

## **CITY OF NORFOLK, VIRGINIA**

**\$77,825,000**  
**General Obligation**  
**Refunding Bonds,**  
**Series 2020C (Taxable)**

**Dated: Date of Delivery**

**Due: As shown on the inside front cover**

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

<b>Tax Matters</b>	In the opinion of Bond Counsel, under current law, interest on the Bonds is includible in gross income for federal income tax purposes, see "TAX MATTERS." Bond Counsel is further of the opinion that interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See the section herein "TAX MATTERS" regarding other tax considerations.
<b>Security</b>	The Bonds are general obligations of the City. See the section herein "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."
<b>Redemption</b>	See inside front pages and see the section "DESCRIPTION OF THE BONDS-Redemption Provisions," for a description of the redemption provisions for the Bonds.
<b>Authorization</b>	Ordinance No. 47,961, adopted by the City Council of the City on April 14, 2020.
<b>Purpose</b>	The proceeds of the Bonds, together with other available funds, will be used to (i) refund certain outstanding general obligation bonds and (ii) pay or finance the costs of issuance of the Bonds. See the section herein "APPLICATION OF PROCEEDS OF THE BONDS."
<b>Interest Payment Dates</b>	Interest on the Bonds will be payable semi-annually on April 1 and October 1, commencing April 1, 2021.
<b>Record Date</b>	March 15 for the April 1 payment date and September 15 for the October 1 payment date.
<b>Registration</b>	Book-Entry Only; The Depository Trust Company.
<b>Denomination</b>	\$5,000 or multiples thereof.
<b>Closing/Delivery Date</b>	On or about October 15, 2020.
<b>Bond Counsel</b>	McGuireWoods LLP, Richmond, Virginia.
<b>Underwriters' Counsel</b>	Kaufman & Canoles, a Professional Corporation, Richmond, Virginia.
<b>Financial Advisor</b>	PFM Financial Advisors, LLC, Arlington, Virginia.
<b>Registrar/Paying Agent</b>	Director of Finance of the City.
<b>Issuer Contact</b>	Director of Finance of the City. (757) 664-4346.

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

### **BofA Securities**

**American Veterans Group, PBC**

**Morgan Stanley**

**CITY OF NORFOLK, VIRGINIA**

**\$77,825,000**

**General Obligation Refunding Bonds, Series 2020C (Taxable)**

**(Base CUSIP Number 655867)<sup>†</sup>**

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS**

<b><u>Maturity</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Price</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP<sup>†</sup> Suffix</u></b>
4/1/2021	\$990,000	0.289%	100.000	0.289%	H77
10/1/2022	935,000	0.359	100.000	0.359	H85
10/1/2023	6,870,000	0.429	100.000	0.429	H93
10/1/2024	5,210,000	0.597	100.000	0.597	J26
10/1/2025	19,610,000	0.697	100.000	0.697	J34
10/1/2026	875,000	0.868	100.000	0.868	J42
10/1/2027	8,850,000	0.988	100.000	0.988	J59
10/1/2028	6,305,000	1.184	100.000	1.184	J67
10/1/2029	10,520,000	1.304	100.000	1.304	J75
10/1/2030	9,330,000	1.414	100.000	1.414	J83
10/1/2031	8,330,000	1.514	100.000	1.514	J91

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

## OPTIONAL REDEMPTION

*Optional Redemption of the Bonds with Make Whole Payment.* The Bonds are subject to redemption at the option of the City on any date prior to their maturity, in whole or in part (in increments of \$5,000), at a redemption price equal to the greater of:

- (a) the price set forth above (but not less than 100%) of such Bonds to be redeemed; or
- (b) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption (the "Scheduled Redemption Date") of such Bonds, discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, as hereinafter defined, plus 15 basis points;

plus, in each case, the unpaid interest accrued thereon to the Scheduled Redemption Date.

*Definition of Treasury Rate.* "Treasury Rate" means, with respect to any redemption date for any particular Bond, the greater of:

- (a) the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense and such determination shall be conclusive and binding on the owners of the Bonds, or
- (b) the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has or have an actual or interpolated maturity comparable to the remaining average life of the Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by the City.

"Reference Treasury Dealer" means each of the four firms, specified by the City from time to time, that are primary United States government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third business day preceding such redemption date.

*Calculation of Redemption Price.* The redemption price of any Bonds to be redeemed by optional redemption will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

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## **CITY OF NORFOLK, VIRGINIA**

### **CITY COUNCIL**

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

Courtney R. Doyle  
Mamie B. Johnson  
Andria P. McClellan

Paul R. Riddick  
Thomas R. Smigiel, Jr.  
Angelia M. Williams Graves

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### **CITY OFFICIALS**

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

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### **BOND COUNSEL**

McGuireWoods LLP  
Richmond, Virginia

### **FINANCIAL ADVISOR**

PFM Financial Advisors, LLC  
Arlington, Virginia

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

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

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

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

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

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

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

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## **OFFICIAL STATEMENT**

### **Relating to the Issuance of**

#### **CITY OF NORFOLK, VIRGINIA**

#### **\$77,825,000 General Obligation Refunding Bonds, Series 2020C (Taxable)**

#### **PART I THE BONDS**

The purpose of this Official Statement, including the financial information contained in Appendix A attached hereto, is to furnish information for the sale by the City of Norfolk, Virginia (the "City"), of its \$77,825,000 General Obligation Refunding Bonds, Series 2020C (Taxable) (the "Bonds").

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

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

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

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

#### **DESCRIPTION OF THE BONDS**

##### **General**

The Bonds shall be dated the date of delivery and shall be payable in annual installments, subject to prior redemption, in the principal amounts and at the rates set forth on the inside front cover of this Official Statement. Interest on the Bonds will be payable semi-annually on April 1 and October 1, commencing April 1, 2021. Interest on the Bonds will be calculated on the basis of a 360 day year of twelve 30-day months. The record date for the Bonds is March 15 for the April 1 payment date and September 15 for the October 1 payment date.

## **Redemption Provisions**

*Optional Redemption of the Bonds with Make Whole Payment.* The Bonds are subject to redemption at the option of the City on any date prior to their maturity, in whole or in part (in increments of \$5,000), at a redemption price equal to the greater of:

- (a) the price set forth above (but not less than 100%) of such Bonds to be redeemed; or
- (b) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption (the "Scheduled Redemption Date") of such Bonds, discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, as hereinafter defined, plus 15 basis points;

plus, in each case, the unpaid interest accrued thereon to the Scheduled Redemption Date.

*Definition of Treasury Rate.* "Treasury Rate" means, with respect to any redemption date for any particular Bond, the greater of:

- (a) the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense and such determination shall be conclusive and binding on the owners of the Bonds, or
- (b) the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has or have an actual or interpolated maturity comparable to the remaining average life of the Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by the City.

"Reference Treasury Dealer" means each of the four firms, specified by the City from time to time, that are primary United States government securities dealers in the City of New York (each a 'Primary

Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third business day preceding such redemption date.

*Calculation of Redemption Price.* The redemption price of any Bonds to be redeemed by optional redemption will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

*Pro Rata Redemption of the Bonds.* If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, partial redemptions with respect to the Bonds will be treated by DTC as a "pro rata pass-through distribution of principal" in accordance with DTC procedures. It is the City's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the beneficial owners be made on a pro rata pass-through distribution of principal basis. However, the City can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such a proportional basis. If the DTC operational arrangements do not allow for the redemption of Bonds on a pro rata pass-through distribution of principal basis, then the Bonds will be selected for redemption, in accordance with the DTC procedures, by lot.

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

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

## **AUTHORIZATION AND PURPOSES OF THE BONDS**

The City is issuing the Bonds pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), as authorized by Ordinance No. 47,961, adopted by the City Council of the City (the "City Council") on April 14, 2020 (the "Ordinance").

The City will use the proceeds of the Bonds to (i) refund certain outstanding general obligation bonds of the City and (ii) pay the costs of issuance of the Bonds as set forth in the sections "PLAN OF FINANCE" and "APPLICATION OF PROCEEDS OF THE BONDS."

## PLAN OF FINANCE

### Refunding

The City will use a portion of the proceeds of the Bonds to refund, redeem and defease all or portions of certain of its general obligation bonds (the "Refunded Obligations"). The table below sets forth the Refunded Obligations.

#### General Obligation Refunding Bonds, Series 2012A (Non-AMT) (Base CUSIP Number 655867) <sup>†</sup>

<u>Year of Maturity (October 1)</u>	<u>Refunded Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity/Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP Suffix</u> <sup>†</sup>
2023	\$5,595,000	4.000%	10/1/2022	100%	C64
2023	450,000	5.000	10/1/2022	100	NA3

#### General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) (Base CUSIP Number 655867) <sup>†</sup>

<u>Year of Maturity (August 1)</u>	<u>Refunded Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity/Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP Suffix</u> <sup>†</sup>
2024	\$3,550,000	3.765%	8/1/2023	100%	SA8
2025	4,220,000	3.965	8/1/2023	100	SB6

#### General Obligation Refunding Bonds, Series 2014 (Base CUSIP Number 655867) <sup>†</sup>

<u>Year of Maturity (August 1)</u>	<u>Refunded Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity/Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP Suffix</u> <sup>†</sup>
2025	\$8,640,000	5.000%	8/1/2024	100%	SP5
2027	8,960,000	3.000	8/1/2024	100	SR1

#### General Obligation Capital Improvement Bonds, Series 2016A (Base CUSIP Number 655867) <sup>†</sup>

<u>Year of Maturity (October 1)</u>	<u>Refunded Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity/Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP Suffix</u> <sup>†</sup>
2029	\$4,220,000	5.000%	10/1/2026	100%	UA5

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

**General Obligation Refunding Bonds,  
Series 2016B  
(Base CUSIP Number 655867) <sup>†</sup>**

<b><u>Year of Maturity (October 1)</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity/Redemption Date</u></b>	<b><u>Redemption Price</u></b>	<b><u>CUSIP Suffix<sup>†</sup></u></b>
2031	\$1,950,000	4.000%	10/1/2026	100%	VB2
2032	1,935,000	4.000	10/1/2026	100	VC0

**General Obligation Capital Improvement Bonds,  
Series 2017A  
(Base CUSIP Number 655867) <sup>†</sup>**

<b><u>Year of Maturity (September 1)</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity/Redemption Date</u></b>	<b><u>Redemption Price</u></b>	<b><u>CUSIP Suffix<sup>†</sup></u></b>
2025	\$5,510,000	5.000%	9/1/2024	100%	VX4

**General Obligation Refunding Bonds,  
Series 2017C  
(Base CUSIP Number 655867) <sup>†</sup>**

<b><u>Year of Maturity (September 1)</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity/Redemption Date</u></b>	<b><u>Redemption Price</u></b>	<b><u>CUSIP Suffix<sup>†</sup></u></b>
2033	\$4,695,000	4.000%	3/1/2027	100%	XB0
2034	7,250,000	4.000	3/1/2027	100	XC8
2035	205,000	4.000	3/1/2027	100	XD6

**General Obligation Capital Improvement Bonds,  
Series 2019  
(Base CUSIP Number 655867) <sup>†</sup>**

<b><u>Year of Maturity (August 1)</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity/Redemption Date</u></b>	<b><u>Redemption Price</u></b>	<b><u>CUSIP Suffix<sup>†</sup></u></b>
2033	\$5,570,000	5.000%	8/1/2028	100%	XY0

**Escrow Agreement and Defeasance**

A portion of the proceeds of the Bonds in the aggregate amount of \$74,403,835.05 will be deposited with Wilmington Trust, N.A. (the "Escrow Agent"), under two separate Escrow Agreements to be dated the date of delivery of the Bonds, between the City and Escrow Agent. One Escrow Agreement will provide for the legal defeasance of the Refunded Obligations from the following series of bonds: the City's Series 2012A Bonds, Series 2014 Bonds, Series 2016A Bonds, Series 2016B Bonds, Series 2017A Bonds, Series 2017C Bonds, and Series 2019 Bonds. The other Escrow Agreement will provide for the economic defeasance of the Refunded Obligations from the Series 2013B Bonds. The Escrow Agreements will provide for the purchase of non-callable, full, faith and credit obligations of the Treasury (the "Escrow

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

that will mature and bear interest at times and in amounts sufficient to pay the principal of, premium and interest on the Refunded Obligations. The sufficiency of the Escrow Securities deposited with the Escrow Agent was verified by Bingham Arbitrage Rebate Services Incorporated. See the section herein "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

## **APPLICATION OF PROCEEDS OF THE BONDS**

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

	<u>Total</u>
Sources of Proceeds:	
Par Amount of Bonds	\$77,825,000.00
	<hr/>
Total:	<u>\$77,825,000.00</u>
Uses of Proceeds:	
Refunding Escrow Deposit	\$74,403,835.05
Refinancing of the Line of Credit	3,000,000.00
Costs of Issuance*	421,164.95
	<hr/>
Total:	<u>\$77,825,000.00</u>

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

## **SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS**

### **General**

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

### **Bondholders' Remedies in Event of Default**

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

predecessor provisions, Section 15.1-225. Each fiscal year of the City (each a "Fiscal Year") ends on June 30, and for Fiscal Year 2020, the Commonwealth provided approximately \$331.4 million to the City that was deposited in the City's General Fund.

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

## **TAX MATTERS**

### **Opinion of Bond Counsel – Federal Income Tax Consequences**

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

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

### **Summary**

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

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

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Bond that is not a U.S. person. For these purposes, a

"U.S. person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

### **General Federal Income Tax Status of the Bonds**

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

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

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

### **Sale and Exchange of the Bonds**

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

### **Defeasance**

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

### **Foreign Investors**

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

## **Backup Withholding**

Under current United States federal income tax laws, a 28% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of a sale, exchange or redemption of, the Bonds. Certain persons making such payments are required to submit information returns (that is, IRS Forms 1099) to the IRS with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

## **Opinion of Bond Counsel – Virginia Income Tax Consequences**

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

## **PENDING LITIGATION**

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

These suits are being defended by the City Attorney and associated independent counsel retained by the City Attorney, and it is the opinion of the City Attorney that any possible losses in connection with the above pending litigation will not materially or adversely affect the City's financial condition. The City Attorney is also of the opinion that the above pending litigation will not affect the validity of the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of the Bonds or the interest thereon. There is no pending litigation with respect to the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of such Bonds or interest thereon.

## **RATING**

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

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

## **FINANCIAL STATEMENTS**

The City's audited general purpose financial statements for the Fiscal Year 2019 are published in Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants. Actual audited results may be different, and the differences may be material.

## **FINANCIAL ADVISOR**

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

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The arithmetical accuracy of certain computations included in the schedules provided by PFM on behalf of the City relating to forecasted payments of principal and interest to redeem the Refunded Obligations was examined by Bingham Arbitrage Rebate Services, Inc. (the "Verification Agent"). Such computations were based solely upon assumptions and information supplied by PFM on behalf of the City. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

## **RELATIONSHIP OF PARTIES**

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

## **UNDERWRITING**

The Bonds are being purchased by the Underwriters pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between the City and BofA Securities, Inc. ("BofA Securities"), as representatives of the Underwriters. The Bond Purchase Agreement sets forth the obligation of the Underwriters to purchase the Bonds at an aggregate purchase price of \$77,687,028.12 (representing the sum of the \$77,825,000 par amount of the Bonds, less an underwriting discount of \$137,971.88 on such Bonds) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

The City intends to use a portion of the proceeds of the Bonds to refund, redeem and defease the Refunded Obligations. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Obligations, such Underwriter or affiliate, as applicable, would receive a portion of the proceeds of the Bonds in connection with the refunding, redemption and defeasance of the Refunded Obligations.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this Official Statement or other offerings of

the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City. The Underwriters do not make a market in credit default swaps with respect to municipal securities at this time but may do so in the future.

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

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

### **CONTINUING DISCLOSURE**

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

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

### **MISCELLANEOUS**

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

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

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

**CITY OF NORFOLK, VIRGINIA**

/s/ Dr. Larry H. Filer II

City Manager

/s/ Christine A. Garczynski

Director of Finance

## PART II CITY INDEBTEDNESS

### Limitation on Incurrence of Debt

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

At September 30, 2020, the total assessed value of taxable real property in the City will be \$21,744,726,094. Based on Virginia's constitutional debt limitation, this will result in a debt limit of \$2,174,472,609. As presented in Table II-1 below and based on the City's unaudited records, the City's outstanding general obligation bonds and other tax-secured indebtedness as of September 30, 2020, will be \$1,064,101,672 representing 48.94% of the constitutional debt limit.

**Table II-1  
City of Norfolk, Virginia  
Statement of Legal Debt Margin  
September 30, 2020 <sup>(1)</sup>**

Total Assessed Value of Taxed Real Property	<u>\$21,744,726,094</u>
Debt Limit-10 percent of Total Assessed Value	2,174,472,609
Amount of Debt Applicable to Debt Limit:	
Gross Debt <sup>(1) (2)</sup>	\$ 987,391,672
Line of Credit Note <sup>(3)</sup>	63,000,000
Economic Development Authority Revenue Note <sup>(4)</sup>	<u>13,720,000</u>
Total Amount of Debt Applicable to Debt Limit	\$ 1,064,101,672
Legal Debt Margin <sup>(5) (6)</sup>	<u>\$ 1,110,370,938</u>
Amount of Debt as a percent of Debt Limit	<u>48.94%</u>

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

- Notes:
- (1) Figures are unaudited. Legally defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
  - (2) Water and Wastewater revenue bonds are excluded from gross debt. The revenue bonds are secured solely from revenue of the Water Utility Fund and the Wastewater Utility Fund.
  - (3) Includes the outstanding balance of \$63,000,000 on a General Obligation guaranty of up to \$200,000,000 on the revolving line of credit issued in December 2014. The revolving line of credit matures on December 17, 2021.
  - (4) Includes the outstanding balance of \$13,720,000 on a General Obligation guaranty of up to \$14,500,000 of the note issued by Economic Development Authority in April 2016. The note matures on February 1, 2021.
  - (5) Outstanding capital lease obligations for the purchase of equipment are not included for the purposes of the legal debt margin calculations.
  - (6) The amount of general obligation bonds authorized by ordinance, but not issued for Capital Improvement Projects is \$233,758,583.

## **Debt Outstanding**

The tables that follow detail the City's current general obligation debt outstanding. Table II-2 presents the City's anticipated gross and net outstanding tax-supported and self-supporting general obligation bonded indebtedness as of September 30, 2020. Table II-3 provides a comparative statement of key debt ratios for the past ten Fiscal Years and Table II-4 presents the rate of retirement for all general obligation bonds as of June 30, 2020. Table II-5 presents the recent historical relationship between debt service on bonds paid from actual general governmental expenditures for the past ten Fiscal Years. Table II-6 presents the historical relationship of the City's net bonded debt to assessed value of taxable real property and net bonded debt per capita. Table II-7 provides a statement of future annual debt service requirements on the City's existing general obligation bonds.

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

	As of September 30, 2020
General Fund Outstanding Debt	\$646,232,897
Self-Supporting General Fund Outstanding Debt	40,904,875
Total	<u>\$687,137,772</u>
 Total Special Revenue Fund and Enterprise Fund Outstanding Debt	 <u>\$270,178,899</u>
 Total General Obligation Bond Indebtedness Outstanding Debt	 <u><u>\$957,316,672</u></u>

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

- Notes:
- (1) Figures are unaudited.
  - (2) The amount of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued, is approximately \$234 million.
  - (3) Water Revenue Bonds and Wastewater Revenue Bonds are excluded from enterprise fund debt, because these bonds are secured by and payable solely from the pledged revenues of their respective enterprise activities. Includes the bonded debt of the Maritime Facility Fund, Waste Management Fund and the Towing and Recovery Fund, which are special revenue funds.
  - (4) Reflects only bonded debt and does not include the City's capital lease obligations. See "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Lease Obligations" for information about the City's capital lease obligations. This City does not currently have any capital lease obligations outstanding.
  - (5) Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
  - (6) There are no overlapping or underlying taxing jurisdictions in the City.
  - (7) Includes self-supporting Public Amenities and Tax Increment Financing debt.

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**Table II-3**  
**City of Norfolk, Virginia**  
**Key Debt Trends**  
**Fiscal Years 2011 – 2020**

<b>Fiscal Year Ended June 30</b>	<b>Gross Bonded Debt (in thousands) <sup>(1) (2) (3) (4)</sup></b>	<b>Gross Bonded Principal Outstanding Per Capita <sup>(5)</sup></b>	<b>Percent of Gross Bonded Debt to Real Property Assessed Value<sup>(6)</sup></b>
2011	\$826,874	\$3,389	4.28%
2012	875,786	3,563	4.69
2013	817,078	3,316	4.46
2014	912,045	3,702	4.95
2015	852,703	3,450	4.55
2016	796,268	3,223	4.17
2017	858,219	3,485	4.42
2018	899,101	3,659	4.52
2019	954,715	3,896	4.69
2020 <sup>(7)</sup>	979,870	N/A	4.63

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 and Department of Finance, City of Norfolk, Virginia.

- Notes:
- (1) There are no overlapping or underlying taxing jurisdictions in the City.
  - (2) Debt payable from Enterprise Revenue can be found in Table II-6.
  - (3) The defeased portions of bonds are not included in Gross Bonded Debt.
  - (4) Excludes premiums, discounts and adjustments. However, consistent with governmental accounting standards, the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, presents and the Comprehensive Annual Financial Reports for subsequent Fiscal Years are expected to present the net amount of unamortized premiums, discounts and adjustments as a liability or asset, as applicable.
  - (5) Gross Bonded Principal Outstanding Per Capita is based on the 2011 – 2019 population figures from Table II-6.
  - (6) Based on the taxable real property assessed value figures from Table III-2.
  - (7) Figures are unaudited.

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**Table II-4**  
**City of Norfolk, Virginia**  
**Principal Retirement**  
**All General Obligation Bonds**  
**As of June 30, 2020**

<b>Maturing By Fiscal Year</b>	<b>Cumulative Amount Matured</b>	<b>Percent of Principal Retired</b>
2025	\$321,282,148	32.79%
2030	606,112,452	61.86
2035	801,348,900	81.78
2040	921,164,913	94.01
2045	956,074,913	97.57
2049	979,869,913	100.00

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

**Table II-5**  
**City of Norfolk, Virginia**  
**Ratio of Annual Debt Service to**  
**Total General Governmental Expenditures**  
**Fiscal Years 2010-2019**

<b>Fiscal Year Ended June 30</b>	<b>Total Debt Service<sup>(1)</sup></b>	<b>Total General Expenditures<sup>(2)</sup></b>	<b>Percent of Debt Service To Total General Expenditures</b>
2010	\$69,929,707	\$567,371,918	12.33%
2011	78,453,097	577,669,780	13.58
2012	82,241,946	590,849,686	13.92
2013	78,226,814	594,180,698	13.17
2014	77,082,711	588,506,007	13.10
2015	76,109,022	593,478,745	12.82
2016	73,130,582	596,768,904	12.25
2017	77,812,952	618,253,153	12.59
2018	79,899,756	644,120,067	12.40
2019	81,333,153	661,339,027	12.30

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

- Notes: (1) Includes debt service on general obligation bonds supported by the General Fund.  
(2) Total general expenditures are presented using the modified accrual basis of accounting.

**Table II-6**  
**City of Norfolk, Virginia**  
**Ratio of Net General Bonded Debt to Assessed Value and**  
**Net Bonded Debt Per Capita**  
**Fiscal Years 2011 – 2020**

<b>Fiscal Year Ended June 30</b>	<b>Estimated Population</b>	<b>Assessed Value of Taxable Property (In Thousands)</b>	<b>Gross Bonded Debt <sup>(1)</sup></b>	<b>Debt Payable from Enterprise Revenue<sup>(1)</sup></b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2011	243,985	\$21,383,674	\$826,873,664	\$187,198,781	\$639,674,883	2.99%	\$2,622
2012	245,803	20,529,023	875,785,664	187,909,550	687,876,114	3.35	2,798
2013	246,392	20,093,307	817,078,050	179,134,625	637,943,425	3.17	2,589
2014	246,394	20,192,046	912,045,343	247,315,611	664,729,732	3.29	2,698
2015	247,189	20,892,353	852,703,111	236,071,186	616,631,925	2.95	2,495
2016	247,087	21,366,993	796,267,937	225,811,662	570,456,274	2.67	2,309
2017	246,256	21,918,700	858,219,448	244,032,413	614,187,035	2.80	2,494
2018	245,741	22,096,988	899,101,879	242,888,531	656,212,948	2.97	2,670
2019	245,054	22,633,265	954,715,281	202,803,498	751,911,783	3.32	3,068
2020 <sup>(2)</sup>	N/A	23,580,636	979,869,913	219,357,005	760,512,908	3.23	N/A

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, and Department of Finance, City of Norfolk, Virginia. Population estimates are from the Weldon Cooper Center.

Note: (1) Excludes premiums, discounts and adjustments. However, consistent with governmental accounting standards, the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, presents and the Comprehensive Annual Financial Reports for subsequent Fiscal Years are expected to present the net amount of unamortized premiums, discounts and adjustments as a liability or asset, as applicable.

(2) Figures are unaudited.

**Table II - 7**  
**City of Norfolk, Virginia – Long-Term Debt Service Requirements<sup>(1)</sup>**

Fiscal Year Ending June 30	Existing General Obligation Debt Service <sup>(2) (3) (4) (5)</sup>			Debt Service on the Bonds			Total Debt Service		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2021	\$66,421,845	\$35,292,774	\$101,714,619	\$990,000	\$354,310	\$1,344,310	\$67,411,845	\$35,647,084	\$103,058,929
2022	65,817,137	31,328,946	97,146,083	-	765,522	765,522	65,817,137	32,094,467	97,911,604
2023	64,937,429	28,507,080	93,444,509	935,000	763,843	1,698,843	65,872,429	29,270,923	95,143,352
2024	57,472,722	25,862,452	83,335,174	6,870,000	747,429	7,617,429	64,342,722	26,609,880	90,952,602
2025	57,038,016	23,475,330	80,513,346	5,210,000	717,141	5,927,141	62,248,016	24,192,471	86,440,487
2026	42,413,310	21,386,902	63,800,212	19,610,000	633,248	20,243,248	62,023,310	22,020,150	84,043,460
2027	61,988,605	19,401,035	81,389,640	875,000	561,110	1,436,110	62,863,605	19,962,145	82,825,750
2028	54,338,901	17,284,626	71,623,527	8,850,000	513,593	9,363,593	63,188,901	17,798,219	80,987,120
2029	50,764,198	15,148,788	65,912,986	6,305,000	432,549	6,737,549	57,069,198	15,581,337	72,650,535
2030	43,775,290	13,155,543	56,930,833	10,520,000	326,633	10,846,633	54,295,290	13,482,176	67,777,466
2031	40,325,290	11,499,294	51,824,584	9,330,000	192,079	9,522,079	49,655,290	11,691,373	61,346,663
2032	41,560,290	9,655,268	51,215,558	8,330,000	63,058	8,393,058	49,890,290	9,718,326	59,608,616
2033	42,880,290	8,016,007	50,896,297	-	-	-	42,880,290	8,016,007	50,896,297
2034	24,920,290	6,849,334	31,769,624	-	-	-	24,920,290	6,849,334	31,769,624
2035	24,150,290	6,102,161	30,252,451	-	-	-	24,150,290	6,102,161	30,252,451
2036	31,460,290	5,261,387	36,721,677	-	-	-	31,460,290	5,261,387	36,721,677
2037	32,170,290	4,188,620	36,358,910	-	-	-	32,170,290	4,188,620	36,358,910
2038	28,775,290	3,144,999	31,920,289	-	-	-	28,775,290	3,144,999	31,920,289
2039	19,780,145	2,416,107	22,196,252	-	-	-	19,780,145	2,416,107	22,196,252
2040	7,425,000	1,980,800	9,405,800	-	-	-	7,425,000	1,980,800	9,405,800
2041	7,590,000	1,733,442	9,323,442	-	-	-	7,590,000	1,733,442	9,323,442
2042	5,670,000	1,520,325	7,190,325	-	-	-	5,670,000	1,520,325	7,190,325
2043	7,025,000	1,323,706	8,348,706	-	-	-	7,025,000	1,323,706	8,348,706
2044	7,215,000	1,103,108	8,318,108	-	-	-	7,215,000	1,103,108	8,318,108
2045	7,410,000	877,020	8,287,020	-	-	-	7,410,000	877,020	8,287,020
2046	7,600,000	643,921	8,243,921	-	-	-	7,600,000	643,921	8,243,921
2047	7,935,000	395,553	8,330,553	-	-	-	7,935,000	395,553	8,330,553
2048	5,400,000	178,431	5,578,431	-	-	-	5,400,000	178,431	5,578,431
2049	2,860,000	45,560	2,905,560	-	-	-	2,860,000	45,560	2,905,560
Totals	\$917,119,918	\$297,778,517	\$1,214,898,435	\$77,825,000	\$6,070,515	\$83,895,515	\$994,944,918	\$303,849,033	\$1,298,793,951

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

- Notes:
- (1) Figures may not sum due to rounding.
  - (2) Includes General Obligation principal payable from the City's enterprise funds. The Storm Water Fund was converted to an enterprise fund on July 1, 2019.
  - (3) Existing General Obligation Debt Service includes self-supporting principal payable from the City's Maritime Facility Fund, Waste Management Fund and the Towing and Recovery Fund, which are all special revenue funds.
  - (4) Includes estimated net debt service on the City's General Obligation Variable Rate Demand Bonds, Series 2007, assuming an average interest rate of 5.00%.
  - (5) Includes all interest on the Build America Bonds, Recovery Zone Economic Development Bonds, Qualified School Construction Bonds and Qualified Energy Conservation Bonds and has not been adjusted for the subsidy payments expected to be received by the City.

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

In October 2013, the City entered into a Bond Purchase and Loan Agreement (the "Forward Refunding Agreement") with Banc of America Preferred Funding Corporation (the "Forward Refunding Lender"), under which the City issued three separate bonds in the aggregate principal amount of \$37,960,000 (collectively, the "Forward Refunding Bonds"). The City used the proceeds of the Forward Refunding Bonds to current refund certain general obligation bonds. Each Forward Refunding Bond that has not matured bears interest at a separate fixed rate and requires annual principal payments that fully-amortize over the term. In the event of an uncured and unwaived default, the holder of any Forward Refunding Bond is entitled to declare the entire principal amount due and payable.

On December 21, 2018, the City entered into a fixed rate loan in the original principal amount of \$11,710,000 ("2018 Fixed Rate Loan") with Bank of America, N.A. ("BANA"), and used the proceeds of the loan to refinance the outstanding portion of existing variable rate indebtedness. The 2018 Fixed Rate Loan bears interest at a rate of 3.54%. The principal of the 2018 Fixed Rate Loan is payable at maturity (August 1, 2025), subject to certain mandatory prepayments on each August 1 commencing on August 1, 2019. The scheduled principal payment at maturity is equal to \$8,560,000. In the event of an uncured and unwaived default, the holder of the 2018 Fixed Rate Loan is entitled to declare the entire principal amount due and payable.

On December 17, 2014, the City established a revolving line of credit agreement with BANA in the maximum amount of \$125 million, which was increased to \$200 million on March 20, 2020. This line of credit has been used to provide flexible interim financing for capital improvements projects, including school construction. Borrowings under the line of credit bear interest payable semi-annually in February and August. Tax-exempt borrowings are at a rate of 79 percent of LIBOR, plus 25 basis points. Taxable borrowings are 100 percent of LIBOR, plus 35 basis points. LIBOR can be the 1, 3, 6 or 12-month LIBOR rate, chosen by the City on the date of each advance, and will be applicable through the end of the chosen LIBOR period. The full faith and credit pledge of the City secures the line of credit which will be repaid through the issuance of general obligation bonds or other City sources. There is no minimum advance amount and each advance shall be made on three days' notice given by the City to BANA. The line of credit is stated to mature on December 17, 2021. In April 2020, the City amended the Credit Agreement with BANA to authorize draws on the City's existing revolving line of credit for up to \$50 million to fund operating expenses caused by a significant emergency event. The City continues to lead the nation in resilience efforts with a focus on long-term strategic resilience across several areas, including coastal, economic and neighborhood resilience. The City initiated this amendment prior to the pandemic, which speaks to its proactive resilience efforts to address these challenges head on, as it prepares for potential significant emergencies. While the Federal Emergency Management Agency (FEMA) typically reimburses most operating expenses related to significant emergencies, the reimbursement process can take several years. Expanding the permitted uses of the line of credit, which previously could only fund capital expenditures, provides the City a low-cost source of interim funding for emergency expenditures. To date, the line of credit has not been used to fund emergency expenditures. As of September 7, 2020, there is an outstanding drawn amount on the line of \$63 million for capital expenditures.

In April 2016, the City and the Economic Development Authority ("EDA") entered into a financing agreement with BANA to provide funds in the maximum principal amount of \$14,500,000 to the EDA in connection with the re-use of the former J.C. Penney department store at Military Circle Mall, which was acquired by the EDA. The City and the EDA also entered into a cooperation agreement related to the financing, whereby the City provides a General Obligation guarantee of the payments required under the financing agreement. Principal advances under the agreement bear interest at 1-month LIBOR rate, plus 85 basis points, which is set at the date of the first advance, and resets on the first day of the calendar month

thereafter. Principal payments of \$100,000 are due February 1 in each of the first four years of the agreement, with the balance of the outstanding principal due at maturity in 2021. The current outstanding balance is \$13,720,000. In addition to funds made available under the cooperation agreement, the EDA expects to pay for debt service on the financing agreement from other sources such as a portion of the City's cigarette tax revenues dedicated for economic development and lease revenue from the leasing of the facility. See "PART V – THE CITY OF NORFOLK – Economic and Demographic Factors – Commercial Development."

## **DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES**

### **Overlapping Debt**

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

### **Short-Term Borrowing for Working Capital**

The City has not borrowed on a short-term basis for working capital purposes in the past five Fiscal Years.

### **Capital Lease Obligations**

The City does not have any capital lease obligations outstanding.

### **Water Revenue Bonds**

Since 1993, and for all future financings, capital improvements of the Water Utility System have been and are anticipated to be financed with revenue bonds. The revenue covenant for these revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the water system, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year net revenues are not less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the Fiscal Year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund and the repair and replacement reserve fund. The Fiscal Year 2020 preliminary results reflect compliance with this requirement.

### **Debt History**

The City has never failed to make a payment of either principal of, or interest on, any general obligation bond; however, the City has made one late payment, which resulted from an administrative oversight, on both a general obligation and a revenue bond indebtedness to the Virginia Resources Authority (VRA) in its debt history with VRA since 2003. Once the late payments were brought to the City's attention the payments were made promptly.

### **Capital Improvement Plan Budget**

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

The City approved its CIP budget for Fiscal Year 2021 on May 19, 2020. The total of the CIP budget for Fiscal Year 2021 is \$151,020,200, which includes \$66,916,989 in cash contributions. Each capital project included in the CIP budget for Fiscal Year 2021 is either approved for funding in the CIP budget for Fiscal Year 2021 or included as a planned project in Fiscal Years 2022 through 2025. Future year projects in the CIP Budget are considered for planning purposes only and may be modified, at any time, by the City Council. In addition, the CIP budget is used by the City as a means of identifying short- and long-term needs and as a guide for identifying various funding sources for future CIP budgets.

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

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The CIP budget for Fiscal Year 2021 is summarized in Table II-8.

**Table II-8**  
**City of Norfolk, Virginia**  
**Capital Improvement Plan for Fiscal Year 2021**  
**Funding Sources**

<b>Uses</b>	<b>Fiscal Year 2021</b>
General Capital Projects	\$48,150,000
Parking Facilities Fund Projects	850,000
Storm Water Fund Projects	16,715,200
Wastewater Fund Projects	19,000,000
Water Fund Projects	<u>66,305,000</u>
Total Capital Program	<u>\$151,020,200</u>
 <b>Appropriation Source</b>	
General Capital Projects	
From Bond Issue	\$36,933,211
Transfer from General Fund	1,516,789
SWIFT Program	6,000,000
Community Development Block Grant	3,700,000
Parking Facilities Fund Projects	
From Cash	850,000
Storm Water Fund Projects	
From Bond Issue	15,400,000
From Cash	1,315,200
Wastewater Fund Projects	
From Bond Issue	8,000,000
From Cash	11,000,000
Water Fund Projects	
From Bond Issue	23,770,000
From Cash	<u>42,535,000</u>
Total Capital Program	<u>\$151,020,200</u>
 Total Cash Contribution to the CIP	
	<u>\$66,916,989</u>

Source: Capital Improvement Plan, Fiscal Year 2021.

**Table II-9**  
**City of Norfolk, Virginia**  
**Capital Improvement Plan**  
**Fiscal Years 2021 – 2025 – Funding Sources**

<b>Description</b>	<b>FY-2021 Budget</b>	<b>FY-2022 Plan</b>	<b>FY-2023 Plan</b>	<b>FY-2024 Plan</b>	<b>FY-2025 Plan</b>	<b>FY 2021 – 2025 Total</b>
<b>General Capital</b>	\$48,150,000	\$56,125,000	\$96,875,000	\$51,400,000	\$51,675,000	\$304,225,000
<b>Parking Facilities Fund</b>	850,000	2,900,000	2,900,000	2,900,000	2,900,000	12,450,000
<b>Storm Water Fund</b>	16,715,200	28,815,200	29,715,200	16,415,200	15,515,200	107,176,000
<b>Wastewater Fund</b>	19,000,000	17,000,000	17,000,000	17,000,000	17,000,000	87,000,000
<b>Water Fund</b>	66,305,000	35,000,000	35,000,000	35,000,000	35,000,000	206,305,000
<b>Total Capital Program</b>	<u>\$151,020,200</u>	<u>\$139,840,200</u>	<u>\$181,490,200</u>	<u>\$122,715,200</u>	<u>\$122,090,200</u>	<u>\$717,156,000</u>

Source: Capital Improvement Plan, Fiscal Year 2021.

## **PART III FINANCIAL INFORMATION**

### **Fiscal Year**

The City's Fiscal Year commences July 1 and closes on June 30.

### **Reporting Entity**

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

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

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

## **BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE**

The City's financial statements include the following sections:

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

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

Basic Financial Statements. The Basic Financial Statements include:

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

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

The government-wide financial statements are reported using the economic resources, measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

### **INDEPENDENT ACCOUNTANTS**

Section 99 of the City Charter requires that "*...as soon as practicable after the close of each fiscal year an annual audit shall be made of all the accounts of the city offices...by certified public accountants selected by the council...*". The firm of Clifton Larson Allen LLP serves as the City's independent auditors. The audited general purpose financial statements for Fiscal Year 2019 with accompanying notes are published in Appendix A.

### **BUDGETARY PROCESS**

The City Charter requires that no less than 60 days before the end of the Fiscal Year, the City Manager must submit to the City Council a proposed balanced operating budget for the ensuing Fiscal Year that commences July 1. The Norfolk Public Schools' proposed budget is approved by the School Board, transmitted to the City Manager for review and then submitted to the City Council for consideration as part of the City's general operating budget. The City Council is required to hold a public hearing on the budget at which time all interested persons have the opportunity to comment. See the subsection "GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR 2019 – General Fund Operating Budget and Results" for a discussion of the General Fund Operating Budget for Fiscal Years 2019 and 2020.

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

### **FINANCIAL POLICIES**

On February 26, 2019, the City Council adopted updated formal financial policies (the "Financial Policies"). The updated Financial Policies are comprehensive and further strengthen the City's financial position. The adopted Financial Policies include an increase to the General Fund Unassigned Reserve with a new minimum of 10% of General Fund Expenditures plus General Fund Transfers Out, an increase maximum funding in the Risk Management Reserve of \$8 million, no change in the existing Economic

Downturn Reserve, and creation of a new Inclusive Development Opportunity Fund to be funded at \$2 million. As of end of Fiscal Year 2019, the City was at the new minimum level in the General Fund Unassigned Reserve and at the maximum funding of the Economic Downturn Reserve. In Fiscal Year 2020, the Inclusive Development Opportunity Fund was funded with the Fiscal Year 2019 surplus in accordance with the City's Financial Policies. The adopted Financial Policies include a pension funding policy, which establishes the City's contribution at the greater of the prior year's contribution or the current year's actuarially defined contribution. The adopted Financial Policies include a net tax-supported debt service maximum of 11% of the General Fund budget with a target at 10% or less and a net tax-supported debt maximum of 4.0% of total taxable property value with a target of 3.5% or less. New affordability measures include a ten-year minimum debt pay-out ratio of 55%, an overlapping debt maximum of 0.5% of taxable property, and a variable rate debt limitation at 20% by fund. The adopted Financial Policies also establish minimum days cash on hand, minimum debt service coverage, and minimum reserves for each of the City's enterprise funds. See "PART IV – ENTERPRISE FUNDS".

## **GENERAL GOVERNMENTAL REVENUE**

### **Overview**

General governmental revenue is derived from general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth. General Fund disbursements include the normal recurring activities of the City, such as police, public works, general government, transfers to the School Operating Fund for local share of costs and to the Debt Service Fund to pay principal and interest on the City's general obligation bonds for other than enterprise fund purposes.

### **Property Tax Rates, Levies and Collections**

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

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

The City has the power to levy taxes on property located within its boundaries without limitation as to rate or amount for the payment of its obligations. Rates are established by the City Council. The tax rates approved in the Operating Budget for Fiscal Year 2021 on each \$100 of assessed value are as follows: \$1.25 for real property; \$4.33 for personal property; \$1.50 for recreational vehicles; \$2.40 for airplanes; and \$4.25 for machinery and tools. The rate on personal recreational boats consists of a decal fee of \$15 or \$40, depending on the length of the boat, plus a tax of \$0.000001 per \$100 on the assessed value of the boat. The tax rate for commercial boats is \$1.50 per \$100 of the assessed value of the boat and a boat decal is not required. The tax rate for real property located in the City's Downtown Improvement District is an additional \$0.16 on the real property rate of \$1.25 per \$100 of assessed value (for a total rate of \$1.41 per \$100 of assessed value).

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

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

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

### **Other Revenue Sources**

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

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

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

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

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**Table III-1A**  
**City of Norfolk, Virginia**  
**Total Revenue by Source, Governmental Funds**  
**Fiscal Years 2010 – 2019**  
**(Amounts in Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>General Property Taxes</b>	<b>Other Local Taxes</b>	<b>Licenses and Permits</b>	<b>Fines and Forfeitures</b>	<b>Use of Money and Property</b>	<b>Charges for Services</b>	<b>Miscellaneous</b>	<b>Recovered Costs</b>	<b>Inter- Governmental Revenue</b>	<b>Total</b>
2010	\$257,055	\$153,615	\$3,526	\$1,164	\$6,746	\$50,540	\$18,080	\$9,503	\$152,619	\$652,848
2011	258,004	153,886	3,691	1,298	7,169	47,955	14,850	10,723	149,489	647,065
2012	252,917	161,234	3,575	1,108	6,694	47,859	11,643	10,312	161,572	656,914
2013	246,359	163,297	4,098	1,102	6,539	56,077	26,178	11,396	161,148	676,194
2014	256,979	161,500	3,089	1,242	6,329	60,039	29,133	N/A	153,782	672,093
2015	262,433	164,271	3,013	1,264	9,668	59,983	10,141	N/A	158,840	669,613
2016	265,943	166,034	3,038	1,111	7,354	62,709	11,325	N/A	166,686	684,200
2017	269,816	169,539	3,576	921	7,786	62,315	12,080	N/A	176,784	702,817
2018	277,559	174,139	3,292	1,068	7,504	62,383	11,311	N/A	193,289	730,545
2019	303,370	177,263	4,118	1,027	11,098	60,905	11,287	N/A	182,023	751,091

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

**Table III-1B**  
**City of Norfolk, Virginia**  
**Other Local Tax Revenues by Source, Governmental Funds**  
**Fiscal Years 2010 – 2019**  
**(Amounts in Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Consumption Utility Taxes</b>	<b>Sales and Use Taxes</b>	<b>Restaurant Food Taxes</b>	<b>Business License Taxes</b>	<b>Cigarette Taxes</b>	<b>Motor Vehicle Licenses</b>	<b>Other</b>	<b>Total</b>
2010	\$44,053	\$28,249	\$27,292	\$26,009	\$7,176	\$4,308	\$16,528	\$153,615
2011	43,188	28,411	28,474	25,849	7,161	4,313	16,490	153,886
2012	43,588	27,599	30,300	28,667	8,097	4,318	18,665	161,234
2013	43,211	29,707	30,818	29,301	7,926	4,209	18,124	163,296
2014	43,055	29,436	31,127	29,889	7,409	3,966	16,618	161,500
2015	42,961	29,981	32,634	28,640	7,821	3,953	18,281	164,271
2016	41,849	30,330	34,224	28,935	7,784	4,448	18,424	166,034
2017	41,452	31,185	34,934	30,557	7,860	4,642	18,909	169,539
2018	41,292	32,799	37,990	28,529	7,492	4,760	21,277	174,139
2019	39,947	33,259	39,210	29,929	7,889	4,903	22,126	177,263

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

Table III-2 sets forth the assessed value of all taxable property in the City for the past ten Fiscal Years. The total assessed value of all taxable property in the City as of June 30, 2019, was approximately \$22.6 billion.

**Table III-2**  
**City of Norfolk, Virginia**  
**Revenue Capacity Information**  
**Assessed Valuations of Taxable Property**  
**Fiscal Years 2010 – 2019**  
**(Amounts in Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Real Property<sup>(1)</sup></b>	<b>Personal Property<sup>(1)</sup></b>	<b>Other Property<sup>(2)</sup></b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value<sup>(3)</sup></b>
2010	\$19,940,273	\$1,610,680	\$226,801	\$21,777,754	\$21,777,754
2011	19,320,642	1,832,276	230,756	21,383,674	21,383,674
2012	18,676,729	1,613,797	238,497	20,529,023	20,529,023
2013	18,319,947	1,532,337	241,023	20,093,307	20,093,307
2014	18,421,412	1,512,332	258,302	20,192,046	20,192,046
2015	18,734,201	1,902,442	255,710	20,892,353	20,892,353
2016	19,106,737	1,952,955	277,301	21,336,993	21,336,993
2017	19,433,889	2,219,662	265,149	21,918,700	21,918,700
2018	19,870,881	1,938,053	288,054	22,096,988	22,096,988
2019	20,345,182	2,006,838	281,245	22,633,265	22,633,265

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

Notes: (1) Real property and personal property includes both general and public service corporations.  
(2) Other property includes machinery and tools, mobile homes, airplanes and boats.  
(3) Estimated actual taxable property values are based on data supplied by the City's Commissioner of the Revenue and the City Assessor.

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Table III-3 presents the property tax rate per \$100 of assessed value and the equalization ratios used to determine the fair market value of taxable property for Fiscal Years 2017 through 2021.

**Table III-3**  
**City of Norfolk, Virginia**  
**Direct Property Rates**  
**Fiscal Years 2017 – 2021**

	Fiscal Year				
	2017	2018	2019	2020	2021
Property tax rate per \$100 of assessed value:					
Real Property	\$1.15	\$1.15	\$1.25	\$1.25	\$1.25
Downtown Improvement District <sup>(1)</sup>	0.16	0.16	0.16	0.16	0.16
Personal property	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.15	1.15	1.25	1.25	1.25
Airplanes	2.40	2.40	2.40	2.40	2.40
Boats (business)	1.50	1.50	1.50	1.50	1.50
Boats (recreational)	0.50	0.50	0.50	0.25	0.000001
Recreational vehicles	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00
Assessed value of real property as a percent of fair market value:					
As determined by the City Assessor	100.00%	100.00%	100.00%	100.00%	100.00%
As determined by the Commonwealth's Department of Taxation <sup>(1)</sup>	97.00%	97.00%	97.00%	N/A	N/A

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, and Fiscal Year 2020 and 2021 Approved Operating Budget.

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

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The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. Table III-4 sets forth the City's assessed values and tax levies on real and personal property for Fiscal Years 2015 through 2019.

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

<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>	<b>Personal Property &amp; Other</b>	<b>Property Tax Levy</b>	<b>Percentage Increase in Property Tax Levy</b>
2015	\$18,734,201	\$2,158,152	\$256,040	0.80%
2016	19,106,737	2,230,256	264,043	3.13
2017	19,433,889	2,484,811	268,718	1.77
2018	19,870,881	2,226,107	275,648	2.58
2019	20,345,182	2,288,083	300,270	8.93

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

Table III-5 sets forth information concerning the City's real and personal property tax collection rate for Fiscal Years 2010 through 2019.

**Table III-5**  
**City of Norfolk, Virginia**  
**Real and Personal Property Tax Levies and Collections <sup>(1)</sup>**  
**Fiscal Years 2010 – 2019**  
**(Amounts In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Original Tax Levy</b>	<b>Adjusted Tax Levy<sup>(2)</sup></b>	<b>Current Collections</b>	<b>Percent of Current Collections to Tax Levy<sup>(3)</sup></b>	<b>Delinquent Collections</b>	<b>Total Collections</b>	<b>Percentage of Total Tax Collections to Tax Levy<sup>(3)</sup></b>
2010	\$258,544	\$257,715	\$239,192	92.81%	\$18,495	\$257,687	99.99%
2011	254,756	253,375	235,518	92.95	17,829	253,347	99.99
2012	247,528	247,398	233,396	94.34	13,965	247,361	99.99
2013	244,309	243,683	229,872	94.33	13,768	243,640	99.98
2014	254,008	254,598	240,481	94.46	12,630	253,111	99.42
2015	256,040	260,734	245,803	94.27	13,395	259,198	99.41
2016	264,043	265,482	251,933	94.90	11,719	263,652	99.31
2017	268,718	269,672	255,712	94.82	11,678	267,390	99.15
2018	275,648	277,578	262,585	94.60	10,953	273,538	98.54
2019	300,270	300,270	285,588	95.11	N/A	285,588	95.11

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

- Notes:
- (1) Delinquent tax collections are reported in the year collected. Figures are unaudited.
  - (2) Adjusted to reflect residual taxable amount after exonerations and reassessments.
  - (3) Calculated using the Adjusted Tax Levy amounts and not the Original Tax Levy amounts.

Table III-6 sets forth the City's ten largest taxpayers and the assessed value of real property owned by each such taxpayer as of June 30, 2019. The aggregate assessed value of the ten largest taxpayers represented approximately 4.69% of the City's real property taxable assessable base at June 30, 2019.

**Table III-6**  
**City of Norfolk, Virginia**  
**Ten Principal Real Property Taxpayers<sup>(1)</sup>**  
**June 30, 2019**

<b>Taxpayer</b>	<b>Real Property Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Assessed Value</b>
MacArthur Shopping Center <sup>(2)</sup>	\$232,330,500	1	1.14%
ODU Real Estate Foundation	140,054,800	2	0.69
Norfolk Southern <sup>(3)</sup>	88,591,700	3	0.44
SLNWC Office Company, LLC	81,533,700	4	0.40
Norfolk Hotel Associates, LLC	73,192,400	5	0.36
LCP Waterside Hotel Owner, LLC	73,104,600	6	0.36
Dominion Enterprises	69,320,500	7	0.34
MPB, Inc.	67,445,200	8	0.33
Military Circle, LLC <sup>(4)</sup>	65,274,400	9	0.32
WIM Core Portfolio Owner, LLC	63,811,400	10	0.31
<b>Total</b>	<b>\$954,659,200</b>		<b>4.69%</b>
<b>Total Assessed Value</b>	<b>\$20,345,181,583</b>		

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

- Notes:
- (1) Based on total assessed value of taxable real property, including public service corporations, as of June 30, 2019. For a comparison, the principal real property taxpayers as of June 30, 2010, are available in Schedule 3 of the unaudited section of the financial statements included as Appendix A.
  - (2) In April 2019, Nordstrom, one of the anchor tenants at MacArthur Shopping Center, closed. The Norfolk Redevelopment and Housing Authority owns this building and together with the City is exploring future reuse options.
  - (3) In December 2018, Norfolk Southern announced its plans to relocate its headquarters to Atlanta, Georgia. The relocation will occur gradually through 2021. In June 2020, TowneBank and Children's Hospital of The King's Daughters completed the purchase of the former Norfolk Southern building.
  - (4) The City of Norfolk Economic Development Authority purchased the Military Circle Mall in April 2020.

## GENERAL FUND EXPENDITURES

### Costs of General City Government

The costs of most general government functions are paid from governmental funds. These costs include expenditures for police protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, economic development, refuse disposal and general administrative services. The City has approximately 3,900 positions budgeted for employees (including salaries and related employee benefits such as health insurance and pension contributions).

### Protected Self-Insurance Program

The City is exposed to various risks of losses related to torts, theft and destruction of assets, errors and omissions, injuries to employees and natural disasters. On July 11, 1978, the City established a protected self-insurance program, pursuant to an ordinance adopted by the City Council, to cover these risks. The program provides for the payment of claims liabilities, property losses and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims and related expense payments made during Fiscal Year 2019 was \$6,928,271.

The City currently reports all these activities as part of the risk management function in the general government section of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. As of June 30, 2019, these liabilities were estimated at \$30,208,137 with \$4,316,731 projected as the current portion anticipated to be paid within a year. Estimated liabilities for Fiscal Year 2019 were determined by an independent actuary.

Changes in the City's claims liability amount in Fiscal Years 2015 through 2019 are as follows:

<b>Fiscal Year</b>	<b>Unpaid Claims Beginning Balance</b>	<b>Claims Incurred Estimated</b>	<b>Claims Paid</b>	<b>Unpaid Claims Ending Balance</b>
2015	\$29,055,288	\$5,887,750	\$5,466,609	\$29,476,429
2016	29,476,429	6,855,246	7,035,040	29,296,575
2017	29,296,575	8,420,622	5,798,964	31,918,233
2018	31,918,233	7,063,273	7,365,006	31,616,500
2019	31,616,500	5,573,908	6,982,271	30,208,137

Source: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2015 through 2019.

### Retirement Plan

The City has a single-employer noncontributory, defined benefit retirement plan that covers substantially all employees of the City, excluding School Board and Constitutional Officers employees who are covered by the Virginia Retirement System. The City's contribution requirements are designed to fund the plan's current service cost. Actuarially required contributions are appropriated each year by City Council. See Section X of the Notes to the Basic Financial Statements in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, attached hereto as Appendix A, for a discussion of the City's pension plans.

On July 12, 2017, as a result of an independent actuarial experience study undertaken for the City, the Norfolk Employees' Retirement System Board of Trustees adopted certain changes to its actuarial assumptions, including changes to the assumed rates of termination, retirement, disability, mortality and salary raises. The City is currently undertaking a comprehensive review of its pension system to ensure its long-term financial health and sustainability. The City anticipates any changes will be considered in mid Fiscal Year 2022 or Fiscal Year 2023.

Total annual pension contributions for all City employees over the last five Fiscal Years to the City's noncontributory retirement are presented in Table III-7. The City funded 100% of its actuarially required contributions in Fiscal Years 2017 – 2021.

**Table III-7**  
**City of Norfolk, Virginia**  
**Schedule of Annual Pension Contributions**  
**Fiscal Years 2017 – 2021**

<b>Fiscal Year</b>	<b>Annual Pension Contributions (in thousands)<sup>(1)</sup></b>
2017	\$33,457
2018	35,494
2019	37,079
2020	38,489
2021 Budget	40,150

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, and Department of Finance, City of Norfolk, Virginia.

Note: (1) Actuarially required Pension Contributions are funded and paid in the Fiscal Year following the contribution determination.

### **Other Post-Employment Benefits**

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

As of July 1, 2019, the following was projected:

	<b>City</b>	<b>Line of Duty</b>	<b>Schools</b>	<b>Total</b>
<b>Balance at June 30, 2017</b>	\$ 32,305,189	\$ 37,093,238	\$ 47,129,993	\$116,528,420
Service Cost	2,485,855	1,517,002	1,381,764	5,384,621
Interest	1,178,923	1,336,572	1,673,986	4,189,481
Changes in Benefits	-	-	-	-
Difference Between Expected and Actual	(2,005,011)	(3,476,174)	3,627,408	(1,853,777)
Assumption Changes	3,702,351	(4,964,076)	(1,794,422)	(3,056,147)
Contributions - Employer	-	-	-	-
Net Investment Income	-	-	-	-
Benefits Payments	(1,223,511)	(1,030,394)	(2,129,544)	(4,383,449)
Administrative Expense	-	-	-	-
<b>Balance at June 30, 2018</b>	<b>\$36,443,796</b>	<b>\$30,476,168</b>	<b>\$49,889,185</b>	<b>\$116,809,149</b>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

### **Employee Relations and Collective Bargaining**

The Supreme Court of Virginia has ruled that in the absence of legislation, municipalities and school boards in the Commonwealth do not have the authority to enter into collective bargaining agreements.

### **PUBLISHED FINANCIAL INFORMATION**

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

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## GENERAL FUND OPERATING BUDGETS

### **Fiscal Year 2019 General Fund Operating Budget Results**

For Fiscal Year 2019, on the budgetary basis of accounting, General Fund revenues were \$900,098,956 representing 101.94% of budgeted revenue. General Fund expenditures were \$855,015,947 representing 96.83% of budgeted expenditures. Table III-8 summarizes key financial results.

**Table III-8**  
**City of Norfolk, Virginia**  
**General Fund Operating Budget Summary Results**  
**for Fiscal Year 2019**

	<b><u>Final Budget</u></b>	<b><u>Results</u></b>	<b><u>Percent of Budget</u></b>	<b><u>Variance Positive (Negative)</u></b>
Total Revenue and non-revenue receipts	\$882,966,948	\$900,098,956	101.94%	\$17,132,008
Total Expenditures	882,966,948	855,015,947	96.83	27,951,001
Revenue greater (less) than expenditures	<u>\$ -</u>	<u>\$ 45,083,009</u>		<u>\$45,083,009</u>

Source: Department of Budget and Strategic Planning, City of Norfolk, Virginia.

### **Fiscal Year 2020 General Fund Operating Budget Results**

The Fiscal Year 2020 General Fund Operating Budget (the "Fiscal Year 2020 Budget") was adopted on May 14, 2019, and totals \$901,882,729 reflecting a 2.1% increase from the final Fiscal Year 2019 Operating Budget.

The Fiscal Year 2020 Operating Budget focused on the City Council and resident priorities of investing in storm water, schools, and public safety. The budget builds on the bold initiatives started in Fiscal Year 2019 and strengthens the City's capacity by investing in core services. The budget was balanced through a multi-faceted approach that analyzes ways to reduce expenditures, increase revenues, and grow the economy within an overarching principle of inclusiveness.

The City estimates that unaudited General Fund Revenue totaled approximately 98.2 percent of the Final Amended Fiscal Year 2020 Operating Budget of \$926.6 million. The largest variances were attributable to other local taxes, charges for services, and revenues from the Commonwealth. The City estimates that unaudited General Fund expenditures were approximately 95.4 percent of the final amended 2020 budget of \$926.6 million. The variance was largely driven by City actions to quickly adapt to changing economic circumstances including, freezing discretionary spending, reducing payments to outside agencies, furloughing part-time staff and implementing a hiring freeze. The variance was also driven by a one-time unspent water payment of \$20 million from the extension of the treated water contract with Virginia Beach. Combining the lower than budgeted revenues and expenditures, the City estimates a preliminary Fiscal Year 2020 General Fund positive variance of approximately 2.9 percent or \$27 million from the final amended budget.

### **Fiscal Year 2021 General Fund Operating Budget**

The Adopted Fiscal Year 2021 Operating Budget was developed in response to the financial impact resulting from the COVID-19 pandemic. The budget development following the onset of the pandemic used the following funding principles: prepare for the worst – to the extent possible, make this a one-year event with greater reliance on ongoing reductions rather than one-time savings, begin the fiscal year in a conservative stance budgetarily by funding core services and closing non-essential facilities and programs, and restore programs and services based on pace of revenue recovery. Using these principles, the City conservatively reduced the Adopted Fiscal Year 2021 Budget to reflect projected COVID-19 related revenue loss of \$40 million from the initial Proposed Fiscal Year 2021 Operating Budget. For more information on the impacts of COVID-19 see "Recent Developments – COVID-19."

Major revenue and expenditure categories for the Fiscal Year 2020 and Fiscal Year 2021 Operating Budgets are summarized in the following tables.

The City Council adopted the CIP budget for Fiscal Year 2021, which totals \$151,020,200 on May 19, 2020. See Table II-8 in the section entitled "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Improvement Plan Budget."

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**Table III-9A**  
**City of Norfolk, Virginia**  
**General Fund Budget**  
**Fiscal Year 2020**

<b>Anticipated Revenue Receipts</b>	<b>Approved Budget</b>	<b>Appropriations for Expenditures</b>	<b>Approved Budget</b>
General Property Taxes	\$305,436,500	Legislative	\$5,215,803
Other Local Taxes	170,844,800	Executive	10,104,392
Permits and Fees	3,387,500	Department of Law	4,905,409
Fines and Forfeitures	1,094,000	Constitutional Officers	48,577,771
Use of Money and Property	8,588,191	Judicial	1,341,955
Charges for Service	25,990,999	Elections	1,110,962
Miscellaneous Revenue	9,219,102	General Management	52,318,219
Recovered Costs	12,005,487	Community Development	12,270,576
Non-Categorical Aid - Virginia	36,036,200	Parks, Recreation and Culture	45,691,583
Shared Expenses - Virginia	22,384,860	Central and Outside Agency	70,466,391
Categorical Aid - Virginia	272,947,989	Public Health and Assistance	77,847,057
Federal Aid	8,709,175	Public Safety	124,897,375
Other Sources and Transfer In	25,237,926	Public Works	16,996,849
		Transit	12,466,052
		Debt Service	81,510,525
		Public School Education	336,882,729
<b>Total</b>	<b>\$901,882,729</b>	<b>Total</b>	<b>\$901,882,729</b>

Source: Approved Operating Budget for Fiscal Year 2020.

**Table III-9B**  
**City of Norfolk, Virginia**  
**General Fund Budget**  
**Fiscal Year 2021**

<b>Anticipated Revenue Receipts</b>	<b>Approved Budget</b>	<b>Appropriations for Expenditures</b>	<b>Approved Budget</b>
General Property Taxes	\$311,526,200	Legislative	\$5,274,627
Other Local Taxes	143,126,000	Executive	10,555,078
Permits and Fees	3,214,000	Department of Law	5,024,632
Fines and Forfeitures	1,201,000	Constitutional Officers	49,931,416
Use of Money and Property	7,543,055	Judicial	1,357,910
Charges for Service	23,539,021	Elections	1,007,964
Miscellaneous Revenue	8,983,473	General Management	50,949,863
Recovered Costs	10,880,725	Community Development	11,548,033
Non-Categorical Aid - Virginia	34,146,200	Parks, Recreation and Culture	36,184,766
Shared Expenses - Virginia	21,930,000	Central and Outside Agency	59,725,931
Categorical Aid - Virginia	278,285,660	Public Health and Assistance	79,677,741
Federal Aid	8,736,882	Public Safety	126,663,507
Other Sources and Transfer In	30,368,000	Public Works	16,496,914
		Transit	11,934,317
		Debt Service	79,999,236
		Public School Education	337,148,281
<b>Total</b>	<b>\$883,480,216</b>	<b>Total</b>	<b>\$883,480,216</b>

Source: Approved Operating Budget for Fiscal Year 2021.

**Table III-10**  
**City of Norfolk, Virginia**  
**General Governmental Expenditures by Function**  
**Fiscal Years 2010 – 2019**  
**(Amounts In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>General Government Administration</b>	<b>Judicial Administration</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Health and Public Assistance</b>	<b>Education</b>	<b>Culture and Recreation</b>	<b>Community Development</b>	<b>Debt Service</b>	<b>Capital Outlay</b>	<b>Total</b>
2010	\$97,061	\$48,726	\$115,488	\$59,574	\$89,682	\$101,011	\$51,708	\$10,851	\$69,834	\$99,210	\$743,145
2011	80,855	47,535	115,975	70,124	79,757	104,511	45,862	16,565	80,540	76,534	718,258
2012	100,504	48,233	116,296	62,330	74,331	104,512	44,529	15,142	85,043	98,892	749,812
2013	112,804	50,920	117,427	54,427	88,413	109,287	47,153	15,128	78,227	116,580	790,366
2014	109,292	51,673	113,394	55,267	88,671	111,854	46,705	12,482	77,944	100,709	767,991
2015	110,904	51,360	112,055	61,369	85,631	117,722	48,765	12,303	76,831	103,113	780,053
2016	118,468	50,513	116,436	58,716	85,815	114,769	44,531	13,677	73,131	140,093	816,149
2017	127,367	50,767	121,494	63,231	87,330	114,972	44,825	14,994	77,813	98,492	801,285
2018	131,203	52,012	123,905	66,882	86,702	120,972	45,968	22,237	80,807	67,938	798,626
2019	136,987	45,914	127,610	62,511	87,554	122,972	45,399	28,212	83,157	49,790	790,106

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

## RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet as of June 30, 2019, and as of June 30, 2018, is presented in Table III-11. The Comparative Statement of Revenue and Expenditures for the City's General Fund for the past five Fiscal Years are presented in Table III-12. The City's most recent General Fund Comparative Statement of Changes in Fund Balances for the past five Fiscal Years are summarized in Table III-13.

**Table III-11**  
**City of Norfolk, Virginia**  
**Balance Sheet, General Fund**  
**June 30, 2019, with comparative totals for 2018**

	2018	2019
<b>ASSETS</b>		
Cash and short-term investments	\$103,811,095	\$129,155,100
Receivables, net:		
Taxes	41,913,838	43,374,919
Accounts	5,001,931	5,316,485
Accrued investment income	102,534	187,263
Due from other funds	8,272,258	6,386,604
Due from other governments	24,134,435	23,374,941
Due from other agencies	1,515,251	-
Due from fiduciary funds	47,648	-
Deposits	12,676	-
Prepaid expenses	-	44,726
Inventory	-	-
<b>Total Assets</b>	<u>\$184,811,666</u>	<u>\$207,840,038</u>
<b>LIABILITIES</b>		
Vouchers payable	\$20,466,729	\$20,506,113
Employee withholdings	2,345,007	472,283
Contract retainage	331,215	18,253
Accrued payroll	4,786,082	4,455,744
Notes payable	-	-
Due to other funds	128,074	47,672
Due to other governments	36,253	36,253
Due to component unit	-	-
Other liabilities	<u>3,261,156</u>	<u>1,258,136</u>
<b>Total Liabilities</b>	<u>\$31,354,516</u>	<u>\$26,794,454</u>
<b>Deferred Inflow of Resources</b>		
Revenues' levied for the next year and unavailable revenue	<u>\$28,884,786</u>	<u>\$29,137,828</u>
<b>FUND BALANCES</b>		
Nonspendable		
Restricted	\$ 145,000	\$ 135,000
Committed	9,347,282	10,032,013
Assigned	44,117,755	65,230,440
Unassigned	<u>70,962,327</u>	<u>76,510,303</u>
<b>Total Fund Balances</b>	<u>\$124,572,364</u>	<u>\$151,907,756</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$184,811,666</u>	<u>\$207,840,038</u>

Sources: Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2018 and June 30, 2019.

**Table III-12**  
**City of Norfolk, Virginia**  
**Comparative Statement of Revenue and Expenditures, General Fund**  
**Fiscal Years 2015 – 2019**

	2015	2016	2017	2018	2019
<b>REVENUE:</b>					
General property taxes	\$258,974,929	\$260,959,130	\$264,432,379	\$272,292,962	\$297,514,769
Other local taxes	154,867,325	156,358,560	159,645,816	163,653,948	166,543,602
Permits and licenses	3,013,376	3,038,229	3,575,984	3,292,146	4,117,711
Fines and forfeitures	1,261,218	1,110,993	920,282	1,067,796	1,026,622
Use of money and property	9,564,794	7,254,583	7,639,462	7,218,466	9,870,335
Charges for services	20,248,407	22,460,673	22,533,193	21,187,427	20,825,291
Miscellaneous	7,226,869	8,605,242	9,343,122	9,192,510	8,610,224
Intergovernmental	130,397,763	132,919,310	134,737,064	136,027,038	136,264,389
Total Revenue	\$585,554,681	\$592,706,720	\$602,827,302	\$613,932,293	\$644,772,943
<b>EXPENDITURES:</b>					
<b>Current operating:</b>					
General government	110,304,366	113,060,602	118,578,346	127,385,076	133,760,262
Judicial administration	48,294,929	47,562,103	47,597,095	48,968,656	42,543,907
Public safety	103,162,805	107,291,870	110,633,381	114,236,758	119,238,659
Public works	19,592,357	20,493,122	25,088,325	24,655,168	26,553,243
Health and public assistance	69,569,467	68,950,680	70,240,871	70,032,115	69,052,789
Culture and recreation	39,205,465	41,181,576	42,545,409	43,727,974	43,178,862
Community development	9,153,306	10,011,670	10,785,452	10,956,137	16,506,700
Education	117,721,922	114,768,522	114,971,922	120,971,922	122,971,922
<b>Debt service</b>					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
<b>Debt issuance costs</b>	323,098	318,176	-	(465,814)	699,530
<b>Capital outlay</b>	-	-	-	3,618,000	5,500,000
Total Expenditures	\$517,327,715	\$523,638,321	\$540,440,801	\$564,085,992	\$580,005,874
Excess (deficiency) of revenues over expenditures	68,226,966	68,226,966	62,386,501	49,846,301	64,767,069
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of land	-	-	-	18,691,961	1,377,711
Issuance of debt	-	-	-	-	-
Debt issuance costs	-	-	(174,276)	-	-
Proceeds sale of fixed assets	427,600	2,400,000	6,079,647	-	-
Transfers in	16,805,117	14,888,405	16,485,591	16,888,089	39,065,338
Transfers out	(76,651,992)	(76,153,008)	(76,445,298)	(76,973,896)	(77,874,726)
Total Other Financing Sources (Uses)	(\$59,419,275)	(\$58,864,603)	(\$54,054,336)	(\$41,393,846)	(\$37,431,677)
Net Change in Fund Balance	\$ 8,807,691	\$ 10,203,796	\$ 8,332,165	\$ 8,452,455	\$ 27,335,392

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 through 2019.

**Table III-13**  
**City of Norfolk, Virginia**  
**Comparative Statement of Changes in Fund Balance, General Fund**  
**Fiscal Years 2015 – 2019**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Net Change in Fund Balance	\$ 8,807,691	\$ 10,203,796	\$ 8,332,165	\$ 8,452,455	\$ 27,335,392
Fund Balance at Beginning of Year	85,265,709	97,583,948	107,787,744	116,119,909	124,572,364
Adjustment to Beginning Balance	3,510,548	-	-	-	-
Fund Balance at End of Year	<u>\$97,583,948</u>	<u>\$107,787,744</u>	<u>\$116,119,909</u>	<u>\$124,572,364</u>	<u>\$151,907,756</u>

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 through 2019.

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## **PART IV ENTERPRISE FUNDS**

### **Enterprise Fund Financial Policies**

The City's adopted Financial Policies provide that the Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility Funds will be self-supporting. Each fund must maintain annual net revenue in an amount to provide sufficient debt service coverage to support annual debt service. The Parking Facilities coverage requirement is 1.1 times its total annual debt service. The Water Utility Fund must maintain a coverage above 1.5 times its total annual debt service, and both the Wastewater and Storm Water Utility Funds are required to have a debt service coverage minimum of 1.15 times any revenue debt service and 1.1 times their total annual debt service. Additionally, each fund may only have twenty percent of its outstanding debt in the variable rate form. Each of these funds must maintain a working cash balance. The Parking Facilities and Water Utility Fund are required to have 240 days of operating expenses in unrestricted cash. The Wastewater and Storm Water Funds must maintain at least 180 days of operating expense in unrestricted cash. To monitor these Policies, each fund is required to annually produce a ten-year plan that integrates revenue and expense projections and project cashflow forecast. Based on Fiscal Year 2020 unaudited financial results, the City reasonably expects to be in compliance with its Financial Policies for each Enterprise Fund at the end of Fiscal Year 2020.

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

### **Water Utility**

The City-owned water system (the "Water System"), operated by its Department of Utilities, is one of the largest municipal water systems in the Commonwealth. Approximately 1.1 million people are served by the Water System. The Water System distributes treated water throughout the City, to the City limits of the Cities of Virginia Beach ("Virginia Beach") and Chesapeake ("Chesapeake") and to the gates of naval bases located in the City, Virginia Beach and Chesapeake. A naval base in the City of Portsmouth ("Portsmouth") is provided raw water service. As of June 30, 2019, the Water System provided potable water to over 66,151 active Norfolk retail service customers (i.e. accounts) and wholesale service to the United States Navy, Virginia Beach, Chesapeake, Portsmouth and the Western Tidewater Water Authority ("WTWA"), which includes the City of Suffolk and Isle of Wight County.

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

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

### **Wastewater Utility**

The City owns and operates a sanitary sewer system (the "Wastewater System") that collects and conveys wastewater to the regional treatment agency, the Hampton Roads Sanitation District. Approximately 66,000 accounts located within the City are served by the Wastewater System. Since July 1, 1984, the Wastewater Utility Fund has been operated as an enterprise fund.

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

### **Parking Facilities**

The City presently owns and operates 14 multi-level parking garages, 12 surface lots and more than 700 on-street spaces. These facilities provide a total inventory of over 22,000 downtown parking spaces. The Parking Facilities Fund was established during Fiscal Year 1990. City general obligation debt issued to finance Parking Facilities Fund projects is carried as a liability on the Parking Facilities Fund's balance sheet. The Parking Facilities Fund's audited balance sheet on June 30, 2019, presents total assets of \$205.1 million, which includes restricted investments of over \$6.5 million, to be utilized for garage construction and operating reserves. In addition, audited fixed assets, including parking structures, consist of over \$169 million of the total \$205.1 million in assets. The Parking Facilities Fund also manages parking enforcement operations and collects fines and delinquent fees. In Fiscal Year 2019, 35,582 tickets were issued resulting in a 76% collection rate and revenue of \$1.5 million.

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

### **Storm Water Utility**

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

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

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## **PART V THE CITY OF NORFOLK**

### **INTRODUCTION**

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

### **CITY GOVERNMENT**

Norfolk is an independent, full-service City with sole local government taxing power within its boundaries. It derives its governing authority from the City Charter, originally adopted by the General Assembly of Virginia (the "General Assembly") in 1918, which authorizes a council-manager form of government. The City Council exercises all of the governmental powers conferred upon the City. The City Council is comprised of eight members, a Mayor (elected at large) and seven members from the "ward system". Two members of the seven members are elected from super wards. The City Council elects a Vice Mayor from among its members. Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager carries out its policies, directs business procedures and appoints, with the power to remove, the heads of departments and other employees of the City except those otherwise specifically covered by statutory provisions. The City Council also appoints certain boards, commissions and authorities of the City.

#### **Certain Elected Officials**

The City's current elected officials include:

#### **Dr. Kenneth Cooper Alexander, Mayor**

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

#### **Martin A. Thomas, Jr., Vice Mayor**

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

**Courtney R. Doyle, Council Member**

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

**Mamie B. Johnson, Council Member**

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

**Andria P. McClellan, Council Member**

Mrs. McClellan, representing Super Ward 6, was elected to City Council in May 2016. She received a Bachelor's degree from the University of Virginia, Charlottesville, Virginia, and graduated from the Wharton Management Program at the University of Pennsylvania. She is active in many local professional and civic organizations, and she presently serves on several boards, including WHRO, CIVIC Leadership Institute and the advisory board of OneVirginia2021.

**Paul R. Riddick, Council Member**

Mr. Riddick, representing Ward 4, was first elected to City Council in July 1992. He is the owner and operator of Riddick Funeral Service in Norfolk. He attended Norfolk State University, Norfolk, Virginia, and has an Associates in Art and Sciences degree in Funeral Service from John Tyler Community College, Chester, Virginia. Mr. Riddick is active in many local professional organizations.

**Thomas R. Smigiel, Council Member**

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

**Angelia M. Williams Graves, Council Member**

Mrs. Williams Graves, representing Super Ward 7, was first elected to City Council in November 2010. She is the principal broker and owner of Homes by Angelia Realty Company. Mrs. Williams Graves received an Associate of Science degree in Business Administration from Tidewater Community College in 2004. She graduated from the University of Virginia's Sorensen Institute for Political Leadership in 2005 and from the Alpha School of Real Estate in 2008. She received a Bachelor's degree in Marketing from Old Dominion University, Norfolk, Virginia. She is involved in many local professional and civic organizations, where she has held several leadership positions.

## **Certain Appointed Officials**

### **Larry H. Filer II, City Manager**

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

### **Christine Garczynski, Director of Finance**

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

### **Bernard A. Pishko, City Attorney**

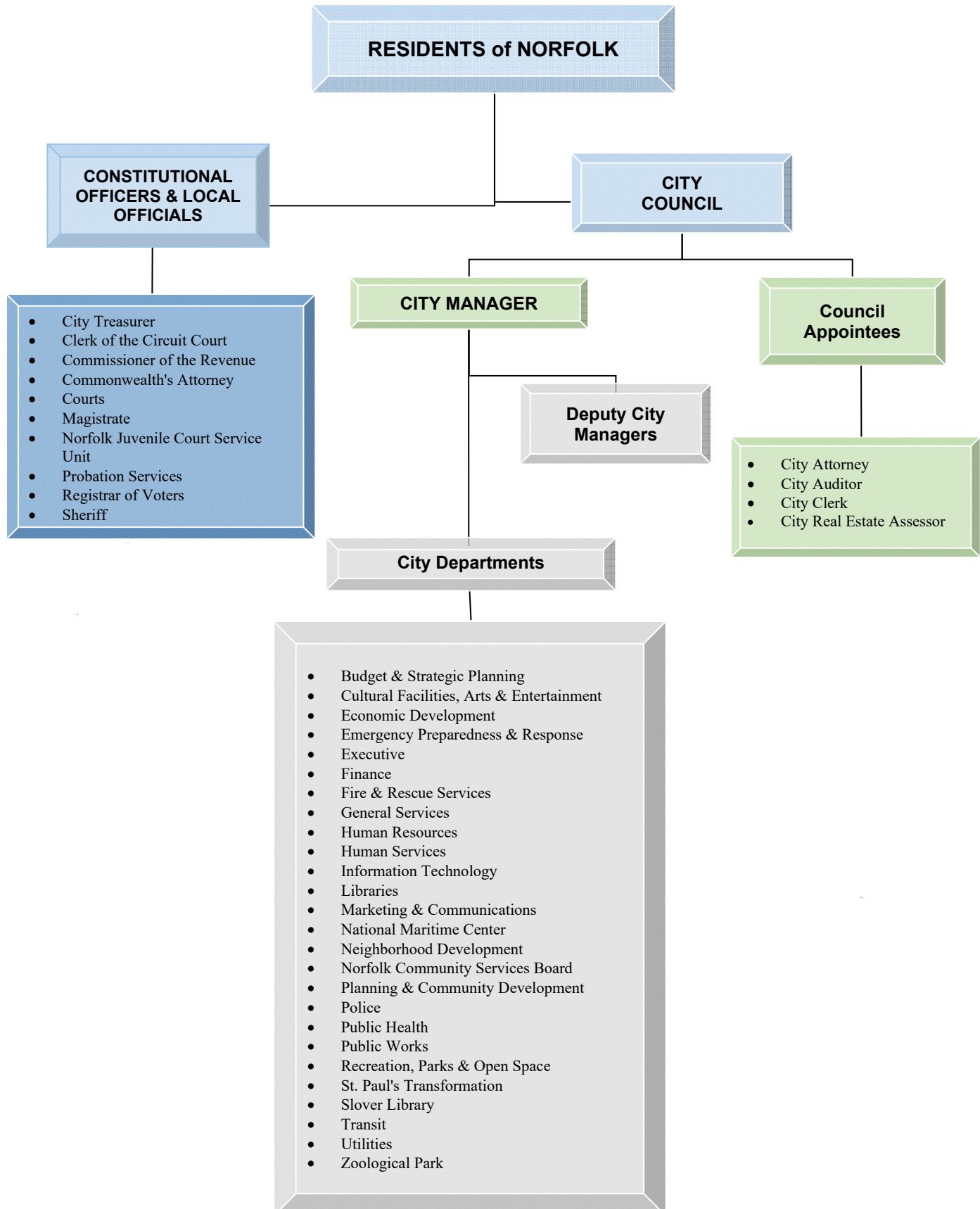
Bernard A. Pishko was first appointed by City Council as City Attorney in November 1997. He previously served as Deputy City Attorney from 1989 to 1997 and as an Assistant City Attorney from 1984 to 1989. He has practiced law since 1982. The City Attorney is also general counsel for the Norfolk School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

### **Governmental Services and Facilities**

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

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## City Organization



## **OTHER GOVERNMENTAL ENTITIES**

A description of other governmental entities referenced in this Official Statement can be found in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, attached hereto as Appendix A.

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## **ECONOMIC AND DEMOGRAPHIC FACTORS**

### **Recent Developments – COVID 19**

#### **Coronavirus (COVID-19)**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to a large number of other countries, including the United States, and to the Commonwealth of Virginia (the "Commonwealth") and was declared a pandemic by the World Health Organization on March 11, 2020. Since developments with respect to COVID-19 continue to occur at a rapid pace, including on a daily basis as the number of infections in the Commonwealth, the United States and throughout the globe continues to increase, it is difficult to ascertain the overall extent and severity of the virus's impact at this time.

#### **Response to Coronavirus (COVID-19) - Commonwealth of Virginia**

On March 12, 2020, in response to the outbreak and continued spread of COVID-19, Governor Northam declared a state of emergency for the Commonwealth and issued an executive order taking further action to address COVID-19. The order included among other things, a prohibition on all gatherings of 10 people or more through April 23, 2020, and closed all restaurants and other dining establishments except for the offering of delivery and take-out services, and the cessation of all in-person instruction at K-12 schools for the remainder of the 2019-2020 school year. On March 30, 2020, Governor Northam issued another executive order taking further action to address COVID-19, which order mandated (among other things) that all Virginia residents "stay at home" (subject to certain exceptions) through June 10, 2020.

On May 4, 2020, the Governor announced Phase One of a "safer at home" order ("Phase One") that allowed limited business reopenings effective May 15, 2020. The Governor authorized the transition to Phase Two of the safer at home order ("Phase Two") beginning on June 5, 2020. Phase Two continued certain features of Phase One, such as requiring face coverings for indoor spaces and encouraging social distancing and teleworking. Phase Two also permitted, among other things, gatherings of up to 50 people, reopening of certain entertainment venues, indoor seating at restaurants (limited to 50% capacity) and recreational sports with physical distancing requirements.

On June 24, 2020, the Governor announced that the Commonwealth would transition into Phase Three of the safer at home order ("Phase Three") on July 1, 2020. Phase Three permits increased capacity limits for retail establishments and restaurants, entertainment venues, fitness facilities, childcare facilities, and swimming pools, with face coverings continuing to be required and teleworking and physical distancing encouraged. On July 28, 2020, Governor Northam announced new restrictions on localities statewide and further restrictions on the Hampton Roads area, which included the City. The restrictions went into effect on July 31, 2020, requiring that all restaurants and bars in the Hampton Roads area stop serving alcohol at 10:00 p.m. and must close by 12:00 a.m. In Hampton Roads the additional restriction required that dining establishments reduce their internal capacity to 50 percent and that in-person gathering may not exceed 50 people.

On September 10, 2020, the Governor announced that due to significantly improved health metrics in the Eastern Region, localities in Hampton Roads will join the rest of the Commonwealth in Phase Three of the "Forward Virginia" plan to ease public health restrictions while mitigating the spread. As a result, this lifted the previous limitations on the Hampton Roads area, now allowing gatherings of up to 250 people, an increased capacity limit on indoor dining and allowing restaurants to close at their previous business hours.

Due to the changing nature of the COVID-19 situation, it is possible additional action from Governor Northam and the Virginia Legislature could occur.

## **Response to Coronavirus (COVID-19) Impacts - City of Norfolk**

The City's operations have been significantly impacted by the outbreak and continued spread of COVID-19. Beginning March 17, 2020, employees were encouraged to work from home, City buildings were closed to the public and in-person transactions with citizens were discontinued. All City business is being transacted by mail, phone, or internet; however, operations of the City continue to the safest extent possible.

As of August 2020, preliminary, unaudited General Fund revenues for Fiscal Year 2020 are projected to be approximately two percent below budget. In anticipation of this shortfall, the City acted in March to reduce expenditures including freezing discretionary spending, reducing payments to some of our outside agency partners, furloughing most part-time staff, and implementing a hiring freeze. While final results are still being analyzed, the City expects that it will conclude Fiscal Year 2020 very nearly on budget. City Council adopted a Fiscal Year 2021 budget that is \$40 million less than originally projected to address projected COVID-related revenue impacts. The nature of the pandemic has created budgetary and financial uncertainty; however, City Council and management are committed to ensuring there is no gap in necessary core services and all legal obligations are met. With this goal in mind, City Council will consider necessary adjustments to its Fiscal Year 2021 budget as the City navigates the pandemic and the financial and operational impacts become clearer.

To help mitigate the impact of COVID-19, the City has received approximately \$42 million in funds from the Commonwealth that were available under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). These funds will be used for items such as direct aid for businesses and residents impacted by COVID-19, hazard pay for eligible City employees, building improvements to support social distancing, and information technology to support remote work. Although a broad range of uses is allowed, revenue replacement is not a permissible use of these funds.

The City is largely dependent on real and personal property as a source of revenue. As part of the Fiscal Year 2021 budget, the City Council did not increase real estate tax and personal property tax rates, and expects revenues generated from those taxes in Fiscal Year 2021 to be similar to those generated in Fiscal Year 2020. However, the City is home to several local entertainment and sport venues, as well as hotels, which have been impacted by the Governor's restrictions, which include venues such as Harbor Park, Chrysler Hall, the Scope Arena, the Zoo, Nauticus, and the Chrysler Museum. From March 2020 to June 2020, the City saw reduced tax revenues from the above-referenced entertainment and sport venues, hotels along with related meals tax revenues. The approximate decrease in these revenues on a year-over-year basis for the months March through June 2019 compared to March through June 2020 was 10 percent. The City's Fiscal Year 2021 budget incorporated the City's expectations for reduced revenues from these sources, but the actual impact on the City's financial performance will not be immediately known.

## **Population**

As reflected in Table V-1 below, from 2010 to 2019 the City's population grew approximately 0.93%. The City is the third most populous city in Virginia, as estimated by the Weldon Cooper Center and as shown in Table V-2.

**Table V-1  
Population Trend Comparisons  
2010 – 2019**

<b>Calendar Year</b>	<b>Hampton Roads</b>			
	<b>Norfolk<sup>(1)</sup></b>	<b>MSA<sup>(1)(2)</sup></b>	<b>Virginia<sup>(3)</sup></b>	<b>U.S.<sup>(3)</sup></b>
2010	242,803	1,641,078	8,001,024	308,745,538
2011	243,985	1,654,311	8,105,850	311,556,874
2012	245,803	1,672,401	8,186,628	313,830,990
2013	246,392	1,682,842	8,260,405	325,993,715
2014	246,394	1,690,090	8,326,289	318,301,008
2015	247,189	1,700,609	8,382,993	320,635,163
2016	247,087	1,727,366	8,411,808	322,941,311
2017	246,256	1,729,326	8,470,020	324,985,539
2018	245,741	1,726,928	8,517,685	326,687,501
2019	245,054	1,729,109	8,535,519	328,239,523

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

- Notes:
- (1) Norfolk and Hampton Roads MSA population estimates are from the Weldon Cooper Center, except for the 2010 population estimates, which are from the U.S. Census Bureau.
  - (2) The Hampton Roads MSA is the Virginia portion only.
  - (3) Virginia and U.S. population estimates are from the U.S. Census Bureau.

**Table V-2  
Most Populous Cities in Virginia**

<b>City</b>	<b>2010 Census Population</b>	<b>2019 Population Estimate</b>
Virginia Beach	437,994	452,643
Chesapeake	222,209	245,745
Norfolk	242,803	245,054
Richmond	204,219	226,841
Newport News	180,719	181,000

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

Table V-3 provides an annual comparison of per capita personal income since 2009.

**Table V-3**  
**City of Norfolk, Virginia**  
**Per Capita Personal Income Comparisons**  
**2009 – 2018**

<b>Calendar Year</b>	<b>City (Norfolk)</b>	<b>Hampton Roads MSA</b>	<b>State</b>	<b>U.S.</b>
2009	\$34,202	\$39,635	\$44,122	\$39,284
2010	34,705	40,467	45,496	40,546
2011	35,574	42,100	47,775	42,735
2012	36,612	43,447	49,585	44,599
2013	36,424	43,274	48,855	44,851
2014	37,569	44,779	50,754	47,058
2015	38,669	46,641	52,892	48,978
2016	38,826	46,992	53,605	49,870
2017	40,107	48,485	55,306	51,885
2018	41,822	50,619	57,799	54,446

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. 2018 data is the most recent data available.

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

**Table V-4**  
**City of Norfolk, Virginia**  
**City Population Distribution by Age**  
**1960-2010**

<b>Year</b>	<b>Population</b>	<b>Under 20</b>	<b>20-64</b>	<b>65 or Older</b>
1960	305,872	39.8%	54.5%	5.7%
1970	307,951	35.4	57.8	6.8
1980	266,979	30.7	60.1	9.2
1990	261,250	28.1	61.4	10.5
2000	234,403	27.3	61.5	11.2
2010	242,803	25.3	65.3	9.4

Source: U.S. Census Bureau.

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## **Housing and Construction Availability**

The City saw total home sales rise by approximately 1.9% (or 32 homes) during calendar year 2020 to date through June, as compared to calendar year 2019 through June. Total sales for calendar year 2020 to date through June were 1,694, as compared to 1,662 during the same period last year. The average price of homes sold in calendar year 2020 through June increased by approximately 5.2% to \$247,700, as compared to the average price in the same period last year of \$235,500. The median price of homes sold in calendar year 2020 through June rose by approximately 6.1% to \$225,000 from \$212,000 in the same period last year.

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

**Table V-5  
City of Norfolk, Virginia  
Residential Construction  
Fiscal Years 2011 – 2020**

<b>Fiscal Year</b>	<b>Building Permits</b>	<b>Number of Units</b>	<b>Value (in thousands)</b>
2011	221	479	\$37,298
2012	268	371	39,360
2013	384	822	63,728
2014	432	1,393	93,072
2015	399	729	59,018
2016	384	894	74,377
2017	459	1,193	68,571
2018	346	597	54,899
2019	274	1,125	83,245
2020	405	1,182	87,820

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, and Department of Planning of the City of Norfolk, Virginia.

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

**Table V-6**  
**City of Norfolk, Virginia**  
**Nonresidential Construction**  
**Fiscal Years 2011 – 2020**

<b>Fiscal Year</b>	<b>Building Permits</b>	<b>Value (in thousands)</b>
2011	27	\$40,073
2012	26	116,401
2013	28	105,635
2014	33	37,575
2015	36	233,824
2016	20	91,171
2017	25	82,443
2018	15	118,459
2019	31	238,513
2020	26	282,015

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, and Department of Planning of the City of Norfolk, Virginia.

## **Employment**

Businesses in the City provide residents with employment opportunities in a variety of industries of which services, government and trade are the most significant.

The unemployment rate for the City is illustrated in Table V-7.

**Table V-7**  
**City of Norfolk, Virginia**  
**Unemployment Rates**  
**2011 – 2020**

<b>Calendar Year</b>	<b>Norfolk</b>	<b>Hampton Roads MSA</b>	<b>Virginia</b>	<b>U.S.</b>
2011	8.3%	7.3%	6.6%	8.9%
2012	7.6	6.8	6.1	8.1
2013	7.0	6.2	5.7	7.4
2014	6.4	5.7	5.2	6.2
2015	5.6	4.9	4.5	5.3
2016	5.3	4.7	4.1	4.9
2017	4.6	4.1	3.7	4.4
2018	3.7	3.3	3.0	3.9
2019	3.5	3.1	2.8	3.7
2020 <sup>(1)</sup>	11.9	9.4	8.2	11.2

Source: U.S. Bureau of Labor Statistics.

Note: (1) As of July 2020.

**Table V-8**  
**City of Norfolk, Virginia**  
**Civilian Employment and Average Weekly Gross Wages**  
**1<sup>st</sup> Quarter, 2020**

	<b>Percentage of Employment</b>
Educational and Health Services	25.5%
Trade, Transportation & Utilities	16.8
Professional & Business Services	15.7
Public Administration	13.1
Leisure and Hospitality	10.0
Financial Activities	5.7
Manufacturing	5.1
Other Services	3.2
Construction	3.1
Information	1.8
<b>Total</b>	<b>100.0%</b>

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

### **Resilience Strategy**

As a coastal community, the City is one of several localities in the United States vulnerable to flooding from sea level rise and storm-surge. The City is proactively assessing its vulnerability, developing strategies, implementing policies, and designing engineering measures that will enhance its resiliency and reduce the impacts of tidal and storm surge flooding.

The City has adopted a comprehensive resilience strategy to address the challenges facing the City. This strategy is driven by three goals: (1) design the coastal community of the future, (2) create economic opportunity by advancing efforts to grow existing and new industry sectors and (3) advance initiatives to connect communities, deconcentrate poverty and strengthen neighborhoods.

The City is undertaking many initiatives to address its resilience goals, including the following:

(1) City Council has shown its commitment to resilience by dedicating 1 cent (equating to \$1.85 million) of the real estate tax to resilience projects.

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

(3) Construction is currently underway to address coastal resilience in the City's Ohio Creek watershed area, which is funded by a grant totaling \$112.7 million through the U.S. Department of Housing and Urban Development's ("HUD") National Disaster Resilience Competition.

(4) In September 2020, the City was awarded \$14.4 million as part of the Better Utilizing Infrastructure to Leverage Development ("BUILD") grant program through the U.S. Department of Transportation. The grant will be used to fund road improvements in the St. Paul's area, with construction scheduled to begin in Spring 2021. This grant will provide the necessary roadway infrastructure to support the implementation of the \$30 million HUD Choice Neighborhood Implementation Grant received in May 2019, also for the St. Paul's area.

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

In February 2019, the U.S. Army Corps of Engineers ("USACE") issued the Norfolk Coastal Storm Risk Management Study ("Norfolk CSRMS") to Congress. The report recommends infrastructure upgrades that will reduce the risk of flood damage in the City to a design standard equaling the North Atlantic Coast Comprehensive Study 2% (50-year) annual chance flood elevation plus sea level rise to the year 2076, ranging from 9.5 feet to 10.5 feet, based on the North American Vertical Datum 1988. The design flood level is generally equal to the Federal Emergency Management Agency ("FEMA") 1% annual chance flood Base Flood Elevation, plus three feet of sea level rise. The cost of implementing all study recommendations is approximately \$1.36 billion and there can be no assurance that it will be funded by the federal government (Congress) or the City. Additionally, the feasibility report does not provide a timeframe over which the projects would need to be implemented or funded. However, in the Fiscal Year 2019 and the Fiscal Year 2020 Budget, the USACE allotted \$400,000 and \$2,538,000, respectively for pre-construction engineering design.

In May 2019, the City received a \$30 million HUD Choice Neighborhood Implementation Grant for phase 1 of the St. Paul's Area Transformation. This project is a major focus of the City and addresses the City's three resilience goals – costal resilience, economic resilience and neighborhood resilience. The transformation focuses on the built environment, as well as the expansion of amenities for all residents of the area. For more information on the St. Paul's Area Transformation see the "Residential Development" section.

### **Cybersecurity**

The City, like many other municipalities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other such attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could impact operations and/or digital networks and the costs of remedying any such damage could be significant. To transfer and share these risks, the City has purchased Cyber liability insurance policy that covers a broad range of impacts, including security breach, security liability, and extortion, among other areas. Additionally, the City has purchased coverage related crime insurance, which covers incidents of computer-related fraud. The City's Department of Information Technology includes a dedicated cyber security team that focuses on system-wide hardware and software mitigation solutions, back-ups for redundancy or critical records and system processes, as well as limitations on user downloads and system uses. Further, to assess and mitigate threats as a result of human error, the City is using an automated security awareness software package to help deploy learning modules, simulate phishing and social media engineering attacks, distribute supportive messaging and provide analytics to train and counsel employees.

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## **Downtown Development**

Downtown offers a mix of cultural attractions and entertainment for its citizens and tourists. The average vacancy rate for Downtown Class A office space as of August 2020 is 12.28%, as shown in Table V-9 below.

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

<b>Class A</b>	<b>Rentable SF</b>	<b>Vacant SF</b>	<b>% Vacant</b>
Crown Center	58,674	9,538	16.26%
Town Point Center	166,116	2,941	1.77
Main Street Tower	199,621	53,133	26.62
150 West Main Street	225,498	25,012	11.09
The Atlantic at City Walk	288,662	-	0.00
Wells Fargo Center	299,887	34,598	11.54
World Trade Center	367,000	29,480	8.03
Norfolk Southern Tower <sup>(1)</sup>	373,500	-	0.00
Dominion Tower	403,276	73,651	18.26
Dominion Enterprises Building	563,325	133,503	23.70
<b>Total</b>	<b>2,945,559</b>	<b>361,856</b>	<b>12.28%</b>

Source: CoStar, August 2020.

Note: (1) In June 2020, TowneBank and Children's Hospital of The King's Daughters completed the purchase of the former Norfolk Southern building. The building will be TowneBank's new corporate Headquarters. Nearly 900 people will eventually work in the building.

## **Residential Development**

One of Norfolk's greatest strengths is its neighborhoods. With over 120 civic leagues and over 95,000 housing units, Norfolk offers a diversity of housing choices that range from charming starter houses to grand residences and from downtown lofts and town homes to brand new developments along the Chesapeake Bay. By increasing the diversity of housing opportunities, the City expects to increase the diversity of its citizenry and expand the tax base. The City's goal for neighborhood and commercial development is to provide an environment that increases private sector investment, retail sales generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and build upon and coordinate with other ongoing community development initiatives.

Residential investment continues to grow throughout the City, particularly in Downtown. Several new projects have recently opened in Downtown. Together, approximately 1,700 new apartments have been or are going to be added to Downtown since 2010, bringing the estimated Downtown population to well over 7,000 residents. The St. Paul's area is under major revitalization. In May 2019, the Norfolk Redevelopment and Housing Authority and City of Norfolk were awarded a \$30 million Choice Neighborhood Initiative (CNI) Implementation Grant for the Tidewater Gardens Transformation Plan, phase one of the overall redevelopment of the St. Paul's Area. With the award of the CNI Implementation Grant, Norfolk will redevelop the Tidewater Garden community into more than 700 new, mixed-income housing units; improve the neighborhood's landscape by creating new resilient, open space and increasing opportunities for local businesses; and improving families' access to quality jobs and education through a human development program called People First.

Another major project underway is the River Tower at Harbor's Edge in the Fort Norfolk area. This is an expansion of Harbor's Edge, a full-service, premier Life Plan Retirement Community on the Elizabeth River. When completed in 2021, the \$200 million project is expected to deliver a 24-story River Tower with 147 new luxury residences and more than 95,000 square foot of common space.

An exciting new district has sprung up, known as the "Railroad District" and has been awarded a 2018 Real Estate Development & Reuse award by the International Economic Development Council for Catalyzing Development in Historic Districts. To allow Residential and Commercial land uses, not otherwise permitted within the base zoning district in the Norfolk & Western Railroad State and National Historic District, the City created a new historic overlay district, "Norfolk & Western Historic Overlay". Using both programs, seven existing warehouses were brought back into productive use as rental housing and commercial spaces following \$80 million in rehabilitation projects. Since 2016, 271 apartments and 11 commercial uses have opened in existing light industrial warehouses, with more on the drawing table. The 167-acre district is seeing entrepreneurs moving in with trendy concepts, creating a viable live/work community. The surge in popularity of industrial breweries and loft apartments in historic buildings created a need for a successful integration of mixed-use projects, while ensuring preservation of industrial uses.

### **Commercial Development**

The City continues to see commercial development within its borders. Simon Property Group Inc. opened the first phase of Simon Premium Outlet Park in June 2017. This represented an investment of approximately \$75 million to build an outlet center on an existing City-owned golf course. The City retained approximately 65 acres for green space and walking trails around the lake creating new public open space. Phase I of the Simon Premium Outlet Park includes approximately 85 stores, 332,000 square feet of leasable space and is anticipated to generate an estimated \$2.5 million annually in tax revenue. Adjacent to the Simon Norfolk Premium Outlets is the 331,000 square foot IKEA, that opened in April 2019. IKEA is estimated to bring more than \$2.5 million annually in direct tax revenue.

New development, expansion and retention of the City's business community has led to continued economic growth over the past five years. Recent growth in areas such as manufacturing, research and technology, healthcare, residential apartments, craft brewing and boutique retail has increased the diversification of the City's local economy. Since 2014, the City has realized over \$3 billion in new development, business expansion and announcements of pending projects.

The City's award-winning Norfolk Works program continues to connect City residents to expanding employers and City businesses. Since its start in December 2016, Norfolk Works has now completed more than 30 employment projects supporting over 1,400 job offers.

TowneBank and Children's Hospital of The King's Daughters (CHKD) completed the purchase of the Norfolk Southern building in Downtown Norfolk. The move is expected to bring nearly 900 employees to Downtown Norfolk. The headquarters of Towne's Financial Services will include moving approximately 400 team members to the City. CHKD plans to relocate approximately 475 members of its workforce currently outside of Downtown Norfolk into the building. Norfolk Southern will continue to occupy several floors until the end of 2021.

TST Fabrications, LLC, a wholly owned subsidiary of TST Construction (TST), will invest \$4.1 million to expand its manufacturing presence in the City by acquiring the production assets of a sheet metal fabrication business. Virginia successfully competed with Georgia, Maryland, and North Carolina for the project, which will create 34 new jobs. TST is a Class A general contractor and a service-disabled veteran-owned small business that provides a variety of specialty construction services including roofing, manufacturing, and defense to its government clients. The renovation of Norfolk's Military Shopping Circle Mall continues. In 2014, the Norfolk Economic Development Authority (EDA) purchased the 200,000 square foot former J.C. Penney's department store and redeveloped the building into a modern office

building. In June 2020, MPB, Inc. (Sentara Healthcare) purchased the building for \$20.0 million for its Optima Insurance subsidiary. Also, in June 2020, the EDA completed its purchase of the Military Circle Shopping Mall, including surrounding out parcels of the former DoubleTree Hotel.

Aldi opened two stores, one in Ghent and one on N. Military Highway, with a total capital investment of approximately \$10,000,000 and adding roughly 50 jobs.

Tegra Global invested \$4 million in an expansion expected to create 300 jobs.

East Coast Appliance, a locally founded chain that specializes in the sale of new and used home appliances, delivery and service bought a 45,000-square-foot property on North Military Highway in 2018 for a little over \$3 million. It will also serve as its new corporate headquarters. The company will add 40,000 additional square feet of space with a two-story building on the 4.5-acre site. The new facility will incorporate the businesses' administrative, service and scratch and dent processing departments, plus 45,000 square feet of appliances, 40,000 square feet for the warehouse and several loading docks.

In 2019, Land & Coates, an outdoor power equipment company, and a separate wholesale company affiliated with the family, Tidewater Power Equipment, moved into 80,000 square feet at its new expanded headquarters in the City. The owners bought a 144,000-square-foot warehouse, invested more than \$2 million in the property and are leasing part of it to another tenant.

M S International, Inc. (MSI), a leading North American importer and distributor of natural stones, countertops, landscaping tiles, and porcelain, invested \$4.65 million to establish a 64,000-square-foot distribution and showroom facility in the City. The showroom opened in June 2019.

### **Arts and Culture**

The City offers a mix of cultural attractions and entertainment for its citizens and tourists. The City's entertainment and theatre venues include the Attucks Theatre, the Harrison Opera House, Chrysler Museum, and the "Theater District" which includes Chrysler Hall, Jeanne and George Roper Theater, Wells Theatre and the NorVa. Built in 1972, one of the City's most notarized venues, Chrysler Hall is nearing its 50<sup>th</sup> anniversary. Design work is underway as Chrysler Hall is slated to receive a \$40 million upgrade; renovations began in late 2019.

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

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

In 2018, the City and Carnival cruises announced the return of the cruise line to the City. Carnival set sail again in May 2019, with destinations to the Bahamas and the Caribbean. The deal marked the first time the had guaranteed use of its cruise terminal by a major line for multiple years, with plans to dock larger ships and adding Bermuda to the list of destinations. In February 2020, the City and Carnival Cruise Line announced a five-year deal that will bring ships to the City from 2021 through 2025 with guaranteed revenue of at least \$350,000 per year from Carnival alone.

While the 2020 cruise season was cancelled nationwide, Half Moone's 2021 planned schedule is a significant increase over 2019. Carnival currently has 14 cruises scheduled for its 4,000+ passenger ship the Carnival Magic. Additionally, 16 other cruises from a variety of lines are planned to leave from Norfolk.

Through a new partnership with the City, Tidewater Community College will transform Norfolk's NEON District with its newly announced plan to build the Patricia and Doug Perry Visual and Culinary Arts and Hospitality Center at the site of the Greyhound Station. The 47,000-square-foot center will be a jewel to Downtown and is planned to open in 2021.

Other recent investments to the City's cultural attractions include the Virginia Arts Festival headquarters, a home for the Hurrah Players, and the Perry Glass Studio of the Chrysler Museum of Art Glass Art Studio. The Virginia Arts Festival headquarters houses year-round education outreach activities, a rehearsal and intimate performance space, as well as the Festival's administrative offices. Adjacent to the Virginia Arts Festival headquarters is the home of the Hurrah Players, which features a 100-seat theater and two rehearsal halls. Located adjacent to the museum, the Glass Studio is the only one of its kind in the Mid-Atlantic region and complements the museum's extensive glass collection.

### **Transportation Initiatives**

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

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

In order to provide additional state funds to road construction and maintenance, effective July 1, 2013, the Commonwealth commenced collecting an increased sales and use tax and new state and regional taxes on gasoline, motor vehicle sales and other specific taxes, which includes the collection of sales and use taxes from remote sellers (i.e., retailers that, other than their sales to residents, do not have a physical presence in the Commonwealth). In addition, purchasers in the Hampton Roads region, which includes the City, will pay increased sales and use taxes and other specific regional taxes on transactions that take place in Hampton Roads jurisdictions. Receipts from such additional taxes must be used to pay for transportation projects within the region. Such projects will be prioritized and selected by Hampton Roads Transportation Accountability Commission ("HRTAC"), which will allocate such tax revenues for regional transportation projects. There can be no assurance that these new state and regional taxes will not be changed, but such taxes are expected to generate approximately \$880 million per year for transportation funding across the Commonwealth, with the Hampton Roads regional taxes expected to generate approximately \$200 million per year for major projects in the Hampton Roads region. The City is not directly responsible for related projects or liable for any debt obligations for HRTAC.

There have been some new additions to the City's transportation network. With adjustments to the existing roadway network and the development of trails and neighborhood loops, the City continues to be a mobile friendly City. In June 2019, the City and Lime Electronic Scooter Rentals collaborated to bring more than 500 e-scooters to the City. The E-scooter (Lime) Share Pilot Program has proven to be extremely successful in achieving the goals of micro-mobility in the first six months with 533,430 trips by 74,733 riders. Traveling over 565,044 miles, these riders saved: 500,337 pounds of Co2.

Announced in 2017, was the \$3.3 billion expansion of the I-64 Hampton Roads Bridge Tunnel that will include funding from the Hampton Roads Transportation Fund, and likely to include state funding and

federal funding. The project is expected to enhance existing connections between Norfolk and the peninsula and will reduce congestion. Construction began in 2019, with an estimated completion in 2025.

The U.S. Department of Transportation has awarded the City \$14.4 million as part of the Better Utilizing Infrastructure to Leverage Development (BUILD) grant program. The funds will be leveraged with a \$6.2 million match from the City for a \$20.6 million road improvement project as part of the St. Paul's Transformation.

### **Norfolk Airport**

Norfolk International Airport ("NIA") is one of the most powerful economic generators in the Hampton Roads region. Currently, NIA is served by Allegiant Air, American Airlines, Delta, Frontier, Southwest, United and their regional partners. Offering over 150 arrivals and departures daily to major cities throughout the U.S., NIA presently ranks in the top 13% of commercial service airport in the United States with nearly 3.9 million scheduled passengers served in 2019.

NIA generates nearly 1,700 jobs and over \$135 million in direct economic impacts annually. More than 775,000 annual visitors use NIA and other facilities in the region and contribute more than \$550 million in estimated indirect economic impacts that create more than 14,000 local jobs with an estimated payroll in excess of \$600 million.

### **Hotel Development**

The City has approximately over 5,000 hotel rooms, including nearly 1,650 1,800 in the Downtown area. Tourism and conventions employ over 7,000 workers in the City and generate an estimated \$28.8 million in state taxes and \$23.9 million in local tax revenue. It is estimated travelers to the City spend over \$764 million annually.

Hotels throughout the country were greatly impacted by the COVID-19 pandemic. However, for the week ending September 4, 2020, the City made its 12<sup>th</sup> consecutive week leading the top 25 markets in terms of occupancy. On the tourism side, this is due to the City's position as a drive market with easy access from the entire East Coast. Regarding business travel, the concentration of essential port, defense and defense contracting operations served as a buffer for demand.

The Hilton Norfolk at The Main and The Exchange conference center opened March 2017. The \$164 million public/private Downtown project includes a 50,000 square foot conference center; a 4-Star Hilton hotel with approximately 300 rooms, three full-service restaurants and a parking garage. The project has created approximately 250 jobs and an estimated \$2 million in annual tax revenue. It was developed by Gold Key PHR Hotels and Resort.

The Autograph Collection Marriott hotel, a boutique hotel located at the 200 block of Granby Street in the former Royster building opened January 2020. With the help of the Perry family, who are the developers of the project, the \$30 million investment has a glass art theme and more than 100,000 square feet of meeting space. The hotel has 117 rooms and a ground floor restaurant with a Michelin star chef. Meeting and event space seamlessly connect to the glass art gallery.

The Marriott Waterside is undergoing finished a \$25 million renovation to modernize the hotel. Included in the agreement is a \$4 million dollar improve to the City-owned conference center, which is a part of the hotel. The City's waterfront hotel, the Sheraton Norfolk Waterside, recently completed its \$12 million renovation. The upgrades include a renovation of its 468-rooms, a 1,100 square foot presidential suite, newly renovated lobby and a 24-hour fitness center.

## **Waterfront Recreation Investment**

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

The Waterside District is a regional destination located in the heart of the central business district and adjacent to the City's world-class waterfront and festival site. The project opened in 2017 and is a \$40 million public-private partnership between Norfolk and Cordish Companies. The anchor is a 30,000 square foot section known as "The Marketplace" that has businesses and restaurants, including a live performance stage and roof top deck.

The Pamunkey Indian Tribe and the City are currently in negotiations over the development of a \$700 million casino and resort development. It would be located on roughly 20-acres of waterfront property adjacent to Harbor Park, home of the City's Triple-A baseball stadium. The project is anticipated to have 500 four-diamond hotel rooms, 5-7 on-site restaurants, an entertainment venue, and a spa. The project is initially estimated to create 4,000 to 5,000 construction jobs, 3,500 full-time positions and have an annual indirect economic impact value of \$1 billion. The Virginia General Assembly approved commercial gaming in its Spring 2020 session. A local gaming referendum is on the November 2020 ballot for Norfolk citizen consideration.

## **Sports and Recreation**

The City is home to the Norfolk Tides, a Triple-A minor league baseball team (the "Tides"), which is an affiliate of the Baltimore Orioles. The Tides renewed their 15-year lease at Harbor Park in 2013. The City is also home to the Norfolk Admirals, a member of the East Coast Hockey League. Old Dominion University competes in the Conference USA. Norfolk State University has a long-established football program, which currently competes in the Mid-Eastern Athletic Conference.

Additionally, located at Harbor Park is the Pernell "Sweet Pea" Whitaker Boxing and Fitness Center, a 13,000 square foot state-of-the-art facility that boasts two U.S.A. Boxing regulation-sized competition rings, stadium-style seating and the capacity to host larger shows and championship bouts.

## **Norfolk Public Schools**

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

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

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

**Table V-10**  
**City of Norfolk, Virginia**  
**Public Schools Student Population**  
**Fiscal Years 2015 – 2019**

<b>Fiscal Year</b>	<b>September 30 Membership</b>	<b>Percent Change</b>
2015	30,116	(0.80)%
2016	29,977	(0.46)
2017	29,383	(1.98)
2018	28,858	(1.79)
2019	28,201	(2.28)

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

### **Higher Education**

Higher education plays a critical role in developing a highly skilled and competitive workforce. The City is home to several institutions of higher learning: Old Dominion University ("ODU"), Norfolk State University ("NSU"), Tidewater Community College ("TCC") and Eastern Virginia Medical School ("EVMS"). ODU is one of only 100 public research-extensive universities nationwide and one of 4 in Virginia. NSU is Virginia's largest public, historically black university and one of the largest predominately black institutions in the nation. Located in Downtown, TCC has five buildings, including the Jeanne and George Roper Performing Arts Center. EVMS, dedicated solely to biomedical and health education, has an economic impact on the regional economy of \$1.2 billion annually.

In 2018, EVMS announced Waitzer Hall, named for the largest family gift in EVMS history, a new \$80 million, 11-story Education and Academic Support Building to address growth in enrollment over the past several years. Completion is expected in 2020. Waitzer Hall will allow academic and administrative staff great connectivity for innovative research and more. Sentara Healthcare will triple its financial support for EVMS with a commitment of \$130 million over the next five years.

In 2019, Tidewater Tech invested over \$3 million to relocate its career training school to a new custom-built tech training facility. Tidewater Tech specializes in trade vocations including auto technician, HVAC, building maintenance and repair, and welding. The 44,000 square-foot building features a learning resource center, two computer labs and 13 classrooms that can fit 25 students each.

### **Medical Institutions**

Within the City, there are five general, acute care and specialized hospitals including Sentara Norfolk General Hospital ("Sentara Norfolk General"), Sentara Leigh Hospital, Bon Secours DePaul Medical Center, Children's Hospital of The King's Daughters ("CHKD") and Lake Taylor Transitional Care Hospital ("Lake Taylor Transitional").

As the region's first magnet hospital, Sentara Norfolk General Hospital, a 525-bed tertiary care facility, is home to the areas only Level I Trauma Center, burn trauma unit and nationally ranked heart program at Sentara Heart Hospital. For the 18<sup>th</sup> straight year, the Cardiology and Heart Program at Sentara Norfolk General Hospital has been ranked among the nation's Top 50 heart programs. The \$199 million expansion and modernization project is anticipated to be completed in winter 2020. The project will add floors to two existing wings, expand the emergency department, expand and modernize 18 operating rooms,

replace a 48-bed ward-style Special Care Nursery with a state-of-the-art unit with private and semi-private rooms, and consolidate the hospital's 54 intensive care unit beds on two floors.

CHKD, the site of Virginia's only free-standing, full-service pediatric hospital is home to one of the nation's top pediatric residency programs. With 206 beds, the hospital serves the medical and surgical needs of children throughout the greater Hampton Roads metro area, the eastern shore of Virginia and northeastern North Carolina. The CHKD broke ground in September 2019 on its new 60-bed medical-psychiatric facility for patients who require acute medical and psychiatric resources and support, which is a \$224 million project, to be completed 2022. The CHKD also is in the process of building a \$60 million psychiatric center, with 48 inpatient beds for children as well as offering many mental health treatments and programs by day. It is expected to be completed in 2022.

Sentara Leigh Hospital's \$126 million expansion was completed in 2016. The expansion project included two five-story patient towers, an orthopedic and rehabilitation center, and a two-story atrium lobby, as well as a new multi-story parking garage. The Sentara Leigh campus continues to expand and recently completed a \$93.5 million Cancer Center in June 2020. Another addition to the campus is a \$29 million, 76,538 square foot regional orthopedic medical office building currently under construction and anticipated to open in mid-2020. The Sentara Orthopedic Medical Office Building will provide outpatient orthopedic services that will include an outpatient surgery center, physical therapy, imaging services, and provider offices.

The Sentara Leigh Hospital emergency department has the highest annual patient volume of 12 Sentara hospitals. The 35-bed department had more than 84,000 patient visits in 2019, far exceeding its designed capacity of 64,000. With patient volumes continuing to increase, Sentara Leigh Hospital is launching a \$14 million project to right-size the emergency department to accommodate existing and future volume, adding 13 new acute care beds and 16 additional 'vertical care' chairs in semi-private cubicles for a total of 66 'venues of care' for patients at all levels of need. The estimated completion is in mid-2021.

Bon Secours DePaul Medical Center has undergone several expansions to its campus including cancer care facility and medical office building on the campus. Mercy Health and Bon Secours officials finalized a definitive merger agreement in September 2018. The combined entity comprises of 43 hospitals across seven states with more than 2,100 employed physicians. The merged entity will accrue \$8 billion in net operating revenue and \$239 million in operating income, making it the fifth largest Catholic health system in the nation.

### **The Virginia Port Authority**

In 1981, the General Assembly passed landmark legislation designed to unify the ports in southeastern Virginia Hampton Roads harbor under a single agency, the Virginia Port Authority, with a single operating company, the Virginia International Terminals, Inc. The Port of Virginia (the "Port"), one of the world's largest natural deep-water harbors, is an integral part of Norfolk's economy. The Port is one of the top three ports on the east coast in terms of total value of port trade. In 2019, the Port handled a total of 21,940,748 tons of general cargo, including 21,779,259 tons of containerized cargo, with 161,489 tons of breakbulk making up the remainder.

**Table V-11**  
**Virginia Port Authority Terminals**  
**General Cargo Tonnage**  
**Calendar Years 2016 – 2020**

<b>Calendar Year</b>	<b>Total General Cargo Tonnage (in thousands)</b>	<b>Percent Change Over Previous Year</b>
2016	20,869	4.46%
2017	21,972	5.29
2018	21,975	0.01
2019	21,941	(0.15)
2020 <sup>(1)</sup>	13,461	N/A

Source: Virginia Port Authority.

Note: (1) As of August 2020.

The City also serves as a gateway between world commerce centers and the Heartland, which offers efficient train routing between the Port of Virginia and the Midwest. With one of the world's largest natural deep-water harbors and a temperate climate, the Port of Virginia is an integral part of Norfolk's economy. Increase in the port-related business use of the Virginia International Terminals drives new capital investment into the region. The Heartland Corridor gives the Port rail access to markets in Ohio, Illinois, Michigan and points west. Located on 567 acres along the Elizabeth and Lafayette Rivers, Norfolk International Terminals (NIT) is the Port's largest terminal. NIT is divided into three major sections: the South Terminal, the North Terminal and the Central Rail Yard.

In January 2018, construction began on a \$452 million NIT terminal optimization project. This state-funded project will increase the total capacity of NIT by 46 percent within the same footprint. In November 2020, two new ship-to-shore cranes will arrive at NIT and the South NIT optimization will be complete, offering 30 new container stacks, 60 new semi-automated rail-mounted gantry cranes and capacity expansion of 400,000 additional annual container lifts. These expansions and growth at the Port translate into more jobs and greater economic prosperity for the City and the Commonwealth of Virginia.

### **Business, Industry and Commerce**

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

**Table V-12**  
**City of Norfolk, Virginia**  
**Major Non-Government Employers in 1<sup>st</sup> Quarter 2020**

Employer	Number of Employees	Industry/Product/Services
	1000+	
Sentara Healthcare		Hospitals
Children's Hospital of The King's Daughters		Hospitals
Sentara Health Management		Insurance Carriers and Related Activities
Eastern Virginia Medical School		Educational Services
Anthem		Insurance Carriers and Related Activities
Norshipco		Transportation Equipment Manufacturing
Portfolio Recovery Association		Administrative and Support Services
	500 - 999	
Wal-Mart		General Merchandise Stores
Bon Secours DePaul Medical Center		Hospitals
S.O.S. Security, LLC		Administrative and Support Services
Colonna's Shipyard		Transportation Equipment Manufacturing
Top Guard, Inc.		Administrative and Support Services
CMA CGM America		Support Activities for Transportation
SOC, LLC		Administrative and Support Services
Virginia International Terminal		Support Activities for Transportation
CP&O, LLC		Support Activities for Transportation
Food Lion		Food and Beverage Stores
Maersk Line Limited		Water Transportation
	250 - 499	
Marine Hydraulics International		Transportation Equipment Manufacturing
Aramark Campus, LLC		Food Services and Drinking Places
Booz, Allen and Hamilton		Professional, Scientific, and Technical Services
Ed's Service Solutions, LLC		Personal and Laundry Services
ODU Research Foundation		Professional, Scientific, and Technical Services
McDonald's		Food Services and Drinking Places
Nash Finch		Merchant Wholesalers, Nondurable Goods
Transit Management Company		Transit and Ground Passenger Transportation
Art FX		Printing and Related Support Activities
Virginia Wesleyan College		Educational Services
Lake Taylor Hospital		Nursing and Residential Care Facilities
Portfolio Recovery Associates, Inc.		Administrative and Support Services
Professional Hospitality		Administrative and Support Services
L-3 Unidyne, Inc.		Professional, Scientific, and Technical Services
Electronic Data Systems Corp.		Data Processing, Hosting, and Related Services
Coca-Cola Bottling Company		Beverage and Tobacco Product Manufacturing
Delphinus Engineering, Inc.		Professional, Scientific, and Technical Services
Harris Teeter Supermarket		Food and Beverage Stores
Allon Science & Technology Corporation		Professional, Scientific, and Technical Services
Personal Touch Home Care, Inc.		Ambulatory Health Care Services
Southwest Airlines		Air Transportation
St. Mary's Home for Disable, Inc.		Nursing and Residential Care Facilities

Source: Virginia Labor Market Information.

## **Military**

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

The military assigns to and reassigns from its various locations within the region ships, squadrons and personnel on a regular basis. Due to the ongoing military presence, the arrivals and departures from the region do not typically have a material impact on the economic condition of the City.

The Hampton Roads region is home to six aircraft carriers, including the Gerald R. Ford. While not a permanent homeporting, the Gerald R. Ford will be in the region for a few years due to schedule and maintenance requirements for the Navy bringing in more than 2,500 personnel to the region. The additional carrier joined the USS Dwight D. Eisenhower, USS John C. Stennis (currently undergoing overhaul at Newport News Shipbuilding), USS Harry S. Truman, USS George Washington and the USS George H.W. Bush at Naval Station Norfolk. In addition, the region is home port to approximately 65 ships and home to approximately 40 aircraft squadrons with about 75 homeported operating units in the City. The Navy recently announced a new, \$150 million training facility at Naval Station Norfolk called the Combined Integrated Air and Missile Defense and Anti-Submarine Warfare Trainer. The trainer simulates the ship's Combat Information Center for cruisers and destroyers, so sailors can replicate realistic and rigorous combat. It is the second one in the nation.

In 2018, the North Atlantic Treaty Organization ("NATO") approved the addition of two new Joint Force Commands one based in Norfolk, the other in Ulm, Germany. As part of NATO's defense readiness initiative, the new Joint Force Command Norfolk ("JFCNF") will ensure alliance maritime security in the Atlantic. In September 2020, Norfolk's Joint Force Command reached its initial operational capability, in reaching this goal the JFCNF commander determined that the force command is ready to take on initial tasking from NATO's operation headquarters in Europe, on behalf of the Alliance's 30 member nations. The command will plan, prepare and conduct operations across air, land and sea with the two centers employing more than 1,200 personnel.

According to the most recent data available to the City, the U.S. Navy's direct economic impact on the region was \$16 billion in fiscal year 2018, the most recent data available, comprised of a total annual payroll of \$11.7 billion and the balance consumed on goods and services and procurement contracts. The impact was an increase of nearly \$2 billion over the previous fiscal year. The region, and particularly the City, expect to continue as a center of activity for the U.S. Navy with current total personnel (military and civilian) of more than 71,200 with an additional 5,400 military contractor personnel.

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**APPENDIX A**

**CITY OF NORFOLK, VIRGINIA  
GENERAL PURPOSE FINANCIAL  
STATEMENTS FOR THE FISCAL YEAR  
ENDED JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Members of City Council  
City of Norfolk, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Members of City Council  
City of Norfolk, Virginia

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Members of City Council  
City of Norfolk, Virginia

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 22, 2019



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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**  
**(Unaudited)**





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**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the City's financial performance during the fiscal year that ended June 30, 2019. Readers are encouraged to read the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements which follows this section. The intent of this discussion and analysis is to provide a summarized view of the City's financial performance as a whole; readers should also review the basic financial statements and supporting notes to enhance their understanding of the City's financial performance.

**Financial Highlights**

- The assets and deferred outflows of resources of the City, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2019 by \$775,535,503 (net position). Of this amount, there is a negative unrestricted net position of \$6,723,779. Total net position increased by \$60,002,257 and unrestricted net position increased by \$3,111,281 from the prior fiscal year end.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$192,544,921, an increase of \$162,430,503 in comparison with the prior year. This increase was primarily attributable the issuance of bonds offset by the continuous usage of the City's line of credit for funding of capital projects. The City issued \$136,210,377 in general obligation bonds in fiscal year 2019.
- The General fund, on a current financial resources basis, reported an increase in fund balance of \$27,335,392 from the prior year.
- At the end of the current fiscal year, the total unassigned fund balance for the General fund was \$76,510,303 or 8.7 percent of the original General fund budget.
- The City's total outstanding bonded indebtedness decreased by \$84,762,851 during the current fiscal year primarily due to the pay down of the line of credit offset by the issuance of bonds.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

**Overview of the Financial Statements**

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

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

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

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

the City is financially accountable: Norfolk Public Schools ("School Board") and Norfolk Economic Development Authority ("EDA"). Financial information for these component units is reported separately from the financial information presented for the primary government and can be found on pages 72 - 73 of this report.

**Fund financial statements** – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the basic financial statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

The basic governmental fund financial statements can be found in pages 63 - 66 of this report.

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

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

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

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City had two internal service funds, Fleet Management and Healthcare during fiscal year 2019. The internal service funds are allocated to governmental activities at the entity wide level.

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

The basic proprietary fund financial statements can be found on pages 67 – 69 of this report.

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

The fiduciary fund financial statements can be found in pages 70 - 71 of this report.

**Notes to the financial statements** – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 77.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the General fund, the City's Net Pension Liability and other post-employment benefits to its employees. Required supplementary information can be found on pages 163 – 180 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 189 - 190 and 193 -195, respectively, of this report.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

**Government-Wide Financial Analysis**

Over time, net position may serve as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$775,535,503 at the close of fiscal year 2019.

By far, the largest portion of the City's net position, \$747,068,430 or 96.3 percent is its investment in capital assets (e.g., land, buildings, equipment, intangibles and infrastructure) less accumulated depreciation and amortization and less any related outstanding debt and deferred inflows and outflows of resources used to acquire those assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, approximately 4.5 percent represent resources that are subject to external restrictions on how they may be used. The negative balance of \$6,723,779 of unrestricted net position is due to the adoption of GASB 68 and GASB 75 and the recognition of the net pension liability to the City's employee retirement system and the Virginia retirement system and total OPEB liability.

**Summary of the City of Norfolk's Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 307,430,909	\$ 297,830,502	\$ 166,075,993	\$ 181,716,449	\$ 473,506,902	\$ 479,546,951
Capital Assets	1,212,050,208	1,208,714,466	1,019,926,618	1,014,922,454	2,231,976,826	2,223,636,920
Total Assets	1,519,481,117	1,506,544,968	1,186,002,611	1,196,638,903	2,705,483,728	2,730,183,871
Deferred Outflows of Resources	110,187,571	105,724,255	29,595,694	30,710,653	139,783,265	136,434,908
Total Assets and Deferred Outflows of Resources	\$ 1,629,668,688	\$ 1,612,269,223	\$ 1,215,598,305	\$ 1,227,349,556	\$ 2,845,266,993	\$ 2,839,618,779
Long-Term Liabilities	\$ 1,234,226,691	\$ 1,102,672,228	\$ 692,698,113	\$ 733,195,460	\$ 1,926,924,804	\$ 1,835,867,688
Other Liabilities	93,254,494	240,341,499	25,600,442	27,473,102	118,854,936	267,814,601
Total Liabilities	1,327,481,185	1,343,013,727	718,298,555	760,668,562	2,045,779,740	2,103,682,289
Deferred Inflows of Resources	22,603,373	19,250,936	1,348,377	1,152,308	23,951,750	20,403,244
Total Liabilities and Deferred Inflows of Resources	\$ 1,350,084,558	\$ 1,362,264,663	\$ 719,646,932	\$ 761,820,870	\$ 2,069,731,490	\$ 2,124,085,533
Net Position:						
Net Investment in Capital Assets	382,093,155	351,887,472	364,975,275	330,978,901	747,068,430	682,866,373
Restricted	6,689,562	6,485,061	28,501,290	36,016,872	35,190,852	42,501,933
Unrestricted	(109,198,587)	(108,367,973)	102,474,808	98,532,913	(6,723,779)	(9,835,060)
Total Net Position	\$ 279,584,130	\$ 250,004,560	\$ 495,951,373	\$ 465,528,686	\$ 775,535,503	\$ 715,533,246

For governmental activities, total net position increased by \$29,579,570 or 11.8 percent overall during the current fiscal year. Factors that contributed to the change in total governmental net position include a reduction in other liabilities primarily due to paying down the line of credit liability.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

For business-type activities, net position increased by \$30,422,687 or 6.5 percent during the fiscal year. Of this amount, an increase of \$23,186,067, \$10,014,851, and a decrease of \$2,778,231 are changes attributed to the Water Utility, Wastewater Utility and Parking Facilities funds, respectively. Overall revenues increased by \$28,009,070 compared to prior year due to increases in rates and consumption for Water and Wastewater Utilities funds, a large one-time contract renewal payment for the Water Utility fund and an increase in activity for Parking Facilities fund.

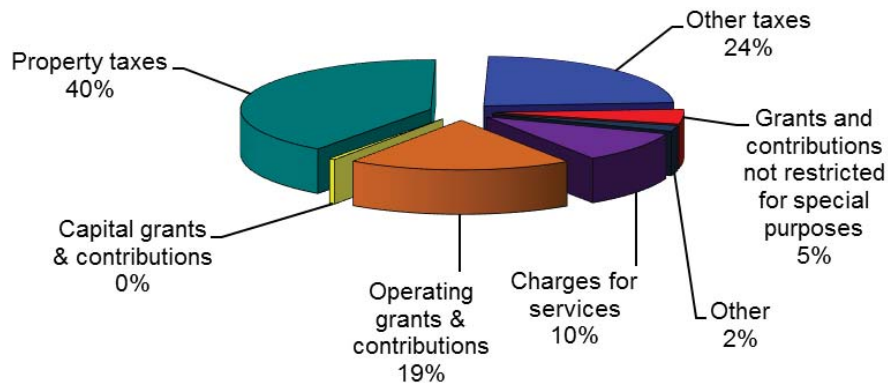
The following presents key programmatic and functional elements of changes in government-wide net position:

**Changes in the City of Norfolk's Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 75,887,233	\$ 73,176,531	\$ 165,092,161	\$ 139,291,143	\$ 240,979,394	\$ 212,467,674
Operating Grants & Contributions	142,804,187	151,518,592	-	-	142,804,187	151,518,592
Capital Grants & Contributions	3,806,128	11,954,157	380,664	144,186	4,186,792	12,098,343
General Revenues:						
Property Taxes	303,622,810	277,131,597	-	-	303,622,810	277,131,597
Other Taxes	177,263,305	174,138,870	-	-	177,263,305	174,138,870
Grants and Contributions not restricted for specific purposes	35,965,314	28,158,027	-	-	35,965,314	28,158,027
Other	13,889,588	31,459,597	4,791,650	2,820,076	18,681,238	34,279,673
<b>Total Revenues</b>	<b>753,238,565</b>	<b>747,537,371</b>	<b>170,264,475</b>	<b>142,255,405</b>	<b>923,503,040</b>	<b>889,792,776</b>
<b>Expenses:</b>						
General Government	157,320,255	152,832,372	-	-	157,320,255	152,832,372
Judicial Administration	46,124,063	57,118,257	-	-	46,124,063	57,118,257
Public Safety	138,889,690	160,378,339	-	-	138,889,690	160,378,339
Public Works	66,078,582	69,193,737	-	-	66,078,582	69,193,737
Health and Public Assistance	91,735,421	87,826,832	-	-	91,735,421	87,826,832
Culture and Recreation	58,961,688	46,798,591	-	-	58,961,688	46,798,591
Community Development	29,381,236	23,320,454	-	-	29,381,236	23,320,454
Education	136,659,606	131,136,839	-	-	136,659,606	131,136,839
Interest on Long-Term Debt	28,817,125	24,965,263	-	-	28,817,125	24,965,263
Water Utility	-	-	63,966,663	61,275,639	63,966,663	61,275,639
Wastewater Utility	-	-	20,201,303	21,011,809	20,201,303	21,011,809
Parking Facilities	-	-	25,365,151	23,083,990	25,365,151	23,083,990
<b>Total Expenses</b>	<b>753,967,666</b>	<b>753,570,684</b>	<b>109,533,117</b>	<b>105,371,438</b>	<b>863,500,783</b>	<b>858,942,122</b>
Increase (decrease) in Net Position before Transfers	(729,101)	(6,033,313)	60,731,358	36,883,967	60,002,257	30,850,654
Transfers	30,308,671	10,000,000	(30,308,671)	(10,000,000)	-	-
<b>Increase (decrease) in Net Position</b>	<b>29,579,570</b>	<b>3,966,687</b>	<b>30,422,687</b>	<b>26,883,967</b>	<b>60,002,257</b>	<b>30,850,654</b>
Net Position Beginning of Year, Restated	250,004,560	246,037,873	465,528,686	438,644,719	715,533,246	684,682,592
<b>Net Position End of Year</b>	<b>\$ 279,584,130</b>	<b>\$ 250,004,560</b>	<b>\$ 495,951,373</b>	<b>\$ 465,528,686</b>	<b>\$ 775,535,503</b>	<b>\$ 715,533,246</b>

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

**Governmental Activities: Revenues by Source**



**Governmental Activities** – The City's total revenues from governmental activities were \$753,238,565 for the fiscal year that ended June 30, 2019. The largest sources of revenue for the City are property taxes and other taxes which comprise 60 percent of total governmental revenues. Revenues from property taxes, which are comprised of personal and real estate taxes, increased by \$26,491,213 compared to prior year. The real estate (general tax) tax rate for fiscal year 2019 was \$1.25 per \$100 of assessed value which had previously changed to set aside \$0.02 for school construction technology and infrastructure spending. Revenues from other taxes increased by \$3,124,435 or 1.8 percent in comparison to the prior year. Other taxes include sales & use, consumers' utility, restaurant food, business license and hotel/motel taxes.

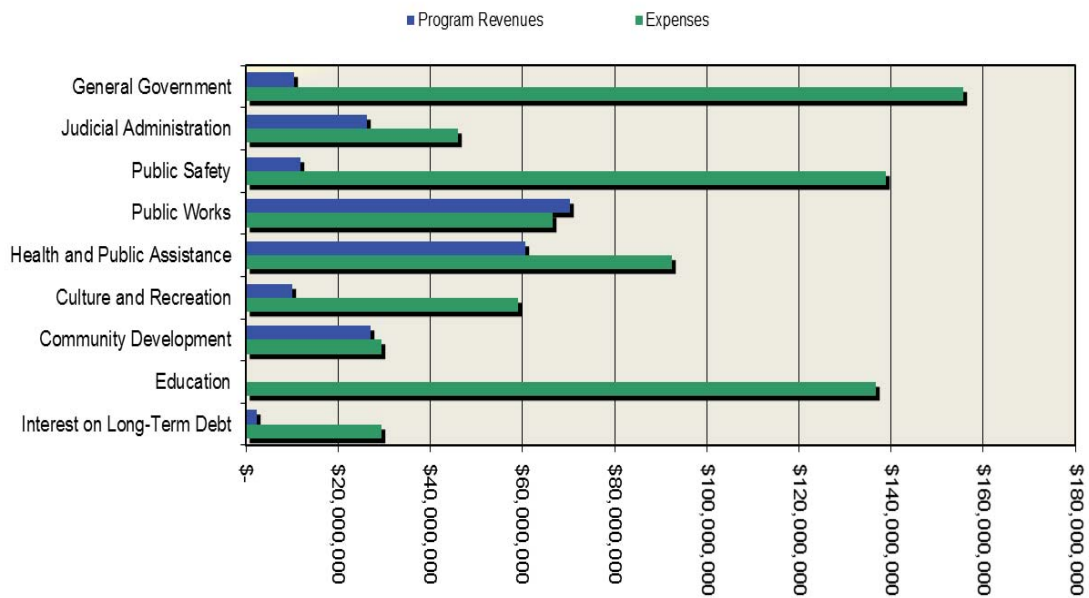
Operating grants and contributions for governmental activities ended the fiscal year at \$142,804,187 which represents a decrease of approximately 5.8 percent from the prior year. For the 2019 fiscal year, there was \$35,965,314 in grants and contributions not restricted for specific programs which represents an increase of approximately 27.8 percent from the prior year. Other revenue decreased by \$17,570,009 in comparison to prior year.

The City's expenses for governmental activities cover a wide array of services, with \$138,889,690 or 18.4 percent related to public safety, \$157,320,255 or 20.9 percent related to general government and \$136,659,606 or 18.1 percent for education, (including payments to the School Board, a component unit). Overall, expenses for governmental activities increased by 0.1 percent primarily due to cost of living increases.

Depreciation expense for governmental activities of \$49,518,810 was recorded.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

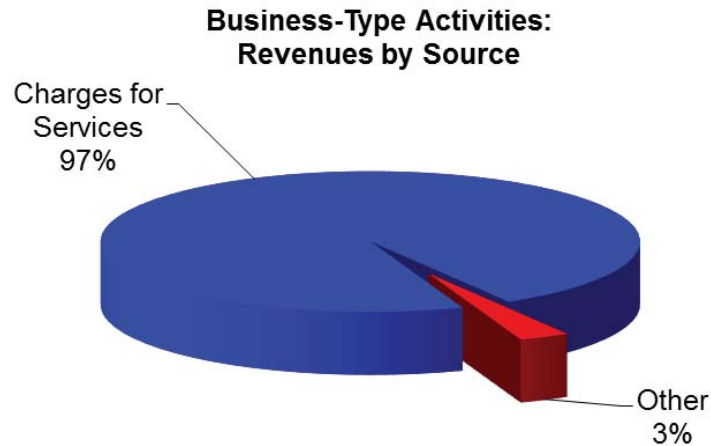
**Governmental Activities**  
**Expenses and Program Revenues**



**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

**Business-type Activities** – Business-type activities increased the City's net position by \$30,422,687. Key elements of this change are as follows:

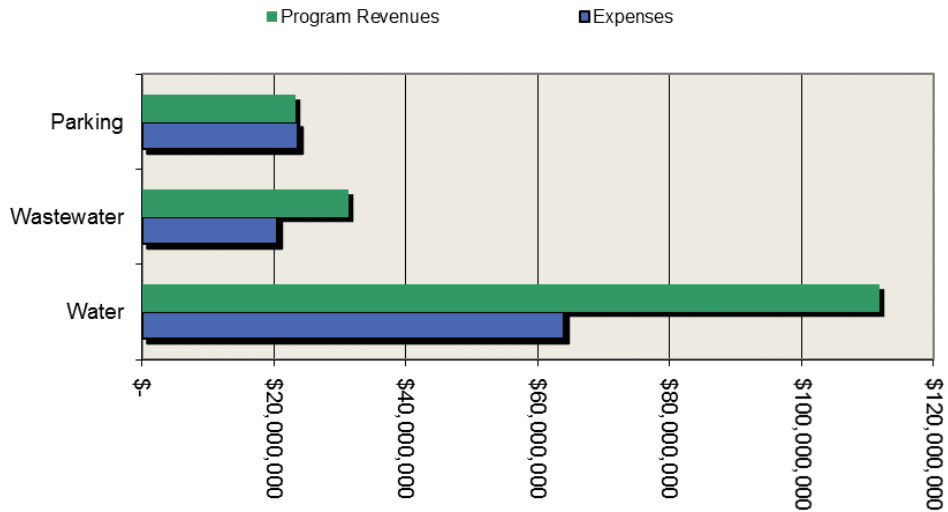
- Revenue from charges for services for business-type activities increased by 19.1 percent. Water Utility charges for services increased \$24,604,084 and Wastewater Utility charges for services increased \$1,021,380.
- Parking Facilities revenues increased \$175,554 or 0.8 percent from the prior year.



Total operating expenses for business-type activities increased overall by \$3,528,793 or 4.0 percent. The Water Utility fund's expenses increased by 2,232,838. The Wastewater Utility fund's expenses increased by \$241,402. The Parking Facilities fund's expenses increased by \$963,553.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

**Business Type Activities -  
Expenses and Program Revenues**



**Financial Analysis of the Government's Funds**

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

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$192,544,921, an increase of \$162,430,503 over the prior year due to the issuance of \$136,210,377 in general obligation bonds and an increase in "transfers in" from one of the City's proprietary funds resulting from of a one-time contract payment of \$20,000,000 from an external customer. Of the total ending fund balance, \$6,689,562 is restricted. The restricted fund balance is that portion of fund

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

balance that can only be spent for the specific purposes as stipulated by a third party or legislation. Funds that typically fall in this category are federal and state awards/grants, as well as certain tax dollars levied for specific purposes. Committed fund balance is \$21,841,997 of total ending fund balance and represents amounts within fund balance that have been designated for a specific purpose by City Council. Included in this classification are amounts designated by City Council for the City's self-insured workers' compensation and general liability programs. Assigned fund balance is \$87,569,167 of total ending fund balance and represents funds intended to be used by the City for specific purposes. Encumbrances that are not considered committed are included in this classification. The remaining \$76,444,195 of ending fund balance in the City's governmental funds is available for spending at the government's discretion and is classified as unassigned.

The City's primary governmental fund is its General fund. As a matter of fiscal policy, the City's unassigned fund balance is targeted to be no less than ten percent of the combination of general fund operation expenditures and transfers out, which was \$65,788,060 for fiscal year 2019.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues over projections by \$17,132,008. Total expenditures were less than appropriations by \$27,951,001.

The general fund experienced an overall increase in revenue of \$30,840,650 or 5.1 percent over the prior year. Overall expenditures increased by \$15,919,882 or 3.0 percent from fiscal year 2019. General fund financial and budget highlights of the 2019 fiscal year include:

- General property tax revenues increased by \$25,221,807 or 9.5 percent;
- Other local tax revenues increased by \$2,889,654 or 1.8 percent;
- General government expenditures increased by \$6,375,186 or 5.4 percent; and
- Education expenditures increased by \$2,000,000 or 1.7 percent.
- The Department of Fire and Rescue exceeded its expenditure budget by \$873,103 or 1.9 percent as a result of increases in overtime due to staffing shortages during the year.

The City spent \$43,183,971 from the Capital Projects fund to support major capital projects, including construction of the second phase of the new courthouse, a new school, repairs to City and School buildings, infrastructure and neighborhood improvements. The fund had a total fund balance \$4,104,634. In fiscal year 2019, the City issued bonds, but also used cash on hand and a line of credit to fund these expenditures.

The Debt Service fund did not have any assets, liabilities or net position at fiscal year-end. During the year bonds were issued to refund existing debt and new debt was also

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

issued. Additionally, a net \$146,553,635 was repaid to the line of credit established for flexible, interim financing for the management of capital projects for governmental and business-type funds.

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

**Capital Asset and Debt Administration**

**Capital Assets** – The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2019, totaled \$747,068,430. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water/sewer systems, etc.), machinery, equipment, intangibles and construction in progress, net of the debt outstanding that was used to finance the assets. Infrastructure assets represent 17.0 percent of total general governmental assets.

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

- \$7.1 million in improvements to various civic facilities;
- \$3.6 million in improvements to various cultural facilities;
- \$2.8 million in improvements to neighborhood streets throughout the City; and
- \$5.3 million for new school construction.

Construction in progress totaled \$87.8 million for governmental activities at the end of the fiscal year. Construction in progress totaled \$38.2 million for business-type activities, which includes Water Utility, Wastewater Utility and Parking Facilities projects.

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

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 104,795,532	\$ 99,348,960	\$ 52,123,178	\$ 52,119,012	\$ 156,918,710	\$ 151,467,972
Buildings, equipment and vehicles	728,791,909	737,437,422	909,917,238	901,129,087	1,638,709,147	1,638,566,509
Improvements other than buildings	83,782,338	80,141,523	14,242,510	14,647,761	98,024,848	94,789,284
Construction in progress	87,840,303	89,634,487	38,158,785	43,166,572	125,999,088	132,801,059
Intangible assets	449,553	582,199	5,484,907	3,860,022	5,934,460	4,442,221
Infrastructure	206,390,573	201,569,875	-	-	206,390,573	201,569,875
Total	\$ 1,212,050,208	\$ 1,208,714,466	\$ 1,019,926,618	\$ 1,014,922,454	\$ 2,231,976,826	\$ 2,223,636,920

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

Additional information on the City's capital assets can be found in Note VI on pages 98 - 100 of this report.

**Long-term Debt** – At June 30, 2019, the City (including the enterprise funds) had total bonded debt outstanding of \$1,369,655,020. Of this amount, \$973,735,281 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

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

**City of Norfolk's Bonded Debt**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 751,911,783	\$ 656,212,948	\$ 202,803,498	\$ 242,888,532	\$ 954,715,281	\$ 899,101,480
Line of Credit	9,800,000	156,573,635	9,220,000	10,000,000	19,020,000	166,573,635
Revenue bonds	-	-	395,919,739	388,742,756	395,919,739	388,742,756
Total	<u>\$ 761,711,783</u>	<u>\$ 812,786,583</u>	<u>\$ 607,943,237</u>	<u>\$ 641,631,288</u>	<u>\$ 1,369,655,020</u>	<u>\$ 1,454,417,871</u>

The City's total debt outstanding decreased by \$84,762,851 or 5.8 percent during the fiscal year.

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

- Debt service as a percent of the General Fund Budget will not exceed 10 percent; and
- Net debt as a percent of taxable property will not exceed 3.5 percent.

Business-type activities debt practices are governed by revenue bond indentures in addition to various rate affordability measures.

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

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

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

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

The Commonwealth of Virginia imposes a constitutional statutes limit for the amount of general obligation debt the City may issue up to 10 percent of its total assessed valuation. The City's general obligation debt outstanding is significantly below the City's current debt limitation of \$2,034,460,380.

Additional information on the City's long-term debt can be found in Note IX on pages 105 - 112 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The City has shown signs of rebounding from the recession. Real estate assessments which drive the City's largest locally generated revenue is projected to rise for the seventh straight year with fiscal year 2020 bringing the largest growth since fiscal year 2009. Residential assessments which make up the majority of overall real estate assessments are projected to rise for the sixth straight year as the housing market continues to recover. Significant economic development as a result of the City's public-private partnerships are also beginning to come to fruition and are expected to generate new jobs and tax revenue. Considering the effects of the national, state and local economic conditions, the City has taken a diversified approach that analyzes ways to raise revenues, reduce expenditures, become more efficient, grow the economy, share services, and leverage resources to develop the fiscal year 2020 budget as in prior years.
- Taxable real estate assessments are projected to rise in the 2020 fiscal year by 3.7 percent.
- The following reflects major other tax change projections in comparison to the fiscal year 2020 budget:
  - Hotel taxes – 11.6 percent increase;
  - Restaurant food taxes – 3.2 percent increase; and
  - Personal property taxes – 2.0 percent increase.
- Rate increases for the Storm Water, Water Utility and Wastewater Utility funds continue to provide necessary funding to finance capital improvements.

All of these factors were considered in preparing the City's budget for fiscal year 2020. The fiscal year 2020 operating budget includes transfers in from non-general funds of approximately \$19.9 million and carrying forward prior year unspent appropriations and closeout of accounts totaling approximately \$5.3 million.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

The following table represents changes in the Storm Water, Waste Management, Wastewater and Water Utility fees implemented with the City's fiscal year 2020 budget.

Description	FY 2020 Approved	FY 2019 Approved
Stormwater Fees – Residential	\$12.05/month	\$11.70/month
Stormwater Fees – Commercial	\$12.05/month per 2,000 sq. ft.	\$8.38/month per 2,000 sq. ft.
Wastewater Fees	\$4.47/100 cubic feet	\$4.30/100 cubic feet
Water Fees	\$5.29/100 cubic feet	\$5.11/100 cubic feet
Refuse Disposal – Residential Single or Multiple Units (4 or less)	\$27.01/unit/month	\$25.01/unit/month
Refuse Disposal – Residential Multiple Units (5 or more)	\$45.94/container/month	\$43.94/container/month
Refuse Disposal – Commercial Business once per week	\$61.18/unit/month	\$61.18/unit/month
Refuse Disposal – Commercial Business 5 times per week	\$151.64/unit/month	\$151.64/unit/month
Refuse Disposal – Commercial Combined Commercial and Residential	\$88.19/unit/month	\$86.19/unit/month

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

**Requests for Information**

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

# **BASIC FINANCIAL STATEMENTS**





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## CITY OF NORFOLK, VIRGINIA

Exhibit 1

Statement of Net Position  
June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and short-term investments	\$ 195,334,675	\$ 124,388,040	\$ 319,722,715	\$ 37,357,970
Receivables, net:				
Taxes	44,169,327	-	44,169,327	-
Accounts	15,466,897	21,400,168	36,867,065	9,832,824
Notes	-	-	-	287,505
Accrued investment income	234,253	192,562	426,815	-
Internal balances	15,604,216	(15,604,216)	-	-
Due from other governments	35,558,756	-	35,558,756	26,864,071
Due from primary government	-	-	-	2,642,563
Due from component unit	-	-	-	-
Due from other fiduciary funds	-	-	-	-
Inventories	-	3,156,124	3,156,124	1,498,511
Deposits	175,000	-	175,000	-
Property held for resale	-	-	-	832,952
Prepaid items	887,785	734,058	1,621,843	2,424,138
Restricted cash and investments	-	31,809,257	31,809,257	2,041,287
Non-depreciable capital assets	192,700,849	94,898,008	287,598,857	2,402,823
Depreciable capital assets, net	1,019,349,359	925,028,610	1,944,377,969	29,440,145
Total assets	<u>\$ 1,519,481,117</u>	<u>\$ 1,186,002,611</u>	<u>\$ 2,705,483,728</u>	<u>\$ 115,624,789</u>
<b>Deferred outflows of resources</b>				
Related to pensions	\$ 82,467,439	\$ 7,558,273	\$ 90,025,712	\$ 35,423,357
Related to OPEB	6,381,704	504,984	6,886,688	11,360,041
Loss on defeasance of bonds	21,338,428	21,532,437	42,870,865	-
Total deferred outflow of resources	<u>110,187,571</u>	<u>29,595,694</u>	<u>139,783,265</u>	<u>46,783,398</u>
<b>Total assets and deferred outflows of resources</b>	<u><b>\$ 1,629,668,688</b></u>	<u><b>\$ 1,215,598,305</b></u>	<u><b>\$ 2,845,266,993</b></u>	<u><b>\$ 162,408,187</b></u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 31,358,043	\$ 7,762,492	\$ 39,120,535	\$ 3,857,539
Employees withholdings	714	-	714	-
Contract retainage	7,060,393	970,127	8,030,520	5,181
Accrued interest	10,070,026	5,361,240	15,431,266	-
Accrued payroll	4,858,808	391,317	5,250,125	34,599,129
Accrued expenses	-	-	-	-
Due to other agencies	-	-	-	-
Internal balances	-	-	-	-
Due to other governments	8,510,438	-	8,510,438	4,315,220
Due to primary government	-	-	-	319,367
Due to component unit	1,427,739	-	1,427,739	-
Unearned revenue	10,733,264	-	10,733,264	649,904
Other current liabilities	9,435,067	1,895,266	11,330,333	602,724
Line of credit	9,800,000	9,220,000	19,020,000	-
Long-term liabilities:				
Due within one year	71,072,971	31,201,497	102,274,468	8,075,726
Due in more than one year	813,503,335	631,564,459	1,445,067,794	21,679,689
Net pension liability	285,883,476	26,779,104	312,662,580	267,206,011
Net OPEB liability	63,766,911	3,153,053	66,919,964	93,839,838
Total liabilities	<u>\$ 1,327,481,185</u>	<u>\$ 718,298,555</u>	<u>\$ 2,045,779,740</u>	<u>\$ 436,603,682</u>
<b>Deferred inflows of resources</b>				
Related to pensions	\$ 8,664,235	\$ 1,049,701	\$ 9,713,936	\$ 53,167,336
Related to OPEB	13,767,396	284,349	14,051,745	16,889,577
Gain on defeasance of bonds	171,742	14,327	186,069	-
Total deferred inflows of resources	<u>22,603,373</u>	<u>1,348,377</u>	<u>23,951,750</u>	<u>70,056,913</u>
<b>Total liabilities and deferred inflows of resources</b>	<u><b>\$ 1,350,084,558</b></u>	<u><b>\$ 719,646,932</b></u>	<u><b>\$ 2,069,731,490</b></u>	<u><b>\$ 506,660,595</b></u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 382,093,155	\$ 364,975,275	\$ 747,068,430	\$ 15,522,968
Restricted for:				
Endowed care - nonexpendable	5,797,777	-	5,797,777	-
General government	135,000	-	135,000	-
Judicial administration	30,576	-	30,576	-
Public safety	552,485	-	552,485	-
Health and public assistance	-	-	-	-
Culture and recreation	159,351	-	159,351	-
Community development	12,506	-	12,506	-
Public works	1,867	-	1,867	-
Capital projects	-	-	-	1,697,768
Water utility	-	25,221,583	25,221,583	-
Wastewater utility	-	-	-	-
Parking fund	-	3,279,707	3,279,707	-
Other Programs	-	-	-	11,443,314
Unrestricted	(109,198,587)	102,474,808	(6,723,779)	(372,916,458)
Total net position (deficit)	<u>\$ 279,584,130</u>	<u>\$ 495,951,373</u>	<u>\$ 775,535,503</u>	<u>\$ (344,252,408)</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u><b>\$ 1,629,668,688</b></u>	<u><b>\$ 1,215,598,305</b></u>	<u><b>\$ 2,845,266,993</b></u>	<u><b>\$ 162,408,187</b></u>

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

CITY OF NORFOLK, VIRGINIA

Exhibit 2

Statement of Activities  
For the Year Ending June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities
						Total
<b>Primary government:</b>						
<b>Governmental activities:</b>						
General government	\$ 157,320,255	\$ 7,267,157	\$ 3,109,052	\$ -	\$ (146,944,046)	\$ -
Judicial administration	46,124,063	2,395,854	23,877,928	-	(19,850,281)	-
Public safety	138,889,690	8,503,707	3,258,247	-	(127,127,736)	-
Public works	66,078,592	40,168,620	30,053,912	3,806,128	7,950,078	-
Health and public assistance	91,735,421	5,498,189	55,209,429	-	(31,027,803)	-
Culture and recreation	59,961,688	9,809,910	240,544	-	(48,911,234)	-
Community development	29,381,236	2,243,796	24,774,218	-	(2,363,222)	-
Education	136,659,606	-	-	-	(136,659,606)	-
Interest on long-term debt	28,817,125	-	2,280,857	-	(26,536,268)	-
Total governmental activities	753,967,666	75,887,233	142,804,187	3,806,128	(531,470,118)	-
<b>Business-type activities:</b>						
Water utility	63,966,663	111,545,952	-	380,664	-	47,959,953
Wastewater utility	20,201,303	31,222,044	-	-	-	11,020,741
Parking facilities	25,365,151	22,324,165	-	-	-	(3,040,986)
Total business-type activities	109,533,117	165,092,161	-	380,664	-	55,939,708
Total primary government	\$ 863,500,783	\$ 240,979,394	\$ 142,804,187	\$ 4,186,792	\$ (531,470,118)	\$ (475,530,410)
<b>Component units:</b>						
Norfolk Public Schools	\$ 350,828,821	\$ 3,336,791	\$ 219,201,991	\$ 2,925,520	-	\$ (125,364,519)
Norfolk Economic Development Authority	4,139,637	503,887	-	-	-	(3,635,750)
Total component units	\$ 354,968,458	\$ 3,840,678	\$ 219,201,991	\$ 2,925,520	-	(129,000,269)
<b>General revenues:</b>						
<b>Taxes:</b>						
General property taxes - real estate and personal property					303,622,810	-
Consumption utility taxes					39,946,629	-
Sales and use taxes					33,258,839	-
Restaurant food taxes					39,209,550	-
Business license taxes					29,929,232	-
Hotel/Motel taxes					11,794,011	-
Cigarette taxes					7,889,222	-
Admissions taxes					4,368,982	-
Motor vehicle licenses					4,902,594	-
Franchise, recordation and other miscellaneous local taxes					5,984,246	-
Use of money and property					1,212,247	3,351,883
Gain on investment					-	45,925
Grants and contributions not restricted to specific programs					35,965,314	-
Miscellaneous					12,677,341	688,351
Commonwealth of Virginia					-	33,974,859
Payment from Primary Government					-	127,480,277
Transfers					-	-
Total general revenues and transfers					30,308,671	-
Changes in net position					(25,517,021)	535,532,667
Net position (deficit) - beginning					250,004,560	60,002,257
Net position (deficit) - ending					\$ 279,584,130	\$ 715,533,246
						\$ (344,252,408)

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

**CITY OF NORFOLK, VIRGINIA**  
**Balance Sheet - Governmental Funds**  
**June 30, 2019**

**Exhibit A-1**

	Major Funds			Nonmajor	Total
	General	Capital	Debt	Governmental	Governmental
	Fund	Projects	Service	Funds	Funds
<b>ASSETS</b>					
Cash and short-term investments	\$ 129,155,100	\$ 15,288,116	\$ -	\$ 37,260,149	\$ 181,703,365
Receivables, net:					
Taxes	43,374,919	-	-	785,003	44,159,922
Accounts	5,316,485	-	-	6,126,159	11,442,644
Accrued investment income	187,263	40,698	-	6,292	234,253
Due from other funds	6,386,604	15,468,939	-	58,093	21,913,636
Due from other governments	23,374,941	848,041	-	10,612,618	34,835,600
Due from Other Agencies	-	-	-	-	-
Deposits	-	175,000	-	-	175,000
Prepaid items	44,726	-	-	-	44,726
Total assets	<u>\$ 207,840,038</u>	<u>\$ 31,820,794</u>	<u>\$ -</u>	<u>\$ 54,848,314</u>	<u>\$ 294,509,146</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>					
Vouchers payable	\$ 20,506,113	\$ 4,112,618	\$ -	\$ 5,122,903	\$ 29,741,634
Employee withholdings	472,283	-	-	-	472,283
Contract retainage	18,253	6,988,446	-	53,694	7,060,393
Accrued payroll	4,455,744	-	-	360,690	4,816,434
Notes payable	-	9,800,000	-	-	9,800,000
Due to other funds	47,672	5,387,357	-	874,391	6,309,420
Due to other governments	36,253	-	-	-	36,253
Due to component unit	-	1,427,739	-	-	1,427,739
Unearned revenue	-	-	-	8,474,185	8,474,185
Other liabilities	1,258,136	-	-	53,258	1,311,394
Total liabilities	<u>26,794,454</u>	<u>27,716,160</u>	<u>-</u>	<u>14,939,121</u>	<u>69,449,735</u>
<b>Deferred Inflow of Resources</b>					
Revenues' levied for the next year and unavailable revenue	<u>29,137,828</u>	<u>-</u>	<u>-</u>	<u>3,376,662</u>	<u>32,514,490</u>
<b>FUND BALANCES</b>					
Restricted	135,000	-	-	6,554,562	6,689,562
Committed	10,032,013	4,104,634	-	7,705,350	21,841,997
Assigned	65,230,440	-	-	22,338,727	87,569,167
Unassigned	76,510,303	-	-	(66,108)	76,444,195
Total fund balances (deficit)	<u>151,907,756</u>	<u>4,104,634</u>	<u>-</u>	<u>36,532,531</u>	<u>192,544,921</u>
Total liabilities and fund balances	<u>\$ 207,840,038</u>	<u>\$ 31,820,794</u>	<u>\$ -</u>	<u>\$ 54,848,314</u>	<u>\$ 294,509,146</u>

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

**CITY OF NORFOLK, VIRGINIA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2019**

**Exhibit A-2**

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Fund balances - total governmental funds	\$	192,544,921
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Amounts reported for governmental activities in the Statement of  
Net Position are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported  
in the funds:

Gross capital assets at historical cost	2,854,994,247	
Accumulated depreciation	(1,646,051,669)	
		1,208,942,578

Recognition of deferred inflows as revenue in government wide statements		28,918,990
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Other long-term assets are not available to pay for  
current-period expenditures and therefore are  
deferred in the funds:

Deferred inflows related to pensions		(8,591,461)
Deferred outflows related to pensions		81,461,261
Deferred inflows related to OPEB		(13,731,377)
Deferred outflows related to OPEB		6,318,792
Loss on defeasance		21,338,428
Gain on defeasance		(171,742)

Long-term liabilities, including bonds payable, are not  
due and payable in the current period and therefore  
are not reported in the funds:

Bonds payable	(751,911,783)	
Unamortized bond premium	(79,925,621)	
Net pension liability	(282,515,827)	
Other post-employment benefits	(63,370,395)	
Compensated absences	(19,477,258)	
Workers' compensation and claims liability	(30,208,137)	
Prepaid debt service	843,059	
Other	(2,771,614)	
Accrued interest payable	(10,070,026)	
		(1,239,407,602)

Internal service funds		1,238,186
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Receivable for Build America Bonds - interest rate subsidy		723,156
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Net position of governmental activities	\$	279,584,130
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The accompanying notes are an integral part of the basic financial statements.

**CITY OF NORFOLK, VIRGINIA**

**Exhibit A-3**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ending June 30, 2019**

	<b>Major Funds</b>			<b>Nonmajor Governmental</b>	<b>Total Governmental</b>
	<b>General Fund</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Funds</b>	<b>Funds</b>
<b>REVENUES</b>					
General property taxes	\$ 297,514,769	\$ -	\$ -	\$ 5,855,000	\$ 303,369,769
Other local taxes	166,543,602	-	-	10,719,703	177,263,305
Permits and licenses	4,117,711	-	-	-	4,117,711
Fines and forfeitures	1,026,622	-	-	700	1,027,322
Use of money and property	9,870,335	1,082,364	-	144,883	11,097,582
Charges for services	20,825,291	-	-	40,080,130	60,905,421
Miscellaneous	8,610,224	9,370	-	2,667,642	11,287,236
Intergovernmental	136,264,389	3,806,128	-	41,952,237	182,022,754
Total revenues	<u>644,772,943</u>	<u>4,897,862</u>	<u>-</u>	<u>101,420,295</u>	<u>751,091,100</u>
<b>EXPENDITURES</b>					
Current operating:					
General government	133,760,262	-	-	3,226,788	136,987,050
Judicial administration	42,543,907	-	-	3,370,581	45,914,488
Public safety	119,238,659	-	-	8,370,993	127,609,652
Public works	26,553,243	-	-	35,957,590	62,510,833
Health and public assistance	69,052,789	-	-	18,501,112	87,553,901
Culture and recreation	43,178,862	-	-	2,220,354	45,399,216
Community development	16,506,700	-	-	11,705,585	28,212,285
Education	122,971,922	-	-	-	122,971,922
Debt service:					
Principal	-	-	49,121,542	-	49,121,542
Interest and other charges	-	-	32,211,611	-	32,211,611
Debt issuance costs	699,530	1,123,933	-	-	1,823,463
Capital outlay	5,500,000	43,183,971	-	1,106,077	49,790,048
Total expenditures	<u>580,005,874</u>	<u>44,307,904</u>	<u>81,333,153</u>	<u>84,459,080</u>	<u>790,106,011</u>
Excess (deficiency) of revenues over expenditures	<u>64,767,069</u>	<u>(39,410,042)</u>	<u>(81,333,153)</u>	<u>16,961,215</u>	<u>(39,014,911)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of refunding bonds	-	-	-	-	-
Issuance of debt	-	144,820,377	-	-	144,820,377
Proceeds sale of capital assets	1,377,711	-	-	-	1,377,711
Payment to bond refunding escrow agent	-	-	-	-	-
Premium on bonds	-	24,938,655	-	-	24,938,655
Transfers in	39,065,338	4,129,134	81,333,153	4,381,968	128,909,593
Transfers out	<u>(77,874,726)</u>	<u>(1,574,798)</u>	<u>-</u>	<u>(19,151,398)</u>	<u>(98,600,922)</u>
Total other financing sources and uses	<u>(37,431,677)</u>	<u>172,313,368</u>	<u>81,333,153</u>	<u>(14,769,430)</u>	<u>201,445,414</u>
Net changes in fund balances	<u>27,335,392</u>	<u>132,903,326</u>	<u>-</u>	<u>2,191,785</u>	<u>162,430,503</u>
Fund balances - beginning	124,572,364	(128,798,692)	-	34,340,746	30,114,418
Fund balances - ending	<u>\$ 151,907,756</u>	<u>\$ 4,104,634</u>	<u>\$ -</u>	<u>\$ 36,532,531</u>	<u>\$ 192,544,921</u>

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

# CITY OF NORFOLK, VIRGINIA

Exhibit A-4

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ending June 30, 2019

Net change in fund balances--total governmental funds		\$ 162,430,503
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset.		
	Add capital acquisitions	52,884,996
	Subtract disposals	(192,153)
	Subtract depreciation expense	<u>(49,243,253)</u>
		3,449,590
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.		(153,716)
Bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
	Less debt issued	(144,820,377)
	Add debt repayment	49,121,542
	Premium on bond sale	(24,938,655)
	Loss on defeasance of debt	(2,300,309)
	Gain on defeasance of debt	27,616
	Amortization of premiums, gains and losses	<u>8,980,153</u>
		(113,930,030)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	Change in non-capital long-term liabilities (Note VIII)	
	Compensated absences	(25,752)
	Retires life insurance	10,000
	Net OPEB Liability, Net of changes in deferred inflows and outflows	(2,193,958)
	Unpaid claims	1,408,363
	Prepaid debt service	(986,072)
	Landfill closure	(59,557)
	Net Pension Liability, Net of changes in deferred inflows and outflows	(15,388,567)
	Accrued interest payable	<u>51,045</u>
		(17,184,498)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the Internal Service funds is reported with governmental activity.		(4,998,964)
Adjustment for federal interest rate subsidy		(33,315)
Change in net position of governmental activities		<u><u>\$ 29,579,570</u></u>

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

## CITY OF NORFOLK, VIRGINIA

Exhibit B-1

Statement of Fund Net Position - Proprietary Funds  
June 30, 2019

	Business-Type Activities				Governmental Activities- Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Total	
<b>ASSETS</b>					
Current assets:					
Cash and short-term investments	\$ 73,954,052	\$ 23,496,860	\$ 26,937,128	\$ 124,388,040	\$ 13,631,310
Restricted short-term investments	-	1,318	-	1,318	-
Receivables, net					
Accounts	9,610,349	3,141,305	1,554,336	14,305,990	4,033,658
Unbilled accounts	5,105,268	1,512,301	476,609	7,094,178	-
Accrued investment income	156,706	15,734	20,122	192,562	-
Internal balances	-	-	-	-	-
Inventories	3,127,445	28,679	-	3,156,124	-
Prepaid Expenses	66,489	667,569	-	734,058	-
Restricted cash and investments	25,221,583	-	6,586,356	31,807,939	-
Total current assets	<u>117,241,892</u>	<u>28,863,766</u>	<u>35,574,551</u>	<u>181,680,209</u>	<u>17,664,968</u>
Noncurrent assets:					
Capital assets:					
Non-depreciable capital assets	34,558,742	22,882,770	37,456,496	94,898,008	415,000
Depreciable capital assets	804,358,131	358,185,263	231,511,593	1,394,054,987	11,048,426
Accumulated depreciation	(268,601,855)	(101,033,376)	(99,391,146)	(469,026,377)	(8,355,795)
Capital assets, net	<u>570,315,018</u>	<u>280,034,657</u>	<u>169,576,943</u>	<u>1,019,926,618</u>	<u>3,107,631</u>
Total assets	<u>\$ 687,556,910</u>	<u>\$ 308,898,423</u>	<u>\$ 205,151,494</u>	<u>\$ 1,201,606,827</u>	<u>\$ 20,772,599</u>
Deferred outflows of resources					
Related to pensions	5,114,211	1,452,215	991,847	7,558,273	1,006,178
Related to OPEB	343,409	98,644	62,931	504,984	62,912
Loss on defeasance of bonds	12,306,829	2,878,571	6,347,037	21,532,437	-
Total deferred outflows	<u>\$ 17,764,449</u>	<u>\$ 4,429,430</u>	<u>\$ 7,401,815</u>	<u>\$ 29,595,694</u>	<u>\$ 1,069,090</u>
Total assets and deferred outflows of resources	<u>\$ 705,321,359</u>	<u>\$ 313,327,853</u>	<u>\$ 212,553,309</u>	<u>\$ 1,231,202,521</u>	<u>\$ 21,841,689</u>
<b>LIABILITIES</b>					
Current liabilities:					
Vouchers payable	\$ 4,884,573	\$ 2,525,190	\$ 352,729	\$ 7,762,492	\$ 1,628,813
Contract retainage	362,248	576,984	30,895	970,127	-
Accrued interest	2,550,839	783,510	2,026,891	5,361,240	-
Accrued payroll	255,552	82,405	53,360	391,317	43,411
Internal balances	397,127	-	15,207,089	15,604,216	-
Unearned Revenue	-	-	-	-	7,137,764
Current portion of bonds payable	13,830,000	11,869,395	4,543,127	30,242,522	-
Notes Payable	-	-	9,220,000	9,220,000	-
Compensated absences	689,027	198,237	71,711	958,975	157,021
Other current liabilities	517,793	212,460	1,165,013	1,895,266	7,651,066
Total current liabilities	<u>23,487,159</u>	<u>16,248,181</u>	<u>32,670,815</u>	<u>72,406,155</u>	<u>16,618,075</u>
Noncurrent liabilities:					
General obligation bonds payable	-	72,150,516	135,753,966	207,904,482	-
Revenue bonds payable	343,176,644	79,837,441	-	423,014,085	-
Net pension liability	18,292,798	5,280,218	3,206,088	26,779,104	3,367,649
Net OPEB liability	2,153,843	621,729	377,481	3,153,053	396,514
Compensated absences	396,347	143,131	106,414	645,892	112,472
Total noncurrent liabilities	<u>364,019,632</u>	<u>158,033,035</u>	<u>139,443,949</u>	<u>661,496,616</u>	<u>3,876,635</u>
Total liabilities	<u>\$ 387,506,791</u>	<u>\$ 174,281,216</u>	<u>\$ 172,114,764</u>	<u>\$ 733,902,771</u>	<u>\$ 20,494,710</u>
Deferred inflows of resources					
Related to Pensions	413,137	209,751	\$ 426,813	\$ 1,049,701	\$ 72,774
Related to OPEB	164,053	56,872	63,424	284,349	36,019
Gain on bonds refunding	-	13,297	1,030	14,327	-
Total deferred inflows of resources	<u>\$ 577,190</u>	<u>\$ 279,920</u>	<u>\$ 491,267</u>	<u>\$ 1,348,377</u>	<u>\$ 108,793</u>
Total liabilities and deferred inflows of resources	<u>\$ 388,083,981</u>	<u>\$ 174,561,136</u>	<u>\$ 172,606,031</u>	<u>\$ 735,251,148</u>	<u>\$ 20,603,503</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 222,121,938	\$ 116,447,480	\$ 26,405,857	\$ 364,975,275	\$ 3,107,631
Restricted for:					
Other purposes:					
Water Utility fund operations	25,221,583	-	-	25,221,583	-
Wastewater Utility fund operations	-	-	-	-	-
Parking Facilities fund operations	-	-	3,279,707	3,279,707	-
Unrestricted	69,893,857	22,319,237	10,261,714	102,474,808	(1,869,445)
Total net position	<u>\$ 317,237,378</u>	<u>\$ 138,766,717</u>	<u>\$ 39,947,278</u>	<u>\$ 495,951,373</u>	<u>\$ 1,238,186</u>
Total liabilities and net position	<u>\$ 705,321,359</u>	<u>\$ 313,327,853</u>	<u>\$ 212,553,309</u>	<u>\$ 1,231,202,521</u>	<u>\$ 21,841,689</u>

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

## CITY OF NORFOLK, VIRGINIA

Exhibit B-2

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds  
For the Year Ending June 30, 2019

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Total	
<b>Operating revenues:</b>					
Charges for services	\$ 111,545,952	\$ 31,222,044	\$ 22,324,165	\$ 165,092,161	\$ 91,600,068
Miscellaneous	2,039,985	87,662	-	2,127,647	52,641
Total operating revenues	113,585,937	31,309,706	22,324,165	167,219,808	91,652,709
<b>Operating expenses:</b>					
Personal services	15,648,860	4,682,296	7,442,119	27,773,275	2,851,192
Healthcare costs	-	-	-	-	84,520,311
Cost of goods sold	-	-	-	-	3,879,166
Plant operations	6,081,738	2,897,150	1,408,765	10,387,653	4,262,782
Chemicals	2,855,450	41,924	2,865	2,900,239	-
Depreciation and amortization	14,768,317	6,839,022	6,843,672	28,451,011	275,557
Retirement and OPEB expense	3,526,714	993,290	537,449	5,057,453	662,579
Administrative expenses	1,692,746	1,351,187	465,410	3,509,343	-
Other	9,803,046	1,476,005	2,463,027	13,742,078	200,086
Total operating expenses	54,376,871	18,280,874	19,163,307	91,821,052	96,651,673
Operating income (loss), net	59,209,066	13,028,832	3,160,858	75,398,756	(4,998,964)
<b>Nonoperating revenues (expenses):</b>					
Interest income	1,971,776	272,328	262,755	2,506,859	-
Intergovernmental revenue	-	134,120	-	134,120	-
Interest expense and fiscal charges, net of capitalized interest	(9,614,502)	(1,927,579)	(5,274,126)	(16,816,207)	-
Gain (loss) on sale or disposal of capital assets	24,710	7,150	(927,718)	(895,858)	-
Gain (loss) on investments	-	-	-	-	-
Miscellaneous revenue (expense)	23,024	-	-	23,024	-
Total nonoperating revenues (expenses)	(7,594,992)	(1,513,981)	(5,939,089)	(15,048,062)	-
Net income (loss) before contributions and transfers	51,614,074	11,514,851	(2,778,231)	60,350,694	(4,998,964)
Capital contribution	380,664	-	-	380,664	-
Transfers out	(28,808,671)	(1,500,000)	-	(30,308,671)	-
Changes in net position	23,186,067	10,014,851	(2,778,231)	30,422,687	(4,998,964)
Total net position - beginning	294,051,311	128,751,866	42,725,509	465,528,686	6,237,150
Total net position - ending	\$ 317,237,378	\$ 138,766,717	\$ 39,947,278	\$ 495,951,373	\$ 1,238,186

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

## CITY OF NORFOLK, VIRGINIA

Exhibit B-3

Statement of Cash Flows - Proprietary Funds  
For the Year Ending June 30, 2019

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 112,970,562	\$ 30,861,246	\$ 22,546,968	\$ 166,378,776	\$ 91,823,868
Payments to suppliers	(8,549,661)	(2,726,725)	(1,417,073)	(12,693,459)	(3,253,341)
Payments to employees	(17,883,848)	(5,328,873)	(7,381,551)	(30,594,272)	(90,672,318)
Other payments	(12,565,946)	(2,203,914)	(2,529,422)	(17,299,282)	(200,086)
Net cash and short-term investments provided by (used in) operating activities	73,971,107	20,601,734	11,218,922	105,791,763	(2,301,877)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Internal activity	(12,801,660)	(226,145)	(780,000)	(13,807,805)	32
Intergovernmental revenues	-	134,120	-	134,120	-
Operating subsidies and transfers to other funds	(28,808,671)	(1,500,000)	-	(30,308,671)	-
Net cash provided by (used in) noncapital financing activities	(41,610,331)	(1,592,025)	(780,000)	(43,982,356)	32
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from issuance of debt	-	5,632,211	-	5,632,211	-
Capital contributions	380,664	7,150	(2,278,312)	(1,890,498)	-
Purchases of capital assets	(19,206,909)	(13,841,231)	-	(33,048,140)	(161,710)
Proceeds from sale of capital assets	24,710	-	-	24,710	-
Proceeds from refunding debt	-	-	-	-	-
Principal paid on capital debt	(14,200,000)	(21,837,789)	(3,927,756)	(39,965,545)	-
Interest paid on capital debt	(14,985,195)	(3,465,940)	(5,787,912)	(24,239,047)	-
Net cash provided by (used in) capital and related financing activities	(47,986,730)	(33,505,599)	(11,993,980)	(93,486,309)	(161,710)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments	33,096,118	20,171,266	-	53,267,384	-
Purchase of investments	(32,452,584)	(7,433,256)	7,325,879	(32,559,961)	-
Interest and dividends	1,906,116	259,385	246,723	2,412,224	-
Net cash provided by (used in) investing activities	2,549,650	12,997,395	7,572,602	23,119,647	-
Net increase (decrease) in cash and short-term investments	(13,076,304)	(1,498,495)	6,017,544	(8,557,255)	(2,463,555)
Cash and short-term investments - beginning of the year	87,030,356	24,995,355	20,919,584	132,945,295	16,094,865
Cash and short-term investments - end of the year	\$ 73,954,052	\$ 23,496,860	\$ 26,937,128	\$ 124,388,040	\$ 13,631,310
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>					
<b>Provided by (used in) Operating Activities:</b>					
Operating income (loss)	\$ 59,209,066	\$ 13,028,832	\$ 3,160,858	\$ 75,398,756	\$ (4,998,964)
Adjustments to reconcile operating income (loss) to net cash and short-term investments provided by (used in) operating activities:					
Depreciation expense and amortization	14,768,317	6,839,022	6,843,672	28,451,011	275,557
Change in assets, deferred outflows and liabilities, deferred inflows:					
Receivables, net	(615,375)	(448,460)	222,802	(841,033)	(33,967)
Inventories	(286,170)	(7,928)	-	(294,098)	179,803
Prepays	-	-	-	-	-
Vouchers payable	677,743	220,277	(5,444)	892,576	1,810,138
Accrued payroll	(82,836)	(59,046)	(61,080)	(202,962)	(1,704)
Net pension liability	1,219,044	360,857	(100,392)	1,479,509	262,134
OPEB liability	155,518	44,902	222,040	422,460	-
Other liabilities	(1,074,200)	623,278	936,466	485,544	205,126
Net cash and short-term investments provided by (used in) operating activities	\$ 73,971,107	\$ 20,601,734	\$ 11,218,922	\$ 105,791,763	\$ (2,301,877)
<b>Noncash investing, capital and financing activities:</b>					
Unrealized gain / (loss) on investments	\$ 23,024	\$ -	\$ -	\$ 23,024	\$ -
Loss on sale or disposal of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition of capital assets through change in in contract retainage	\$ (860,486)	\$ 80,406	\$ 2,881	\$ (777,199)	\$ -
Acquisition of capital assets through vouchers payable	\$ (126,418)	\$ (32,793)	\$ -	\$ (159,211)	\$ -
Capitalized interest, less interest earned on certain long-term construction contracts	\$ 603,357	\$ 109,255	\$ -	\$ 712,612	\$ -
Deferred inflow of resources	\$ (117,372)	\$ 61,760	\$ 152,386	\$ 96,774	\$ 408,071

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

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Fiduciary Net Position**  
**June 30, 2019**

**Exhibit C-1**

	<b>Pension Trust Fund Employees' Retirement System</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and short-term investments	\$ 16,434,000	\$ 12,288,897
Investments, fair value:		
United States Treasury securities	90,301,000	-
Fixed income securities	116,275,000	-
Equity securities	65,957,000	-
Future/Options/Swaps	(1,442,000)	-
Balanced commingled funds:		
Equity	603,497,000	-
Fixed income	192,214,000	-
Real estate	81,998,000	-
Total investments	<u>1,148,800,000</u>	<u>-</u>
Receivables:		
Accounts, net of allowance for uncollectible accounts	378,000	-
Accrued investment income	1,202,000	-
Due from broker for securities sold	72,934,000	-
Other	-	108,522
Total assets	<u>\$ 1,239,748,000</u>	<u>\$ 12,397,419</u>
<b>LIABILITIES</b>		
Vouchers payable	\$ 2,581,000	\$ 362,111
Due to brokers for securities purchased	152,871,000	-
Due to governmental funds	-	-
Other liabilities	48,000	12,035,308
Total liabilities	<u>\$ 155,500,000</u>	<u>\$ 12,397,419</u>
<b>NET POSITION</b>		
Restricted for:		
Net position held in trust for pension benefits	<u>\$ 1,084,248,000</u>	<u>\$ -</u>

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

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund - Employees' Retirement System**  
**For the Year Ending June 30, 2019**

Exhibit C-2

**Changes to net position attributed to:**

Investment income:

Net appreciation in fair value of investments	\$ 44,518,000
Interest	4,903,000
Dividends	6,058,000
Other	2,094,000

57,573,000

Less investment expense (2,260,000)

**Net investment income** **55,313,000**

Employer contributions 37,079,000

Employee contributions 9,673,000

Purchase of service 336,000

**Total** 102,401,000

Benefit payments and expenses:

Refunds of contributions 867,000.00

Benefits paid to plan members and beneficiaries 91,999,000

Administrative costs 617,000

**Total** 93,483,000

**Net decrease** **8,918,000**

**Net position held in trust for pension benefits:**

Net position - beginning 1,075,330,000

Net Position - end \$ 1,084,248,000

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

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Net Position - Component Units**  
**June 30, 2019**

**Exhibit D-1**

	Norfolk Public Schools	Norfolk Economic Development Authority	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 32,795,490	\$ 2,428,070	\$ 35,223,560
Accounts receivable, net of allowance for uncollectible accounts	9,816,329	16,495	9,832,824
Notes receivable	-	287,505	287,505
Due from primary government	2,413,163	229,400	2,642,563
Due from other governments	26,864,071	-	26,864,071
Inventories	1,498,511	-	1,498,511
Property held for sale	-	832,952	832,952
Restricted cash	-	2,041,287	2,041,287
Investments	-	2,134,410	2,134,410
Deferred rent receivable	-	2,424,138	2,424,138
Non-depreciable capital assets	487,500	1,915,323	2,402,823
Depreciable capital assets, net	11,967,543	17,472,602	29,440,145
Total assets	<u>85,842,607</u>	<u>29,782,182</u>	<u>115,624,789</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to pensions	35,423,357	-	35,423,357
Deferred Outflows Related to OPEB	11,360,041	-	11,360,041
Total assets and deferred outflows	<u>\$ 132,626,005</u>	<u>\$ 29,782,182</u>	<u>\$ 162,408,187</u>
<b>LIABILITIES</b>			
Vouchers payable	\$ 3,569,868	\$ 287,671	\$ 3,857,539
Contract retainage	5,181	-	5,181
Accrued payroll	34,599,129	-	34,599,129
Unearned revenues	247,419	402,485	649,904
Due to primary government	-	319,367	319,367
Revolving loan program	-	602,724	602,724
Due to other government agencies	4,315,220	-	4,315,220
Other payable	1,453,354	-	1,453,354
Current portion of long-term liabilities	7,975,726	100,000	8,075,726
Long-term notes payable	-	16,220,000	16,220,000
Net pension liability	267,206,011	-	267,206,011
Other post-employment benefits liability	93,839,838	-	93,839,838
Other long-term liabilities	5,459,689	-	5,459,689
Total liabilities	<u>\$ 418,671,435</u>	<u>\$ 17,932,247</u>	<u>\$ 436,603,682</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	53,167,336	-	53,167,336
Deferred inflows related to OPEB	16,889,577	-	16,889,577
Total liabilities and deferred inflows	<u>\$ 488,728,348</u>	<u>\$ 17,932,247</u>	<u>\$ 506,660,595</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 12,455,043	\$ 3,067,925	\$ 15,522,968
Restricted for:			
Capital projects	1,697,768	-	1,697,768
Child nutrition	11,047,742	-	11,047,742
Other programs	395,572	-	395,572
Unrestricted	(381,698,468)	8,782,010	(372,916,458)
Total net position (deficit)	<u>\$ (356,102,343)</u>	<u>\$ 11,849,935</u>	<u>\$ (344,252,408)</u>

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

## CITY OF NORFOLK, VIRGINIA

Statement of Activities - Component Units  
For the Year Ending June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grant Contributions	Capital Grant Contributions	Norfolk Public Schools	Norfolk Economic Development Authority
<b>Norfolk Public Schools:</b>						
Instructional	\$ 255,047,104	\$ 2,220,774	\$ 201,054,595	\$ -	\$ (51,771,735)	\$ -
Administration, attendance and health	16,835,135	-	-	-	(16,835,135)	-
Pupil transportation	11,082,840	-	-	-	(11,082,840)	-
Operation and maintenance	33,702,376	-	-	-	(33,702,376)	-
Information technology	12,124,258	-	-	-	(12,124,258)	-
School facilities	4,695,059	-	-	2,925,520	(1,769,539)	-
Food services	17,342,049	1,116,017	18,147,396	-	1,921,364	-
Community services	-	-	-	-	-	-
<b>Total Norfolk Public Schools</b>	<b>350,828,821</b>	<b>3,336,791</b>	<b>219,201,991</b>	<b>2,925,520</b>	<b>(125,364,519)</b>	<b>-</b>
<b>Norfolk Economic Development Authority:</b>						
Economic development	3,571,226	503,887	-	-	-	(3,067,339)
Interest expense	568,411	-	-	-	-	(568,411)
<b>Total Norfolk Economic Development Authority</b>	<b>4,139,637</b>	<b>503,887</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,635,750)</b>
<b>Total component units</b>	<b>\$ 354,968,458</b>	<b>\$ 3,840,678</b>	<b>\$ 219,201,991</b>	<b>\$ 2,925,520</b>	<b>\$ (125,364,519)</b>	<b>\$ (129,000,269)</b>
General revenues:						
Use of money and property					1,037,697	2,314,186
Payment from Primary Government					122,971,922	4,508,355
Miscellaneous					698,351	-
Gain on Investment					-	45,925
Intergovernmental revenue - Commonwealth of Virginia					33,974,859	33,974,859
Total general revenues					158,682,829	6,868,466
Changes in net position					33,318,310	3,232,716
Net position - beginning, restated					(389,420,653)	8,617,219
Net position - ending					<b>\$ (356,102,343)</b>	<b>\$ 11,849,935</b>

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



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# **NOTES TO THE BASIC FINANCIAL STATEMENTS**





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**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**I. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity Information**

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

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

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

*The School Board for the City of Norfolk (School Board)*, Norfolk Public Schools held elections for two of the seven seats on its School Board for the first time in May of 2016 with the remaining five seats being filled as a result of elections held in May of 2018. In January 2015, City Council approved that the School Board members would be elected based on the same ward system used to elect City Council members. Beginning July 1, 2018, the School Board will be an elected body. The School Board is a corporate body and in its corporate capacity is vested with the duties, obligations and responsibilities imposed upon school boards by law. The City Council is required to appropriate annually to the School Board the amount needed for the support of the public schools in maintaining educational programs which meet the standards of quality prescribed by law. Categorical aid from the Commonwealth of Virginia (the Commonwealth) and the federal government designated for educational purposes is included in the City's General fund budgetary revenue. This categorical aid, plus moneys derived from local sources, provides the funds for the major share of the School Board's operations. On an ongoing basis, the City also issues debt to finance needed capital projects of the school system. The School Board presently operates

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

thirty-three elementary schools, one Pre-K – 8 school, one K – 8 school, eight middle schools, five high schools and several auxiliary schools, including alternative, magnet and specialty programs.

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

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

The City of Norfolk Retirement Board  
810 Union Street  
City Hall Building, Suite 309  
Norfolk, Virginia 23510  
[www.norfolk.gov/retirement](http://www.norfolk.gov/retirement)

The School Board for the City of Norfolk  
800 East City Hall Avenue  
P.O. Box 1357  
Norfolk, Virginia 23510  
[www.nps.k12.va.us](http://www.nps.k12.va.us)

The Norfolk Economic Development Authority  
999 Waterside Drive, Suite 2430  
Norfolk, Virginia 23510  
[www.norfolkdevelopment.com](http://www.norfolkdevelopment.com)

**B. Government-wide and Fund Financial Statements**

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

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

The City reports the following major governmental funds:

- The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Debt Service fund* accounts for financial resources that are restricted, committed or assigned to expenditures for principal and interest payments on long-term debt obligations of governmental funds.
- The *Capital Projects fund* accounts for financial resources that are restricted, committed or assigned to expenditures for capital outlays, which includes the acquisition and construction of major capital facilities of the City, some of which are also used by the School Board and other agencies.

The City reports the following major proprietary funds:

- The *Water Utility fund* accounts for the activities of the City's water system, treatment plant and distribution systems.
- The *Wastewater Utility fund* accounts for the activities of the City's sewage pumping stations and collection systems.
- The *Parking Facilities fund* accounts for the activities of City-owned or operated parking facilities.

Additionally, the City reports the following other fund types:

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

- *Internal Service funds* account for the City's self-insured healthcare program and fleet management services whose services are provided to other departments or agencies of the City on a cost reimbursement basis. The Healthcare Fund was established in fiscal year 2014 and is described in Note XX.
- The *Pension Trust fund* accounts for the activities of the Employees' Retirement System (ERS), which accumulates resources for pension benefit payments to qualified employees and is a fiduciary fund.
- The *Endowed Care fund* is used to report resources that are restricted by the City Code to be used for perpetual and endowed care at certain City-owned cemeteries. Both the investment earnings and the principal may be used to support maintenance of City-owned cemeteries.
- The *Agency funds* are used to account for the assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds do not involve the measurement of results of operations as they are custodial in nature (assets = liabilities).

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Fiduciary Agency funds' financial statements do not have a measurement focus. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the fiscal year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the fiscal year for which the taxes have been levied, net of allowances for uncollectible accounts. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables when the underlying exchange occurs and are remitted to the City by the state within two months of the transaction. In accordance with generally accepted accounting principles (GAAP) property taxes due and collected within 45 days after June 30 are recognized as

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revenue; those not collected within 45 days after year-end are reported as deferred inflows. Items such as license fees, permit fees and fines are recorded as revenue when received. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific expenditures expected to be funded by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's Water Utility, Wastewater Utility and Parking Facilities enterprise funds, and of the City's internal service funds are charges to customers for sales and services and administrative expenses, as well as depreciation on capital assets. Revenues and expenses not meeting this definition, including interest income or expense are reported as non-operating revenues and expenses.

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

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

**D. Budgets and Budgetary Accounting**

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

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

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

The School Board manages and controls all funds made available for public school purposes by the City Council. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated by City Council. Consistent with the enabling ordinance, the Schedules of Revenue and Expenditures – Budget and Actual of the General fund presented in Exhibits E-1 and E-2 include the revenues and expenditures of the School Board.

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

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With the exception of capital projects and grants fund appropriations, unencumbered annual appropriations lapse at the end of the fiscal year. City Council may authorize supplemental appropriations to the operating budgets during the fiscal year. Budgeted amounts as reported in the financial statements represent the original appropriations, and all supplemental adjustments or appropriations.

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

**E. Deposits and Investments**

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

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

The City has no formal policy regarding credit risk, interest rate risk, concentration of credit risk, custodial credit risk, or foreign investment risk. The City's fixed income investments as of June 30, 2019, were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The Pension Trust fund is authorized to invest in common stocks and other investments as directed by statutes of the Commonwealth.

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

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

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

**F. Restricted Assets**

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

**G. Interfund Transactions**

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

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

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

**H. Inventories**

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

**I. Capital Assets**

Capital assets, which include property, plant, equipment, intangibles and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported at historical

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

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

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

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

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**J. Land and Land Improvement Held for Resale**

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

**K. Compensated Absences**

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

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

**L. Net Position/Fund Balances**

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

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

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unassigned fund balance classification is for all amounts not included in other classifications.

Under GASB Statement No. 54, positive unassigned fund balances are only reported in the General fund. However, in governmental funds other than the General fund, expenditures incurred for a specific purpose might exceed the amount restricted, committed, or assigned to that purpose, and a negative residual amount may result which is classified as a negative unassigned fund balance in the applicable governmental fund. Negative unassigned fund balances within the Capital Projects fund and Grants fund are a result of timing and will correct themselves when permanent financing is put in place for all capital project expenditures incurred to date and when revenue generation occurs once encumbrances become expenditures, respectively.

**M. Estimates**

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

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**O. Deferred Inflows and Outflows of Resources**

The City reports deferred inflows and outflows on its fund level balance sheets and government-wide statement of net position. Deferred inflows arise when potential

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revenue does not meet the “measurable” and “available” criteria for recognition in the current period. Certain intergovernmental receivables such as uncollected property tax not meeting the availability criteria have been deferred and will be realized in a subsequent period in governmental funds. Deferred outflows represent a consumption of net position in a future period. The City reports the gains and losses on defeasance from debt refundings and certain components of the net pension liability as deferred inflows and outflows.

**P. Pensions**

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

**Q. Other Post-employment Benefits (OPEB)**

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

**II. Deposits and Investments**

**Custodial Credit Risk - Deposits**

The City maintains a cash and investments pool for all funds except the Pension Trust and Endowed Care funds. Each fund’s portion of the pool is disclosed in the Statement of Net Position and respective fund balance sheets as cash and short-term

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investments. The cash and investments of the Pension Trust and Endowed Care funds, as well as certain restricted assets of the enterprise funds, are held separately from the pooled City funds.

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

**Custodial Credit Risk - Investments**

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

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

**Interest Rate Risk**

The City's Pension Trust fund uses a "Duration" policy to manage its interest rate risk. The duration policy is a measure of a debt investment's exposure to fair value changes

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arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Other than for the assets of the City's Pension Trust fund, neither the City nor discretely presented component units have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City uses the segmented time distribution method to evaluate interest rate risks as disclosed below as of June 30, 2019.

**Primary Government and Fiduciary Funds**

Investment Type	Total Investments	Investment Maturities				
		Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +
Corporate Bonds	\$ 47,283,257	\$ 2,307,325	\$ 12,326,028	\$ 16,389,904	\$ 12,290,000	\$ 3,970,000
Futures/Options/Swaps	(1,442,000)	1,814,000	(1,300,000)	(21,000)	(887,000)	(1,048,000)
Asset Backed Securities	2,464,000	-	-	876,000	314,000	1,274,000
Bank Loans	414,000	-	-	414,000	-	-
U.S. Government Securities	112,875,008	28,120,886	17,351,122	15,316,000	26,877,000	25,210,000
Mortgage Backed Securities	69,925,000	-	1,801,000	704,000	120,000	67,300,000
Equity Funds	603,497,000	-	-	-	-	603,497,000
Common Stock	20,073,000	-	-	-	-	20,073,000
Master Limited Partnerships	45,794,000	-	-	-	-	45,794,000
Municipal Bonds	3,154,259	-	472,259	-	-	2,682,000
Commercial Paper	10,166,509	10,166,509	-	-	-	-
Certificates of Deposit	10,916,726	9,316,876	1,599,850	-	-	-
Foreign Government Securities	7,857,440	-	7,857,440	-	-	-
Fixed Income Funds	192,213,000	-	-	-	-	192,213,000
Domestic Equity Funds	90,000	-	-	-	-	90,000
Real Estate Funds	81,998,000	-	-	-	-	81,998,000
External investment pools	145,840,110	145,840,110	-	-	-	-
Total	\$ 1,353,119,309	\$ 197,565,706	\$ 40,107,699	\$ 33,678,904	\$ 38,714,000	\$ 1,043,053,000

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

Per Exhibit 1 (Primary Government):	
Cash and unrestricted short-term investments	\$ 319,722,715
Restricted cash and investments	31,809,257
Total	<u>\$ 351,531,972</u>
Per Exhibit C-1 (Fiduciary):	
Cash and short-term investments	\$ 28,722,897
Investments	1,148,800,000
Total	<u>\$ 1,177,522,897</u>
Total Primary Government and Fiduciary funds	<u>\$ 1,529,054,869</u>
Less cash	175,935,560
Deposits and investments reported above	<u><u>\$ 1,353,119,309</u></u>

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**Credit Risk Related to Issuer**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Pension Trust fund's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings ("Fitch"), and Standard and Poor's Global Ratings ("S&P"), are not permitted without the written permission of the board. PIMCO, one of the ERS fund managers, has been given the authority by the Board to invest 20% of the portfolio in below investment grade securities. The City's Pension Trust fund invests in certain derivatives including futures, swaps and options. Those securities are included in reported investments in the ERS's financial statements. Investments in derivatives with a fair value of \$1,814,000 were held at June 30, 2019. For accounting purposes, all derivative instruments are considered to be investments and not hedges. ERS primarily enters into derivative transactions in order to manage risks from exposure to foreign currency rate fluctuation and to shorten the duration of the fixed income investment portfolio. The City's rated debt investments as of June 30, 2019, were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P credit quality rating scale.

Ratings (S&P)	The Primary Government's Rated Debt Investment													Fixed Income/ Equity Real Estate Funds	External Investment Pools
	Corporate Debt	Futures/Options/ Swaps	Asset Backed Securities	Bank Loans	Foreign Government Securities	Equity Funds	U.S. Government Securities	Mortgage Backed Securities	Commercial Paper	Certificates of Deposit	Common Stock	Master Limited Partnerships	Municipal Bonds		
AAA	\$ 569,988	-	\$ 1,000,000	\$ 414,000	-	-	\$ 732,000	\$ 1,988,000	-	-	-	-	-	-	-
AAA-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145,840,110
AA+	2,423,961	-	1,168,000	-	7,857,440	-	105,616,008	67,527,000	-	-	-	-	-	-	-
AA	1,921,070	-	-	-	-	-	527,000	-	-	-	-	-	548,000	-	-
AA-	2,399,446	-	-	-	-	-	1,020,000	-	-	1,599,850	-	-	1,089,259	-	-
AAm-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A+	903,792	-	-	-	-	-	4,980,000	-	-	-	-	-	-	-	-
A	2,525,000	-	255,000	-	-	-	-	9,000	-	-	-	-	1,517,000	-	-
A-	5,400,000	-	-	-	-	-	-	-	10,166,509	9,316,876	-	-	-	-	-
BBB+	10,715,000	-	8,000	-	-	-	-	-	-	-	-	-	-	-	-
BBB	8,820,000	-	-	-	-	-	-	12,000	-	-	-	-	-	-	-
BBB-	9,322,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BB+	965,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BB	490,000	-	-	-	-	-	-	10,000	-	-	-	-	-	-	-
BB-	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B+ and Below	729,000	-	33,000	-	-	-	-	379,000	-	-	-	-	-	-	-
Not Rated	-	(1,442,000)	-	-	-	603,497,000	-	-	-	-	20,073,000	45,794,000	-	274,301,000	-
Total	\$ 47,283,257	\$ (1,442,000)	\$ 2,464,000	\$ 414,000	\$ 7,857,440	\$ 603,497,000	\$ 112,875,008	\$ 69,925,000	\$ 10,166,509	\$ 10,916,726	\$ 20,073,000	\$ 45,794,000	\$ 3,154,259	\$ 274,301,000	\$ 145,840,110

**Concentration of Credit Risk**

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

The following table represents the fair value of investments that represent 5% or more of the System's net position at June 30, 2019:

SSGA MSCI ACWI IMI Index Fund	\$ 603,497,000
SSGA Bond Market Index Fund	\$ 162,037,000

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**Foreign Currency Risk**

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

<b>Currency</b>	<b>Fixed-Income</b>
New Zealand Dollar	\$ 20,000
Australian Dollar	12,000
Canadian Dollar	28,000
Euro Currency	986,000
Japanese Yen	57,000
Pound Sterling	345,000
	<u>\$ 1,448,000</u>

Neither the City, nor its component units, have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates.

**Fair Value Measurement**

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

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

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

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

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing

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securities are not necessarily an indication of the risk associated with investing in those securities.

The table below provides the inputs used to determine the fair value at June 30, 2019.

	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
<b>Investments measures at fair value</b>			
Cash Equivalents			
Short Terms	\$ 9,283,000	\$ -	\$ 9,283,000
Short Term Fund	5,045,000	-	5,045,000
	<u>\$ 14,328,000</u>	<u>\$ -</u>	<u>\$ 14,328,000</u>
Fixed Income Securities			
U.S. Treasury Securities	\$ 112,874,008	\$ -	\$ 112,874,008
Corporate Bonds	47,284,257	-	47,284,257
Futures/Options/Swaps	(1,442,000)	-	(1,442,000)
Commercial Paper	10,166,509	-	10,166,509
Certificates of Deposit	10,916,726	-	10,916,726
Municipals	3,154,259	-	3,154,259
Asset Backed Securities	2,464,000	-	2,464,000
Bank Loans	414,000	-	414,000
Mortgage Backed Securities	69,924,000	-	69,924,000
Foreign Government Securities	7,857,440	-	7,857,440
Total Fixed Income Securities	<u>\$ 263,613,199</u>	<u>\$ -</u>	<u>\$ 263,613,199</u>
Equity Securities			
Common Stock	\$ 20,073,000	\$ 20,073,000	\$ -
Master Limited Partnerships	45,794,000	45,794,000	-
Domestic Equity Funds	90,000	90,000	-
Total Equity Securities	<u>\$ 65,957,000</u>	<u>\$ 65,957,000</u>	<u>\$ -</u>
Commingled Securities			
Fixed Income Fund	\$ 30,177,000	\$ -	\$ 30,177,000
Total Commingled Securities	<u>\$ 30,177,000</u>	<u>\$ -</u>	<u>\$ 30,177,000</u>
<b>Total investments by fair value level</b>	<u><u>\$ 374,075,199</u></u>	<u><u>\$ 65,957,000</u></u>	<u><u>\$ 308,118,199</u></u>
<b>Investments Measured at the net asset value (NAV)</b>			
Commingled Funds			
Equity Funds	\$ 603,497,000		
Fixed Income Funds	162,037,000		
Real Estate Funds	81,998,000		
<b>Total investments measured at NAV</b>	<u>847,532,000</u>		
<b>Investments Measured at amortized costs</b>			
External Investment Pools	145,840,110		
Less Cash Equivalents	<u>(14,328,000)</u>		
<b>Total investments</b>	<u><u>\$ 1,353,119,309</u></u>		

External investment pools include the PFM, LGIP and SNAP. These investments are reported at amortized cost in accordance with Rule 2a-7, and qualify as external investment pools per GASB79, Certain External Investment Pools and Pool Participants. The City held \$133,614,726 in LGIP funds and \$11,900,907 in PFM funds at June 30, 2019.

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

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1. Equity Funds. This type includes an investment in an equity fund with an investment object to track the performance of the MSCI ACWI IMI index over the long-term. These investments can be redeemed semi-monthly with semi-monthly notice.
2. Fixed Income Funds. This type includes 2 investments in fixed income funds. An investment in a liquid short-term fund which invest approximately 65% of its total assets in a diversified portfolio of fixed income instruments. This investment can be redeemed within 3-7 business days with 1-day notice. An investment in a fund with an investment objective to track the performance of the Barclay's U.S. Aggregate Bond Index over the long-term. This investment can be redeemed within 1-15 days, depending on trade size, with 1-day notice.
3. Real Estate Funds. This type includes 2 investments in real estate funds that invest in U.S. real estate. These funds compare themselves to the NCREIF Fund index – Open-End diversifies Core Equity (NFI-ODCE) benchmark. These investments can be redeemed quarterly with a 45-60 day notice.

**School Board**

At June 30, 2019, the School Board had cash of \$45,795,111, including \$12,999,621 held in agency funds.

**Economic Development Authority (EDA)**

Cash includes cash on hand and cash deposited with financial institutions. At June 30, 2019, there was \$4,469,357 in cash and cash equivalents (\$2,041,287 which is considered restricted), including \$2,781,203 held in the Local Government Investment Pool (LGIP), which is carried at amortized cost because it qualifies as an external investment pool under GASB 79, *Certain External Investment Pools and Pool Participants*.

The Authority considers all funds with an original maturity of greater than three months, but less than on year, to be short-term investments. At June 30, 2019, the Authority held a certificate of deposit yielding 1.49% in the amount of \$2,134,410, which is carried at fair value.

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

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantively the full term of the asset or liability.

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

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

**III. Property Taxes**

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The rates in effect for the year ended June 30, 2019, on each \$100 of assessed value, were \$1.25 for real property, an additional \$0.16 for the Downtown Improvement District, \$4.33 for motor vehicles, \$4.33 for business furniture, fixtures and equipment, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.25 for mobile homes, \$2.40 for airplanes, \$0.50 for recreational boats and \$1.50 for business boats. The City has a Real Estate Tax Relief/ Tax Deferral Program for Norfolk homeowners who are 65 and older or completely disabled and meet certain eligibility requirements. The property tax calendar is as follows:

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

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

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**IV. Accounts Receivable**

**A. Unbilled Accounts Receivable**

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2019:

Storm Water special revenue fund	\$ 853,339
Water Utility fund	5,105,268
Wastewater Utility fund	1,512,301
Parking Facilities fund	476,609
	<u>\$ 7,947,517</u>

The associated revenue is included in charges for services. All amounts were billed in July 2019.

**B. Allowances for Uncollectible Accounts Receivable**

Allowances for uncollectible accounts receivable are generally established using historical collection data, consideration of economic conditions, specific account analysis and subsequent cash receipts. The allowances at June 30, 2019, are as follows:

**Primary Government:**

General Fund:	
Taxes	\$ 10,088,180
Accounts	17,795,807
Community Services Board	721,943
Total General Fund	<u>28,605,930</u>
Storm Water special revenue fund	568,300
Waste Management special revenue fund	1,193,400
Parking Facilities fund	18,421,042
Water Utilities fund	1,848,394
Wastewater Utilities fund	1,000,000
<b>Total Primary Government</b>	<u><u>\$ 51,637,066</u></u>

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**V. Due From Other Governments**

Amounts due from other governments, at June 30, 2019, are as follows:

	General Fund	Capital Projects Fund	Special Revenue Funds	Total Governmental Funds	Component Unit School Board
Commonwealth of Virginia:					
Non-categorical aid	\$ 23,182,897	\$ -	\$ -	\$ 23,182,897	\$ 7,766,741
Nonmajor governmental funds grants	-	-	1,749,960	1,749,960	-
<b>Total - Commonwealth of Virginia</b>	<b>23,182,897</b>	<b>-</b>	<b>1,749,960</b>	<b>24,932,857</b>	<b>7,766,741</b>
Federal Government:					
Major governmental funds	192,044	848,041	-	1,040,085	19,097,330
Nonmajor governmental funds grants	-	-	8,862,658	8,862,658	-
<b>Total - Federal Government</b>	<b>192,044</b>	<b>848,041</b>	<b>8,862,658</b>	<b>9,902,743</b>	<b>19,097,330</b>
<b>Total - Due from other governments</b>	<b>\$ 23,374,941</b>	<b>\$ 848,041</b>	<b>\$ 10,612,618</b>	<b>\$ 34,835,600</b>	<b>\$ 26,864,071</b>

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**VI. Capital Assets**

A summary of changes in capital assets, at June 30, 2019, follows:

	Primary Government		
	Beginning Balance	Additions	Ending Balance
<b>Governmental activities:</b>			
Non-depreciable capital assets:			
Land	\$ 99,348,960	\$ 5,446,572	\$ 104,795,532
Intangible assets	65,014	-	65,014
Construction in progress	89,634,487	17,501,675	87,840,303
Total non-depreciable assets	189,048,461	22,948,247	192,700,849
Depreciable assets:			
Buildings	1,124,228,113	16,552,294	1,140,780,407
Improvements other than buildings	120,101,029	10,421,079	130,522,108
Equipment and vehicles	149,739,635	9,601,895	157,647,443
Intangible assets	4,937,683	-	4,937,683
Infrastructure	1,231,776,901	12,839,235	1,239,869,182
Total depreciable assets	2,630,783,361	49,414,503	2,673,756,823
Less accumulated depreciation/amortization:			
Buildings	(427,708,004)	(25,750,633)	(453,458,637)
Improvements other than buildings	(39,959,506)	(6,780,264)	(46,739,770)
Equipment and vehicles	(108,822,322)	(8,893,979)	(116,177,304)
Intangible assets	(4,420,498)	(132,646)	(4,553,144)
Infrastructure	(1,030,207,026)	(7,961,288)	(1,033,478,609)
Total accumulated depreciation/amortization	(1,611,117,356)	(49,518,810)	(1,654,407,464)
Depreciable assets, net	1,019,666,005	(104,307)	1,019,349,359
Total governmental activities capital assets, net	\$ 1,208,714,466	\$ 22,843,940	\$ 1,212,050,208
<b>Business-Type activities:</b>			
Non-depreciable capital assets:			
Land	\$ 52,119,012	\$ 4,166	\$ 52,123,178
Intangible assets	2,687,780	1,928,265	4,616,045
Construction in progress	43,166,572	32,734,157	38,158,785
Total non-depreciable assets	97,973,364	34,666,588	94,898,008
Depreciable assets:			
Land improvements	20,787,445	-	20,787,445
Buildings	479,237,592	30,503,400	507,294,317
Equipment and vehicles	851,893,349	6,669,274	858,210,431
Intangible assets	7,473,991	288,803	7,762,794
Totals depreciable assets	1,359,392,377	37,461,477	1,394,054,987
Less accumulated depreciation/amortization:			
Land improvements	(6,139,684)	(405,251)	(6,544,935)
Buildings	(154,940,158)	(10,640,266)	(164,061,467)
Equipment and vehicles	(275,061,696)	(16,816,539)	(291,526,043)
Intangible assets	(6,301,749)	(592,183)	(6,893,932)
Total accumulated depreciation/amortization	(442,443,287)	(28,454,239)	(469,026,377)
Depreciable assets, net	916,949,090	9,007,238	925,028,610
Business-Type activities capital assets, net	\$ 1,014,922,454	\$ 43,673,826	\$ 1,019,926,618
<b>Component units activities:</b>			
Non-depreciable capital assets:			
Land	\$ 1,962,141	\$ 440,682	\$ 2,402,823
Total non-depreciable assets	1,962,141	440,682	2,402,823
Depreciable assets:			
Buildings and mobile classrooms	7,785,898	-	7,785,898
Building improvements	14,862,059	3,281,362	18,143,421
Equipment and vehicles	37,636,363	4,014,499	37,628,084
Intangible assets	1,323,387	-	1,323,387
Total depreciable assets	61,607,707	7,295,861	64,880,790
Less accumulated depreciation:			
Buildings and mobile classrooms	(5,777,145)	(307,538)	(6,084,683)
Building improvements	(794,983)	(833,384)	(1,628,367)
Equipment and vehicles	(28,523,211)	(1,864,815)	(26,415,596)
Intangible assets	(1,243,676)	(68,323)	(1,311,999)
Total accumulated depreciation	(36,339,015)	(3,074,060)	(35,440,645)
Depreciable assets, net	25,268,692	4,221,801	29,440,145
Component units activities capital assets, net	\$ 27,230,833	\$ 4,662,483	\$ 31,842,968

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Depreciation expense was charged to governmental and business-type activities as follows:

General government	\$ 21,831,627
Judicial administration	682,650
Public safety	2,031,177
Public works, which includes the depreciation of infrastructure assets	13,209,414
Health and sanitation	124,824
Culture and recreation	11,355,451
Community development	8,110
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	275,557
Total depreciation expense	<u>\$ 49,518,810</u>
Business-type activities:	
Water Utility fund	\$ 14,768,317
Wastewater Utility fund	6,839,022
Parking Facilities fund	6,846,900
Total depreciation expense	<u>\$ 28,454,239</u>
Component unit activities	
School Board	\$ 2,240,676
Norfolk Economic Development Authority	833,384
Total depreciation expense	<u>\$ 3,074,060</u>

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2019:

	Expense	Revenue	Capitalized
Water Utility fund	\$ 845,202	\$ (269,914)	\$ 575,288
Wastewater Utility fund	181,557	(72,926)	108,631
	<u>\$ 1,026,759</u>	<u>\$ (342,840)</u>	<u>\$ 683,919</u>

## **VII. Property Held for Resale**

The Authority entered into a real estate purchase agreement on August 28, 2014, to sell approximately 30 acres of the remaining Lake Wright Golf Course property to Northampton Development, LLC. The agreement was amended on July 17, 2015, to restate the "feasibility period" to commence on April 15, 2016, ending the earlier of two years from that date or eight months after the property is rezoned. On June 27, 2018, the Authority sold 32.93 acres for \$9,816,460 to Northampton Development, LLC. 4.41 acres of Lake Wright Golf Course property was retained by the Authority and is held for resale recorded at \$602,952.

In addition, land and land improvements held for resale also includes two acres located at 7405 Sewells Point Road which are recorded at approximately \$115,000 per acre totaling \$230,000. One of the acres previously included in land and land held for improvements

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located at 7405 Sewells Points Road at a value of \$115,000 was sold on June 11, 2018, the Authority entered into a purchase and sale agreement with JSR Properties, LLC on September 21, 2018 to JSR Properties, LLC in the amount of \$160,925 for a gain of \$45,925.

**VIII. Short-term Obligations**

**A. Variable Rate Bonds**

**General Obligation Variable Rate Demand Bonds, Series 2007**

The City issued \$32,365,000 in General Obligation Variable Rate Demand Bonds, Series 2007 (AMT) on March 29, 2007, to finance the Half Moone Cruise & Celebration Center. As of June 30, 2019, \$24,605,000 remains outstanding and included in the City's long-term debt. The Series 2007 Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest.

The Series 2007 Bonds shall bear interest from time to time in any one of seven Interest Rate Periods: (i) a Daily Rate Period, (ii) a Weekly Rate Period, (iii) a Monthly Rate Period, (iv) a Commercial Paper Period, (v) an Indexed Put Rate Period, (vi) a Medium Term Rate Period and (vii) a Fixed Rate Period. All Series 2007 Bonds must be in the same Interest Rate Period at any one time. Since delivery, the interest rate period on the Series 2007 Bonds has been at the Weekly Rate.

A portion of the Series 2007 Bonds maturing on August 1, 2037, in the amount of \$1,910,000 are subject to mandatory redemption. The remainder of the Series 2007 Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date. The final maturity on the Series 2007 Bonds is August 1, 2037.

The City maintains a liquidity facility with respect to the Series 2007 Bonds to assist with the payment of Bonds tendered for purchase by the owners and not remarketed. In 2014, the existing liquidity facility was due to expire, and the City entered into a Standby Bond Purchase Agreement dated as of March 1, 2014 (the "Liquidity Facility") among the City, the Trustee and Royal Bank of Canada (the "Bank"). The annual Liquidity Facility fee is 39 basis points (0.39%) for a five-year term. Additionally, RBC provided a rate of 8 basis points (0.08%) to serve as Remarketing Agent. During the fiscal year ended June 30, 2019, the average weekly interest rate on the Series 2007 Bonds was 156 basis points (1.56%).

Under the Liquidity Facility, un-remarketed Bonds held by the Bank (the "Bank Bonds"), if any, shall bear interest at the Bank Rate and have interest payable to the Bank in accordance with the Liquidity Facility.

Through June 30, 2019, all the Series 2007 Bonds have been successfully remarketed by the remarketing agent.

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**B. General Obligation Variable Rate Bond**

On November 7, 2013, the City entered into a private placement variable rate loan in the original principal amount of \$13,600,000 (the "2013D Variable Rate Loan") with Bank of America, N.A. On December 21, 2018, the Series 2018 General Obligation Refunding bonds refunded the 2013D General Obligation Variable Rate Bonds and were converted to a fixed interest rate of 3.54%.

**C. Line of Credit**

On December 17, 2014, the City established a revolving line of credit agreement with Bank of America, N.A. ("BANA") for up to \$125,000,000 which was later amended in May 2016, to increase the maximum available credit to \$200,000,000. On June 4, 2019, the City amended the Credit agreement to reduce the maximum available credit to \$125,000,000 with authorization to increase the amount to \$200,000,000. This line of credit has been used to provide flexible interim financing for capital improvements projects, including school construction. Further, the City maintains discretion over future increases and decreases to the line of credit maximum to the line of credit maximum available amount dependent upon future cash flow needs of capital improvement projects. Borrowings under the line of credit bear interest payable semi-annually in February and August. Tax-exempt borrowings are at a rate of 70 percent of LIBOR, plus 40 basis points. Taxable borrowings are 100 percent of LIBOR, plus 50 basis points. LIBOR can be the 1, 3, 6 or 12-month LIBOR rate, chosen by the City on the date of each advance, and will be applicable through the end of the chosen LIBOR period. The full faith and credit pledge of the City secures the line of credit which will be repaid through the issuance of general obligation bonds or other City sources. There is no minimum advance amount and each advance shall be made on three days' notice given by the City to BANA. The commitment fee on the unutilized portion of the line will be paid annually in arrears and will be waived in full for any year that has average utilization of at least 40 percent for that 12-month period.

On December 4, 2018, the City amended its existing credit agreement with BANA to extend the termination date of the line of credit from December 17, 2018, to December 17, 2019.

Activity for the year ended June 30, 2019, is as follows:

	Balance at June 30, 2018	Additions	Deductions	Balance at June 30, 2019
Capital Projects fund	\$ 156,573,635	\$ 59,778,251	\$ (206,551,886)	\$ 9,800,000
Parking Facilities fund	10,000,000	-	(780,000)	9,220,000
	<u>\$ 166,573,635</u>	<u>\$ 59,778,251</u>	<u>\$ (207,331,886)</u>	<u>\$ 19,020,000</u>

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**IX. Long-term Obligations**

**A. General Obligation and Revenue Bonds**

The City has traditionally issued general obligation or revenue bonds to provide funds for the construction and acquisition of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In 1993 and 2008, the City established Water revenue and Wastewater revenue bond programs, respectively.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds are limited liability obligations where revenues derived from the respective acquired or constructed assets are pledged to pay debt service.

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2019, follows:

	Governmental Activities - General Obligation Bonds	Enterprise Funds			Total Enterprise Funds
		Water Utility Bonds	Wastewater Utility Bonds	Parking Facilities Bonds	
General obligation bonds outstanding at July 1, 2018	\$ 656,212,948	\$ -	\$ 105,093,094	\$ 137,795,438	\$ 242,888,532
Bonds retired	(49,121,542)	-	(7,276,837)	(3,927,756)	(11,204,593)
Bonds refunded/defeased	-	-	(20,270,441)	(11,710,000)	(31,980,441)
Bonds transferred	8,610,000	-	(8,610,000)	-	(8,610,000)
Bonds reamortized	-	-	-	-	-
Bonds issued	136,210,377	-	-	11,710,000	11,710,000
Bonds outstanding at June 30, 2019	751,911,783	-	68,935,816	133,867,682	202,803,498
Unamortized (discount) premium	79,925,621	-	8,281,797	6,429,411	14,711,208
General obligation bonds outstanding at June 30, 2019, adjusted for unamortized (discount) premium	<u>\$ 831,837,404</u>	<u>\$ -</u>	<u>\$ 77,217,613</u>	<u>\$ 140,297,093</u>	<u>\$ 217,514,706</u>
Revenue bonds outstanding at July 1, 2018		\$ 323,480,000	\$ 65,262,756	\$ -	\$ 388,742,756
Bonds retired		(14,200,000)	(4,525,669)	-	(18,725,669)
Bonds refunded		-	-	-	-
Bonds transferred		-	-	-	-
Bonds issued		-	25,902,652	-	25,902,652
Revenue Bonds outstanding at June 30, 2019		309,280,000	86,639,739	-	395,919,739
Unamortized (discount) premium		47,726,644	-	-	47,726,644
Revenue bonds outstanding at June 30, 2019, adjusted for unamortized (discount) premium		<u>\$ 357,006,644</u>	<u>\$ 86,639,739</u>	<u>\$ -</u>	<u>\$ 443,646,383</u>
Total bonds outstanding at June 30, 2019, adjusted for unamortized (discount)/premium	<u>\$ 831,837,404</u>	<u>\$ 357,006,644</u>	<u>\$ 163,857,352</u>	<u>\$ 140,297,093</u>	<u>\$ 661,161,089</u>

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General obligation and revenue bonds outstanding at June 30, 2019, are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Governmental Activities	Business-type Activities		Balance Outstanding
				Public Improvement	Wastewater Utility	Parking Facilities	
Series 1989 Property Acquisition	7/11/1989	\$ 1,500,000	6.76%	\$ 850,000	\$ -	\$ -	\$ 850,000
Series 2002 Property Acquisition	8/14/2002	3,400,000	5.375%	3,400,000	-	-	3,400,000
			Variable - June 26, 2019, rate of				
Series 2007 VRDB	3/29/2007	32,365,000	1.88%	24,605,000	-	-	24,605,000
Series 2009A&B Refunding	5/21/2009	77,175,000	4.00%	2,225,000	-	-	2,225,000
Series 2010B Capital Improvement	1/21/2010	117,650,000	4.75 - 5.962%	87,144,286	7,045,714	-	94,190,000
Series 2010F Capital Improvement	2/25/2010	5,000,000	4.40 - 5.60%	3,000,000	-	-	3,000,000
Series 2010G Refunding	10/19/2010	90,165,000	4.00 - 5.00%	38,524,635	3,773,616	171,749	42,470,000
Series 2012A Refunding	5/30/2012	69,030,000	2.00 - 5.00%	44,704,033	4,445,537	1,100,430	50,250,000
Series 2012B Refunding	5/30/2012	7,805,000	2.00 - 2.25%	1,885,000	-	-	1,885,000
Series 2012C Capital Improvement	6/28/2012	114,270,000	5.00%	9,355,000	2,160,000	-	11,515,000
Series 2012D Capital Improvement	6/28/2012	7,350,000	4.35%	7,350,000	-	-	7,350,000
Series 2013A Capital Improvements and Refunding	11/7/2013	130,990,000	5.00%	26,870,000	1,905,000	-	28,775,000
Series 2013B Capital Improvements and Refunding	11/7/2013	81,715,000	2.444 - 4.955%	-	-	68,310,000	68,310,000
Series 2013C QECB	11/7/2013	2,470,000	4.855%	2,470,000	-	-	2,470,000
Series 2014 Refunding	4/2/2014	65,155,000	2.00 - 5.00%	47,383,692	11,921,308	-	59,305,000
Series 2014B Refunding	10/1/2014	9,900,000	3.290%	6,695,644	475,711	113,646	7,285,001
Series 2014C Refunding	9/30/2014	58,510,000	2.00 - 5.00%	49,121,861	7,798,139	-	56,920,000
Series 2015 Refunding	3/2/2015	16,320,000	3.320%	6,261,105	788,895	-	7,050,000
Series 2016A	10/19/2016	106,680,000	2.50-5.00%	62,700,000	19,130,000	6,690,000	88,520,000
Series 2016B Refunding	10/19/2016	69,870,000	3.00-5.00%	49,136,943	7,121,614	13,276,442	69,534,999
Series 2016C	10/19/2016	10,500,000	3.00-3.050%	10,500,000	-	-	10,500,000
Series 2017 GO Storm Water VRA	5/31/2017	2,405,791	0.000%	1,992,309	-	-	1,992,309
Series 2017A GO Capital Improvement	12/5/2017	103,520,000	3.00 - 5.00%	103,520,000	-	-	103,520,000
Series 2017B GO Capital Improvement	12/5/2017	3,590,000	3.793%	-	-	3,590,000	3,590,000
Series 2017C GO Refunding	12/5/2017	59,275,000	2.50 - 5.00%	27,534,303	2,370,282	28,905,415	58,810,000
Series 2018 SW VRA Brownfield	9/27/2018	1,117,725	0.25%	987,972	-	-	987,972
Series 2018 Refunding	12/21/2018	11,710,000	3.540%	-	-	11,710,000	11,710,000
Series 2019 GO Capital Improvement	2/7/2019	133,695,000	5.000%	133,695,000	-	-	133,695,000
Total General Obligation Bonds				<u>\$ 751,911,783</u>	<u>\$ 68,935,816</u>	<u>\$ 133,867,682</u>	<u>\$ 954,715,281</u>

Bond Issue/Purpose	Dated	Interest Rate	Business-type Activities		Balance Outstanding
			Water Utility	Wastewater Utility	
Series 2007 Wastewater Revenue	11/9/2007	0.00%	-	8,925,000	8,925,000
Series 2009 Wastewater Revenue	11/17/2009	0.00%	-	4,500,000	4,500,000
Series 2010 Water Revenue	9/30/2010	2.50 - 4.50%	21,645,000	-	21,645,000
Series 2010 Wastewater Revenue	10/19/2010	0.00%	-	6,500,000	6,500,000
Series 2011 Wastewater Revenue	10/21/2011	0.00%	-	6,742,500	6,742,500
Series 2012 Water Revenue Refunding	4/4/2012	5.00%	42,710,000	-	42,710,000
Series 2012 Wastewater Revenue	12/18/2012	0.00%	-	8,989,487	8,989,487
Series 2013 Wastewater Revenue	12/12/2013	0.00%	-	8,250,000	8,250,000
Series 2015 Wastewater Revenue	3/2/2015	0.00%	-	7,646,668	7,646,668
Series 2015A Water Revenue	4/16/2015	5.25%	29,660,000	-	29,660,000
Series 2015B Water Revenue Refunding	4/16/2015	5.00 - 5.25%	54,020,000	-	54,020,000
Series 2016 Wastewater Revenue	4/21/2016	0.00%	-	5,285,579	5,285,579
Series 2017 Wastewater Revenue	5/31/2017	0.00%	-	6,053,634	6,053,634
Series 2017 Water Revenue Refunding	12/18/2017	5.00%	134,545,000	-	134,545,000
Series 2018 Water Revenue	3/26/2018	2.50 - 5.00%	26,700,000	-	26,700,000
Series 2018 Wastewater Revenue	6/22/2018	0.00%	-	3,832,680	3,832,680
Series 2019A Wastewater Revenue	5/16/2019	2.00%	-	3,180,645	3,180,645
Series 2019B Wastewater Revenue	5/16/2019	3.10%	-	4,766,858	4,766,858
Series 2019C Wastewater Revenue	5/16/2019	2.25%	-	5,554,188	5,554,188
Series 2019D Wastewater Revenue	5/16/2019	0.00%	-	6,412,500	6,412,500
Total Revenue Bonds			<u>\$ 309,280,000</u>	<u>\$ 86,639,739</u>	<u>\$ 395,919,739</u>

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The Series 2007 General Obligation Variable Rate Demand Bonds, utilized to finance the construction of the cruise terminal, are remarketed weekly and reset at an interest rate of 1.88% as June 30, 2019 (see Note VIII).

**B. General Obligation Bonds**

A summary of the requirements to amortize general obligation bonds are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2020	\$ 55,240,743	\$ 33,306,793	\$ 9,610,224	\$ 8,634,820
2021	56,023,304	31,063,470	9,762,663	8,114,740
2022	52,555,169	28,556,999	9,520,798	7,803,064
2023	51,111,156	26,192,862	10,179,811	7,420,525
2024	49,673,763	23,876,770	10,117,204	7,035,362
2025-2029	210,969,878	88,602,740	49,974,956	28,060,909
2030-2034	149,286,710	45,442,220	44,254,138	17,894,024
2035-2039	82,166,060	19,029,039	43,963,704	7,947,112
2040-2044	21,480,000	8,462,400	7,565,000	2,870,185
2045-2049	23,405,000	2,707,625	7,855,000	600,346
<b>Total</b>	<b>\$ 751,911,783</b>	<b>\$ 307,240,918</b>	<b>\$ 202,803,498</b>	<b>\$ 96,381,087</b>

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

Year Ending June 30,	<u>Wastewater Utility Fund</u>		<u>Parking Facilities Fund</u>	
	Principal	Interest	Principal	Interest
2020	\$ 5,067,097	\$ 3,130,575	\$ 4,543,127	\$ 5,504,245
2021	5,314,183	2,732,629	4,448,481	5,382,111
2022	5,295,812	2,567,562	4,224,986	5,235,502
2023	5,304,948	2,329,271	4,874,863	5,091,254
2024	5,282,452	2,102,702	4,834,751	4,932,660
2025-2029	23,339,779	6,964,540	26,635,177	21,096,369
2030-2034	10,476,545	3,560,898	33,777,593	14,333,126
2035-2039	3,415,000	1,786,125	40,548,704	6,160,987
2040-2044	3,400,000	935,000	4,165,000	1,935,186
2045-2049	2,040,000	153,000	5,815,000	447,346
<b>Total</b>	<b>\$ 68,935,816</b>	<b>\$ 26,262,302</b>	<b>\$ 133,867,682</b>	<b>\$ 70,118,786</b>

**CITY OF NORFOLK, VIRGINIA**  
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**C. Revenue Bonds**

The Water Revenue Bond covenants require that each year's Water Utility fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the Statement of Net Position because their use is limited by applicable bond covenants.

The Wastewater Revenue Bond covenants require that each year's Wastewater Utility fund net revenue will equal at least 1.15 times the amount required during the fiscal year to pay the principal of the Wastewater Revenue Bonds, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under leases that are treated as capital leases under GAAP, but excluding any general obligation bonds issued to finance wastewater system property. These resources are classified as restricted investments on the Statement of Net Position because their use is limited by applicable bond covenants.

As of June 30, 2019, draws for project expenses of \$229,200, \$1,621,677 and \$3,781,335 from bond issuances in fiscal year 2017, 2018 and 2019 respectively, resulted in total Virginia Resources Authority ("VRA") drawdowns of \$5,632,212 for fiscal year 2019. In conjunction with the state water control board, the VRA administers and manages the Virginia Water Facilities Revolving Fund and the Bonds were sold at 0% interest.

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

<b>Year Ending June 30,</b>	<u><b>Water Revenue</b></u>		<u><b>Wastewater Revenue</b></u>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	13,830,000	15,044,375	6,802,298	325,483
2021	15,965,000	14,311,275	6,942,161	281,437
2022	17,170,000	13,504,400	7,083,160	236,255
2023	18,335,000	13,027,150	7,129,507	189,908
2024	19,440,000	11,700,150	7,177,051	142,364
2025-2029	75,460,000	45,877,650	29,582,524	170,285
2030-2034	44,385,000	31,812,331	16,362,481	-
2035-2039	45,555,000	20,999,531	5,273,106	-
2040-2044	43,230,000	10,478,244	287,451	-
2045-2049	15,910,000	949,981	-	-
<b>Total</b>	<b>\$ 309,280,000</b>	<b>\$ 177,705,087</b>	<b>\$ 86,639,739</b>	<b>\$ 1,345,732</b>

\*Wastewater Revenue Bonds were issued to Virginia Resources Authority at 0% interest

**CITY OF NORFOLK, VIRGINIA**  
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**D. Current and Advanced Refundings**

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

At June 30, 2019, the following defeased bonds from advance refunding are still outstanding:

General Obligation Bonds

<b>Defeased In</b>	<b>Original Issue</b>	<b>Amount</b>	<b>Redemption</b>
2015	2009A	17,775,000	11/1/2019
2015	2012C	39,150,000	4/1/2021
2017	2009A	4,440,000	11/1/2019
2017	2012C	33,925,000	4/1/2021
2017	2013A	31,540,000	8/1/2023
2018	2010G	5,310,000	10/1/2020
2018	2013A	53,815,000	8/1/2023
		<u>\$ 185,955,000</u>	

Water Revenue Bonds

<b>Defeased In</b>	<b>Original Issue</b>	<b>Amount</b>	<b>Redemption</b>
2018	2010	17,815,000	11/1/2020
2018	2012	82,650,000	5/1/2022
2018	2013	43,070,000	5/1/2021
		<u>\$ 143,535,000</u>	

**E. Economic Development Authority**

In April 2016, the City and the Economic Development Authority of the City of Norfolk (the "EDA") entered into a financing agreement, with Bank of America, N.A. ("BANA") to provide funds for an economic development project in the City in the maximum principal amount of \$14,500,000. The City and the EDA also entered into a cooperation agreement related to the financing, whereby the City provides a general obligation guarantee of the payments required under the financing agreement. Principal advances under the agreement will bear interest at 1-month LIBOR rate plus 85 basis points which is set at the date of the first advance, and resets on the first day of the calendar month thereafter. Principal payments of \$100,000 are due February 1 in each of the first four years of the agreement, with the balance of the outstanding principal due at maturity in 2021. In addition to funds made available under the cooperation agreement, the EDA expects to pay for debt service on the financing agreement from other sources such as a portion of the City's cigarette tax revenues and lease revenue from the leasing of the facility. At June 30, 2019, \$14,420,000 in funds have been drawn of which \$13,820,000 was outstanding at the end of the year. No further draws will be made.

**CITY OF NORFOLK, VIRGINIA**  
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**F. Lease Obligations**

Operating Leases:

The City leases various facilities for operational and office space from various lessors under operating leases. Total rental expenditures under these leases were \$4,620,129 for the fiscal year ended June 30, 2019.

Future year lease obligations are listed below:

Year Ending June 30,	Operating Lease Obligations
2020	4,057,046
2021	3,358,834
2022	2,914,847
2023	1,714,383
2024	1,007,093
2025-2029	2,402,344
2030-2034	658,044
Total minimum lease payments	<u>\$ 16,112,591</u>

**G. Landfill Liability**

The Campostella Landfill was issued a permit by the Virginia Department of Health on February 18, 1983, to operate a construction demolition debris (CDD) waste landfill. The landfill accepted primarily CDD and inert waste in addition to sanitary and debris waste. The landfill stopped receiving waste on June 30, 1992. The Virginia Department of Environmental Quality (DEQ) approved the closure certification and officially designated the facility closed on August 2, 2002. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 10 years after regulatory closure. During the fiscal year ended June 30, 2010, the DEQ notified the City that it must demonstrate corrective action and years of post-close care costs beyond December 31, 2010. The \$2,649,014 reported as an obligation for landfill closure and post-closure costs at June 30, 2019, reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella Landfill statistically exceeded groundwater protection standards in May 2002. Until a remedy for corrective action is chosen and approved, \$1,999,359 is included in the liability above for groundwater corrective action as required by state law. It is not anticipated that a corrective action will be approved within one year, as such the entire amount is reported as a long-term liability.

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**H. Compensated Absences**

A liability for vested vacation and sick leave benefits is recorded as general long-term obligations. These benefits represent future obligations of the following funds and component units:

Primary Government	
Governmental Activities:	
General Fund	\$ 18,255,528
Nonmajor governmental funds	1,221,730
Internal service funds	269,493
Total Governmental	<u>\$ 19,746,751</u>
Enterprise funds:	
Water Utility fund	\$ 1,085,374
Wastewater Utility fund	341,368
Parking Facilities fund	178,125
Total Enterprise funds	<u>\$ 1,604,867</u>
Component Unit - School Board	<u>\$ 9,272,252</u>

**I. Debt Limit**

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2019, the City's debt limit is \$2,034,460,380 of which \$1,046,422,009 is available for the issuance of additional debt. There are no overlapping tax jurisdictions.

**J. Bonds Authorized and Unissued**

A summary of bonds authorized and unissued as of June 30, 2019, are as follows:

Projects	Total
<b>General Obligation Bonds Authorized and Unissued:</b>	
General Capital Improvement Projects	\$ 103,103,937
Waste Management Capital Improvement Projects	1,500,000
Storm Water Utility Fund Improvement Projects	14,863,506
Parking Facilities Fund Projects	16,220,000
Wastewater Utility Fund Projects	31,495,424
<b>G.O. Bonds Authorized and Unissued:</b>	<u>\$ 167,182,867</u>
<b>Revenue Bonds Authorized and Unissued:</b>	
Water Utility Fund Projects	\$ 66,963,989
<b>Revenue Bonds Authorized and Unissued:</b>	<u>\$ 66,963,989</u>
<b>Total Bonds Authorized and Unissued:</b>	<u>\$ 234,146,856</u>

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**K. Changes in Long-Term Obligations**

A summary of fiscal year 2019 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
Bonds:					
General obligation bonds	\$ 656,212,948	\$ 144,820,377	\$ (49,121,542)	\$ 751,911,783	\$ 55,240,743
Net Premiums	63,967,119	24,938,655	(8,980,153)	79,925,621	-
Total Bonds	720,180,067	169,759,032	(58,101,695)	831,837,404	55,240,743
Other Liabilities:					
Vested compensated absences	19,451,506	11,382,989	(11,357,237)	19,477,258	11,348,476
Other post-employment benefits	66,187,356	9,567,784	(12,384,743)	63,370,397	-
Retiree's life insurance	145,000	-	(10,000)	135,000	10,000
Self-insurance	31,616,500	5,573,908	(6,982,271)	30,208,137	4,316,731
Net Pension Liability	258,900,595	143,382,905	(119,767,673)	282,515,827	-
Landfill closure and post-closure costs	2,589,457	59,557	-	2,649,014	-
Total Other Liabilities	378,890,414	169,967,143	(150,501,924)	398,355,633	15,675,207
Governmental Activities					
Long-term liabilities	1,099,070,481	339,726,175	(208,603,619)	1,230,193,037	70,915,950
Internal Service Funds:					
Net Pension Liability	\$ 2,991,957	\$ 1,677,114	\$ (1,301,422)	\$ 3,367,649	\$ -
Other post-employment benefits	342,258	89,384	(35,128)	396,514	-
Vested compensated absences	267,532	137,650	(135,689)	269,493	157,021
Total Internal Service Funds	3,601,747	1,904,148	(1,472,239)	4,033,656	157,021
Total Governmental Activities	<u>\$ 1,102,672,228</u>	<u>\$ 341,630,323</u>	<u>\$ (210,075,858)</u>	<u>\$ 1,234,226,693</u>	<u>\$ 71,072,971</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
Bonds:					
Water utilities	\$ 323,480,000	\$ -	\$ (14,200,000)	\$ 309,280,000	\$ 13,830,000
Wastewater utilities	170,355,850	25,902,652	(40,682,947)	155,575,555	11,869,395
Parking facilities	137,795,438	11,710,000	(15,637,756)	133,867,682	4,543,127
Net Premiums	71,913,403	-	(9,475,551)	62,437,852	-
Total Bonds Payable	703,544,691	37,612,652	(79,996,254)	661,161,089	30,242,522
Other Liabilities:					
Vested compensated absences	1,703,786	1,044,952	(1,143,871)	1,604,867	958,975
Net Pension Liability	25,078,170	12,694,939	(10,994,005)	26,779,104	-
Other post-employment benefits	2,868,813	637,391	(353,151)	3,153,053	-
Total Other Liabilities	29,650,769	14,377,282	(12,491,027)	31,537,024	958,975
Total Business-Type Activities	<u>\$ 733,195,460</u>	<u>\$ 51,989,934</u>	<u>\$ (92,487,281)</u>	<u>\$ 692,698,113</u>	<u>\$ 31,201,497</u>
<b><u>COMPONENT UNITS:</u></b>					
Other Liabilities:					
Vested compensated absences	\$ 9,086,289	\$ 11,232,305	\$ (11,046,342)	\$ 9,272,252	\$ 6,954,189
Other post-employment benefits	92,586,358	8,129,887	(6,876,407)	93,839,838	-
Net Pension Liability	292,589,142	30,899,103	(56,282,234)	267,206,011	-
Workers' compensation claims	3,651,158	863,727	(749,701)	3,765,184	785,667
Long-term Notes Payable	16,420,000	-	(100,000)	16,320,000	100,000
Claims liability	466,349	74,064	(142,434)	397,979	235,870
Component Units					
long-term obligations	<u>\$ 414,799,296</u>	<u>\$ 51,199,086</u>	<u>\$ (75,197,118)</u>	<u>\$ 390,801,264</u>	<u>\$ 8,075,726</u>

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**X. Pension Plans**

The City and its component units participate in four defined benefit pension retirement plans. These include the Employees' Retirement System (ERS) of the City of Norfolk (Note X.A); a Virginia Retirement System (VRS) agent multiple-employer plan for the benefit of state employees in constitutional offices (Note X.B); a Virginia Retirement System (VRS) cost sharing plan administered by the Commonwealth of Virginia for the benefit of Norfolk School Board employees (Note X.B); and a VRS agent multiple-employer plan for the benefit of Norfolk School Board Political Subdivision Employee (Note X.B). In addition, the School Board has a defined contribution plan.

**A. Employees' Retirement System of the City of Norfolk (ERS):**

**Plan Description**

The ERS is the administrator of a single-employer contributory, defined benefit plan (the Plan) that covers substantially all employees of the City, excluding School Board employees and Constitutional Officers' employees who are covered by the VRS. The ERS provides retirement benefits, as well as death and disability benefits. Cost-of-living adjustments ("COLAs") are not required, are not regularly instituted and are available solely at the discretion of the City Council. The ERS and its benefits are established by Chapter 37 of the Code of the City of Norfolk, Virginia, as amended. ERS pension expenses and liabilities are allocated based on the employer's contribution to the Plan.

**Plan Membership**

As of June 30, 2018, the actuarial valuation and net pension liability measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries receiving benefits:	
General	2,732
Public Safety	1,262
Vested Former Members:	
General	988
Public Safety	297
Active Plan Members:	
General	2,981
Public Safety	1,269
	<u>9,529</u>

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**Plan Benefits**

The ERS provides retirement benefits, as well as death and disability benefits. All benefits vest after five years of creditable service. Employee eligibility requirements are as follows:

Retirement (for employees who became members prior to July 1, 1980): Normal retirement is the earlier of age 60 or after completion of 30 years of credited service for general employees, and the earlier of age 55 or after the completion of 25 years of credited service for public safety employees. The normal service retirement benefit per annum is equal to 2.0% of average final compensation (average of the three highest years of compensation) times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5% of average final compensation times years of creditable service, not to exceed 65% of average final compensation. Mandatory retirement is age 65 for public safety employees.

Retirement (for employees who became members on or after July 1, 1980): Normal retirement is the earlier of age 60 or after completion of 30 years of credited service for general employees, and age 55 or after the completion of 25 years of credited service for public safety employees. The normal service retirement benefit per annum for general employees is equal to 1.75% of average final compensation times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5% of average final compensation times years of creditable service, not to exceed 65% of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

Effective December 13, 2011, all employees hired on or after December 2011 are required to meet the vesting requirement of five years in order to be eligible to receive benefits under the Plan with the exception of Norfolk Community Services Board employees. The aforementioned had their prior service with the Norfolk Community Services Board counted towards the five-year vesting requirement without this service being deemed creditable service in the Plan.

Effective January 1, 2015, the City Council adopted Ordinance Number 45,566 that established a Deferred Retirement Option Program (DROP) for policemen and firemen eligible for normal service retirement. Eligible members may elect to participate for a maximum of four years, deferring receipt of a reduced retirement benefit of seventy percent (70%) while continuing employment with the City without loss of any other employee benefits.

Upon the member's election to participate in the DROP; the amount of creditable service and the average final compensation becomes frozen for purposes of determining pension benefits. The participant is considered retired for all purposes related to the Plan and does not accrue additional retirement benefits, except for ad hoc costs-of-living adjustments ("COLAs"), if applicable. The DROP participant's monthly pension is held in lieu of being paid to the participant. Upon termination of employment, the participant will receive the DROP balance and will begin receiving

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the monthly pension directly. The participant's DROP balance is not credited with investment gains and losses.

**Contributions**

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the Plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. Effective January 8, 2015, all Plan members pay contribution on a salary reduction basis in the amount of 5 percent of earnable compensation, with the exception of the City Council members hired before October 5, 2010. Employees of the Norfolk Community Services Board at June 30, 2012, who became City employees on July 1, 2012, were also required to pay member contributions effective January 8, 2015. Total employer contributions to the ERS plan were \$37,078,904 and \$35,493,794 for the years ended June 30, 2019 and 2018, respectively. These contributions combined with employee contributions of \$9,673,000 and \$9,668,000 for the year ended June 30, 2019 and June 30, 2018, respectively were expected to cover the actuarially determined contributions.

**Actuarial Assumptions**

The actuarial assumptions above are based on the presumption that the ERS will continue indefinitely. Were the ERS to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial accrued liability.

For the June 30, 2018 actuarial valuation, the actuarial assumptions included the following:

Actuarial Costs Method	Entry Age Normal
Amortization Method	Level Percent Closed, 20-year Layers
Amortization Growth Rate	3.0%
Asset Valuation Method	3-year Smoothed Value
Inflation Rate	3.0%
Salary Increases – General	Average of 5.64% over a 30-year career; based on rates that vary by year of service and are compounded annually
Salary Increases – Public Safety	Average of 6.68% over a 30-year career; based on rates that vary by year of service and are compounded annually
Investment Rate of Return	7.0%
Mortality	RP-2000 Combined Healthy Mortality projected to 2010 by Scale AA for health lives
	RP-2000 Disabled Mortality projected to 2010 by Scale AA for disabled lives

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The long-term expected rate of return on the ERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	30-year 2018	<u>Target Allocations</u>
	<u>Long-term Expected Real Rate of Return</u>	
Private Core Real Estate	4.75%	7.5%
Master Limited Partnerships	6.50%	7.5%
Core Fixed Income	1.00%	30.0%
Core Plus Income	1.50%	0.0%
Equity (ACWI IMI)	5.15%	55.0%
		<u>100.0%</u>

**Discount Rate**

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The GASB 67 depletion schedule, as prepared by the actuary based on those assumptions was presented for 99 years. Based on the assumptions, the pension plan's fiduciary net position was projected to be available to make projected future payments and pay administrative expenses. Projected benefit payments are discounted at the long-term expected return of 7.07% (net of investment expenses) to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.87% to the extent it is not available. The single equivalent rate to determine the total pension liability as of the measurement date of June 30, 2018 was 6.95%.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2018 with an actuarial valuation date of June 30, 2018. Pension expense and liability are allocated to governmental and enterprise funds based on the actual employer contributions. Governmental funds typically used to liquidate the pension liability include the General fund, Storm Water, Towing, Waste Management, Grants, Community Development, Cemeteries, EOC/911 and Resiliency special revenue funds. The employer contributions made in fiscal year 2018 of \$33,927,321 for governmental activities and \$3,151,583 for business-type activities are included as deferred outflows. As of June 30, 2019, the City reported a net pension liability of \$282,739,897 in governmental activities and \$26,779,103 in business-type activities. The net pension liability is allocated based

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on employer's contributions during the measurement period. The percentage for governmental activities and business-type activities for 2018 was 91.3% and 8.7%, respectively. Changes to the ERS net pension liability are as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at June 30, 2017</b>	<b>\$ 1,326,413,000</b>	<b>\$ 1,044,012,000</b>	<b>\$ 282,401,000</b>
Service cost	25,146,000	-	25,146,000
Interest	92,517,000	-	92,517,000
Changes in Benefits Terms	11,698,000	-	11,698,000
Contributions - employer	-	35,494,000	(35,494,000)
Contributions - employee	-	9,859,000	(9,859,000)
Net investment income	-	72,662,000	(72,662,000)
Benefits payments, including refunds of member contributions	(85,933,000)	(85,933,000)	-
Difference between expected and actual Experience	(1,598,000)	-	(1,598,000)
Change in assumptions	16,606,000	-	16,606,000
Administrative expense	-	(764,000)	764,000
<b>Balances at June 30, 2018</b>	<b>\$ 1,384,849,000</b>	<b>\$ 1,075,330,000</b>	<b>\$ 309,519,000</b>

**Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate of 6.95%, as well as what the City's ERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	<b>1% Decrease (5.95%)</b>	<b>Current Discount Rate (6.95%)</b>	<b>1% Increase (7.95%)</b>
ERS Net Pension Liability	\$ 461,893,000	\$ 309,519,000	\$ 180,679,000

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

Total pension expense included for the City is \$51,823,027 for Governmental activities and \$4,836,590 for business-type activities or \$56,659,617 combined for the City.

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At June 30, 2019, deferred inflows (outflows) reported in the City's financial statements are as follows:

	Deferred (Inflows) Outflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Net difference between expected and actual experience	\$ (3,675,802)	\$ (354,727)	\$ (4,030,529)
Net difference between projected and actual earnings on plan investments	10,060,151	967,108	11,027,259
Change in assumptions	(2,374,386)	(229,109)	(2,603,495)
Change in assumptions	35,613,420	3,439,582	39,053,002
Net change in proportionate share (Internal Service Funds)	62,627	-	62,627
Net change in proportionate share (Parking Facilities)	-	(350,751)	(350,751)
Net change in proportionate share (Water and Wastewater Utility)	-	(115,114)	(115,114)
Net change in proportionate share (Governmental Funds)	403,238	-	403,238
	<u>\$ 40,089,248</u>	<u>\$ 3,356,989</u>	<u>\$ 43,446,237</u>

Deferred outflows related to pension contributions made after the measurement date of \$33,927,321 for governmental activities and \$3,151,583 for business-type activities, but before the end of the City's contributing reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period. Other amounts related to deferred inflows (outflows) of resources will be recognized in pension expense as follows:

	Amortization of Deferred (Inflows) Outflows		
Year Ended:	Governmental Activities	Business-type Activities	Total
2020	\$ 26,984,734	\$ 2,513,242	\$ 29,497,976
2021	17,560,280	1,521,783	19,082,063
2022	(4,527,820)	(543,580)	(5,071,400)
2023	72,054	(134,456)	(62,402)
2024	-	-	-
	<u>\$ 40,089,248</u>	<u>\$ 3,356,989</u>	<u>\$ 43,446,237</u>

**B. Virginia Retirement System (VRS)**

**Plan Description – Virginia Retirement System**

The School Board and the City of Norfolk both participate in pensions offered by the Virginia Retirement System (VRS), which include two agent multiple-employer plans (for school employee political subdivisions and City of Norfolk state constitutional offices) and a cost-sharing multiple-employer (for teachers) defined benefit pension plan as well as a hybrid plan which contains both defined benefit and defined

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contribution aspects. All full-time, salaried permanent employees of the School Board, Constitutional Offices of the City of Norfolk, (Commissioner of the Revenue, City Treasurer, Circuit Courts, Commonwealth's Attorney, Sheriff employees) and other members of the School Board must participate in the VRS and are automatically covered by the respective VRS Plans upon employment. Members earn one month of service credit for each month they are employed and for which the City or the School Board and member pay contributions to VRS. Benefits vest after five years of service. Members hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1. Members hired or rehired on or after July 1, 2010, and Plan 1 members who were not vested on January 1, 2013, are covered under Plan 2. Members hired on or after January 1, 2014, are covered under the Hybrid Retirement Plan (Hybrid Plan), as well as Plan 1 and 2 members who are eligible and opted in during the election window which was January 1, 2014 to April 30, 2014. The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation. The benefit from the defined contribution component is dependent upon member and employee contributions as well as investment performance. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for nonhazardous duty members is 1.70%. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013, unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. The multiplier for the Hybrid Plan is 1.0%. The 2014 valuation included hybrid retirement plan members for the first time.

Retirees are eligible for an annual cost-of-living-adjustment (COLA) effective July 1 of the second calendar year after retirement. Under Plan 1, the COLA cannot exceed 5.0%; under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.0%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the VRS. The report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications> or obtained by writing the VRS System at P.O. Box 2500, Richmond, Virginia 23218-2500.

Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

The GASB 68 agent multiple-employer plan's annual actuarial report prepared by VRS for School Board contains combined information related to the School Board and Southeastern Cooperative Educational Programs (SECEP), a joint venture for which the School Board acts as a fiscal agent. As such, amounts reflected herein present

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only the School Board's proportionate share as of the measurement date which amounted to 99.27% and 99.26% as of June 30, 2018 and 2017, respectively. The City's participation in the VRS agent multiple-employer plan resides solely within the governmental activities. The GASB 68 cost sharing plan's actuarial report contains combined information related to the School Board, SECEP, the Governor's School and Access College. As such, amounts herein present only the School Board's proportionate share as of the measurement date of the VRS Teacher Retirement Plan which amounted to 2.568% as of June 30, 2018 and 2.701% as of June 30, 2017.

**Contributions**

The contribution requirement for active employees governed by Section 51.1-145 of the Code of Virginia (1950), as amended, by the Virginia General Assembly changed the funding requirements for VRS employees. Employees are required to contribute 5.00% of their annual reported compensation to the VRS. The Employers actuarially determined contribution rates as of June 30, 2018, not including the employee 5.00% contributions were 8.98% of covered payroll for the City of Norfolk employees, 16.32% of the annual covered payroll for School Board professional employees and 6.81% of annual covered payroll for the other school employees based on the June 30, 2015 actuarial valuation. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The School Board's contributions to the VRS for the fiscal years ended June 30, 2019, 2018 and 2017 for professional employees were \$28,774,879, \$29,028,062 and \$26,582,248, respectively: such amounts comprised 100% of the required statutory contributions for each of the three years. The School Board's contributions to the VRS for political subdivisions for the years ended June 30, 2019, 2018, and 2017 were \$1,195,410, \$1,434,613 and \$1,408,370, respectively.

The City of Norfolk contributions to the VRS for constitutional offices for the fiscal years ended June 30, 2019, 2018 and 2017 were \$2,400,682, \$2,337,890 and \$2,406,428, respectively, which is 100% of the actuarial determined contribution.

**Actuarial Assumptions**

The total pension liability was based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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Actuarial Costs Method	Entry Age Normal
Amortization Method	Level Percent Closed
Remaining amortization period	28, 20 and 19 years
Asset Valuation Method	5-year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.0%, net of investment expense
Projected Salary Increases	3.50% - 5.95%
Includes Inflation at	2.50%
Cost-of-living Adjustments	2.25% - 2.50%

Mortality rates were based on the following (Agent Multiple Plans)

Pre-Retirement	RP-2014 Employee Rates to age 80; Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates
Post-Retirement	RP-2014 Employee Rates to age 49; Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1% increase compounded from ages 70 to 90
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

Mortality rates were based on the following (Cost Sharing Plan +A30)

Pre-Retirement	RP-2014 White Collar Employee Rates to age 80; White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB
Post-Retirement	RP-2014 White Collar Employee Rates to age 49; White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females

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The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follow:

- Updated mortality table to 2020
- Lowered rates at older ages and changed final retirement from 70 to 75
- Adjust withdrawal rates to better fit experience
- Lowered disability rates
- Salary scale remained unchanged

The long-term expected rate of return on pension plan investments was determined using a lag-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarize in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Real Rate of Return</u>	<u>Weighted Average Long-term Expected Real Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, included expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in fiscal year 2012 or 90% of the actuarially

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determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Expense and Deferred Inflows and Outflows of Resources**

Deferred inflows and outflows are recorded for the net differences between actual and projected investment earnings, contributions made subsequent to the measurement date of June 30, 2018, and changes in proportionate share between June 30, 2017 and June 30, 2018. Pension expense reported for the fiscal year ended June 30, 2019, for the City for Norfolk, the School Board Political Subdivisions and the School Board Teachers was \$186,331, \$1,327,632 and \$8,688,702, respectively. At June 30, 2019, the reported deferred inflows of resources related to pensions from the following sources:

<b>Deferred Inflows of Resources</b>			
	<b>Agent Multiple-Employer Plans</b>		<b>Cost Sharing Plan</b>
	City of Norfolk Constitutional Offices	School Board Non-Professional	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ -	\$ 24,202,707
Change in assumptions	423,105	218,888	-
Differences between expected and actual experience	1,302,650	2,537,730	22,316,661
Net difference between projected and actual earnings on Plan investments	888,292	1,472,013	2,419,337
	<u>\$ 2,614,047</u>	<u>\$ 4,228,631</u>	<u>\$ 48,938,705</u>

<b>Deferred Outflows of Resources</b>			
	<b>Agent Multiple-Employer Plans</b>		<b>Cost Sharing Plan</b>
	City of Norfolk Constitutional Offices	School Board Non-Professional	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ 985,406	\$ 2,544,797
Differences between expected and actual experience	-	1,922,866	-
Net difference between projected and actual earnings on plan investments	-	-	-
	<u>\$ -</u>	<u>\$ 2,908,272</u>	<u>\$ 2,544,797</u>

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Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The City of Norfolk, the School Board Teachers and the School Board Political Subdivisions contributed \$2,400,682, \$28,774,879 and \$1,195,410, respectively in fiscal year 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Amortization of Deferred Inflows and Outflows**

	<b>Agent Multiple-Employer Plans</b>		<b>Cost Sharing Plan</b>
	City of Norfolk Constitutional Employees	School Board Political Subdivisions	School Board Teachers
Year Ended:			
2020	\$ (674,516)	\$ (5,931)	\$ (9,547,412)
2021	(712,105)	(495,567)	(11,417,199)
2022	(1,146,194)	(335,051)	(16,127,224)
2023	(81,232)	(483,810)	(6,854,222)
2024	-	-	(2,447,851)
	<u>\$ (2,614,047)</u>	<u>\$ (1,320,359)</u>	<u>\$ (46,393,908)</u>

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**Plan Membership**

As of June 30, 2017, actuarial valuation, the plan memberships consisted of the following:

	<b>Agent Multiple-Employer Plans</b>	
	City of Norfolk Constitutional Offices	School Board Political Subdivisions
Inactive member or their beneficiaries currently receiving benefits	296	607
Inactive members:		
Vested	93	48
Non-vested	219	230
Active elsewhere in the VRS	205	100
Total inactive members	517	378
Active members	579	661
Total	1,392	1,646

**Change in Net Pension Liability**

Below are the schedules of changes in Net Pension Liability for each of the agent multiple-employer plans:

**City of Norfolk**

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at June 30, 2017</b>	<b>\$ 102,058,233</b>	<b>\$ 97,489,356</b>	<b>\$ 4,568,877</b>
Service cost	3,318,884	-	3,318,884
Interest	6,992,769	-	6,992,769
Change in assumptions	-	-	-
Difference between expected and actual	(887,137)	-	(887,137)
Contributions - employer	-	2,394,595	(2,394,595)
Contributions - employee	-	1,316,482	(1,316,482)
Net Investment income	-	7,206,612	(7,206,612)
Benefits payments, including refunds of employee contributions	(4,323,052)	(4,323,052)	-
Administrative expense	-	(61,420)	61,420
Other changes	-	(6,456)	6,456
<b>Balance at June 30, 2018</b>	<b>\$ 107,159,697</b>	<b>\$ 104,016,117</b>	<b>\$ 3,143,580</b>

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**School Board Political Subdivisions**

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at June 30, 2017</b>	<b>\$ 89,061,828</b>	<b>\$ 80,320,925</b>	<b>\$ 8,740,903</b>
Service cost	1,504,298	-	1,504,298
Interest	6,054,523	-	6,054,523
Change in assumptions	-	-	-
Difference between expected and actual	(2,076,508)	-	(2,076,508)
Contributions - employer	-	1,434,613	(1,434,613)
Contributions - employee	-	814,369	(814,369)
Net Investment income	-	5,850,775	(5,850,775)
Benefits payments, including refunds of employee contributions	(5,154,770)	(5,154,770)	-
Administrative expense	-	(51,856)	51,856
Change in proportionate share	8,745	(2,440)	11,185
Other changes	-	(36,071)	36,071
<b>Balance at June 30, 2018</b>	<b>\$ 89,398,116</b>	<b>\$ 83,175,545</b>	<b>\$ 6,222,571</b>

All amounts reflected in this schedule are based on the School Board's proportionate share as of the June 30, 2018, measurement date for the June 30, 2019, net pension liability of 99.27%.

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

The following presents the proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
<b>Agent Multiple-Employer Plans</b>			
School Board non-professional employee net pension liability	\$ 16,275,784	\$ 6,222,571	\$ (2,295,302)
City of Norfolk's constitutional offices net pension liability	\$ 17,889,749	\$ 3,143,580	\$ (9,032,384)
<b>Cost Sharing Plans</b>			
School Board Teachers net pension liability	\$ 398,658,815	\$ 260,983,440	\$ 147,026,354

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**Payables to the Pension Plan**

As of June 30, 2019, the School Board had not outstanding amounts payable to the political subdivision pension plan for the year ended June 30, 2019.

As of June 30, 2019, the School Board had not outstanding amounts payable to the teacher's pension plan for the year ended June 30, 2019.

**XI. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. In the calendar year 2019, the deferral may be up to 25 percent of gross income up to a maximum of \$19,000 per year with increases to the annual contribution limit for catch-up contributions for participants over age 50 or for participants for three years prior to normal retirement age. The benefits from the deferred compensation plan are not available to employees until termination, retirement, death or unforeseeable emergency.

The laws governing the City's deferred compensation plan have been complied with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

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**XII. Other Post-employment Benefits (OPEB)**

**A. City of Norfolk Sponsored Other Post-employment Benefits**

**Plan Description**

The City of Norfolk and the Norfolk School Board provide post-retirement healthcare benefits, in accordance with adopted statutes, which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. City firefighters and police officers, who have a mandatory retirement age of 65, are eligible to participate at the earlier of age 50 and 15 years of creditable service or 20 years of creditable service. Employees who retire on accidental disability are also eligible. Grandfathered school employees (hired prior to July 1, 2008) who are older than age 50 with at least 5 years of service are eligible as well as non-grandfathered school employees who are older than age 50 with 15 years of creditable service. Retirees that elect to participate may purchase healthcare coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions, are administered by the City's Retirement Bureau and the City's and the School Boards' benefits offices based on the participation guidelines established by the Norfolk City Council and the Norfolk School Board. Benefits are currently managed on a pay-as-you-go basis and a separate financial report of the OPEB Plan is not issued. No assets are accumulated in a trust that meets the criteria established in paragraph 4 of Governmental Accounting Standards Board Statement No. 75. Therefore, rather than a net OPEB liability, the City and School Board report a total OPEB liability. The Plan is considered a single-employer plan. As of July 1, 2012, the City became responsible for payment of the Line of Duty Act benefits (LODA). These benefits, which cover certain hazardous duty personnel who are paid or who volunteer, are included as part of the total OPEB liability in the City's financial statements.

**Employees Covered by Benefit Terms**

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the Plan:

	City	Line of Duty	School Board
Inactive member or their beneficiaries			
currently receiving benefits	164	67	222
Active members	3,905	1,147	4,292
Total	<u>4,069</u>	<u>1,214</u>	<u>4,514</u>

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**Contributions**

No employee contributions are required prior to retirement to participate in or fund the OPEB Plan. The City and the School Board committed to a set contribution amount as an explicit subsidy of \$25 or \$35 per month for the City and \$75 per month for the School Boards per participating retiree. Effective January 1, 2014, the City and the School Boards eliminated healthcare coverage for post 65 retirees (e.g. retirees eligible for Medicare) along with the \$25 or \$35 and \$75 monthly subsidy, respectively. The pre-65 retirees will continue to receive the subsidy and will participate in the consortium with the active employees. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The Plan sponsors also pay an implicit subsidy by allowing retirees to participate in the same benefit plans under the same premium structure as available to active employees, however, the Plan sponsors are not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to employees.

**Total OPEB Liability**

The City's and the School Boards' total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018 using updated actuarial assumptions applied to all periods included in the measurement.

**Actuarial Assumptions**

For the June 30, 2018 actuarial valuation, the actuarial assumptions included the following:

Actuarial Costs Method	Entry Age Normal
Amortization Method	Level Percent Open
Asset Valuation Method	Not Applicable
Investment Rate of Return	3.87%
Rate of Salary Increases	3.50%
Rate of Medical Inflation	7.00% (Pre-Medicare) grading to 3.25% over 20 years
Mortality (City)	108% of RP-2014 adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages<86) thereafter
	100% of RP-2014 Disabled Mortality adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages<86) thereafter

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Mortality (School Board)

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 74 and 2% increase compounded from ages 75 to 90

RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarial valuations are subjected to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

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**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2018 was 3.87%. Since the Plan utilizes a pay-as-you-go contribution policy, the discount rate used at the June 30, 2018 measurement date was based on the Bond Buyer GO 20-Bond Municipal Bond Index.

**Changes in Total OPEB Liability**

The total pension liability was measured at of June 30, 2018 with an actuarial valuation date of June 30, 2018. OPEB expense and liability are allocated to governmental and enterprise funds. As of June 30, 2019, the City reported a total OPEB liability of \$63,766,911 in governmental activities and \$3,153,053 in business-type activities. Changes to the total OPEB liability are as follows:

	City	Line of Duty	School Board	Total OPEB Liability
<b>Balance at June 30, 2017</b>	<b>\$ 32,305,189</b>	<b>\$ 37,093,238</b>	<b>\$ 47,129,993</b>	<b>\$ 116,528,420</b>
Service cost	2,485,855	1,517,002	1,381,764	5,384,621
Interest	1,178,923	1,336,572	1,673,986	4,189,481
Change in benefits	-	-	-	-
Difference between expected and actual	(2,005,011)	(3,476,174)	3,627,408	(1,853,777)
Assumption changes	3,702,351	(4,964,076)	(1,794,422)	(3,056,147)
Contributions - employer	-	-	-	-
Net Investment income	-	-	-	-
Benefits payments	(1,223,511)	(1,030,394)	(2,129,544)	(4,383,449)
Administrative expense	-	-	-	-
<b>Balance at June 30, 2018</b>	<b>\$ 36,443,796</b>	<b>\$ 30,476,168</b>	<b>\$ 49,889,185</b>	<b>\$ 116,809,149</b>

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

The following presents the total OPEB liability using the discount rate of 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
City	\$ 41,392,771	\$ 36,443,796	\$ 32,374,010
Line of Duty	\$ 34,614,754	\$ 30,476,168	\$ 27,072,805
School Board	\$ 56,664,010	\$ 49,889,185	\$ 44,317,913

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**Sensitivity of the total OPEB liability to changes in healthcare cost trend rates**

The following presents the total OPEB liability as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00% decreasing to 2.25%)	Healthcare Cost Trend Rates (7.00% decreasing to 3.25%)	1% Increase (8.00% decreasing to 4.25%)
City	\$ 34,341,266	\$ 36,443,796	\$ 38,673,768
Line of Duty	\$ 28,717,925	\$ 30,476,168	\$ 32,340,984
School Board	\$ 47,010,959	\$ 49,889,185	\$ 52,941,871

**OPEB Expense and Deferred Inflows and Outflows of Resources**

OPEB expense reported for the fiscal year ended June 30, 2019 for the City (including Line of Duty) and the School Board was \$4,805,269 and \$1,353,225, respectively. At June 30, 2019, the reported deferred inflows of resources and deferred outflows of resources related to the OPEB Plan from the following sources:

<b>Deferred Inflows of Resources</b>				
	City	Line of Duty	School Board	
Change in assumptions	\$ -	\$ 8,289,639	\$ 9,020,824	
Net change in proportionate share (Internal Service Funds)	6,625			
Net change in proportionate share (Parking Facilities)	33,948			
Net change in proportionate share (Water Utility)	2,420			
Net change in proportionate share (Wastewater Utility)	9,634			
Differences between expected and actual experience	2,728,188	2,981,291	2,339,150	
Total	<u>\$ 2,780,815</u>	<u>\$ 11,270,930</u>	<u>\$ 11,359,974</u>	

<b>Deferred Outflows of Resources</b>				
	City	Line of Duty	School Board	
Change in assumptions	\$ 4,470,423	\$ -	\$ -	
Net change in proportionate share (Governmental Funds)	52,627			
Differences between expected and actual experience	-	-	3,109,207	
Total	<u>\$ 4,523,050</u>	<u>\$ -</u>	<u>\$ 3,109,207</u>	

Contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2020. The City and the School Board contributed \$2,363,638 and \$2,401,320, respectively in fiscal year 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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**Amortization of Deferred Inflows and Outflows**

Year Ended:	City	Line of Duty	School Board
2020	\$ 299,952	\$ (2,013,035)	\$ (1,702,525)
2021	299,952	(2,013,035)	(1,702,525)
2022	299,952	(2,013,035)	(1,702,525)
2023	299,952	(2,013,035)	(1,702,525)
2024	299,951	(2,013,040)	(1,702,517)
2025-2029	242,476	(1,205,750)	261,850
	<u>\$ 1,742,235</u>	<u>\$ (11,270,930)</u>	<u>\$ (8,250,767)</u>

**Other OPEB Plans**

The City provides supplemental life insurance benefits through General fund appropriation to the state employees of its constitutional offices. The respective costs and related net OPEB liability of these benefits are not significant.

**B. Virginia Retirement System Post-employment Benefits Trust Funds**

The Virginia Retirement System (VRS) is an independent agency of the Commonwealth of Virginia. VRS administers several post-employment benefit trust funds. The School Board participates in two of those funds, the Group Life Insurance Plan (GLI) and the Retiree Health Insurance Credit Plan (HIC). The VRS Board of Trustees is responsible for the general administration and operation of the pension plans and other employee benefit plans. VRS issues a Comprehensive Annual Financial Report (CAFR) containing the financial statements and required supplementary information for the system's pension and other employee benefit trust funds. The VRS CAFR is publicly available on the VRS website at [www.varetire.org](http://www.varetire.org). The pension and other trust funds administered by VRS are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia.

**Group Life Insurance (GLI)**

The Virginia Retirement System Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

**Plan Description**

The VRS Group Life Insurance Program upon employment automatically covers all full-time salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions. In addition to the basic GLI benefits,

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members are also eligible to elect additional coverage for themselves, as well as spouse or dependent children through the Optimal Group Life Insurance Program.

**Contributions**

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate of the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% of the 1.31% and the employer component was 0.52% of the covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary Increases, including inflation	
Teachers	3.5% - 5.35%
Locality – General employees	3.5% - 5.35%
Investment Rate of Return	7.0% net of plan investment expenses, including inflation
Mortality Rates – Teachers:	
Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020
Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90

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Post-Disablement	RP-2014 Disability Mortality Rates with Scale BB to 2020; 115% of rates for males and females
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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumption as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

The estimated Group Life Insurance OPEB liability (NOL) applicable to the School Board determined by VRS in accordance with GASB Statement No. 74 less the School Board's proportion of the Plan Fiduciary Net Position is as follows:

Total GLI OPEB Liability	\$ 32,398,812
Plan Fiduciary Net Position	<u>16,594,488</u>
GLI Net OPEB Liability	<u>\$ 15,804,324</u>

**Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projections of cash flows used to determine the discount rate assumed that employer contributions would be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the school divisions for the VRS GLI OPEB plan will be subject to the portion of the VRS Board certified rates that are funded by the Virginia Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected

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future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Real Rate of Return</u>	<u>Weighted Average Long-term Expected Real Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

The following presents the net OPEB liability using the discount rate of 7.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
GLI Net OPEB Liability - Teachers	\$ 18,834,270	\$ 14,412,324	\$ 10,820,938
GLI Net OPEB Liability - Political Subdivisions	\$ 1,819,261	\$ 1,392,000	\$ 1,045,228

**VRS GLI OPEB Expense and Deferred Inflows and Outflows of Resources for Teachers**

For the year ended June 30, 2019, the School Board recognized a credit to the OPEB Group Life Insurance expense of \$144,305. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to VRS GLI OPEB as follows:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between contribution and proportionate rate	\$ 135,558	\$ 1,227,886
Change in assumptions	-	600,550
Differences between expected and actual experience	-	258,366
Net difference between projected and actual earnings on Plan investments	704,242	469,206
Contributions after measurement date	2,423,056	
	<u>\$ 3,262,856</u>	<u>\$ 2,556,008</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to GLI OPEB will be recognized in GLI OPEB expense as follows:

**Amortization of Deferred Inflows and Outflows**

Year Ended:	
2020	\$ (423,767)
2021	(423,767)
2022	(423,767)
2023	(291,097)
2024	(147,761)
2025-2029	(6,049)
	<u>\$ (1,716,208)</u>

**VRS GLI OPEB Expense and Deferred Inflows and Outflows of Resources for Political Subdivisions**

For the year ended June 30, 2019, the School Board recognized OPEB Group Life Insurance expense of \$10,000 and a Net OPEB liability of \$1,392,000. At June 30, 2019, the School Board reported deferred outflows of resources of \$306,256, of which \$236,065 was due to contributions subsequent to the measurement date. The School Board also reported deferred inflows of resources \$355,000 related to VRS GLI OPEB.

**Employer Contribution**

Employers' proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution efforts to the other post-employment benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS GLI OPEB Plan that are not representative of the future contribution efforts are excluded in the determination of employers' proportionate shares. The School Board's total employer contribution into the GLI program for the years ended June 30, 2019 and June 30, 2018 were \$2,423,056 and \$2,358,991, respectively.

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**Health Insurance Credit Plan (HIC)**

**Plan Description**

The Virginia Teacher Employee Health Insurance Credit Program automatically covers all full-time, salaried, permanent (professional) employees of public school divisions. This plan is administered by the Virginia Retirement System along with other pension and OPEB plans. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and end upon the retiree's death. The program was established in 1993 for retired teacher employees covered under VRS who retired with at least 15 years of service credit. At retirement, for teacher and other professional school employees, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For teachers or other professional employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:

- \$4.00 per month multiplied by twice the amount of service credit, or
- \$4.00 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

**Contributions**

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to the school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**Actuarial Assumptions**

The total Teacher Health Insurance Credit OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary Increases, including inflation	3.5% - 5.95%
Investment Rate of Return	7.0% net of plan investment expenses, including inflation

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Mortality Rates – Teachers:

Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020
Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90
Post-Disablement	RP-2014 Disability Mortality Rates with Scale BB to 2020; 115% of rates for males and females

The actuarial assumptions used in the June 30, 2016 valuation was based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumption as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

The net Health Insurance Credit OPEB liability (NOL) was determined in accordance with GASB Statement No. 74. As of June 30, 2018, the NOL portion of the VRS Teacher Health Insurance Credit Program applicable to the School Board is as follows:

Total Teacher HIC OPEB Liability	\$ 30,621,260
Plan Fiduciary Net Position	<u>2,474,839</u>
HIC Net OPEB Liability	<u><u>\$ 28,146,421</u></u>

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Plan fiduciary net position as a percentage of the total Teacher HIC liability was 8.08%. The total Teacher HIC OPEB liability is calculated by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements.

**Discount Rate**

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projections of cash flows used to determine the discount rate assumed that employer contributions would be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the school divisions for the VRS HIC OPEB plan will be subject to the portion of the VRS Board certified rates that are funded by the Virginia Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Real Rate of Return</b>	<b>Weighted Average Long-term Expected Real Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

The following presents the net OPEB liability using the discount rate of 7.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
HIC Net OPEB Liability	\$ 31,437,205	\$ 28,146,421	\$ 25,347,615

**VRS HIC OPEB Expense and Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2019, the School Board recognized OPEB Health Insurance Credit expense of \$1,936,448. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to VRS HIC OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ 2,213,332
Change in assumptions	-	245,405
Differences between expected and actual experience	328,615	20,738
Net difference between projected and actual earnings on Plan investments	-	139,120
Contributions after measurement date	2,223,563	
	<u>\$ 2,552,178</u>	<u>\$ 2,618,595</u>

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to HIC OPEB will be recognized in HIC OPEB expense as follows:

**Amortization of Deferred Inflows and Outflows**

Year Ended:		
2020	\$	(566,351)
2021		(566,351)
2022		(566,351)
2023		(400,720)
2024		(182,728)
2025-2029		(7,479)
	\$	<u>(2,289,980)</u>

**Employer Contribution**

Employers' proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution efforts to the other post-employment benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS HIC OPEB Plan that are not representative of the future contribution efforts are excluded in the determination of employers' proportionate shares. The School Board's total employer contribution into the HIC program for the years ended June 30, 2019 and June 30, 2018 were \$2,223,563 and \$2,201,938, respectively.

**Other OPEB Plans**

The City provides supplemental life insurance benefits through General fund appropriation to the state employees of its constitutional offices. The respective costs and related net OPEB liability of these benefits are not significant.

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**XIII. Interfund Receivable and Payable Balances**

The composition of interfund activity as June 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Capital Projects fund	\$ 5,387,357
	Nonmajor Governmental funds	863,970
	Water Utility fund	<u>135,277</u>
	Total General fund	<u>\$ 6,386,604</u>
Capital Projects fund	Parking Facilities fund	\$ 15,207,089
	Water Utility fund	<u>261,850</u>
	Total Capital Projects fund	<u>\$ 15,468,939</u>
Nonmajor Governmental funds	General fund	\$ 47,672
	Nonmajor Governmental funds	<u>10,421</u>
	Total Nonmajor Governmental funds	<u>\$ 58,093</u>
	<b>Total Governmental funds</b>	<u>\$ 21,913,636</u>
	<b>Total Due from Other funds</b>	<u>\$ 21,913,636</u>
<u>Payable Fund</u>	<u>Receivable Fund</u>	
General fund	Nonmajor Governmental funds	\$ 47,672
	Total General fund	<u>\$ 47,672</u>
Capital Projects fund	General fund	\$ 5,387,357
	Total Capital Projects fund	<u>\$ 5,387,357</u>
Nonmajor Governmental funds	General fund	\$ 863,970
	Nonmajor Governmental funds	<u>10,421</u>
	Total Nonmajor Governmental funds	<u>\$ 874,391</u>
	<b>Total Governmental funds</b>	<u>\$ 6,309,420</u>
<u>Payable Fund</u>	<u>Receivable Fund</u>	
Water Utility fund	General fund	\$ 135,277
	Capital Projects fund	<u>261,850</u>
	Total Water Utility fund	<u>\$ 397,127</u>
Parking Facilities fund	Capital Projects fund	\$ 15,207,089
	Total Parking Facilities fund	<u>\$ 15,207,089</u>
	<b>Total Enterprise and Internal Service funds</b>	<u>\$ 15,604,216</u>
	<b>Total Due to Other funds</b>	<u>\$ 21,913,636</u>

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**XIV. Interfund Transfers**

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursement occurs, (2) transactions are recorded in the accounting system and (3) payment between funds are made.

The following interfund transfers occurred during fiscal year 2019:

<b>Fund</b>	<b>In</b>	<b>Out</b>
General	\$ 39,065,338	\$ 77,874,726
Capital Projects	4,129,134	1,574,798
Debt Service	81,333,153	-
Non-major Governmental	4,381,968	19,151,398
Water Utility	-	28,808,671
Wastewater Utility	-	1,500,000
	<u>\$ 128,909,593</u>	<u>\$ 128,909,593</u>

The purpose of the transfer balances are as follows:

General fund transfers in of \$39,065,338 include \$28,808,671 from the Water Utility fund, \$1,500,000 from the Wastewater Utility fund, \$4,253,465 from the Tax Increment Financing special revenue fund, \$1,503,202 from the Capital Projects fund, and \$3,000,000 from the Public Amenities special revenue fund.

The General fund transfers out of \$77,874,726 represent a transfer of \$70,929,678 to the Debt Service fund to fund general obligation debt, \$2,813,934 to the Capital Projects fund as a contribution for the annual capital improvement plan budget, \$3,249,932 to the Grants special revenue fund in support of grant projects, \$494,398 to the Cemeteries special revenue fund and \$386,784 to the Emergency Operations Center/911 special revenue fund.

The Capital Projects fund transferred \$71,596 to the Grants special revenue fund for matching and \$1,503,202 to the General fund. Capital projects transfers in included \$2,813,934 from the General fund and \$1,315,200 from the Storm Water special revenue fund.

Debt service transfers in of \$81,333,153 include \$3,522,402 from the Storm Water special revenue fund, \$3,521,075 from the Public Amenities special revenue fund, \$210,929 from the Towing & Recovery Operations special revenue fund, \$1,547,534 from the Waste Management special revenue fund, \$1,601,535 from the Tax Increment Financing special revenue fund and \$70,929,678 from the General fund to fund the current fiscal year's debt service payments.

The Storm Water special revenue fund transferred \$3,522,402 to the Debt Service fund to cover its general obligation debt service cost, and \$1,315,200 to the Capital Projects fund to support the fund's capital related projects.

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The Public Amenities special revenue fund transferred \$3,000,000 to the General fund and \$3,521,075 to cover its general obligation debt service cost.

The Towing & Recovery Operations special revenue fund transferred \$210,929 to the Debt Service fund to cover its general obligation debt service cost.

The Endowed Care special revenue fund transferred \$179,258 to the Cemeteries fund in support of the City's cemeteries.

The Tax Increment Financing special revenue fund transferred \$4,253,465 to the General fund and \$1,601,535 to the Debt Service fund to cover its general obligation debt service costs.

The Water and Wastewater Utility funds transferred \$28,808,671 and \$1,500,000 to the General fund, respectively.

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**XV. Fund Balance by Functional Category (GASB 54)**

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in five components as follows:

	General fund	Capital Projects fund	Non-major Governmental funds	Total Governmental funds
<b>FUND BALANCES</b>				
Restricted				
General government	\$ 135,000	\$ -	\$ -	\$ 135,000
Judicial administration	-	-	30,576	30,576
Public safety	-	-	552,485	552,485
Public works	-	-	1,867	1,867
Health and public assistance	-	-	-	-
Culture and recreation	-	-	5,957,128	5,957,128
Community development	-	-	12,506	12,506
Total Restricted	135,000	-	6,554,562	6,689,562
Committed				
General government	5,310,000	-	-	5,310,000
Judicial administration	-	-	83,767	83,767
Public safety	-	-	54,297	54,297
Public works	-	-	5,994,017	5,994,017
Health and public assistance	4,722,013	-	1,461,269	6,183,282
Culture and recreation	-	4,104,634	112,000	4,216,634
Total Committed	10,032,013	4,104,634	7,705,350	21,841,997
Assigned				
General government	39,430,765	-	1,719,427	41,150,192
Judicial administration	-	-	(506,126)	(506,126)
Public safety	-	-	500,247	500,247
Public works	1,141,785	-	5,521,202	6,662,987
Health and public assistance	1,191,381	-	100,420	1,291,801
Culture and recreation	770,898	-	14,268,923	15,039,821
Community development	3,358,184	-	734,634	4,092,818
Education	15,000,000	-	-	15,000,000
(FY-2020 Budget appropriation)	4,337,427	-	-	4,337,427
Total Assigned	65,230,440	-	22,338,727	87,569,167
Unassigned				
Other	76,510,303	-	(66,108)	76,444,195
Total Unassigned	76,510,303	-	(66,108)	76,444,195
Total fund balances	\$ 151,907,756	\$ 4,104,634	\$ 36,532,531	\$ 192,544,921

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**XVI. Deferred Inflows and Outflows of Resources**

Deferred inflows and deferred outflows of resources, as represented in the entity wide and fund financial statements at June 30, 2019, are comprised of the following:

**A. Unavailable Revenues**

Deferred inflows in the General fund and nonmajor governmental funds, representing uncollected tax billings and other accounts receivable not available for funding of current expenditures, were \$29,137,828 and \$3,376,662, respectively as of June 30, 2019.

**B. Deferred Inflows and Outflows from Refunding Transactions**

Refunding transactions for the City of Norfolk have resulted in a Loss on Defeasance on the entity-wide financial statements of \$21,338,428 for governmental activities and \$21,532,437 for business-type activities which consists of a loss of \$12,306,829 for the Water Utility fund, \$2,878,571 for the Wastewater Utility fund and \$6,347,037 for Parking Facilities fund. Gains on the defeasance of debt are reported on the financial statements as deferred inflows of resources and were \$171,742 for governmental activities and \$14,327 for business-type activities, specifically \$13,297 for the Wastewater Utility fund and \$1,030 for Parking Facilities fund.

**C. Deferred Inflows and Outflows Related to Pensions**

Deferred inflows from pension-related items represent the difference between actual and estimated experience and is amortized over a five-year period or estimated remaining service life. As June 30, 2019, the amount reported as governmental activities was \$8,664,235 (which includes the Fleet Management fund of \$72,774), and the amounts reported in business-type activities were \$413,137 for the Water Utility fund, \$209,751 for the Wastewater Utility fund, and \$426,813 for the Parking Facilities fund.

Deferred outflows from pension-related items represent the difference between projected and actual investment earnings as well as contributions made in fiscal year 2019 that will not be reflected in the pension liabilities because they were made after the measurement date. The amounts included as deferred outflows of resources in the June 30, 2019 financial statements are \$82,467,439 for governmental activities (which includes \$1,006,178 in the Fleet Management fund), \$5,114,211 for the Water Utility fund, \$1,452,215 for the Wastewater Utility fund and \$991,847 for the Parking Facilities fund.

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

	Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Business-Type Activities
ERS:							
Deferred Outflows	\$ 79,060,579	\$ 1,006,178	\$ 80,066,757	\$ 5,114,211	\$ 1,452,215	\$ 991,847	\$ 7,558,273
Deferred Inflows	(5,977,414)	(72,774)	(6,050,188)	(413,137)	(209,751)	(426,813)	(1,049,701)
	<u>\$ 73,083,165</u>	<u>\$ 933,404</u>	<u>\$ 74,016,569</u>	<u>\$ 4,701,074</u>	<u>\$ 1,242,464</u>	<u>\$ 565,034</u>	<u>\$ 6,508,572</u>
VRS:							
Deferred Outflows	\$ 2,400,682	\$ -	\$ 2,400,682	\$ -	\$ -	\$ -	\$ -
Deferred Inflows	(2,614,047)	-	(2,614,047)	-	-	-	-
	<u>\$ (213,365)</u>	<u>\$ -</u>	<u>\$ (213,365)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred outflows related to pensions			<u>\$ 82,467,439</u>				<u>\$ 7,558,273</u>
Total deferred inflows related to pensions			<u>\$ (8,664,235)</u>				<u>\$ (1,049,701)</u>

**D. Deferred Inflows and Outflows Related to OPEB**

Deferred inflows from OPEB-related items represent the difference between actual and estimated experience and changes in assumptions and are amortized over a seven-year period. As June 30, 2019, the amount reported as governmental activities was \$13,767,396 (which includes the Fleet Management fund of \$36,019), and the amounts reported in business-type activities were \$164,053 for the Water Utility fund, \$56,872 for the Wastewater Utility fund and \$63,424 for the Parking Facilities fund.

Deferred outflows from OPEB-related items represent the difference between actual and estimated experience and changes in assumptions as well as contributions made in fiscal year 2019 that will not be reflected in the OPEB liabilities because they were made after the measurement date. The amounts included as deferred outflows of resources in the June 30, 2018 financial statements are \$6,381,704 for governmental activities (which includes \$62,912 in the Fleet Management fund), \$343,409 for the Water Utility fund, \$98,644 for the Wastewater Utility fund and \$62,931 for the Parking Facilities fund.

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

	Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Business-Type Activities
City:							
Deferred Outflows - City	\$ 5,311,042	\$ 62,912	\$ 5,373,954	\$ 343,409	\$ 98,644	\$ 62,931	\$ 504,984
Deferred Inflows - City	(2,460,447)	(36,019)	(2,496,466)	(164,053)	(56,872)	(63,424)	(284,349)
	<u>\$ 2,850,595</u>	<u>\$ 26,893</u>	<u>\$ 2,877,488</u>	<u>\$ 179,356</u>	<u>\$ 41,772</u>	<u>\$ (493)</u>	<u>\$ 220,635</u>
Line of Duty:							
Deferred Outflows - LOD	\$ 1,007,750	\$ -	\$ 1,007,750	\$ -	\$ -	\$ -	\$ -
Deferred Inflows - LOD	(11,270,930)	-	(11,270,930)	-	-	-	-
	<u>\$ (10,263,180)</u>	<u>\$ -</u>	<u>\$ (10,263,180)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred outflows related to OPEB			<u>\$ 6,381,704</u>				<u>\$ 504,984</u>
Total deferred inflows related to OPEB			<u>\$ (13,767,396)</u>				<u>\$ (284,349)</u>

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**XVII. Commitments and Contingencies**

**A. Capital Projects**

Commitments for completion of capital projects in the business-type activities, authorized at June 30, 2019, are as follows:

Water Utility fund projects	\$27,148,342
Wastewater Utility fund projects	16,547,776
Parking Facilities fund projects	<u>1,794,265</u>
Total	<u><u>\$45,490,383</u></u>

See Exhibit J-3 Schedule of Expenditures – Budget and Actual for listing of capital projects in the governmental activities, authorized at June 30, 2019.

**B. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**C. Litigation**

From time to time the City and its component units are defendants in a number of lawsuits. Although it is not possible to determine the final outcome on these matters, management and the City Attorney are of the opinion that the liability will not be material and will not have a significant effect on the City's financial condition.

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**D. Pollution Remediation Obligation**

GASB Statement 49, Accounting and Financial Reporting or Pollution Remediation Obligations, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and the government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean-up;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; and
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

At June 30, 2019, the Wastewater Utility fund recorded a liability for pollution remediation in the amount of \$23,049.

**E. Encumbrances**

Encumbrances as of June 30, 2019, in the General fund and Capital Projects fund totaled \$13,459,847 and \$47,360,924 respectively. Encumbrances as of June 30, 2019, for nonmajor governmental funds in the aggregate totaled \$30,787,363.

**XVIII. Surety Bonds and Insurance**

<b>Surety</b>	<b>Official</b>	<b>Amount</b>
<b>Commonwealth of Virginia</b>		
	C. Evans Poston Jr., Commissioner of the Revenue	\$ 3,000
	Daun Hester, City Treasurer	1,500,000
	Joe Baron, Sheriff	30,000
	George E. Schaefer, III, Clerk of the Circuit Court	2,235,000
	<b>Total Commonwealth of Virginia</b>	<u>\$ 3,768,000</u>
<b>Commonwealth of Virginia</b>		
	All employees of the City Treasurer, Sheriff, Commissioner of the Revenue, Commonwealth's Attorney and Clerk of the Circuit Court - Performance of Duty Bond	<u>\$ 500,000</u>
<b>City of Norfolk</b>		
	All City employees - Travelers Insurance Co.	<u>\$ 1,000,000</u>

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**XIX. Tax Abatements**

As of June 30, 2019, the City provides tax abatements through five programs – the Tax Abatement Program, Technology Zone, New Business License Incentive Program, Local Utility Tax Relief and the Economic Development Program. The details of these programs for the fiscal year ended June 30, 2019, are as follows:

		<b>Tax Abatement Program</b>	<b>Technology Zone</b>	<b>New Business License Incentive Program</b>	<b>Local Utility Tax Relief</b>	<b>Economic Development Program</b>
<b>1</b>	<b>Purpose of the program</b>	Encourages significant improvement of residential, commercial and industrial properties throughout the City, that is of the highest construction quality and architectural design complementing the surrounding area.	Intended to reduce business, professional and occupational license tax for technology-related businesses up to 5 years if they are established in the "Technology Zone."	A temporary exemption in business license tax is available to new businesses that locate in Norfolk after January 1, 2016.	Intended to reduce business utility taxes for a five-year period if they are in the "Enterprise Zone (EZ)."	To incentivize businesses to locate to the City of Norfolk.
<b>2</b>	<b>Type of tax abatement</b>	Property Tax	Business, professional and occupational license tax	Business License Tax	Utility Tax	Personal Property, Real Estate and Business Tangible Property
<b>3</b>	<b>Authority for program</b>	Norfolk Municipal Code Section 24-203 & Section 27-76	Norfolk Code of Ordinance Chapter 45.6	"Norfolk Municipal Code Section 24-25.9 and 24-25.2	City Ordinance § 45.5-5	City Council, designated to the City Manager
<b>4</b>	<b>Administering department</b>	Office of the Real Estate Assessor	Department of Development	Commissioner of the Revenue	Department of Development	Department of Development
<b>5</b>	<b>Criteria to be eligible to receive abatement</b>	A. Residential structure must be at least 15 years old and improvements will increase assessed value by at least 20%. B. Multi-family, commercial or industrial structure must be at least 50 years old and improvements will increase assessed value by at least 40%.	Applicants must meet criteria of establishing their technology related business according to certain criteria mention in the above-mentioned ordinance.	The business must apply and meet several criteria. Below is a list of the top 3 requirements: 1) Must be locating to Norfolk for the first time (name change, merger or acquisition are disqualifiers). 2) Must not file a consolidated financial statement with a parent or other affiliated entity with combined taxable gross	Existing EZ businesses must make a \$100,000 taxable investment within the Enterprise Zone.  New EZ businesses must make a \$500,000 taxable investment within the Enterprise Zone.	The City evaluates all economic development opportunities on an individual basis. The economic development agreements are specific to each developer and generally constitute a significant economic development opportunity for the City and have a positive factor in achieving the objectives of the

**CITY OF NORFOLK, VIRGINIA**  
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		<b>Tax Abatement Program</b>	<b>Technology Zone</b>	<b>New Business License Incentive Program</b>	<b>Local Utility Tax Relief</b>	<b>Economic Development Program</b>
				receipts of more than \$1 million. 3) Can't be considered an affiliated group or have a franchisee relationship.		City and are worthy of inducement.
<b>6</b>	<b>"How recipients' taxes are reduced"</b>	Through a reduction of the property's assessed value recipients will not pay full taxes on those improvements for 14 years. The increase in assessed value due to the improvements will not be recognized for tax purposes for the first 10 years following the commencement of the tax abatement.	Through a reduction in business, professional and occupational license.	Reduction in business license tax.	Reduction in utility tax.	Taxes are reduced through performance grant payments that are provided to the recipient in the subsequent year.
<b>7</b>	<b>How the amount of abatement is determined</b>	The increase in assessed value due to the improvements will be recognized for tax purposes on a sliding scale in the 11th year through 15th year following the start of the tax abatement as soon:  <ul style="list-style-type: none"> <li>• 11<sup>th</sup> year – 20%</li> <li>• 12<sup>th</sup> year – 40%</li> <li>• 13<sup>th</sup> year – 60%</li> <li>• 14<sup>th</sup> year – 80%</li> <li>• 15<sup>th</sup> year – 100%</li> </ul>	Below is the schedule for the reduction of tax:  <ul style="list-style-type: none"> <li>• Year 1 - 2 = 100%</li> <li>• Year 3 - 4 = 50%</li> </ul>	Receives a \$50 per tax class reduction for the first two years. The abatement eligibility is determined by a qualification process. The taxpayer must answer 25 questions to qualify.	Below is the schedule for the reduction of tax:  <ul style="list-style-type: none"> <li>• 1<sup>st</sup> year - 50%</li> <li>• 2<sup>nd</sup> year - 40%</li> <li>• 3<sup>rd</sup> year - 30%</li> <li>• 4<sup>th</sup> year - 20%</li> <li>• 5<sup>th</sup> year - 10%</li> </ul>	Specific percentages are identified in each agreement that apply to various items (i.e. assessed value, value of business personal property, etc.). Percentages are not uniform and are independently determined during negotiation of agreement.
<b>8</b>	<b>Terms for recapture if conditions unmet</b>	Because taxes are not abated until after the improvements have been made, there is no provisions for recapturing abated taxes	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes	If the business estimates its gross receipts will exceed \$1 million, but the actual gross receipts are less than \$1 million, the benefits of the program are not available unless the business completes the	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

		<b>Tax Abatement Program</b>	<b>Technology Zone</b>	<b>New Business License Incentive Program</b>	<b>Local Utility Tax Relief</b>	<b>Economic Development Program</b>
				qualification process. Likewise, if the qualifying business estimated less than \$1 million and the actual gross receipts were more than \$1 million the business is responsible for the entire tax amount and will be removed from the program.		
<b>9</b>	<b>Types of commitments made by the City, other than to reduce taxes</b>	N/A	N/A	N/A	N/A	There are some, but they vary by contract. These include percentage back for gross receipts and utility charges.
<b>10</b>	<b>Gross dollar amount, on accrual basis, by which the tax revenues were reduced due to the abatement</b>	<u><b>2019</b></u> \$2,919,370	<u><b>2019</b></u> \$ -	<u><b>2019</b></u> \$39,164	<u><b>2019</b></u> \$2,916	<u><b>2019</b></u> \$3,664,052

**XX. Self and Purchased Insurance Programs**

The City is exposed to various risks of losses related to torts, theft and destruction of assets, errors and omissions, injuries to employees, and natural disasters. On July 11, 1978, the City established a protected self-insurance program, pursuant to an ordinance adopted by City Council, to cover these risks. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2019 was \$10,102,889.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

The City currently reports all these activities as part of the risk management function in the general government section of the General fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. For actuarial purposes, estimated outstanding losses are the accrual cost of unpaid claims valued as of each accounting date. The estimated outstanding losses include case reserves, the development on known claims and incurred but not reported (IBNR) claims. Allocated loss adjustment expenses (ALAE) are the direct expenses for settling specific claims. ALAE is included in the workers' compensation estimates but excluded in the liability estimates. At June 30, 2019 these liabilities were estimated at \$30,208,137 with \$4,316,731 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal 2019 were determined by an independent actuary.

Effective January 1, 2014, the Norfolk Healthcare Consortium (Consortium) began participating in a City-administered health insurance fund, which is reflected as an internal service fund. The Consortium is comprised of the City, the Norfolk Public Schools and Norfolk Redevelopment and Housing Authority. Each participating employee and employer deposits their respective premium into the fund. Medical claims, administrative costs, wellness programs costs, fees related to the Affordable Healthcare Act and benefit consultant costs are expended from the fund. Employee premiums from City departments are netted against related expenses as a recovered cost. The City has recorded \$7,651,000 for medical and pharmacy claims incurred, but not reported as of June 30, 2019. Payments from the Norfolk Public Schools are made in 10 payments per year instead of 12, so there is a portion recognized in the financial statements as unearned income. The unearned income as of June 30, 2019 was \$7,137,764. The City is responsible for deficit conditions that may exist when liabilities exceed assets and may make additional assessments to Consortium members as needed.

Changes in the City's claims liability amount in the fiscal years 2019 and 2018 are as follows:

	Workers' Compensation and Risk Management		Health Insurance		Total	
	2019	2018	2019	2018	2019	2018
Estimated Outstanding Claims at the Beginning of year	\$ 31,616,500	\$ 31,918,233	\$ 6,295,000	\$ 6,582,000	\$ 37,911,500	\$ 38,500,233
Additional Incurred Claims or Changes in Estimates	5,573,908	7,063,273	85,876,311	74,443,438	91,450,219	81,506,711
Claims Paid	(6,982,271)	(7,365,006)	(84,520,311)	(74,730,438)	(91,502,582)	(82,095,444)
Estimated Outstanding Claims at the End of year	<u>\$ 30,208,137</u>	<u>\$ 31,616,500</u>	<u>\$ 7,651,000</u>	<u>\$ 6,295,000</u>	<u>\$ 37,859,137</u>	<u>\$ 37,911,500</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

The City in its General fund has committed \$5,000,000 of fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage and settled claims have not exceeded coverage in any of the past three fiscal years.

The Norfolk Public Schools (NPS) also self-insures its workers' compensation and general liability and its future expected self-insured losses as of June 30, 2019, projected at \$4,163,163 of which \$1,021,537 is the current portion and a longer-term projection of \$3,141,626. The NPS provides payments for that entity's risks of loss through a combination of purchased insurance policies and self-insurance plans. These losses are funded through the NPS operating budgets and/or the City's fund balance designation.

Changes in the School Board's liability amount in the fiscal years 2018 and 2019 are as follows:

	Estimated Outstanding Losses at the Beginning of Year	Additional Incurred Claims or Changes in Estimates	Claims Paid	Estimated Outstanding Losses at the End of Year
2018	\$ 3,631,204	\$ 1,009,634	\$ (523,331)	\$ 4,117,507
2019	\$ 4,117,507	\$ 937,791	\$ (892,135)	\$ 4,163,163

**XXI. Jointly Governed Organizations**

**A. Hampton Roads Regional Jail Authority (HRRJA)**

HRRJA is a regional organization which includes the cities of Chesapeake, Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended, and is governed by a twelve-member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the HRRJA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2019. Complete financial statements of HRRJA can be obtained from HRRJA.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**B. Hampton Roads Planning District Commission (the Commission)**

A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the Commission is received primarily from member contributions and various state and federal grant programs.

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2019. Complete financial statements of the Commission can be obtained from the Commission.

**C. Transportation District Commission of Hampton Roads (TDC)**

TDC known as Hampton Roads Transit (HRBT) a political subdivision of the commonwealth, was formed on May 9, 1923, as a joint exercise of governmental power in accordance with Chapter 32 of Title 15.2 of the Code of Virginia. HRBT provides public transportation facilities and services within the cities of Norfolk, Chesapeake, Hampton, Newport News and Virginia Beach, Virginia. Oversight responsibility is exercised by the participating localities through their designated representatives. Responsibility for the day-to-day operation HRBT rests with professional management. HRBT was constructed the City's light rail system.

The participating governments do not have an equity interest in TDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2019. Complete financial statements of TDC can be obtained from TDC.

**XXII. Joint Ventures**

**A. Southeastern Public Service Authority (SPSA)**

SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by a Board of Directors consisting of eight member representatives appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors, with each individual having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

In June 2010, SPSA entered into a debt repayment plan with the Virginia Resources Authority (VRA) which required that the eight member communities guarantee repayment of the remaining VRA bonds outstanding through a general obligation pledge. The final payment on these bonds was made in fiscal year 2018, thus ending the requirement to guarantee repayment.

The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements June 30, 2019. Complete financial statements of the SPSA can be obtained from SPSA.

**B. The Slover Library Foundation (The Foundation)**

The Slover Library Foundation, a not-for-profit organization, was formed on October 31, 2008, to participate in the funding of a central library for the City. The new central library was named the Slover Library. Two historic downtown structures, the Seaboard Building and the Selden Arcade, were joined by an architecturally significant structure to create a new technologically advanced library. Funding provided by the Foundation in the future will be used for purchase and maintenance of technology used in the library. The Foundation designates its own management, maintains its own books of account, engages its own independent accountant and receives its revenue from third parties.

**C. Norfolk Botanical Garden Society (The Society)**

The City of Norfolk has an agreement with the Norfolk Botanical Garden Society to operate the Norfolk Botanical Garden which are owned by the City. This agreement expires on June 30, 2022. The Society receives annual funding from the City of Norfolk for improvements and operating costs.

**XXIII. Related Organizations**

**A. Norfolk Redevelopment and Housing Authority (NRHA)**

The Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. The City does not exercise a significant degree of oversight responsibility for the NRHA develops its own operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own financial matters as it maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and moneys other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

The City currently has two significant projects with the NRHA; (1) Waterside Redevelopment and (2) Conference center hotel and garage. The City conveyed ownership of Waterside to the NRHA and agreed to provide \$32 million in development support. NRHA will operate Waterside upon completion. The City and Professional Hospitality Resources, Inc. have constructed a conference center, hotel and parking garage that opened in fiscal year 2017. The City contributed up to \$64 million to the development costs. The conference center and garage will initially be owned by NRHA; however, ownership will revert to the City once all agreements have been finalized. The ownership of the garage reverted to the City in 2017.

**B. Norfolk Airport Authority (The Authority)**

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport fund and an Investment fund. The Airport fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment fund was established by the Authority to provide for certain airport capital improvements. The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council, but the Authority designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and, pursuant to Section 144(q) of the City Charter, the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

**C. The Chrysler Museum, Inc. (The Museum)**

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980, by incorporating the Chrysler Museum in Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from facility rental fees, patron membership, planned giving and from other independent grants. The City owns the museum building and provides support for its maintenance.

**D. The Hospital Authority of Norfolk (HAN)**

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

**XXIV. Subsequent Events**

On August 15, 2019, the City completed the sale of \$159,305,000 of General Obligation Refunding Bonds for savings. Aggregate total net present value savings of \$11,447,266, or 8.72% of the original debt service requirements.

On August 15, 2019, the City completed the sale of \$28,955,000 of General Obligation Refunding Bonds for savings. Aggregate total net present value savings of \$1,314,242, or 5.59% of the original debt service requirements.

On September 19, 2019, the City completed the sale of \$89,025,000 of General Obligation Refunding Bonds for savings. Aggregate total net present value savings of \$3,427,955, or 4.80% of the original debt service requirements.

On November 21, 2019, the City amended its existing credit agreement with Bank of America Merrill Lynch ("BAML") to extend the termination date of the Line of Credit from December 17, 2019, to December 17, 2021. The amendment also includes a change to the interest rate and unutilized commitment fee on the line of credit that goes into effect on December 17, 2019. The new tax-exempt borrowing rate will be 79 percent of LIBOR, plus 25 basis points. The new taxable borrowing rate will be 100 percent of LIBOR, plus 35 basis points. Lastly, the commitment fee on the unutilized portion of the line of credit will be waived.

On November 21, 2019, the City issued a \$10,000,000 Wastewater System Revenue Bond, with Virginia Resource Authority (VRA). In conjunction with the State Water Control Board, VRA administers the and manages the Virginia Water Facilities Revolving Loan Fund. The Bond was sold at a true interest cost of 0.00%.

**XXV. Adoption of New Accounting Pronouncements**

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This Statement is effective for reporting periods beginning after June 15, 2018.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*. The objective of this Statement is to improve the information that is disclosed related to debt, including direct borrowings and direct placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**XXVI. Accounting Pronouncements Issued, But Not Yet Implemented**

The GASB has issued several pronouncements that will impact future financial presentations. Management has not determined what, if any, impact implementation of the following statements will have on the City.

- GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported by establishing criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period to enhance relevance and comparability of information while simplifying the accounting. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

**REQUIRED SUPPLEMENTARY  
INFORMATION  
(*OTHER THAN MANAGEMENT'S  
DISCUSSION & ANALYSIS*)**

**(Unaudited)**





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**CITY OF NORFOLK**  
**Norfolk Employees' Retirement System**  
Schedule of Changes in Net Pension Liability and Related Ratios (unaudited)  
For Fiscal Years

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service Costs	\$ 25,146,000	\$ 26,310,000	\$ 25,919,058	\$ 25,467,399	\$ 24,578,759
Interest	92,517,000	86,974,000	84,710,490	82,839,251	80,203,196
Changes of benefit terms	11,698,000	590,000	568,480	352,800	20,689,842
Difference between expected and actual experience	(1,598,000)	(2,543,000)	(2,665,615)	(2,471,392)	(10,654,079)
Changes in assumptions	16,606,000	53,197,000	(6,508,735)	-	-
Benefits payments, including refunds of member contributions	(85,933,000)	(83,977,000)	(80,783,975)	(79,031,490)	(77,065,376)
<b>Net change in total pension liability</b>	58,436,000	80,551,000	21,239,703	27,156,568	37,752,342
<b>Total Pension Liability - Beginning</b>	1,326,413,000	1,245,862,000	1,224,622,781	1,197,466,213	1,159,713,871
<b>Total Pension Liability - Ending</b>	<u>\$ 1,384,849,000</u>	<u>\$ 1,326,413,000</u>	<u>\$ 1,245,862,484</u>	<u>\$ 1,224,622,781</u>	<u>\$ 1,197,466,213</u>
<b>Plan Fiduciary Net position</b>					
Employer contributions	\$ 35,494,000	\$ 33,457,000	\$ 30,761,340	\$ 34,932,005	\$ 42,330,492
Employee contributions	9,859,000	9,450,000	8,733,481	4,914,726	1,671,644
Net investment income	72,662,000	111,228,000	3,278,018	16,596,553	157,291,834
Benefit payments, including refunds of member contributions	(85,933,000)	(83,977,000)	(80,783,975)	(79,031,489)	(77,065,376)
Administrative expense	(764,000)	(668,000)	(671,568)	(386,495)	(412,809)
<b>Net change in Fiduciary Net Position</b>	31,318,000	69,490,000	(38,682,704)	(22,974,700)	123,815,785
<b>Total Net Position - Beginning</b>	1,044,012,000	974,522,000	1,013,204,260	1,036,178,960	912,363,175
<b>Total Net Position - Ending</b>	<u>\$ 1,075,330,000</u>	<u>\$ 1,044,012,000</u>	<u>\$ 974,521,556</u>	<u>\$ 1,013,204,260</u>	<u>\$ 1,036,178,960</u>
<b>Net Pension Liability</b>	<u>\$ 309,519,000</u>	<u>\$ 282,401,000</u>	<u>\$ 271,340,928</u>	<u>\$ 211,418,521</u>	<u>\$ 161,287,253</u>
Plan fiduciary net position as a percentage of the total pension liability	77.65%	78.71%	78.22%	82.74%	86.53%
Covered payroll	\$ 191,549,000	\$ 188,068,000	\$ 175,678,692	\$ 178,467,817	\$ 177,560,789
Net Pension liability as a percentage of covered payroll	161.59%	150.16%	154.45%	118.46%	90.83%

\*This schedule is intended to illustrate the requirement to show information for 10 years.  
Additional years will be included as they become available.

See accompanying independent auditors' report

**CITY OF NORFOLK**  
**Norfolk Employees' Retirement System**  
Schedule of Employer Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Actuarially Determined Required Contributions*	Employer Contributions*	Contribution Deficiency (Excess)	Employer's Covered Payroll **	Contributions as a % of Covered Payroll
2019	\$ 37,079	\$ 37,079	\$ -	\$ 195,358	18.98%
2018	35,494	35,494	-	191,549	18.53%
2017	33,457	33,457	-	188,068	17.79%
2016	30,761	30,761	-	175,679	17.51%
2015	38,263	34,932	3,331	178,468	19.57%
2014	42,330	42,330	-	177,561	23.84%
2013	41,466	41,466	-	184,062	22.53%
2012	42,828	42,828	-	167,593	25.55%
2011	35,515	35,515	-	170,922	20.78%
2010	28,279	28,279	-	175,179	16.14%

\* The actuarially determined contribution and the employer contributions were adjusted for years prior to 2014 to retrospectively apply to the timing of recognition under GASB 67.

\*\* The actuarial determination of the ADC is based on the projection of covered payroll for the period for which the ADC will apply. The covered payroll was provided by the actuary. For the years 2014 through 2019, the balances exclude payroll for active employees participating in DROP for which contributions are not made.

See accompanying independent auditors' report

**CITY OF NORFOLK**  
**Virginia Retirement System State Constitutional Offices**  
Schedule of Changes in Net Pension Liability and Related Ratios (unaudited)  
For Fiscal Years

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service costs	\$ 3,318,884	\$ 3,487,288	\$ 3,496,157	\$ 3,531,000	\$ 3,600,000
Interest	6,992,769	6,689,417	6,370,650	6,001,000	5,574,000
Difference between expected and actual experience	(887,137)	(599,933)	(1,331,914)	(763,000)	-
Changes in assumptions	-	(893,223)	-	-	-
Benefits payments, including refunds of member contributions	(4,323,052)	(4,376,843)	(3,585,300)	(3,377,000)	(2,798,000)
<b>Net change in total pension liability</b>	5,101,464	4,306,706	4,949,593	5,392,000	6,376,000
<b>Total Pension Liability - Beginning</b>	102,058,233	97,751,527	92,801,934	87,410,000	81,034,000
<b>Total Pension Liability - Ending</b>	<u>\$ 107,159,697</u>	<u>\$ 102,058,233</u>	<u>\$ 97,751,527</u>	<u>\$ 92,802,000</u>	<u>\$ 87,410,000</u>
<b>Plan Fiduciary Net position</b>					
Employer contributions	\$ 2,394,595	\$ 2,355,587	\$ 2,804,570	\$ 2,830,000	\$ 3,167,000
Employee contributions	1,316,482	1,362,997	1,357,832	1,373,000	1,422,000
Projected earnings on plan investments	7,206,612	10,677,625	1,525,201	3,742,000	10,933,000
Benefit payments, including refunds of member contributions	(4,323,052)	(4,376,843)	(3,585,300)	(3,377,000)	(2,798,000)
Administrative expense	(61,420)	(61,057)	(52,120)	(50,000)	(57,000)
Other	(6,456)	(9,527)	(639)	(3,000)	1,000
<b>Net change in Fiduciary Net Position</b>	6,526,761	9,948,782	2,049,544	4,515,000	12,668,000
<b>Total Net Position - Beginning</b>	97,489,356	87,540,574	85,491,030	80,975,000	68,307,000
<b>Total Net Position - Ending</b>	<u>\$ 104,016,117</u>	<u>\$ 97,489,356</u>	<u>\$ 87,540,574</u>	<u>\$ 85,490,000</u>	<u>\$ 80,975,000</u>
<b>Net Pension Liability</b>	<u>\$ 3,143,580</u>	<u>\$ 4,568,877</u>	<u>\$ 10,210,953</u>	<u>\$ 7,312,000</u>	<u>\$ 6,435,000</u>
Plan fiduciary net position as a percentage of the total pension liability	97.07%	95.52%	89.55%	92.12%	92.64%
Covered payroll	\$ 27,469,101	\$ 26,351,750	\$ 27,083,985	\$ 26,861,778	\$ 26,952,068
Net Pension liability as a percentage of covered payroll	11.44%	17.34%	37.70%	27.22%	23.88%

\*This schedule is intended to illustrate the requirement to show information for 10 years. Additional years will be included as they become available.

See accompanying independent auditors' report

**CITY OF NORFOLK**  
**Virginia Retirement System State Constitutional Offices**  
Schedule of Employer Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contributions		Contributions in Relation to		Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contributions	Contractually Required Contributions	Contractually Required Contributions	Contractually Required Contributions			
2019	\$	2,401	\$	2,401	\$ -	28,010	8.57%
2018		2,338		2,338	-	27,470	8.51%
2017		2,356		2,356	-	26,352	8.94%
2016		2,805		2,805	-	27,084	10.36%
2015		2,830		2,830	-	26,862	10.54%
2014		3,167		3,167	-	26,952	11.75%
2013		3,135		3,135	-	27,300	11.48%
2012		3,212		3,212	-	24,677	13.02%
2011		3,289		3,289	-	24,539	13.40%
2010		3,371		3,371	-	24,539	13.74%

Note: Covered payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under GASB 68, covered payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System Teachers Retirement Plan**  
Schedule of the School Board's Proportionate Share of the Net Pension Liability (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	2019	2018	2017	2016	2015
School Board's proportion of the Net Pension Liability	2.568%	2.701%	2.400%	2.430%	2.467%
School Board's proportionate share of the Net Pension Liability	\$ 260,983	\$ 283,848	\$ 336,787	\$ 305,901	\$ 298,089
Covered payroll	\$ 188,385	\$ 192,822	\$ 194,172	\$ 189,624	\$ 189,067
School Board's proportionate of the Net Pension Liability as a percentage of its covered payroll	139%	147%	173%	161%	158%
Plan fiduciary net position as a percentage of the total pension liability	74.81%	72.92%	68.28%	70.68%	70.88%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2015 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System Teachers Retirement Plan**  
Schedule of School Board Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 28,775	\$ 28,775	\$ -	\$ 195,455	14.72%
2018	29,028	29,028	-	188,385	15.41%
2017	26,582	26,582	-	192,822	13.79%
2016	25,755	25,755	-	194,172	13.26%
2015	26,206	26,206	-	189,624	13.82%
2014	21,056	21,056	-	189,067	11.14%
2013	20,911	20,911	-	144,714	14.45%
2012	19,516	19,516	-	148,138	13.17%
2011	16,027	16,027	-	135,016	11.87%
2010	21,492	21,492	-	157,542	13.64%

Note: Covered payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under GASB 68, covered payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System School Board Political Subdivisions**  
Schedule of Changes in the School Board's Net Pension Liability and Related Ratios (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service costs	\$ 1,504	\$ 1,552	\$ 1,527	\$ 1,563	\$ 1,530
Interest	6,054	5,976	5,891	5,770	5,586
Changes in assumptions	-	(850)	-	-	-
Difference between expected and actual experience	(2,076)	(646)	(1,511)	(1,027)	-
Benefits payments, including refunds of member contributions	(5,155)	(4,706)	(4,814)	(4,343)	(4,659)
Change in proportionate share	9	76	1	21	
<b>Net change in total pension liability</b>	336	1,402	1,094	1,984	2,457
<b>Total Pension Liability - Beginning</b>	89,062	87,660	86,566	84,582	82,125
<b>Total Pension Liability - Ending</b>	<u>\$ 89,398</u>	<u>\$ 89,062</u>	<u>\$ 87,660</u>	<u>\$ 86,566</u>	<u>\$ 84,582</u>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 1,435	\$ 1,408	\$ 1,794	\$ 1,768	\$ 1,722
Employee contributions	814	807	800	785	775
Projected earnings on plan investments	5,851	8,877	1,248	3,321	10,151
Benefit payments, including refunds of member contributions	(5,155)	(4,706)	(4,814)	(4,343)	(4,659)
Administrative expense	(52)	(52)	(47)	(47)	(56)
Change in proportionate share	(2)	41	1	18	
Other	(36)	(17)	(17)	(11)	1
<b>Net change in Fiduciary Net Position</b>	2,855	6,358	(1,035)	1,491	7,934
<b>Total Net Position - Beginning</b>	80,321	73,963	74,998	73,507	65,573
<b>Total Net Position - Ending</b>	<u>\$ 83,176</u>	<u>\$ 80,321</u>	<u>\$ 73,963</u>	<u>\$ 74,998</u>	<u>\$ 73,507</u>
<b>Net Pension Liability</b>	<u>\$ 6,222</u>	<u>\$ 8,741</u>	<u>\$ 13,697</u>	<u>\$ 11,568</u>	<u>\$ 11,075</u>
Plan fiduciary net position as a percentage of the total pension liability	93.04%	90.19%	84.37%	86.64%	86.91%
Covered payroll	\$ 22,292	\$ 23,756	\$ 22,219	\$ 22,224	\$ 21,766
Net Pension liability as a percentage of covered payroll	27.91%	36.79%	61.65%	52.05%	50.88%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2016 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System School Board Political Subdivisions**  
Schedule of School Board Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 1,195	\$ 1,195	\$ -	\$ 22,848	5.23%
2018	1,435	1,435	-	22,292	6.44%
2017	1,408	1,408	-	23,756	5.93%
2016	1,794	1,794	-	22,219	8.07%
2015	1,768	1,768	-	22,224	7.96%
2014	1,722	1,722	-	21,766	7.91%
2013	1,734	1,734	-	15,661	11.07%
2012	1,858	1,858	-	14,818	12.54%
2011	1,923	1,923	-	15,287	12.58%
2010	1,928	1,928	-	16,169	11.92%

Note: Covered payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under GASB 68, covered payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

See accompanying independent auditors' report

**CITY OF NORFOLK**  
**City OPEB Liability**  
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)  
For Fiscal Years

	2019	2018
<b>Total OPEB Liability</b>		
Service Costs	\$ 2,485,855	\$ 2,638,578
Interest	1,178,923	864,633
Changes of benefit terms	-	-
Difference between expected and actual experience	(2,005,011)	(1,413,447)
Changes in assumptions	3,702,351	1,815,771
Benefits payments, including refunds of member contributions	(1,223,511)	(1,247,913)
	<hr/>	<hr/>
<b>Net change in total OPEB liability</b>	4,138,607	2,657,622
<b>Total OPEB Liability - Beginning</b>	32,305,189	29,647,567
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 36,443,796</u></u>	<u><u>\$ 32,305,189</u></u>
Covered employee payroll	\$ 199,097,008	\$ 196,905,143
Net OPEB liability as a percentage of covered employee payroll	18.30%	16.41%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

See accompanying independent auditors' report

**CITY OF NORFOLK**  
**City Line of Duty OPEB Liability**  
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)  
For Fiscal Years

	2019	2018
<b>Total OPEB Liability</b>		
Service Costs	\$ 1,517,002	\$ 991,486
Interest	1,336,572	637,503
Changes of benefit terms	-	19,652,972
Difference between expected and actual experience	(3,476,174)	(2,397)
Changes in assumptions	(4,964,076)	(5,648,603)
Benefits payments, including refunds of member contributions	(1,030,394)	(822,158)
	<hr/>	<hr/>
<b>Net change in total OPEB liability</b>	(6,617,070)	14,808,803
<b>Total OPEB Liability - Beginning</b>	37,093,238	22,284,435
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 30,476,168</u></u>	<u><u>\$ 37,093,238</u></u>
Covered employee payroll	\$ 66,183,480	\$ 68,244,678
Net OPEB liability as a percentage of covered employee payroll	46.05%	54.35%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

See accompanying independent auditors' report

**CITY OF NORFOLK**  
**School Board OPEB Liability**  
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)  
For Fiscal Years

	2019	2018
<b>Total OPEB Liability</b>		
Service Costs	\$ 1,381,764	\$ 1,468,830
Interest	1,673,986	1,702,533
Changes of benefit terms	-	-
Difference between expected and actual experience	3,627,408	(3,274,812)
Changes in assumptions	(1,794,422)	(10,475,847)
Benefits payments, including refunds of member contributions	<u>(2,129,544)</u>	<u>(2,580,746)</u>
<b>Net change in total OPEB liability</b>	2,759,192	(13,160,042)
<b>Total OPEB Liability - Beginning</b>	47,129,993	60,290,035
<b>Total OPEB Liability - Ending</b>	<u><b>\$ 49,889,185</b></u>	<u><b>\$ 47,129,993</b></u>
 Covered employee payroll	 \$ 193,211,731	 \$ 202,324,943
Net OPEB liability as a percentage of covered employee payroll	25.82%	23.29%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Health Insurance Credit Program (HIC)**  
Schedule of the School Board's Share of the Net OPEB Liability (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	2019	2018
School Board's proportion of contributions of the Net HIC OPEB Liability	2.54%	2.70%
School Board's proportionate share of the Net HIC OPEB Liability	\$ 28,146	\$ 29,296
Covered payroll	\$ 184,851	\$ 182,653
School Board's proportionate of the Net HIC OPEB Liability as a percentage of its covered payroll	15.23%	16.04%
Plan fiduciary net position as a percentage of the Total HIC OPEB Liability	8.08%	7.04%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.

\*The amount presented have a measurement date of the previous fiscal year end.

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Group Life Insurance Program (GLI) Teachers**  
Schedule of the School Board's Share of the Net OPEB Liability (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	2019		2018
School Board's proportion of contributions of the Net GLI OPEB Liability	1.09%		1.16%
School Board's proportionate share of the Net GLI OPEB Liability	\$ 14,412	\$	14,976
Covered payroll	\$ 185,315	\$	183,561
School Board's proportionate of the Net GLI OPEB Liability as a percentage of its covered payroll	7.78%		8.16%
Plan fiduciary net position as a percentage of the Total GLI OPEB Liability	51.22%		48.86%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.

\*The amount presented have a measurement date of the previous fiscal year end.

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Group Life Insurance Program (GLI) Political Subdivisions**  
Schedule of the School Board's Share of the Net OPEB Liability (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	<b>2019</b>	<b>2018</b>
School Board's proportion of contributions of the Net GLI OPEB Liability	0.09%	0.09%
School Board's proportionate share of the Net GLI OPEB Liability	\$ 1,392	\$ 1,185
Covered payroll	\$ 18,647	\$ 17,508
School Board's proportionate of the Net GLI OPEB Liability as a percentage of its covered payroll	7.47%	6.77%
Plan fiduciary net position as a percentage of the Total GLI OPEB Liability	51.22%	48.86%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.

\*The amount presented have a measurement date of the previous fiscal year end.

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Health Insurance Credit Program (HIC)**  
Schedule of School Board Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 2,181	\$ 2,181	\$ -	\$ 184,851	1.18%
2018	2,219	2,181	38	182,653	1.21%
2017	2,242	2,023	219	182,244	1.23%
2016	2,163	1,943	220	183,289	1.18%
2015	2,119	1,903	216	179,564	1.18%
2014	2,096	1,989	107	179,148	1.17%
2013	2,074	1,968	106	177,281	1.17%
2012	1,837	1,021	816	170,096	1.08%
2011	1,916	1,064	852	177,412	1.08%
2010	2,113	1,397	716	134,297	1.57%

\*The schedule will eventually report 10 years of data as the information becomes available.

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Group Life Insurance Program (GLI) Teachers**  
Schedule of School Board Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 968	\$ 968	\$ -	\$ 185,315	0.52%
2018	928	928	-	183,561	0.51%
2017	714	714	-	183,561	0.39%
2016	981	888	93	185,045	0.53%
2015	958	868	90	180,745	0.53%
2014	957	866	91	180,487	0.53%
2013	949	860	89	179,135	0.53%
2012	757	482	275	172,021	0.44%
2011	790	588	202	179,569	0.44%
2010	687	366	321	190,873	0.36%

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Group Life Insurance Program (GLI) Political Subdivisions**  
Schedule of School Board Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 94	\$ 94	\$ -	\$ 18,647	0.50%
2018	91	91	-	17,509	0.52%
2017	88	88	-	16,999	0.52%
2016	88	79	9	16,511	0.53%
2015	86	78	8	16,184	0.53%
2014	84	76	8	15,912	0.53%
2013	84	76	8	15,890	0.53%
2012	67	42	25	15,154	0.44%
2011	68	44	24	15,546	0.44%
2010	60	33	27	16,547	0.36%

See accompanying independent auditors' report

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended JUNE 30, 2019**

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**A. VRS Teacher Retirement Plan**

**Changes of benefit terms and assumptions**

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- Updated mortality table to a more current table
- Lowered rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience
- Lowered disability rates
- Salary scale remained unchanged

**B. VRS Retirement Plan for Political Subdivisions**

**Changes of benefit terms and assumptions**

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The following changes in actuarial assumptions were made effective June 30, 2016, based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- Updated mortality table to a more current table
- Lowered rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience
- Lowered disability rates
- Salary scale remained unchanged

**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Revenue, Budget and Actual (Unaudited)**  
**General Fund**  
**For the Year Ending June 30, 2019**

**Exhibit E-1**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budget Basis Actual</b>	<b>Positive (negative) Variance with Final Budget</b>
General property taxes	\$ 296,531,400	\$ 296,531,400	\$ 297,514,769	\$ 983,369
Other local taxes	169,805,000	169,805,000	166,543,602	(3,261,398)
Permits, privilege fees and licenses	3,836,785	3,836,785	4,117,711	280,926
Fines and forfeitures	1,185,000	1,185,000	1,026,622	(158,378)
Use of money and property	7,421,420	7,421,420	9,711,256	2,289,836
Charges for services	26,591,119	26,621,119	24,326,104	(2,295,015)
Miscellaneous revenue	8,952,217	8,952,217	9,907,549	955,332
Recovered costs	11,695,852	11,665,852	10,849,321	(816,531)
Non-categorical aid - Virginia	35,485,900	35,485,900	35,876,955	391,055
Shared expense - Virginia	21,371,000	21,371,000	22,018,860	647,860
Categorical aid - Virginia	267,804,580	269,483,102	267,054,754	(2,428,348)
Categorical aid - Federal	8,871,490	8,871,490	9,106,119	234,629
Other sources and transfers	21,236,663	21,736,663	42,045,334	20,308,671
Total revenue budget	<u>\$ 880,788,426</u>	<u>\$ 882,966,948</u>	<u>\$ 900,098,956</u>	<u>\$ 17,132,008</u>

Exhibit E-1 for GASB 54 includes the General Fund, the Nauticus Fund and the Community Services Board.

See accompanying independent auditors' report

**CITY OF NORFOLK, VIRGINIA**

Exhibit E-2

**Schedule of Expenditures, Budget and Actual (Unaudited)  
General Fund  
For the Year Ending June 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budget Basis Actual</b>	<b>Positive (negative) Variance with Final Budget</b>
Legislative	\$ 5,277,578	\$ 5,277,578	\$ 4,857,199	\$ 420,379
Executive	2,284,572	2,391,072	2,316,870	74,202
Department of Law	4,828,532	4,828,532	4,779,201	49,331
Finance, City Treasurer, Commissioner of Revenue	11,153,743	11,218,003	10,821,920	396,083
Department of Human Resources	3,672,938	3,638,678	3,428,285	210,393
Courts, Sheriff and Detention	44,522,556	44,522,556	43,335,286	1,187,270
Department of Public Health	3,617,181	3,617,181	3,409,802	207,379
Department of Human Services	73,459,771	72,792,482	69,029,017	3,763,465
Department of Public Works	27,896,256	27,984,256	25,779,221	2,205,035
Recreation Parks and Open Space, Maritime Center	21,959,948	21,905,763	20,940,661	965,102
Education	328,355,950	329,613,938	323,003,047	6,610,891
Norfolk Public Libraries	12,411,417	12,354,849	12,205,261	149,588
Elections	993,471	993,471	804,825	188,646
Department of Planning & Community Development	4,825,233	8,343,233	4,709,722	3,633,511
Department of Neighborhood Development	4,476,031	4,476,031	4,128,392	347,639
Department of Cultural Facilities, Arts & Entertainment	6,670,139	6,444,053	6,089,969	354,084
Departmental Support	23,211,506	19,726,154	18,442,917	1,283,237
Outside Agencies	53,898,790	52,405,613	51,040,533	1,365,080
Department of Police	75,717,773	75,717,773	72,963,003	2,754,770
Department of Fire and Rescue	46,167,025	46,167,025	47,040,128	(873,103)
Debt service	71,493,862	74,033,862	73,598,722	435,140
Office of Budget and Strategic Planning	1,605,644	1,686,644	1,403,359	283,285
Resilience	498,575	359,427	315,456	43,971
General Services	27,686,693	28,141,532	27,091,652	1,049,880
Economic Development	2,474,122	2,474,122	2,267,673	206,449
Department of Information Technology	16,884,625	17,094,625	16,734,245	360,380
Virginia Zoological Park	4,475,993	4,475,993	4,200,291	275,702
Office of Homelessness	268,502	282,502	279,290	3,212
Total expenditure budget	<u>\$ 880,788,426</u>	<u>\$ 882,966,948</u>	<u>\$ 855,015,947</u>	<u>\$ 27,951,001</u>

Exhibit E-2 for GASB 54 includes the General Fund, the Nauticus Fund and the Community Services Board.

See accompanying independent auditors' report

**CITY OF NORFOLK, VIRGINIA**  
**Notes to Required Supplementary Information**  
**Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited)**  
**For the Year Ending June 30, 2019**

	General Fund
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	\$ 900,098,956
<u>Differences--budget to GAAP:</u>	
The effects of accounting for school revenue as a component unit	(203,253,158)
The effects of accounting for transfer from fund balance	(4,483,198)
General fund transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(39,065,338)
The effects of reclassification of recovered costs	(8,568,464)
Gross proceeds from other financing sources	44,145
Total revenues as reported on the Statement of Revenues, Expenditure and Changes in Fund Balances - Governmental Funds	<u>\$ 644,772,943</u>
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$ 855,015,947
<u>Differences--budget to GAAP:</u>	
The effects of accounting for school expenditures as a component unit	(196,329,125)
The effects of accounting for Special Revenue fund as a non major fund	-
The effects of reclassification of recovered costs	(8,568,464)
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	6,935,564
General fund transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	(77,048,048)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 580,005,874</u>

There were no material violations of the annual appropriated budget for the General fund for fiscal year 2019.

See accompanying independent auditors' report



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# **OTHER SUPPLEMENTARY INFORMATION**

## **COMBINING FINANCIAL STATEMENTS**

**~ Nonmajor Governmental Funds ~  
~Agency Funds ~  
~ Internal Service Funds ~**

## **OTHER SCHEDULES**

**~ Schedule of Expenditures of Federal Awards ~**

**~ Notes to Schedule of Expenditures of Federal Awards ~**

**~ Schedule of Revenues and Expenditures – Budget and  
Actual – Special Revenue Funds ~**

**Schedule of Revenues and Expenditures – Budget and  
Actual – Internal Service Funds ~**

**Schedule of Expenditures – Budget and Actual –  
Capital Improvement Program ~**





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# Nonmajor Governmental Funds

## Special Revenue Funds

**The Special Revenue funds are used to account for proceeds of specific resources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The individual special revenue funds are:**

Storm Water Fund: To account for the operation of the environmental storm water management system, including maintenance of storm water drainage facilities. The costs of providing services on a continuing basis are partially financed or recovered through user charges to Norfolk residents and commercial and industrial customers.

Towing & Recovery Operations Fund: To improve neighborhood livability by providing reliable dispatching of towing services, storage of vehicles and recovery or disposal of vehicles.

Waste Management Fund: To account for the costs and revenues associated with the City's solid waste and environmental management programs.

Grants Fund: To account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds and to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.

Community Development Fund: To account for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.

Cemeteries Fund: To account for the operation of the City's cemeteries.

Golf Fund: To account for the operation of the City's golf courses.

Public Amenities Fund: To promote cultural and entertainment activity in the downtown area.

Emergency Operations Center/911 Fund: To account for the operation of the City's emergency operations center/911.

Tax Increment Financing Fund: To account for debt service requirements for the general obligation bonds and property tax collections within the Broad Creek Renaissance Tax Increment Financing District.

Resiliency Fund: To account for the receipt and disbursement of revenue from the National Disaster Resilience Grant.



## Nonmajor Governmental Funds (Cont'd.)

Endowed Care Fund: The Endowed Care fund is used to report resources that are restricted by City Code. The City's Endowed Care fund is used to account for the perpetual care and endowed care at certain City-owned cemeteries. Both the earnings and principal are used for purposes that support the maintenance of City-owned cemeteries.



## CITY OF NORFOLK, VIRGINIA

Exhibit F-1

Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2019

Special Revenue Funds														Normal Governmental Funds
	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Resiliency	Total Special Revenue	Endowed Care Fund	
ASSETS														
Cash and short-term investments	\$ 2,604,719	\$ 120,260	\$ 5,271,049	\$ 9,254,057	\$ -	\$ 200,616	\$ 258,934	\$ 11,980,550	\$ 59,204	\$ 1,714,825	\$ -	\$ 31,664,214	\$ 5,795,935	\$ 37,260,149
Receivables, net	2,956,554	30,569	2,163,113	501,444	415,601	46,080	1,250	794,411	-	-	-	6,909,002	2,160	6,911,162
Accrued investment income	1,618	-	4,174	500	-	-	-	-	-	-	-	6,292	-	6,292
Due from other funds	8,807	-	47,672	1,614	-	-	-	-	-	-	-	58,093	-	58,093
Due from other governments	90,507	-	-	8,299,680	470,416	-	-	-	4,466	-	1,747,549	10,612,618	-	10,612,618
Prepaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 5,662,205	\$ 150,829	\$ 7,486,008	\$ 18,057,295	\$ 886,017	\$ 246,676	\$ 260,184	\$ 12,774,961	\$ 63,670	\$ 1,714,825	\$ 1,747,549	\$ 49,050,219	\$ 5,798,095	\$ 54,848,314
LIABILITIES, DEFERRED INFLOWS														
Vouchers payable	\$ 354,558	\$ 45,999	\$ 1,037,344	\$ 2,497,046	\$ 3,929	\$ 27,962	\$ -	\$ 139,901	\$ 43,337	\$ -	\$ 972,509	\$ 5,122,585	\$ 318	\$ 5,122,903
Contract retainerage	4,340	-	-	49,354	-	-	-	-	-	-	-	53,694	-	53,694
Accrued payroll	77,515	8,576	73,872	86,277	521	27,488	-	-	86,441	-	-	360,690	-	360,690
Accrued expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	8,474,185	-	-	-	-	-	-	-	8,474,185	-	8,474,185
Due to other funds	-	-	-	-	99,351	-	-	-	-	-	775,040	874,391	-	874,391
Other liabilities	318	52,840	-	-	-	-	-	-	-	-	-	53,258	-	53,258
Total liabilities	436,731	107,515	1,111,216	11,106,862	103,801	55,450	-	139,901	129,778	-	1,747,549	14,938,803	318	14,939,121
DEFERRED INFLOWS OF RESOURCES														
Revenue not available for current obligations	533,336	-	1,875,751	-	782,216	185,359	-	-	-	-	-	3,376,662	-	3,376,662
FUND BALANCES														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	756,785	-	-	-	-	-	-	-	756,785	5,797,777	6,554,562
Committed	4,692,138	-	-	2,975,409	-	-	37,803	-	-	-	-	7,705,350	-	7,705,350
Assigned	-	43,314	4,489,041	3,218,239	-	5,867	222,381	12,635,060	-	1,714,825	-	22,338,727	-	22,338,727
Unassigned	-	-	-	-	-	-	-	-	(66,108)	-	-	(66,108)	-	(66,108)
Total fund balances	4,692,138	43,314	4,489,041	6,969,433	-	5,867	260,184	12,635,060	(66,108)	1,714,825	-	30,734,754	5,797,777	36,532,531
Total liabilities and fund balances	\$ 5,662,205	\$ 150,829	\$ 7,486,008	\$ 18,057,295	\$ 886,017	\$ 246,676	\$ 260,184	\$ 12,774,961	\$ 63,670	\$ 1,714,825	\$ 1,747,549	\$ 49,050,219	\$ 5,798,095	\$ 54,848,314

## CITY OF NORFOLK, VIRGINIA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ending June 30, 2019**

	Special Revenue Funds													Total Nonmajor Governmental Funds
	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Resiliency	Total Special Revenue	Endowed Care Fund	
<b>REVENUES</b>														
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,855,000	\$ -	\$ 5,855,000	\$ -	5,855,000
Other local taxes	-	-	-	-	-	-	-	7,146,107	3,571,596	-	-	10,719,703	-	10,719,703
Fines and forfeitures	-	-	-	700	-	-	-	-	-	-	-	700	-	700
Use of money and property	15,443	51	23,909	2,591	-	-	15,000	-	-	-	-	56,994	87,889	144,889
Charges for services	16,877,790	1,422,900	19,949,610	289,692	-	1,322,243	-	-	163	-	-	39,862,398	217,732	40,080,130
Miscellaneous	109,922	1,157	3,760	2,475,474	76,879	450	-	-	-	-	-	2,667,642	-	2,667,642
Intergovernmental:														
Commonwealth of Virginia	-	-	-	16,295,935	-	-	-	197,929	1,322,614	-	-	17,816,478	-	17,816,478
Federal government	79,256	4,010	-	12,456,676	3,383,385	-	-	-	-	-	8,212,432	24,135,759	-	24,135,759
Total revenue	17,082,411	1,428,118	19,977,279	31,521,068	3,460,264	1,322,693	15,000	7,346,036	4,894,373	5,855,000	8,212,432	101,114,674	305,621	101,420,295
<b>EXPENDITURES</b>														
General government	-	-	-	2,774,806	-	-	-	451,982	-	-	-	3,226,788	-	3,226,788
Judicial administration	-	-	-	3,370,591	-	-	-	-	-	-	-	3,370,591	-	3,370,591
Public safety	-	-	-	2,865,011	-	-	-	-	5,505,982	-	-	8,370,993	-	8,370,993
Public works	11,591,436	1,181,502	17,329,515	5,855,137	-	-	-	-	-	-	-	35,957,590	-	35,957,590
Health and public assistance	-	-	-	17,377,299	1,123,813	-	-	-	-	-	-	18,501,112	-	18,501,112
Cultural and recreation	-	-	-	346,207	-	1,860,747	9,000	-	-	-	8,212,432	2,217,954	2,400	2,220,354
Community development	-	-	-	2,262,779	1,230,374	-	-	-	-	-	-	11,705,585	-	11,705,585
Capital Outlay	-	-	-	-	1,106,077	-	-	-	-	-	-	1,106,077	-	1,106,077
Total expenditures	11,591,436	1,181,502	17,329,515	34,853,820	3,460,264	1,860,747	9,000	451,982	5,505,982	-	8,212,432	84,456,680	2,400	84,459,080
Excess (deficiency) of revenue over (under) expenditures	5,490,975	246,616	2,647,764	(3,332,752)	-	(538,054)	6,000	6,894,054	(611,609)	5,855,000	-	16,657,994	303,221	16,961,215
<b>OTHER FINANCING SOURCES (USES)</b>														
Transfers in	-	-	-	3,321,528	-	673,656	-	-	396,784	-	-	4,391,968	-	4,391,968
Transfers out	(4,837,602)	(210,929)	(1,547,534)	-	-	-	-	(6,521,075)	-	(6,855,000)	-	(18,972,140)	(179,258)	(19,151,398)
Total other financing sources and uses	(4,837,602)	(210,929)	(1,547,534)	3,321,528	-	673,656	-	(6,521,075)	396,784	(6,855,000)	-	(14,590,172)	(179,258)	(14,769,430)
Net change in fund balances	653,373	35,687	1,100,230	(11,224)	-	135,602	6,000	372,979	(224,825)	-	-	2,067,822	123,963	2,191,785
Fund balances--beginning	4,038,765	7,627	3,398,811	6,961,657	-	(129,735)	254,184	12,262,081	158,717	1,714,825	-	28,666,932	5,673,814	34,340,746
Fund balances--ending	\$ 4,692,138	\$ 43,314	\$ 4,499,041	\$ 6,950,433	\$ -	\$ 5,867	\$ 260,184	\$ 12,635,006	\$ (66,109)	\$ 1,714,825	\$ -	\$ 30,734,754	\$ 5,797,777	\$ 36,532,531

## Internal Service Funds

**Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The individual internal service funds are:**

Fleet Management Fund – to provide the operating departments with maintenance, repair and service for the City fleet of vehicles, heavy equipment and miscellaneous machinery.

Healthcare Fund – to provide for the self-insured healthcare costs for the City of Norfolk, Norfolk Public Schools, NRHA and Pre-65 Retirees.





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**CITY OF NORFOLK, VIRGINIA**  
**Combining Statement of Net Position - Internal Service Funds**  
**June 30, 2019**

Exhibit G-1

	Healthcare	Fleet Management	Total
<b>ASSETS</b>			
Current assets:			
Cash and short-term investments	\$ 12,190,959	\$ 1,440,351	\$ 13,631,310
Receivables, net	3,838,103	195,555	4,033,658
Due from agency fund	-	-	-
Total current assets	16,029,062	1,635,906	17,664,968
Noncurrent assets:			
Capital assets:			
Land	-	415,000	415,000
Buildings and equipment, net	-	11,048,426	11,048,426
Accumulated depreciation	-	(8,355,795)	(8,355,795)
Total noncurrent assets	-	3,107,631	3,107,631
Deferred outflows of resources			
Related to pensions	-	1,006,178	1,006,178
Related to OPEB	-	62,912	62,912
Total assets	\$ 16,029,062	\$ 5,812,627	\$ 21,841,689
<b>LIABILITIES</b>			
Current liabilities:			
Vouchers payable	\$ 652,471	\$ 976,342	\$ 1,628,813
Unearned revenue	7,137,764	-	7,137,764
Compensated absences	-	157,021	157,021
Accrued payroll	1,038	42,373	43,411
Other liabilities	7,651,066	-	7,651,066
Total current liabilities	15,442,339	1,175,736	16,618,075
Noncurrent liabilities:			
Compensated absences	-	112,472	112,472
Net pension liability	-	3,367,649	3,367,649
Net OPEB liability	-	396,514	396,514
Total noncurrent liabilities	-	3,876,635	3,876,635
Deferred inflows of resources			
Related to pensions	-	72,774	72,774
Related to OPEB	-	36,019	36,019
Total deferred inflows	-	108,793	108,793
Total liabilities	\$ 15,442,339	\$ 5,161,164	\$ 20,603,503
<b>NET POSITION</b>			
Net investment in capital assets	\$ -	\$ 3,107,631	\$ 3,107,631
Unrestricted	586,723	(2,456,168)	(1,869,445)
Total net position	\$ 586,723	\$ 651,463	\$ 1,238,186

**CITY OF NORFOLK, VIRGINIA**

**Exhibit G-2**

**Combining Statement of Revenues, Expenses and  
Changes in Fund Net Position - Internal Service Funds  
For the Year Ended June 30, 2019**

	Healthcare	Fleet Management	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 80,358,477	\$ 11,241,591	\$ 91,600,068
Miscellaneous	-	52,641	52,641
Total operating revenues	<u>80,358,477</u>	<u>11,294,232</u>	<u>91,652,709</u>
<b>OPERATING EXPENSES</b>			
Personal services	-	2,851,192	2,851,192
Healthcare costs	84,520,311	-	84,520,311
Cost of goods sold	-	3,879,166	3,879,166
Plant operations	-	4,262,782	4,262,782
Depreciation and amortization	-	275,557	275,557
Retirement and OPEB expense	-	662,579	662,579
Other	-	200,086	200,086
Total operating expenses	<u>84,520,311</u>	<u>12,131,362</u>	<u>96,651,673</u>
Operating income (loss)	<u>(4,161,834)</u>	<u>(837,130)</u>	<u>(4,998,964)</u>
Net income (loss)	<u>(4,161,834)</u>	<u>(837,130)</u>	<u>(4,998,964)</u>
Net change in net position	(4,161,834)	(837,130)	(4,998,964)
Net position - beginning	4,748,557	1,488,593	6,237,150
Net position - ending	<u>\$ 586,723</u>	<u>\$ 651,463</u>	<u>\$ 1,238,186</u>

**CITY OF NORFOLK, VIRGINIA**

**Exhibit G-3**

**Combining Statement of Cash Flows - Internal Service Funds  
For the Year Ended June 30, 2019**

	Healthcare	Fleet Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 80,536,311	\$ 11,287,557	\$ 91,823,868
Payments to employees	-	(3,253,341)	(3,253,341)
Payments to suppliers	(82,952,218)	(7,720,100)	(90,672,318)
Other payments	-	(200,086)	(200,086)
Net cash provided by (used in) operating activities	<u>(2,415,907)</u>	<u>114,030</u>	<u>(2,301,877)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Interfund activity	<u>-</u>	<u>32</u>	<u>32</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchases of capital assets	-	(161,710)	(161,710)
Capital Contributions	-	-	-
Net cash provided by capital and related financing activities	<u>-</u>	<u>(161,710)</u>	<u>(161,710)</u>
Net increase in cash and short-term investments	(2,415,907)	(47,648)	(2,463,555)
Cash and short-term investments - beginning of the year	<u>14,606,866</u>	<u>1,487,999</u>	<u>16,094,865</u>
Cash and short-term investments - end of the year	<u><u>\$ 12,190,959</u></u>	<u><u>\$ 1,440,351</u></u>	<u><u>\$ 13,631,310</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities</b>			
Operating income (loss)	\$ (4,161,834)	\$ (837,130)	\$ (4,998,964)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	275,557	275,557
Change in assets, deferred outflows and liabilities and deferred inflows:			
Receivables, net	(27,292)	(6,675)	(33,967)
Prepaid expenses	179,803	-	179,803
Vouchers payable	1,388,290	421,848	1,810,138
Accrued payroll	-	(1,704)	(1,704)
Net pension liability	-	262,134	262,134
Unearned revenue	205,126	-	205,126
Net cash provided by (used in) operating activities	<u><u>\$ (2,415,907)</u></u>	<u><u>\$ 114,030</u></u>	<u><u>\$ (2,301,877)</u></u>
<b>Noncash investing, capital, and financing activities:</b>			
Capital Contributions	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



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## Agency Funds

**Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds:**

Agency Fund – Other; to account for other monies held for private organizations and other funds including Sheriff's inmate funds and funds held on behalf of employees.

Agency Fund – Commonwealth of Virginia; to account for monies on deposit with the City Treasurer held for the Treasurer of the Commonwealth of Virginia.





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**CITY OF NORFOLK, VIRGINIA**  
**Combining Balance Sheet - Agency Funds**  
**June 30, 2019**  
(unaudited)

Exhibit H-1

	Other	Commonwealth of Virginia	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 12,279,502	\$ 9,395	\$ 12,288,897
Other	108,522	-	108,522
Total assets	<u>\$ 12,388,024</u>	<u>\$ 9,395</u>	<u>\$ 12,397,419</u>
<b>LIABILITIES</b>			
Vouchers payable	\$ 362,111	-	\$ 362,111
Due to governmental funds	-	-	-
Due to other agencies	12,025,913	9,395	12,035,308
Total liabilities	<u>\$ 12,388,024</u>	<u>\$ 9,395</u>	<u>\$ 12,397,419</u>

**CITY OF NORFOLK, VIRGINIA**

**Exhibit H-2**

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds**

**For the Year Ended June 30, 2019**  
(unaudited)

	Other		
	Balance June 30, 2018	Additions	Deductions
<b>ASSETS</b>			
Cash and short-term investments	\$ 7,086,543	\$ 11,096,198	\$ 5,903,239
Other receivables	173,544	77,864	142,886
Total assets	<u>\$ 7,260,087</u>	<u>\$ 11,174,062</u>	<u>\$ 6,046,125</u>
<b>LIABILITIES</b>			
Vouchers payable	\$ 341,838	\$ 800,895	\$ 780,622
Due to governmental funds	47,679	133,027	180,706
Due to other agencies	6,870,570	12,011,731	6,856,388
Total liabilities	<u>\$ 7,260,087</u>	<u>\$ 12,945,653</u>	<u>\$ 7,817,716</u>

	Commonwealth of Virginia		
	Balance June 30, 2018	Additions	Deductions
<b>ASSETS</b>			
Cash and short-term investments	\$ 9,395	\$ -	\$ -
Total assets	<u>\$ 9,395</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>			
Due to the Commonwealth of Virginia	\$ 9,395	\$ -	\$ -
Total liabilities	<u>\$ 9,395</u>	<u>\$ -</u>	<u>\$ -</u>

	Total		
	Balance June 30, 2018	Additions	Deductions
<b>ASSETS</b>			
Cash and short-term investments	\$ 7,095,938	\$ 11,096,198	\$ 5,903,239
Other receivables	173,544	77,864	142,886
Total assets	<u>\$ 7,269,482</u>	<u>\$ 11,174,062</u>	<u>\$ 6,046,125</u>
<b>LIABILITIES</b>			
Vouchers payable	\$ 341,838	\$ 800,895	\$ 780,622
Due to other funds	47,679	133,027	180,706
Due to other agencies	6,879,965	12,011,731	6,856,388
Total liabilities	<u>\$ 7,269,482</u>	<u>\$ 12,945,653</u>	<u>\$ 7,817,716</u>

# **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**





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**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

Federal Grantor/Pass-Through Entity/ Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)	Program Total (\$)	Passed Through to Sub-Recipients (\$)
<b>DEPARTMENT OF AGRICULTURE</b>					
Direct Payments:					
Pass-through Payments:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		3,934,170		
<b>Virginia Department of Agriculture</b>					
School Breakfast Program (Child Nutrition Cluster) - 1	10.553		4,728,915		
National School Lunch Program (Child Nutrition Cluster) - 2	10.552		10,849,438		
Summer Food Service Program (Child Nutrition Cluster)	10.558		87,706		
Child and Adult Care Food Program	10.558		815,506		
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559		537,890		
Fresh Fruit and Vegetable Program	10.552	3FVP PAPER	301,441		
<b>Virginia Department of Juvenile Justice</b>					
School Breakfast Program (Child Nutrition Cluster) - 1	10.553		40,056		
National School Lunch Program (Child Nutrition Cluster) - 2	10.555		40,057		
1 - Total for School Breakfast Program (10.553)				4,768,971	
2 - Total for National School Lunch Program (10.555)				10,734,892	
<b>DEPARTMENT OF DEFENSE</b>					
Direct Payments:					
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	3BTC, 3CDR, 3DOD	684,756		
Community Investment	12.600		4,357,783		
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Direct Payments:					
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218		3,460,263		535,218
Emergency Solutions Grant Program	14.231		639,601		288,309
Supportive Housing Program	14.235		5,545		
Shelter Plus Care	14.238		503,838		
Home Investment Partnership Program	14.239		1,718,361		1,099,331
Pass-through Payments:					
<b>Virginia Department of Housing and Community Development</b>					
National Resilient Disaster Recovery Competition	14.272		8,212,433		
<b>DEPARTMENT OF INTERIOR</b>					
Pass-through Payments:					
<b>National Fish and Wildlife Foundation</b>					
Hurricane Sandy Disaster Relief - Coastal Resiliency Grants	15.153		920,917		
<b>DEPARTMENT OF JUSTICE</b>					
Direct Payments:					
Ding Court Discretionary Grant Program	16.595		93,175		
Public Safety Partnership and Community Policing Grants	16.710		213,504		
Edward Byrne Memorial Justice Assistance Grant - 3	16.738		223,615		
Children of Incarcerated Parents	16.831		57,768		
Equitable Sharing Program	16.922		79,268		
Pass-through Payments:					
<b>Virginia Department of Criminal Justice Services</b>					
Sex Offender Training Victims	16.320		6,095		
Crime Victim Assistance	16.575		595,981		
Violence Against Women Formula Grants	16.588		158,903		
Edward Byrne Memorial Justice Assistance Grant - 3	16.738		181,133		
3 - Total for Edward Byrne Memorial Justice Assistance Grant (16.738)				404,748	
<b>DEPARTMENT OF TRANSPORTATION</b>					
Pass-through Payments:					
<b>Virginia Department of Transportation</b>					
Highway Planning and Construction (Highway Planning and Construction Cluster)	20.205		1,419,013		
State and Community Highway Safety (Highway Safety Cluster)	20.600		37,235		
Alcohol and Open Container Requirements (Highway Safety Cluster)	20.607		26,696		
<b>ENVIRONMENTAL PROTECTION AGENCY</b>					
Direct Payments:					
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.514		197,330		
Brownfields Assessment and Cleanup Cooperative Agreements	66.518		16,738		
Pass-through Payments:					
<b>Virginia Resources Authority</b>					
Capitalization Grants for Clean Water State Revolving Funds (Clean Water State Revolving Fund Cluster)	66.458	C-515550E-01, C-515574E-01 C-515593E-01, C-515595GE-02	7,940,607		

**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

C-515591-02

Federal Grantor/Pass-Through Entity/ Program Title	CFDA Number	Federal Expenditures (\$)	Program Total (\$)	Passed Through to Sub-Recipients (\$)
<b>DEPARTMENT OF EDUCATION</b>				
Direct Payments:				
Impact Aid	84.041	3,091,955		
Pass-through Payments:				
Emergency Relief Project Grants				
Virginia Department of Education				
Adult Education - Basic Grants to States	84.002	279,109		
Title I Grants to Local Educational Agencies	84.010	15,625,823		
Special Education - Grants for Neglected and Delinquent Children and Youth	84.013	287		
Special Education - Grants to States (Special Education Cluster)	84.027	6,594,606		
Career and Technical Education - Basic Grants to States	84.048	854,824		
Special Education - Preschool Grants (Special Education Cluster)	84.173	176,658		
Education for Homeless Children and Youth	84.186	45,261		
Twenty-First Century Community Learning Centers	84.196	15,547,556		
Emergency Relief Project Grants	84.385	111,296		
Improving Teacher Quality State Grants	84.387	2,097,627		
Preschool Development Grants	84.419	1,730,882		
Virginia Department of Behavioral Health and Developmental Services				
Special Education - Grants for Infants and Families	84.181	255,729		
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Direct Payments:				
Emergency Relief Project Grants	93.914	5,574,062		4,823,750
Pass-through Payments:				
Virginia Department of Social Services				
Promoting Safe and Stable Families	93.556	139,138		
Temporary Assistance for Needy Families (TANF Cluster) - 4	93.558	3,579,905		
Refugee and Entrant Assistance - State Administered Programs	93.566	2,605		
Low-Income Home Energy Assistance	93.568	539,050		
Child Care Voluntary and Matching Funds of the Child Care and Development Fund	93.596	597,225		180,071
Stephanie Tubbs Jones Child Welfare Services Program				
Foster Care - Title IV-E	93.645	3,974		
Adoption Assistance	93.658	2,587,171		
Social Services Block Grant	93.659	2,500,424		
Charfee Foster Care Independence Program	93.667	2,918,167		
Children's Health Insurance Program	93.674	38,104		
Orphan's Benefit Program (Orphan's Cluster)	93.767	98,855		
Orphan's Benefit Program (Orphan's Cluster)	93.776	4,453,724		
Virginia Department of Behavioral Health and Developmental Services				
Projects for Assistance in Transition from Homeless (PATH)	93.150	106,585		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	512,320		
Temporary Assistance for Needy Families (TANF Cluster) - 4	93.558	67,650		
Opolod STR	93.788	372,308		
Block Grants for Community Mental Health Services	93.958	140,792		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,520,000		
4 - Total for Temporary Assistance for Needy Families (93.558)			3,647,555	
<b>DEPARTMENT OF HOMELAND SECURITY</b>				
Direct Payments:				
Port Security Grant Program - 5	97.056	406,076		
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	114,438		
Pass-through Payments:				
Virginia Department of Emergency Management				
Flood Mitigation Assistance	97.029	19,339		
Port Security Grant Program - 5	97.056	236,631		
Port Security Grant Program - 5	97.058	690		
Homeland Security Grant Program	97.067	42,852		
5 - Total for Port Security Grant Program (97.056)			406,766	
<b>TOTAL FEDERAL EXPENDITURES</b>		<b>\$ 111,743,288</b>		<b>\$ 6,926,679</b>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2019**

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**1. General**

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City. The City of Norfolk single audit reporting entity includes the primary government and the School Board and Community Services Board component units.

Federal awards not received through direct programs are passed through the departments and agencies of the Commonwealth of Virginia.

**2. Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to grantors.

**3. Relationship to the Basic Financial Statements**

Federal award revenue is reported in the City's basic financial statements as follows:

Major governmental funds	\$ 30,723,071
Non-major governmental funds	24,135,759
Total revenues from federal government	<u>54,858,830</u>

**Component Unit - School Board**

Total Federal Grants Awarded	\$ 54,677,491
Other Federal Amounts not reported on SEFA	
Direct Payments:	
Total - Norfolk Public Schools	54,677,491

CSA Pool - Medicaid Adjustment

<b>Total federal financial assistance reported in basic financial statements</b>	<u><u>\$ 109,536,321</u></u>
--	------------------------------

Federal awards not reported as federal revenue in basic financial statements:

Enterprise - VRA Loan - Wastewater Fund & Storm Water Fund	7,940,607
VDOT	-
CSA	644,553
CDBG	76,879

Federal awards not reported on the SEFA:

Norfolk Public Schools Direct Payments	(5,179,261)
Build America Bond Interest Rate Subsidy	(2,364,123)
Recognition of DOD Revenue	551,655

Other reconciling items

Grant funds recorded as revenue in financial statements, not on schedule of federal awards	536,667
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<b>Total federal awards</b>	<u><u>\$ 111,743,298</u></u>
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**Reconciliation to Exhibit A-3**

Revenues from federal government	\$ 54,858,830
Revenues from Commonwealth of Virginia	127,163,924
Total intergovernmental revenue	<u><u>\$ 182,022,754</u></u>

**CITY OF NORFOLK, VIRGINIA**

**CITY OF NORFOLK, VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2019**

4.

**Clusters**

Clustered programs for the year ended June 30, 2019 were as follows:

<u>Grant Program / Cluster</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
School Breakfast Program	10.553	\$ 4,768,971
National School Lunch Program	10.555	10,734,892
Summer Food Service Program for Children	10.559	537,890
<b>Total Child Nutrition Cluster</b>		<u><u>\$ 16,041,753</u></u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 3,460,263
<b>Total CDBG - Entitlement Grants Cluster</b>		<u><u>\$ 3,460,263</u></u>
Highway Planning and Construction	20.205	\$ 1,419,013
<b>Total Highway Planning and Construction Cluster</b>		<u><u>\$ 1,419,013</u></u>
State and Community Highway Safety	20.600	\$ 37,235
Alcohol and Open Container Requirements	20.607	26,696
<b>Total Highway Safety Cluster</b>		<u><u>\$ 63,931</u></u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 7,940,607
<b>Total Clean Water State Revolving Fund Cluster</b>		<u><u>\$ 7,940,607</u></u>
Special Education - Grants to States	84.027	\$ 6,594,606
Special Education - Preschool Grants	84.173	176,658
<b>Total Special Education Cluster</b>		<u><u>\$ 6,771,264</u></u>
Temporary Assistance for Needy Families	93.558	\$ 3,647,555
<b>Total TANF Cluster</b>		<u><u>\$ 3,647,555</u></u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	\$ 597,225
<b>Total CCDF Cluster</b>		<u><u>\$ 597,225</u></u>
Medical Assistance Program - Administrative	93.778	\$ 4,455,724
<b>Total Medicaid Cluster</b>		<u><u>\$ 4,455,724</u></u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2019**

**5. Virginia Resources Authority Loans**

The City reports on the Schedule of Federal Awards, loan proceeds drawn from the Virginia Resources Authority. The loans are a pass-through award from the U. S. Environmental Protection Agency and administered by the Virginia Resources Authority Department of Environmental Quality. The balances at the end of the fiscal year 2019 are as follows:

<b>Loan number</b>	<b>June 30, 2018 VRA Loan Balances</b>	<b>Disbursements Made During FY 2019</b>	<b>Total Loan Amount Disbursed</b>	<b>Total Amount Available to be Drawn</b>	<b>June 30, 2019 Outstanding Loan Balances</b>
C-515550E-01	\$ 5,506,379	\$ 229,200	\$ 5,735,579	\$ -	\$ 5,735,579
C-515574E-01	4,594,457	1,621,677	6,216,134	283,866	6,216,134
C-515593E-01	51,346	3,781,334	3,832,680	3,667,320	3,832,680
C-515565GE-02	489,050	1,563,404	2,052,454	353,337	2,052,454
C-515591-02	-	987,972	987,972	129,753	987,972
<b>TOTALS</b>	<b>\$ 10,641,232</b>	<b>\$ 8,183,587</b>	<b>\$ 18,824,819</b>	<b>\$ 4,434,276</b>	<b>\$ 18,824,819</b>

**6. Indirect Cost Rate**

For the Fiscal Year 2019, the City did not use the 10 percent de minimis cost rate for indirect cost billings to federal grants where an indirect cost is permitted. The City develops an indirect cost rate with the cost allocation plan that is used by the Human Services department for indirect cost billings.



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# **SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –**

**~Special Revenue Funds~**

**~Internal Service Funds~**

**~Capital Projects Fund~**





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## CITY OF NORFOLK, VIRGINIA

Exhibit J-1

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Towing and Recovery Operations Special Revenue Fund**  
**For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ 565	\$ 51	\$ (514)
Charges for services	1,653,000	1,422,900	(230,100)
Intergovernmental federal	-	4,010	4,010
Miscellaneous	5,700	1,157	(4,543)
Transfer in	-	-	-
Total revenue	<u>\$ 1,659,265</u>	<u>\$ 1,428,118</u>	<u>\$ (231,147)</u>
Expenditures and transfers:			
Towing and recovery	\$ 1,452,346	\$ 1,181,502	\$ 270,844
Transfer out	206,919	210,929	(4,010)
Total expenditures	<u>\$ 1,659,265</u>	<u>\$ 1,392,431</u>	<u>\$ 266,834</u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Storm Water Utility Special Revenue Fund**  
**For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ 565	\$ 15,443	\$ 14,878
Charges for services	16,532,729	16,877,790	345,061
Miscellaneous	45,000	109,922	64,922
Intergovernmental - federal	-	79,256	79,256
Total revenue	<u>\$ 16,578,294</u>	<u>\$ 17,082,411</u>	<u>\$ 504,117</u>
Expenditures and transfers:			
Public works	\$ 11,819,947	\$ 11,591,436	\$ 228,511
Transfer out	4,758,347	4,837,602	(79,255)
Total expenditures	<u>\$ 16,578,294</u>	<u>\$ 16,429,038</u>	<u>\$ 149,256</u>

## CITY OF NORFOLK, VIRGINIA

Exhibit J-1

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Golf Special Revenue Fund**  
**For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 15,000	\$ 15,000	\$ -
Expenditures:			
Golf operations	\$ 15,000	\$ 9,000	\$ 6,000

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Emergency Operations Special Revenue Fund (EOC 911)**  
**For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Other local taxes	\$ 3,571,596	\$ 3,571,596	\$ -
Charges for services	4,500	163	(4,337)
Recovered cost	1,164,593	1,322,614	158,021
Transfer in	1,276,691	386,784	(889,907)
Total revenue	\$ 6,017,380	\$ 5,281,157	\$ (736,223)
Expenditures:			
Operations	\$ 6,017,380	\$ 5,505,982	\$ 511,398
Total expenditures	\$ 6,017,380	\$ 5,505,982	\$ 511,398

## CITY OF NORFOLK, VIRGINIA

Exhibit J-1

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Cemeteries Special Revenue Fund**  
**For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 1,546,382	\$ 1,322,243	\$ (224,139)
Miscellaneous	-	450	450
Recovered cost	216,937	179,258	(37,679)
Transfer in	230,994	494,398	263,404
Rollover from last year*	42,810	42,810	-
Total revenue	<u>\$ 2,037,123</u>	<u>\$ 2,039,159</u>	<u>\$ 2,036</u>
Expenditures:			
Cemetery operations	<u>\$ 2,037,123</u>	<u>\$ 1,860,747</u>	<u>\$ 176,376</u>

\*Not considered as revenue on a GAAP basis

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Public Amenities Special Revenue Fund**  
**For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Taxes-Hotel & Restaurant	\$ 6,903,000	\$ 7,148,107	\$ 245,107
Intergovernmental - state	81,000	197,929	(116,929)
Rollover from last year*	714,409	714,409	-
Total revenue	<u>\$ 7,698,409</u>	<u>\$ 8,060,445</u>	<u>\$ 128,178</u>
Expenditures:			
Transfer out (Debt Service)	\$ 3,521,075	\$ 3,521,075	\$ -
Transfer out (General Fund)	3,000,000	3,000,000	-
All purpose	1,177,334	451,982	725,352
Total expenditures	<u>\$ 7,698,409</u>	<u>\$ 6,973,057</u>	<u>\$ 725,352</u>

\*Not considered as revenue on a GAAP basis

**Schedule of Revenues and Expenditures - Budget and Actual  
Tax Increment Financing Special Revenue Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Taxes-real property	\$ 5,855,000	\$ 5,855,000	\$ -
Rollover from last year	-	-	-
Total revenue	<u>\$ 5,855,000</u>	<u>\$ 5,855,000</u>	<u>\$ -</u>
Expenditures:			
Transfer out (Debt Service)	\$ 1,601,535	\$ 1,601,535	\$ -
Transfer out (General Fund)	4,253,465	4,253,465	-
Total expenditures	<u>\$ 5,855,000</u>	<u>\$ 5,855,000</u>	<u>\$ -</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Community Development Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Intergovernmental Federal	<u>\$ 4,825,233</u>	<u>\$ 3,460,264</u>	<u>\$ (1,364,969)</u>
Expenditures:			
Operations	<u>\$ 4,825,233</u>	<u>\$ 3,460,264</u>	<u>\$ 1,364,969</u>

Note: Budgets for the Community Development fund are for multiple years and are not included in the annual presentation.

**Schedule of Revenues and Expenditures - Budget and Actual  
Waste Management Special Revenue Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ -	\$ 21,709	\$ 21,709
Charges for services	20,032,214	19,549,738	(482,476)
Recovered costs	420,000	405,422	(14,578)
Miscellaneous	-	410	410
Total revenue	<u>\$ 20,452,214</u>	<u>\$ 19,977,279</u>	<u>\$ (474,935)</u>
Expenditures and transfers:			
Public works	\$ 18,883,991	\$ 17,329,516	\$ 1,554,475
Transfer out	1,568,223	1,547,534	20,689
Total expenditures	<u>\$ 20,452,214</u>	<u>\$ 18,877,050</u>	<u>\$ 1,575,164</u>

## CITY OF NORFOLK, VIRGINIA

Exhibit J-1

**Schedule of Revenues and Expenditures - Budget and Actual  
Grants Funds  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Fines and forfeitures	\$ -	\$ 700	\$ 700
Use of money and property	-	2,591	2,591
Charges for services	-	289,692	289,692
Intergovernmental			
Federal	-	11,292,184	11,292,184
State	-	17,460,427	17,460,427
Operating Transfers	-	3,321,528	3,321,528
Miscellaneous	-	2,475,454	2,475,454
Total revenue	<u>\$ -</u>	<u>\$ 34,842,576</u>	<u>\$ 34,842,576</u>
Expenditures and transfers:			
General government	\$ -	\$ 2,774,806	\$ (2,774,806)
Judicial administration	-	3,370,581	(3,370,581)
Public safety	-	2,865,011	(2,865,011)
Public works	-	5,855,137	(5,855,137)
Health and public assistance	-	17,377,299	(17,377,299)
Cultural and recreation	-	348,207	(348,207)
Community development	-	2,262,779	(2,262,779)
Total expenditures	<u>\$ -</u>	<u>\$ 34,853,820</u>	<u>\$ (34,853,820)</u>

Note: Budgets for the Grants special revenue fund are for multiple years and are not included in the annual presentation.

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Fleet Internal Service Fund**  
**For the Year Ending June 30, 2019**

	<u>Budget</u>	<u>Actual Budgetary Basis</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 11,497,755	\$ 11,241,591	\$ (256,164)
Miscellaneous & capital contributions	97,365	52,641	(44,724)
Total revenue	<u>\$ 11,595,120</u>	<u>\$ 11,294,232</u>	<u>\$ (300,888)</u>
Expenditures:			
Fleet	<u>\$ 11,595,120</u>	<u>\$ 12,131,362</u>	<u>\$ (536,242)</u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Healthcare Management Internal Service Fund**  
**For the Year Ending June 30, 2019**

	<u>Budget</u>	<u>Actual Budgetary Basis</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	<u>\$ 92,346,084</u>	<u>\$ 80,358,477</u>	<u>\$ (11,987,607)</u>
Expenditures:			
Healthcare	<u>\$ 92,346,084</u>	<u>\$ 84,520,311</u>	<u>\$ 7,825,773</u>

**CITY OF NORFOLK, VA**  
**Capital Improvement Program**  
**Schedule of Expenditures - Budget and Actual**  
**From Inception and for the Year Ending June 30, 2019**

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
<b>Community Development</b>					
Neighborhood Project Development	\$ 1,935,000	\$ 1,619,855	\$ (488,233)	\$ 1,131,622	\$ 803,378
Neighborhood Conservation/Revitalization	46,390,203	47,113,385	857,428	47,970,813	(1,580,610)
Broad Creek Renaissance	32,631,300	26,107,675	737,747	26,845,422	5,785,878
Neighborhood Streets Improvements	1,200,000	1,395,093	-	1,395,093	(195,093)
Neighborhood commercial Improvements	79,748,695	79,524,380	4,916	79,529,296	219,399
Create Special Service Areas	744,950	493,585	-	493,585	251,365
Other	974,774	974,774	-	974,774	-
Community Development Total	163,624,922	157,228,747	1,111,858	158,340,605	5,284,317
<b>Cultural Facilities</b>					
Attucks Theatre Renovations	2,550,629	2,558,762	-	2,558,762	(8,133)
Scope and Chrysler Hall Improvements	29,137,779	21,351,125	1,131,595	22,482,720	6,655,059
Chrysler Museum Improvements	15,208,912	14,216,111	850,000	15,066,111	142,801
Civic Building Improvements	1,278,681	1,217,017	-	1,217,017	61,664
Conference Center	68,911,437	65,619,457	-	65,619,457	3,291,980
Harrison Opera House Improvements	404,856	404,856	-	404,856	-
MacArthur Memorial Improvements	2,658,969	2,658,969	-	2,658,969	-
Nauticus/Maritime Center Improvements	4,337,500	824,619	-	824,619	3,512,881
USS Wisconsin Improvements	10,714,974	8,756,220	1,264,169	10,020,389	694,585
Other	8,907,578	5,533,982	328,053	5,862,035	3,045,543
Cultural Facilities Total	144,111,315	123,141,118	3,573,817	126,714,935	17,396,380
<b>Economic Development</b>					
Acquire/Dispose/Upgrade City Property	81,400,463	63,519,302	7,344,251	70,863,553	10,536,910
Nauticus/Cruise Terminal Development	37,350,000	37,305,659	-	37,305,659	44,341
Huntersville Redevelopment	1,000,000	472,423	452,000	924,423	75,577
Wachovia Center Development	3,553,101	3,553,101	-	3,553,101	-
Kroc Center Development	4,000,000	3,994,779	-	3,994,779	5,221
Other	16,553,258	16,065,758	-	16,065,758	487,500
Economic Development Total	143,856,822	124,911,022	7,796,251	132,707,273	11,149,549
<b>General/Other</b>					
Campostella Landfill Closure	5,500,000	2,366,746	1,231,237	3,597,983	1,902,017
Beach Erosion Control	31,877,300	28,875,526	1,163,855	30,039,381	1,837,919
Transfer to Debt Service	1,600,000	6,392,418	-	6,392,418	(4,792,418)
IFMS Implementation	5,900,224	5,900,407	-	5,900,407	(183)
Waterway Dredging Projects	6,859,341	5,853,067	154,563	6,007,630	851,711
Conservation and Green Vision Implementation	5,377,373	4,877,374	-	4,877,374	499,999
Public Safety Radio Communication System Upgrade	4,703,668	4,703,668	-	4,703,668	-
Upgrade and Expand Broadband Infrastructure	2,000,000	366,555	246,196	612,751	1,387,249
Other	34,358,367	19,102,854	505	19,103,359	15,255,008
General/Other Total	98,176,273	78,438,615	2,796,356	81,234,971	16,941,302
<b>Public Buildings and Facilities</b>					
Fire Station Emergency Generation Program	1,670,188	1,671,777	-	1,671,777	(1,589)
Infrastructure Improvements	21,200,473	4,696,885	1,392,843	6,089,728	15,110,745
Annual Roof Maintenance	9,678,652	8,912,617	446,017	9,358,634	320,018
Library Facilities - Anchor Branch	20,476,238	19,697,876	398,499	20,096,375	379,863
Police Precinct Replacement	20,328,986	20,328,986	-	20,328,986	-
Courts Replacement and Renovations	122,620,168	120,561,002	916,728	121,477,730	1,142,438
Jail Renovations	9,767,510	7,806,841	1,205,532	9,012,373	755,137
Selden Arcade Renovations	8,400,543	8,400,543	-	8,400,543	-
City Hall Building Renovations	20,896,839	16,414,443	1,207,781	17,622,224	3,274,615
Tow Yard Acquisition	697,045	337,027	-	337,027	360,018
Fire Facilities Replacement/Improvements	12,259,541	9,858,044	1,205,090	11,063,134	1,196,407
Police Training Facilities	656,000	656,000	-	656,000	-
Main Library Construction	69,727,997	67,466,575	-	67,466,575	2,261,422
Design /Construct Government Center Plaza	4,749,980	2,160,201	5,864	2,166,065	2,583,915
Other	15,618,142	12,747,273	368,488	13,115,761	2,502,381
Public Buildings and Facilities Total	338,748,302	301,716,090	7,146,842	308,862,932	29,885,370

**CITY OF NORFOLK, VA**  
**Capital Improvement Program**  
**Schedule of Expenditures - Budget and Actual**  
**From Inception and for the Year Ending June 30, 2019**

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
<b>Parks/Recreational Facilities</b>					
Zoo Master Plan	28,407,037	27,490,313	130,259	27,620,572	786,465
Titustown Recreation Center Improvements	3,550,000	3,000,000	-	3,000,000	550,000
Botanical Gardens	2,494,413	1,998,823	495,589	2,494,412	1
Existing Recreation Center Improvements	14,060,717	13,105,741	945,113	14,050,854	9,863
Norview Recreation Center	7,947,756	7,947,756	-	7,947,756	-
Lambert's Point Golf Course	9,050,000	9,050,000	-	9,050,000	-
Lambert's Point Community & Recreational Center	6,715,893	6,715,893	-	6,715,893	-
Harbor Park Improvements	4,259,747	3,371,994	429,949	3,801,943	457,804
Athletic Field Renovations	2,685,903	2,685,903	-	2,685,903	-
Norfolk Fitness & Wellness Center Renovations	1,803,669	1,803,669	-	1,803,669	-
Broad creek & Westside Neighborhood Parks	2,610,062	2,610,012	-	2,610,012	50
Town Point Park Improvements	11,478,749	11,478,749	-	11,478,749	-
Martin Luther King Park	116,019	116,019	-	116,019	-
Waterside Waterfront Renovations	8,671,789	8,391,626	-	8,391,626	280,163
Ingleside Gymnasium	1,695,874	1,695,874	-	1,695,874	-
Other	14,192,410	13,779,493	75,827	13,855,320	337,090
<b>Parks/Recreational Facilities Total</b>	<b>119,740,038</b>	<b>115,241,865</b>	<b>2,076,737</b>	<b>117,318,602</b>	<b>2,421,436</b>
<b>Schools</b>					
Blair Middle School Replacement	7,071,710	7,071,710	-	7,071,710	-
Norfolk Public School Initiative	5,265,000	5,263,456	-	5,263,456	1,544
Norview Construction	29,865,659	29,865,659	-	29,865,659	-
Southside Middle School	1,535,212	1,313,413	-	1,313,413	221,799
High School Athletic Field	1,495,091	1,495,091	-	1,495,091	-
Coleman Place Elementary Replacement	20,293,970	20,293,970	-	20,293,970	-
Crossroads Elementary Replacement	34,108,313	31,672,306	-	31,672,306	2,436,007
Larchmont Elementary School	23,109,625	22,810,653	24,217	22,834,870	274,755
Ocean View Elementary School	22,847,436	21,803,372	5,990	21,809,362	1,038,074
South Side TEM Academy at Campostella	35,629,524	34,059,741	-	34,059,741	1,569,783
Broad Creek Elementary School	21,961,042	21,478,941	-	21,478,941	482,101
Camp Allen Elementary School	30,431,984	20,449,831	5,338,232	25,788,063	4,643,921
Other	44,838,847	38,101,170	720,171	38,821,341	6,017,506
<b>Schools Total</b>	<b>278,453,413</b>	<b>255,679,313</b>	<b>6,088,610</b>	<b>261,767,923</b>	<b>16,685,490</b>
<b>Storm Water</b>					
Storm Water Quality Improvements	16,520,000	11,098,968	4,283,293	15,382,261	1,137,739
Storm Water Facility Improvements	19,003,340	15,484,223	-	15,484,223	3,519,117
Old Dominion University Master Plan	1,788,255	1,788,255	-	1,788,255	-
Drain Line Clean & Slip Lining	995,843	995,843	-	995,843	-
Neighborhood Flood Reduction	26,712,748	17,622,539	2,392,953	20,015,492	6,697,256
Bulkheading Master Project	2,100,000	2,087,100	12,900	2,100,000	-
Other	9,904,175	1,655,085	19,147	1,674,232	8,229,943
<b>Storm Water Total</b>	<b>77,024,361</b>	<b>50,732,013</b>	<b>6,708,293</b>	<b>57,440,306</b>	<b>19,584,055</b>
<b>Transportation</b>					
Old Dominion University Master Plan	10,304,204	5,610,091	-	5,610,091	4,694,113
VDOT Urban Support Program	9,773,025	8,595,582	16,646	8,612,228	1,160,797
Bridge Maintenance & Repair Program	39,918,240	32,865,171	1,263,135	34,128,306	5,789,934
Signal & Intersection Enhancements	13,006,765	11,715,752	336,978	12,052,730	954,035
Citywide Soundwall Program	8,405,303	8,399,665	3,667	8,403,332	1,971
Neighborhood Streets Improvements	74,497,088	71,302,922	2,714,607	74,017,529	479,559
Atlantic City Development	14,356,810	13,899,027	-	13,899,027	457,783
Citywide Boat Ramp Improvements	2,388,822	2,386,805	20,752	2,407,557	(18,735)
Construct Light Rail	105,010,914	70,303,888	-	70,303,888	34,707,026
Develop Multi-Modal Transfer Station at Harbor Park	4,348,573	3,846,809	-	3,846,809	501,764
Other	33,598,348	25,104,434	1,529,422	26,633,856	6,964,492
<b>Transportation Total</b>	<b>315,608,092</b>	<b>254,030,146</b>	<b>5,885,207</b>	<b>259,915,353</b>	<b>55,692,739</b>
<b>Grand Total</b>	<b>\$ 1,679,343,538</b>	<b>\$ 1,461,118,929</b>	<b>\$ 43,183,971</b>	<b>\$ 1,504,302,900</b>	<b>\$ 175,040,638</b>

**APPENDIX B**

**FORM OF BOND COUNSEL OPINION**

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October 15, 2020

Mayor and Council of the  
City of Norfolk, Virginia  
Norfolk, Virginia

**\$77,825,000**  
**City of Norfolk, Virginia**  
**General Obligation Refunding Bonds,**  
**Series 2020C (Taxable)**

Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City"), in connection with the issuance and sale by the City of its \$77,825,000 General Obligation Refunding Bonds, Series 2020C (Taxable) (the "Bonds"), dated the date of their delivery.

In connection with this opinion letter, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to this opinion, we have relied upon and are assuming the accuracy of certifications and representations of the City, City officers and other public officials and certain third parties contained in certificates and other documents delivered at closing, without undertaking to verify them by independent investigation. In addition, without undertaking to verify the same by independent investigation, we have relied on computations provided to us by PFM Financial Advisors, LLC, financial advisor to the City, the mathematical accuracy of which was verified by Bingham Arbitrage Rebate Services Incorporated.

We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all

parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.

2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds is includable in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences with respect to the Bonds.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth, or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The opinions are subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences, fraudulent transfers and equitable subordination), reorganization, moratorium and other similar laws affecting creditors' rights generally. The opinions are subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing.

Our services as bond counsel to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the City dated September 17, 2020, and the Official Statement of the City dated September 23, 2020. This opinion letter is given as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

## **APPENDIX C**

### **FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of October 15, 2020 (the "Closing Date"), by the City of Norfolk, Virginia (the "City"), in connection with the issuance by the City of its \$77,825,000 General Obligation Refunding Bonds, Series 2020C (Taxable) (the "Bonds"), pursuant to Ordinance No. 47,961 adopted by the City Council of the City on April 14, 2020 (the "Ordinance"). Pursuant to the Ordinance, the City approved the offering and sale of the Bonds to the public pursuant to an Official Statement relating to the Bonds, dated September 23, 2020 (the "Official Statement"). The City has determined that it constitutes an "obligated person" within the meaning of the Rule, as hereinafter defined, with respect to the Bonds and, accordingly, hereby represents, covenants and agrees as follows:

**Section 1. Definitions.** In addition to the definitions set forth elsewhere in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

**"Annual Financial Information"** with respect to any Fiscal Year of the City means the following:

(i) the financial statements (consisting of at least a statement of net assets, a statement of cash flows and a statement of revenues, expenses and changes in fund net assets for all governmental/enterprise funds) of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this Disclosure Agreement will prohibit the City after the date of the Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(ii) updates of the operating data contained in the sections in the Final Official Statement titled "Table II-3, Key Debt Trends," "Table II-6, Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita," "Table III-2, Assessed Valuations and Estimated Actual Values of Taxable Property," "Table III-5, Real and Personal Property Tax Levies and Collections," "Table III-6, Ten Principal Real Property Taxpayers" and "Table III-12, Comparative Statement of Revenue and Expenditures, General Fund."

**"Dissemination Agent"** shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

**"Fiscal Year"** shall mean the twelve-month period, at the end of which the financial position of the City and the results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

**"Holder"** shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

**"Make Public"** or **"Made Public"** has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" shall mean the U.S. Securities and Exchange Commission.

**Section 2. Purpose of the Disclosure Agreement; Representation.** This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and in order to assist the Participating Underwriters in complying with the Rule. The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

**Section 3. Obligations of the City.** (a) The City shall complete the preparation of the Annual Financial Information with respect to any Fiscal Year of the City not later than March 31 after the end of such Fiscal Year.

(b) The City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), the Annual Financial Information within 30 days after it is prepared in final form.

(c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 - TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Holders, if material;

- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the City;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material. "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of a payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

Provided that nothing in this subsection (c) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(d) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner, notice of a failure of the City to provide the Annual Financial Information, on or before the date specified in this Disclosure Agreement.

(e) The City shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the current Fiscal Year.

**Section 4. Information Made Public.** Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB, in an electronic format as prescribed by the MSRB. Should the SEC approve any additional or subsequent

filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing system.

**Section 5. Incorporation by Reference.** Any or all of the Annual Financial Information may be incorporated by specific reference from other documents, including official statements containing information with respect to the City, which are available to the public on the internet website of the MSRB or filed with the SEC. The City shall clearly identify each such other document so incorporated by reference.

**Section 6. CUSIP Numbers.** The City shall reference, or cause the Dissemination Agent (if not the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

**Section 7. Termination of Reporting Obligation.** The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

**Section 8. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

**Section 9. Identifying Information.** All documents provided to the MSRB hereunder shall be accompanied by identifying information as prescribed by the MSRB.

**Section 10. Amendment.** Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and to the Participating Underwriters for the Bonds to the effect that such amendment is permitted or required by the Rule.

**Section 11. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(c), in addition to that which is required by this Disclosure Agreement. If the City chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(c), in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

**Section 12. Default.** Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of

any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or any other debt authorization of the City, or any Bond and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

**Section 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and the Holders and shall create no rights in any other person or entity.

**Section 14. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the undersigned have executed this Continuing Disclosure Agreement on behalf of the City of Norfolk, Virginia, as of the Closing Date.

**CITY OF NORFOLK, VIRGINIA**

By: \_\_\_\_\_  
Dr. Larry H. Filer II  
City Manager, City of Norfolk, Virginia

By: \_\_\_\_\_  
Christine Garczynski  
Director of Finance, City of Norfolk, Virginia

Approved as to Form and Correctness:

\_\_\_\_\_  
Office of the City Attorney  
City of Norfolk, Virginia

## **APPENDIX D**

### **BOOK-ENTRY ONLY SYSTEM**

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## BOOK-ENTRY ONLY SYSTEM

**The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds (the "Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC

has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to a Bond unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (an "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such Bond is credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the bond registrar or paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participants or Indirect Participant and not of DTC, the City or the bond registrar and paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the bond registrar and paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the bond registrar and paying agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Neither the City nor the bond registrar and paying agent has any responsibility or obligation to the Direct Participants or Indirect Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (ii) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (iii) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to such owners; or (iv) any other action taken by DTC, or its nominee, Cede & Co., as Holder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the holders of the Bonds or Bondholders mean Cede & Co. and not the Beneficial Owners, and Cede & Co. will be treated as the only Holder of the Bonds.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

