budget to the Adopted FY 2020 Operating Budget and the FY 2019 Actual amount. Funding sources by category are shown to provide an overview of the sources of revenue for the general and nongeneral operating funds of the city. Revenues are reflected in those categories where they are originally raised.

Source	FY 2019 Actual	FY 2020 Adopted	FY 2021 Adopted	FY 2020 vs. FY 2021	
				\$ Change	% Change
General Property Taxes	303,369,769	311,704,500	318,008,200	6,303,700	2.0%
Other Local Taxes	177,263,306	181,623,396	152,411,596	-29,211,800	-16.1%
Permits and Fees	5,563,751	4,255,280	3,843,505	-411,775	-9.7%
Fines and Forfeitures	3,834,164	3,540,660	4,540,022	999,362	28.2%
Use of Money and Property	11,689,026	10,790,821	10,417,665	-373,156	-3.5%
Charges for Services	326,261,994	319,856,434	326,520,110	6,663,676	2.1%
Miscellaneous Revenue	10,843,192	9,967,340	9,705,616	-261,724	-2.6%
Recovered Costs	14,092,136	14,678,415	13,555,984	-1,122,431	-7.6%
Non-Categorical Aid - State	35,876,955	36,036,200	34,146,200	-1,890,000	-5.2%
Shared Expenses - State	22,018,860	22,384,860	21,930,000	-454,860	-2.0%
Categorical Aid - State	267,252,683	273,047,989	278,383,660	5,335,671	2.0%
Federal Aid	9,219,736	8,822,792	8,850,499	27,707	0.3%
Other Sources and Transfers In	42,785,497	33,708,881	37,113,510	3,404,629	10.1%
<b>Total All Funds</b>	<b>1,230,071,069</b>	<b>1,230,417,568</b>	<b>1,219,426,567</b>	<b>-10,991,001</b>	<b>-0.9%</b>

Note: The FY 2020 Adopted amount reflects the budgetary impact of the recreational boat tax and license restructuring approved by City Council subsequent to the adoption of the budget in May 2019.

<sup>1</sup> The FY 2019 amount reflects a one-time Virginia Beach water payment.

# Adopted FY 2021 Revenues by Source (All Funds)



Note: Percentages may not total to 100 due to rounding.

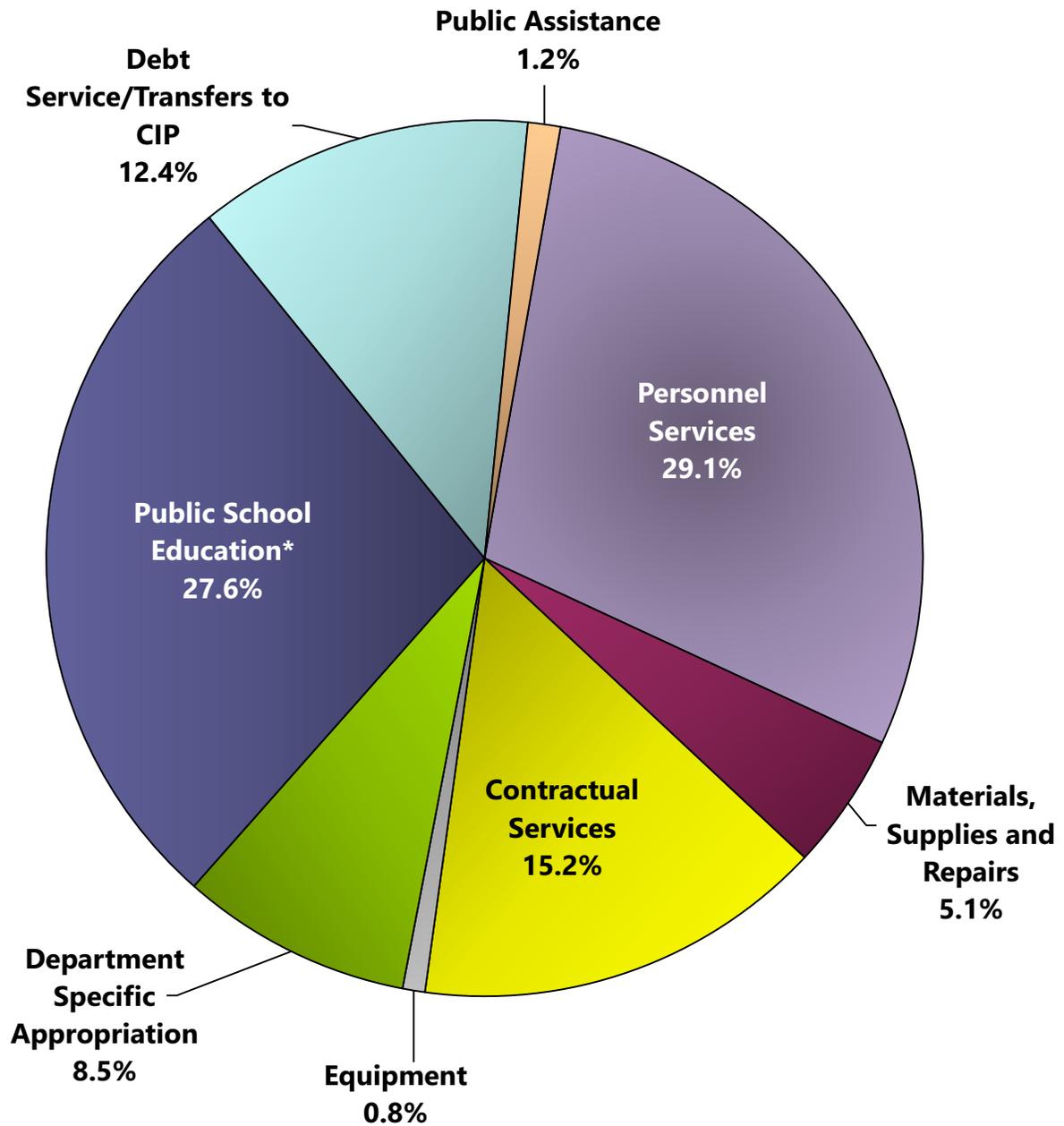
# ESTIMATED EXPENDITURES BY USE (ALL FUNDS)

The following table compares the Adopted FY 2021 Operating Budget to the Adopted FY 2020 Operating Budget and the FY 2019 Actual amount. Funding uses by category are shown to provide an overview of the principal uses of expenditures for the general and nongeneral operating funds of the city. Expenditures are reflected in those categories where they are originally spent.

Uses	FY 2019 Actual	FY 2020 Adopted	FY 2021 Adopted	FY 2020 vs. FY 2021	
				\$ Change	% Change
Personnel Services	337,233,671	361,744,153	355,297,276	-6,446,877	-1.8%
Materials, Supplies and Repairs	62,253,995	62,595,890	61,647,388	-948,502	-1.5%
Contractual Services	183,869,098	173,899,227	185,415,497	11,516,270	6.6%
Equipment	9,781,645	10,883,313	10,058,246	-825,067	-7.6%
Department Specific Appropriation	106,665,240	98,457,698	104,111,802	5,654,104	5.7%
Public School Education	323,061,236	336,161,810	337,148,281	986,471	0.3%
Debt Service/Transfers to CIP	130,682,733	171,962,192	151,123,771	-20,838,421	-12.1%
Public Assistance	13,355,702	14,713,285	14,624,306	-88,979	-0.6%
<b>Total All Funds</b>	<b>1,166,903,320</b>	<b>1,230,417,568</b>	<b>1,219,426,567</b>	<b>-10,991,001</b>	<b>-0.9%</b>

Note: The FY 2020 Adopted amount reflects the budgetary impact of the recreational boat tax and license restructuring approved by City Council subsequent to the adoption of the budget in May 2019.

# Adopted FY 2021 Expenditures by Use (All Funds)



Note: Percentages may not total to 100 due to rounding.

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

# ESTIMATED EXPENDITURES BY FUND TYPE

The following table compares expenditures by fund type in the Adopted FY 2021 Operating Budget to the Adopted FY 2020 Operating Budget and the FY 2019 Actual amount.

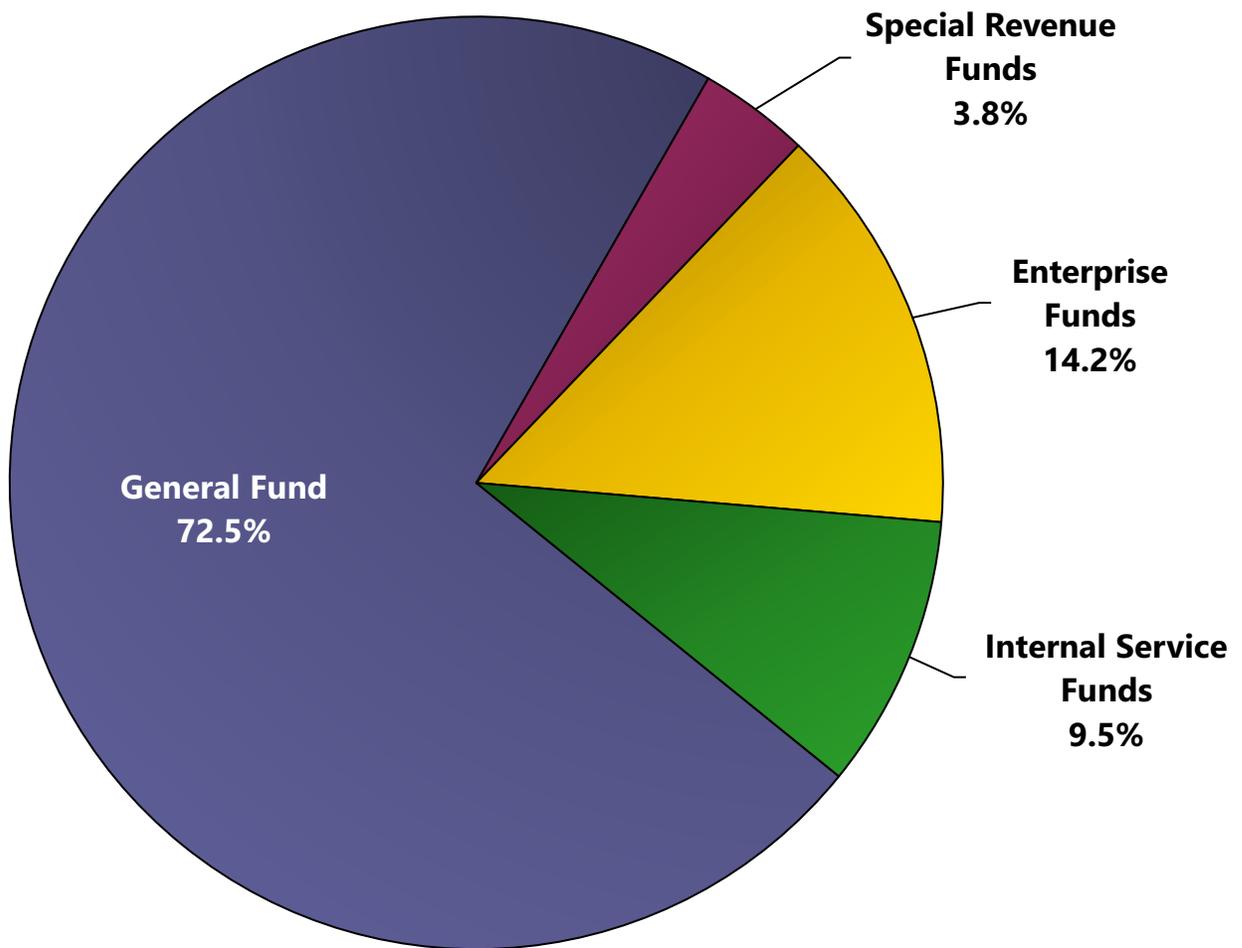
Fund Type	FY 2019 Actual	FY 2020 Adopted	FY 2021 Adopted	FY 2020 vs. FY 2021	
				\$ Change	% Change
General Fund	855,703,902	901,882,729	883,480,216	-18,402,513	-2.0%
Special Revenue Funds <sup>1</sup>	58,623,330	49,685,256	46,840,662	-2,844,594	-5.7%
Enterprise Funds <sup>1</sup>	146,496,794	175,256,465	173,366,457	-1,890,008	-1.1%
Internal Service Funds <sup>2</sup>	106,079,294	103,593,118	115,739,232	12,146,114	11.7%
<b>Total All Funds</b>	<b>1,166,903,320</b>	<b>1,230,417,568</b>	<b>1,219,426,567</b>	<b>-10,991,001</b>	<b>-0.9%</b>

Note: The FY 2020 Adopted amount reflects the budgetary impact of the recreational boat tax and license restructuring approved by City Council subsequent to the adoption of the budget in May 2019.

<sup>1</sup> In FY 2020, Storm Water Management converted to an Enterprise Fund and its expenditures are included with Enterprise Funds.

<sup>2</sup> The increase in Internal Service Funds in FY 2021 is largely due to the Norfolk Healthcare Consortium budget.

# Adopted FY 2021 Expenditures by Fund Type (All Funds)



Note: Percentages may not total to 100 due to rounding.

# ESTIMATED GENERAL FUND EXPENDITURES BY AREA

The following table compares the Adopted FY 2021 General Fund Operating Budget to the Adopted FY 2020 General Fund Operating Budget and the FY 2019 Actual amount. Major areas of service are shown to provide a broad overview of the expenditures for the general operating fund of the city.

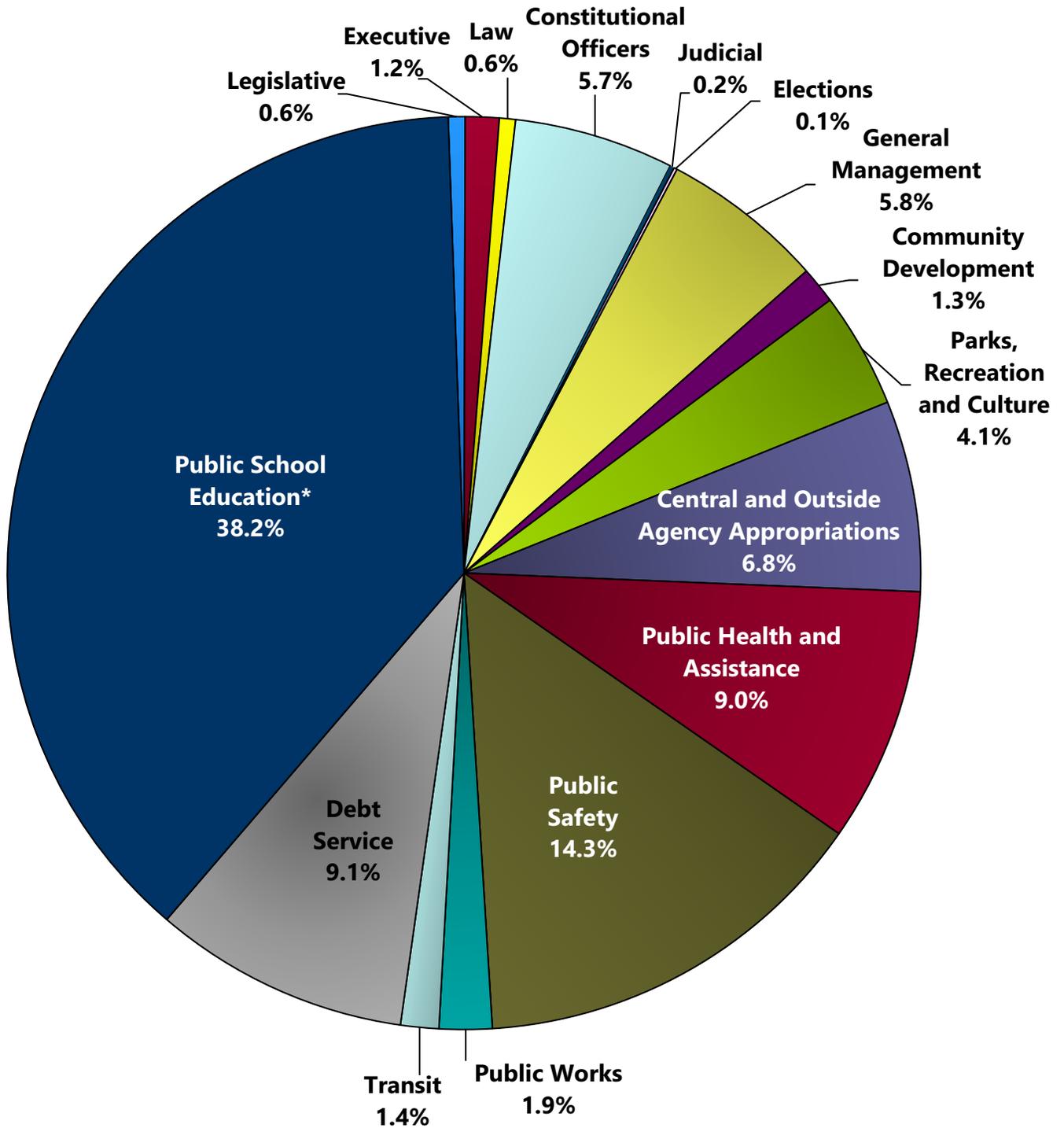
Service Area	FY 2019 Actual	FY 2020 Adopted	FY 2021 Adopted	FY 2020 vs. FY 2021	
				\$ Change	% Change
Legislative	4,864,909	5,215,803	5,274,627	58,824	1.1%
Executive <sup>1</sup>	6,239,485	10,104,392	10,555,078	450,686	4.5%
Department of Law	4,779,672	4,905,409	5,024,632	119,223	2.4%
Constitutional Officers	47,225,819	48,577,771	49,931,416	1,353,645	2.8%
Judicial	1,301,219	1,341,955	1,357,910	15,955	1.2%
Elections	806,006	1,110,962	1,007,964	-102,998	-9.3%
General Management	51,361,629	52,318,219	50,949,863	-1,368,356	-2.6%
Community Development	10,846,420	12,270,576	11,548,033	-722,543	-5.9%
Parks, Recreation and Culture	43,402,319	45,691,583	36,184,766	-9,506,817	-20.8%
Central and Outside Agency Appropriations	69,080,628	70,466,391	59,725,931	-10,740,460	-15.2%
Public Health and Assistance	72,857,492	77,847,057	79,677,741	1,830,684	2.4%
Public Safety	120,050,194	124,897,375	126,663,507	1,766,132	1.4%
Public Works <sup>2</sup>	26,323,055	16,996,849	16,496,914	-499,935	-2.9%
Transit <sup>2</sup>	0	12,466,052	11,934,317	-531,735	-4.3%
Debt Service	73,503,819	81,510,525	79,999,236	-1,511,289	-1.9%
Public School Education	323,061,236	336,161,810	337,148,281	986,471	0.3%
<b>General Fund Total</b>	<b>855,703,902</b>	<b>901,882,729</b>	<b>883,480,216</b>	<b>-18,402,513</b>	<b>-2.0%</b>

Note: The FY 2020 Adopted amount reflects the budgetary impact of the recreational boat tax and license restructuring approved by City Council subsequent to the adoption of the budget in May 2019.

<sup>1</sup> Beginning in FY 2020, St. Paul's Area Transformation is budgeted under Executive which was previously budgeted in Central Appropriations. The increase in Executive in FY 2021 reflects consolidating programs in General Management (ie., programs in Information Technology and Human Resources) to create CivicLab and transfer in of funding for coastal resilience initiatives from Public Works. See Budget and Strategic Planning and Resilience for details.

<sup>2</sup> The Division of Transportation and the Division of Right of Way in Public Works were combined in FY 2020 to establish Transit as a department.

# Adopted FY 2021 General Fund Expenditures by Area



Note: Percentages may not total to 100 due to rounding.

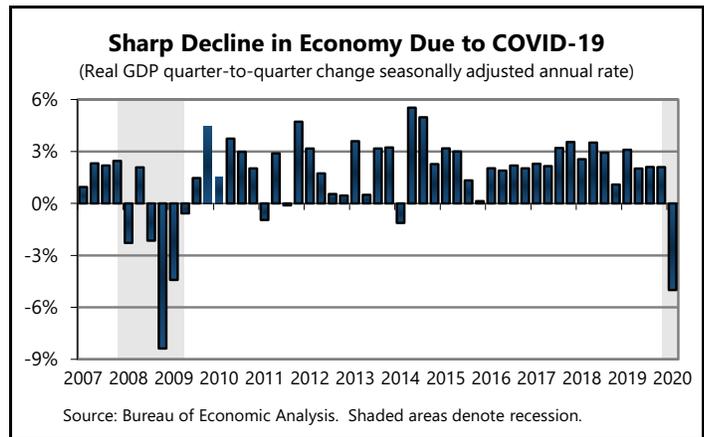
\*Does not include "in-kind" support. See Public School Education section.

# MAJOR REVENUE SOURCES

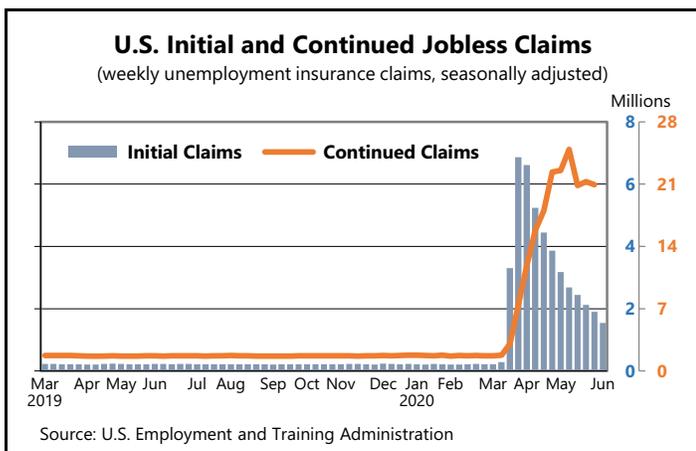
Evaluating the city’s current and long-term financial health requires a review of the economy and major revenue sources. Overall, General Fund revenues are projected to decline by 2.0 percent in FY 2021 which reflects the economic impact of COVID-19. Operating revenues citywide (all funds) are projected decline 0.9 percent. Real estate assessments, which drives the largest locally generated General Fund revenue source (real estate taxes), are projected to grow by approximately 3.0 percent in FY 2021, which is below the 4.5 percent growth in FY 2020 and above the growth of 2.7 percent in FY 2019 and 2.4 percent in FY 2018.

## ECONOMIC OVERVIEW

When the initial proposed budget was being developed, before the COVID-19 pandemic impacted the country, the national economy was anticipated to continue to expand. Through the end of 2019, the nation was in the midst of the longest economic expansion on record that began in June 2009. Following the end of the Great Recession, the national economy had been growing for 126 months, surpassing the 1991-2001 economic expansion which lasted 120 months. Real gross domestic product (GDP), which is the broadest measure of economic activity, grew 2.3 percent in 2019, albeit weaker than the annual growth in the past two years of 2.9 percent in 2018 and 2.4 percent in 2017.



National employment also continued to grow in 2019 for the tenth year in a row. The economy gained approximately 2.1 million jobs (revised). Along with the job growth, the annual unemployment rate continued to decline, falling to 3.7 percent in 2019 from 3.9 percent in 2018, the lowest annual unemployment rate since 1969. Similar to the nation, in 2019, Virginia’s annual nonfarm employment grew by 1.2 percent (47,700 jobs), the ninth consecutive year of growth. Employment also rose in Virginia metropolitan statistical areas (MSA) with the highest growth seen in Northern Virginia (28,900 jobs), Richmond MSA (6,900 jobs), and Hampton Roads (3,200 jobs). The state’s job growth in 2019 was also broad based with the largest job gains seen in professional and business services (17,200 jobs). However, as a result of the COVID-19 pandemic, economic activity contracted sharply and abruptly nationwide as noted in the Federal Reserve Beige Book (April 2020). Employment sharply declined, while jobless claims rose sharply as well. In June, the National Bureau of Economic Research (NBER), the official arbiter of U.S. recessions, determined that the economic expansion ended in February 2020, marking the start of a recession.

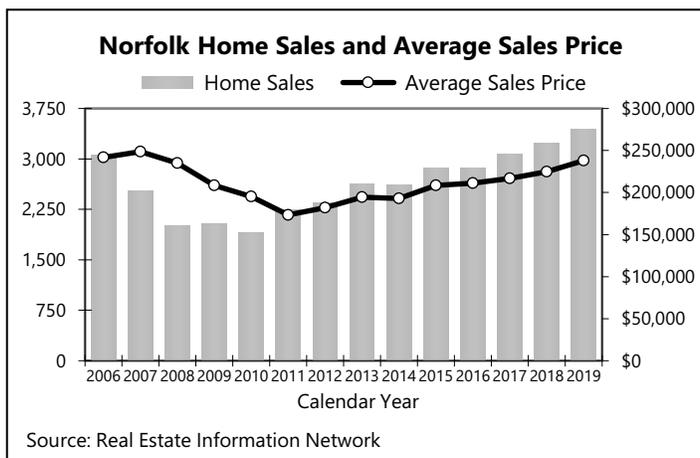


Similar to the nation, prior to the COVID-19 pandemic, the Commonwealth of Virginia continued to expand. Virginia’s fiscal stability is important to Norfolk, since approximately 37 percent of the General Fund budget in FY 2020 comes from the Commonwealth. These state resources support Norfolk Public Schools, social services, street maintenance, public safety, and other core municipal services. The Commonwealth’s General Fund resources (which includes transfers) performed above expectations in FY 2019, exceeding the forecast by \$797.7 million or 3.8 percent above the forecast. The Commonwealth’s economic performance in fiscal year 2019 was also close to expectations, and the outlook

was for moderate economic growth and job growth to continue through the upcoming biennium 2020-2022. The Governor’s Introduced Budget and amendments agreed to by the House and Senate conferees (Conference Report) before the COVID-19 pandemic impacted Virginia included additional new state aid for public education (K-12), public safety (HB599), social services, and constitutional officers. However, as a result of the uncertainty of the economic impact of COVID-19 over the next biennium, budget amendments proposed by the Governor and action taken during the reconvened session of the General Assembly in April resulted in freezing much of the new discretionary spending including additional state aid to localities that had been approved during the regular session of the General Assembly. The city’s Adopted FY 2021 Budget reflects the withdrawal of the additional state aid from the city’s initial proposed budget.

## GENERAL FUND REVENUE OVERVIEW

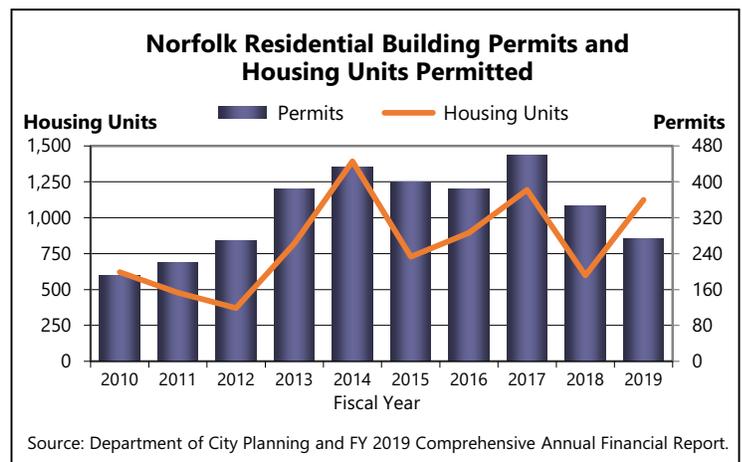
The city generates revenue through taxes, user charges, and intergovernmental transfers from the state and federal government. Over half of the city’s General Fund revenues are generated locally from various taxes and fees including real estate, personal property, retail sales, permits, fines, and user charges. These sources fund municipal services such as police, fire-rescue, parks and recreation, libraries, street maintenance, public education (K-12), public health, and human services.



Similar to other Virginia localities, Norfolk is highly dependent upon real estate taxes to fund its general operations. Real estate taxes are the city’s largest source of locally generated revenue. For FY 2021, the Office of the Real Estate Assessor’s Office is estimating that the land book value of real estate assessments on July 1, 2020 will increase by approximately 3.0 percent from the land book value of real estate assessments on July 1, 2019. This annual growth in assessments would mark the eighth consecutive year of growth and the second largest growth since FY 2009, following the 4.5 percent increase in assessments in FY 2020. The increase in residential assessments reflects the continued

improvement in the local housing market. Real estate activity was robust in calendar year 2019 with the number of homes sold increasing by 6.0 percent. With the increased sales activity, the sales price of homes sold also increased. The average sales price of homes sold in Norfolk in calendar year 2019 rose 6.0 percent, to \$238,100 from \$224,700 in calendar year 2018. The median sales price also increased in calendar year 2019, rising by 7.5 percent to \$215,000 from \$200,000 in calendar year 2018.

The city also saw an increase in new housing units permitted and non-residential building permits issued in fiscal year 2019. The new construction permitted throughout the city should support future growth in real estate assessments. In fiscal year 2019, the number of housing units permitted nearly doubled when compared to the previous year. Housing units permitted in fiscal year 2019 included new multi-family housing projects such as The Retreat at Harbor Pointe, Pinewell Station Apartments, and Westport Commons, in addition to single-family homes that were permitted citywide. Nonresidential (or “commercial”) projects permitted also increased in fiscal year 2019. The larger



commercial projects in fiscal year 2019 included the construction of the Harbor's Edge River Tower and a new Tru by Hilton hotel at Lake Wright, the renovation of the downtown Marriott Hotel, and various projects by Sentara, Children's Hospital of the King's Daughters (CHKD), Norfolk Airport, and Norfolk Outlet Mall. It is important to note however, that the city of Norfolk is built out, and the building activity occurring currently is mainly redevelopment, infill development, and vertical expansion.

The Commonwealth of Virginia provides nearly 38 percent of General Fund revenues in the FY 2021 General Fund budget, which consists of funding that is mostly for dedicated purposes such as education, social services, transportation, and constitutional officers. HB 599 funds for law enforcement, the city's share of personal property tax relief funds, and the tax on rental of cars also make up revenue from the Commonwealth. In total, it is the largest revenue source in the General Fund. As a result of the Great Recession, the Commonwealth saw a significant decline in revenues and in turn, reduced Direct Aid to education, HB 599, Constitutional Officers salaries and benefits funding, jail per diem, and funds for street maintenance, imposed a "flexible cut" to state aid to localities, and eliminated the local share of ABC profits and wine tax. Not all revenues from the Commonwealth have returned to pre-recession levels even though the Commonwealth's General Fund revenues have been above its last pre-recession peak since FY 2012.

It is important to note that initially in the development of the FY 2021 proposed budget, the FY 2021 estimate of Norfolk's revenues from the Commonwealth was based on the budget amendments agreed to by the House and Senate conferees (Conference Report). Based on the Conference Report, Norfolk could anticipate an increase in state aid for K-12, health and human services, constitutional officers, and public safety (HB599). However, the Conference Report was released just prior to the Commonwealth's escalation of measures to contain the spread of COVID-19 such as, the closure of schools and businesses, restrictions on large gatherings, and cancellation of events. Also, certain budget amendments agreed to by the House and Senate conferees were contingent on the state meeting its revenue forecast in FY 2020. It is likely that the aggressive measures taken to limit the spread of COVID-19 will negatively impact state sales and income tax collections which make up the bulk of the Commonwealth's general fund revenues. Consequently, action taken during the reconvened session of the General Assembly in April, resulted in freezing the funding for new discretionary spending due to the uncertainty of the economic impact of COVID-19. The actions were also consistent with the budget amendments recommended by the Governor. As a result, the additional state aid initially included in the proposed budget was removed from the city's adopted budget for FY 2021, since it is uncertain whether the funds would be eventually restored or allotted by the Commonwealth.

The remaining revenue comes from the federal government which are mostly dedicated to Norfolk Public Schools and the Norfolk Community Services Board, recovered costs, interfund transfers, and carryforward of prior year funds. The estimated General Fund revenue from the federal government in FY 2021 does not include federal funds designated to assist individuals, businesses, and state and local governments with the COVID-19 pandemic such as, the Coronavirus Relief Fund. Federal assistance related to COVID-19 is reflected as a savings or expenditure reimbursement (negative appropriation) in Central Appropriations (see Central Appropriations for detail). Interfund transfers represent a return on investment from Utilities (water and wastewater) operations. It also includes funding from the Public Amenities Fund to support the Norfolk Consortium (see Outside Agencies) and excess revenues from the Tax Increment Financing Fund. Carryforward funds are generated through a combination of projected current year savings, realized savings from prior years, and account closeouts. Carryforward funds may also include the re-appropriation of prior year(s) unspent designated funds.

Preliminary General Fund revenue projections, based on historical data and current economic data, were presented during the City Manager's financial and budget updates at the City Council financial update in the fall (November 2019) and the mid-year update in March 2020. Projections were updated through early March to incorporate the current information available including state budget estimates and the Norfolk Public Schools proposed budget. Initial revenue estimates were based on the analysis of the collection history and patterns, underlying drivers that impact a revenue source, information from departments that collect revenue, overall economic environment, and developments projected for the city in the coming year. However, the revenue base was revised downward to reflect the uncertainty of the economic impact of the COVID-19 pandemic. One-time revenues of approximately

\$27.2 million were removed from the initial proposed budget and the revenue base was reduced further by approximately \$40 million. The adopted budget reflects the final actions taken to bring the budget back in balance. The revenue amounts shown in the discussion that follows include the FY 2020 budget and FY 2021 budget.

The FY 2021 General Fund budget is approximately \$883.5 million, which is 2.0 percent (\$18.4 million) below the Adopted FY 2020 Budget.

## General Fund Revenue Summary

Source	FY 2019 Actual	FY 2020 Adopted	FY 2021 Adopted	FY 2020 vs. FY 2021 \$ Change	% Change	FY 2021 % of Total
General Property Taxes	297,514,769	305,436,500	311,526,200	6,089,700	2.0%	35.3%
Other Local Taxes	166,543,602	170,844,800	143,126,000	-27,718,800	-16.2%	16.2%
Permits and Fees	4,117,711	3,387,500	3,214,000	-173,500	-5.1%	0.4%
Fines and Forfeitures	1,026,622	1,094,000	1,201,000	107,000	9.8%	0.1%
Use of Money and Property	9,711,256	8,588,191	7,543,055	-1,045,136	-12.2%	0.9%
Charges for Services	24,313,829	25,990,999	23,539,021	-2,451,978	-9.4%	2.7%
Miscellaneous Revenue	9,907,550	9,219,102	8,983,473	-235,629	-2.6%	1.0%
Recovered Costs	10,861,595	12,005,487	10,880,725	-1,124,762	-9.4%	1.2%
Non-Categorical Aid - State	35,876,955	36,036,200	34,146,200	-1,890,000	-5.2%	3.9%
Shared Expenses - State	22,018,860	22,384,860	21,930,000	-454,860	-2.0%	2.5%
Categorical Aid - State	267,054,754	272,947,989	278,285,660	5,337,671	2.0%	31.5%
Federal Aid	9,106,119	8,709,175	8,736,882	27,707	0.3%	1.0%
Other Sources and Transfers In <sup>1</sup>	42,045,334	25,237,926	30,368,000	5,130,074	20.3%	3.4%
<b>General Fund Total</b>	<b>900,098,956</b>	<b>901,882,729</b>	<b>883,480,216</b>	<b>-18,402,513</b>	<b>-2.0%</b>	<b>100.0%</b>

Note: Percentages may not total to 100 due to rounding.

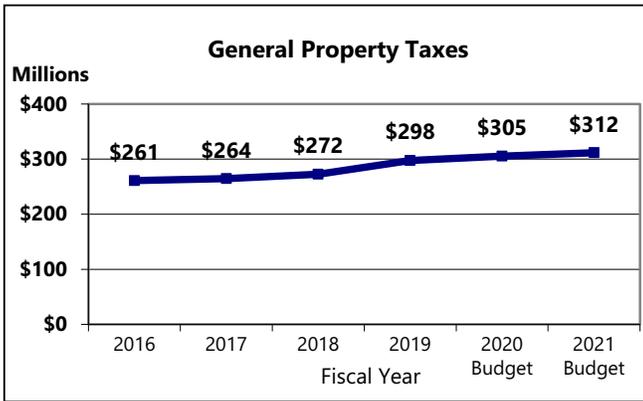
The FY 2020 Adopted amount reflects the budgetary impact of the recreational boat tax and license restructuring approved by City Council subsequent to the adoption of the budget in May 2019.

<sup>1</sup>The FY 2019 amount reflects the one-time Virginia Beach water payment. The increase in the FY 2021 amount reflects the carry forward of a portion of the proceeds related to the Sustainable Water Initiative for Tomorrow (SWIFT) initiative (\$6.0 million) to cash fund the CIP.

## REVENUE MONITORING

Collection of the city's revenue sources are monitored throughout the year. Financial reports are monitored monthly and quarterly to determine the accuracy of budget projections. This allows for appropriate administrative action if actual results differ substantially from projections. A detailed analysis is completed to project future revenue collections taking into account revenue drivers, information from departments that administer revenues, seasonal fluctuations, and economic conditions. Strong collection rates for locally generated taxes and fees reflect Norfolk residents' commitment and fulfillment of responsibility to the city.

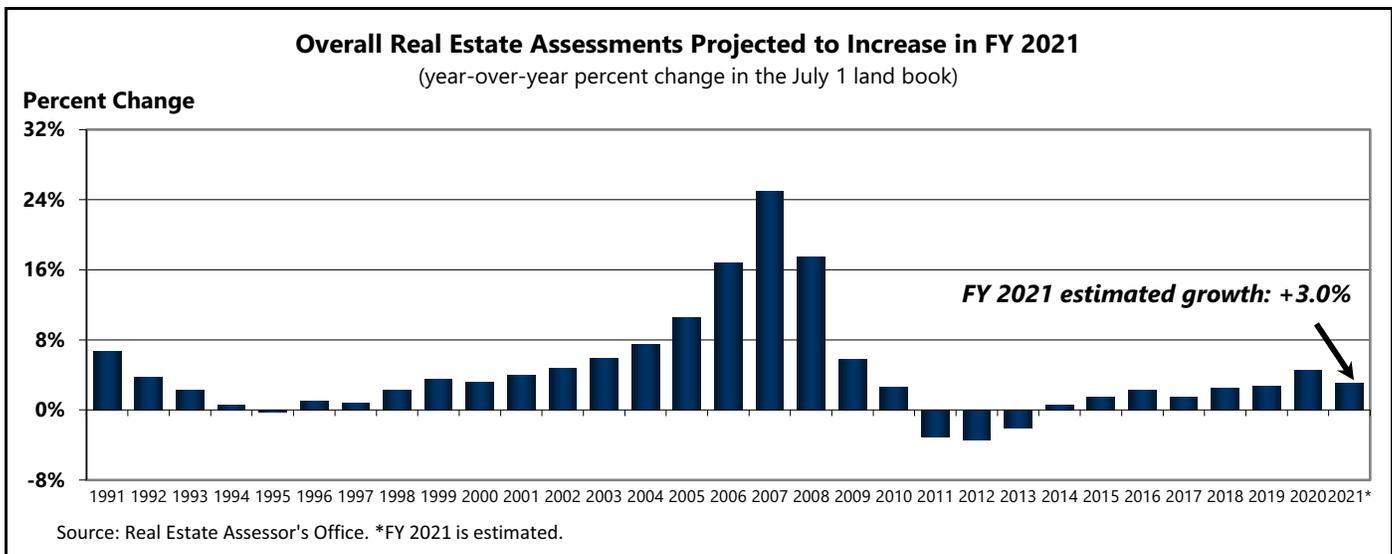
# GENERAL PROPERTY TAXES



General property taxes are levied on the assessed value of real estate and personal property including machinery and tools. These taxes make up approximately 35 percent or nearly \$312 million of the city's FY 2021 General Fund revenues. Real estate tax revenue is the largest component of general property taxes (approximately \$260 million or 29 percent of FY 2021 General Fund revenues). It includes current and delinquent taxes as well as, the tax on public service corporations and the additional \$0.16 per \$100 of assessed value levied on real estate located within the Downtown Improvement District (DID). The estimate for current real estate taxes reflects the real estate tax rate of

\$1.25 per \$100 of assessed value and setting aside a sum sufficient amount estimated at \$5.3 million for real estate tax relief to qualifying senior and disabled homeowners and to state mandated disabled veterans and surviving spouses of military personnel killed in action.

The current real estate tax revenue estimate also reflects the Office of the Real Estate Assessor's estimate of the overall taxable assessments in the land book on July 1, 2020. The most recent update from the Office of the Real Estate Assessor indicated that overall taxable assessments on July 1, 2020 are projected to be approximately three percent above the land book value on July 1, 2019. Although FY 2021 reassessments are not anticipated to change, the economic impact of COVID-19 on assessments may more likely to be seen in the July 1, 2021 land book, since assessments have in general, lagged the market. The pandemic may however, have a potential impact on the overall taxpayer ability to pay, which could impact FY 2021 revenue collections. It is also important to note that due to the significant number of property owned by federal, state, and local government, and religious and secular organizations in Norfolk, approximately 36 percent of the city's real estate assessed value is tax exempt. This would be equivalent to a potential revenue loss of \$143 million based on the FY 2020 assessed value and the current real estate tax rate of \$1.25 per \$100 of assessed value.



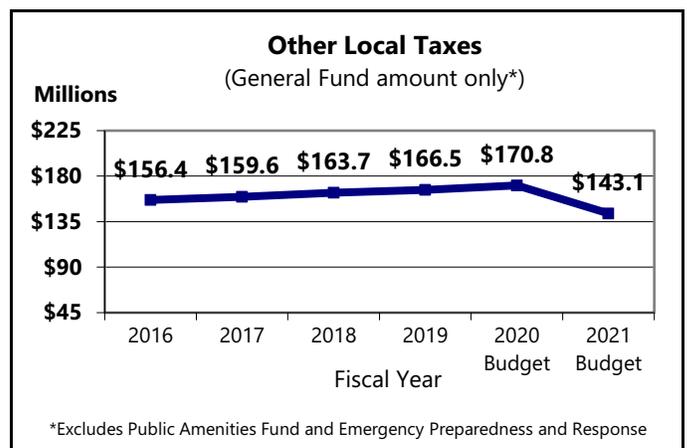
The second largest component of general property taxes is the personal property tax, which is levied on tangible personal property, including motor vehicles, boats, aircraft, business furnishings, and office equipment. Household goods and personal effects are exempt from taxation. Personal property taxes in total include current and delinquent collections, refunds, and taxes from public service corporations. In FY 2021, these comprise approximately 5.2 percent or \$45.7 million of General Fund revenues and are estimated to be approximately 3.8 percent below the FY 2020 budget which is largely due to the economic impact of COVID-19. Also, in FY 2021, the recreational boat tax was eliminated, as intended last year. The elimination follows the reduction of the personal property tax on recreational boats by 50 percent to \$0.25 per \$100 of assessed value from \$0.50 per \$100 of assessed value in FY 2020. The revenue loss from eliminating the recreational boat tax in FY 2021 is estimated to be approximately \$116,500.

The FY 2021 budget assumes no change in the general tax rate on personal property at \$4.33 per \$100 of assessed value. The estimate also assumes the state car tax relief is unchanged at 55 percent (55%) rate for FY 2021 (tax bills due June 5, 2021). The 55 percent relief rate is anticipated to fully exhaust relief funds provided to the city by the Commonwealth of Virginia under the Personal Property Tax Relief Act. This means that qualifying vehicles with an assessed value of more than \$1,000 will receive a **55 percent (55%)** rate of tax relief on the vehicle’s first \$20,000 of assessed value. Qualifying vehicles with an assessed value of \$1,000 or less will receive 100 percent (100%) rate of tax relief. Prior to FY 2006, qualifying vehicles with an assessed value of more than \$1,000 were reimbursed for 70 percent of the total property tax eligible for relief. State legislation passed in 2004 capped car tax relief funds statewide at \$950 million beginning in FY 2006. Consequently, each locality in the state now receives a fixed share of the \$950 million of statewide personal property tax relief funds per state code. Each locality’s share was determined based on the proportional share of actual personal property tax relief payments received in tax year 2005, as certified by the Commonwealth of Virginia Auditor of Public Accounts, of which, Norfolk’s share is \$16,871,056. Personal property tax relief funds received and not used in FY 2021 shall be carried forward and used to increase the funds available for car tax relief. With the state capping the amount of funds available for car tax relief, the percentage of the state reimbursement compared to the total tax is expected to decrease over time and residents will pay an increasing share of the car tax.

The machinery and tools tax is the third largest component of general property taxes. In FY 2021, the tax makes up approximately 0.7 percent or \$5.9 million of General Fund revenues. The tax is levied on machinery and tools used in manufacturing, mining, radio and television broadcasting, cable television, dry cleaning or laundry businesses at a rate of \$4.25 per \$100 of assessed value. That tax rate is eight cents below the tax rate on general personal property of \$4.33 per \$100 of assessed value. Revenue from the tax on machinery and tools have been and is expected to remain stable in FY 2021. However, it is important to note that there have been several attempts by the state legislators in recent years to curtail or completely eliminate Virginia localities’ taxing authority to generate revenue from this source.

## OTHER LOCAL TAXES

Other local taxes are comprised of consumer and business-based taxes, including excise taxes on utilities (water, gas, electricity, and communications), sales, hotel, restaurant/meals, admissions, and cigarettes, as well as franchise, business license, and recordation taxes. Historically, the revenue category has been sensitive to changes in economic conditions and is anticipated to be most impacted by the economic effects of COVID-19. Other local taxes are projected to comprise approximately 16 percent or \$143 million of General Fund revenues in FY 2021 and are 16 percent below the FY 2020 budget. Other local taxes include the consumption-based taxes which have been particularly



impacted by measures taken to limit the spread of COVID-19 such as, the closure of businesses and schools and restricting or cancellation of events and large gatherings. Citywide (all funds), other local taxes make up 12.5 percent or \$152 million of the operating budget in FY 2021 and are also 16 percent below the FY 2020 budget. The citywide amount includes the Public Amenities Fund portion of the hotel and food and beverage taxes and the Emergency Preparedness and Response portion of the telecommunications sales and use tax.

The sales and use tax makes up approximately 3.5 percent or \$31.2 million of the city's General Fund revenue in FY 2021 which is approximately 9.5 percent below the FY 2020 budget due to the economic impact of COVID-19 on consumption-based taxes. The sales and use tax is levied on selling, distribution, leasing, or renting of tangible personal property, use or consumption of tangible personal property, as well as taxable services in Virginia. Revenue from this source has historically been sensitive to the state of the economy, household income, and underlying price level changes. Changes in the local retail activity (such as new businesses, expansions, closures, and job changes) and in the local economy impact the projection of this revenue source. Also, last year, effective July 1, 2019, the General Assembly approved new sales tax requirements applicable to remote sellers and marketplace facilitators that have an economic nexus in Virginia. Under the new law enacted during the 2019 session of the General Assembly, a remote seller or marketplace facilitator who meet the economic nexus standards of selling or facilitating the sale of more than \$100,000 in annual gross retail sales or 200 or more transactions to Virginia customers are required to begin collecting sales tax starting July 1, 2019. Prior to the new law, only businesses with a physical presence in Virginia were required to collect the state's sales and use tax. Adjustments made by the Virginia Department of Taxation for overpayments and underpayments of the tax by businesses also affect sales and use tax collections.

Consumer utility taxes on water, gas, electricity, and the communications sales and use tax combined, make up approximately 3.7 percent or \$32.5 million of the city's General Fund revenue in FY 2021 and is 13 percent below the FY 2020 budget. The consumer utility tax is levied on the purchase of utility service including water, gas, and electricity. Monthly receipts are monitored and used as a basis for estimating the revenue yield, taking seasonal variations into consideration. The consumer utility tax on telephones, cell phones, and cable TV was abolished and replaced by a statewide uniform communications sales and use tax on January 1, 2007. The Emergency 911 (E-911) tax on telephones was also replaced by a statewide uniform \$0.75 tax per phone at the same time. The E-911 tax is distributed to the city together with the communications sales and use tax in one lump sum. Consequently, a portion of the city's communications sales and use tax is allocated and goes directly to support emergency communications (E-911) in the Emergency Preparedness and Response Special Revenue Fund (approximately \$3.6 million). The General Fund portion of the communications sales and use tax is estimated to be \$13.2 million in FY 2021. Since the inception of the tax, revenue has fluctuated due to adjustments for overpayments and underpayments of the tax by telecommunications service providers, and has trended down due to changes in technology and lower utilization of communications services subject to the tax. State legislation to modernize local taxation authority to reflect technological changes in communication services were proposed during the 2018 General Assembly Session but were not enacted.

Taxes are collected on prepared food and beverages. The tax rate is 6.5 percent of the value of the meal. One percentage point is allocated to the Public Amenities Fund, and 5.5 percentage points is allocated to the General Fund. The revenue generated by 1.0 percentage point of the tax rate for the Public Amenities Fund is estimated to be approximately \$5.0 million in FY 2021, and the revenue generated from the 5.5 percentage points of the tax rate allocated to the General Fund is estimated to be approximately \$27.5 million. The FY 2021 estimate is 17.5 percent below the FY 2020 budget which reflects the economic impact of COVID-19 particularly on consumption-based taxes. Prior to the COVID-19 pandemic, revenue from the food and beverage tax had been growing steadily as the city continues to draw restaurants to open in several commercial districts such as, downtown Norfolk, the Military Highway corridor, and Ghent and Colley Avenue areas.

Hotel taxes are levied on occupied hotel rooms at the rate of 8.0 percent of the room charge. Similar to the food and beverage tax, one percentage point is allocated to the Public Amenities Fund and 7.0 percentage points is allocated to the General Fund. The revenue generated by 1.0 percentage point of the tax for the Public Amenities Fund is estimated to be nearly \$707,000 in FY 2021, and the revenue generated from the 7.0 percentage points

allocated to the General Fund is estimated to be nearly \$5.0 million in FY 2021. The FY 2021 estimate is 38 percent below the FY 2020 budget which similar to other consumption-based taxes, reflects the economic impact from actions taken to limit the spread of COVID-19.

The hotel tax estimate does not include the \$3.00 surcharge per room night (“bed tax”), estimated to generate nearly \$2.4 million in FY 2021. The bed tax was enacted on April 1, 2006 at the rate of \$1.00 per room night with support from the Norfolk Hotel-Motel Association and the revenue designated for Norfolk Convention and Visitor’s Bureau (Visit Norfolk) for visitor promotion and advertising for conventions and tourism. In FY 2012, the bed tax was raised to \$2.00 per room night with the additional \$1.00 revenue designated for the Norfolk Consortium (see Outside Agencies section). In FY 2019, the bed tax was raised to \$3.00 per room night (current rate) to offset budget reductions to Outside Agencies (see Outside Agencies section).

Business license taxes are collected from entities that engage in a business, trade, profession, or occupation in the city. It is generally imposed as a percentage of gross receipts generated during the previous calendar year. It is also applied to individuals that maintain a place of business, either permanent or temporary, or conduct a business-related activity. Business license tax rates vary depending on business classification and gross receipts generated. Norfolk’s rates are at the state maximum allowed for the main business classifications. Revenue collections in recent years have been reduced by refunds of overpayments. Business license taxes makes up approximately 2.8 percent or \$24.6 million of General Fund revenues, which is nearly 21 percent below the FY 2020 budget. In FY 2021, business license taxes will be based on gross receipts generated during calendar year 2020 when businesses were impacted by the COVID-19 related shutdown and limited activity.

## PERMITS AND FEES

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Permits are issued to regulate new construction and ensure public safety. Revenues from this source are comprised of fees for permits, licenses, and other privileges subject to city regulation. The revenues partially cover the expense of providing regulatory services such as, zoning inspections, building code inspections, plan review, right-of-way permitting, and fire inspections in the city. Revenue from this source has generally fluctuated based upon the level of building construction activity in the city and large commercial projects. Permits and regulatory fees are projected to be approximately 0.4 percent or \$3.2 million of General Fund revenues in FY 2021, which is 5.1 percent below the FY 2020 budget.

## FINES AND FORFEITURES

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Fines and forfeitures in the General Fund largely consist of revenues received from the courts as fines and forfeitures for violations of city ordinances. In FY 2021, fines and forfeitures provide approximately 0.1 percent or \$1.2 million of General Fund revenues. The FY 2021 budget is approximately 9.8 percent above the FY 2020 budget. The increase was largely due to the city being billed directly for the maintenance of red light cameras under the contract terms with the new service provider. Prior to the new contract, the cost of the maintenance of red light cameras were being deducted from the revenue prior to being remitted to the city. See the Department of Finance section of the budget document for details.

Citywide, fines and forfeitures total approximately \$4.5 million of revenues from all operating funds in FY 2021. The majority of the revenues from this source citywide are generated from fines for parking citations which support the operations of the Parking Facilities Fund (nongeneral fund). Changes adopted for FY 2021 include raising the rates for fines for parking citations. See section 17 of ordinance 47,999 in the Ordinances section of the budget document for details on the new rates.

## USE OF MONEY AND PROPERTY

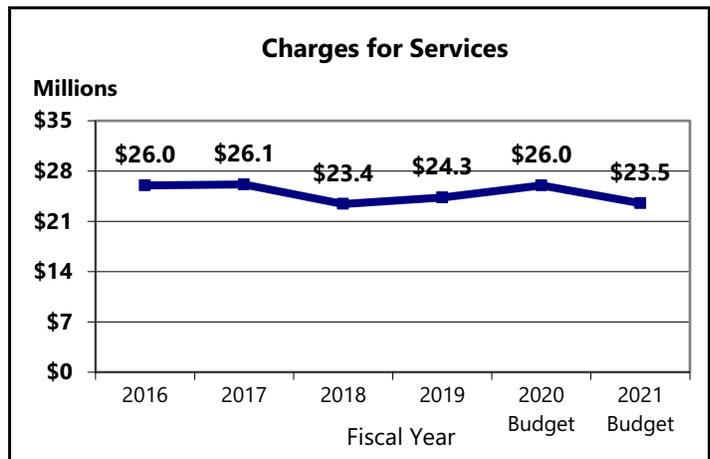
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Revenue from use of money and property is comprised primarily of interest earned on cash balances, rent from short-term and long-term property leases, income from cultural facilities venues, and prudent management of city assets. In FY 2021, revenue from this source makes up approximately 0.9 percent or \$7.5 million of General Fund revenues. The FY 2021 budget is approximately 12.2 percent below the FY 2020 budget. The decline is due to adjustment of revenue due to fewer large events being held in cultural facilities to prevent the spread of COVID-19, interest earned from the city's investments, and rent from former tenants at the Norfolk Community Services Board's new location. The decline in FY 2021 was partly offset by an increase in revenue generated by the Norfolk Sheriff's Office from an expanded video visitation program.

## CHARGES FOR SERVICES

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Charges for services include fees charged for various programs and services such as, recreation centers, Virginia Zoo, courts (judiciary), paramedical rescue, Norfolk Public School activities, Norfolk Community Services Board (NCSB), cruise ship terminal, and Nauticus. Charges for services make up approximately 2.7 percent or \$23.5 million of General Fund revenues in FY 2021. The FY 2021 budget is 9.4 percent below the FY 2020 budget which reflects the partial year closure and reduced utilization of city facilities such as, the cruise ship terminal, Nauticus, recreation centers, and libraries in FY 2021.



Citywide, the majority of the revenue collected from this source are charges for services by nongeneral funds. Charges for services citywide make up approximately \$326.5 million (over ten times the amount budgeted in the General Fund). The nongeneral fund charges are mostly from user fees for utilities, parking facilities, storm water, and refuse disposal. The rates for these user fees are set to ensure nongeneral fund operations are fully supported by the fees collected. See Selected Tax Rates and Fees section for changes in the rates for nongeneral fund charges for services in FY 2021.

## MISCELLANEOUS REVENUE

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Miscellaneous revenue consists of revenues not classified in other categories and includes revenue from payments in lieu of taxes, fee for services provided to the U.S. Navy for the housing public-private venture, administrative fees, and proceeds from the sale of city-owned land. In FY 2021, the city is estimating to receive approximately \$9.0 million, which represents 1.0 percent of General Fund revenues in FY 2021 and is approximately 2.6 percent below the FY 2020 budget.

## RECOVERED COSTS

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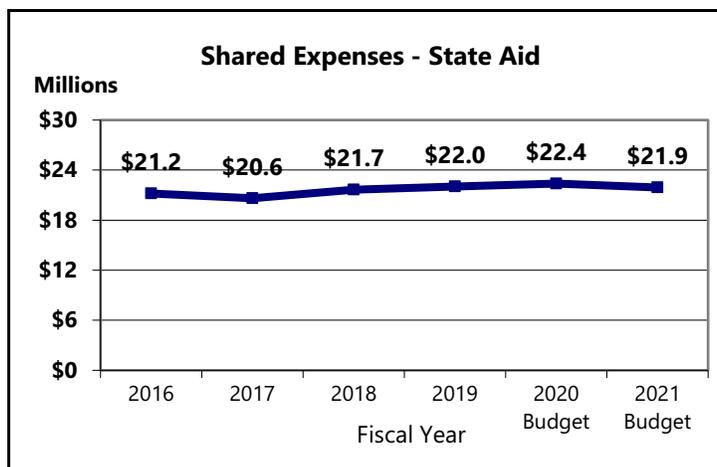
Recovered costs consist of revenue from nongeneral funds, partner agencies, and the public for certain expenses, such as indirect costs, employee compensation, debt service, and communications and information technology services. Recovered costs make up approximately 1.2 percent or \$10.9 million of General Fund revenues in FY 2021 which is approximately 9.4 percent below the FY 2020 budget. The decline in the FY 2021 budget from FY 2020 is largely due to the distribution and allocation of indirect costs to nongeneral fund departments and the removal of the reimbursement for healthcare benefit administration from General Fund revenues as a result of transferring the

healthcare benefits administration program from the Department of Human Resources to the Norfolk Healthcare Consortium in FY 2021. See the Department of Human Resources and Norfolk Healthcare Consortium sections of the budget document for detail.

## NON-CATEGORICAL AID - VIRGINIA

Non-categorical aid consists of revenue from the Commonwealth without restriction as to use. Non-categorical aid is estimated to be 3.9 percent or \$34.1 million of General Fund revenues and is approximately 5.2 percent below the FY 2020 budget. The decrease is mostly from the car rental tax due to the economic impact of COVID-19 on visitors and travel to the region. Also, the FY 2021 budget no longer reflects the increase in HB 599 initially anticipated in the proposed budget. Amendments to the Governor’s Introduced Budget agreed to by the House and Senate conferees (Conference Report) had included a 4.5 percent increase in HB 599 funds in FY 2021, in line with the increase in the Commonwealth’s general fund revenues projected at 4.5 percent prior to the COVID-19 pandemic impacting the state. Norfolk’s share of the HB 599 increase was estimated to be approximately \$559,000. However, action taken during the reconvened session of the General Assembly in April, resulted in the unallotment of the funding for new initiatives including the additional funding for HB 599 as a result of COVID-19.

## SHARED EXPENSES



Shared expenses consist of recovered costs from the Commonwealth for a portion of the salaries and benefits of constitutional and other offices serving the Norfolk community, including the Norfolk Electoral Board, Sheriff, City Treasurer, Commissioner of the Revenue, Clerk of the Circuit Court, and Commonwealth’s Attorney. Shared expenses make up approximately 2.5 percent or \$21.9 million of General Fund revenues in FY 2021, which is approximately 2.0 percent below the FY 2020 budget. The decline largely reflects the reduction in the number of approved Compensation Board positions in the Sheriff and Clerk of the Circuit Court and in the approved Compensation Board budget for

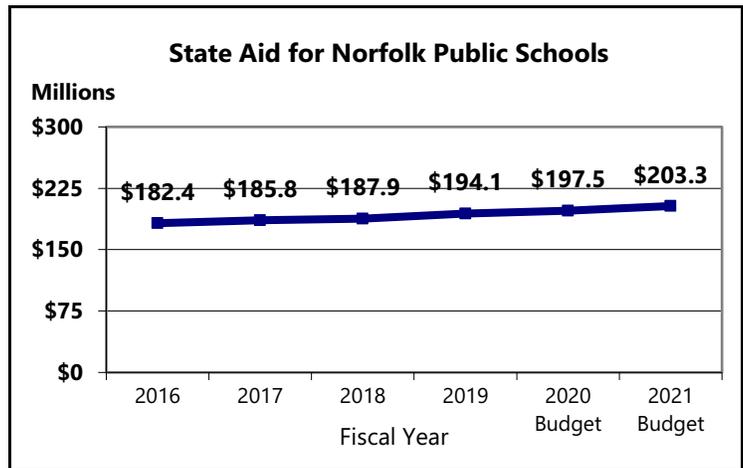
the Commonwealth’s Attorney. Although several new initiatives were approved during the regular session of the General Assembly, action taken during the reconvened session of the General Assembly in April, resulted in the unallotment of the funding for these new initiatives due to the economic impact of COVID-19. The new initiatives included a one-time bonus, equal to two percent of the state base salary of constitutional officers and their full-time employees, general registrars, and members of local election boards on December 1, 2020, contingent upon the state’s general fund revenues collected in FY 2020 not being one percent or more below the official budget estimate. Also, the funding to: address certain underfunded and unfunded constitutional officer positions; increase salaries of certain circuit court clerk staff to address pay equity with district court clerks’ staff; and fully reimburse localities for general registrars’ salaries and electoral board members’ compensation were also unallotted in the state’s upcoming biennial budget.

## STATE CATEGORICAL AID

Categorical aid from the Commonwealth consists mainly of revenues earmarked for core services including, Norfolk Public Schools, public assistance grants and social service programs, Norfolk Community Services Board (NCSB), Virginia Department of Transportation (VDOT) funding for street maintenance and localities that host port-owned facilities, and local adult correctional facility. State categorical aid makes up approximately 31 percent or

\$278.3 million of General Fund revenues which is 2.0 percent above the FY 2020 budget. The increase is mainly from state categorical aid for Norfolk Public Schools, social services, and street maintenance in FY 2021. However, the majority of the growth in state categorical aid in FY 2021 is designated for Norfolk Public Schools of approximately \$5.8 million.

Of the \$278.3 million of state categorical aid estimated to be received in FY 2021, the majority is earmarked for Norfolk Public Schools, approximately \$203.3 million of the \$278.3 million. Categorical aid for Norfolk Public Schools includes the state sales and use tax and state school funds. State sales and use tax for schools is the revenue from the city's proportionate share of the state sales and use tax designated for public education. Since July 1, 2012, the city's share of the state sales and use tax is based on the population estimate provided by the Weldon Cooper Center for Public Service at the University of Virginia. Additionally in FY 2014, state sales and use tax dedicated to public education increased to 1⅜ cent as part of the statewide transportation bill. Prior to FY 2014, 1¼ cent of the state sales and use tax was dedicated to public education, which reflected the change in FY 2005 when half of the one-half cent sales and use tax increase adopted by the General Assembly was earmarked for local school divisions and real estate tax relief. Half of that quarter percent is distributed in the manner discussed above. The other half of the quarter percent goes to support the Standards of Quality (SOQ), which is included in state school funds. State school funds support school operational costs. The rate of reimbursements is based on the SOQ formula with reimbursement rates varying by program and area of emphasis. Changes in enrollment figures affect this revenue source. Localities are required to match the state contribution based on a composite index. Norfolk continues to provide more than its required share of local effort.



Categorical aid also includes the state reimbursement for the cost of operating the Department of Human Services and Norfolk Community Services Board, estimated to be approximately \$37.8 million and \$9.3 million, respectively. State aid is tied to operating costs that include the cost of personnel, fringe benefits, nonpersonal services, and rent for buildings and parking. The reimbursement rate of the overall costs varies by program.

The jail per diem estimate is approximately \$1.9 million in FY 2021 with no changes anticipated in the jail per diem rates based on the estimate provided by the Virginia Compensation Board. Since the 2016-2018 biennium, the amount appropriated by the Commonwealth has been based on the expected cost of jail per diems. In prior years, the General Assembly did not appropriate the full estimated statewide cost for jail per diems and the funding shortfall was addressed in the mid-biennium or caboose budget. However, if the appropriation falls short due to statewide inmate population being higher than anticipated, the Compensation Board will prorate the amounts distributed to local jails. The last time jail per diem rates were changed was during the 2010 session of the General Assembly. Since March 1, 2010, per diem payments for local responsible inmates in local or regional jails was reduced to \$4.00 per day from \$8.00 per day, while the per diem payments for state inmates housed in local jails was changed to \$12.00 per day from \$8.00 or \$14.00 per day (reflecting the \$6.00 bonus payment for certain state inmates). Payment for jail contract beds fell to \$8.00 per day from \$14.00 per day. These changes in the per diem rates resulted in approximately a \$2.0 million decline in jail per diem funding to the city.

Categorical aid also includes funds received from the Virginia Department of Transportation (VDOT) for street construction and maintenance and support for localities that host Virginia Port Authority owned real estate, estimated in total to be approximately \$25.9 million in FY 2021. The funds for street construction and maintenance are received from VDOT to maintain the city's principal and minor arterials, collector roads, and local streets based on moving lane miles. The revenue allocated to the city is based on a statewide maintenance index of the unit costs used on roads and bridges. Changes in the index are used to calculate and implement annual per-land-mile

rates. The rates fluctuate on index changes and number of miles assessed. These funds offset qualifying operating costs recorded in the city's budget.

Also, beginning in FY 2021, the city's allocation of the state recordation tax distributed to localities which was estimated to be \$750,000 are being re-allocated to support the Hampton Roads Transit (HRT) as a result of legislation (HB1726) passed during the 2020 session of the General Assembly. The action affects Hampton Roads localities within the Hampton Roads Transportation District.

## FEDERAL AID

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Aid from the federal government primarily includes funds for Norfolk Public Schools and Norfolk Community Services Board. Federal aid totals approximately \$8.7 million or 1.0 percent of General Fund revenues in FY 2021 and is virtually unchanged from the FY 2020 budget. The FY 2021 amount does not include the Federal funds provided to assist individuals, businesses, and state and local governments in response to the COVID-19 pandemic. The reimbursement for eligible COVID-19 expenses are reflected in the General Fund centrally as budgetary savings. See the Central Appropriations section of the budget document for more details.

## OTHER SOURCES AND TRANSFERS IN

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Revenue from other sources and transfers in consist of intra-governmental transfers and carry forward funds. It totals approximately \$30.4 million or 3.4 percent of General Fund revenues in FY 2021, which is an increase of approximately \$5.1 million from the FY 2020 budget. In FY 2021, other sources and transfers in includes transfers in of approximately \$18.5 million from nongeneral funds including: Utilities (\$10 million); Tax Increment Financing Fund (\$5.0 million) which consists of the annual transfer of excess revenue; and Public Amenities Fund (\$3.5 million) to support the Norfolk Consortium, which is an increase of \$0.5 million from the previous year. See Outside Agencies section of the budget document for details on the Norfolk Consortium. The remaining amount (\$11.9 million) consists of: carry forward of prior year savings by the Norfolk Community Services Board (\$2.8 million); carry forward of unspent funds for St. Paul's Area Transformation (\$1.8 million), Resilience (\$850,000), and to fund one-time enhancements in Transit (\$396,000) and City Clerk (\$40,000); and carry forward of proceeds related to the Sustainable Water Initiative for Tomorrow (SWIFT) initiative (\$6.0 million) for the CIP.

# APPROPRIATIONS

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Department	FY 2021 Adopted
<b>GENERAL FUND</b>	
<b>LEGISLATIVE</b>	
City Council	393,360
City Clerk	1,728,075
City Real Estate Assessor	2,184,185
City Auditor	969,007
<b>Total Legislative</b>	<b>5,274,627</b>
<b>EXECUTIVE</b>	
City Manager	2,413,249
Budget and Strategic Planning	1,971,035
Resilience	613,377
Communications	1,776,417
St. Paul's Area Transformation	3,781,000
<b>Total Executive</b>	<b>10,555,078</b>
<b>DEPARTMENT OF LAW</b>	
<b>CONSTITUTIONAL OFFICERS</b>	
Commissioner of the Revenue	3,024,420
City Treasurer	2,525,126
Clerk of the Circuit Court	2,975,109
Commonwealth's Attorney	6,208,701
Sheriff and Jail	35,198,060
<b>Total Constitutional Officers</b>	<b>49,931,416</b>
<b>JUDICIAL</b>	
General District Court	260,761
Juvenile and Domestic Relations Court	79,933
Circuit Court Judges	841,987
Norfolk Juvenile Court Service Unit	163,791
Magistrate	11,438
<b>Total Judicial</b>	<b>1,357,910</b>
<b>ELECTIONS</b>	
<b>GENERAL MANAGEMENT</b>	
Information Technology	16,465,266
Finance	6,288,711

<b>Department</b>	<b>FY 2021 Adopted</b>
General Services	24,871,428
Human Resources	3,324,458
<b>Total General Management</b>	<b>50,949,863</b>
<b>COMMUNITY DEVELOPMENT</b>	
City Planning	4,759,737
Neighborhood Development	4,672,849
Economic Development	2,115,447
<b>Total Community Development</b>	<b>11,548,033</b>
<b>PARKS, RECREATION AND CULTURE</b>	
Libraries	7,201,366
Cultural Facilities, Arts and Entertainment	5,776,136
Zoological Park	4,111,726
Nauticus	3,878,761
Slover Library	2,543,928
Recreation, Parks and Open Space	12,672,849
<b>Total Parks, Recreation and Culture</b>	<b>36,184,766</b>
<b>CENTRAL AND OUTSIDE AGENCY APPROPRIATIONS</b>	
Central Appropriations	8,555,993
Outside Agencies	51,169,938
<b>Total Central and Outside Agency Appropriations</b>	<b>59,725,931</b>
<b>PUBLIC HEALTH AND ASSISTANCE</b>	
Norfolk Community Services Board	25,883,635
Public Health	3,546,016
Human Services	50,248,090
<b>Total Public Health and Assistance</b>	<b>79,677,741</b>
<b>PUBLIC SAFETY</b>	
Police	78,019,800
Fire-Rescue	48,643,707
<b>Total Public Safety</b>	<b>126,663,507</b>
<b>PUBLIC WORKS</b>	<b>16,496,914</b>
<b>TRANSIT</b>	<b>11,934,317</b>
<b>DEBT SERVICE</b>	<b>79,999,236</b>
<b>PUBLIC SCHOOL EDUCATION (Norfolk Public Schools)</b>	<b>337,148,281</b>
<b>Total General Fund</b>	<b>883,480,216</b>

<b>Department</b>	<b>FY 2021 Adopted</b>
<b>SPECIAL REVENUE FUNDS</b>	
Towing and Recovery Operations	1,655,435
Cemeteries	1,693,850
Golf Operations	15,000
Public Amenities	8,845,735
Emergency Preparedness and Response	6,218,649
Tax Increment Financing	6,482,000
Waste Management	21,929,993
<b>Total Special Revenue Funds</b>	<b>46,840,662</b>
<b>ENTERPRISE FUNDS</b>	
Water Utility	94,829,678
Wastewater Utility	33,130,612
Storm Water Management	21,408,868
Parking Facilities	23,997,299
<b>Total Enterprise Funds</b>	<b>173,366,457</b>
<b>INTERNAL SERVICE FUNDS</b>	
Norfolk Healthcare Consortium	104,199,343
Fleet Management	11,539,889
<b>Total Internal Service Funds</b>	<b>115,739,232</b>
<b>TOTAL CITY OPERATIONS</b>	<b>1,219,426,567</b>
<b>CAPITAL IMPROVEMENT PLAN</b>	<b>151,020,200</b>
<b>ANNUAL GRANTS PLAN<sup>1</sup></b>	<b>32,641,736</b>
<b>ANNUAL PLAN</b>	<b>7,786,683</b>
<b>TOTAL APPROPRIATIONS</b>	<b>1,410,875,186</b>

<sup>1</sup>These amounts reflect the “up to” amount appropriated by the FY 2021 operating budget ordinance. The actual grant award will vary annually.

# SELECTED TAX RATES AND FEES

Description	FY 2020 Adopted	FY 2021 Adopted
<b>PROPERTY TAXES</b>		
<b>Real Estate</b> (General Tax)	\$1.25/\$100 Assessed Value	\$1.25/\$100 Assessed Value
<b>Real Estate</b> (Downtown Improvement District)	\$1.41/\$100 Assessed Value	\$1.41/\$100 Assessed Value
<b>Personal Property</b>		
Airplane	\$2.40/\$100 Assessed Value	\$2.40/\$100 Assessed Value
Motor Vehicle	\$4.33/\$100 Assessed Value	\$4.33/\$100 Assessed Value
Recreational Vehicle	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Business Furniture, Fixtures, and Equipment	\$4.33/\$100 Assessed Value	\$4.33/\$100 Assessed Value
Watercraft - Business	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Watercraft - Recreational	<b>\$0.25/\$100 Assessed Value</b>	<b>\$0.000001/\$100 Assessed Value</b>
<b>Machinery &amp; Tools</b>	\$4.25/\$100 Assessed Value	\$4.25/\$100 Assessed Value
<b>OTHER LOCAL TAXES</b>		
<b>Amusement and Admissions</b>	10%	10%
<b>Cigarette</b>	95 cents/pack of 20 cigarettes (47.5 mils/cigarette)	95 cents/pack of 20 cigarettes (47.5 mils/cigarette)
<b>Emergency 911 (Landline)</b>	Replaced by the statewide E-911 tax rate of \$0.75/line/month	Replaced by the statewide E-911 tax rate of \$0.75/line/month
<b>Hotel/Motel Lodging</b>	8%	8%
<b>Bed Tax</b>	\$3.00 per room night	\$3.00 per room night
<b>Food and Beverage</b>	6.5%	6.5%
<b>Recreational Boat License:</b>		
Boats under 16 feet in length	\$15.00	\$15.00
Boats 16 feet and over in length	\$40.00	\$40.00
<b>Motor Vehicle License:</b>		
Small Trailers (<2,000 pounds)	\$11.50	\$11.50
Motorcycles	\$20.00	\$20.00
Cars and Small Trucks	\$31.00	\$31.00
Mid-Size Trucks/Vans (>4,000 pounds)	\$36.00	\$36.00
Large Vehicles (over 19,000 pounds)	\$1.60-\$1.80/1,000 pounds of gross weight (additional \$5 flat fee)	\$1.60-\$1.80/1,000 pounds of gross weight (additional \$5 flat fee)

Description	FY 2020 Adopted	FY 2021 Adopted
<b>REFUSE DISPOSAL</b>		
<b>Residential</b>		
Single or Multiple Units (four units or less)	\$27.01/unit/month	\$27.01/unit/month
Multiple Units (five units or more)	\$45.94/container/month	\$45.94/container/month
<b>Commercial</b>		
Business 1 times per week	\$61.18/unit/month	\$61.18/unit/month
Business 5 times per week	\$151.64/unit/month	\$151.64/unit/month
Combined Commercial and Residential	\$88.19/unit/month	\$88.19/unit/month
<b>WATER AND WASTEWATER UTILITY FEES</b>		
Water	<b>\$5.29/100 cubic feet</b>	<b>\$5.48/100 cubic feet</b>
Wastewater	<b>\$4.47/100 cubic feet</b>	<b>\$4.65/100 cubic feet</b>
<b>STORM WATER FEES (rate calculated based on a 30-day month)</b>		
Residential	<b>\$12.05/month</b>	<b>\$12.38/month</b>
Commercial	<b>\$12.05/month per 2,000 sq. ft.</b>	<b>\$12.38/month per 2,000 sq. ft.</b>
<b>UTILITY TAXES</b>		
<b>Commercial</b>		
Gas	Rate/month: \$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance (maximum of \$500/month)	Rate/month: \$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance (maximum of \$500/month)
Electricity (Manufacturing)	Rate/month: \$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance (maximum of \$53,000/month)	Rate/month: \$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance (maximum of \$53,000/month)
Electricity (Non-Manufacturing)	Rate/month: \$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance	Rate/month: \$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance
Telephone (Cellular, Landline)	Replaced by the State Communications Sales & Use Tax 5% of sales price of services	Replaced by the State Communications Sales & Use Tax 5% of sales price of services
Water	25% on first \$75, plus 15% of bill in excess of \$75	25% on first \$75, plus 15% of bill in excess of \$75
<b>Residential</b>		
Cable and Satellite Service	Replaced by the State Communications Sales & Use Tax	Replaced by the State Communications Sales & Use Tax
Telephone (Cellular, Landline)	Replaced by the State Communications Sales & Use Tax	Replaced by the State Communications Sales & Use Tax
Electricity	\$1.75 + \$0.016891/kWh monthly (capped at \$3.75/month)	\$1.75 + \$0.016891/kWh monthly (capped at \$3.75/month)
Gas	\$1.50/month	\$1.50/month
Water (5/8" Meter)	25% on first \$22.50/month	25% on first \$22.50/month

# GENERAL FUND BALANCE RESERVES

The establishment and maintenance of general operating reserves is considered one of the most effective management practices a local government can employ. The purpose of a reserve is to act as the city's "savings" account to meet emergency, unanticipated needs without jeopardizing the ongoing provision of city services. Reserves help to cushion against cash flow challenges such as providing an interim source of funding for emergency costs from a significantly large unexpected expenses such as a hurricane. The appropriate size of reserves depends on variability of revenues and expenditures and an organization's cash flow needs.

City Council's resolution passed on February 26, 2019, updated the city's policies on reserves, debt affordability, and surplus funds utilization, and adopted new financial policies on pension funding and enterprise fund financial management. The city's financial policies demonstrate its commitment to consistent financial practices, operational efficiencies and best practices. Sound financial management practices contribute to maintaining high city credit ratings and lower borrowing costs for capital projects, preserve fiscal integrity, and promote long-term fiscal sustainability. The Financial Policies section provides more details on the updated policies.

## General Fund Balance Reserves

Reserve	FY 2019 Actual	FY 2020 Minimum	FY 2020 Maximum	FY 2020 Projected
<b>General Fund Unassigned Reserve<sup>1</sup></b>	\$65,788,060	\$65,788,060	N/A	\$65,788,061
<b>Risk Management Reserve<sup>2</sup></b>	\$5,310,000	\$5,000,000	\$8,000,000	\$7,171,121
<b>Economic Downturn Reserve</b>	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
<b>Inclusive Development Opportunity Fund</b>	\$0	\$2,000,000	\$2,000,000	\$2,000,000
<b>General Fund Balance Reserves at June 30<sup>3</sup></b>	<b>\$76,098,060</b>			<b>\$79,959,182</b>

<sup>1</sup>The amounts are based on the updated financial policies adopted by City Council on February 26, 2019. The minimum FY 2020 General Fund unassigned reserve is based upon ten percent (10%) of General Fund expenditures, plus General Fund transfers out as of June 30, 2019. The projected FY 2020 General Fund unassigned reserved is based upon the unassigned fund balance as of June 30, 2019, minus the Economic Downturn Reserve, Inclusive Development Opportunity Fund, and use of FY 2019 General Fund surplus for the Risk Management Reserve and cash fund (pay-go) Capital Improvement Plan in accordance with the updated financial policies and reflects the rounding of the use of FY 2019 General Fund surplus amounts.

<sup>2</sup>The projected FY 2020 Risk Management Reserve includes the FY 2019 General Fund surplus (\$1,861,121).

<sup>3</sup>The amounts above exclude reserves for encumbrances and other legally restricted reserves and designations for specific appropriations. The amounts do not reflect potential use of reserves to offset revenue shortfalls due to COVID-19.

# ESTIMATED GENERAL FUND - FUND BALANCE

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<b>Beginning General Fund - Fund Balance, July 1, 2019 (CAFR)*</b>		<b><u><u>\$151,907,756</u></u></b>
Add Revenues**		
Revenues (excluding transfers)	\$876,644,803	
Return from utilities and waste management funds	10,550,000	
Return from tax increment financing fund	6,350,499	
Public amenities fund support for Norfolk Consortium	3,000,000	
<b>Total Fund Balance and Revenues</b>		<b><u><u>\$1,048,453,058</u></u></b>
Less: Anticipated Expenditures**		
Norfolk Public Schools operating budget	\$336,161,810	
Public safety	124,897,375	
Public health and assistance	77,847,057	
Other city departments	210,999,571	
Central appropriations and outside agencies	70,466,391	
Debt service	81,510,525	
<b>Projected Fund Balance at June 30, 2019 with anticipated expenditures</b>		<b><u><u>\$146,570,329</u></u></b>

\*Amount reported in the FY 2019 Comprehensive Annual Financial Report (CAFR)

\*\*Reflects amounts in the Adopted FY 2020 General Fund Budget

# SUMMARY OF CHANGES IN FUND BALANCE

## General Fund

	FY 2019 Actual	FY 2020 Adopted	FY 2021 Adopted
<b>Operating Revenues</b>			
General property taxes	297,514,769	305,436,500	311,526,200
Other local taxes	166,543,602	170,844,800	143,126,000
Permits and fees	4,117,711	3,387,500	3,214,000
Fines and forfeitures	1,026,622	1,094,000	1,201,000
Charges for services	24,326,104	25,990,999	23,539,021
Miscellaneous	9,907,549	9,219,102	8,983,473
Recovered costs	10,849,321	12,005,487	10,880,725
Commonwealth	324,950,569	331,369,049	334,361,860
Federal	9,106,119	8,709,175	8,736,882
<b>Total Operating Revenues</b>	<b>848,342,366</b>	<b>868,056,612</b>	<b>845,569,161</b>
<b>Operating Expenses</b>			
Personnel services	291,542,746	308,452,048	300,800,805
Contractual services	49,045,085	47,855,677	48,152,310
Materials, supplies and repairs	39,625,843	39,189,519	37,356,944
Department specific appropriation	388,612,961	402,821,053	395,408,289
Public assistance	14,608,639	14,713,285	14,624,306
<b>Total Operating Expenses</b>	<b>783,435,274</b>	<b>813,031,582</b>	<b>796,342,654</b>
<b>Operating Income (Loss)</b>	<b>64,907,092</b>	<b>55,025,030</b>	<b>49,226,507</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	9,711,256	8,588,191	7,543,055
Capital outlay	(4,787,936)	(4,506,325)	(4,046,913)
Debt service	(70,929,678)	(76,222,377)	(73,989,447)
Acctg. for Encumbrances for Budget not GAAP	(6,935,564)	0	0
<b>Total Non-Operating Revenue/Expense</b>	<b>(72,941,922)</b>	<b>(72,140,511)</b>	<b>(70,493,305)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(8,034,830)</b>	<b>(17,115,481)</b>	<b>(21,266,798)</b>
Operating transfers in	39,065,338	19,900,499	18,482,000
Operating transfers out	(3,695,116)	(8,122,445)	(9,101,202)
<b>Total Operating Transfers</b>	<b>35,370,222</b>	<b>11,778,054</b>	<b>9,380,798</b>
<b>Net Change in Fund Balance</b>	<b>27,335,392</b>	<b>(5,337,427)</b>	<b>(11,886,000)</b>
<b>Beginning Fund Balance at July 1</b>	<b>124,572,364</b>	<b>151,907,756</b>	<b>146,570,329</b>
<b>Ending Fund Balance at June 30</b>	<b>151,907,756</b>	<b>146,570,329</b>	<b>134,684,329</b>

Note: FY 2019 amounts are based on figures in the city's Comprehensive Annual Financial Report.

\*The FY 2021 amount largely reflects carryforward of funds to cash fund (pay-go) capital projects and use of prior year unspent dedicated funds.

## Special Revenue Funds

	FY 2019 Actual	FY 2020 Adopted	FY 2021 Adopted
<b>Operating Revenues</b>			
General property taxes	5,855,000	6,268,000	6,482,000
Other local taxes	10,719,703	10,778,596	9,285,596
Fines and forfeitures	0	11,000	11,000
Charges for services	38,265,300	23,286,086	23,269,345
Miscellaneous	1,437,245	515,998	487,827
Recovered costs	450	1,605,463	1,607,794
Commonwealth	1,520,543	100,000	98,000
Federal	83,266	113,617	113,617
<b>Total Operating Revenues</b>	<b>57,881,507</b>	<b>42,678,760</b>	<b>41,355,179</b>
<b>Operating Expenses</b>			
Personnel services	17,977,859	13,485,311	13,475,544
Contractual services	13,033,194	10,894,740	10,774,532
Materials, supplies and repairs	5,133,988	2,610,642	2,599,756
Department specific appropriation	555,477	643,801	1,030,157
<b>Total Operating Expenses</b>	<b>36,700,518</b>	<b>27,634,494</b>	<b>27,879,989</b>
<b>Operating Income (Loss)</b>	<b>21,180,989</b>	<b>15,044,266</b>	<b>13,475,190</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	39,403	825,565	825,335
Capital outlay	(1,229,646)	(2,635,900)	(2,632,200)
Gain/(Loss)-Sale of fixed assets & investments	0	0	0
Debt service	(10,403,475)	(8,064,363)	(7,846,473)
<b>Total Non-Operating Revenue/Expense</b>	<b>(11,593,718)</b>	<b>(9,874,698)</b>	<b>(9,653,338)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>9,587,271</b>	<b>5,169,568</b>	<b>3,821,852</b>
Operating transfers in	1,060,440	1,619,297	1,584,413
Operating transfers out	(8,568,665)	(11,350,499)	(8,482,000)
<b>Total Operating Transfers</b>	<b>(7,508,225)</b>	<b>(9,731,202)</b>	<b>(6,897,587)</b>
<b>Net Change in Fund Balance*</b>	<b>2,079,046</b>	<b>(4,561,634)</b>	<b>(3,075,735)</b>
<b>Beginning Fund Balance at July 1</b>	<b>21,705,275</b>	<b>23,784,321</b>	<b>14,530,549</b>
<b>Storm Water Fund Balance</b> (estimated to be included in Enterprise Funds)**	0	(4,692,138)	0
<b>Ending Fund Balance at June 30</b>	<b>23,784,321</b>	<b>14,530,549</b>	<b>11,454,814</b>

\*The FY 2020 amount largely reflects the change in fund balance of the Public Amenities Fund and Tax Increment Financing Fund. See Public Amenities Fund and Tax Increment Financing sections for details.

\*\*In FY 2019, Storm Water Management Fund is classified as a special revenue fund. Beginning in FY 2020, the Storm Water Management Fund will become an enterprise fund. The estimated FY 2020 and FY 2021 amounts reflect the Storm Water Management Fund balance as of June 30, 2019.

Note: FY 2019 amounts are based on figures in the city's Comprehensive Annual Financial Report.

# SUMMARY OF CHANGES IN NET ASSETS

## Enterprise Funds

	FY 2019 Actual	FY 2020 Adopted	FY 2021 Adopted
<b>Operating Revenues</b>			
Permits and fees	0	867,780	629,505
Fines and forfeitures	0	2,435,660	3,328,022
Charges for services	165,092,161	167,083,596	164,342,877
Miscellaneous	2,127,647	232,240	234,316
Recovered costs	0	1,003,600	1,003,600
<b>Total Operating Revenues</b>	<b>167,219,808</b>	<b>171,622,876</b>	<b>169,538,320</b>
<b>Operating Expenses</b>			
Personnel services	32,830,728	36,025,940	36,813,654
Contractual services/Materials, supplies and repairs	30,539,313	37,742,864	37,577,881
Depreciation	28,451,011	0	0
Department specific appropriation	0	10,184,858	24,755,224
<b>Total Operating Expenses</b>	<b>91,821,052</b>	<b>83,953,662</b>	<b>99,146,759</b>
<b>Operating Income (Loss)</b>	<b>75,398,756</b>	<b>87,669,214</b>	<b>70,391,561</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	2,506,859	1,373,565	2,045,775
Capital outlay	0	(1,880,499)	(2,448,636)
Intergovernmental revenue	134,120	0	0
Miscellaneous revenue (expense)	23,024	0	0
Gain/(Loss)-Sale of fixed assets & investments	(895,858)	7,400	7,400
Debt service	(16,816,207)	(61,207,104)	(59,605,862)
<b>Total Non-Operating Revenue/Expense</b>	<b>(15,048,062)</b>	<b>(61,706,638)</b>	<b>(60,001,323)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>60,350,694</b>	<b>25,962,576</b>	<b>10,390,238</b>
Capital Contribution	380,664	0	0
Operating transfers in	0	0	0
Operating transfers out	(30,308,671)	(28,215,200)	(12,165,200)
<b>Total Operating Transfers/Capital Contribution</b>	<b>(29,928,007)</b>	<b>(28,215,200)</b>	<b>(12,165,200)</b>
<b>Net Income (Loss)</b>	<b>30,422,687</b>	<b>(2,252,624)</b>	<b>(1,774,962)</b>
<b>Beginning Net Assets at July 1</b>	<b>465,528,686</b>	<b>495,951,373</b>	<b>498,390,887</b>
<b>Storm Water Fund Balance</b> (estimated for FY 2020)*	<b>0</b>	<b>4,692,138</b>	<b>0</b>
<b>Ending net assets at June 30</b>	<b>495,951,373</b>	<b>498,390,887</b>	<b>496,615,925</b>

\*Beginning in FY 2020, the Storm Water Management Fund will become an enterprise fund. The estimated FY 2020 amount reflects the fund balance of the Storm Water Management Fund as of June 30, 2019.

Note: FY 2019 amounts are based on figures in the city's Comprehensive Annual Financial Report.

## Internal Service Funds

	<b>FY 2019 Actual</b>	<b>FY 2020 Adopted</b>	<b>FY 2021 Adopted</b>
<b>Operating Revenues</b>			
Charges for services	91,600,068	103,495,753	115,368,867
Miscellaneous	52,641	0	0
Recovered costs	0	63,865	63,865
<b>Total Operating Revenues</b>	<b>91,652,709</b>	<b>103,559,618</b>	<b>115,432,732</b>
<b>Operating Expenses</b>			
Personnel services	3,513,771	3,780,854	4,207,273
Cost of Goods Sold	3,879,166	0	0
Contractual services	84,520,311	95,701,382	107,285,435
Materials, supplies and repairs/Other	4,462,868	4,074,882	4,209,287
Depreciation	275,557	0	0
<b>Total Operating Expenses</b>	<b>96,651,673</b>	<b>103,557,118</b>	<b>115,701,995</b>
<b>Operating Income (Loss)</b>	<b>(4,998,964)</b>	<b>2,500</b>	<b>(269,263)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	0	3,500	3,500
Capital outlay	0	(36,000)	(37,237)
Miscellaneous revenue (expense)	0	0	0
Gain/(Loss)-Sale of fixed assets & investments	0	30,000	3,000
<b>Total Non-Operating Revenue/Expense</b>	<b>0</b>	<b>(2,500)</b>	<b>(30,737)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(4,998,964)</b>	<b>0</b>	<b>(300,000)</b>
Operating transfers in	0	0	0
Operating transfers out	0	0	0
<b>Total Operating Transfers</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Income (Loss)</b>	<b>(4,998,964)</b>	<b>0</b>	<b>(300,000)</b>
<b>Beginning Net Assets at July 1</b>	<b>6,237,150</b>	<b>1,238,186</b>	<b>1,238,186</b>
<b>Ending net assets at June 30</b>	<b>1,238,186</b>	<b>1,238,186</b>	<b>938,186</b>

Note: FY 2019 amounts are based on figures in the city's Comprehensive Annual Financial Report.

# TRANSFERS FROM/TO

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The tables below present certain fund to fund transfers which include: General Fund support of capital projects and special revenue funds; transfers from enterprise activities and special revenue funds to the General Fund; and cash contribution from General Fund and nongeneral funds for capital projects.

<b>Transfer from General Fund to</b>	<b>FY 2021</b>
Capital Improvement Plan	7,516,789
Cemetery Fund	220,070
Emergency Preparedness and Response Fund	1,364,343
Grants Fund (estimated) <sup>1</sup>	4,427,572
<b>Total Transfers from General Fund</b>	<b>13,528,774</b>

<b>Transfer to General Fund from</b>	
Public Amenities Fund	3,500,000
Tax Increment Financing Fund	4,982,000
Wastewater Utility Fund	1,500,000
Water Utility Fund	8,500,000
<b>Total Transfers to General Fund</b>	<b>18,482,000</b>

<b>Transfer to Capital Improvement Plan from</b>	
General Fund	7,516,789
Parking Facilities Fund	850,000
Storm Water Management Fund	1,315,200
Wastewater Utility Fund	11,000,000
Water Utility Fund	42,535,000
<b>Total Transfers to the Capital Improvement Plan</b>	<b>63,216,989</b>

<sup>1</sup>Amount of funds expected to be awarded in FY 2021. See Annual Grants Plan section for details. Actual amount transferred from the General Fund to the Grants Fund may vary based upon the actual grant award.

# FULL TIME EQUIVALENT (FTE) STAFFING SUMMARY

	FY 2019 Adopted FTE	FY 2020 Adopted FTE	FY 2021 Adopted FTE	Change FY 2020 to FY 2021
<b>General Fund</b>				
Budget and Strategic Planning	16.0	19.0	23.0	4.0
Circuit Court Judges	5.0	5.0	5.0	0.0
City Attorney	34.0	34.0	34.0	0.0
City Auditor	9.0	9.0	9.0	0.0
City Clerk	15.0	14.0	13.0	-1.0
City Council	8.0	8.0	8.0	0.0
City Manager	14.0	13.0	13.0	0.0
City Planning	62.0	63.0	61.0	-2.0
City Real Estate Assessor	24.0	25.0	25.0	0.0
City Treasurer	31.0	31.0	31.0	0.0
Clerk of Circuit Court	49.0	49.0	46.0	-3.0
Commissioner of the Revenue	38.0	38.0	37.0	-1.0
Commonwealth's Attorney	60.0	61.0	64.0	3.0
Communications	16.0	18.0	16.0	-2.0
Cultural Facilities, Arts & Entertainment	54.0	50.0	41.0	-9.0
Economic Development	17.0	18.0	16.0	-2.0
Elections	6.0	6.0	6.0	0.0
Finance Department	53.0	56.0	54.0	-2.0
Fire-Rescue	504.0	504.0	514.0	10.0
General Services and Administration	128.0	132.2	126.4	-5.8
Human Resources	33.0	33.0	28.0	-5.0
Human Services	476.5	481.0	483.0	2.0
Information Technology	82.0	91.0	82.0	-9.0
Libraries	130.2	98.5	76.0	-22.5
Nauticus	27.3	28.0	27.0	-1.0
Neighborhood Development	53.0	52.0	50.0	-2.0
Norfolk Community Services Board	263.1	265.3	271.8	6.5
Office to End Homelessness <sup>1</sup>	3.0	0.0	0.0	0.0
Police	874.0	873.0	859.0	-14.0
Public Health	8.5	8.5	7.0	-1.5
Public Works	207.0	142.0	129.0	-13.0
Recreation, Parks and Open Space	203.7	209.0	151.0	-58.0

	<b>FY 2019 Adopted FTE</b>	<b>FY 2020 Adopted FTE</b>	<b>FY 2021 Adopted FTE</b>	<b>Change FY 2020 to FY 2021</b>
Resilience	3.0	4.0	5.0	1.0
Sheriff and Jail	447.0	447.0	440.0	-7.0
Slover Library <sup>2</sup>	0.0	27.0	27.0	0.0
St. Paul's Area Transformation	0.0	4.0	5.0	1.0
Transit <sup>3</sup>	0.0	66.0	62.0	-4.0
Zoological Park	50.3	52.6	47.0	-5.6
<b>Total General Fund</b>	<b>4,004.3</b>	<b>4,035.2</b>	<b>3,892.2</b>	<b>-143.0</b>
<b>Special Revenue Funds</b>				
Cemeteries	32.8	31.0	25.0	-6.0
Emergency Preparedness and Response	82.0	83.0	82.0	-1.0
Towing and Recovery Operations	8.9	8.9	8.0	-0.9
Waste Management	105.0	106.0	106.0	0.0
<b>Total Special Revenue Funds</b>	<b>228.7</b>	<b>228.9</b>	<b>221.0</b>	<b>-7.9</b>
<b>Enterprise Funds</b>				
Parking Facilities	63.2	63.2	63.2	0.0
Storm Water Management	99.0	103.0	105.0	2.0
Wastewater Utility	103.0	103.0	103.0	0.0
Water Utility	290.5	290.5	290.0	-0.5
<b>Total Enterprise Funds</b>	<b>555.7</b>	<b>559.7</b>	<b>561.2</b>	<b>1.5</b>
<b>Internal Service Funds</b>				
Fleet	53.8	52.0	52.0	0.0
Healthcare	2.0	2.0	8.0	6.0
<b>Total Internal Service Funds</b>	<b>55.8</b>	<b>54.0</b>	<b>60.0</b>	<b>6.0</b>
<b>Total All Funds</b>	<b>4,844.5</b>	<b>4,877.8</b>	<b>4,734.4</b>	<b>-143.4</b>

Note: Totals may not add up due to rounding.

**Only permanent positions are reflected in the Budget Document.**

<sup>1</sup>Homelessness services was transferred to Norfolk Community Services Board in FY 2020.

<sup>2</sup>The FY 2020 Budget establishes Slover Library as a department.

<sup>3</sup>The FY 2020 Budget establishes the Department of Transit.

# CITY INDEBTEDNESS

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The Virginia Constitution authorizes cities and counties in Virginia to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds, the governing body of the city is required to levy an ad valorem tax on all property subject to local taxation to ensure debt service payment. The issuance of general obligation bonds is subject to a limit of 10 percent of the assessed value of taxable real property in the city.

The Public Finance Act of Virginia authorizes a city in Virginia to issue limited liability revenue bonds provided that the rates, rents, fees or other charges are sufficient to pay the cost of operation and administration and the principal and interest on the bonds when due. In determining general obligation statutory debt limitations, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, general obligation bonds payable from a specified revenue producing undertaking, so long as the undertaking is self-supporting, capital leases, and revenue bonds. The city's Wastewater enterprise operations finance capital needs through a combination of self-supporting, general obligation and revenue bonds and the water enterprise utilizes only revenue bonds for its financing needs. The city's Parking, Storm Water, Nauticus, Towing and Recovery and Waste Management operations finance capital needs with self-supporting general obligation bonds.

The following table shows the estimated general obligation Legal Debt Margin for the current fiscal year as of June 30, 2020, and for the past four fiscal years.

As of	Taxable Real Property Assessed Value <sup>(1)</sup>	Debt Limit: 10% of Assessed Value	Debt Applicable to Debt Limit <sup>(4)</sup>	Amount of Debt as % of Debt Limit	Legal Margin for Additional Debt
June 30, 2020 <sup>(2) (3)</sup>	21,096,608,194	2,109,660,819	1,086,654,913	51.51%	1,023,005,906
June 30, 2019	20,344,603,804	2,034,460,380	988,038,371	48.57%	1,046,422,009
June 30, 2018	19,870,880,970	1,987,088,097	1,079,595,115	54.33%	907,492,982
June 30, 2017	19,433,889,018	1,943,388,902	1,065,983,734	54.85%	877,405,168
June 30, 2016	19,106,737,956	1,910,673,796	988,381,838	51.73%	922,291,958

1)The figure includes the assessed valuation of the following properties: public service corporations (as assessed by the State Corporation Commission and the Virginia Department of Taxation); and residential, commercial, apartments and vacant land (as assessed by the City Assessor).

(2)Taxable Real Property Assessed Value is estimated as of March 31, 2020.

(3)Projected Debt Applicable to Debt Limit excludes \$172,365,372 of General Obligation Bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.

(4)Includes \$30,065,000 that has been economically defeased, but must be included as part of the City's debt subject to the debt limit.

## OVERLAPPING DEBT

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The City of Norfolk is autonomous and independent of any county or other political subdivision and is not subject to taxation by any county or school district, nor is it liable for any county or school division indebtedness. Currently, there is no overlapping debt.

## STATEMENT OF NO PAST DEFAULT

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The city has never defaulted on the payment of either principal or interest on its general obligation debt.

## OUTSTANDING DEBT

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Debt service for General Capital Improvements is funded from the General Fund. The debt of the enterprise and other fee-supported operations are paid from the respective revenues. The estimated total outstanding bonded indebtedness, including revenue bonds, at the end of FY 2020 is estimated to be \$1,369,093,983.

## GENERAL CAPITAL IMPROVEMENTS—AFFORDABILITY MEASURES

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City Council's resolution, passed on February 26, 2019, updated the city's policies on debt affordability measures. The city's financial policies demonstrate its commitment to sound financial practices and recognize that they contribute to maintaining the city's high credit ratings and lower borrowing costs for capital projects, preserve fiscal integrity, and promote long-term fiscal sustainability. The Capital Improvement Plan (CIP) for General Capital Improvements (bonds not supported by self-supporting user fees) is now guided by five measures of affordability. These measures, or internal debt limits, are as follows:

- Debt Service as a percent 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 percent 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)
- Overlapping Debt Limit (overlapping debt not to exceed 0.5 percent of total assessed value of taxable property)
- Variable Rate Debt Limits (the city's outstanding debt with variable interest rate will not exceed 20 percent by fund)

The FY 2021 Capital Improvement Plan is within the five measures of affordability listed above, and the city plans to continue to remain below a debt to taxable property ratio of 3.5 percent or less and a debt service to budget expenditures ratio of 10 percent or less. However, the new policy levels provide the city flexibility to consider projects of significance and importance in moving the city forward in addressing our resiliency challenges of coastal flooding, neighborhoods resiliency, and economic vibrancy.

## ENTERPRISE OPERATIONS DEBT

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Norfolk's Water and Wastewater Revenue Bond programs are governed by bond indentures of trust and financing agreements, which specify debt coverage requirements for their respective operations. Each of the revenue bond programs are backed by the revenues of their respective system. The city has covenanted that it will establish, fix, charge and collect rates, fees, and other charges so that in each Fiscal Year Net Revenues are not less than the debt service coverage requirement. All revenue bond programs, historically and estimated for FY 2021 meet debt coverage requirements. As previously noted, outstanding Wastewater bonds are a combination of general obligations of the city and revenue bonds and Water bonds are solely revenue bonds. The city's Parking operations

finance capital needs with self-supporting general obligation bonds. As a matter of practice, the city pays such general obligation bonds from its respective enterprise activities. In the event that money in the respective funds is not sufficient to pay debt service on the general obligations, the city is obligated to pay such debt service from the General Fund or other available revenues. The Parking Facilities coverage requirement is 1.1 times its total annual debt service. Currently, the Parking Facilities Fund is out of compliance with this policy, but has five years to return to compliance per the financial policies. The city reasonably believes that the Parking Facilities Fund will return to compliance within the five years.

## BOND RATINGS

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Bond or credit ratings are an independent opinion of the general creditworthiness of an issuer, such as the city, based on relevant risk factors. Long-term general obligation ratings are based on an issuer's ability and willingness to repay fully the principal and interest of its debt obligations, on a timely basis. Municipal credit ratings are primarily based on four main factors: the issuer's financial position, the issuer's current and future debt burden, financial management and the economy. Often an investor places significant emphasis on a bond's credit rating to help evaluate a price or willingness to hold the investment.

Each of the three major credit rating agencies in the U.S.: Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch") applies its own methodology in measuring creditworthiness and uses a specific rating scale to communicate its ratings opinions. Typically, ratings are expressed as letter grades that range, from 'AAA' to 'D' to communicate the agency's opinion of relative level of credit risk. Credits are further distinguished with "notches" within each rating category. Credit ratings for the city's General Obligation and Water Revenue Bond programs are as follows:

<b>Bonding Program</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
General Obligation	Aa2	AAA	AA+
Water Revenue	Aa2	AA+	AA+

Norfolk's rating on its General Obligations Bonds of Aa2/AAA/AA+ and its Water Revenue Bonds of Aa2/AA+/AA+ are very strong and continue to assist the city in achieving least cost of funds to finance key capital projects throughout the city. Moody's reaffirmed the City's General Obligation long-term rating in August 2019 and Fitch reaffirmed in December 2019. All rating agencies previously affirmed the city's Water Revenue long-term ratings in February 2018. In general, AA category rating signifies very high-quality bonds with some elements of long-term risks and AAA signifies the highest-quality bonds.

On February 4, 2020, S&P raised the City's credit rating to AAA on its long-term General Obligation Bonds. This upgrade makes Norfolk one of just 16 municipalities in Virginia with this highest credit rating from S&P. S&P highlighted that the higher rating reflects Norfolk's "strong economy," its "very strong management, with strong financial policies and practices" and "very strong budgetary flexibility, strong budgetary performance, as well as very strong liquidity." S&P also highlighted the City's resiliency efforts to address sustainability, climate change and sea level risk in its long-term financial and capital planning efforts and its development regulations. However, S&P did note the City's elevated debt burden. This AAA rating affirms the City's financial strength.

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

## Computation of Legal Debt Margin

<b>June 30, 2020 (Estimated)</b>		
Total Assessed Value of Taxed Real Property as of March 31, 2020		\$21,096,608,194
Debt Limit: 10 percent of Total Assessed Value		\$2,109,660,819
Amount of Debt Applicable to Debt Limit: <sup>(1)(2)(3)(4)</sup>		
Gross Debt	\$1,009,934,913	
Line of Credit	\$63,000,000	
Economic Development Authority Note	\$13,720,000	\$1,086,654,913
Legal Debt Margin		\$1,023,005,906
Amount of Debt as a percent of Debt Limit		51.51%

(1) Includes all nongeneral fund supported General Obligation debt such as Wastewater, Parking, Storm Water, Nauticus, Towing and Recovery Operations and Waste Management.

(2) The Legal Debt Margin computation does not include any revenue bond debt issued by the city, because such debt is not subject to the Commonwealth's Constitutional Debt Limit.

(3) Excludes \$172,365,372 of General Obligation Bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.

(4) Includes \$30,065,000 that has been economically defeased, but must be included as part of the City's debt subject to the debt limit.

# YEARLY MATURITY OF LONG-TERM DEBT

Fiscal Year	General Obligation <sup>(1) (2)</sup>			General Obligation Equipment <sup>(1)</sup>			Water Revenue <sup>(1)</sup>		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	61,841,845	36,157,289	97,999,134	4,580,000	462,726	5,042,726	15,965,000	14,311,275	30,276,275
2022	63,797,137	33,671,726	97,468,863	2,020,000	311,700	2,331,700	17,170,000	13,504,400	30,674,400
2023	62,907,429	30,949,510	93,856,939	2,030,000	212,050	2,242,050	18,335,000	12,632,275	30,967,275
2024	62,932,722	28,245,507	91,178,229	585,000	148,275	733,275	19,440,000	11,687,900	31,127,900
2025	60,128,016	25,695,932	85,823,947	460,000	120,750	580,750	18,075,000	10,757,525	28,832,525
2026	60,428,310	23,123,638	83,551,948	355,000	100,375	455,375	19,170,000	9,833,900	29,003,900
2027	61,633,605	20,718,110	82,351,715	355,000	82,625	437,625	12,010,000	9,051,200	21,061,200
2028	63,108,901	18,480,926	81,589,827	190,000	69,000	259,000	12,700,000	8,426,875	21,126,875
2029	49,479,198	16,247,563	65,726,761	1,285,000	32,125	1,317,125	13,505,000	7,764,775	21,269,775
2030	47,995,290	14,180,943	62,176,232	-	-	-	8,700,000	7,202,263	15,902,263
2031	40,325,290	12,419,194	52,744,483	-	-	-	9,395,000	6,755,025	16,150,025
2032	43,510,290	10,536,168	54,046,457	-	-	-	9,695,000	6,296,125	15,991,125
2033	44,815,290	8,819,207	53,634,497	-	-	-	8,080,000	5,856,644	13,936,644
2034	35,185,290	7,380,684	42,565,974	-	-	-	8,515,000	5,433,200	13,948,200
2035	31,400,290	6,255,361	37,655,651	-	-	-	9,000,000	4,984,694	13,984,694
2036	31,665,290	5,265,487	36,930,777	-	-	-	9,485,000	4,520,213	14,005,213
2037	32,170,290	4,188,620	36,358,909	-	-	-	8,565,000	4,076,256	12,641,256
2038	28,775,290	3,144,999	31,920,288	-	-	-	9,015,000	3,648,931	12,663,931
2039	19,780,145	2,416,107	22,196,251	-	-	-	9,490,000	3,201,763	12,691,763
2040	7,425,000	1,980,800	9,405,800	-	-	-	7,705,000	2,790,644	10,495,644
2041	7,590,000	1,733,442	9,323,442	-	-	-	8,075,000	2,421,731	10,496,731
2042	5,670,000	1,520,325	7,190,325	-	-	-	8,480,000	2,016,988	10,496,988
2043	7,025,000	1,323,706	8,348,706	-	-	-	8,920,000	1,570,613	10,490,613
2044	7,215,000	1,103,108	8,318,108	-	-	-	10,050,000	1,079,869	11,129,869
2045	7,410,000	877,020	8,287,020	-	-	-	10,590,000	541,981	11,131,981
2046	7,600,000	643,921	8,243,921	-	-	-	1,685,000	223,875	1,908,875
2047	7,935,000	395,553	8,330,553	-	-	-	1,770,000	137,500	1,907,500
2048	5,400,000	178,431	5,578,431	-	-	-	1,865,000	46,625	1,911,625
2049	2,860,000	45,560	2,905,560	-	-	-	-	-	-
<b>Total</b>	<b>968,009,913</b>	<b>317,698,837</b>	<b>1,285,708,748</b>	<b>11,860,000</b>	<b>1,539,626</b>	<b>13,999,626</b>	<b>295,450,000</b>	<b>160,775,063</b>	<b>456,225,063</b>

\*Fiscal Year amounts may not add to total due to rounding.

**YEARLY MATURITY OF LONG-TERM DEBT (CONTINUED)**

Fiscal Year	Wastewater Revenue <sup>(1)</sup>			Totals <sup>(1)</sup>		
	Principal	Interest	Total	Principal	Interest	Total
2021	7,048,401	281,437	7,329,838	89,435,246	51,212,726	140,647,972
2022	7,531,083	236,255	7,767,338	90,518,219	47,724,081	138,242,301
2023	7,827,430	189,908	8,017,338	91,099,859	43,983,743	135,083,602
2024	7,874,974	142,364	8,017,338	90,832,696	40,224,046	131,056,742
2025	7,616,961	93,591	7,710,552	86,279,977	36,667,797	122,947,774
2026	7,350,975	52,791	7,403,766	87,304,285	33,110,704	120,414,989
2027	6,621,096	19,890	6,640,986	80,619,701	29,871,825	110,491,526
2028	6,276,189	4,014	6,280,203	82,275,090	26,980,815	109,255,905
2029	5,206,919	-	5,206,919	69,476,117	24,044,463	93,520,581
2030	4,781,919	-	4,781,919	61,477,209	21,383,205	82,860,414
2031	4,356,919	-	4,356,919	54,077,209	19,174,219	73,251,428
2032	3,981,919	-	3,981,919	57,187,209	16,832,293	74,019,501
2033	3,481,919	-	3,481,919	56,377,209	14,675,851	71,053,060
2034	3,249,419	-	3,249,419	46,949,709	12,813,884	59,763,593
2035	2,726,936	-	2,726,936	43,127,225	11,240,055	54,367,280
2036	2,186,952	-	2,186,952	43,337,242	9,785,700	53,122,942
2037	1,604,055	-	1,604,055	42,339,345	8,264,876	50,604,221
2038	1,200,000	-	1,200,000	38,990,290	6,793,930	45,784,220
2039	1,037,500	-	1,037,500	30,307,645	5,617,869	35,925,514
2040	875,000	-	875,000	16,005,000	4,771,444	20,776,444
2041	687,500	-	687,500	16,352,500	4,155,174	20,507,674
2042	250,000	-	250,000	14,400,000	3,537,313	17,937,313
2043	-	-	-	15,945,000	2,894,318	18,839,318
2044	-	-	-	17,265,000	2,182,977	19,447,977
2045	-	-	-	18,000,000	1,419,001	19,419,001
2046	-	-	-	9,285,000	867,796	10,152,796
2047	-	-	-	9,705,000	533,053	10,238,053
2048	-	-	-	7,265,000	225,056	7,490,056
2049	-	-	-	2,860,000	45,560	2,905,560
<b>Total</b>	<b>93,774,070</b>	<b>1,020,248</b>	<b>94,794,318</b>	<b>1,369,093,983</b>	<b>481,033,773</b>	<b>1,850,127,756</b>

(1) Existing Debt Service as of June 30, 2020. Exclusive of amount borrowed on the Line of Credit, Economic Development Authority Note and any future bond issuance.

(2) General Obligation bonds have been used to finance Wastewater, Parking, Storm Water, Nauticus, and Towing and Recovery projects. The bonded debt associated with those projects is self-supported by the respective funds. The Debt Service portion of the General Fund budget finances only General Capital projects and not its self-supporting funds.

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