

CITY OF NORFOLK, VIRGINIA

\$74,220,000
General Obligation
Capital Improvement Bonds,
Series 2021A (Tax-Exempt)

\$36,895,000
General Obligation
Refunding Bonds,
Series 2021B (Federally Taxable)

Dated: Date of Delivery

Due: As shown on the inside front cover

The City of Norfolk, Virginia (the "City"), prepared this Official Statement to provide information on the above-referenced 2021A Bonds and 2021B Bonds (collectively, the "Bonds"). This cover page presents a summary of selected information for your convenience and does not provide a complete description of the Bonds. To make an informed decision regarding the Bonds, this Official Statement should be read in its entirety.

Tax Matters

In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants by and the accuracy of certain representations and certifications of the City and other persons and entities described in "PART I - TAX MATTERS-2021A BONDS" interest on the 2021A Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax and may be subject to other federal income tax consequences as described in "PART I - TAX MATTERS-2021A BONDS."

In the opinion of Bond Counsel, under current law, interest on the 2021B Bonds is includible in gross income for federal income tax purposes. See "PART I - TAX MATTERS-2021B BONDS."

Bond Counsel is further of the opinion that interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "PART I - TAX MATTERS-2021A BONDS" and "PART I - TAX MATTERS-2021B BONDS" regarding other tax considerations.

Security

The Bonds are general obligations of the City. See "PART I - SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

Redemption

See inside front pages and see "PART I - DESCRIPTION OF THE BONDS-Redemption Provisions," for a description of the redemption provisions for the Bonds.

Authorization

Ordinance No. 47,953 and Ordinance No. 48,448, adopted by the City Council of the City on April 14, 2020 and July 20, 2021, respectively.

Purpose

The proceeds of the Bonds, together with other available funds, will be used to (i) finance capital projects and provide long-term financing of certain costs that have been financed on an interim basis, (ii) refund certain outstanding general obligation bonds and (iii) pay the costs of issuance of the Bonds. See "PART I - APPLICATION OF PROCEEDS OF THE BONDS."

Interest Payment Dates

Interest on the 2021A Bonds will be payable semi-annually on March 1 and September 1, commencing March 1, 2022. Interest on the 2021B Bonds will be payable semi-annually on April 1 and October 1, commencing on April 1, 2022.

Record Date

February 15 for the March 1 payment date and August 15 for the September 1 payment date for the 2021A Bonds.
March 15 for the April 1 payment date and September 15 for the October 1 payment date for the 2021B Bonds.

Registration

Book-Entry Only; The Depository Trust Company.

Denomination

\$5,000 or multiples thereof.

Closing/Delivery Date

On or about August 12, 2021.

Bond Counsel

McGuireWoods LLP, Richmond, Virginia.

Underwriters' Counsel

Kaufman & Canoles, a Professional Corporation, Richmond, Virginia.

Financial Advisor

PFM Financial Advisors, LLC, Arlington, Virginia.

Registrar/Paying Agent

Director of Finance of the City.

Issuer Contact

Director of Finance of the City. (757) 664-4346.

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

BofA Securities

J.P. Morgan

Siebert Williams Shank & Co., LLC

CITY OF NORFOLK, VIRGINIA

\$74,220,000

General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt)

(Base CUSIP Number 655867)[†]

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP[†] Suffix</u>
2022	\$3,200,000	5.000%	102.729%	0.060%	M30
2029	935,000	5.000	131.407	0.720	M48
2030	2,825,000	5.000	134.164	0.850	M55
2031	3,635,000	5.000	137.339	0.910	M63
2032	3,320,000	5.000	136.355*	1.000	M71
2033	18,265,000	5.000	135.812*	1.050	M89
2034	3,420,000	5.000	135.488*	1.080	M97
2035	3,430,000	5.000	135.057*	1.120	N21
2036	3,440,000	4.000	124.383*	1.280	N39
2037	10,885,000	4.000	124.079*	1.310	N47
2038	3,390,000	4.000	123.574*	1.360	N54
2039	3,360,000	4.000	123.272*	1.390	N62
2040	7,090,000	4.000	122.870*	1.430	N70
2041	7,025,000	4.000	122.570*	1.460	N88

* Priced to first optional redemption date of March 1, 2031

OPTIONAL REDEMPTION

Optional Redemption of the 2021A Bonds at Par. The 2021A Bonds are subject to redemption prior to their respective maturities on or after March 1, 2031, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2021A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

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

CITY OF NORFOLK, VIRGINIA

\$36,895,000

General Obligation Refunding Bonds, Series 2021B (Federally Taxable)

(Base CUSIP Number 655867)[†]

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP[†] Suffix</u>
2022	\$4,540,000	0.200%	100.000%	0.200%	N96
2023	4,395,000	0.300	100.000	0.300	P29
2024	4,240,000	0.520	100.000	0.520	P37
2025	4,105,000	0.710	100.000	0.710	P45
2026	3,975,000	0.910	100.000	0.910	P52
2027	3,750,000	1.120	100.000	1.120	P60
2028	3,740,000	1.270	100.000	1.270	P78
2029	8,150,000	1.420	100.000	1.420	P86

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

OPTIONAL REDEMPTION

Optional Redemption of the 2021B Bonds with Make Whole Payment. The 2021B Bonds are subject to redemption at the option of the City at any time, in whole or in part (in increments of \$5,000), at the Make-Whole Redemption Price (as next defined). The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the 2021B Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2021B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption of the 2021B Bonds (the "Scheduled Redemption Date"), discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus ten (10) basis points,

plus, in either case, the unpaid interest accrued on the 2021B Bonds to be redeemed to the Scheduled Redemption Date.

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

"Treasury Rate" means, with respect to any Scheduled Redemption Date for any particular 2021B Bond, the greater of:

(i) the yield to maturity as of the Scheduled Redemption Date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the Scheduled Redemption Date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Scheduled Redemption Date to maturity; provided, however, that if the period from the Scheduled Redemption Date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense, which determination shall be conclusive and binding on the owners of the 2021B Bonds, or

(ii) 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 Scheduled Redemption Date for a price equal to the Comparable Treasury Price (as defined below), as calculated by the Designated Investment Banker (as defined below).

"Comparable Treasury Issue" means, with respect to any Scheduled Redemption Date for a particular 2021B Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the 2021B Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any Scheduled Redemption Date for a particular 2021B Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (as defined below), the average of such quotations for such Scheduled 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 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, 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 Scheduled Redemption Date for a particular 2021B 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 Scheduled Redemption Date.

Any Make-Whole Redemption Price of 2021B Bonds to be redeemed pursuant to the provisions described under this section will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Pro Rata Redemption of the Bonds. If the 2021B 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 2021B Bonds, partial redemptions with respect to the 2021B Bonds will be treated by DTC as a "pro rata pass-through distribution of principal" in accordance with DTC procedures. It is the City's intent that redemption allocations made by DTC, Direct Participants (as defined in Appendix D), Indirect Participants (as defined in Appendix D) or such other intermediaries that may exist between the City and the Beneficial Owners (as defined in Appendix D) be made on a pro rata pass-through distribution of principal basis. However, the City can provide no assurance that DTC, Direct Participants, Indirect Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis.

If the DTC operational arrangements do not allow for the redemption of 2021B 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 2021B Bonds are not registered in book-entry form, any redemption of less than all of the 2021B Bonds of any maturity will be allocated among the registered owners of such 2021B Bonds as nearly as practicable in proportion to the principal amount of the 2021B Bonds of such maturity owned by each registered owner, subject to the authorized denominations applicable to the 2021B 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 2021B Bonds to be redeemed will be determined by the Director of Finance of the City, using such method as he or she deems fair and appropriate.

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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
Danica J. Royster
Thomas R. Smigiel, Jr.

CITY OFFICIALS

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

BOND COUNSEL

McGuireWoods LLP
Richmond, Virginia

FINANCIAL ADVISOR

PFM Financial Advisors, LLC
Arlington, Virginia

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

No dealer, broker, 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 to change without notice, and neither the delivery of this Official Statement nor any sale made under it will, under any circumstances, create any implication that there has been no change in the affairs of the City since the respective dates as of which information is given herein.

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

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

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

"CUSIP" is a registered trademark of the American Bankers Association ("ABA"), 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.

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

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CITY OF NORFOLK, VIRGINIA
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ENDED JUNE 30, 2020

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OFFICIAL STATEMENT

Relating to the Issuance of

CITY OF NORFOLK, VIRGINIA

\$74,220,000	\$36,895,000
General Obligation	General Obligation
Capital Improvement Bonds,	Refunding Bonds,
Series 2021A (Tax-Exempt)	Series 2021B (Federally Taxable)

PART I THE BONDS

The purpose of this Official Statement, including the financial information contained in Appendix A attached hereto, is to furnish information for the sale by the City of Norfolk, Virginia (the "City"), of its \$74,220,000 General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt) (the "2021A Bonds") and \$36,895,000 General Obligation Refunding Bonds, Series 2021B (Federally Taxable) (the "2021B Bonds" and together with the 2021A Bonds, the "Bonds"). The City is a municipal corporation of the Commonwealth of Virginia (the "Commonwealth").

The Bonds will be general obligations of the City. The City's full faith and credit 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 2021A Bonds will be payable semi-annually on March 1 and September 1, commencing March 1, 2022. The record date for the 2021A Bonds is February 15 for the March 1 payment date and August 15 for the September 1 payment date. Interest on the 2021B Bonds will be payable semi-annually on April 1 and October 1, commencing April 1, 2022. The record date for the 2021B 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 2021A Bonds at Par. The 2021A Bonds are subject to redemption prior to their respective maturities on or after March 1, 2031, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2021A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

Manner of Redemption of 2021A Bonds. If less than all of the 2021A Bonds are called for redemption, the maturities of such 2021A 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 2021A Bonds, if less than all of the 2021A Bonds within a maturity are to be redeemed, The Depository Trust Company ("DTC") and its participants shall determine which of such 2021A Bonds within a maturity are to be redeemed.

Optional Redemption of the 2021B Bonds with Make Whole Payment. The 2021B Bonds are subject to redemption at the option of the City at any time, in whole or in part (in increments of \$5,000), at the Make-Whole Redemption Price (as next defined). The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the 2021B Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2021B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption of the 2021B Bonds (the "Scheduled Redemption Date"), discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus ten (10) basis points,

plus, in either case, the unpaid interest accrued on the 2021B Bonds to be redeemed to the Scheduled Redemption Date.

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

"Treasury Rate" means, with respect to any Scheduled Redemption Date for any particular 2021B Bond, the greater of:

(i) the yield to maturity as of the Scheduled Redemption Date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the Scheduled Redemption Date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Scheduled Redemption Date to maturity; provided, however, that if the period from the Scheduled Redemption Date to maturity is less than one year, the weekly average yield on actually traded United

States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense, which determination shall be conclusive and binding on the owners of the 2021B Bonds, or

(ii) 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 Scheduled Redemption Date for a price equal to the Comparable Treasury Price (as defined below), as calculated by the Designated Investment Banker (as defined below).

"Comparable Treasury Issue" means, with respect to any Scheduled Redemption Date for a particular 2021B Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the 2021B Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any Scheduled Redemption Date for a particular 2021B Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (as defined below), the average of such quotations for such Scheduled 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 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, 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 Scheduled Redemption Date for a particular 2021B 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 Scheduled Redemption Date.

Any Make-Whole Redemption Price of 2021B Bonds to be redeemed pursuant to the provisions described under this section will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Calculation of Redemption Price. The redemption price of any 2021B 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 2021B Bonds. If the 2021B 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 2021B

Bonds, partial redemptions with respect to the 2021B Bonds will be treated by DTC as a "pro rata pass-through distribution of principal" in accordance with DTC procedures. It is the City's intent that redemption allocations made by DTC, Direct Participants (as defined in Appendix D), Indirect Participants (as defined in Appendix D) or such other intermediaries that may exist between the City and the Beneficial Owners (as defined in Appendix D) be made on a pro rata pass-through distribution of principal basis. However, the City can provide no assurance that DTC, Direct Participants, Indirect Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis.

If the DTC operational arrangements do not allow for the redemption of 2021B 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 2021B Bonds are not registered in book-entry form, any redemption of less than all of the 2021B Bonds of any maturity will be allocated among the registered owners of such 2021B Bonds as nearly as practicable in proportion to the principal amount of the 2021B Bonds of such maturity owned by each registered owner, subject to the authorized denominations applicable to the 2021B 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 2021B Bonds to be redeemed will be determined by the Director of Finance of the City, using such method as he or she deems fair and appropriate.

Manner of Redemption for the 2021B Bonds. If less than all of the 2021B Bonds are called for redemption, the maturities of such 2021B 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 2021B Bonds within a maturity are to be redeemed, The DTC and its participants shall determine which of such 2021B 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. 47,953 and Ordinance No. 48,448, adopted by the City Council of the City (the "City Council") on April 14, 2020 and July 20, 2021, respectively (collectively, the "Ordinance").

The City will use the proceeds of the Bonds, together with other available funds, to (i) finance capital projects and provide long-term financing of certain costs that have been financed on an interim basis, (ii) refund certain outstanding general obligation bonds of the City and (iii) pay the costs of issuance of the Bonds as set forth in "PART I - PLAN OF FINANCE" and "PART I - APPLICATION OF PROCEEDS OF THE BONDS."

PLAN OF FINANCE

Capital Projects Financing

The City will use a portion of the proceeds of the 2021A Bonds to pay the costs of projects identified in the City's Capital Improvement Program, as the City Council may amend it from time to time. The City will use a portion of the proceeds of the Bonds to provide long-term financing of certain costs that have been financed on an interim basis under a revolving line of credit general obligation capital improvement note held by Bank of America, N.A. ("BANA"), an affiliate of the Underwriter. See "PART II - DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Improvement Plan Budget" and "PART II – CITY INDEBTEDNESS – Debt Outstanding."

Refunding

The City will use a portion of the proceeds of the 2021B Bonds to refund, redeem and defease all or portions of its general obligation bonds (the "Refunded Obligations"). The table below sets forth the Refunded Obligations.

General Obligation Refunding Bonds, Series 2016B (Base CUSIP Number 655867)

<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>
2036	\$975,000	4.000%	10/1/2026	100.000%	VG1

General Obligation Refunding Bonds, Series 2017C (Tax-Exempt) (Base CUSIP Number 655867)

<u>Year of Maturity (September 1)</u>	<u>Refunded Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity/Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP Suffix[†]</u>
2029	\$7,505,000	5.000%	3/1/2027	100.000%	WX3
2032	10,920,000	4.000	3/1/2027	100.000	XA2
2036	210,000	4.000	3/1/2027	100.000	XE4

**General Obligation Capital Improvement Bonds,
Series 2019
(Base CUSIP Number 655867)**

<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>
2032	\$3,705,000	5.000%	8/1/2028	100.000%	XX2
2036	6,475,000	5.000	8/1/2028	100.000	YB9

Escrow Agreement and Defeasance

A portion of the proceeds of the 2021B Bonds in the aggregate amount of \$36,692,520.38 will be deposited with Wilmington Trust, N.A. (the "Escrow Agent"), pursuant to an Escrow Agreement to be dated the date of delivery of the 2021B Bonds, between the City and the Escrow Agent. The Escrow Agreement will provide for the purchase of non-callable, full faith and credit obligations of the Treasury (the "Escrow Securities") 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 will be verified by Bingham Arbitrage Rebate Services Incorporated. See "PART I - VERIFICATION OF MATHEMATICAL COMPUTATIONS."

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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>2021A Bonds</u>	<u>2021B Bonds</u>	<u>Total</u>
Sources of Proceeds:			
Par Amount of Bonds	\$74,220,000.00	\$36,895,000.00	\$111,115,000.00
Original Issue Premium	21,115,479.25	-	21,115,479.25
Total:	<u>\$95,335,479.25</u>	<u>\$36,895,000.00</u>	<u>\$132,230,479.25</u>
Uses of Proceeds:			
Deposit to Project Fund	\$95,000,000.00	-	\$95,000,000.00
Refunding Escrow	-	36,692,520.38	36,692,520.38
Deposit			
Costs of Issuance*	335,479.25	202,479.62	537,958.87
Total:	<u>\$95,335,479.25</u>	<u>\$36,895,000.00</u>	<u>\$132,230,479.25</u>

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

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

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

Bondholders' Remedies in Event of Default

Section 15.2-2659 of the Virginia Code provides that upon affidavit of any owner, or any paying agent therefor, of a general obligation bond or note in default as to payment of principal or interest, the Governor of the Commonwealth of Virginia (the "Governor") shall conduct a summary investigation. If such default is established to the Governor's satisfaction, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth 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-2021A BONDS

Opinion of Bond Counsel – Federal Income Tax Consequences

Bond Counsel's opinion regarding the 2021A Bonds will state that, under current law and assuming the compliance with the Covenants, as hereinafter defined, by the City and certain other persons and entities, interest on the 2021A Bonds (i) is excludable from the gross income of the owners of the 2021A Bonds for purposes of federal income taxation under Section 103 of the Code, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax. See Appendix B for the form of the opinion of Bond Counsel for the 2021A Bonds.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2021A Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the 2021A Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

As to questions of fact material to its opinion regarding the 2021A Bonds, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of the City, public officials and certain other third parties, and public officials, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the City and certain other persons and entities. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2021A Bonds in order for interest on the 2021A Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2021A Bonds and the use of the property financed or refinanced by the 2021A Bonds, limitations on the source of the payment of and the security for the 2021A Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2021A Bonds to the United States Treasury. Prior to the issuance of the 2021A Bonds, the City will enter into a tax certificate and related documents for the 2021A Bonds (collectively, the "Tax Certificates") that contain covenants regarding such requirements (the "Covenants") under which the City has agreed to comply with such requirements. A

failure to comply with the Covenants could cause interest on the 2021A Bonds to become includible in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2021A Bonds from becoming includible in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2021A Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2021A Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2021A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such 2021A Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2021A Bonds.

Prospective purchasers of the 2021A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the 2021A Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made to any 2021A Bond owner or to any 2021A Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2021A Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any 2021A Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The issue price for each maturity of the 2021A Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement, but is subject to change based on actual sales. Accrued OID on the 2021A Bonds with OID (the "OID Bonds") is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax with respect to the 2021A Bonds and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

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

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

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

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition

cost. Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of such Premium Bond.

Effects of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2021A Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the 2021A Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the 2021A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the 2021A Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes. The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the 2021A Bonds, regulatory interpretation of the Code or actions by a court involving either the 2021A Bonds or other tax-exempt obligations will not have an adverse effect on the 2021A Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the 2021A Bonds.

Prospective purchasers of the 2021A Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the 2021A Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2021A Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2021A Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2021A Bonds should consult their own tax advisors regarding the tax status of interest on the 2021A Bonds in a particular state or local jurisdiction other than the Commonwealth.

TAX MATTERS-2021B BONDS

Opinion of Bond Counsel – Federal Income Tax Consequences

Bond Counsel's opinion with respect to the 2021B Bonds will state that, based on current law, interest on the 2021B 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 2021B Bonds. See Appendix B for the form of the opinion of Bond Counsel with respect to the 2021B Bonds.

Summary

The following is a summary of certain of the United States federal income tax consequences of the ownership of the 2021B Bonds as of the date hereof. Each prospective purchaser of the 2021B 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 2021B 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 2021B Bonds that are "U.S. holders," as hereinafter defined, deals only with 2021B 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 2021B 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 2021B Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a 2021B Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a 2021B Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more U.S. persons have the authority to control all of the trust's substantial decisions.

General Federal Income Tax Status of the 2021B Bonds

The 2021B 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 2021B Bonds that allocate a basis in the 2021B Bonds that is greater than the principal amount of the 2021B 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 2021B Bonds for an amount that is less than the principal amount of the 2021B 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 2021B 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 2021B Bonds

Upon a sale or exchange of a 2021B Bond, an owner generally will recognize gain or loss on the 2021B Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such 2021B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the 2021B Bond not yet taken into income will be ordinary). The adjusted basis of the owner in a 2021B 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 2021B Bonds and decreased by any principal payments received on the 2021B Bond. In general, if the 2021B 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 2021B 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 2021B Bond.

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 2021B Bonds. Certain persons making such payments are required to submit information returns (that is, IRS Forms 1099) to the IRS with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

Foreign Investors

Distributions of the 2021B Bonds to a non-U.S. holder that has no connection with the United States other than holding its 2021B Bond generally will be made free of withholding tax, as long as the non-U.S. holder has complied with certain tax identification and certification requirements.

Medicare Tax

For taxable years beginning after December 31, 2014, an additional 3.8% tax will be imposed on the "net investment income" of certain individuals, estates and trusts that have "modified adjusted gross income" above a certain threshold. Net investment income includes but is not limited to, the interest on the 2021B Bonds and gains from the disposition of the 2021B Bonds. Prospective investors should consult their tax advisors regarding the possible applicability of this tax to an investment in the 2021B Bonds.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the 2021B 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 2021B Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2021B Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2021B Bonds should consult their own tax advisors regarding the tax status of interest on the 2021B Bonds in a particular state or local jurisdiction other than the Commonwealth.

PENDING LITIGATION

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

In addition, on June 15, 2021, Norfolk District Associates, LLC (the "Plaintiff") filed a Complaint (the "Complaint") in the Circuit Court for the City of Richmond, Virginia, against the City, the Norfolk Redevelopment and Housing Authority (the "NRHA"), and the Norfolk City Attorney in his individual capacity (collectively, the "Defendants"). The case number is CL21-2671-6.

The Plaintiff's allegations set forth in the Complaint relate to an alleged breach of a Deed of Lease and Development Agreement (the "Lease Agreement") entered into by the NRHA and the Plaintiff in 2013 relating to the Waterside District property in the City on which the Plaintiff made tenant improvements. The Plaintiff alleges that under the Lease Agreement the Defendants promised to support the Plaintiff in developing a casino in the Waterside District if the Commonwealth were to legalize commercial gambling. The Plaintiff claims that, starting in 2018, the Defendants conspired with the Pamunkey Indian Tribe (the "Tribe") and its sponsor, Golden Eagle Consulting II, LLC ("Golden Eagle"), for an exclusive casino development in close proximity to the Waterside District. In 2018, the City entered into a Development Agreement and Option to Purchase Agreement (the "Development Agreement") with the Tribe and Golden Eagle. The Plaintiff argues that, by entering into the Development Agreement, the Defendants breached the Lease Agreement. Further, the Plaintiff contends that the City lobbied with the Tribe and Golden Eagle in the Virginia General Assembly for legislation favorable to the Tribe's casino and harmful to the Plaintiff's own casino prospects. See "PART V - ECONOMIC AND DEMOGRAPHIC FACTORS – Waterfront Recreation Investment" for descriptions of the Waterside District and the HeadWaters Resort and Casino being developed by the Tribe and Golden Eagle.

Based on the foregoing allegations, the Plaintiff filed the following six claims: (1) breach of contract, (2) tortious interference with contract, (3) tortious interference with business expectancy, (4) statutory business conspiracy under Virginia Code Sections 18.2-499 and 18.2-500, (5) conspiracy, and (6) declaratory judgment. The City is a named defendant in claims (1), (4), (5), and (6). The Plaintiff demands \$100 million in damages from the Defendants along with punitive and treble damages, declaratory and injunctive relief, pre-judgment and post-judgment interest, and attorneys' fees.

Although the lawsuit instituted by the Plaintiff is currently in its preliminary stages and the City cannot reliably predict the outcome, the City has disputed, and has asked the court to dismiss, all of the allegations set forth in the Complaint against the City.

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

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

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 2020 (which are sometimes referred to herein as the "Fiscal Year 2020 Financial Statements") are attached as Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants, CliftonLarsonAllen LLP. These financial statements, along with the accompanying notes, are intended to provide a broad overview of the City's government-wide and various fund financial statements and account groups. See "PART III - BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE" and "PART III - INDEPENDENT ACCOUNTANTS."

FINANCIAL ADVISOR

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

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 Incorporated (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 \$132,027,370.14 (representing the sum of the \$111,115,000.00 par amount of the Bonds, plus original issue premium of \$21,115,479.25 less an underwriting discount of \$203,109.11 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 2021B 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 2021B Bonds in connection with the refunding, redemption and defeasance of the Refunded Obligations. BANA, an affiliate of the Underwriter, is the holder of the revolving line of credit issued in December 2014 that will be permanently financed with a portion of the proceeds of the 2021A Bonds.

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

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

CONTINUING DISCLOSURE

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

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

MISCELLANEOUS

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The distribution of this Official Statement has been duly authorized by the City. The City has deemed this Official Statement final within the meaning of Rule 15c2-12.

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

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

CITY OF NORFOLK, VIRGINIA

/s/ Dr. Larry H. Filer II

City Manager

/s/ Christine A. Garczynski

Director of Finance

PART II CITY INDEBTEDNESS

Limitation on Incurrence of Debt

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

As of June 30, 2021, the total assessed value of taxable real property in the City was \$22,154,797,959. Based on the Virginia Constitution debt limitation, this resulted in a debt limit of \$2,215,479,796. As presented in Table II-1 below and based on the City's unaudited records, the City's outstanding general obligation bonds and other tax-secured indebtedness as of June 30, 2021, was \$1,267,438,038 representing 57.21% of the constitutional debt limit.

**Table II-1
City of Norfolk, Virginia
Statement of Legal Debt Margin
June 30, 2021 ^{(1) (6)}**

Total Assessed Value of Taxed Real Property	<u>\$22,154,797,959</u>
Debt Limit-10 percent of Total Assessed Value	2,215,479,796
Amount of Debt Applicable to Debt Limit:	
Gross Debt ^{(1) (2)}	\$1,133,773,068
Economic Defeasance	50,375,000
Line of Credit Note ⁽³⁾	<u>83,290,000</u>
Total Amount of Debt Applicable to Debt Limit	\$1,267,438,068
Legal Debt Margin ^{(4) (5)}	<u>\$948,041,728</u>
Amount of Debt as a percent of Debt Limit	<u>57.21%</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) Storm Water, Water and Wastewater revenue bonds are excluded from gross debt. The revenue bonds are secured solely from revenue of the Storm Water Utility Fund, Water Utility Fund and the Wastewater Utility Fund, respectively.
 - (3) Includes the outstanding balance of \$83,290,000 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 has a current expiration date of December 17, 2021. As of July 27, 2021, the outstanding balance on the line of credit is \$58,840,000 and will be refinanced on a long-term basis with a portion of the Bonds.
 - (4) Outstanding capital lease obligations for the purchase of equipment are not included for the purposes of the legal debt margin calculations.
 - (5) The amount of general obligation bonds authorized by ordinance, but not issued, is \$243,810,806.
 - (6) Excludes the Bonds.

Debt Outstanding

The tables that follow detail the City's current general obligation debt outstanding. Table II-2 presents the City's gross and net outstanding tax-supported and self-supporting general obligation bonded indebtedness as of June 30, 2021. 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, 2021. 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 ^{(1) (2) (3) (4) (5) (6) (7)}

	As of
	<u>June 30, 2021</u>
General Fund Outstanding Debt	\$822,049,997
Self-Supporting General Fund Outstanding Debt	<u>39,584,875</u>
Total General Fund Outstanding Debt	\$861,634,872
Total Special Revenue Fund and Enterprise Fund Outstanding Debt	<u>\$272,138,196</u>
Total General Obligation Bond Indebtedness Outstanding Debt	<u><u>\$1,133,773,068</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, but not yet issued, is \$243,810,806.
 - (3) Storm Water Revenue Bonds, Water Revenue Bonds and Wastewater Revenue Bonds are excluded from enterprise fund debt, because these bonds are secured by and payable solely from the pledged revenues of their respective enterprise activities. Includes the bonded debt of the Maritime Facility Fund, Waste Management Fund and the Towing and Recovery Fund, which are special revenue funds.
 - (4) Reflects only bonded debt and does not include the City's capital lease obligations. See "PART II - DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Lease Obligations" for information about the City's capital lease obligations. 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 debt.

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Table II-3
City of Norfolk, Virginia
Key Debt Trends
Fiscal Years 2012 – 2021

Fiscal Year Ended June 30	Gross Bonded Debt (in thousands) ^{(1) (2) (3) (4)}	Gross Bonded Principal Outstanding Per Capita ⁽⁵⁾	Percent of Gross Bonded Debt to Real Property Assessed Value⁽⁶⁾
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	979,508	3,981	4.59
2021 ⁽⁷⁾	1,133,773	N/A	N/A

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020, 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, 2020, 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 estimated population figures from Table II-6.
 - (6) Based on the taxable real property assessed value figures from Table III-2.
 - (7) Figures are unaudited.

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Table II-4
City of Norfolk, Virginia
Principal Retirement
All General Obligation Bonds
As of June 30, 2021

Maturing By Fiscal Year	Cumulative Amount Matured	Percent of Principal Retired
2026	\$353,218,613	31.15%
2031	702,095,897	61.93
2036	942,797,344	83.16
2041	1,082,658,068	95.49
2046	1,117,578,068	98.57
2049	1,133,773,068	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 2011-2020

Fiscal Year Ended June 30	Total Debt Service⁽¹⁾	Total General Expenditures⁽²⁾	Percent of Debt Service To Total General Expenditures
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
2020	83,447,322	664,623,252	12.56

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

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

Fiscal Year Ended June 30	Estimated Population	Assessed Value of Taxable Property (In Thousands)	Gross Bonded Debt ⁽¹⁾	Debt Payable from Enterprise Revenue⁽¹⁾	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
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	246,063	23,780,896	979,508,856	249,569,588	729,939,268	3.07	2,966

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

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

Fiscal Year Ending June 30	Existing General Obligation Debt Service ^{(2) (3) (4) (5)}			Debt Service on the Bonds			Total Debt Service		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2022	\$61,257,137	\$33,493,061	\$94,750,198	\$3,200,000	\$2,057,121	\$5,257,121	\$64,457,137	\$35,550,182	\$100,007,319
2023	71,717,429	31,345,557	103,062,986	4,540,000	3,509,419	8,049,419	76,257,429	34,854,976	111,112,405
2024	72,192,722	28,677,829	100,870,551	4,395,000	3,498,287	7,893,287	76,587,722	32,176,116	108,763,838
2025	74,098,016	26,217,905	100,315,921	4,240,000	3,480,670	7,720,670	78,338,016	29,698,575	108,036,591
2026	73,953,310	23,963,544	97,916,854	4,105,000	3,455,073	7,560,073	78,058,310	27,418,617	105,476,927
2027	74,898,605	21,799,228	96,697,833	3,975,000	3,422,414	7,397,414	78,873,605	25,221,642	104,095,247
2028	75,363,901	19,500,025	94,863,926	3,750,000	3,383,328	7,133,328	79,113,901	22,883,353	101,997,254
2029	69,404,198	17,118,150	86,522,348	4,675,000	3,338,579	8,013,579	74,079,198	20,456,729	94,535,927
2030	59,315,290	15,020,064	74,335,354	10,975,000	3,210,215	14,185,215	70,290,290	18,230,279	88,520,569
2031	62,390,290	13,207,934	75,598,224	3,635,000	3,011,100	6,646,100	66,025,290	16,219,034	82,244,324
2032	62,850,290	11,009,486	73,859,776	3,320,000	2,829,350	6,149,350	66,170,290	13,838,836	80,009,126
2033	41,455,290	9,375,628	50,830,918	18,265,000	2,663,350	20,928,350	59,720,290	12,038,978	71,759,268
2034	38,380,290	8,259,447	46,639,737	3,420,000	1,750,100	5,170,100	41,800,290	10,009,547	51,809,837
2035	37,890,290	7,232,860	45,123,150	3,430,000	1,579,100	5,009,100	41,320,290	8,811,960	50,132,250
2036	45,500,290	6,092,821	51,593,111	3,440,000	1,407,600	4,847,600	48,940,290	7,500,421	56,440,711
2037	38,870,290	4,885,481	43,755,771	10,885,000	1,270,000	12,155,000	49,755,290	6,155,481	55,910,771
2038	43,475,290	3,686,783	47,162,073	3,390,000	834,600	4,224,600	46,865,290	4,521,383	51,386,673
2039	34,840,145	2,599,387	37,439,532	3,360,000	699,000	4,059,000	38,200,145	3,298,387	41,498,532
2040	7,425,000	1,980,800	9,405,800	7,090,000	564,600	7,654,600	14,515,000	2,545,400	17,060,400
2041	7,590,000	1,733,442	9,323,442	7,025,000	281,000	7,306,000	14,615,000	2,014,442	16,629,442
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	\$1,103,983,073	\$293,287,055	\$1,397,270,128	\$111,115,000	\$46,244,906	\$157,359,906	\$1,215,098,073	\$339,531,961	\$1,554,630,034

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

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

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 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 July 27, 2021, there is an outstanding drawn amount on the line of \$58.84 million for capital expenditures. The balance of the line will be refinanced with a portion of the Bonds.

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, Storm Water Revenue Bonds, and Wastewater Revenue Bonds

Since 1993, and for all future financings, capital improvements of the Water Utility, Storm Water Utility and Wastewater Utility Systems have been and are anticipated to be financed with revenue bonds. The revenue covenant for water revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the water system, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year net revenues are not less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the Fiscal Year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund and the repair and replacement reserve fund. The revenue covenant for storm water revenue bonds and wastewater revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the water system, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year net revenues available for debt service will equal 115% of the amount required during the Fiscal Year to pay the principal on the local bond, the additional payments, any prior bonds, any existing parity bonds and parity bonds, and all other indebtedness of the City secured by or payable from revenues, including indebtedness from leases which are treated as capital leases under generally accepted accounting principles. The Fiscal Year 2020 results reflect compliance with these requirements.

Debt History

The City has never failed to make a payment of either principal of, or interest on, any general obligation bond; however, as a result of administrative oversights the City has on occasion made late payments on indebtedness held by the Virginia Resources Authority. 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 that plans for capital type improvements for a five-year period. This CIP budget is reviewed and revised annually.

The City approved its CIP budget for Fiscal Year 2022 on May 11, 2021. The total of the CIP budget for Fiscal Year 2022 is \$187,508,200, which includes a planned cash contribution of \$65,205,777. Each capital project included in the CIP budget for Fiscal Year 2022 is either approved for funding in the

CIP budget for Fiscal Year 2022 or included as a planned project in Fiscal Years 2023 through 2026. 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 - ECONOMIC AND DEMOGRAPHIC FACTORS – Norfolk Public Schools" for a description of certain school construction projects that may impact future funding needs.

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The CIP budget for Fiscal Year 2022 is summarized in Table II-8.

Table II-8
City of Norfolk, Virginia
Capital Improvement Plan for Fiscal Year 2022 – Funding Sources

Uses	Fiscal Year 2022
General Capital Projects	\$99,543,000
Parking Facilities Fund Projects	1,450,000
Storm Water Fund Projects	33,315,200
Wastewater Fund Projects	17,000,000
Water Fund Projects	<u>36,200,000</u>
Total Capital Program	<u>\$187,508,200</u>
Appropriation Source	
General Capital Projects	
Reappropriation of Previous Authorization	\$ -
From Bond Issue	67,302,423
Anticipated FY 2021 General Fund Budget Savings	6,500,000
Transfer from General Fund Operating	2,040,577
SWIFT Program	6,000,000
FY 2019 and FY 2020 Norfolk Public Schools Budget Savings	17,700,000
Community Development Block Grant	-
Parking Facilities Fund Projects	
From Cash	1,450,000
Storm Water Fund Projects	
From Bond Issue	32,000,000
From Cash	1,315,200
Wastewater Fund Projects	
From Bond Issue	8,000,000
From Cash	9,000,000
Water Fund Projects	
From Bond Issue	15,000,000
From Cash	<u>21,200,000</u>
Total Capital Program	<u>\$187,508,200</u>

Source: Capital Improvement Plan, Fiscal Year 2022.

Table II-9
City of Norfolk, Virginia
Capital Improvement Plan
Fiscal Years 2022 – 2026 – Funding Sources

Description	FY-2022 Budget	FY-2023 Plan	FY-2024 Plan	FY-2025 Plan	FY-2026 Plan	FY 2022 – 2026 Total
General Capital	\$99,543,000	\$99,725,000	\$54,350,000	\$57,375,000	\$45,025,000	\$356,018,000
Parking Facilities Fund	1,450,000	2,500,000	2,500,000	2,500,000	2,500,000	11,450,000
Storm Water Fund	33,315,200	29,215,200	15,915,200	15,215,200	6,165,200	99,826,000
Wastewater Fund	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000	85,000,000
Water Fund	36,200,000	35,750,000	31,950,000	34,800,000	33,850,000	172,550,000
Total Capital Program	<u>\$187,508,200</u>	<u>\$184,190,200</u>	<u>\$121,715,200</u>	<u>\$126,890,200</u>	<u>\$104,540,200</u>	<u>\$724,844,000</u>

Source: Capital Improvement Plan, Fiscal Year 2022.

PART III FINANCIAL INFORMATION

Fiscal Year

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

Reporting Entity

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

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

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

BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE

The City's financial statements include the following sections:

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

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

Basic Financial Statements. The Basic Financial Statements include:

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

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

The government-wide financial statements are reported using the economic resources, measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of

the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

INDEPENDENT ACCOUNTANTS

Section 99 of the City Charter requires that "*...as soon as practicable after the close of each fiscal year an annual audit shall be made of all the accounts of the city offices...by certified public accountants selected by the council...*". The firm of Clifton Larson Allen LLP serves as the City's independent auditors. The audited general purpose financial statements for Fiscal Year 2020 (which are sometimes referred to herein as the "Fiscal Year 2020 Financial Statements") with accompanying notes are attached as Appendix A.

BUDGETARY PROCESS

The City Charter requires that no less than 60 days before the end of the Fiscal Year, the City Manager must submit to the City Council a proposed balanced operating budget for the ensuing Fiscal Year that commences July 1. The Norfolk Public Schools' proposed budget is approved by the School Board, transmitted to the City Manager for review and then submitted to the City Council for consideration as part of the City's general operating budget. The City Council is required to hold a public hearing on the budget at which time all interested persons have the opportunity to comment. See "PART III - GENERAL FUND OPERATING BUDGETS" for a discussion of the General Fund Operating Budgets for Fiscal Years 2020, 2021, and 2022.

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

FINANCIAL POLICIES

On February 26, 2019, the City Council adopted updated formal financial policies (the "Financial Policies"). The updated Financial Policies are comprehensive and further strengthened the City's financial position. The adopted Financial Policies established a General Fund Unassigned Reserve of 10% of

General Fund Expenditures plus General Fund Transfers Out, a maximum funding in the Risk Management Reserve of \$8 million, an Economic Downturn Reserve maximum of \$5 million, and an Inclusive Development Opportunity Fund funded at \$2 million. As of the end of Fiscal Year 2020, the City was at the 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 fully funded with the Fiscal Year 2019 surplus in accordance with the City's Financial Policies. The adopted Financial Policies included a pension funding policy, which established the City's contribution at the greater of the prior year's contribution or the current year's actuarially defined contribution. The adopted Financial Policies included a net tax-supported debt service maximum of 11% of the General Fund budget with a target at 10% or less and a net tax-supported debt maximum of 4.0% of total taxable property value with a target of 3.5% or less. Debt affordability measures included a ten-year minimum debt pay-out ratio of 55%, an overlapping debt maximum of 0.5% of taxable property, and a variable rate debt limitation at 20% by fund. The adopted Financial Policies also established 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."

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

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 2022 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.

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

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

Other Revenue Sources

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

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

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

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

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Table III-1A
City of Norfolk, Virginia
Total Revenue by Source, Governmental Funds
Fiscal Years 2011 – 2020
(Amounts in Thousands)

Fiscal Year Ended June 30	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- Governmental Revenue	Total
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
2020	311,961	171,533	3,599	801	9,861	41,335	11,743	N/A	198,634	749,467

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

Table III-1B
City of Norfolk, Virginia
Other Local Tax Revenues by Source, Governmental Funds
Fiscal Years 2011 – 2020
(Amounts in Thousands)

Fiscal Year Ended June 30	Consumption Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
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
2020	38,890	35,395	35,284	29,916	7,703	4,963	19,382	171,533

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

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, 2020, was approximately \$23.8 billion.

Table III-2
City of Norfolk, Virginia
Revenue Capacity Information
Assessed Valuations of Taxable Property
Fiscal Years 2011 – 2020
(Amounts in Thousands)

Fiscal Year Ended June 30	Real Property⁽¹⁾	Personal Property⁽¹⁾	Other Property⁽²⁾	Total Taxable Assessed Value	Estimated Actual Taxable Value⁽³⁾
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
2020	21,334,651	2,141,764	304,481	23,780,896	23,780,896

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

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 2018 through 2022.

Table III-3
City of Norfolk, Virginia
Direct Property Tax Rates
Fiscal Years 2018 – 2022

	Fiscal Year				
	2018	2019	2020	2021	2022
Property tax rate per \$100 of assessed value:					
Real Property	\$1.15	\$1.25	\$1.25	\$1.25	\$1.25
Downtown Improvement District ⁽¹⁾	0.16	0.16	0.16	0.16	0.16
Personal property	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.15	1.25	1.25	1.25	1.25
Airplanes	2.40	2.40	2.40	2.40	2.40
Boats (business)	1.50	1.50	1.50	1.50	1.50
Boats (recreational)	0.50	0.50	0.25	0.000001	0.000001
Recreational vehicles	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00
Assessed value of real property as a percent of fair market value:					
As determined by the City Assessor	100.00%	100.00%	100.00%	100.00%	100.00%
As determined by the Commonwealth's Department of Taxation	97.00%	97.00%	97.00%	N/A	N/A

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020, the Fiscal Year 2021 Approved Operating Budget and the Fiscal Year 2022 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 2016 through 2020.

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

Fiscal Year Ended June 30	Real Property	Personal Property & Other	Property Tax Levy	Percentage Increase in Property Tax Levy
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
2020	21,334,651	2,446,245	314,540	4.75

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

Table III-5 sets forth information concerning the City's real and personal property tax collection rate for Fiscal Years 2011 through 2020.

Table III-5
City of Norfolk, Virginia
Real and Personal Property Tax Levies and Collections ⁽¹⁾
Fiscal Years 2011 – 2020
(Amounts In Thousands)

Fiscal Year Ended June 30	Original Tax Levy	Adjusted Tax Levy⁽²⁾	Current Collections	Percent of Current Collections to Tax Levy⁽³⁾	Delinquent Collections	Total Collections	Percentage of Total Tax Collections to Tax Levy⁽³⁾
2011	\$254,756	\$253,375	\$235,518	92.95%	\$17,857	\$253,375	100.00%
2012	247,528	247,398	233,396	94.34	14,000	247,396	100.00
2013	244,309	243,683	229,872	94.33	13,809	243,681	100.00
2014	254,008	254,598	240,481	94.46	13,991	254,472	99.95
2015	256,040	260,734	245,803	94.27	13,560	259,363	99.47
2016	264,043	265,482	251,933	94.90	11,902	263,835	99.38
2017	268,718	269,672	255,712	94.82	11,926	267,638	99.25
2018	275,648	277,578	262,585	94.60	12,160	274,745	98.98
2019	300,270	300,270	285,588	95.11	12,137	297,725	99.15
2020	314,540	314,540	288,746	91.80	-	288,746	91.80

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

- 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, 2020. The aggregate assessed value of the ten largest taxpayers represented approximately 4.79% of the City's real property taxable assessable base at June 30, 2020.

Table III-6
City of Norfolk, Virginia
Ten Principal Real Property Taxpayers⁽¹⁾
June 30, 2020

Taxpayer	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
MacArthur Shopping Center ⁽²⁾	\$217,243,100	1	1.02%
MPB, Inc.	141,016,100	2	0.66
ODU Real Estate Foundation	140,375,100	3	0.66
Norfolk Southern ⁽³⁾	94,716,000	4	0.44
SLNWC Office Company, LLC	83,675,000	5	0.39
Hertz Norfolk 999 Waterside, LLC	77,423,200	6	0.36
Norfolk Hotel Associates, LLC	73,812,100	7	0.35
Dominion Enterprises	69,692,400	8	0.33
WIM Core Portfolio Owner, LLC	64,921,300	9	0.30
Sir Properties Trust	59,059,300	10	0.28
Total	<u>\$1,022,204,300</u>		<u>4.79%</u>
Total Assessed Value	\$21,334,650,731		

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

- Notes:
- (1) Based on total assessed value of taxable real property, including public service corporations, as of June 30, 2020. For a comparison, the principal real property taxpayers as of June 30, 2011, are available in Schedule 2 of the unaudited section of the financial statements included as [Appendix A](#).
 - (2) In April 2019, Nordstrom, one of the anchor tenants at MacArthur Shopping Center, closed. The NRHA 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.

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 4,000 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 2020 was \$12,249,078.

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, 2020, these liabilities were estimated at \$34,681,787 with \$4,932,317 projected as the current portion anticipated to be paid within a year. Estimated liabilities for Fiscal Year 2020 were determined by an independent actuary.

Changes in the City's claims liability amount in Fiscal Years 2016 through 2020 are as follows:

Fiscal Year	Unpaid Claims Beginning Balance	Claims Incurred Estimated	Claims Paid	Unpaid Claims Ending Balance
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
2020	30,208,137	13,413,334	8,939,684	34,681,787

Source: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2016, through 2020.

Retirement Plans

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

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

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

See Section X of the Notes to the Fiscal Year 2020 Financial Statements, for a comprehensive discussion of NERS and the City's other retirement plans. NERS financial statements included as part of the Fiscal Year 2020 Financial Statements are the responsibility of NERS staff and have been prepared in accordance with GAAP. The accrual basis of accounting is used to record assets, liabilities, additions and deductions of NERS. Benefits and refunds are recognized when due and payable by NERS.

Total Assets and Investment Policy; Investment Return. The total assets of NERS as of June 30, 2020 and 2019 were \$1.18 billion and \$1.24 billion, respectively, and were comprised of cash and cash equivalents, receivables and investments. The NERS Board has adopted a written Statement of Investment Policy to establish the guidelines and objectives for the investments of NERS. The policy is reviewed annually, and changes are made as warranted, most recently in February 2016. NERS has an asset allocation target of 55% Global Equities; 30% Fixed Income; 7.5% Real Estate and 7.5% Master Limited Partnerships. The NERS Board is empowered to invest NERS' assets utilizing the "Prudent Person" standard and to take appropriate action regarding the investment, management and custodianship of plan assets. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers, and evaluating performance results to assure adherence to guidelines and the achievement of objectives. Each investment manager must adhere to the guidelines established by the NERS Board for investment asset quality, diversification, liquidity and risk. Both annual and longer term (3 to 10 years) goals for investment returns are established for each manager. Attainment of these goals weighs heavily in terms of whether a manager's contract is renewed. Typically, managers who fall below the NERS Board's minimum objectives over the longer term are replaced. The NERS Board recognizes that the objective of a sound and prudent investment policy is to generate total returns consistent with its risk tolerance and return requirements. The NERS Board has carefully exercised its responsibility by prudently diversifying NERS' assets. Since 2008, NERS has maintained the majority of its portfolio in a passive investment structure. The investment results of each manager, as well as the result for the total fund are monitored by an independent pension investment advisory firm who reports its findings to the NERS Board bi-monthly. The advisory firm interacts with NERS staff; prepares recommendations on investment policies, investment management structure and asset allocation. The advisory firm also monitors and evaluates the performance of the investment managers and the effectiveness of the custodian.

Return on investments is the money (return) that NERS earns from an investment during a certain timeframe. Return on investments is a percentage that identifies the amount of money earned (return) related to total value of the assets (money) that was invested. While past performance does not guarantee future results, NERS' historical 30-year returns are 7.7%, 5.3% for the last 20 years on average, 7.8% for the last 10 years on average, and 5.0% for the last 5 years.

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

An assumption regarding new plan members is required in order to project the funded status over the longer term. The baseline assumption used is that each member who leaves the plan for any reason is replaced on a one-to-one basis. The demographic profile of new plan members is based on the profile of actual new members who joined the plan in the five years prior to the valuation date.

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

On July 12, 2017, as a result of an independent actuarial experience study undertaken for the City, the NERS Board adopted certain changes to its actuarial assumptions, including changes to the assumed rates of termination, retirement, disability, mortality and salary raises. The Actuarial Valuation Report for NERS as of June 30, 2020 ("2020 Actuarial Valuation Report") was prepared by using the actuarial assumptions as changed pursuant to the 2017 experience study. The NERS Board expects to undertake the next experience study early in Fiscal Year 2023.

A key variable for the actuarial calculations is the discount rate. The discount rate is the rate used to value the current cost of future pension obligations. The discount rate is determined by estimating expected rates of return, from NERS investments over the long term. The NERS Board sets the discount rate, and the actuary assumes that the investment return will over time equal the discount rate. From 2001 to 2012 the rate of return was assumed to be 7.5%. Beginning with Fiscal Year 2013, the NERS Board reduced the discount rate to 7.0% in recognition that its rate of return assumptions exceeded then recent returns. When gains are lower than assumed the required contributions increase and the funded ratio falls. As described above, NERS' historical 30-year annual return has been 7.7% on average. Currently, there is no planned change to the discount rate assumption of 7.0%. It is anticipated that any change to the discount rate made by the NERS Board would be made in conjunction with the next experience study.

The 2020 Actuarial Valuation Report concludes that, as of June 30, 2021, based on payroll data as of June 30, 2020, NERS' funded ratio was 77.4%, a slight decrease from 78.5% as of June 30, 2019. This funded ratio does not include any market movements since June 30, 2020. The next planned valuation will reflect market conditions through June 30, 2021, as well as the deposit into NERS of a portion of the proceeds of the City's General Obligation Bonds, Series 2021 (Federally Taxable) (the "2021 Bonds").

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

Section 37-98 of the City Code requires the NERS Board, on or before the first day of April of each year, to file with the City Manager its certification of the amount of the appropriation necessary to pay the normal and accrued liability contributions to NERS for the ensuing Fiscal Year. An annual actuarial valuation of NERS provides the basis for the certification and the 2020 Actuarial Valuation Report sets forth the contribution rate for the Fiscal Year 2022.

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

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

The second component is an amortization payment to pay off the current unfunded actuarial accrued liability (also called unfunded actuarial liability) ("UAL"). The UAL is the difference between the actuarial assets of NERS at the valuation date and the assets NERS should hold as determined by the actuarial cost method. The UAL is adjusted for one year, by increasing it at the assumed interest rate of 7.0% and reducing it by the portion of the City's scheduled contribution not attributable to the value of additional benefits earned (i.e., normal cost) or administrative expenses. The resulting projected UAL is then amortized over a 20-year period and turned into a rate by using the anticipated payroll for the plan year commencing one year after the valuation date. The initial UAL established concurrent with the June 30, 2017, valuation is being amortized over a closed 20-year period. Future annual changes to the UAL due to plan changes, assumption changes, gains and losses, including those established as a result of the annual evaluations, will be amortized over their own closed 20-year period. This method also allows the City to pay down losses more closely related to the working lifetime of members rather than pushing costs beyond their working career. All rates are developed using a level-percent of pay amortization method with a 3% per year increase.

The 2020 Annual Valuation Report projects the NERS UAL amount to be \$320 million as of June 30, 2021.

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

The annual employer and employee pension contributions to NERS over the last five Fiscal Years are presented in Table III-7. The City funded 100% of its actuarially required contributions in Fiscal Years 2017 – 2021.

Table III-7
City of Norfolk, Virginia
Schedule of Historical Annual (Employer and Employee) Pension Contributions to NERS⁽¹⁾
Fiscal Years 2017 – 2021

Fiscal Year	Annual Employer Pension Contributions (In Thousands)⁽²⁾	Annual Employee Pension Contributions (In Thousands)⁽²⁾	Total Annual Pension Contribution (In Thousands)
2017	\$33,457	\$ 9,450	\$42,907
2018	35,494	9,858	45,352
2019	37,079	10,009	47,088
2020	38,489	10,210	48,699
2021	40,150	9,894	50,044

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020, and Department of Finance, City of Norfolk, Virginia.

Notes: (1) Excludes the amounts for administrative expenses, which have averaged less than \$690,000 annually.
(2) Annual Pension Contributions are funded and paid in the Fiscal Year following the contribution determination.

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

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

Issuance of 2021 Bonds. On June 29, 2021, the City issued the 2021 Bonds and deposited \$119,553,490 of the net proceeds thereof with NERS to pay a portion of the City's outstanding UAL. With this deposit, the City is expected to experience an increase in the NERS funded ratio from approximately 77% to approximately 89% as determined by the NERS actuary at next evaluation of the funded ratio planned for September 2021.

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

Changes to the City's Pension Funding Financial Policies. On May 11, 2021, the City Council adopted a resolution to change the City's pension funding financial policies. The pension funding policy now provides that in the year following the issuance of any bonds issued to fund pension obligations, the

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

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

Norfolk is one of only seven cities in Virginia with employee retirement systems independent of VRS. After significant study, it was determined that participation in VRS would enhance the City's efforts to attract and retain employees. Also, in making this decision City Council recognized that traditional defined benefit pension plans such as NERS place investment risk for changes in economic conditions on the City. This investment risk impacts the retirement plan's funded status. By closing the NERS and migrating to the VRS, the City is providing a solution that is affordable and financially responsible for Norfolk taxpayers, more consistent with the majority of government sector retirement plans in Virginia, reliable for government employees, and attractive to the newer workforce. It is expected that, as a result of the closure of NERS to new hires, the City's required contributions to NERS will grow annually over the next ten years by an estimated \$5 to \$8 million, and then will be reduced as more employees are active in VRS. Actual cost estimates will not be known until the next valuation report and will be subject to change based on a variety of factors, including the actual experience of the NERS plan.

Other Post-Employment Benefits

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

As of June 30, 2019, the following was projected:

	City	Line of Duty	Schools	Total
Balance at June 30, 2018	\$36,443,796	\$30,476,168	\$49,889,185	\$116,809,149
Service Cost	4,029,985	1,454,436	625,247	6,109,668
Interest	1,461,628	1,187,989	1,896,670	4,546,287
Changes in Benefits	-	-	-	-
Difference Between Expected and Actual	(5,055,352)	4,206,413	(4,651,923)	(5,500,862)
Assumption Changes	1,272,010	2,507,435	1,277,781	5,057,226
Contributions – Employer	-	-	-	-
Net Investment Income	-	-	-	-
Benefits Payments	(1,355,887)	(1,007,750)	(2,401,320)	(4,764,957)
Administrative Expense	-	-	-	-
Balance at June 30, 2019	\$36,796,180	\$38,824,691	\$46,635,640	\$122,256,511

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

Employee Relations and Collective Bargaining

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

PUBLISHED FINANCIAL INFORMATION

The City issues and distributes 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. In addition, the City will undertake to provide or cause to be provided certain Annual Financial Information described in "PART I – THE BONDS – CONTINUING DISCLOSURE" to fulfill the requirements of the Rule promulgated by the SEC. See Appendix C "FORM OF CONTINUING DISCLOSURE AGREEMENT."

GENERAL FUND OPERATING BUDGETS

Fiscal Year 2020 General Fund Operating Budget Results

For Fiscal Year 2020, on the budgetary basis of accounting, General Fund revenues were \$906,646,314 representing 97.7% of budgeted revenue. General Fund expenditures were \$853,456,774 representing 92.0% of budgeted expenditures. Table III-10 summarizes key financial results.

Table III-10
City of Norfolk, Virginia
General Fund Operating Budget Summary Results
for Fiscal Year 2020

	<u>Final Budget</u>	<u>Results</u>	<u>Percent of Budget</u>	<u>Variance Positive (Negative)</u>
Total Revenue and non-revenue receipts	\$928,132,405	\$906,646,314	97.7%	(\$21,486,091)
Total Expenditures	928,132,405	853,456,774	92.0%	74,675,631
Revenue greater (less) than expenditures	<u>\$ -</u>	<u>\$ 53,189,540</u>		<u>\$53,189,540</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

The largest revenue variances were attributable to other local taxes, charges for services, and other sources and transfers. The expenditure variance was 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 budgetary savings from Norfolk Public Schools and a one-time unspent water payment of \$20 million from the extension of the treated water contract with Virginia Beach.

Fiscal Year 2021 General Fund Operating Budget

The Fiscal Year 2021 General Fund Operating Budget (the "Fiscal Year 2021 Budget") was amended on May 11, 2021, and totals \$888,465,912 reflecting a 4.3% decrease from the final Fiscal Year 2020 Operating Budget.

The Fiscal Year 2021 Budget was developed in response to the financial impact resulting from the COVID-19 pandemic. While the financial impact could not be determined with certainty, the Fiscal Year 2021 Budget is conservatively \$40 million less than initially proposed due to projected COVID-19 related revenue loss. The guiding principles for reducing the General Fund Operating Budget to match the projected revenue loss included the following: 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 budgetary stance by funding core services and closing non-essential facilities and programs, and restore programs and services based on pace of revenue recovery. In addition, the City contribution to Norfolk Public Schools was reduced by \$8 million from initially proposed based on the revenue sharing policy. As a result, the City began the Fiscal Year in a conservative budgetary stance with no use of reserves. The City's Fiscal Year 2021 Budget incorporated the City's expectations for reduced revenues from these sources. Current General Fund revenue projections are tracking ahead of budget by \$9.1 million and expenses are anticipated to be under budget, but the actual impact on the City's Fiscal Year 2021 financial performance will not be immediately known until the Fiscal Year is complete.

Fiscal Year 2022 General Fund Operating Budget

The Fiscal Year 2022 Operating Budget totals \$929.2 million, which is a 4.6 percent increase from the Fiscal Year 2021 Operating Budget. The budget puts the City on a path of long-term recovery from the COVID-19 pandemic, with the City achieving the goal of limiting the painful financial impact to one year. The budget development focused on realignment to ensure the City has the capacity and resources to deliver its programs and services effectively to residents. The budget supports the City Council priorities that includes Norfolk Public Schools, attracting and retaining talent, recreation and library operations, support for our youth, City-wide beautification, affordable housing and community development, and streamlined development services.

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Table III-11A
City of Norfolk, Virginia
General Fund Budget, As Amended
Fiscal Year 2021

Anticipated Revenue Receipts	Approved Budget	Appropriations for Expenditures	Approved Budget
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	50,117,112
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	22,115,696	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	35,168,000	Public Works	16,496,914
		Transit	11,934,317
		Debt Service	79,999,236
		Public School Education	341,948,281
Total	\$888,465,912	Total	\$888,465,912

Source: Approved Operating Budget for Fiscal Year 2021, as Amended.

Table III-11B
City of Norfolk, Virginia
General Fund Budget
Fiscal Year 2022

Anticipated Revenue Receipts	Approved Budget	Appropriations for Expenditures	Approved Budget
General Property Taxes	\$322,871,000	Legislative	\$5,513,857
Other Local Taxes	161,646,000	Executive	12,512,308
Permits and Fees	3,608,000	Department of Law	5,226,300
Fines and Forfeitures	1,218,000	Constitutional Officers	52,156,276
Use of Money and Property	7,711,765	Judicial	1,416,511
Charges for Service	23,379,568	Elections	1,022,942
Miscellaneous Revenue	8,976,770	General Management	54,945,762
Recovered Costs	11,183,290	Community Development	12,367,410
Non-Categorical Aid - Virginia	35,777,200	Parks, Recreation and Culture	40,057,937
Shared Expenses - Virginia	22,395,400	Central and Outside Agency	71,631,093
Categorical Aid - Virginia	288,618,441	Public Health and Assistance	79,935,964
Federal Aid	8,790,256	Public Safety	131,007,173
Other Sources and Transfer In	33,005,400	Public Works	18,674,269
		Transit	11,939,581
		Debt Service	75,705,398
		Public School Education	354,868,309
Total	\$929,181,090	Total	\$929,181,090

Source: Approved Operating Budget for Fiscal Year 2022.

Table III-12
City of Norfolk, Virginia
General Governmental Expenditures by Function
Fiscal Years 2011 – 2020
(Amounts In Thousands)

Fiscal Year Ended June 30	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Public Assistance	Education	Culture and Recreation	Community Development	Debt Service	Capital Outlay	Total
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	73,448	140,093	816,466
2017	127,367	50,767	121,494	63,231	87,330	114,972	44,825	14,994	77,813	98,492	801,285
2018	131,203	52,012	123,905	66,882	86,702	120,972	45,968	22,237	80,807	67,938	798,626
2019	136,987	45,914	127,610	62,511	87,554	122,972	45,399	28,212	83,157	49,790	790,106
2020	133,751	47,359	131,883	53,665	91,787	124,711	43,499	38,095	92,462	49,490	806,702

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet as of June 30, 2020, and as of June 30, 2019, is presented in Table III-13. The Comparative Statement of Revenue and Expenditures for the City's General Fund for the past five Fiscal Years are presented in Table III-14. The City's most recent General Fund Comparative Statement of Changes in Fund Balances for the past five Fiscal Years are summarized in Table III-15.

Table III-13
City of Norfolk, Virginia
Balance Sheet, General Fund
June 30, 2020, with comparative totals for 2019

	2019	2020
ASSETS		
Cash and short-term investments	\$129,155,100	\$115,892,365
Receivables, net:		
Taxes	43,374,919	55,688,891
Accounts	5,316,485	4,896,906
Accrued investment income	187,263	178
Due from other funds	6,386,604	15,673,739
Due from other governments	23,374,941	22,506,671
Due from other agencies	-	1,262,173
Due from fiduciary funds	-	-
Deposits	-	-
Prepaid expenses	44,726	14,993
Inventory	-	-
Total Assets	<u>\$207,840,038</u>	<u>\$215,935,916</u>
LIABILITIES		
Vouchers payable	\$20,506,113	\$14,705,469
Employee withholdings	472,283	557,638
Contract retainage	18,253	12,144
Accrued payroll	4,455,744	6,602,429
Notes payable	-	-
Due to other funds	47,672	-
Due to other governments	36,253	36,253
Due to component unit	-	-
Other liabilities	1,258,136	4,830,891
Total Liabilities	<u>\$26,794,454</u>	<u>\$26,744,824</u>
Deferred Inflow of Resources		
Revenues levied for the next year and unavailable revenue	<u>\$29,137,828</u>	<u>\$34,174,436</u>
FUND BALANCES		
Nonspendable	\$-	\$-
Restricted	135,000	130,000
Committed	10,032,013	13,050,535
Assigned	65,230,440	66,842,286
Unassigned	76,510,303	74,993,835
Total Fund Balances	<u>\$151,907,756</u>	<u>\$155,016,656</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$207,840,038</u>	<u>\$215,935,916</u>

Sources: Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2019, and June 30, 2020.

Table III-14
City of Norfolk, Virginia
Comparative Statement of Revenue and Expenditures, General Fund
Fiscal Years 2016 – 2020

	2016	2017	2018	2019	2020
REVENUE:					
General property taxes	\$260,959,130	\$264,432,379	\$272,292,962	\$297,514,769	\$305,693,091
Other local taxes	156,358,560	159,645,816	163,653,948	166,543,602	161,697,209
Permits and licenses	3,038,229	3,575,984	3,292,146	4,117,711	3,599,315
Fines and forfeitures	1,110,993	920,282	1,067,796	1,026,622	798,931
Use of money and property	7,254,583	7,639,462	7,218,466	9,870,335	8,477,177
Charges for services	22,460,673	22,533,193	21,187,427	20,825,291	17,507,909
Miscellaneous	8,605,242	9,343,122	9,192,510	8,610,224	9,717,468
Intergovernmental	132,919,310	134,737,064	136,027,038	136,264,389	136,554,329
Total Revenue	\$592,706,720	\$602,827,302	\$613,932,293	\$644,772,943	\$644,045,429
EXPENDITURES:					
Current operating:					
General government	113,060,602	118,578,346	127,385,076	133,760,262	132,720,760
Judicial administration	47,562,103	47,597,095	48,968,656	42,543,907	43,206,587
Public safety	107,291,870	110,633,381	114,236,758	119,238,659	121,458,605
Public works	20,493,122	25,088,325	24,655,168	26,553,243	24,231,282
Health and public assistance	68,950,680	70,240,871	70,032,115	69,052,789	68,899,846
Culture and recreation	41,181,576	42,545,409	43,727,974	43,178,862	41,203,731
Community development	10,011,670	10,785,452	10,956,137	16,506,700	12,700,910
Education	114,768,522	114,971,922	120,971,922	122,971,922	124,710,681
Debt service					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Debt issuance costs	318,176	-	(465,814)	699,530	657,026
Capital outlay	-	-	3,618,000	5,500,000	3,339,345
Total Expenditures	\$523,638,321	\$540,440,801	\$564,085,992	\$580,005,874	573,128,773
Excess (deficiency) of revenues over expenditures	68,226,966	62,386,501	49,846,301	64,767,069	70,916,656
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of land	-	-	18,691,961	1,377,711	16,345
Issuance of debt	-	-	-	-	-
Debt issuance costs	-	(174,276)	-	-	-
Proceeds sale of fixed assets	2,400,000	6,079,647	-	-	-
Transfers in	14,888,405	16,485,591	16,888,089	39,065,338	19,900,499
Transfers out	(76,153,008)	(76,445,298)	(76,973,896)	(77,874,726)	(87,724,600)
Total Other Financing Sources (Uses)	(\$58,864,603)	(\$54,054,336)	(\$41,393,846)	(\$37,431,677)	(\$67,807,756)
Net Change in Fund Balance	\$ 10,203,796	\$ 8,332,165	\$ 8,452,455	\$ 27,335,392	\$ 3,108,900

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, through 2020.

Table III-15
City of Norfolk, Virginia
Comparative Statement of Changes in Fund Balance, General Fund
Fiscal Years 2016 – 2020

	2016	2017	2018	2019	2020
Net Change in Fund Balance	\$ 10,203,796	\$ 8,332,165	\$ 8,452,455	\$ 27,335,392	\$ 3,108,900
Fund Balance at Beginning of Year	97,583,948	107,787,744	116,119,909	124,572,364	151,907,756
Adjustment to Beginning Balance	-	-	-	-	-
Fund Balance at End of Year	<u>\$107,787,744</u>	<u>\$116,119,909</u>	<u>\$124,572,364</u>	<u>\$151,907,756</u>	<u>\$155,016,656</u>

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, through 2020.

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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 financial results, the City is in compliance with its Financial Policies for each Enterprise Fund.

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

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, 2020, the Water System provided potable water to over 66,964 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 67,000 accounts located within the City are served by the Wastewater System. Since July 1, 1984, the Wastewater Utility Fund has been operated as an enterprise fund.

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

Parking Facilities

The City presently owns and operates 14 multi-level parking garages, 10 surface lots and more than 700 on-street spaces. These facilities provide a total inventory of over 19,000 downtown parking spaces. The Parking Facilities Fund was established during Fiscal Year 1990. City general obligation debt issued to finance Parking Facilities Fund projects is carried as a liability on the Parking Facilities Fund's balance sheet. The Parking Facilities Fund's audited balance sheet on June 30, 2020, presents total assets of \$213.5 million, which includes restricted investments of over \$6.7 million, to be utilized for garage maintenance and operating reserves. In addition, audited fixed assets, including parking structures, consist of over \$154 million of the total \$213.5 million in assets. The Parking Facilities Fund also manages parking enforcement operations and collects fines and delinquent fees. In Fiscal Year 2020, 29,142 tickets were issued resulting in a 73% collection rate and revenue of \$1.2 million.

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

Storm Water Utility

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

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

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PART V THE CITY OF NORFOLK

INTRODUCTION

The City 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 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 89th District in the House of Delegates from 2002 until 2012, serving on the Commerce, Labor, Education, Privileges and Elections and Rules committees.

Martin A. Thomas, Jr., Vice Mayor

Mr. Thomas, representing Ward 1, was first elected to City Council in August 2016. He received a Bachelor of Science degree in Public 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.

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.

Danica J. Royster, Council Member

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

Thomas R. Smigiel, Council Member

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

Certain Appointed Officials

Larry H. Filer II, City Manager

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

Christine A. Garczynski, Director of Finance

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

Bernard A. Pishko, City Attorney

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

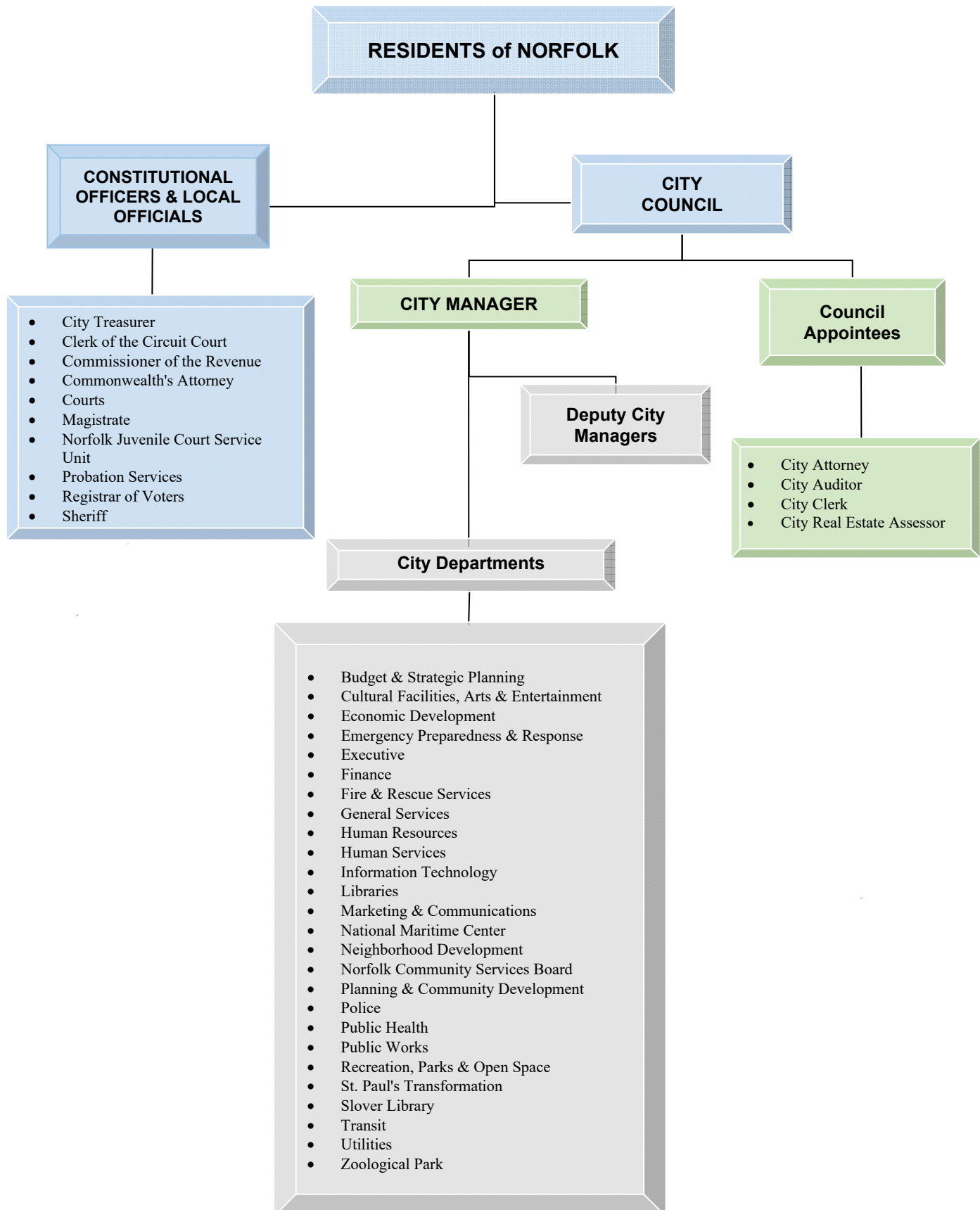
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Governmental Services and Facilities

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 as of June 30, 2021



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, 2020, attached hereto as Appendix A.

ECONOMIC AND DEMOGRAPHIC FACTORS

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

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, was declared a pandemic by the World Health Organization on March 11, 2020.

On March 12, 2020, Governor Northam declared a state of emergency in the Commonwealth as a result of the COVID-19 pandemic (which declaration was reaffirmed and continued on May 26, 2020). Since the start of the COVID-19 pandemic, Governor Northam has imposed a series of restrictions designed to mitigate the spread of COVID-19 in the Commonwealth, including, at various times, statewide mask-wearing and social distancing guidelines, limitations on public and private in-person gatherings, the closure of certain businesses, a statewide stay at home order, and the cancellation of in-person instruction at schools. Under the auspices of the federal government's program called Operation Warp Speed, vaccines were developed to combat COVID-19. Currently, vaccinations are available for all Virginians over the age of 12. As reported by the Virginia Department of Health on July 28, 2021, approximately 94,830 people had been vaccinated with at least one dose of a COVID-19 vaccine in the City, with an average of 415 doses being administered each day.

As vaccination rates have increased and cases have declined, Governor Northam has gradually lifted many of the restrictions. On May 14, 2021, Governor Northam lifted the Commonwealth's mask mandate, with the exception of K-12 public schools, as well as giving businesses the right to require masks. Under Executive Order 79, Governor Northam lifted distancing and capacity restrictions on May 28, 2021. 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.

The General Fund revenues for Fiscal Year 2020 ended approximately 97.7 percent of the 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. As a result, the City concluded Fiscal Year 2020 very nearly on budget after end of year adjustments and designations.

The City is largely dependent on real and personal property as a source of revenue. As part of the Fiscal Year 2021 Operating 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. The Fiscal Year 2021 Budget conservatively projected a revenue loss of \$40 million from the initial proposed budget with no use of reserves. The City acted swiftly to address the

revenue loss and began the fiscal year in a conservative budgetary stance by funding core services and closing non-essential facilities and programs. The City is the cultural center of the region and is home to several local entertainment and sport venues, which were impacted by the Governor's imposed lockdowns and social-distancing measures to slow the spread of the COVID-19 virus. These include venues such as Harbor Park, Chrysler Hall, the Scope Arena, the Zoo, Nauticus, and the Harrison Opera House. The City's Fiscal Year 2021 Operating Budget incorporated the City's expectations for reduced revenues from these sources. Further, City Council amended the Fiscal Year 2021 Operating Budget to authorize the expenditure of up to \$400,000 of previously appropriated funds from the City's Economic Downturn Reserve for rental and support costs of a large commercial canopy tent. Given the limited capacity of brick and mortar facilities due to the pandemic, the tent serves as a primary venue for the relaunch of arts and culture events in Norfolk as the City emerges from COVID-19. Preliminary year end General Fund revenue projections indicate revenue is tracking ahead of budget and ahead of the February 2021 projection of \$9.1 million, while expenditures are anticipated to be under budget as in prior years.

To help mitigate the impact of COVID-19, the City has expended and drawn its entire \$42 million in funds from the Commonwealth that were available under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). These funds were 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 are allowed, revenue replacement is not a permissible use of these funds. Additionally, in May 2021 the City received \$77 million of its total \$154 million allocation from the American Rescue Plan Act.

Cybersecurity

The City, like many other municipalities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other such attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could impact operations and/or digital networks and the costs of remedying any such damage could be significant. The City's 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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Population

As reflected in Table V-1 below, from 2011 to 2020 the City's population grew approximately 0.85%. 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
2011 – 2020**

Calendar Year	Hampton Roads			
	Norfolk⁽¹⁾	MSA⁽¹⁾⁽²⁾	Virginia⁽³⁾	U.S.⁽³⁾
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
2020	246,063	1,738,513	8,586,967	330,034,257

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

- Notes:
- (1) Norfolk and Hampton Roads MSA population estimates are from the Weldon Cooper Center.
 - (2) The Hampton Roads MSA population estimates are for the Virginia portion only. Part of the MSA is in northeastern North Carolina.
 - (3) Virginia and U.S. population estimates are from the U.S. Census Bureau.

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

City	2010 Census Population	2020 Population Estimate
Virginia Beach	437,994	454,335
Chesapeake	222,209	247,564
Norfolk	242,803	246,063
Richmond	204,219	229,074
Newport News	180,719	181,587

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

Table V-3 provides an annual comparison of per capita personal income since 2010.

Table V-3
City of Norfolk, Virginia
Per Capita Personal Income Comparisons
2010 – 2019

Calendar Year	Norfolk	Hampton Roads MSA	Virginia	U.S.
2010	\$34,501	\$40,467	\$45,496	\$40,546
2011	35,342	42,100	47,775	42,735
2012	36,308	43,447	49,585	44,599
2013	36,066	43,274	48,855	44,851
2014	37,052	44,779	50,754	47,058
2015	38,676	46,641	52,892	48,978
2016	35,940	46,992	53,605	49,870
2017	40,094	48,485	55,306	51,885
2018	41,822	50,619	57,799	54,446
2019	42,875	52,011	60,248	57,002

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. 2019 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

Year	Population	Under 20	20-64	65 or Older
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.

Housing and Construction Availability

The City's housing market continued to improve in calendar year 2020, as compared to calendar year 2019. The City saw existing home sales rise by approximately 11.4% (or 359 homes) during calendar year 2020, as compared to calendar year 2019. Similarly, the City saw new home sales rise by approximately 10.1% (or 30 homes) during calendar year 2020, as compared to calendar year 2019. The average price of existing homes sold in calendar year 2020 increased by approximately 10.0% to \$254,700, as compared to the average price in calendar year 2019 of \$231,600, while the average price of new homes sold increased by approximately 9.5% to \$335,500 from \$306,400 in calendar year 2019. The median price of existing homes sold in calendar year 2020 rose by approximately 10.1% to \$229,000 from \$208,000 in calendar year 2019, while the median price of new homes sold increased by approximately 6.9% to \$309,900 from \$289,900 in calendar year 2019.

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**

Fiscal Year	Building Permits	Number of Units	Value (in thousands)
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, 2020.

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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

Fiscal Year	Building Permits	Value (in thousands)
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, 2020.

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
2012 – 2021

Calendar Year	Hampton Roads			
	Norfolk	MSA	Virginia	U.S.
2012	7.5%	6.6%	5.9%	8.1%
2013	6.8	6.1	5.6	7.4
2014	6.2	5.6	5.1	6.2
2015	5.5	4.8	4.4	5.3
2016	5.2	4.5	4.0	4.9
2017	4.6	4.1	3.7	4.4
2018	3.6	3.2	2.9	3.9
2019	3.3	3.0	2.7	3.7
2020	8.7	7.1	6.2	8.1
2021 ⁽¹⁾	5.9	4.7	4.5	6.1

Source: U.S. Bureau of Labor Statistics.

Note: (1) As of June 2021.

Table V-8
City of Norfolk, Virginia
Civilian Employment
4th Quarter, 2020

	Percentage of Employment
Educational and Health Services	20.2%
Trade, Transportation & Utilities	18.6
Professional & Business Services	17.2
Other Services	12.9
Leisure and Hospitality	11.0
Financial Activities	9.4
Construction	5.9
Manufacturing	2.4
Information	1.4
Public Administration	1.0
Total	100.0%

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 \$2.06 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) The City conducted a multi-year process to identify resiliency challenges and opportunities. Beginning in 2015, the City engaged in the "Dutch Dialogues Virginia," which was a workshop that brought together urban water management experts from New Orleans and the Netherlands – urban designers, engineers, architects, and planners – to meet with their counterparts in Hampton Roads to discuss ideas and solutions for the future. At the workshop's conclusion, the team identified numerous, applicable strategies to promote integrated water management and resilience across Hampton Roads.

(4) Construction started in January 2020 to address coastal resilience in the City's Ohio Creek watershed area, which is expected to be completed in December 2022. The Ohio Creek watershed project is funded by a grant totaling \$112.7 million through the U.S. Department of Housing and Urban

Development's ("HUD") National Disaster Resilience Competition. In addition to providing coastal resilience to the area, the project will add amenities such as a new resilience park that will include open space, walking paths, basketball courts, and a fishing pier.

(5) 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 fall 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.

(6) 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.

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

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. The project was authorized in the Water Resource Development Act in 2020 and \$5.4 million included in the Fiscal Year 2020 and Fiscal Year 2021 U.S. Army Corps Work Plan for the pre-construction engineering and design of the Ghent-Downtown-Harbor Park system.

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 subsection below "Residential Development."

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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 July 2021 is 9.83%, as shown in Table V-9 below.

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

Class A	Rentable SF	Vacant SF	% Vacant
Crown Center	58,674	9,538	16.26%
Town Point Center	166,116	996	0.60
Main Street Tower	199,621	53,133	26.62
150 West Main Street	225,498	24,753	10.98
The Atlantic at City Walk	288,662	-	0.00
Wells Fargo Center	299,887	12,992	4.33
World Trade Center	367,000	66,385	18.09
Norfolk Southern Tower ⁽¹⁾	310,745	-	0.00
Dominion Tower	403,276	41,165	10.21
Dominion Enterprises Building	563,325	77,175	13.70
Assembly	88,836	6,120	6.89
Total	2,971,640	292,257	9.83%

Source: CoStar, July 2021.

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.

In May 2021, "Assembly" opened, which adds almost 89,000 square feet to the Downtown Class A office inventory. Assembly is currently 86.3% occupied, as it is still in the leasing phase. Vacancy rates for Downtown Class A office real estate improved since August 2020, declining approximately 2.3 percentage points with the inclusion of Assembly.

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 NRHA 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 that doubles as storm water mitigation, increase opportunities for local businesses by providing ground floor commercial and retail spaces, reconnect the community through a redesigned multi-modal road network and improving families' access to quality jobs, education and health services through a human development program called People First. Construction of the first buildings and phase 1 construction of the roadway network is anticipated to begin in fall 2021. The entire project is anticipated to be complete by September 2025.

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 Summer 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 feet of common space.

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 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 brings in 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 2019. IKEA brings an estimated \$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. Recent growth in areas such as manufacturing, research and technology, healthcare, residential apartments, craft brewing and boutique retail has increased the diversification of the City's local economy. Since 2018, the City has realized over \$2.3 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 2,000 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, 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 is anticipated to create 34 new jobs.

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. In spring 2021, the City narrowed potential developers for the area through a Request for Quotation. Four developers advanced to the Request for Proposal process, with evaluations anticipated to be completed in winter 2022. The proposed redevelopment is intended to be a walkable neighborhood to support an inclusive, healthy and sustainable mixed-use community with entertainment, retail, food and beverage establishments.

Tegra Global, an apparel manufacturing and supply chain provider, invested \$4 million in an expansion that opened fall 2020 and created approximately 300 new jobs.

Lyon Shipyard, a family-owned full-service ship repair and industrial service provider, is investing \$24 million to expand its Norfolk operations. The company plans to add a new marine travel lift and increase the footprint of its waterfront dry dock. The expansion is expected to create 119 new jobs, with construction anticipated to begin in the second half of 2021.

Katoen Natie ("KTN") is an international logistics and service provider for plastic resin pellets. KTN recently announced plans to expand its freight distribution center in Norfolk through a \$61 million investment. The investment is expected to add a 243,000 square-foot warehouse and a rail facility to expand freight distribution, as well as create 35 new jobs. The decision to expand further in Norfolk was due to the proximity of the natural deep-water Port of Virginia and dual rail connection with both Norfolk Southern and CSX.

IPConfigure, a global software development company specializing in video surveillance software, has expanded its Norfolk headquarters location. Faced with some unique office and material handling requirements, the company recently completed the historic renovation of an acetylene gas factory in the heart of the Lamberts Point neighborhood.

Tabet Manufacturing Company, Inc., a developer and manufacturer of large suite communications equipment for military and industrial customers, is planning to invest \$6.5 million to expand its Norfolk operation. The expansion will create 68 new jobs and is anticipated to open fall 2021.

CMA-CGM Group ("CMA-CGM"), a world leader in shipping and logistics, will maintain its North American headquarters in the City, with a planned investment of more than \$34 million, CMA-CGM will retain its 655 jobs in the City, and grows its presence with the creation of more than 400 new jobs.

CVP Physicians ("CVP") has fully leased a new medical office building that opened in summer 2021. CVP is a network of ophthalmology practices providing eye care in Virginia, Ohio, Kentucky and Indiana. CVP will occupy all 46,154 square feet for its eye surgery center and the central business operation for CVP's mid-Atlantic practices.

MetroNet provides high-speed internet, voice and video services to business and residential subscribers over fiber infrastructure. MetroNet will begin laying the infrastructure for its fiber network in October 2021, with service to residences beginning in March 2022. Fiber paths will be aligned with strategic growth areas established by the City, which will allow for coordination on several projects including the St. Paul's Area, the Military Circle Mall and the Norfolk Innovation Center.

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 50th anniversary and a major renovation is planned for the facility within the five-year CIP.

The City's arts district, the NEON District, is home to a 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.

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 Cruise Line ("Carnival") announced the return of the cruise line to the City. Carnival set sail again in May 2019, with destinations to the Bahamas and the Caribbean. In February 2020, the City and Carnival announced a five-year deal that will bring ships to the City from 2021 through 2025 with guaranteed revenue of at least \$350,000 per year from Carnival alone. While the 2020 cruise season was cancelled nationwide, Half Moone's 2021 schedule is a significant increase over 2019. Carnival currently has fourteen cruises scheduled for its 4,000+ passenger ship the Carnival Magic. Additionally, sixteen other cruises from a variety of lines will leave from Norfolk.

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

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.

Announced in 2017, the \$3.8 billion expansion of the I-64 Hampton Roads Bridge Tunnel will become the largest highway construction project in the Commonwealth's history. This transformation will widen the current four-lane segments along nearly ten miles of the I-64 corridor in Norfolk and Hampton, adding twin tunnels across the harbor. The expansion will increase capacity, ease major congestion, as well as enhance travel time reliability for the region. HRTAC is the primary funding agent of the project, which is being financed with regional sales and gas tax collections and the City is not liable for any debt obligation. Additional funding includes \$200 million from the Commonwealth's SMART SCALE transportation prioritization program and \$108 million from the Virginia Department of Transportation. Construction began in 2019, with estimated completion in 2025.

The U.S. Department of Transportation has awarded the City \$14.4 million as part of the 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 throughout the St. Paul's Transformation.

Norfolk Airport

Norfolk International Airport ("NIA") has begun to see a resurgence in demand for travel. During the month of June, NIA experienced growth of 254% in passenger activity when compared to the same time last year, which reflects an increase in the number of passengers from 93,725 to 331,900. Additionally, NIA has experienced an increase in passenger count by 48% from January through June 2021, representing 1,279,834 passengers versus 862,759 during the same period in 2020.

NIA is served by Allegiant Air, American Airlines, Boutique, 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.

Breeze Airways ("Breeze") started service in June 2021. Breeze is a start-up airline dedicating its services to a number of underserved routes across the southeast. Breeze is anticipated to commit a direct investment of \$43.5 million, add 200,000 inbound seats, while bringing more than 88 high-wage jobs to the airport.

NIA's 2019 economic impact study measured direct economic impacts, across the state, from airport operations to be over 3,189 jobs, \$227 million in wages and a total direct output of \$696 million. This was a significant increase from the 2016 study which showed 2,780 jobs, \$198 million in wages and \$627 million in output (all expressed in 2019 dollars).

Hotel Development

The City has approximately 5,000 hotel rooms, including nearly 1,800 in the downtown area. Pre-pandemic, tourism and conventions employed 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. Travelers to the City spent over \$764 million annually.

Hotels throughout the country were greatly impacted by the COVID-19 pandemic. However, Norfolk hotels fared better than most other localities in terms of occupancy, frequently making the top 25

markets. 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. Occupancy was not appreciably different than the same time last year and is already outperforming the beginning of the pandemic lockdown period.

The Hilton Norfolk at The Main and The Exchange conference center opened in 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.

The Autograph Collection Marriott hotel, a boutique hotel located at the 200 block of Granby Street in the former Royster building opened in 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.

Waterfront Recreation Investment

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

The 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. In 2017, tenant improvements to the Waterside District project were completed. The improvements were made as a result of a \$40 million public-private partnership between the City, the Norfolk Redevelopment and Housing Authority and Norfolk District Associates, LLC, an affiliate of The 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 recently announced the development of a \$500 million casino and resort development. The HeadWaters Resort and Casino ("HeadWaters") will be located on roughly 20-acres of waterfront property adjacent to Harbor Park, home of the City's Triple-A baseball stadium. The project is anticipated to have more than 300 four-diamond hotel rooms, a gaming floor, rooftop bar, waterside infinity pool, luxury spa, sports bar and grill, steakhouse, multi-purpose event center and a rooftop outdoor event space. HeadWaters is initially estimated to produce \$28.4 to \$44.5 million in annual tax revenues, 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 General Assembly approved commercial gaming in its spring 2020 session. The project won City approval with an overwhelming majority of residents voting in favor of the project as part of the November 2020 ballot. In July 2021, the Virginia Lottery Board approved the proposed permanent casino gaming regulations. The proposed permanent regulations currently await the Governor's approval, after which there will be a 60-day public comment period, leading up to the final approval by the Lottery Board. Once the Virginia Lottery approves HeadWaters' operator license application, construction on the facility will commence immediately. The initial phase of the project is expected to be completed in 2023.

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.

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

The nine-mile Elizabeth River Trail (the "Trail"), which runs from Norfolk State University ("NSU") following the Elizabeth River northward, began with an abandoned railroad spur being transformed into a walking and bicycle trail. The Trail can be accessed at various points along the Elizabeth River and offers scenic views of the Elizabeth River and interpretive markers tell the history of the area and environment. The Atlantic City spur of the nine-mile Trail neighbors the Midtown Tunnel and is adjacent to Plum Point Park. Located on five acres of land, Plum Point Park is a site for environmental restoration. With magnificent views of the Elizabeth River, Plum Point Park recently completed a \$1.5 million revitalization, and it now doubles as an environmental ecosystem with wetland vegetation, estuarine wildlife including blue herons and egrets, and an open meadow with mature interior trees.

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 2016 – 2020

Fiscal Year	September 30 Membership	Percent Change
2016	29,977	(0.46)
2017	29,383	(1.98)
2018	28,858	(1.79)
2019	28,201	(2.28)
2020	27,988	(0.76)

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"), NSU, Tidewater Community College ("TCC"), Eastern Virginia Medical School ("EVMS"), and Tidewater Tech Trade School ("Tidewater Tech"). ODU is one of only 100 public research-extensive universities nationwide and one of 4 in Virginia. NSU is Virginia's largest public, historically black university and one of the largest predominately black institutions in the nation. Located in Downtown, TCC 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 2021, NSU received the largest single-donor gift in its 85-year history. NSU accepted a \$40 million donation to advance NSU's mission in support of access, student achievement and academic excellence.

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. Completed in the Fall of 2020, Waitzer Hall is the second-largest building on EVMS' campus, providing 89,000-square feet of classroom, innovative research, and office space. Sentara Healthcare has tripled its financial support for EVMS by committing \$130 million through 2023.

In 2019, Tidewater Tech invested over \$3 million to relocate its career training school to a new 44,000 square-foot custom-built tech training facility. Tidewater Tech specializes in trade vocations including auto technician, HVAC, building maintenance and repair, and welding.

The Aviation Institute of Maintenance ("AIM"), a trade academy offering Federal Aviation Administration certification courses for maintenance technicians relocated back to the City in 2019, where it first began in 1969. AIM has grown to become a network of campuses across the nation, and provides high quality, hands-on training to students in Aviation Maintenance and related industry technician programs.

Medical Institutions

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

As the region's first magnet hospital, 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 18 straight years, 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 was completed in winter 2020. The project added floors to two existing wings, expanded the emergency department, expanded and modernized 18 operating rooms, replaced a 48-bed ward-style special care nursery with state-of-the-art unit rooms, as well as consolidated 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 has a new 60-bed, \$224 million medical-psychiatric facility for patients that is under construction and anticipated 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 that included two five-story patient towers was completed in 2016. The Sentara Leigh 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 opened in 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. 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.

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 2020, the Port handled a total of 21,081,927 tons of general cargo, including 21,001,830 tons of containerized cargo, with 80,097 tons of breakbulk making up the remainder.

Table V-11
Virginia Port Authority Terminals
General Cargo Tonnage
Calendar Years 2017 – 2021

Calendar Year	Total General Cargo Tonnage (in thousands)	Percent Change Over Previous Year
2017	21,972	5.29%
2018	21,975	0.01
2019	21,941	(0.15)
2020	21,082	(3.92)
2021 ⁽¹⁾	12,461	N/A

Source: Virginia Port Authority.

Note: (1) As of June 2021.

The City also serves as a gateway between world commerce centers and the Heartland of the United States, which offers efficient train routing between the Port and the Midwest. With one of the world's largest natural deep-water harbors and a temperate climate, the Port is an integral part of Norfolk's economy. Increase in the port-related business use of the Virginia International Terminals drives new capital investment into the region. The Port's Fiscal Year 2021 year-to-date growth highlights the creation of 2,457 new jobs and the generation of more than \$1.2 billion in investments. The Heartland Corridor gives the Port rail access to markets in Ohio, Illinois, Michigan and points west. Located on 648 acres along the Elizabeth and Lafayette Rivers, Norfolk International Terminals ("NIT") is the Port's largest terminal. NIT is divided into three major sections: the South Terminal, the North Terminal and the Central Rail Yard.

In January 2018, construction began on a \$452 million NIT terminal optimization project. This state-funded project has increased the total capacity of NIT by 46 percent within the same footprint. In total, the Port has added capacity of over 1.2 million containers due to the expansion project at Virginia International Gateway and the terminal optimization project at NIT. In November 2020, two new ship-to-shore ("STS") cranes arrived at NIT and the South NIT optimization was completed, 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.

In October 2020, the Port received a \$20 million federal grant to reconfigure and double the size of the on-dock rail yard at NIT. The bulk of the work will focus on construction of 10,700 feet of new track inside the terminal and give the terminal the capacity to process more than 700,000 rail lifts annually.

As of January 2021, the new STS cranes have been put into service, giving NIT 16 STS cranes, spread over six berths. NIT is now positioned as an industry leader in efficiency, offering customers abundant capacity, designed to meet their transportation and logistics needs today, and in the years to come.

The Port is home to the deepest harbor on the east coast of the United States. The Port is also working to increase the depth of the Norfolk Harbor to 55 feet, while working to widen the Thimble Shoals Channel to 1,400 feet, with an anticipated completion by the end of 2024.

Hampton Roads Regional Jail Authority

The Hampton Roads Regional Jail Authority ("HRRJA") operates a regional jail to serve its member jurisdictions, which include the City and the Cities of Chesapeake, Hampton, Newport News, and

Portsmouth (collectively, the "Member Jurisdictions"), by accepting prisoners from each Member Jurisdiction pursuant to an Amended and Restated Service Agreement dated September 23, 2014 (the "Service Agreement"), by and among HRRJA and the Member Jurisdictions. Under the Service Agreement, the City, along with the other Member Jurisdictions, agrees to commit or offer to commit to the regional jail a guaranteed minimum number of prisoners and to pay a per diem charge established by HRRJA for the care, maintenance and subsistence of at least the guaranteed minimum number of prisoners. The per diem charge includes a component intended to cover the capital costs of the regional jail, including the debt service on outstanding HRRJA bonds. Each Member Jurisdiction is obligated to pay the per diem charges on the guaranteed minimum number of prisoners regardless of whether it actually commits less than the guaranteed minimum number. The Service Agreement obligates HRRJA among other things to operate and maintain the regional jail in accordance with the rules and regulations of the Virginia Board of Local and Regional Jails (the "Jail Board") and all other applicable laws.

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

On April 22, 2021, the Jail Review Committee of the Jail Board announced that it had submitted a Notice of Preliminary Findings and Recommended Penalties (the "Notice") after an investigation of three prisoner deaths. The Jail Review Committee found among other things that HRRJA had failed to meet the Jail Board's minimum standards for the supervision of inmates and access to emergency medical and mental health care and that conditions at the regional jail represented a significant public safety threat to inmates and correctional officers. As such, the Jail Review Committee recommended that the Jail Board decertify the regional jail as a facility eligible to receive prisoners and order that any inmates held therein be returned to the custody of Member Jurisdictions or other jurisdiction of origin. The Jail Board will hold a public hearing on the Notice in summer 2021. HRRJA intends to file objections to the Notice and, if the Jail Board decides to decertify the regional jail, to appeal the decision as permitted under Virginia law.

The City recently withdrew its prisoners from the regional jail and relocated them to its own local facilities. To date, the City along with all of the Member Jurisdictions has continued to pay its per diem charges based on its guaranteed minimum number of prisoners under the Service Agreement. In the event that the regional jail is decertified, it is unclear whether the City will or can be compelled to continue to make payments of per diem charges under the Service Agreement. The City will continue to monitor the Jail Board's decision; however, the City does not anticipate the final decision to result in any future financial difficulties for the City.

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Business, Industry and Commerce

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

Table V-12
City of Norfolk, Virginia
Major Non-Government Employers in 4th 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
Wal-Mart		General Merchandise Stores
Security Forces, Inc.		Administrative and Support Services
	500 - 999	
Bon Secours Health System, Inc		Management of Companies and Enterprises
Art FX		Printing and Related Support Activities
Colonna's Shipyard		Transportation Equipment Manufacturing
Virginia International Terminal		Support Activities for Transportation
CMA-CGM America		Support Activities for Transportation
Food Lion		Food and Beverage Stores
CP&O, LLC		Support Activities for Transportation
Top Guard Inc		Administrative and Support Services
Maersk Line Limited		Water Transportation
	250 - 499	
SOC, LLC		Administrative and Support Services
Booz, Allen and Hamilton		Professional, Scientific, and Technical Services
ODU Research Foundation		Professional, Scientific, and Technical Services
Marine Hydraulics International		Transportation Equipment Manufacturing
Nash Finch		Merchant Wholesalers, Nondurable Goods
Transit Management Company		Transit and Ground Passenger Transportation
L-3 Unidyne, Inc		Professional, Scientific, and Technical Services
McDonald's		Food Services and Drinking Places
Lake Taylor Hospital		Nursing and Residential Care Facilities
Portfolio Recovery Associates, Inc.		Administrative and Support Services
Alion Science & Technology Corp.		Professional, Scientific, and Technical Services
Ed's Service Solutions, LLC		Personal and Laundry Services
Harris Teeter Supermarket		Food and Beverage Stores
Electronic Data Systems Corp.		Data Processing, Hosting, and Related Services
St. Mary's Home for Disabled Children		Nursing and Residential Care Facilities
W R Systems, Ltd.		Professional, Scientific, and Technical Services
Coca-Cola Bottling Company		Beverage and Tobacco Product Manufacturing
American Funds Service Co.		Securities, Commodity Contracts, and Other Financial Investments
Virginia Wesleyan College		Educational Services
Lyon Shipyard, Inc.		Transportation Equipment Manufacturing
Metro Machine Corp.		Transportation Equipment Manufacturing
Southwest Airlines		Air Transportation

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 has been in the region for a few years due to schedule and maintenance requirements for the Navy bringing in more than 2,500 personnel to the region. The additional carrier joined the USS Dwight D. Eisenhower, USS John C. Stennis (currently undergoing overhaul at Newport News Shipbuilding), USS George Washington and the USS George H.W. Bush at Naval Station Norfolk. In addition, the region is home port to 54 ships and home to 35 aircraft squadrons with 72 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.

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 force will ensure alliance maritime security in the Atlantic. Together, the two command centers will employ more than 1,200 personnel.

According to the most recent data available to the City, the U.S. Navy's direct economic impact on the region was \$15.4 billion in fiscal year 2019, the most recent data available, comprised of a total annual payroll of \$12.2 billion and the balance consumed on goods and services and procurement contracts. The region, and particularly the City, expect to continue as a center of activity for the U.S. Navy with current total personnel (military and civilian) of more than 69,900 with an additional 3,000 military contractor personnel.

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APPENDIX A

**CITY OF NORFOLK, VIRGINIA
GENERAL PURPOSE FINANCIAL
STATEMENTS FOR THE FISCAL YEAR
ENDED JUNE 30, 2020**

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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, 2020, 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 and the Specifications for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accountants of the Commonwealth of Virginia (Specifications). 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.

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, 2020, 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, individual nonmajor fund financial statements and schedules, introductory section and statistical section are presented for purposes of additional analysis and are 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 December 15, 2020, 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
December 15, 2020



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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

(Unaudited)





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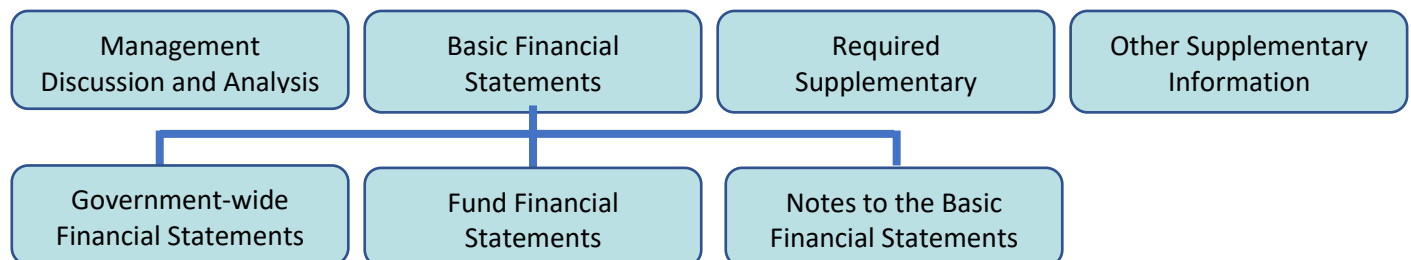
CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

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, 2020. 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 2020 by \$802,261,893 (net position). Of this amount, there is a negative unrestricted net position of \$27,005,262. Total net position increased by \$26,726,390 and unrestricted net position decreased by \$20,281,483 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 \$176,589,598, a decrease of \$15,955,323 in comparison with the prior year. This decrease was primarily attributable to converting the Storm Water special revenue fund to an enterprise fund as well as the issuance of bonds offset by the continuous usage of the City's line of credit for funding of capital projects. The City issued \$27,553,250 in general obligation bonds for governmental activities in fiscal year 2020 as well as refunded other general obligation bonds for savings.
- At the end of the current fiscal year, the total unassigned fund balance for the General fund was \$74,993,835 or 8.3 percent of the original General fund budget.
- The City's total outstanding bonded indebtedness increased by \$55,150,089 during the current fiscal year primarily due to the issuance of new debt.
- Effective July 1, 2019, the Storm Water Utility special revenue fund became an enterprise fund. As such, all activities of the Storm Water fund have been presented as business-type activities in the government-wide financial statements. The City provided a net contribution of \$26,501,897 to the Storm Water Utility fund representing all assets and liabilities that existed for Storm Water operations as of July 1, 2019.

Components of the Financial Section



CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include activities such as general government, 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, Parking Facilities and Storm Water enterprise activities.

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

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

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.

The enterprise funds are used to account for the Water and Wastewater Utilities, the Parking Facilities and the Storm Water 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 2020. The internal service funds are allocated to governmental activities at the entity wide level.

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

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

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 – 181 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, 2020

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 \$802,261,893 at the close of fiscal year 2020.

By far, the largest portion of the City's net position, \$790,226,577 or 98.5 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 4.9 percent represent resources that are subject to external restrictions on how they may be used. The negative balance of \$27,005,262 of unrestricted net position is primarily 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, the Virginia retirement system and the total OPEB liability.

Summary of the City of Norfolk's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 371,143,091	\$ 307,430,909	\$ 196,183,072	\$ 166,075,993	\$ 567,326,163	\$ 473,506,902
Capital Assets	1,155,199,282	1,212,050,208	1,075,099,615	1,019,926,618	2,230,298,897	2,231,976,826
Total Assets	1,526,342,373	1,519,481,117	1,271,282,687	1,186,002,611	2,797,625,060	2,705,483,728
Deferred Outflows of Resources	120,521,077	110,187,571	42,546,974	29,595,694	163,068,051	139,783,265
Total Assets and Deferred Outflows of Resources	\$ 1,646,863,450	\$ 1,629,668,688	\$ 1,313,829,661	\$ 1,215,598,305	\$ 2,960,693,111	\$ 2,845,266,993
Long-Term Liabilities	\$ 1,207,626,778	\$ 1,234,226,691	\$ 728,543,652	\$ 692,698,113	\$ 1,936,170,430	\$ 1,926,924,804
Other Liabilities	166,705,465	93,254,494	23,663,303	25,600,442	190,368,768	118,854,936
Total Liabilities	1,374,332,243	1,327,481,185	752,206,955	718,298,555	2,126,539,198	2,045,779,740
Deferred Inflows of Resources	28,115,492	22,603,373	3,776,528	1,348,377	31,892,020	23,951,750
Total Liabilities and Deferred Inflows of Resources	\$ 1,402,447,735	\$ 1,350,084,558	\$ 755,983,483	\$ 719,646,932	\$ 2,158,431,218	\$ 2,069,731,490
Net Position:						
Net Investment in Capital Assets	384,077,864	382,093,155	406,148,713	364,975,275	790,226,577	747,068,430
Restricted	9,094,407	6,689,562	29,946,171	28,501,290	39,040,578	35,190,852
Unrestricted	(148,756,556)	(109,198,587)	121,751,294	102,474,808	(27,005,262)	(6,723,779)
Total Net Position	\$ 244,415,715	\$ 279,584,130	\$ 557,846,178	\$ 495,951,373	\$ 802,261,893	\$ 775,535,503

For governmental activities, total net position decreased by \$35,168,415 or 12.6 percent overall during the current fiscal year. The primary factor that contributed to the change in total governmental net position was the transition of the Storm Water special revenue fund to an enterprise fund. As such, all of its related activities are now included with business-type activities.

For business-type activities, net position increased by \$61,894,805 or 12.5 percent during the fiscal year. Of this amount, increases of \$22,919,603, \$9,640,415, \$33,802,959 and a decrease of \$4,468,172 are changes attributed to the Water Utility, Wastewater Utility, Storm Water Utility and Parking Facilities funds, respectively. Overall revenues increased by \$27,594,417 compared

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

to the prior year due to increases in rates for Water and Wastewater Utilities funds, as well as the Storm Water special revenue fund transitioning to an enterprise fund.

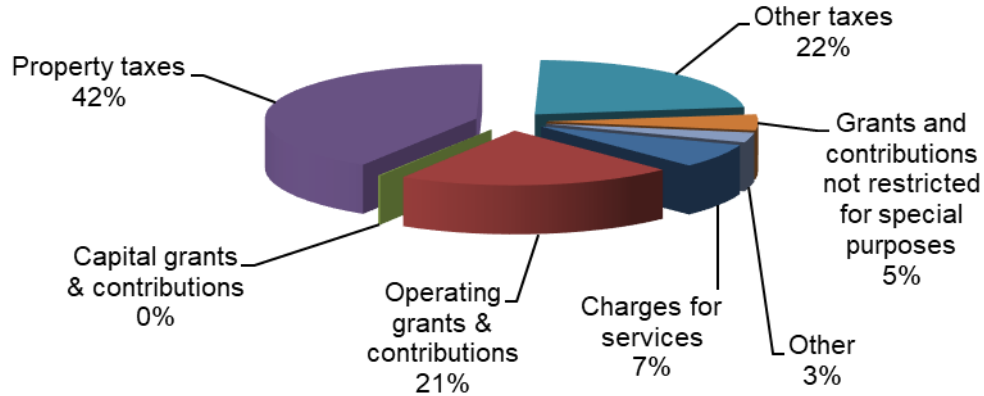
The following presents key programmatic and functional elements of changes in government-wide net position:

Changes in the City of Norfolk's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 54,528,931	\$ 75,887,233	\$ 164,700,673	\$ 165,092,161	\$ 219,229,604	\$ 240,979,394
Operating Grants & Contributions	161,602,162	142,804,187	-	-	161,602,162	142,804,187
Capital Grants & Contributions	1,247,094	3,806,128	202,692	380,664	1,449,786	4,186,792
General Revenues:						
Property Taxes	316,997,699	303,622,810	-	-	316,997,699	303,622,810
Other Taxes	171,533,022	177,263,305	-	-	171,533,022	177,263,305
Grants and Contributions not restricted for specific purposes	36,316,393	35,965,314	-	-	36,316,393	35,965,314
Other	22,496,391	13,889,588	6,453,631	4,791,650	28,950,022	18,681,238
Total Revenues	<u>764,721,692</u>	<u>753,238,565</u>	<u>171,356,996</u>	<u>170,264,475</u>	<u>936,078,688</u>	<u>923,503,040</u>
Expenses:						
General Government	157,800,826	157,320,255	-	-	157,800,826	157,320,255
Judicial Administration	48,443,053	46,124,063	-	-	48,443,053	46,124,063
Public Safety	153,190,268	138,889,690	-	-	153,190,268	138,889,690
Public Works	61,611,766	66,078,582	-	-	61,611,766	66,078,582
Health and Public Assistance	97,274,531	91,735,421	-	-	97,274,531	91,735,421
Culture and Recreation	64,901,083	58,961,688	-	-	64,901,083	58,961,688
Community Development	40,728,057	29,381,236	-	-	40,728,057	29,381,236
Education	135,699,293	136,659,606	-	-	135,699,293	136,659,606
Interest on Long-Term Debt	24,998,008	28,817,125	-	-	24,998,008	28,817,125
Water Utility	-	-	65,533,984	63,966,663	65,533,984	63,966,663
Wastewater Utility	-	-	21,082,383	20,201,303	21,082,383	20,201,303
Parking Facilities	-	-	24,849,833	25,365,151	24,849,833	25,365,151
Storm Water Utility	-	-	13,239,213	-	13,239,213	-
Total Expenses	<u>784,646,885</u>	<u>753,967,666</u>	<u>124,705,413</u>	<u>109,533,117</u>	<u>909,352,298</u>	<u>863,500,783</u>
Increase (decrease) in Net Position before Special Items and Transfers	(19,925,193)	(729,101)	46,651,583	60,731,358	26,726,390	60,002,257
Special Items	(26,501,897)	-	26,501,897	-	-	-
Transfers	11,258,675	30,308,671	(11,258,675)	(30,308,671)	-	-
Increase (decrease) in Net Position	<u>(35,168,415)</u>	<u>29,579,570</u>	<u>61,894,805</u>	<u>30,422,687</u>	<u>26,726,390</u>	<u>60,002,257</u>
Net Position Beginning of Year, Restated	279,584,130	250,004,560	495,951,373	465,528,686	775,535,503	715,533,246
Net Position End of Year	<u>\$ 244,415,715</u>	<u>\$ 279,584,130</u>	<u>\$ 557,846,178</u>	<u>\$ 495,951,373</u>	<u>\$ 802,261,893</u>	<u>\$ 775,535,503</u>

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

Governmental Activities: Revenues by Source



Governmental Activities – The City's total revenues from governmental activities were \$764,721,692 for the fiscal year that ended June 30, 2020. The largest sources of revenue for the City are property taxes and other taxes which comprise 64 percent of total governmental revenues. Revenues from property taxes, which are comprised of personal and real estate taxes, increased by \$13,374,889 compared to prior year. The real estate (general tax) tax rate for fiscal year 2020 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 decreased by \$5,730,283 or 3.2 percent in comparison to the prior year. Other taxes include sales & use, consumers' utility, restaurant food, business license and hotel/motel taxes.

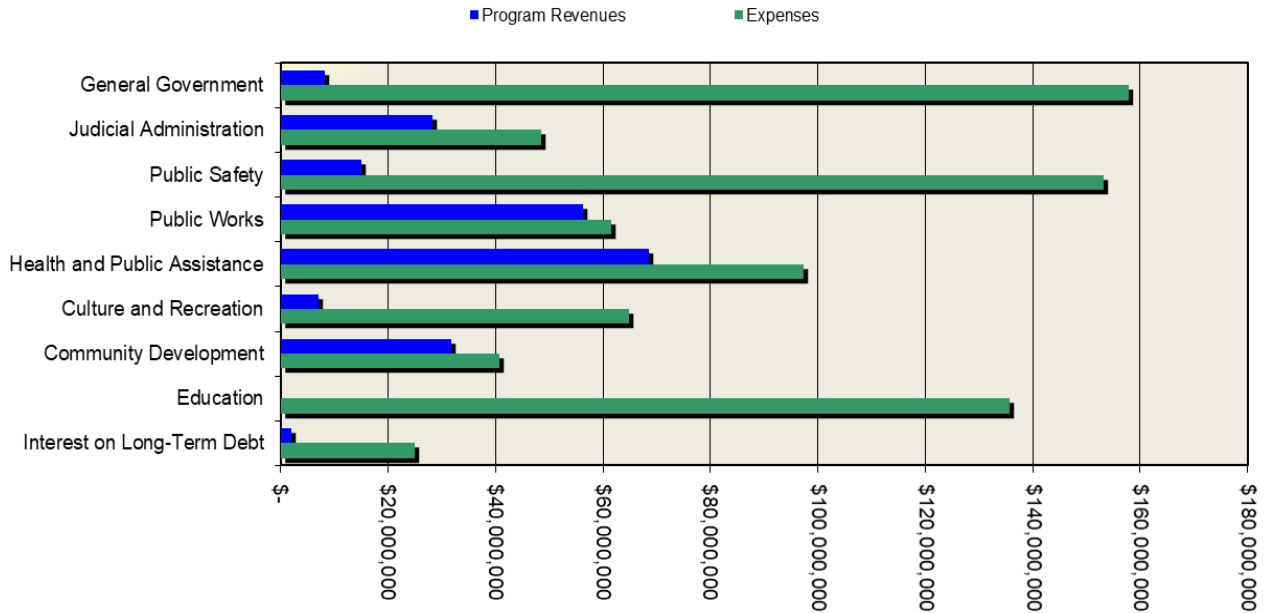
Operating grants and contributions for governmental activities ended the fiscal year at \$161,602,162 which represents an increase of approximately 13.2 percent from the prior year. For the 2020 fiscal year, there was \$36,316,393 in grants and contributions not restricted for specific programs that represents an increase of approximately 1.0 percent from the prior year. Other revenue increased by \$8,606,803 in comparison to prior year.

The City's expenses for governmental activities cover a wide array of services, with \$153,190,268 or 19.5 percent related to public safety, \$157,800,826 or 20.1 percent related to general government and \$135,699,293 or 17.3 percent for education (including payments to the School Board, a component unit). Overall, expenses for governmental activities increased by 4.1 percent primarily due to cost of living increases for its employees as well as expenses incurred addressing the impact of the COVID-19 pandemic.

Depreciation expense for governmental activities of \$48,271,189 was recorded.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

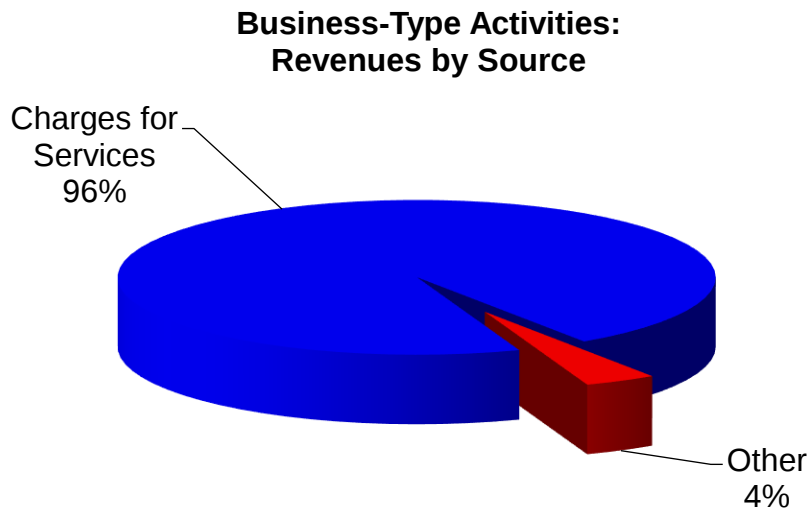
Governmental Activities
Expenses and Program Revenues



CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

Business-type Activities – Business-type activities increased the City's net position by \$61,894,806. Key elements of this change are as follows:

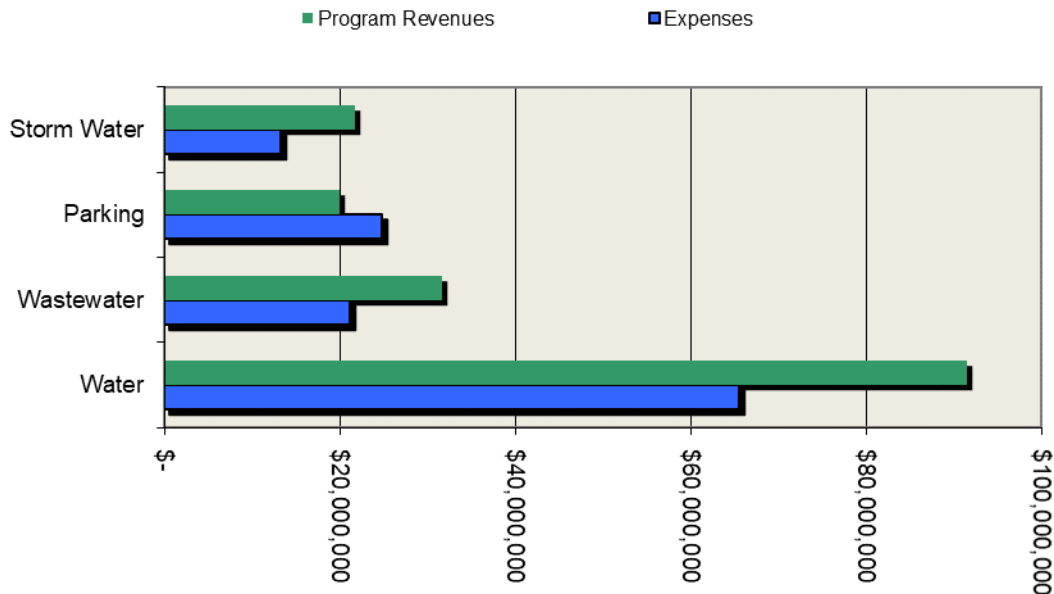
- Revenue from charges for services for business-type activities decreased by 12.1 percent. Water Utility charges for services decreased \$20,168,964 and Wastewater Utility charges for services increased \$483,171.
- Parking Facilities revenues decreased \$2,371,255 or 10.6 percent from the prior year.
- Storm Water Utility charges for services totaled \$21,665,560 in fiscal year 2020.



Total operating expenses for business-type activities increased overall by \$2,225,840 or 2.1 percent. The Water Utility fund's expenses increased by \$1,094,274. The Wastewater Utility fund's expenses increased by \$909,784. The Parking Facilities fund's expenses increased by \$221,782. The Storm Water Utility fund's operating expense totaled \$13,652,201 in fiscal year 2020.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

**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 \$176,589,598, a decrease of \$15,955,323 over the prior year due primarily to the transition of the Storm Water special revenue fund to an enterprise fund. Of the total ending fund balance, \$9,094,407 is restricted. The restricted fund balance is that portion of fund balance that can only be spent for the specific purposes as stipulated by a third party or legislation. Funds that typically fall in this category are federal and state awards/grants, as well as certain tax dollars

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

levied for specific purposes. Committed fund balance is \$18,629,870 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 \$80,990,660 of the total ending fund balance and represents funds intended to be used by the City for specific purposes. Encumbrances that are not considered committed are included in this classification. The remaining \$67,874,661 of the ending fund balance in the City's governmental funds is available for spending at the government's discretion and is classified as unassigned.

The City's primary governmental fund is its General fund. As a matter of fiscal policy, the City's unassigned fund balance is targeted to be no less than ten percent of the combination of general fund operation expenditures and transfers out, which was \$66,085,337 for fiscal year 2020.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues under projections by \$19,986,091. Total expenditures were less than appropriations by \$73,175,631.

The general fund revenues remained flat over the prior year. Overall expenditures increased by \$6,877,101 or 1.2 percent from fiscal year 2020. General fund financial and budget highlights of the 2020 fiscal year include:

- General property tax revenues increased by \$8,178,322 or 3.0 percent;
- Other local tax revenues decreased by \$4,846,393 or 3.0 percent;
- Charges for services decreased by \$3,300,483 or 15.6 percent;
- Education expenditures were significantly less than the budget by approximately \$33.5 million primarily as a result of the COVID-19 pandemic.
- Cultural facilities, arts & entertainment expenditures were \$14.1 million less than budget due the effects of the COVID-19 pandemic which required these types of facilities and related events to be closed for several months during the year.

The City spent \$46,150,621 from the Capital Projects fund to support major capital projects, including a new school, repairs to City and School buildings, infrastructure and neighborhood improvements. The fund had a total fund deficit of \$7,055,414. In fiscal year 2020, the City issued bonds, but also used cash on hand and a line of credit to fund these expenditures.

The Debt Service fund did not have any assets, liabilities or net position at fiscal year-end. During the year bonds were issued to refund existing debt and new debt was also issued. Additionally, a net \$43,980,000 was drawn on the line of credit established for flexible, interim financing for the management of capital projects for governmental and business-type activities.

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

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

Capital Asset and Debt Administration

Capital Assets – The City's net investment in capital assets for its governmental and business-type activities as presented on the Statement of Net Position as of June 30, 2020, totaled \$790,226,577. 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 13.6 percent of total general governmental assets.

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

- \$9.0 million in improvements to various civic facilities including libraries and fire stations;
- \$3.5 million in improvements to various cultural facilities;
- \$3.4 million to acquire equipment and technology;
- \$1.8 million in improvements to the USS Battleship Wisconsin;
- \$6.2 million in improvements to conference center space; and
- \$1.1 million for new school construction.

Construction in progress totaled \$64.0 million for governmental activities at the end of the fiscal year. Construction in progress totaled \$52.5 million for business-type activities, which includes Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility projects.

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 107,836,270	\$ 104,795,532	\$ 52,298,301	\$ 52,123,178	\$ 160,134,571	\$ 156,918,710
Buildings, equipment and vehicles	741,940,075	728,791,909	913,000,429	909,917,238	1,654,940,504	1,638,709,147
Improvements other than buildings	84,104,279	83,782,338	51,770,358	14,242,510	135,874,637	98,024,848
Construction in progress	63,990,506	87,840,303	52,513,243	38,158,785	116,503,749	125,999,088
Intangible assets	738,635	449,553	5,517,285	5,484,907	6,255,920	5,934,460
Infrastructure	156,589,517	206,390,573	-	-	156,589,517	206,390,573
Total	\$ 1,155,199,282	\$ 1,212,050,208	\$ 1,075,099,616	\$ 1,019,926,618	\$ 2,230,298,898	\$ 2,231,976,826

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

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

Long-term Debt – At June 30, 2020, the City (including the enterprise funds) had total bonded debt outstanding of \$1,424,805,109. Of this amount, \$1,042,508,856 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 729,939,268	\$ 751,911,783	\$ 249,569,588	\$ 202,803,498	\$ 979,508,856	\$ 954,715,281
Line of Credit	60,000,000	9,800,000	3,000,000	9,220,000	63,000,000	19,020,000
Revenue bonds	-	-	382,296,253	395,919,739	382,296,253	395,919,739
Total	<u>\$ 789,939,268</u>	<u>\$ 761,711,783</u>	<u>\$ 634,865,841</u>	<u>\$ 607,943,237</u>	<u>\$ 1,424,805,109</u>	<u>\$ 1,369,655,020</u>

The City's total debt outstanding increased by \$55,150,089 or 4.0 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 City Council financial policies governing affordability.

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

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

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

The Commonwealth of Virginia imposes a constitutional statutes limit for the amount of general obligation debt the City may issue which is limited to 10 percent of its total assessed valuation. The City's general obligation debt outstanding is significantly below the City's current debt limitation of \$2,113,455,109.

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

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

Economic Factors and Next Year's Budgets and Rates

- When the initial proposed fiscal year 2021 budget was being developed, before the COVID-19 pandemic impacted the country, the national economy was anticipated to continue to expand. Real estate assessments that drive the City's largest locally generated revenue was projected to rise for the eighth straight year with fiscal year 2021 bringing the second largest growth since fiscal year 2009. However, the pandemic may have a potential impact on the overall taxpayer ability to pay that could impact fiscal year 2021 revenue collections. 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 2021 budget as in prior years.
- Taxable real estate assessments are projected to rise in the 2021 fiscal year by 3.0 percent.
- Other local taxes, which are comprised of consumer and business-based taxes, are expected to be most impacted by the economic effects of COVID-19 as this revenue category has been sensitive to changes in economic conditions. These taxes are expected to be 16.0 percent below the fiscal year 2020 budget.
- The following reflects other tax change projections in the fiscal year 2021 budget:
 - Hotel taxes – 38.0 percent decrease;
 - Restaurant food taxes – 17.5 percent decrease; and
 - Personal property taxes – 3.8 percent decrease.
- Rate increases for the Storm Water Utility, Water Utility and Wastewater Utility funds continue to provide necessary funding to finance capital improvements.

All of these factors were considered in preparing the City's budget for fiscal year 2021. The fiscal year 2021 operating budget includes transfers in from non-general funds of approximately \$18.5 million and carrying forward prior year unspent appropriations totaling approximately \$11.9 million.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

The following table represents the Storm Water, Waste Management, Wastewater and Water Utility fees implemented with the City's fiscal year 2021 budget.

Description	FY 2021 Approved	FY 2020 Approved
Storm Water Fees – Residential	\$12.38/month	\$12.05/month
Storm Water Fees – Commercial	\$12.38/month per 2,000 sq. ft.	\$12.05/month per 2,000 sq. ft.
Wastewater Fees	\$4.65/100 cubic feet	\$4.47/100 cubic feet
Water Fees	\$5.48/100 cubic feet	\$5.29/100 cubic feet
Refuse Disposal – Residential Single or Multiple Units (4 or less)	\$27.01/unit/month	\$27.01/unit/month
Refuse Disposal – Residential Multiple Units (5 or more)	\$45.94/container/month	\$45.94/container/month
Refuse Disposal – Commercial Business once per week	\$61.18/unit/month	\$61.18/unit/month
Refuse Disposal – Commercial Business 5 times per week	\$151.64/unit/month	\$151.64/unit/month
Refuse Disposal – Commercial Combined Commercial and Residential	\$88.19/unit/month	\$88.19/unit/month

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2020

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.

BASIC FINANCIAL STATEMENTS





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CITY OF NORFOLK, VIRGINIA

Exhibit 1

Statement of Net Position
June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and short-term investments	\$ 240,464,514	\$ 146,717,242	\$ 387,181,756	\$ 67,873,780
Receivables, net:				
Taxes	56,257,631	-	56,257,631	-
Accounts	16,432,182	25,623,159	42,055,341	8,507,724
Notes	-	-	-	552,873
Accrued investment income	40,961	113,904	154,865	-
Internal balances	13,142,046	(13,142,046)	-	-
Due from other governments	41,995,629	-	41,995,629	31,772,093
Due from primary government	-	-	-	5,160,864
Due from component unit	1,262,173	-	1,262,173	-
Inventories	14,993	3,014,114	3,029,107	2,184,644
Property held for resale	-	-	-	832,952
Prepaid items	918,624	104,836	1,023,460	-
Restricted cash and investments	614,338	33,751,863	34,366,201	1,570,968
Non-depreciable capital assets	171,923,790	109,427,589	281,351,379	8,907,783
Depreciable capital assets, net	983,275,492	965,672,026	1,948,947,518	22,202,805
Total assets	<u>\$ 1,526,342,373</u>	<u>\$ 1,271,282,687</u>	<u>\$ 2,797,625,060</u>	<u>\$ 149,566,486</u>
Deferred outflows of resources				
Related to pensions	\$ 69,563,369	\$ 7,416,072	\$ 76,979,441	\$ 61,467,337
Related to OPEB	10,071,357	645,794	10,717,151	13,869,227
Loss on defeasance of bonds	40,886,351	34,485,108	75,371,459	-
Total deferred outflow of resources	<u>120,521,077</u>	<u>42,546,974</u>	<u>163,068,051</u>	<u>75,336,564</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,646,863,450</u></u>	<u><u>\$ 1,313,829,661</u></u>	<u><u>\$ 2,960,693,111</u></u>	<u><u>\$ 224,903,050</u></u>
LIABILITIES				
Vouchers payable	\$ 27,079,580	\$ 9,802,601	\$ 36,882,181	\$ 12,405,996
Employees withholdings	557,645	-	557,645	-
Contract retainage	221,063	1,296,985	1,518,048	118,716
Accrued interest	9,562,156	4,658,596	14,220,752	-
Accrued payroll	7,030,122	618,474	7,648,596	33,488,389
Internal balances	-	-	-	-
Due to other governments	36,253	-	36,253	6,880,221
Due to primary government	-	-	-	1,262,173
Due to component unit	5,160,864	-	5,160,864	-
Other payables	-	-	-	1,005,527
Unearned revenue	45,104,591	-	45,104,591	247,419
Other current liabilities	11,953,191	4,286,647	16,239,838	602,724
Line of credit	60,000,000	3,000,000	63,000,000	-
Long-term liabilities:				
Due within one year	70,862,607	36,795,753	107,658,360	24,313,232
Due in more than one year	778,174,664	654,934,710	1,433,109,374	20,787,057
Net pension liability	286,832,965	32,948,860	319,781,825	297,859,309
Net OPEB liability	71,756,542	3,864,329	75,620,871	92,361,309
Total liabilities	<u>\$ 1,374,332,243</u>	<u>\$ 752,206,955</u>	<u>\$ 2,126,539,198</u>	<u>\$ 491,332,072</u>
Deferred inflows of resources				
Related to pensions	\$ 15,313,587	\$ 2,316,958	\$ 17,630,545	\$ 46,755,936
Related to OPEB	12,662,992	784,271	13,447,263	17,705,987
Gain on defeasance of bonds	138,913	675,299	814,212	-
Total deferred inflows of resources	<u>28,115,492</u>	<u>3,776,528</u>	<u>31,892,020</u>	<u>64,461,923</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 1,402,447,735</u></u>	<u><u>\$ 755,983,483</u></u>	<u><u>\$ 2,158,431,218</u></u>	<u><u>\$ 555,793,995</u></u>
NET POSITION				
Net investment in capital assets	\$ 384,077,864	\$ 406,148,713	\$ 790,226,577	\$ 13,498,849
Restricted for:				
Endowed care - nonexpendable	6,054,805	-	6,054,805	-
General government	130,000	-	130,000	-
Judicial administration	202,891	-	202,891	-
Public safety	592,560	-	592,560	-
Health and public assistance	1,933,731	-	1,933,731	-
Culture and recreation	3,463	-	3,463	-
Community development	176,957	-	176,957	-
Public works	-	-	-	-
Capital projects	-	-	-	664,537
Water utility	-	26,048,420	26,048,420	-
Wastewater utility	-	500,651	500,651	-
Parking fund	-	3,397,100	3,397,100	-
Other Programs	-	-	-	7,023,614
Unrestricted	(148,756,556)	121,751,294	(27,005,262)	(352,077,945)
Total net position (deficit)	<u>\$ 244,415,715</u>	<u>\$ 557,846,178</u>	<u>\$ 802,261,893</u>	<u>\$ (330,890,945)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 1,646,863,450</u></u>	<u><u>\$ 1,313,829,661</u></u>	<u><u>\$ 2,960,693,111</u></u>	<u><u>\$ 224,903,050</u></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, 2020**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary government:								
Governmental activities:								
General government	\$ 157,800,826	\$ 6,068,483	\$ 2,145,799	\$ -	\$ (149,586,544)	\$ -	\$ (149,586,544)	\$ -
Judicial administration	48,443,053	1,895,785	26,324,122	-	(20,223,146)	-	(20,223,146)	-
Public safety	153,190,268	8,066,981	6,966,481	-	(138,156,806)	-	(138,156,806)	-
Public works	61,611,766	23,241,795	31,795,638	1,247,094	(5,327,239)	-	(5,327,239)	-
Health and public assistance	97,274,531	5,928,407	62,692,573	-	(28,653,551)	-	(28,653,551)	-
Culture and recreation	64,901,083	6,817,335	324,403	-	(57,759,345)	-	(57,759,345)	-
Community development	40,728,057	2,510,145	29,312,335	-	(8,905,577)	-	(8,905,577)	-
Education	135,699,293	-	-	-	(135,699,293)	-	(135,699,293)	-
Interest on long-term debt	24,998,008	-	2,040,811	-	(22,957,197)	-	(22,957,197)	-
Total governmental activities	784,646,885	54,528,931	161,602,162	1,247,094	(567,268,698)	-	(567,268,698)	-
Business-type activities:								
Water utility	65,533,984	91,376,988	-	202,692	-	26,045,696	26,045,696	-
Wastewater utility	21,082,383	31,705,215	-	-	-	10,622,832	10,622,832	-
Parking facilities	24,849,833	19,952,910	-	-	-	(4,896,923)	(4,896,923)	-
Storm Water utility	13,239,213	21,665,560	-	-	-	8,426,347	8,426,347	-
Total business-type activities	124,705,413	164,700,673	-	202,692	-	40,197,952	40,197,952	-
Total primary government	\$ 909,352,298	\$ 219,229,604	\$ 161,602,162	\$ 1,449,786	\$ (567,268,698)	\$ 40,197,952	\$ (527,070,746)	\$ -
Component units:								
Norfolk Public Schools	\$ 367,710,733	\$ 2,662,170	\$ 214,478,989	\$ 1,489,275				\$ (149,080,299)
Norfolk Economic Development Authority	5,098,001	469,894	-	-				(4,628,107)
Total component units	\$ 372,808,734	\$ 3,132,064	\$ 214,478,989	\$ 1,489,275				(153,708,406)
General revenues:								
Taxes:								
General property taxes - real estate and personal property					316,997,699	-	316,997,699	-
Consumption utility taxes					38,889,826	-	38,889,826	-
Sales and use taxes					35,394,920	-	35,394,920	-
Restaurant food taxes					35,283,735	-	35,283,735	-
Business license taxes					29,916,032	-	29,916,032	-
Hotel/Motel taxes					10,239,835	-	10,239,835	-
Cigarette taxes					7,703,205	-	7,703,205	-
Admissions taxes					3,495,814	-	3,495,814	-
Motor vehicle licenses					4,963,339	-	4,963,339	-
Franchise, recordation and other miscellaneous local taxes					5,646,316	-	5,646,316	-
Use of money and property					19,400	3,383,189	3,402,589	2,269,844
Gain on investment					1,383,528	45,326	1,428,854	752,066
Grants and contributions not restricted to specific programs					36,316,393	125,644	36,442,037	126,817,138
Miscellaneous					17,377,118	2,899,472	20,276,590	2,074,135
Intergovernmental revenue - Commonwealth of Virginia					-	-	-	35,156,686
Payment from Primary Government					3,716,345	-	3,716,345	-
Special Items:								
Contribution to Storm Water Utility fund					(26,501,897)	26,501,897	-	-
Transfers					11,258,675	(11,258,675)	-	-
Total general revenues and transfers					532,100,283	21,696,853	553,797,136	167,069,869
Changes in net position					(35,168,415)	61,894,805	26,726,390	13,361,463
Net position (deficit) - beginning					279,584,130	495,951,373	775,535,503	(344,252,408)
Net position (deficit) - ending					\$ 244,415,715	\$ 557,846,178	\$ 802,261,893	\$ (330,890,945)

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

CITY OF NORFOLK, VIRGINIA

Exhibit A-1

**Balance Sheet - Governmental Funds
June 30, 2020**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	Debt Service		
ASSETS					
Cash and short-term investments	\$ 115,892,365	\$ 57,801,335	\$ -	\$ 51,922,880	\$ 225,616,580
Receivables, net:					
Taxes	55,688,891	-	-	785,003	56,473,894
Accounts	4,896,906	1,850,000	-	4,384,749	11,131,655
Accrued investment income	178	40,727	-	56	40,961
Due from other funds	15,673,739	15,598,939	-	-	31,272,678
Due from other governments	22,506,671	-	-	18,801,247	41,307,918
Due from Component units	1,262,173	-	-	-	1,262,173
Deposits	-	-	-	-	-
Restricted cash	-	-	-	614,338	614,338
Inventory	-	-	-	-	-
Prepaid items	14,993	-	-	-	14,993
Total assets	\$ 215,935,916	\$ 75,291,001	\$ -	\$ 76,508,273	\$ 367,735,190
LIABILITIES, DEFERRED INFLOWS					
Vouchers payable	\$ 14,705,469	\$ 3,184,991	\$ -	\$ 8,066,313	\$ 25,956,773
Employee withholdings	557,638	-	-	-	557,638
Contract retainage	12,144	208,919	-	-	221,063
Accrued payroll	6,602,429	-	-	367,000	6,969,429
Notes payable	-	60,000,000	-	-	60,000,000
Due to other funds	-	13,516,767	-	4,613,865	18,130,632
Due to other governments	36,253	-	-	-	36,253
Due to component unit	-	5,160,864	-	-	5,160,864
Unearned revenue	-	-	-	31,088,780	31,088,780
Other liabilities	4,830,891	274,874	-	289,657	5,395,422
Total liabilities	26,744,824	82,346,415	-	44,425,615	153,516,854
Deferred Inflow of Resources					
Revenues' levied for the next year and unavailable revenue	34,174,436	-	-	3,454,302	37,628,738
FUND BALANCES					
Restricted	130,000	-	-	8,964,407	9,094,407
Committed	13,050,535	-	-	5,579,335	18,629,870
Assigned	66,842,286	-	-	14,148,374	80,990,660
Unassigned	74,993,835	(7,055,414)	-	(63,760)	67,874,661
Total fund balances (deficit)	155,016,656	(7,055,414)	-	28,628,356	176,589,598
Total liabilities and fund balances	\$ 215,935,916	\$ 75,291,001	\$ -	\$ 76,508,273	\$ 367,735,190

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, 2020

Exhibit A-2

Fund balances - total governmental funds	\$	176,589,598
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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	2,796,859,038	
Accumulated depreciation	<u>(1,644,510,064)</u>	
		1,152,348,974

Recognition of deferred inflows as revenue in government wide statements		33,718,737
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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		(15,154,144)
Deferred outflows related to pensions		68,753,644
Deferred inflows related to OPEB		(12,584,503)
Deferred outflows related to OPEB		10,004,476
Loss on defeasance		40,886,351
Gain on defeasance		(138,913)

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	(729,939,268)	
Unamortized bond premium	(60,610,256)	
Net pension liability	(283,444,635)	
Other post-employment benefits	(71,359,160)	
Compensated absences	(20,700,331)	
Workers' compensation and claims liability	(34,681,787)	
Prepaid debt service	918,624	
Other	(2,824,048)	
Accrued interest payable	<u>(9,562,156)</u>	
		(1,212,203,017)

Internal service funds		1,506,801
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Receivable for Build America Bonds - interest rate subsidy		687,711
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Net position of governmental activities	<u>\$</u>	<u>244,415,715</u>
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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, 2020

	Major Funds			Nonmajor	Total
	General	Capital	Debt	Governmental	Governmental
	Fund	Projects	Service	Funds	Funds
REVENUES					
General property taxes	\$ 305,693,091	\$ -	\$ -	\$ 6,268,007	\$ 311,961,098
Other local taxes	161,697,209	-	-	9,835,813	171,533,022
Permits and licenses	3,599,315	-	-	-	3,599,315
Fines and forfeitures	798,931	-	-	2,500	801,431
Use of money and property	8,477,177	1,244,882	-	138,646	9,860,705
Charges for services	17,507,909	-	-	23,826,698	41,334,607
Miscellaneous	9,717,468	-	-	2,025,536	11,743,004
Intergovernmental	136,554,329	1,247,094	-	60,832,687	198,634,110
Total revenues	<u>644,045,429</u>	<u>2,491,976</u>	<u>-</u>	<u>102,929,887</u>	<u>749,467,292</u>
EXPENDITURES					
Current operating:					
General government	132,720,760	-	-	1,030,472	133,751,232
Judicial administration	43,206,587	-	-	4,152,586	47,359,173
Public safety	121,458,605	-	-	10,424,200	131,882,805
Public works	24,231,282	-	-	29,433,902	53,665,184
Health and public assistance	68,899,846	-	-	22,887,253	91,787,099
Culture and recreation	41,203,731	-	-	2,295,078	43,498,809
Community development	12,700,910	-	-	25,393,975	38,094,885
Education	124,710,681	-	-	-	124,710,681
Debt service:					
Principal	-	-	53,737,152	-	53,737,152
Interest and other charges	-	-	29,448,460	-	29,448,460
Debt issuance costs	657,026	311,092	918,208	-	1,886,326
Capital outlay	3,339,345	46,150,621	-	-	49,489,966
Total expenditures	<u>573,128,773</u>	<u>46,461,713</u>	<u>84,103,820</u>	<u>95,617,466</u>	<u>799,311,772</u>
Excess (deficiency) of revenues over expenditures	<u>70,916,656</u>	<u>(43,969,737)</u>	<u>(84,103,820)</u>	<u>7,312,421</u>	<u>(49,844,480)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of refunding bonds	-	-	221,755,714	-	221,755,714
Issuance of debt	-	27,553,250	-	-	27,553,250
Proceeds sale of capital assets	16,345	3,700,000	-	-	3,716,345
Payment to bond refunding escrow agent	-	-	(228,228,166)	-	(228,228,166)
Premium on bonds	-	7,591,059	-	-	7,591,059
Transfers in	19,900,499	1,614,639	90,576,272	8,899,046	120,990,456
Transfers out	(87,724,600)	(2,583,677)	-	(19,423,504)	(109,731,781)
Total other financing sources and uses	<u>(67,807,756)</u>	<u>37,875,271</u>	<u>84,103,820</u>	<u>(10,524,458)</u>	<u>43,646,877</u>
SPECIAL ITEMS					
Contribution to Storm Water Utility fund	-	(5,065,582)	-	(4,692,138)	(9,757,720)
Total other financing sources (uses) and special items	<u>(67,807,756)</u>	<u>32,809,689</u>	<u>84,103,820</u>	<u>(15,216,596)</u>	<u>33,889,157</u>
Net changes in fund balances	<u>3,108,900</u>	<u>(11,160,048)</u>	<u>-</u>	<u>(7,904,175)</u>	<u>(15,955,323)</u>
Fund balances - beginning	<u>151,907,756</u>	<u>4,104,634</u>	<u>-</u>	<u>36,532,531</u>	<u>192,544,921</u>
Fund balances - ending	<u>\$ 155,016,656</u>	<u>\$ (7,055,414)</u>	<u>\$ -</u>	<u>\$ 28,628,356</u>	<u>\$ 176,589,598</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, 2020

Net change in fund balances--total governmental funds		\$ (15,955,323)
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	50,513,152
	Subtract disposals	(7,683,775)
	Subtract depreciation expense	(48,013,341)
		(5,183,964)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.		5,320,684
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	(249,308,963)
	Add debt repayment	243,531,440
	Premium on bond sale	(7,591,059)
	Loss on defeasance of debt	20,551,397
	Gain on defeasance of debt	26,618
	Amortization of premiums, gains and losses	24,239,065
		31,448,498
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	(1,584,166)
	Retires life insurance	5,000
	Net OPEB Liability, Net of changes in deferred inflows and outflows	(3,835,186)
	Unpaid claims	(4,473,650)
	Prepaid debt service	75,566
	Landfill closure	(45,034)
	Net Pension Liability, Net of changes in deferred inflows and outflows	(24,937,703)
	Accrued interest payable	507,870
		(34,287,303)
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.		268,615
Adjustment for federal interest rate subsidy		(35,445)
Contribution to Storm Water Utility fund		(16,744,177)
Change in net position of governmental activities		<u>\$ (35,168,415)</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, 2020

	Business-Type Activities					Governmental Activities- Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	
ASSETS						
Current assets:						
Cash and short-term investments	\$ 77,220,620	\$ 24,536,223	\$ 32,356,259	\$ 12,604,140	\$ 146,717,242	\$ 14,847,934
Restricted short-term investments	-	504,280	-	-	504,280	-
Receivables, net						
Accounts	9,574,595	3,212,112	1,356,679	2,655,691	16,799,077	5,084,264
Unbilled accounts	5,340,884	1,609,461	739,896	1,133,841	8,824,082	-
Accrued investment income	113,387	212	239	66	113,904	-
Due from other funds	-	-	-	6,502,935	6,502,935	-
Inventories	2,980,858	24,030	-	9,226	3,014,114	-
Prepaid Expenses	104,836	-	-	-	104,836	-
Restricted cash and investments	26,048,420	-	6,698,240	500,923	33,247,583	-
Total current assets	<u>121,383,600</u>	<u>29,886,318</u>	<u>41,151,313</u>	<u>23,406,822</u>	<u>215,828,053</u>	<u>19,932,198</u>
Noncurrent assets:						
Capital assets:						
Non-depreciable capital assets	43,161,944	26,585,760	37,887,190	1,792,695	109,427,589	415,000
Depreciable capital assets	817,367,913	371,700,359	214,933,801	80,013,125	1,484,015,198	11,048,951
Accumulated depreciation	(284,043,239)	(107,952,686)	(98,093,919)	(28,253,328)	(518,343,172)	(8,613,642)
Capital assets, net	<u>576,486,618</u>	<u>290,333,433</u>	<u>154,727,072</u>	<u>53,552,492</u>	<u>1,075,099,615</u>	<u>2,850,309</u>
Total assets	<u>\$ 697,870,218</u>	<u>\$ 320,219,751</u>	<u>\$ 195,878,385</u>	<u>\$ 76,959,314</u>	<u>\$ 1,290,927,668</u>	<u>\$ 22,782,507</u>
Deferred outflows of resources						
Related to pensions	\$ 4,144,092	\$ 1,187,637	\$ 754,957	\$ 1,329,386	\$ 7,416,072	\$ 809,725
Related to OPEB	361,921	104,242	65,725	113,906	645,794	66,881
Loss on defeasance of bonds	11,639,998	4,390,824	16,762,046	1,692,240	34,485,108	-
Total deferred outflows	<u>\$ 16,146,011</u>	<u>\$ 5,682,703</u>	<u>\$ 17,582,728</u>	<u>\$ 3,135,532</u>	<u>\$ 42,546,974</u>	<u>\$ 876,606</u>
Total assets and deferred outflows of resources	<u>\$ 714,016,229</u>	<u>\$ 325,902,454</u>	<u>\$ 213,461,113</u>	<u>\$ 80,094,846</u>	<u>\$ 1,333,474,642</u>	<u>\$ 23,659,113</u>
LIABILITIES						
Current liabilities:						
Vouchers payable	\$ 6,886,507	\$ 1,802,530	\$ 507,988	\$ 605,576	\$ 9,802,601	\$ 1,122,809
Contract retainage	586,785	648,382	61,818	-	1,296,985	-
Accrued interest	2,444,912	822,808	1,217,984	172,892	4,658,596	-
Accrued payroll	349,467	102,830	51,595	114,582	618,474	65,596
Due to other funds	381,553	-	15,337,089	3,926,339	19,644,981	-
Unearned Revenue	-	-	-	-	-	10,105,813
Current portion of bonds payable	15,965,000	12,265,483	4,841,053	2,489,203	35,560,739	-
Notes Payable	-	-	3,000,000	-	3,000,000	-
Compensated absences	707,425	202,717	126,166	198,706	1,235,014	164,356
Other current liabilities	<u>2,739,135</u>	<u>247,960</u>	<u>1,299,234</u>	<u>318</u>	<u>4,286,647</u>	<u>6,552,869</u>
Total current liabilities	<u>30,060,784</u>	<u>16,092,710</u>	<u>26,442,927</u>	<u>7,507,616</u>	<u>80,104,037</u>	<u>18,011,443</u>
Noncurrent liabilities:						
General obligation bonds payable	-	75,104,090	146,717,065	30,968,170	252,789,325	-
Revenue bonds payable	321,493,169	79,839,092	-	-	401,332,261	-
Net pension liability	18,210,252	4,971,335	3,485,265	6,282,008	32,948,860	3,388,330
Net OPEB liability	2,135,740	583,063	408,754	736,772	3,864,329	397,382
Compensated absences	<u>406,929</u>	<u>146,365</u>	<u>84,111</u>	<u>175,719</u>	<u>813,124</u>	<u>117,225</u>
Total noncurrent liabilities	<u>342,246,090</u>	<u>160,643,945</u>	<u>150,695,195</u>	<u>38,162,669</u>	<u>691,747,899</u>	<u>3,902,937</u>
Total liabilities	<u>\$ 372,306,874</u>	<u>\$ 176,736,655</u>	<u>\$ 177,138,122</u>	<u>\$ 45,670,285</u>	<u>\$ 771,851,936</u>	<u>\$ 21,914,380</u>
Deferred inflows of resources						
Related to Pensions	\$ 1,132,830	\$ 593,883	\$ 252,811	\$ 337,434	\$ 2,316,958	\$ 159,443
Related to OPEB	419,544	153,703	77,130	133,894	784,271	78,489
Gain on bonds refunding	-	11,081	513,944	150,274	675,299	-
Total deferred inflows of resources	<u>\$ 1,552,374</u>	<u>\$ 758,667</u>	<u>\$ 843,885</u>	<u>\$ 621,602</u>	<u>\$ 3,776,528</u>	<u>\$ 237,932</u>
Total liabilities and deferred inflows of resources	<u>\$ 373,859,248</u>	<u>\$ 177,495,322</u>	<u>\$ 177,982,007</u>	<u>\$ 46,291,887</u>	<u>\$ 775,628,464</u>	<u>\$ 22,152,312</u>
NET POSITION						
Net investment in capital assets	\$ 244,423,643	\$ 125,130,632	\$ 16,417,056	\$ 20,177,382	\$ 406,148,713	\$ 2,850,309
Restricted for:						
Other purposes:						
Water Utility fund operations	26,048,420	-	-	-	26,048,420	-
Wastewater Utility fund operations	-	500,651	-	-	500,651	-
Parking Facilities fund operations	-	-	3,397,100	-	3,397,100	-
Unrestricted	<u>69,684,918</u>	<u>22,775,849</u>	<u>15,664,950</u>	<u>13,625,577</u>	<u>121,751,294</u>	<u>(1,343,508)</u>
Total net position	<u>\$ 340,156,981</u>	<u>\$ 148,407,132</u>	<u>\$ 35,479,106</u>	<u>\$ 33,802,959</u>	<u>\$ 557,846,178</u>	<u>\$ 1,506,801</u>
Total liabilities and net position	<u>\$ 714,016,229</u>	<u>\$ 325,902,454</u>	<u>\$ 213,461,113</u>	<u>\$ 80,094,846</u>	<u>\$ 1,333,474,642</u>	<u>\$ 23,659,113</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, 2020

	Business-Type Activities					Governmental
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Activities - Internal Service Funds
Operating revenues:						
Charges for services	\$ 91,376,988	\$ 31,705,215	\$ 19,952,910	\$ 21,665,560	\$ 164,700,673	\$ 90,888,792
Miscellaneous	2,683,906	112,000	-	85,188	2,881,094	27,892
Total operating revenues	94,060,894	31,817,215	19,952,910	21,750,748	167,581,767	90,916,684
Operating expenses:						
Personal services	15,564,135	4,727,022	7,184,100	6,046,001	33,521,258	2,878,492
Healthcare costs	-	-	-	-	-	79,600,990
Cost of goods sold	-	-	-	-	-	2,771,944
Plant operations	5,874,412	2,145,609	1,639,897	1,870,189	11,530,107	4,168,821
Chemicals	2,615,435	14,973	4,386	571	2,635,365	-
Depreciation and amortization	15,529,670	7,087,719	6,611,102	1,572,634	30,801,125	257,848
Retirement and OPEB expense	4,068,664	1,044,235	779,904	629,243	6,522,046	769,933
Administrative expenses	1,912,330	1,433,264	450,187	595,447	4,391,228	-
Other	9,906,499	2,737,836	2,715,514	1,679,441	17,039,290	200,041
Total operating expenses	55,471,145	19,190,658	19,385,090	12,393,526	106,440,419	90,648,069
Operating income (loss), net	38,589,749	12,626,557	567,820	9,357,222	61,141,348	268,615
Nonoperating revenues (expenses):						
Interest income	2,691,027	279,939	412,223	-	3,383,189	-
Intergovernmental revenue	-	125,644	-	-	125,644	-
Interest expense and fiscal charges, net of capitalized interest	(10,079,759)	(1,907,299)	(4,055,616)	(845,687)	(16,888,361)	-
Gain (loss) on sale or disposal of capital assets	16,920	15,574	(1,409,127)	-	(1,376,633)	-
Gain (loss) on investments	-	-	-	45,326	45,326	-
Miscellaneous revenue (expense)	(1,026)	-	16,528	2,876	18,378	-
Total nonoperating revenues (expenses)	(7,372,838)	(1,486,142)	(5,035,992)	(797,485)	(14,692,457)	-
Net income (loss) before contributions and transfers	31,216,911	11,140,415	(4,468,172)	8,559,737	46,448,891	268,615
Capital contribution	202,692	-	-	26,501,897	26,704,589	-
Transfers out	(8,500,000)	(1,500,000)	-	(1,258,675)	(11,258,675)	-
Changes in net position	22,919,603	9,640,415	(4,468,172)	33,802,959	61,894,805	268,615
Total net position - beginning	317,237,378	138,766,717	39,947,278	-	495,951,373	1,238,186
Total net position - ending	\$ 340,156,981	\$ 148,407,132	\$ 35,479,106	\$ 33,802,959	\$ 557,846,178	\$ 1,506,801

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, 2020

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 93,861,034	\$ 31,649,247	\$ 19,887,281	\$ 21,008,278	\$ 166,405,840	\$ 92,834,127
Payments to suppliers	(8,906,677)	(2,588,286)	(1,489,024)	(3,654,368)	(16,638,355)	(3,131,485)
Payments to employees	(17,683,762)	(5,350,724)	(6,626,735)	(5,995,602)	(35,656,823)	(88,285,451)
Other payments	(9,597,487)	(4,803,169)	(3,787,326)	(735,600)	(18,923,582)	(200,041)
Net cash and short-term investments provided by (used in) operating activities	57,673,108	18,907,068	7,984,196	10,622,708	95,187,080	1,217,150
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Internal activity	(15,574)	-	(6,073,500)	1,441,125	(4,647,949)	-
Intergovernmental revenues	-	125,644	-	-	125,644	-
Operating subsidies and transfers to other funds	(8,500,000)	(1,500,000)	-	(1,258,675)	(11,258,675)	-
Net cash provided by (used in) noncapital financing activities	(8,515,574)	(1,374,356)	(6,073,500)	182,450	(15,780,980)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from issuance of debt	-	32,807,927	76,682,423	8,746,708	118,237,058	-
Capital contributions	202,692	-	-	2,604,724	2,807,416	-
Purchases of capital assets	(18,949,731)	(17,620,978)	(1,628,221)	(2,054,896)	(40,253,826)	(526)
Proceeds from sale of capital assets	16,920	15,574	8,496,000	2,876	8,531,370	-
Proceeds from refunding debt	-	(16,497,757)	(59,805,493)	(3,717,462)	(80,020,712)	-
Principal paid on capital debt	(13,830,000)	(11,883,952)	(4,543,127)	(2,356,203)	(32,613,282)	-
Interest paid on capital debt	(15,237,330)	(4,457,375)	(15,839,395)	(972,719)	(36,506,819)	-
Net cash provided by (used in) capital and related financing activities	(47,797,449)	(17,636,561)	3,362,187	2,253,027	(59,818,796)	(526)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of investments	32,518,482	26,468,398	(174,002)	-	58,812,878	-
Purchase of investments	(33,346,345)	(25,622,439)	(111,884)	(500,923)	(59,581,591)	-
Interest and dividends	2,734,346	297,253	432,106	46,878	3,510,583	-
Net cash provided by (used in) investing activities	1,906,483	1,143,212	146,220	(454,045)	2,741,870	-
Net increase (decrease) in cash and short-term investments	3,266,568	1,039,363	5,419,103	12,604,140	22,329,174	1,216,624
Cash and short-term investments - beginning of the year	73,954,052	23,496,860	26,937,128	-	124,388,040	13,631,310
Cash and short-term investments - end of the year	77,220,620	24,536,223	32,356,231	12,604,140	146,717,214	14,847,934
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:						
Operating income (loss)	\$ 38,589,749	\$ 12,626,557	\$ 567,820	\$ 9,357,222	\$ 61,141,348	\$ 268,615
Adjustments to reconcile operating income (loss) to net cash and short-term investments provided by (used in) operating activities:						
Depreciation expense and amortization	15,529,670	7,087,719	6,611,102	1,572,634	30,801,125	257,848
Effect of changes in assets, deferred outflows and liabilities, deferred inflows:						
Receivables, net	(199,862)	(167,967)	(65,629)	(742,471)	(1,175,929)	(1,050,606)
Inventories	146,587	4,649	-	(9,226)	142,010	-
Prepays	-	-	-	-	-	-
Vouchers payable	(525,068)	(432,354)	155,260	(198,026)	(1,000,188)	(1,596,154)
Accrued payroll	122,895	28,139	30,385	13,332	194,751	26,226
Net pension liability	1,607,266	339,827	516,068	17,923	2,481,084	343,172
OPEB liability	218,876	52,567	10,912	(795)	281,560	-
Other liabilities	2,182,995	(632,069)	158,278	612,115	2,321,319	2,968,049
Net cash and short-term investments provided by (used in) operating activities	57,673,108	18,907,068	7,984,196	10,622,708	95,187,080	1,217,150
Noncash investing, capital and financing activities:						
Unrealized gain / (loss) on investments	\$ (1,026)	\$ -	\$ -	\$ -	\$ (1,026)	\$ -
Capital contribution	\$ -	\$ -	\$ -	\$ 23,897,173	\$ 23,897,173	\$ -
Acquisition of capital assets through change in contract retainage	\$ 224,537	\$ 71,398	\$ 30,923	\$ -	\$ 326,858	\$ -
Acquisition of capital assets through vouchers payable	\$ 2,527,002	\$ (290,307)	\$ -	\$ (1,660,592)	\$ 576,103	\$ -
Capitalized interest, less interest earned on certain long-term construction contracts	\$ 522,944	\$ 269,435	\$ -	\$ -	\$ 792,379	\$ -
Deferred inflow of resources	\$ 975,184	\$ 480,963	\$ 252,811	\$ 301,574	\$ 2,010,532	\$ 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, 2020

Exhibit C-1

	Pension Trust Fund Employees' Retirement System	Agency Funds
ASSETS		
Cash and short-term investments	\$ 5,972,000	\$ 8,925,796
Investments, fair value:		
United States Treasury securities	74,137,000	-
Fixed income securities	117,708,000	-
Equity securities	51,945,000	-
Future/options/swaps	(160,000)	-
Balanced commingled funds:		
Equity	586,648,000	-
Fixed income	189,329,000	-
Real estate	81,445,000	-
Total investments	<u>1,101,052,000</u>	<u>-</u>
Receivables:		
Accounts, net of allowance for uncollectible accounts	2,000	-
Accrued investment income	936,000	-
Due from broker for securities sold	72,635,000	-
Other	-	108,516
Total assets	<u>\$ 1,180,597,000</u>	<u>\$ 9,034,312</u>
LIABILITIES		
Vouchers payable	\$ 2,294,000	\$ 391,521
Due to brokers for securities purchased	134,223,000	-
Due to governmental funds	-	-
Other liabilities	(10,000)	8,642,791
Total liabilities	<u>\$ 136,507,000</u>	<u>\$ 9,034,312</u>
NET POSITION		
Net position restricted for pensions	<u>\$ 1,044,090,000</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, 2020

Exhibit C-2

Changes to net position attributed to:

Additions:

Investment income:

Net appreciation in fair value of investments	\$ (4,773,000)
Interest	4,311,000
Dividends	6,455,000
Other	1,919,000
	<u>7,912,000</u>
Less investment expense	<u>(2,176,000)</u>
Net investment income	5,736,000

Employer contributions	38,494,000
Employee contributions	9,838,000
Purchase of service	372,000
Total Additions	<u>54,440,000</u>

Deductions:

Benefit payments and expenses:

Refunds of contributions	920,000.00
Benefits paid to plan members and beneficiaries	93,078,000
Administrative costs	600,000
Total Deductions	<u>94,598,000</u>

Net decrease (40,158,000)

Net position restricted for pensions:

Net position - beginning	<u>1,084,248,000</u>
Net Position - end	<u>\$ 1,044,090,000</u>

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

CITY OF NORFOLK, VIRGINIA
Statement of Net Position - Component Units
June 30, 2020

Exhibit D-1

	Norfolk Public Schools	Norfolk Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 46,355,975	\$ 19,351,367	\$ 65,707,342
Accounts receivable, net of allowance for uncollectible accounts	8,502,158	5,566	8,507,724
Notes receivable	-	552,873	552,873
Due from primary government	5,160,864	-	5,160,864
Due from other governments	31,772,093	-	31,772,093
Inventories	2,184,644	-	2,184,644
Property held for sale	-	832,952	832,952
Restricted cash	-	1,570,968	1,570,968
Investments	-	2,166,438	2,166,438
Deferred rent receivable	-	-	-
Non-depreciable capital assets	487,500	8,420,283	8,907,783
Depreciable capital assets, net	10,730,340	11,472,465	22,202,805
Total assets	105,193,574	44,372,912	149,566,486
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	61,467,337	-	61,467,337
Deferred outflows related to OPEB	13,869,227	-	13,869,227
Total assets and deferred outflows	\$ 180,530,138	\$ 44,372,912	\$ 224,903,050
LIABILITIES			
Vouchers payable	\$ 11,779,365	\$ 626,631	\$ 12,405,996
Contract retainage	118,716	-	118,716
Accrued payroll	33,488,389	-	33,488,389
Unearned revenues	247,419	-	247,419
Due to primary government	1,262,173	-	1,262,173
Revolving loan program	-	602,724	602,724
Due to other government agencies	6,880,221	-	6,880,221
Other payable	686,160	319,367	1,005,527
Current portion of long-term liabilities	8,311,493	16,001,739	24,313,232
Long-term notes payable	-	15,330,000	15,330,000
Net pension liability	297,859,309	-	297,859,309
Other post-employment benefits liability	92,361,309	-	92,361,309
Other long-term liabilities	5,457,057	-	5,457,057
Total liabilities	\$ 458,451,611	\$ 32,880,461	\$ 491,332,072
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	46,755,936	-	46,755,936
Deferred inflows related to OPEB	17,705,987	-	17,705,987
Total liabilities and deferred inflows	\$ 522,913,534	\$ 32,880,461	\$ 555,793,995
NET POSITION			
Net investment in capital assets	\$ 11,217,840	\$ 2,281,009	\$ 13,498,849
Restricted for:			
Capital projects	664,537	-	664,537
Child nutrition	7,023,614	-	7,023,614
Other programs	-	-	-
Unrestricted	(361,289,387)	9,211,442	(352,077,945)
Total net position (deficit)	\$ (342,383,396)	\$ 11,492,451	\$ (330,890,945)

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

CITY OF NORFOLK, VIRGINIA

Exhibit D-2

**Statement of Activities - Component Units
For the Year Ending June 30, 2020**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grant Contributions	Capital Grant Contributions	Norfolk Public Schools	Norfolk Economic Development Authority	Totals
Norfolk Public Schools:							
Instructional	\$ 266,404,062	\$ 1,928,625	\$ 200,589,504	\$ -	\$ (63,885,933)	\$ -	\$ (63,885,933)
Administration, attendance and health	19,504,224	-	-	-	(19,504,224)	-	(19,504,224)
Pupil transportation	12,234,221	-	-	-	(12,234,221)	-	(12,234,221)
Operation and maintenance	37,333,387	-	-	-	(37,333,387)	-	(37,333,387)
Information technology	12,273,504	-	-	-	(12,273,504)	-	(12,273,504)
School facilities	2,822,738	-	-	1,489,275	(1,333,463)	-	(1,333,463)
Food services	17,138,597	733,545	13,889,485	-	(2,515,567)	-	(2,515,567)
Community services	-	-	-	-	-	-	-
Total Norfolk Public Schools	367,710,733	2,662,170	214,478,989	1,489,275	(149,080,299)	-	(149,080,299)
Norfolk Economic Development Authority:							
Economic development	4,563,685	469,894	-	-	-	(4,093,791)	(4,093,791)
Interest expense	534,316	-	-	-	-	(534,316)	(534,316)
Total Norfolk Economic Development Authority	5,098,001	469,894	-	-	-	(4,628,107)	(4,628,107)
Total component units	\$ 372,808,734	\$ 3,132,064	\$ 214,478,989	\$ 1,489,275	\$ (149,080,299)	\$ (4,628,107)	\$ (153,708,406)
General revenues:							
Use of money and property					857,754	1,412,090	2,269,844
Payment from Primary Government					124,710,671	2,106,467	126,817,138
Miscellaneous					2,074,135	-	2,074,135
Gain on Investment					-	752,066	752,066
Intergovernmental revenue - Commonwealth of Virginia					35,156,686	-	35,156,686
Total general revenues					162,799,246	4,270,623	167,069,869
Changes in net position					13,718,947	(357,484)	13,361,463
Net position - beginning, restated					(356,102,343)	11,849,935	(344,252,408)
Net position - ending					\$ (342,383,396)	\$ 11,492,451	\$ (330,890,945)

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS





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CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

A. Financial Reporting Entity Information

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

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

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

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

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

Additionally, the City reports the following other fund types:

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

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- *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 fund financial statements do not have a measurement focus, but utilize the accrual basis of accounting. 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)

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property taxes due and collected within 45 days after June 30 are recognized as revenue; those not collected within 45 days after year-end are reported as deferred inflows. Items such as license fees, permit fees and fines are recorded as revenue when received. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific expenditures expected to be funded by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

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

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

D. Budgets and Budgetary Accounting

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

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

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

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

A reconciliation of revenues and expenditures reported in accordance with U.S. generally accepted accounting principles (GAAP) and those presented in accordance

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with non-GAAP budgetary basis, for the General fund, can be found following Exhibit E-2. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with U.S. GAAP.

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

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

E. Deposits and Investments

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

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

The City has 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, 2020, were rated by Standard and Poor's and the ratings are presented in Note II. The Pension Trust fund is authorized to invest in common stocks and other investments as directed by statutes of the Commonwealth.

Investments, except for external investment pools and real estate that are reported at amortized cost or net asset value, are reported at fair value as established by generally accepted accounting principles. Fair value is the price that would be received to sell

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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.

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

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

F. Restricted Assets

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

G. Interfund Transactions

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

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

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

H. Inventories

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

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I. Capital Assets

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

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

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

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

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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 is a result of timing and will correct itself when permanent financing is put in place for all capital project expenditures incurred to date.

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 represent an acquisition of net position which will be recognized as revenue in a future period. They arise in governmental funds when potential revenue does not meet the “measurable” and

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“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 which will be recognized as expense 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 in governmental and business-type activities.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and the additions and deductions there to, of each of the plans that the City and its component units participate in, which include the Virginia Retirement System (VRS) City of Norfolk Constitutional Offices, the VRS Teacher Retirement Plan, the VRS Political Subdivision Retirement Plan and the City of Norfolk Employees’ Retirement System Plan (ERS) have been determined on the same basis as they were reported by each respective plan. Except for deferred outflows related to employer contributions made after the measurement date, deferred inflows and outflows are amortized over a closed five-year period or the average remaining service life of the effected employees. Deferred outflows of resources related to employer contributions made after the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The allocation of proportionate shares of the ERS net pension liability and other pension amounts to participating funds is based on employer contributions. The City’s expense reported for the fiscal year ended June 30, 2020 for ERS and VRS was \$69,430,065.

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

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of Net Position and respective fund balance sheets as cash and short-term investments. The cash and investments of the Pension Trust and Endowed Care funds, as well as certain restricted assets of the enterprise funds, are held separately from the pooled City funds.

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

Custodial Credit Risk - Investments

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

The City's equity and fixed income investments (except for bank deposits) are not insured and are registered in the name of the City and held by State Street Bank as custodian. The remaining City investments are held by the City or in the City's name by the City's custodial banks. The policy for the Pension Trust fund (System) 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.

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Interest Rate Risk

The City's Pension Trust fund uses a "Duration" policy to manage its interest rate risk. The duration policy is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

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, 2020.

Primary Government and Fiduciary Funds

Investment Type	Total Investments	Investment Maturities					N/A
		Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +	
Corporate Bonds	\$ 49,079,569	\$ 1,612,000	\$ 15,353,956	\$ 20,070,613	\$ 7,533,000	\$ 4,510,000	\$ -
Futures/Options/Swaps	(160,000)	1,012,000	(1,179,000)	(412,000)	(17,000)	436,000	-
Asset Backed Securities	2,524,000	-	205,000	443,000	255,000	1,621,000	-
Bank Loans	11,000	-	11,000	-	-	-	-
U.S. Government Securities	94,991,761	2,812,000	16,786,756	33,274,005	12,296,000	29,823,000	-
Mortgage Backed Securities	68,423,000	-	1,191,000	604,000	85,000	66,543,000	-
Equity Funds	586,648,000	-	-	-	-	-	586,648,000
Common Stock	19,243,000	-	-	-	-	-	19,243,000
Master Limited Partnerships	65,924,000	-	-	-	-	-	65,924,000
Municipal Bonds	4,893,537	473,682	1,346,380	313,475	-	2,760,000	-
Commercial Paper	8,066,043	8,066,043	-	-	-	-	-
Certificates of Deposit	7,798,400	6,948,346	850,054	-	-	-	-
Federal Agencies	14,448,042	2,583,412	11,864,630	-	-	-	-
Fixed Income Funds	189,329,000	-	-	-	-	-	189,329,000
Domestic Equity Funds	1,490,000	-	-	-	-	-	1,490,000
Real Estate Funds	46,734,000	-	-	-	-	-	46,734,000
External investment pools	231,441,906	231,441,906	-	-	-	-	-
Total	\$ 1,390,885,258	\$ 254,949,389	\$ 46,429,776	\$ 54,293,093	\$ 20,152,000	\$ 105,693,000	\$ 909,368,000

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	\$ 387,181,756
Restricted cash and investments	34,366,201
Total	<u>\$ 421,547,957</u>

Per Exhibit C-1 (Fiduciary):

Cash and short-term investments	\$ 14,897,796
Investments	1,101,052,000
Total	<u>\$ 1,115,949,796</u>

Total Primary Government and Fiduciary funds \$ 1,537,497,753

Less cash 146,612,495

Deposits and investments reported above \$ 1,390,885,258

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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 \$7,840,061 were held at June 30, 2020. 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, 2020, were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P credit quality rating scale.

Ratings (S&P)	Corporate Debt	Futures/ Options/ Swaps	Asset Backed Securities	Bank Loans	Federal Agency	Equity Funds	U.S. Government Securities	Mortgage Backed Securities	Commercial Paper	Certificates of Deposit	Common Stock	Master Limited Partnerships	Municipal Bonds	Fixed Income/ Equity Real Estate Funds	External Investment Pools
AAA	\$ 154,786	\$ -	\$ 1,399,000	\$ 11,000	\$ -	\$ -	\$ -	\$ 2,426,000	\$ -	\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ -
AAAm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	231,441,906
AA+	1,459,797	-	884,000	-	14,448,042	-	88,872,761	65,678,000	-	-	-	-	313,475	-	-
AA	2,532,334	-	-	-	-	-	219,000	-	-	-	-	-	1,157,617	-	-
AA-	1,079,520	-	-	-	-	-	-	-	-	850,055	-	-	927,445	-	-
AAm-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A+	440,132	-	-	-	-	-	2,671,000	-	-	-	-	-	-	-	-
A	-	-	-	-	-	-	-	2,000	-	-	-	-	830,000	-	-
A-	8,105,000	-	-	-	-	-	1,078,000	4,000	8,066,043	6,948,345	-	-	1,365,000	-	-
BBB+	9,626,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BBB	10,435,000	-	7,000	-	-	-	-	8,000	-	-	-	-	-	-	-
BBB-	9,259,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BB+	1,553,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BB	541,000	-	-	-	-	-	-	8,000	-	-	-	-	-	-	-
BB-	207,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B+ and Below	1,712,000	-	234,000	-	-	-	-	297,000	-	-	-	-	-	-	-
Not Rated	1,975,000	(160,000)	-	-	-	586,648,000	2,151,000	-	-	-	20,733,000	65,924,000	-	236,063,000	-
Total	\$ 49,079,569	\$ (160,000)	\$ 2,524,000	\$ 11,000	\$ 14,448,042	\$ 586,648,000	\$ 94,991,761	\$ 68,423,000	\$ 8,066,043	\$ 7,798,400	\$ 20,733,000	\$ 65,924,000	\$ 4,893,537	\$ 236,063,000	\$ 231,441,906

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, 2020:

SSGA MSCI ACWI IMI Index Fund	\$ 586,648,000
SSGA Bond Market Index Fund	\$ 158,733,000

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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:

Currency	Amount
New Zealand Dollar	\$ 19,000
Australian Dollar	12,000
Canadian Dollar	27,000
Euro Currency	1,885,000
Mexican Peso	376,000
Pound Sterling	331,000
	<u>\$ 2,650,000</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 prioritize the inputs to valuation techniques used to measure fair value. GAAP requires that investments be measured and reported at fair value and the disclosure of inputs used in the valuation process. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance established three levels of the fair value hierarchy as follows:

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

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

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

Portfolio investments are assigned a level based upon the observability of the inputs 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, 2020.

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Investments Measured at Fair Value			
Cash Equivalents			
Short-Term	\$ 2,308,000	\$ -	\$ 2,308,000
Short-Term Fund	3,099,000	-	3,099,000
	<u>\$ 5,407,000</u>	<u>\$ -</u>	<u>\$ 5,407,000</u>
Fixed Income Securities			
U.S. Treasury Securities	\$ 94,991,761	\$ -	\$ 94,991,761
Corporate Bonds	49,079,569	-	49,079,569
Futures/Options/Swaps	(160,000)	35,000	(195,000)
Commercial Paper	8,066,043	-	8,066,043
Certificates of Deposit	7,798,400	-	7,798,400
Municipals	4,893,537	-	4,893,537
Asset Backed Securities	2,524,000	-	2,524,000
Bank Loans	11,000	-	11,000
Mortgage Backed Securities	68,423,000	-	68,423,000
Federal Agency	14,448,042	-	14,448,042
Total Fixed Income Securities	<u>\$ 250,075,352</u>	<u>\$ 35,000</u>	<u>\$ 250,040,352</u>
Equity Securities			
Common Stock	\$ 19,243,000	\$ 19,243,000	\$ -
Master Limited Partnerships	65,924,000	65,924,000	-
Domestic Equity Funds	1,490,000	1,490,000	-
Total Equity Securities	<u>\$ 86,657,000</u>	<u>\$ 86,657,000</u>	<u>\$ -</u>
Commingled Securities			
Fixed Income Fund	\$ 30,596,000	\$ -	\$ 30,596,000
Total Commingled Securities	<u>\$ 30,596,000</u>	<u>\$ -</u>	<u>\$ 30,596,000</u>
Total Investments by Fair Value Level	<u>\$ 372,735,352</u>	<u>\$ 86,692,000</u>	<u>\$ 286,043,352</u>
Investments Measured at the Net Asset Value (NAV)			
Commingled Funds			
Equity Funds	\$ 586,648,000		
Fixed Income Funds	158,733,000		
Real Estate Funds	46,734,000		
Total Investments Measured at NAV	<u>792,115,000</u>		
Investments Measured at Amortized Costs			
External Investment Pools	231,441,906		
Less Cash Equivalents	<u>(5,407,000)</u>		
Total Investments	<u><u>\$ 1,390,885,258</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 GASB No. 79, *Certain External Investment Pools and Pool Participants*. The City held \$173,782,438 in LGIP funds, \$42,070,708 in SNAP funds, and \$13,160,555 in PFM funds at June 30, 2020.

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 that 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, 2020, the School Board had cash of approximately \$59,300,000, including \$12,980,000 held in agency funds which are excluded from amounts reported in Exhibit D-1.

Economic Development Authority (EDA)

Cash includes cash on hand and cash deposited with financial institutions. At June 30, 2020, there was \$20,922,335 in cash and cash equivalents (\$1,570,968 which is considered restricted), including \$1,663,270 held in the LGIP, which is carried at amortized cost because it qualifies as an external investment pool under GASB 79, *Certain External Investment Pools and Pool Participants*.

The Authority considers all funds with an original maturity of greater than three months, but less than on year, to be short-term investments. At June 30, 2020, the Authority held a certificate of deposit yielding 1.49% in the amount of \$2,166,438, 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, 2020, 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, \$0.25 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:

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

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

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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, 2020:

Water Utility fund	\$ 5,340,884
Wastewater Utility fund	1,609,461
Parking Facilities fund	739,896
Storm Water Utility fund	1,133,841
	<u>\$ 8,824,082</u>

The associated revenue is included in charges for services. All amounts were billed in July 2020.

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, 2020, are as follows:

Primary Government:

General Fund:

Taxes	\$ 8,985,275
Accounts	17,788,340
Community Services Board	640,338
Total General Fund	<u>27,413,953</u>

Waste Management special revenue fund	1,185,400
Water Utility fund	2,095,000
Wastewater Utility fund	1,000,000
Parking Facilities fund	20,163,627
Storm Water Utility fund	497,116
Total Primary Government	<u>\$ 52,355,096</u>

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V. Due From Other Governments

Amounts due from other governments, at June 30, 2020, are as follows:

	General Fund	Capital Projects Fund	Special Revenue Funds	Total Governmental Funds	Component Unit School Board
Commonwealth of Virginia:					
Non-categorical aid	\$ 22,506,671	\$ -	\$ -	\$ 22,506,671	\$ 18,094,154
Nonmajor governmental funds grants	-	-	2,426,701	2,426,701	-
Total - Commonwealth of Virginia	22,506,671	-	2,426,701	24,933,372	18,094,154
Federal Government:					
Major governmental funds	-	-	-	-	13,677,939
Nonmajor governmental funds grants	-	-	16,374,546	16,374,546	-
Total - Federal Government	-	-	16,374,546	16,374,546	13,677,939
Total - Due from other governments	\$ 22,506,671	\$ -	\$ 18,801,247	\$ 41,307,918	\$ 31,772,093

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VI. Capital Assets

A summary of changes in capital assets, at June 30, 2020, follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 104,795,532	\$ 4,016,294	\$ (975,556)	\$ 107,836,270
Intangible assets	65,014	32,000	-	97,014
Construction in progress	87,840,303	34,271,971	(58,121,768)	63,990,506
Total non-depreciable assets	192,700,849	38,320,265	(59,097,324)	171,923,790
Depreciable assets:				
Buildings	1,140,780,407	34,085,224	(9,384,159)	1,165,481,472
Improvements other than buildings	130,522,108	7,246,513	(677,684)	137,090,937
Equipment and vehicles	157,647,443	8,341,323	(14,664,658)	151,324,108
Intangible assets	4,937,683	463,098	-	5,400,781
Infrastructure	1,239,869,182	7,009,974	(69,777,255)	1,177,101,901
Total depreciable assets	2,673,756,823	57,146,132	(94,503,756)	2,636,399,199
Less accumulated depreciation/amortization:				
Buildings Depreciation	(453,458,637)	(25,246,811)	14,442,252	(464,263,196)
Improvements other than buildings Depreciation	(46,739,770)	(6,699,308)	452,420	(52,986,658)
Equipment and vehicles Depreciation	(116,177,304)	(7,931,138)	13,506,133	(110,602,309)
Intangible assets depreciation	(4,553,144)	(206,016)	-	(4,759,160)
Infrastructure depreciation	(1,033,478,609)	(8,187,916)	21,154,141	(1,020,512,384)
Total accumulated depreciation/amortization	(1,654,407,464)	(48,271,189)	49,554,946	(1,653,123,707)
Depreciable assets, net	1,019,349,359	8,874,943	(44,948,810)	983,275,492
Total governmental activities capital assets, net	\$ 1,212,050,208	\$ 47,195,208	\$ (104,046,134)	\$ 1,155,199,282
Business-Type activities:				
Non-depreciable capital assets:				
Land	\$ 52,123,178	\$ 175,123	\$ -	\$ 52,298,301
Intangible assets	4,616,045	-	-	4,616,045
Construction in progress	38,158,785	45,213,989	(30,859,531)	52,513,243
Total non-depreciable assets	94,898,008	45,389,112	(30,859,531)	109,427,589
Depreciable assets:				
Land improvements	20,787,445	54,233,550	-	75,020,995
Buildings	507,294,317	10,458,327	(17,806,241)	499,946,403
Equipment and vehicles	858,210,431	43,148,558	(382,728)	900,976,261
Intangible assets amortizable	7,762,794	308,746	-	8,071,540
Totals depreciable assets	1,394,054,987	108,149,181	(18,188,969)	1,484,015,199
Less accumulated depreciation/amortization:				
Land improvements depreciation	(6,544,935)	(16,705,702)	-	(23,250,637)
Buildings depreciation	(164,061,467)	(13,286,393)	7,908,329	(169,439,531)
Equipment and vehicles depreciation	(291,526,043)	(27,316,316)	359,655	(318,482,704)
Intangible assets amortization	(6,893,932)	(276,368)	-	(7,170,300)
Total accumulated depreciation/amortization*	(469,026,377)	(57,584,779)	8,267,984	(518,343,172)
Depreciable assets, net	925,028,610	50,564,402	(9,920,985)	965,672,027
Business-Type activities capital assets, net	\$ 1,019,926,618	\$ 95,953,514	\$ (40,780,516)	\$ 1,075,099,616
Component units activities:				
Non-depreciable capital assets:				
Land	\$ 2,402,823	\$ 7,979,601	\$ (1,474,641)	\$ 8,907,783
Total non-depreciable assets	2,402,823	7,979,601	(1,474,641)	8,907,783
Depreciable assets:				
Buildings and mobile classrooms	7,785,898	30,000	(1,414,157)	6,401,741
Building improvements	18,143,421	10,107,693	(17,666,338)	10,584,776
Equipment and vehicles	37,628,084	841,181	(805,132)	37,664,133
Intangible assets	1,323,387	-	-	1,323,387
Total depreciable assets	64,880,790	10,978,874	(19,885,627)	55,974,037
Less accumulated depreciation:				
Buildings and mobile classrooms	(6,084,683)	(250,562)	1,383,153	(4,952,092)
Building improvements	(1,628,367)	(1,007,800)	2,566,308	(69,859)
Equipment and vehicles	(26,415,596)	(1,799,158)	788,859	(27,425,895)
Intangible assets	(1,311,999)	(11,387)	-	(1,323,386)
Total accumulated depreciation	(35,440,645)	(3,068,907)	4,738,320	(33,771,232)
Depreciable assets, net	29,440,145	7,909,967	(15,147,307)	22,202,805
Component units activities capital assets, net	\$ 31,842,968	\$ 15,889,568	\$ (16,621,948)	\$ 31,110,588

*Additions in fiscal year 2020 includes depreciation expense for business-type activities of \$30,801,124 and Storm Water Utility fund's beginning accumulated depreciation amount of \$26,783,655.

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

General government	\$ 16,155,528
Judicial administration	1,006,712
Public safety	3,121,440
Public works, which includes the depreciation of infrastructure assets	10,988,613
Health and sanitation	207,295
Culture and recreation	16,520,191
Community development	13,563
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	257,848
Total depreciation expense	<u>\$ 48,271,189</u>
Business-type activities:	
Water Utility fund	\$ 15,529,670
Wastewater Utility fund	7,087,719
Parking Facilities fund	6,611,102
Storm Water Utility fund	1,572,633
Total depreciation expense	<u>\$ 30,801,124</u>
Component unit activities	
School Board	\$ 2,061,107
Norfolk Economic Development Authority	1,007,800
Total depreciation expense	<u>\$ 3,068,907</u>

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2020:

	Expense	Revenue	Capitalized
Water Utility fund	\$ 715,899	\$ (192,955)	\$ 522,944
Wastewater Utility fund	273,316	(3,881)	269,435
	<u>\$ 989,215</u>	<u>\$ (196,836)</u>	<u>\$ 792,379</u>

VII. Property Held for Resale

The Authority entered into a real estate purchase agreement on August 28, 2014, to sell approximately 30 acres of the remaining Lake Wright Golf Course property to Northampton Development, LLC. 4.41 acres of Lake Wright Golf Course property was retained by the Authority and is held for resale recorded at \$602,952 that represents the cost basis of 4.41 acres at approximately \$136,724 per acre.

In addition, land and land improvements held for resale also includes two acres located at 7405 Sewells Point Road that are recorded at approximately \$115,000 per acre totaling \$230,000.

CITY OF NORFOLK, VIRGINIA
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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, 2020, \$23,730,000 remains outstanding and included in the City's long-term debt. The Series 2007 Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest.

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

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

In 2019, the existing liquidity facility was due to expire, and the City entered into a Standby Bond Purchase Agreement dated as of March 1, 2019 (the "Liquidity Facility") among the City, the Trustee and Bank of America, N.A. (the "Bank"). The annual Liquidity Facility fee is 38 basis points (0.38%) for a five-year term. Additionally, the Bank also serves as the Remarketing Agent for the 2007 bonds for a fee of 8 basis points (0.08%). During the fiscal year ended June 30, 2020, the average weekly interest rate on the Series 2007 Bonds was 116 basis points (1.16%).

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, 2020, all the Series 2007 Bonds have been successfully remarketed by the remarketing agent.

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B. Line of Credit

On December 17, 2014, the City established a revolving line of credit agreement with Bank of America, N.A. ("BANA") for up to \$125,000,000 that was later amended in May 2016, to increase the maximum available credit to \$200,000,000. On June 4, 2019, the City amended the credit agreement to reduce the maximum available credit to \$125,000,000 with authorization to increase the amount to \$200,000,000. On April 24, 2020, the City amended the credit agreement to increase the maximum available credit to \$200,000,000. This line of credit has been used to provide flexible interim financing for capital improvement projects, including school construction. Further, the City maintains discretion over future increases and decreases to the line of credit maximum available amount dependent upon future cash flow needs of capital improvement projects. Borrowings under the line of credit bear interest payable semi-annually in February and August. 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 that will be repaid through the issuance of general obligation bonds or other City sources. There is no minimum advance amount, and each advance shall be made on three days' notice given by the City to BANA.

In April 2020, the City amended the credit agreement with BANA to authorize draws on the City's existing revolving line of credit for up to \$50 million to fund operating expenses caused by a significant emergency event. To date, the line of credit has not been used to fund emergency expenditures. As of June 30, 2020, there is an outstanding drawn amount on the line of \$63 million for capital expenditures.

On November 21, 2019, the City amended its existing credit agreement with BANA to extend the termination date of the line of credit from December 17, 2019 to December 17, 2021.

Activity for the year ended June 30, 2020, is as follows:

	Balance at June 30, 2019	Additions	Deductions	Balance at June 30, 2020
Capital Projects fund	\$ 9,800,000	\$ 60,050,000	\$ (9,850,000)	\$ 60,000,000
Parking Facilities fund	9,220,000	3,000,000	(9,220,000)	3,000,000
	<u>\$ 19,020,000</u>	<u>\$ 63,050,000</u>	<u>\$ (19,070,000)</u>	<u>\$ 63,000,000</u>

CITY OF NORFOLK, VIRGINIA
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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, 2020, follows:

	Governmental Activities - General Obligation Bonds	Enterprise Funds				Total
		Water Utility Bonds	Wastewater Utility Bonds	Parking Facilities Bonds	Storm Water Utility Bonds	Enterprise Funds
General obligation bonds outstanding at July 1, 2019	\$ 751,911,783	\$ -	\$ 68,935,816	\$ 133,867,682	\$ -	\$ 202,803,498
Bonds retired	(53,737,152)	-	(5,067,097)	(4,543,127)	(2,356,203)	(11,966,427)
Bonds refunded/defeased	(189,794,288)	-	(16,497,757)	(59,805,493)	(3,717,462)	(80,020,712)
Bonds transferred	(27,750,038)	-	-	-	27,750,038	27,750,038
Bonds reamortized	-	-	-	-	-	-
Bonds issued	249,308,963	-	25,784,558	76,682,423	8,536,210	111,003,191
Bonds outstanding at June 30, 2020	729,939,268	-	73,155,520	146,201,485	30,212,583	249,569,587
Unamortized (discount) premium	60,610,256	-	7,206,892	5,356,634	3,244,790	15,808,316
General obligation bonds outstanding at June 30, 2020, adjusted for unamortized (discount) premium	<u>\$ 790,549,524</u>	<u>\$ -</u>	<u>\$ 80,362,412</u>	<u>\$ 151,558,119</u>	<u>\$ 33,457,373</u>	<u>\$ 265,377,903</u>
Revenue bonds outstanding at July 1, 2019		\$ 309,280,000	\$ 86,639,739	\$ -	\$ -	\$ 395,919,739
Bonds retired		(13,830,000)	(6,816,855)	-	-	(20,646,855)
Bonds refunded		-	-	-	-	-
Bonds transferred		-	-	-	-	-
Bonds issued		-	7,023,369	-	-	7,023,369
Revenue Bonds outstanding at June 30, 2020		295,450,000	86,846,253	-	-	382,296,253
Unamortized (discount) premium		42,008,169	-	-	-	42,008,169
Revenue bonds outstanding at June 30, 2020, adjusted for unamortized (discount) premium		<u>\$ 337,458,169</u>	<u>\$ 86,846,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,304,422</u>
Total bonds outstanding at June 30, 2020, adjusted for unamortized (discount)/premium	<u>\$ 790,549,524</u>	<u>\$ 337,458,169</u>	<u>\$ 167,208,665</u>	<u>\$ 151,558,119</u>	<u>\$ 33,457,373</u>	<u>\$ 689,682,325</u>

CITY OF NORFOLK, VIRGINIA
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General obligation and revenue bonds outstanding at June 30, 2020, are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Governmental	Business-type Activities			Balance Outstanding
				Activities	Storm Water	Wastewater	Parking	
				Public Improvement	Utility	Utility	Facilities	
Series 2002 Property Acquisition	8/14/2002	\$ 3,400,000	5.375%	\$ 3,400,000	\$ -	\$ -	\$ -	\$ 3,400,000
			Variable - June 24, 2020, rate of					
Series 2007 VRDB	3/29/2007	32,365,000	0.14%	23,730,000	-	-	-	23,730,000
Series 2010B Capital Improvement	1/21/2010	117,650,000	4.850 - 5.962%	76,384,843	3,816,585	6,458,571	-	86,659,999
Series 2010F Capital Improvement	2/25/2010	5,000,000	4.50 - 5.60%	2,750,000	-	-	-	2,750,000
Series 2010G Refunding	10/19/2010	90,165,000	4.00 - 5.00%	21,452,386	912,711	2,254,464	165,439	24,785,000
Series 2012A Refunding	5/30/2012	69,030,000	2.00 - 5.00%	17,477,320	470,568	1,958,941	488,171	20,395,000
Series 2012C Capital Improvement	6/28/2012	114,270,000	5.00%	4,380,000	300,000	1,080,000	-	5,760,000
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%	18,720,000	1,260,000	1,210,000	-	21,190,000
Series 2013B Capital Improvements and Refunding	11/7/2013	81,715,000	2.764 - 3.965%	-	-	-	22,125,000	22,125,000
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%	38,250,828	2,146,268	10,062,904	-	50,460,000
Series 2014B Refunding	10/1/2014	9,900,000	3.290%	5,261,488	216,348	389,188	92,976	5,960,000
Series 2014C Refunding	9/30/2014	58,510,000	2.00 - 5.00%	46,836,929	2,160,450	7,777,621	-	56,775,000
Series 2015 Refunding	3/2/2015	16,320,000	3.320%	4,999,410	195,975	654,615	-	5,850,000
Series 2016A	10/19/2016	106,680,000	5.000%	30,440,000	3,300,000	6,850,000	-	40,590,000
Series 2016B Refunding	10/19/2016	69,870,000	3.00 - 5.00%	43,493,870	2,763,397	7,084,340	12,873,394	66,215,001
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%	-	1,962,532	-	-	1,962,532
Series 2017A GO Capital Improvement	12/5/2017	103,520,000	4.00 - 5.00%	33,060,000	-	-	-	33,060,000
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%	17,183,231	1,332,369	1,590,317	18,944,082	39,049,999
Series 2018 SW VRA Brownfield	9/27/2018	1,117,725	0.25%	-	961,324	-	-	961,324
Series 2018 Refunding	12/21/2018	11,710,000	3.540%	-	-	-	11,240,000	11,240,000
Series 2019 GO Capital Improvement	2/7/2019	133,695,000	5.000%	72,490,000	-	-	-	72,490,000
Series 2019B GO Refunding	8/15/2019	159,305,000	1.874 - 3.346%	94,951,098	2,156,268	11,197,525	51,000,109	159,305,000
Series 2019C GO Refunding	8/15/2019	28,905,000	1.801 - 3.186%	21,923,500	215,483	3,511,674	3,304,343	28,955,000
Series 2019D GO Refunding	9/19/2019	89,025,009	1.74 - 2.92%	62,240,003	1,826,575	3,004,554	21,953,867	89,024,999
Series 2020A GO Capital Improvement	4/2/2020	37,275,000	4.00 - 5.00%	27,553,250	3,797,750	5,924,000	-	37,275,000
Series 2020B GO Refunding	4/2/2020	45,630,000	1.05 - 2.50%	42,641,112	417,980	2,146,806	424,104	45,630,002
Total General Obligation Bonds				\$ 729,939,268	\$ 30,212,583	\$ 73,155,520	\$ 146,201,485	\$ 979,508,856

Bond Issue/Purpose	Dated	Interest Rate	Business-type Activities		Balance Outstanding
			Water Utility	Wastewater Utility	
Series 2007 Wastewater Revenue	11/9/2007	0.00%	\$ -	\$ 8,075,000	\$ 8,075,000
Series 2009 Wastewater Revenue	11/17/2009	0.00%	-	4,125,000	4,125,000
Series 2010 Water Revenue	9/30/2010	2.50 - 4.50%	20,490,000	-	20,490,000
Series 2010 Wastewater Revenue	10/19/2010	0.00%	-	6,000,000	6,000,000
Series 2011 Wastewater Revenue	10/21/2011	0.00%	-	6,277,500	6,277,500
Series 2012 Water Revenue Refunding	4/4/2012	5.00%	30,270,000	-	30,270,000
Series 2012 Wastewater Revenue	12/18/2012	0.00%	-	8,409,520	8,409,520
Series 2013 Wastewater Revenue	12/12/2013	0.00%	-	7,750,000	7,750,000
Series 2015 Wastewater Revenue	3/2/2015	0.00%	-	7,209,717	7,209,717
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%	53,785,000	-	53,785,000
Series 2016 Wastewater Revenue	4/21/2016	0.00%	-	4,985,579	4,985,579
Series 2017 Wastewater Revenue	5/31/2017	0.00%	-	5,836,729	5,836,729
Series 2017 Water Revenue Refunding	12/18/2017	5.00%	134,545,000	-	134,545,000
Series 2018 Water Revenue	3/26/2018	2.50 - 5.00%	26,700,000	-	26,700,000
Series 2018 Wastewater Revenue	6/22/2018	0.00%	-	6,562,517	6,562,517
Series 2019A Wastewater Revenue	5/16/2019	2.00%	-	2,627,935	2,627,935
Series 2019B Wastewater Revenue	5/16/2019	3.10%	-	4,147,085	4,147,085
Series 2019C Wastewater Revenue	5/16/2019	2.25%	-	4,954,235	4,954,235
Series 2019D Wastewater Revenue	5/16/2019	0.00%	-	5,700,000	5,700,000
Series 2019E Wastewater Revenue	11/21/2019	0.00%	-	4,185,436	4,185,436
Total Revenue Bonds			\$ 295,450,000	\$ 86,846,253	\$ 382,296,253

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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 14 basis points (0.14%) as June 30, 2020 (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>			
	<u>Bonds</u>		<u>Direct Borrowings and Direct Placements</u>		<u>Bonds</u>		<u>Direct Borrowings and Direct Placements</u>	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 51,697,672	\$ 28,142,071	\$ 2,111,646	\$ 321,076	\$ 11,567,327	\$ 7,699,635	\$ 1,021,251	\$ 457,232
2022	50,885,453	25,863,159	1,984,063	253,186	11,894,548	7,439,630	1,028,834	427,452
2023	49,943,365	23,692,053	1,803,230	190,513	12,141,634	6,882,587	1,024,667	396,407
2024	48,708,484	21,492,932	1,591,640	134,227	12,171,515	6,401,785	1,021,257	364,839
2025	45,344,288	19,392,202	1,587,367	81,565	12,590,712	6,006,420	1,040,530	336,495
2026-2030	212,998,622	68,928,541	1,182,952	38,919	66,116,380	22,807,166	4,414,717	1,260,680
2031-2035	140,042,987	31,809,429	-	-	52,377,014	12,945,488	2,745,414	655,697
2036-2040	75,945,349	12,035,253	-	-	40,404,651	4,731,101	3,416,290	229,658
2041-2045	25,512,894	4,279,710	-	-	9,397,106	2,277,892	-	-
2046-2050	18,599,256	892,994	-	-	5,195,741	370,471	-	-
Total	\$ 719,678,370	\$ 236,528,344	\$ 10,260,898	\$ 1,019,486	\$ 233,856,628	\$ 77,562,175	\$ 15,712,960	\$ 4,128,460

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

June 30,	<u>Storm Water Utility Fund*</u>		<u>Wastewater Utility Fund*</u>		<u>Parking Facilities Fund*</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 2,489,203	\$ 1,084,976	\$ 5,258,322	\$ 2,686,560	\$ 4,841,053	\$ 4,385,331
2022	2,357,908	1,042,419	5,558,216	2,577,430	5,007,258	4,247,233
2023	2,302,675	958,943	5,614,923	2,256,879	5,248,703	4,063,172
2024	2,228,418	864,260	5,594,090	2,021,711	5,370,264	3,880,653
2025	2,092,145	765,734	5,524,322	1,871,317	6,014,775	3,705,864
2026-2030	10,291,310	2,660,913	23,987,436	6,040,523	36,252,351	15,366,410
2031-2035	5,714,418	1,091,121	10,980,184	2,736,038	38,427,826	9,774,026
2036-2040	2,433,756	290,160	5,827,629	1,530,016	35,559,556	3,140,583
2041-2045	302,750	5,800	3,536,286	877,588	5,558,070	1,394,504
2046-2050	-	-	1,274,112	96,615	3,921,629	273,856
Total	\$ 30,212,583	\$ 8,764,326	\$ 73,155,520	\$ 22,694,677	\$ 146,201,485	\$ 50,231,632

*Includes direct borrowings and direct placements.

Direct Borrowings and Direct Placements

General Obligation Refunding Bonds, Series 2018 (the "Series 2018")

As of June 30, 2020, the total outstanding on the Series 2018 is \$11,240,000. The City's Series 2018 contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

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General Obligation Forward Refunding Bonds, Series 2014B and 2015 (the “Forward Refunding Bonds”)

As of June 30, 2020, the total outstanding on the Forward Refunding Bonds was \$11,810,000. The Forward Refunding Bonds contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

Storm Water General Obligation Bonds

As of June 30, 2020, the City has two separate series of bonds that it has borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the Virginia Resources Authority. The total outstanding Storm Water General Obligation Bonds at June 30, 2020 was \$2,923,856. The Storm Water General Obligation Bonds contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

C. Revenue Bonds

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, 2020, draws for project expenses of \$108,095, \$2,729,837, and \$4,185,437 from bond issuances in fiscal year 2017, 2018 and 2019 respectively, resulted in total Virginia Resources Authority (“VRA”) drawdowns of \$7,023,369 for fiscal year 2020. In conjunction with the state water control board, the VRA administers and manages the Virginia Water Facilities Revolving Fund.

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

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Year Ending June 30,	<u>Water Utility Fund</u>		<u>Wastewater Utility Fund*</u>	
	Principal	Interest	Principal	Interest
2021	\$ 15,965,000	\$ 14,311,275	\$ 7,007,161	\$ 281,437
2022	17,170,000	13,504,400	7,321,041	236,255
2023	18,335,000	12,632,275	7,472,024	189,908
2024	19,440,000	11,687,900	7,519,568	142,364
2025	18,075,000	10,757,525	7,261,555	93,591
2026-2030	66,085,000	42,279,013	28,460,068	76,693
2031-2035	44,685,000	29,325,688	16,020,083	-
2036-2040	44,260,000	18,237,806	5,306,781	-
2041-2045	46,115,000	7,631,181	477,972	-
2046-2050	5,320,000	408,000	-	-
Total	\$ 295,450,000	\$ 160,775,063	\$ 86,846,253	\$ 1,020,248

*Represents direct borrowings and direct placements.

Direct Borrowings and Direct Placements

Wastewater Revenue Bonds

As of June 30, 2020, the City has fifteen separate series of bonds that it has borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the Virginia Resources Authority. The total outstanding Wastewater Revenue Bonds at June 30, 2020 was \$86,846,252. The Wastewater Revenue Bonds contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

D. Current and Advanced Refundings

On August 15, 2019, the City completed the sale of \$159,305,000 of General Obligation Refunding Bonds for savings. The refunding resulted in aggregate total debt service savings of \$13,762,373, and total net present value savings of \$11,477,266, or 8.72% of the refunded principal. The reacquisition price exceeded the net carrying amount of the old debt by \$9,316,794. This difference will be displayed as deferred outflows and amortized over the life of the old or new debt whichever is shorter.

On August 15, 2019, the City completed the sale of \$28,955,000 of General Obligation Refunding Bonds for savings. The refunding resulted in aggregate total debt service savings of 1,816,094, and total net present value savings of \$1,314,242, or 4.54% of the refunded principal. The reacquisition price exceeded the net carrying amount of the old debt by \$3,791,881. This difference will be displayed as deferred outflows and amortized over the life of the old or new debt whichever is shorter.

On September 19, 2019, the City completed the sale of \$89,025,000 of General Obligation Refunding Bonds for savings. The refunding resulted in aggregate total debt service savings of \$4,409,398 and total net present value savings of \$3,122,075, or 4.92% of the refunded principal. The reacquisition price exceeded the net carrying amount of the old debt by \$7,162,946. This difference will be displayed as deferred outflows and amortized over the life of the old or new debt whichever is shorter.

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On April 2, 2020, the City completed the sale of \$45,630,000 of General Obligation Refunding Bonds for savings. The refunding resulted in aggregate total debt service savings of \$1,412,529 and total net present value savings of \$1,192,654, or 3.30% of the refunded principal. The reacquisition price exceeded the net carrying amount of the old debt by \$6,329,722. This difference is displayed as deferred outflows and amortized over the life of the old or new debt whichever is shorter.

The City of Norfolk defeases certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2020, the following defeased bonds from advance refunding are still outstanding:

General Obligation Bonds

Defeased In	Original Issue	Amount	Redemption
2015	2012C	\$ 39,150,000	4/1/2021
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
2020	2010G	5,255,000	10/1/2020
2020	2012A	1,320,000	10/1/2020
2020	2012A	1,445,000	10/1/2021
2020	2012A	17,655,000	10/1/2022
2020	2012B	620,000	10/1/2020
2020	2012B	415,000	10/1/2021
2020	2013A	310,000	8/1/2020
2020	2013B	42,605,000	8/1/2023
2020	2014	8,845,000	8/1/2024
2020	2016A	6,690,000	10/1/2026
2020	2016A	36,395,000	10/1/2022
2020	2016B	2,970,000	10/1/2026
2020	2017A	64,945,000	9/1/2024
2020	2017C	19,300,000	3/1/2027
2020	2019	61,045,000	8/1/2028
		<u>\$ 433,555,000</u>	

Water Revenue Bonds

Defeased In	Original Issue	Amount	Redemption
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

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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. As of June 30, 2020, the EDA has \$13,720,000 outstanding.

F. Lease Obligations

The City leases various facilities for operational and office space from various lessors under operating leases. Total rental expenditures under these operating leases were \$4,943,600 for the fiscal year ended June 30, 2020.

Future year lease obligations are listed below:

Year Ending June 30,	Operating Lease Obligations
2021	4,744,849
2022	4,705,302
2023	3,307,590
2024	2,312,957
2025	1,670,895
2026-2030	3,573,337
Total minimum lease payments	<u>\$ 20,314,930</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 \$2,694,048 reported as an obligation for closure and post-closure costs at June 30, 2020, reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella Landfill statistically exceeded groundwater protection standards in May 2002. Until a remedy for corrective action is chosen and approved, \$2,033,349 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	\$ 19,504,338
Nonmajor governmental funds	1,195,993
Internal service funds	281,581
Total Governmental	<u>\$ 20,981,912</u>
Enterprise funds:	
Water Utility fund	\$ 1,114,354
Wastewater Utility fund	349,082
Parking Facilities fund	210,277
Storm Water Utility fund	374,425
Total Enterprise funds	<u>\$ 2,048,138</u>
Component Unit - School Board	<u>\$ 9,881,605</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, 2020, the City's debt limit is \$2,113,455,109 of which \$1,027,161,253 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, 2020, are as follows:

Projects	Total
General Obligation Bonds Authorized and Unissued:	
General Capital Improvement Projects	\$ 110,766,442
Waste Management Capital Improvement Projects	3,500,000
Storm Water Utility Fund Improvement Projects	21,463,506
Parking Facilities Fund Projects	10,000,000
Wastewater Utility Fund Projects	27,695,424
G.O. Bonds Authorized and Unissued:	<u>\$ 173,425,372</u>
Revenue Bonds Authorized and Unissued:	
Water Utility Fund Projects	69,963,989
Revenue Bonds Authorized and Unissued:	<u>69,963,989</u>
Total Bonds Authorized and Unissued:	<u>\$ 243,389,361</u>

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K. Changes in Long-Term Obligations

A summary of fiscal year 2020 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
<u>GOVERNMENTAL ACTIVITIES:</u>					
Bonds, Direct Borrowing and Direct Placements:					
General obligation bonds	\$ 739,455,655	\$ 249,308,963	\$ (269,086,248)	\$ 719,678,370	\$ 51,697,672
Direct borrowings and direct placements	12,456,128	-	(2,195,230)	10,260,898	2,111,646
Net Premiums	79,925,621	7,591,059	(26,906,424)	60,610,256	-
Total Bonds	831,837,404	256,900,022	(298,187,902)	790,549,524	53,809,318
Other Liabilities:					
Vested compensated absences	19,477,258	12,044,514	(10,821,441)	20,700,331	11,951,616
Other post-employment benefits	63,370,397	15,402,773	(7,414,010)	71,359,160	-
Retiree's life insurance	135,000	-	(5,000)	130,000	5,000
Self-insurance	30,208,137	13,413,334	(8,939,684)	34,681,787	4,932,317
Net pension liability	282,515,827	119,182,002	(118,253,194)	283,444,635	-
Landfill closure and post-closure costs	2,649,014	45,034	-	2,694,048	-
Total Other Liabilities	398,355,633	160,087,657	(145,433,329)	413,009,961	16,888,933
Governmental Activities					
Long-term liabilities	1,230,193,037	416,987,679	(443,621,231)	1,203,559,485	70,698,251
Internal Service Funds:					
Net pension liability	\$ 3,367,649	\$ 1,290,966	\$ (1,270,285)	\$ 3,388,330	\$ -
Other post-employment benefits	396,514	70,107	(69,239)	397,382	-
Vested compensated absences	269,493	144,506	(132,418)	281,581	164,356
Total Internal Service Funds	4,033,656	1,505,579	(1,471,942)	4,067,293	164,356
Total Governmental Activities	\$ 1,234,226,693	\$ 418,493,258	\$ (445,093,173)	\$ 1,207,626,778	\$ 70,862,607
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Bonds, Direct Borrowing and Direct Placements:					
Water Utility	\$ 309,280,000	\$ -	\$ (13,830,000)	\$ 295,450,000	\$ 15,965,000
Wastewater Utility	155,575,555	32,807,927	(28,381,709)	160,001,773	12,265,483
Parking Facilities	133,867,682	76,682,423	(64,348,620)	146,201,485	4,841,053
Storm Water	-	36,286,248	(6,073,665)	30,212,583	2,489,203
Net Premiums	62,437,852	-	(4,621,368)	57,816,484	-
Total Bonds Payable	661,161,089	145,776,598	(117,255,362)	689,682,325	35,560,739
Other Liabilities:					
Vested compensated absences	1,604,867	1,700,114	(1,256,843)	2,048,138	1,235,014
Net pension liability	26,779,104	18,522,271	(12,352,515)	32,948,860	-
Other post-employment benefits	3,153,053	1,447,882	(736,606)	3,864,329	-
Total Other Liabilities	31,537,024	21,670,267	(14,345,964)	38,861,327	1,235,014
Total Business-Type Activities	\$ 692,698,113	\$ 167,446,865	\$ (131,601,326)	\$ 728,543,652	\$ 36,795,753
<u>COMPONENT UNITS:</u>					
Other Liabilities:					
Vested compensated absences	\$ 9,272,252	\$ 9,053,130	\$ (8,443,777)	\$ 9,881,605	\$ 7,411,204
Other post-employment benefits	93,839,838	10,830,731	(12,309,260)	92,361,309	-
Net pension liability	267,206,011	153,125,734	(122,472,436)	297,859,309	-
Workers' compensation claims	3,765,184	855,322	(1,091,830)	3,528,676	664,242
Long-term Notes Payable	16,320,000	17,611,739	(2,600,000)	31,331,739	16,001,739
Claims liability	397,979	131,423	(171,133)	358,269	236,047
Component Units					
long-term obligations	\$ 390,801,264	\$ 191,608,079	\$ (147,088,436)	\$ 435,320,907	\$ 24,313,232

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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, 2019, the actuarial valuation and net pension liability measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries receiving benefits:	
General	2,812
Public Safety	1,307
Vested Former Members:	
General	1,049
Public Safety	307
Active Plan Members:	
General	3,021
Public Safety	1,279
	<u>9,775</u>

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:

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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 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 the monthly pension directly. The participant's DROP balance is not credited with investment gains and losses.

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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 \$38,494,093 and \$37,078,904 for the years ended June 30, 2020 and 2019, respectively. These contributions combined with employee contributions of \$9,838,000 and \$9,673,000 for the year ended June 30, 2020 and June 30, 2019, 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, 2019 actuarial valuation, the actuarial assumptions included the following:

Actuarial Cost 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 5.12% over a 30-year career; based on rates that vary by year of service and are compounded annually
Salary Increases – Public Safety	Average of 6.19% over a 30-year career; based on rates that vary by year of service and are compounded annually
Investment Rate of Return	7.0%
Mortality	108% of RP-2014 adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages <86) thereafter
	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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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, 2019, are summarized in the following table:

<u>Asset Class</u>	30-year 2019	
	Long-term Expected Real Rate of Return	Target Allocations
Private Core Real Estate	4.75%	7.5%
Master Limited Partnerships	6.50%	7.5%
Core Fixed Income	1.00%	30.0%
Core Plus Income	1.50%	0.0%
Equity (ACWI IMI)	5.15%	55.0%
		<u>100.0%</u>

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 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 7.00% (net of investment expenses) to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.50% 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, 2019 was 7.00%.

Net Pension Liability

The net pension liability was measured as of June 30, 2019 with an actuarial valuation date of June 30, 2019. Pension expense and liability are allocated to governmental and enterprise funds based on the actual employer contributions. Governmental funds typically used to liquidate the pension liability include the General fund, Towing, Waste Management, Grants, Community Development, Cemeteries, EOC/911 and Resiliency special revenue funds. The employer contributions made in fiscal year 2020 of \$34,485,605 for governmental activities and \$4,003,406 for business-type activities are included as deferred outflows. As of June 30, 2020, the City reported a net pension liability of \$280,791,140 in governmental activities and \$32,948,860 in business-type activities. The net pension liability is allocated based on employer's

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contributions during the measurement period. The percentage for governmental activities and business-type activities for 2019 was 89.5% and 10.5%, respectively. Changes to the ERS net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 1,384,849,000	\$ 1,075,330,000	\$ 309,519,000
Service cost	26,372,000	-	26,372,000
Interest	94,853,000	-	94,853,000
Changes in Benefits Terms	-	-	-
Contributions - employer	-	37,079,000	(37,079,000)
Contributions - employee	-	10,009,000	(10,009,000)
Net investment income	-	55,313,000	(55,313,000)
Benefits payments, including refunds of member contributions	(92,866,000)	(92,866,000)	-
Difference between expected and actual Experience	(8,189,000)	-	(8,189,000)
Change in assumptions	(7,031,000)	-	(7,031,000)
Administrative expense	-	(617,000)	617,000
Balances at June 30, 2019	\$ 1,397,988,000	\$ 1,084,248,000	\$ 313,740,000

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the City's ERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
ERS Net Pension Liability	\$ 466,359,000	\$ 313,740,000	\$ 184,621,000

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

Total pension expense included for the City is \$60,110,461 for Governmental activities and \$6,844,027 for business-type activities or \$66,954,488 combined for the City.

At June 30, 2020, deferred inflows (outflows) reported in the City's financial statements are as follows:

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Deferred Inflows of Resources

	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 7,256,645	\$ 852,984	\$ 8,109,629
Change in assumptions	5,883,163	691,807	6,574,970
Net change in proportionate share (Storm Water Utility)	-	49,945	49,945
Net change in proportionate share (Parking Facilities)	-	89,090	89,090
Net change in proportionate share (Wastewater Utility)	-	356,345	356,345
Net change in proportionate share (Water Utility)	-	276,787	276,787
	<u>\$ 13,139,808</u>	<u>\$ 2,316,958</u>	<u>\$ 15,456,766</u>

Deferred Outflows of Resources

	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ -	\$ -	\$ -
Net difference between projected and actual earnings on plan investments	9,750,179	1,123,853	10,874,032
Change in assumptions	19,313,437	2,288,813	21,602,250
Net change in proportionate share (Internal Service Funds)	24,040	-	24,040
Net change in proportionate share (Governmental Funds)	748,127	-	748,127
	<u>\$ 29,835,783</u>	<u>\$ 3,412,666</u>	<u>\$ 33,248,449</u>

Deferred outflows related to pension contributions made after the measurement date of \$34,485,605 for governmental activities and \$4,003,406 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
2021	\$ 17,359,397	\$ 1,732,265	\$ 19,091,662
2022	(4,293,625)	(768,175)	(5,061,800)
2023	216,177	(268,979)	(52,802)
2024	3,414,026	400,597	3,814,623
2025	-	-	-
	<u>\$ 16,695,975</u>	<u>\$ 1,095,708</u>	<u>\$ 17,791,683</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

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(for school employee political subdivisions and City of Norfolk state constitutional offices) and a cost-sharing multiple-employer (for teachers) defined benefit pension plan as well as a hybrid plan that contains both defined benefit and defined contribution aspects. All full-time, salaried permanent employees of the School Board, Constitutional Offices of the City of Norfolk, (Commissioner of the Revenue, City Treasurer, Circuit Courts, Commonwealth's Attorney, Sheriff employees) and other members of the School Board must participate in the VRS and are automatically covered by the respective VRS Plans upon employment. Members earn one month of service credit for each month they are employed and for which the City or the School Board and member pay contributions to VRS. Benefits vest after five years of service. Members hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1. Members hired or rehired on or after July 1, 2010, and Plan 1 members who were not vested on January 1, 2013, are covered under Plan 2. Members hired on or after January 1, 2014, are covered under the Hybrid Retirement Plan (Hybrid Plan), as well as Plan 1 and 2 members who are eligible and opted in during the January 1, 2014 to April 30, 2014 election window. The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation. The benefit from the defined contribution component is dependent upon member and 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 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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The City's participation in the VRS agent multiple-employer plan resides solely within the governmental activities.

Contributions

The contribution requirement for active employees governed by Section 51.1-145 of the Code of Virginia (1950), as amended, by the Virginia General Assembly changed the funding requirements for VRS employees. Employees are required to contribute 5.00% of their annual reported compensation to the VRS. The Employers actuarially determined contribution rates as of June 30, 2019, not including the employee 5.00% contributions were 10.65% of covered payroll for the City of Norfolk employees, 15.68% 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, 2017 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, 2020, 2019 and 2018 for professional employees were \$29,070,000, \$28,774,879 and \$29,028,062, 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, 2020, 2019, and 2018 were \$1,212,412, \$1,195,410 and \$1,434,613, respectively.

The City of Norfolk contributions to the VRS for constitutional offices for the fiscal years ended June 30, 2020, 2019 and 2018 were \$2,720,994, \$2,400,682 and \$2,337,890, 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, 2018, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Closed
Remaining amortization period	16 – 25 years
Asset Valuation Method	5-year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return*	6.75%, net of investment expense
Projected Salary Increases*	3.50% - 5.35%
*Includes Inflation at	2.50%
Cost-of-living Adjustments	2.25% - 2.50%

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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 Employee Rates to age 80; Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year
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 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Updated mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and changed final retirement from 70 to 75
- Adjust withdrawal rates to better fit experience at year of age and service through 9 years of experience
- Lowered disability rates
- Salary scale remained unchanged
- Line of Duty disability rate increased from 14% to 20%
- Discount rate decreased from 7.00% to 6.75%

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The long-term expected rate of return on pension plan investments was determined using a lag-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarize in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, included expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute

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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, 2019, and changes in proportionate share between June 30, 2018 and June 30, 2019. Pension expense reported for the fiscal year ended June 30, 2020, for the City for Norfolk, the School Board Political Subdivisions and the School Board Teachers was \$2,475,577, \$1,210,000 and \$23,680,000, respectively. At June 30, 2020, the reported deferred inflows of resources related to pensions from the following sources:

Deferred Inflows of Resources			
	Agent Multiple-Employer Plans		Cost Sharing Plan
	City of Norfolk	School Board	School Board
	Constitutional Offices	Non-Professional	Teachers
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ -	\$ 18,894,371
Change in assumptions	188,046	-	-
Differences between expected and actual experience	1,050,200	1,189,557	18,575,710
Net difference between projected and actual earnings on plan investments	935,533	1,726,615	6,369,683
	<u>\$ 2,173,779</u>	<u>\$ 2,916,172</u>	<u>\$ 43,839,764</u>

Deferred Outflows of Resources			
	Agent Multiple-Employer Plans		Cost Sharing Plan
	City of Norfolk	School Board	School Board
	Constitutional Offices	Non-Professional	Teachers
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ -	\$ -
Change in assumptions	2,520,987	1,445,853	28,725,680
Differences between expected and actual experience	-	-	-
Net difference between projected and actual earnings on plan investments	-	1,008,731	-
	<u>\$ 2,520,987</u>	<u>\$ 2,454,584</u>	<u>\$ 28,725,680</u>

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Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period. The City of Norfolk, the School Board Teachers and the School Board Political Subdivisions contributed \$2,720,994, \$29,074,631 and \$1,212,442, respectively in fiscal year 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Amortization of Deferred Inflows and Outflows

	Agent Multiple-Employer Plans		Cost Sharing Plan
	City of Norfolk Constitutional Employees	School Board Political Subdivisions	School Board Teachers
Year Ended:			
2021	\$ 169,459	\$ (19,145)	\$ (6,346,431)
2022	(264,631)	(484,275)	(11,455,604)
2023	381,688	(12,620)	(2,214,803)
2024	60,692	54,452	2,803,777
2025	-	-	2,098,977
	<u>\$ 347,208</u>	<u>\$ (461,588)</u>	<u>\$ (15,114,084)</u>

Plan Membership

As of June 30, 2018, actuarial valuation, the plan memberships consisted of the following:

	Agent Multiple-Employer Plans	
	City of Norfolk Constitutional Offices	School Board Political Subdivisions
Inactive member or their beneficiaries		
currently receiving benefits	327	614
Inactive members:		
Vested	90	65
Non-vested	249	260
Active elsewhere in the VRS	255	102
Total inactive members	<u>594</u>	<u>427</u>
Active members	<u>592</u>	<u>659</u>
Total	<u>1,513</u>	<u>1,700</u>

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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)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018	\$ 107,159,697	\$ 104,016,117	\$ 3,143,580
Service cost	3,476,583	-	3,476,583
Interest	7,340,551	-	7,340,551
Change in assumptions	3,533,431	-	3,533,431
Difference between expected and actual	(668,598)	-	(668,598)
Contributions - employer	-	2,538,585	(2,538,585)
Contributions - employee	-	1,365,984	(1,365,984)
Net Investment income	-	6,951,171	(6,951,171)
Benefits payments, including refunds of employee contributions	(4,589,364)	(4,589,364)	-
Administrative expense	-	(67,621)	67,621
Other changes	-	(4,399)	4,399
Balance at June 30, 2019	\$ 116,252,300	\$ 110,210,473	\$ 6,041,827

School Board Political Subdivisions

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018	\$ 90,055,521	\$ 83,787,204	\$ 6,268,317
Service cost	1,498,139	-	1,498,139
Interest	6,129,168	-	6,129,168
Change in assumptions	2,360,950	-	2,360,950
Difference between expected and actual	(1,066,300)	-	(1,066,300)
Contributions - employer	-	1,150,594	(1,150,594)
Contributions - employee	-	844,493	(844,493)
Net Investment income	-	5,485,877	(5,485,877)
Benefits payments, including refunds of employee contributions	(4,991,943)	(4,991,943)	-
Administrative expense	-	(56,021)	56,021
Change in proportionate share	-	-	-
Other changes	-	(3,442)	3,442
Balance at June 30, 2019	\$ 93,985,535	\$ 86,216,762	\$ 7,768,773

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

The following presents the proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Agent Multiple-Employer Plans			
School Board non-professional employee net pension liability	\$ 18,280,000	\$ 7,770,000	\$ (730,000)
City of Norfolk's constitutional offices net pension liability	\$ 21,924,558	\$ 6,041,827	\$ (6,565,738)
Cost Sharing Plans			
School Board Teachers net pension liability	\$ 436,710,000	\$ 290,090,000	\$ 168,860,000

Payables to the Pension Plan

As of June 30, 2020, the School Board had no outstanding amounts payable to the political subdivision pension plan for the year ended June 30, 2020.

As of June 30, 2020, the School Board had no outstanding amounts payable to the teacher's pension plan for the year ended June 30, 2020.

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 2020, the deferral may be up to 25 percent of gross income up to a maximum of \$19,500 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, 2019 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	150	83	207
Active members	3,786	1,187	3,991
Total	<u>3,936</u>	<u>1,270</u>	<u>4,198</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, 2019. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2019 using updated actuarial assumptions applied to all periods included in the measurement.

Actuarial Assumptions

For the June 30, 2019 actuarial valuation, the actuarial assumptions included the following:

Actuarial Costs Method	Entry Age Normal
Amortization Method	Level Percent Open
Asset Valuation Method	Not Applicable
Remaining Amortization Period	30-year rolling
Investment Rate of Return	3.50%
Rate of Salary Increases	3.50%
Rate of Medical Inflation	6.81% (Pre-Medicare) grading to 3.25% over 19 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

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generational improvements of 0.75% per year
(ages<86) thereafter

Mortality (School Board)

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 74 and 2% increase compounded from ages 75 to 90

RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarial valuations are subjected to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

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Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019 was 3.50%. Since the Plan utilizes a pay-as-you-go contribution policy, the discount rate used at the June 30, 2019 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, 2019 with an actuarial valuation date of June 30, 2019. OPEB expense and liability are allocated to governmental and enterprise funds. As of June 30, 2020, the City reported a total OPEB liability of \$71,756,542 in governmental activities and \$3,864,329 in business-type activities. Changes to the total OPEB liability are as follows:

	City	Line of Duty	School Board	Total OPEB Liability
Balance at June 30, 2018	\$ 36,443,796	\$ 30,476,168	\$ 49,889,185	\$ 116,809,149
Service cost	4,029,985	1,454,436	625,247	6,109,668
Interest	1,461,628	1,187,989	1,896,670	4,546,287
Change in benefits	-	-	-	-
Difference between expected and actual	(5,055,352)	4,206,413	(4,651,923)	(5,500,862)
Assumption changes	1,272,010	2,507,435	1,277,781	5,057,226
Contributions - employer	-	-	-	-
Net Investment income	-	-	-	-
Benefits payments	(1,355,887)	(1,007,750)	(2,401,320)	(4,764,957)
Administrative expense	-	-	-	-
Balance at June 30, 2019	\$ 36,796,180	\$ 38,824,691	\$ 46,635,640	\$ 122,256,511

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

The following presents the total OPEB liability using the discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
City	\$ 41,484,459	\$ 36,796,180	\$ 32,901,953
Line of Duty	\$ 43,771,426	\$ 38,824,691	\$ 34,715,782
School Board	\$ 52,577,585	\$ 46,635,640	\$ 41,700,080

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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 (5.81% decreasing to 2.25%)	Healthcare Cost Trend Rates (6.81% decreasing to 3.25%)	1% Increase (7.81% decreasing to 4.25%)
City	\$ 34,482,160	\$ 36,796,180	\$ 39,329,123
Line of Duty	\$ 36,383,103	\$ 38,824,691	\$ 41,497,271
School Board	\$ 43,702,841	\$ 46,635,640	\$ 49,845,903

OPEB Expense and Deferred Inflows and Outflows of Resources

OPEB expense reported for the fiscal year ended June 30, 2020 for the City (including Line of Duty) and the School Board was \$6,839,599 and \$337,372, respectively. At June 30, 2020, the reported deferred inflows of resources and deferred outflows of resources related to the OPEB Plan from the following sources:

Deferred Inflows of Resources

	Governmental Activities City	Business-Type Activities City	Governmental Activities Line of Duty	School Board
Change in assumptions	\$ -	\$ -	\$ 6,773,543	\$ 7,267,929
Net change in proportionate share (Internal Service Funds)	7,554	-	-	-
Net change in proportionate share (Storm Water)	-	6,729	-	-
Net change in proportionate share (Parking Facilities)	-	4,821	-	-
Net change in proportionate share (Water Utility)	-	35,344	-	-
Net change in proportionate share (Wastewater Utility)	-	46,273	-	-
Differences between expected and actual experience	5,881,895	691,104	-	5,858,682
Total	<u>\$ 5,889,449</u>	<u>\$ 784,271</u>	<u>\$ 6,773,543</u>	<u>\$ 13,126,611</u>

Deferred Outflows of Resources

	Governmental Activities City	Business-Type Activities City	Governmental Activities Line of Duty	School Board
Change in assumptions	\$ 4,270,543	\$ 501,874	\$ 2,149,230	\$ 1,095,241
Net change in proportionate share (Governmental Funds)	100,721	-	-	-
Differences between expected and actual experience	-	-	1,121,145	2,591,006
Total	<u>\$ 4,371,264</u>	<u>\$ 501,874</u>	<u>\$ 3,270,375</u>	<u>\$ 3,686,247</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, 2021. The City and the School Board contributed \$2,573,638 (\$2,429,718 for governmental activities and \$143,920 for business-type activities) and \$2,401,300, respectively in fiscal year 2020.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization of Deferred Inflows and Outflows

	Governmental Activities City	Business-Type Activities City	Governmental Activities Line of Duty	School Board
Year Ended:				
2021	\$ (199,125)	\$ (41,400)	\$ (1,053,914)	\$ (2,184,545)
2022	(199,125)	(41,400)	(1,053,914)	(2,184,545)
2023	(199,125)	(41,400)	(1,053,916)	(2,184,545)
2024	(199,125)	(41,400)	(1,053,917)	(2,184,537)
2025	(247,007)	(50,994)	(246,629)	(220,170)
2026-2030	(474,676)	(65,803)	959,122	(482,022)
	<u>\$ (1,518,183)</u>	<u>\$ (282,397)</u>	<u>\$ (3,503,168)</u>	<u>\$ (9,440,364)</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. 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 that provides the authority under which benefit terms are established or may be amended. The GLI program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

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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, 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. While covered employees are responsible for 60% of the program costs, employers may choose to pay the entire cost. The School Board has elected to pay all program costs. The contribution rate was based on an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year.

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary Increases, including inflation	
Teachers	3.5% - 5.95%
Other employees	3.5% - 5.35%
Investment Rate of Return	6.75% net of plan investment expenses, including inflation
Mortality Rates – Teachers:	
Pre-Retirement	RP-2014 Employee Rates projected with Scale BB to 2020
Post-Retirement	RP-2014 Healthy Annuitant Rates projected with Scale BB to 2020
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020

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The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumption as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

The estimated Group Life Insurance OPEB liability (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	\$ 35,259,000
Plan Fiduciary Net Position	<u>18,335,000</u>
GLI Net OPEB Liability	<u>\$ 16,924,000</u>

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 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. Based on those assumptions, the GLI OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, included expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

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

The following presents the net OPEB liability using the discount rate of 6.75%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
GLI Net OPEB Liability	\$ 21,380,000	\$ 16,924,000	\$ 13,470,000

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VRS GLI OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2020, the School Board recognized a credit to the OPEB Group Life Insurance expense of \$253,160. At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to VRS GLI OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between contribution and proportionate rate	\$ 10,756	\$ 1,038,783
Change in assumptions	1,068,472	510,326
Differences between expected and actual experience	1,125,536	219,518
Net difference between projected and actual earnings on Plan investments	-	347,629
Contributions after measurement date	2,679,653	-
	<u>\$ 4,884,417</u>	<u>\$ 2,116,256</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:	
2021	\$ (192,567)
2022	(192,556)
2023	(45,322)
2024	141,053
2025	283,397
2026-2030	94,503
	<u>\$ 88,508</u>

Employer Contribution

Employers' proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution efforts to the other post-employment benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS GLI OPEB Plan that are not representative of the future contribution efforts are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution efforts are contributions for adjustments to prior periods. The School Board's total employer contribution into the GLI program for the years ended June 30, 2020 and June 30, 2019 were approximately \$2,670,000 and \$2,660,000, 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 July 1, 1993 for retired teacher employees covered under VRS who retired with at least 15 years of service credit. At retirement, for teacher and other professional school employees, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For teachers or other professional employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:

- \$4.00 per month multiplied by twice the amount of service credit, or
- \$4.00 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary Increases, including inflation	3.5% - 5.95%
Investment Rate of Return	6.75% 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 Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020
Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90
Post-Disablement	RP-2014 Disability Mortality Rates with Scale BB to 2020; 115% of rates for males and females

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

The net Health Insurance Credit OPEB liability (NOL) was determined in accordance with GASB Statement No. 74. As of June 30, 2019, the NOL portion of the VRS Teacher Health Insurance Credit Program applicable to the School Board is as follows:

Total Teacher HIC OPEB Liability	\$ 30,142,000
Plan Fiduciary Net Position	<u>1,340,000</u>
HIC Net OPEB Liability	<u>\$ 28,802,000</u>

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.

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Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. 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 which was 100% of the actuarially determined contribution rate. 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 ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, included expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

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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 6.75%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
HIC Net OPEB Liability	\$ 32,230,000	\$ 28,802,000	\$ 25,890,000

VRS HIC OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2020, the School Board recognized OPEB HIC expense of \$1,970,000. 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 assumptions	\$ -	\$ 200,133
Differences between expected and actual experience	670,354	163,137
Net difference between projected and actual earnings on Plan investments	1,819	2,099,850
Contributions after measurement date	2,225,090	-
	<u>\$ 2,897,263</u>	<u>\$ 2,463,120</u>

CITY OF NORFOLK, VIRGINIA
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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:		
2021	\$	(371,405)
2022		(371,435)
2023		(358,814)
2024		(363,038)
2025		(289,551)
2026-2030		(36,704)
	\$	<u>(1,790,947)</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, 2020 and June 30, 2019 were approximately \$2,221,000 and \$2,220,000, 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, 2020, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Capital Projects fund	\$ 10,940,171
	Nonmajor Governmental funds	4,613,865
	Water Utility fund	119,703
	Total General fund	<u>\$ 15,673,739</u>
Capital Projects fund	Parking Facilities fund	\$ 15,337,089
	Water Utility fund	261,850
	Total Capital Projects fund	<u>\$ 15,598,939</u>
	Total Governmental funds	<u>\$ 31,272,678</u>
Receivable Fund	Payable Fund	Amount
Storm Water Utility fund	Capital Projects fund	<u>\$ 6,502,935</u>
	Total Enterprise and Internal Service funds	<u>\$ 6,502,935</u>
	Total Due from Other funds	<u>\$ 37,775,613</u>
Payable Fund	Receivable Fund	Amount
Capital Projects fund	General fund	\$ 10,940,171
	Storm Water Utility fund	\$ 2,576,596
	Total Capital Projects fund	<u>\$ 13,516,767</u>
Nonmajor Governmental funds	General fund	\$ 4,613,865
	Total Nonmajor Governmental funds	<u>\$ 4,613,865</u>
	Total Governmental funds	<u>\$ 18,130,632</u>
Payable Fund	Receivable Fund	Amount
Water Utility fund	General fund	\$ 119,703
	Capital Projects fund	261,850
	Total Water Utility fund	<u>\$ 381,553</u>
Parking Facilities fund	Capital Projects fund	\$ 15,337,089
	Total Parking Facilities fund	<u>\$ 15,337,089</u>
Storm Water Utility fund	Capital Projects fund	\$ 3,926,339
	Total Storm Water Utility fund	<u>\$ 3,926,339</u>
	Total Enterprise and Internal Service funds	<u>\$ 19,644,981</u>
	Total Due to Other funds	<u>\$ 37,775,613</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 2020:

Fund	In	Out
General	\$ 19,900,499	\$ 87,724,600
Capital Projects	1,614,639	2,583,677
Debt Service	90,576,272	-
Non-major Governmental	8,899,046	19,423,504
Storm Water Utility	-	1,258,675
Water Utility	-	8,500,000
Wastewater Utility	-	1,500,000
Parking Facilities	-	-
	<u>\$ 120,990,456</u>	<u>\$ 120,990,456</u>

The purpose of the transfer balances are as follows:

General fund transfers in of \$19,900,499 include \$8,500,000 from the Water Utility fund, \$1,500,000 from the Wastewater Utility fund, \$6,350,499 from the Tax Increment Financing special revenue fund, \$300,000 from the Capital Projects fund, \$3,000,000 from the Public Amenities special revenue fund, and \$250,000 from the Waste Management special revenue fund.

The General fund transfers out of \$87,724,600 represent a transfer of \$82,503,274 to the Debt Service fund to fund general obligation debt, \$3,836,341 to the Grants special revenue fund in support of grant projects, \$164,639 to the Capital Projects fund as a contribution for the annual capital improvement plan budget, \$214,273 to the Cemeteries special revenue fund, \$956,073 to the Emergency Operations Center/911 special revenue fund, and \$50,000 to Towing and Recovery Operations special revenue fund.

The Capital Projects fund transferred \$1,875,781 to the Grants special revenue fund for matching, \$407,896 to the Public Amenities special revenue fund and \$300,000 to the General fund. Capital projects transfers in included \$164,639 from the General fund and \$1,750,000 from the Public Amenities special revenue fund.

Debt service transfers in of \$90,576,272 include \$4,951,299 from the Public Amenities special revenue fund, \$210,943 from the Towing & Recovery Operations special revenue fund, \$1,278,430 from the Waste Management special revenue fund, \$1,632,326 from the Tax Increment Financing special revenue fund and \$82,503,274 from the General fund to fund the current fiscal year's debt service payments.

The Storm Water Utility fund transferred \$1,258,675 to the Grants special revenue fund for matching.

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The Public Amenities special revenue fund transferred \$3,000,000 to the General fund, \$4,951,299 to the Debt Service fund to cover its general obligation debt service cost, and \$1,750,000 to the Capital Projects fund. The Public Amenities special revenue fund transferred in \$407,896 from the Capital Projects fund.

The Towing & Recovery Operations special revenue fund transferred \$210,943 to the Debt Service fund to cover its general obligation debt service cost. There was a transfer in of \$50,000 from the General fund.

The Tax Increment Financing special revenue fund transferred \$6,350,499 to the General fund and \$1,632,326 to the Debt Service fund to cover its general obligation debt service costs.

The Water and Wastewater Utility funds transferred \$8,500,000 and \$1,500,000 to the General fund, respectively.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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
FUND BALANCES				
Restricted				
General government	\$ 130,000	\$ -	\$ -	\$ 130,000
Judicial administration	-	-	202,891	202,891
Public safety	-	-	592,560	592,560
Public works	-	-	-	-
Health and public assistance	-	-	1,933,731	1,933,731
Culture and recreation	-	-	6,058,268	6,058,268
Community development	-	-	176,957	176,957
Total Restricted	130,000	-	8,964,407	9,094,407
Committed				
General government	7,171,121	-	-	7,171,121
Judicial administration	-	-	135,194	135,194
Public safety	-	-	222,123	222,123
Public works	-	-	3,824,704	3,824,704
Health and public assistance	5,879,414	-	1,254,243	7,133,657
Culture and recreation	-	-	140,711	140,711
Community development	-	-	2,360	2,360
Other purposes capital	-	-	-	-
Total Committed	13,050,535	-	5,579,335	18,629,870
Assigned				
General government	42,140,741	-	-	42,140,741
Judicial administration	-	-	(588,000)	(588,000)
Public safety	-	-	195,873	195,873
Public works	1,083,872	-	3,843,170	4,927,042
Health and public assistance	1,616,857	-	74,506	1,691,363
Culture and recreation	914,054	-	10,517,551	11,431,605
Community development	3,000,762	-	105,274	3,106,036
Education	9,000,000	-	-	9,000,000
(FY-2021 Budget appropriation)	9,086,000	-	-	9,086,000
Total Assigned	66,842,286	-	14,148,374	80,990,660
Unassigned				
Other	74,993,835	(7,055,414)	(63,760)	67,874,661
Total Unassigned	74,993,835	(7,055,414)	(63,760)	67,874,661
Total fund balances	\$ 155,016,656	\$ (7,055,414)	\$ 28,628,356	\$ 176,589,598

CITY OF NORFOLK, VIRGINIA
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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, 2020, 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 \$34,174,436 and \$3,454,302, respectively as of June 30, 2020.

B. Deferred Inflows and Outflows from Refunding Transactions

Refunding transactions for the City of Norfolk have resulted in a Loss on Defeasance on the entity-wide financial statements of \$40,886,351 for governmental activities and \$34,485,108 for business-type activities that consists of a loss of \$11,639,998 for the Water Utility fund, \$4,390,824 for the Wastewater Utility fund, \$16,762,046 for the Parking Facilities fund and \$1,692,240 for the Storm Water Utility fund. Gains on the defeasance of debt are reported on the financial statements as deferred inflows of resources and were \$138,913 for governmental activities and \$675,299 for business-type activities, specifically \$11,081 for the Wastewater Utility fund, \$513,944 for the Parking Facilities fund and \$150,274 for the Storm Water Utility fund.

C. Deferred Inflows and Outflows Related to Pensions

Deferred inflows from pension-related items represent the difference between actual and estimated experience and is amortized over a five-year period or estimated remaining service life. As June 30, 2020, the amount reported as governmental activities was \$15,313,587 (which includes the Fleet Management fund of \$159,443), and the amounts reported in business-type activities were \$1,132,828 for the Water Utility fund, \$593,883 for the Wastewater Utility fund, \$252,811 for the Parking Facilities fund and \$337,434 for the Storm Water Utility fund.

Deferred outflows from pension-related items represent the difference between projected and actual investment earnings as well as contributions made in fiscal year 2020 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, 2020 financial statements are \$69,563,369 for governmental activities (which includes \$809,725 in the Fleet Management fund), \$4,144,092 for the Water Utility fund, \$1,187,637 for the Wastewater Utility fund, \$754,957 for the Parking Facilities fund and \$1,329,386 for the Storm Water Utility fund.

CITY OF NORFOLK, VIRGINIA
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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	Storm Water Utility	Business-Type Activities
ERS:								
Deferred Outflows	\$ 63,511,663	\$ 809,725	\$ 64,321,388	\$ 4,144,092	\$ 1,187,637	\$ 754,957	\$ 1,329,386	\$ 7,416,072
Deferred Inflows	(12,980,365)	(159,443)	(13,139,808)	(1,132,830)	(593,883)	(252,811)	(337,434)	(2,316,958)
	<u>\$ 50,531,298</u>	<u>\$ 650,282</u>	<u>\$ 51,181,580</u>	<u>\$ 3,011,262</u>	<u>\$ 593,754</u>	<u>\$ 502,146</u>	<u>\$ 991,952</u>	<u>\$ 5,099,114</u>
VRS:								
Deferred Outflows	\$ 5,241,981	\$ -	\$ 5,241,981	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows	(2,173,779)	-	(2,173,779)	-	-	-	-	-
	<u>\$ 3,068,202</u>	<u>\$ -</u>	<u>\$ 3,068,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred outflows related to pensions			<u>\$ 69,563,369</u>					<u>\$ 7,416,072</u>
Total deferred inflows related to pensions			<u>\$ (15,313,587)</u>					<u>\$ (2,316,958)</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, 2020, the amount reported as governmental activities was \$12,662,992 (which includes the Fleet Management fund of \$78,489), and the amounts reported in business-type activities were \$419,544 for the Water Utility fund, \$153,703 for the Wastewater Utility fund, \$77,130 for the Parking Facilities fund and \$133,894 for the Storm Water Utility fund.

Deferred outflows from OPEB-related items represent the difference between actual and estimated experience and changes in assumptions as well as contributions made in fiscal year 2020 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, 2020 financial statements are \$10,071,357 for governmental activities (which includes \$66,881 in the Fleet Management fund), \$361,921 for the Water Utility fund, \$104,242 for the Wastewater Utility fund, \$65,725 for the Parking Facilities fund and \$113,906 for the Storm Water Utility fund.

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

	Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Business-Type Activities
City:								
Deferred Outflows - City	\$ 5,544,124	\$ 66,881	\$ 5,611,005	\$ 361,921	\$ 104,242	\$ 65,725	\$ 113,906	\$ 645,794
Deferred Inflows - City	(5,810,960)	(78,489)	(5,889,449)	(419,544)	(153,703)	(77,130)	(133,894)	(784,271)
	<u>\$ (266,836)</u>	<u>\$ (11,608)</u>	<u>\$ (278,444)</u>	<u>\$ (57,623)</u>	<u>\$ (49,461)</u>	<u>\$ (11,405)</u>	<u>\$ (19,988)</u>	<u>\$ (138,477)</u>
Line of Duty:								
Deferred Outflows - LOD	\$ 4,460,352	\$ -	\$ 4,460,352	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows - LOD	(6,773,543)	-	(6,773,543)	-	-	-	-	-
	<u>\$ (2,313,191)</u>	<u>\$ -</u>	<u>\$ (2,313,191)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred outflows related to OPEB			<u>\$ 10,071,357</u>					<u>\$ 645,794</u>
Total deferred inflows related to OPEB			<u>\$ (12,662,992)</u>					<u>\$ (784,271)</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, 2020, are as follows:

Water Utility fund projects	\$ 21,026,331
Wastewater Utility fund projects	13,392,398
Parking Facilities fund projects	1,195,331
Storm Water Utility fund projects	3,113,566
Total	<u>\$ 35,614,060</u>

See Exhibit J-3 Schedule of Expenditures – Budget and Actual for listing of capital projects in the governmental activities, authorized at June 30, 2020.

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.

CITY OF NORFOLK, VIRGINIA
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D. Pollution Remediation Obligation

GASB Statement No. 49, *Accounting and Financial Reporting of 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, 2020, no significant liabilities existed for pollution remediation.

E. Encumbrances

Encumbrances as of June 30, 2020, in the General fund and Capital Projects fund totaled \$15,469,577 and \$43,741,452, respectively. Encumbrances as of June 30, 2020, for nonmajor governmental funds in the aggregate totaled \$104,185,603.

XVIII. Surety Bonds and Insurance

The Commonwealth of Virginia has secured a blanket bond for the City Treasurer (\$1,500,000), Commissioner of Revenue (\$3,000), Sheriff (\$30,000) and Clerk of the Circuit Court (\$2,235,000) which covers the bonds required by law or agreement for the position held. The Commonwealth of Virginia also provides a performance duty bond in the amount of \$500,000 for these constitutional officers.

All non-bonded City employees, including employees of elected constitutional officers, are covered by an insurance policy that provides up to \$10,000,000 in coverage which is provided by Travelers Insurance Company.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

XIX. Tax Abatements

As of June 30, 2020, 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, 2020, are as follows:

		Tax Abatement Program	Technology Zone	New Business License Incentive Program	Local Utility Tax Relief	Economic Development Program
1	Purpose of the program	Encourages significant improvement of residential, commercial and industrial properties throughout the City, that is of the highest construction quality and architectural design complementing the surrounding area.	Intended to reduce business, professional and occupational license tax for technology-related businesses up to 5 years if they are established in the "Technology Zone."	A temporary exemption in business license tax is available to new businesses that locate in Norfolk after January 1, 2016.	Intended to reduce business utility taxes for a five-year period if they are located in the "Enterprise Zone (EZ)."	To incentive businesses to locate to the City of Norfolk
2	Type of tax abatement	Property Tax	Business, professional and occupational license tax	Business License Tax	Utility Tax	Personal Property, Real Estate and Business Tangible Property
3	Authority for program	Norfolk Code Section 24-203 & Section 27-76	Norfolk Code 45.6	Norfolk Code 24-25.9 and 24-25.2	Norfolk Code 45.5-5	City Council, designated to the City Manager
4	Administering department	Office of the Real Estate Assessor	Department of Development	Commissioner of the Revenue	Department of Development	Department of Development
5	Criteria to be eligible to receive abatement	A. Residential structure must be at least 15 years old and improvements will increase assessed value by at least 20%. B. Multi-family, commercial or industrial structure must be at least 40 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 receipts of more than \$1 million. 3) Cannot be considered an affiliated group or have a franchisee relationship.	Existing EZ businesses must make a \$100,000 taxable investment within the Enterprise Zone. New EZ businesses must make a \$500,000 taxable investment within the Enterprise Zone.	The City evaluates all economic development opportunities on an individual basis. The economic development agreements are specific to each developer and generally constitute a significant economic development opportunity for the City and have a positive factor in achieving the objectives of the City and are worthy of inducement.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

		Tax Abatement Program	Technology Zone	New Business License Incentive Program	Local Utility Tax Relief	Economic Development Program
6	"How recipients' taxes are reduced"	Through a reduction of the property's assessed value recipients will not pay full taxes on those improvements for 14 years. The increase in assessed value due to the improvements will not be recognized for tax purposes for the first 10 years following the commencement of the tax abatement.	Through a reduction in business, professional and occupational license.	Reduction in business license tax.	Reduction in utility tax.	Taxes are reduced through performance grant payments that are provided to the recipient in the subsequent year.
7	How the amount of abatement is determined	The increase in assessed value due to the improvements will be recognized for tax purposes on a sliding scale in the 11th year through 15th year following the start of the tax abatement as soon: • 11th year – 20% • 12th year – 40% • 13th year – 60% • 14th year – 80% • 15th year – 100%	Below is the schedule for the reduction of tax: • Year 1 - 2 = 100% • Year 3 - 4 = 50%	Receives a \$50 per tax class reduction for the first two years. The abatement eligibility is determined by a qualification process. The taxpayer must answer 25 questions to qualify.	Below is the schedule for the reduction of tax: • 1st year - 50% • 2nd year - 40% • 3rd year - 30% • 4th year - 20% • 5th year - 10%	Specific percentages are identified in each agreement that apply to various items (i.e. assessed value, value of business personal property, etc.). Percentages are not uniform and are independently determined during negotiation of agreement.
8	Terms for recapture if conditions unmet	Because taxes are not abated until after the improvements have been made, there is no provisions for recapturing abated taxes	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes	If the business estimates its gross receipts will exceed \$1 million, but the actual gross receipts are less than \$1 million, the benefits of the program are not available unless the business completes the qualification process. Likewise, if the qualifying business estimated less than \$1 million and the actual gross receipts were more than \$1 million the business is responsible for the entire tax amount and will be removed from the program.	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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9	Types of commitments made by the City, other than to reduce taxes	N/A	N/A	N/A	N/A	There are some, but they vary by contract. These include percentage back for gross receipts and utility charges.
10	Gross dollar amount, on accrual basis, by which the tax revenues were reduced due to the abatement	<u>2020</u> \$3,365,594	<u>2020</u> \$ -	<u>2020</u> \$-	<u>2020</u> \$-	<u>2020</u> \$3,342,571

XX. Self and Purchased Insurance Programs

The City is exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, injuries to employees, and natural disasters. On July 11, 1978, the City established a protected self-insurance program, pursuant to an ordinance adopted by City Council, to cover these risks. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims (including workers' compensation), and related expense payments made during fiscal year 2020 was \$12,249,078.

The City currently reports of all these activities as part of the risk management function in the general government section of the General fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. For actuarial purposes, estimated outstanding losses are the accrual cost of unpaid claims valued as of each accounting date. The estimated outstanding losses include case reserves, the development on known claims and incurred but not reported (IBNR) claims. Allocated loss adjustment expenses (ALAE) are the direct expenses for settling specific claims. ALAE is included in the workers' compensation estimates but excluded in the liability estimates. At June 30, 2020, these liabilities were estimated at \$34,681,787 with \$4,932,317 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal 2020 were determined by an independent actuary.

Effective January 1, 2014, the Norfolk Healthcare Consortium (Consortium) began participating in a City-administered health insurance fund, which is reflected as an internal service fund. The Consortium is comprised of the City, the Norfolk Public Schools and the Norfolk Redevelopment and Housing Authority. Each participating employee and employer deposit their respective premium into the fund. Medical claims, administrative costs, wellness programs costs, fees related to the Affordable Healthcare Act and benefit consultant costs are expended from the fund. Employee premiums from City departments are netted against related expenses as a recovered cost. The City has recorded \$6,552,500 for medical and pharmacy claims incurred, but not reported as of June 30, 2020. 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

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

income. The unearned income as of June 30, 2020 was \$10,105,813. 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 2020 and 2019 are as follows:

	Workers' Compensation and Risk Management		Health Insurance		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Estimated Outstanding Claims at the Beginning of Year	\$30,208,137	\$31,616,500	\$ 7,651,000	\$ 6,295,000	\$ 37,859,137	\$37,911,500
Additional Incurred Claims or Changes in Estimates	13,413,334	5,573,908	78,650,032	85,876,311	92,063,366	91,450,219
Claims Paid	(8,939,684)	(6,982,271)	(79,748,532)	(84,520,311)	(88,688,216)	(91,502,582)
Estimated Outstanding Claims at the End of Year	<u>\$34,681,787</u>	<u>\$30,208,137</u>	<u>\$ 6,552,500</u>	<u>\$ 7,651,000</u>	<u>\$ 41,234,287</u>	<u>\$37,859,137</u>

The City in its General fund has committed \$7,171,121 of fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage and settled claims have not required the City to utilize its reserves in any of the past three fiscal years.

Norfolk Public Schools also self-insures its workers' compensation and general liability and its future expected self-insured losses as of June 30, 2020, projected at \$3,886,945 of which \$900,288 is the current portion and a longer-term projection of \$2,986,657. 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 2020 and 2019 are as follows:

	Total	
	<u>2020</u>	<u>2019</u>
Estimated Outstanding Claims at the Beginning of Year	\$ 4,163,163	\$ 4,117,507
Additional Incurred Claims or Changes in Estimates	986,745	937,791
Claims Paid	(1,262,963)	(892,135)
Estimated Outstanding Claims at the End of Year	<u>\$ 3,886,945</u>	<u>\$ 4,163,163</u>

XXI. Jointly Governed Organizations

A. Hampton Roads Regional Jail Authority (HRRJA)

HRRJA is a regional organization that includes the cities of Chesapeake, Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code

CITY OF NORFOLK, VIRGINIA
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For the Year Ended June 30, 2020

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, 2020. Complete financial statements of HRRJA can be obtained from HRRJA.

B. Hampton Roads Planning District Commission (the Commission)

A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the Commission is received primarily from member contributions and various state and federal grant programs.

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2020. 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, 2020. 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

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by a Board of Directors consisting of eight member representatives appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors, with each individual having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements June 30, 2020. 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 that is owned by the City. This agreement expires on June 30, 2022. The Society receives annual funding from the City of Norfolk for improvements and operating costs.

XXIII. Related Organizations

A. Norfolk Redevelopment and Housing Authority (NRHA)

The Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. The City does not exercise a significant degree of oversight responsibility. The NRHA develops its own operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own financial matters as it

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maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and moneys other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

The City currently has two significant projects with the NRHA; (1) Waterside Redevelopment and (2) Conference center hotel and garage. The City conveyed ownership of Waterside to the NRHA and agreed to provide \$32 million in development support. NRHA will operate Waterside upon completion. The City and Professional Hospitality Resources, Inc. have constructed a conference center, hotel and parking garage that opened in fiscal year 2017. The City contributed up to \$64 million to the development costs. The conference center and garage will initially be owned by NRHA; however, ownership will revert to the City once all agreements have been finalized. The ownership of the garage reverted to the City in 2017.

B. Norfolk Airport Authority (The Authority)

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport fund and an Investment fund. The Airport fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment fund was established by the Authority to provide for certain airport capital improvements. The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases that provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council, but the Authority designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and, pursuant to Section 144(q) of the City Charter, the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

C. The Chrysler Museum, Inc. (The Museum)

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980, by incorporating the Chrysler Museum in Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from facility rental fees, patron membership, planned giving and from other independent grants. The City owns the museum building and provides support for its maintenance.

CITY OF NORFOLK, VIRGINIA
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For the Year Ended June 30, 2020

D. The Hospital Authority of Norfolk (HAN)

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

XXIV. Subsequent Events

On August 13, 2020, the City entered into a \$7,100,000 Section 108 Loan with the U.S. Department of Housing and Urban Development (HUD). The Section 108 Loan will be used to finance the infrastructure and construction of the Southside Library and bears interest based on 3-month LIBOR plus 0.20%.

On October 15, 2020, the City completed the sale of \$77,825,000 of General Obligation Refunding Bonds for savings. Aggregate total net present value savings of \$3,001,517 or 4.8% of the original debt service requirements.

On November 19, 2020, the City issued a \$373,086 Brownfield Storm Water Revenue Bond, with the Virginia Resource Authority (VRA). In conjunction with the State Water Control Board, VRA administers and manages the Virginia Water Facilities Revolving Loan Fund. The Bond was sold at a true interest cost of 0.25%.

On November 19, 2020, the City issued a \$9,400,000 Wastewater System Revenue Bond, with the VRA. In conjunction with the State Water Control Board, VRA administers 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

The City adopted the following GASB pronouncement in fiscal year 2020:

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement postpones the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to be effective for period beginning after June 15, 2018, and later. This Statement was effective immediately upon issuance in May of 2020.

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.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

- 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, 2019.
- 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 June 15, 2021.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period to enhance relevance and comparability of information while simplifying the accounting. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.
- 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, 2019.
- 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, 2021.
- GASB Statement No. 92, *Omnibus 2020*. This objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues have been identified during the implementation of certain GASB Statements. Most of the requirements of this Statement are effective for reporting periods beginning after June 15, 2020.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses the accounting and financial reporting implications that result from the replacement of IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain benefit plans; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for certain Section 457 plans. The requirements of this Statement for items (1) and (2) were immediately effective upon issuance in June of 2020. The requirements for item (3) are effective for fiscal years beginning after June 15, 2021.

**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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service Costs	\$ 26,372,000	\$ 25,146,000	\$ 26,310,000	\$ 25,919,058	\$ 25,467,399	\$ 24,578,759
Interest	94,853,000	92,517,000	86,974,000	84,710,490	82,839,251	80,203,196
Changes of benefit terms	-	11,698,000	590,000	568,480	352,800	20,689,842
Difference between expected and actual experience	(8,189,000)	(1,598,000)	(2,543,000)	(2,665,615)	(2,471,392)	(10,654,079)
Changes in assumptions	(7,031,000)	16,606,000	53,197,000	(6,508,735)	-	-
Benefits payments, including refunds of member contributions	(92,866,000)	(85,933,000)	(83,977,000)	(80,783,975)	(79,031,490)	(77,065,376)
Net change in total pension liability	13,139,000	58,436,000	80,551,000	21,239,703	27,156,568	37,752,342
Total Pension Liability - Beginning	1,384,849,000	1,326,413,000	1,245,862,000	1,224,622,781	1,197,466,213	1,159,713,871
Total Pension Liability - Ending	<u>\$ 1,397,988,000</u>	<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>
Plan Fiduciary Net position						
Employer contributions	\$ 37,079,000	\$ 35,494,000	\$ 33,457,000	\$ 30,761,340	\$ 34,932,005	\$ 42,330,492
Employee contributions	10,009,000	9,859,000	9,450,000	8,733,481	4,914,726	1,671,644
Net investment income	55,313,000	72,662,000	111,228,000	3,278,018	16,596,553	157,291,834
Benefit payments, including refunds of member contributions	(92,866,000)	(85,933,000)	(83,977,000)	(80,783,975)	(79,031,489)	(77,065,376)
Administrative expense	(617,000)	(764,000)	(668,000)	(671,568)	(386,495)	(412,809)
Net change in Fiduciary Net Position	8,918,000	31,318,000	69,490,000	(38,682,704)	(22,974,700)	123,815,785
Total Net Position - Beginning	1,075,330,000	1,044,012,000	974,522,000	1,013,204,260	1,036,178,960	912,363,175
Total Net Position - Ending	<u>\$ 1,084,248,000</u>	<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>
Net Pension Liability	<u>\$ 313,740,000</u>	<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	77.56%	77.65%	78.71%	78.22%	82.74%	86.53%
Covered payroll	\$ 195,358,000	\$ 191,549,000	\$ 188,068,000	\$ 175,678,692	\$ 178,467,817	\$ 177,560,789
Net Pension liability as a percentage of covered payroll	160.60%	161.59%	150.16%	154.45%	118.46%	90.83%

*This schedule is intended to illustrate the requirement to show information for 10 years.
Additional years will be included as they become available.

See accompanying independent auditors' report

CITY OF NORFOLK
Norfolk Employees' Retirement System
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years
(Amounts in thousands)

Fiscal Year	Actuarially Determined Required Contributions*	Employer Contributions*	Contribution Deficiency (Excess)	Employer's Covered Payroll **	Contributions as a % of Covered Payroll
2020	\$ 38,489	\$ 38,489	\$ -	\$ 197,405	19.50%
2019	37,079	37,079	-	195,358	18.98%
2018	35,494	35,494	-	191,549	18.53%
2017	33,457	33,457	-	188,068	17.79%
2016	30,761	30,761	-	175,679	17.51%
2015	38,263	34,932	3,331	178,468	19.57%
2014	42,330	42,330	-	177,561	23.84%
2013	41,466	41,466	-	184,062	22.53%
2012	42,828	42,828	-	167,593	25.55%
2011	35,515	35,515	-	170,922	20.78%

* The actuarially determined contribution and the employer contributions were adjusted for years prior to 2014 to retrospectively apply to the timing of recognition under GASB Statement No. 67.

** The actuarial determination of the ADC is based on the projection of covered payroll for the period for which the ADC will apply. The covered payroll was provided by the actuary. For the years 2014 through 2020, the balances exclude payroll for active employees participating in DROP for which contributions are not made.

CITY OF NORFOLK
Virginia Retirement System State Constitutional Offices
Schedule of Changes in Net Pension Liability and Related Ratios (unaudited)
For Fiscal Years

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service costs	\$ 3,476,583	\$ 3,318,884	\$ 3,487,288	\$ 3,496,157	\$ 3,531,000	\$ 3,600,000
Interest	7,340,551	6,992,769	6,689,417	6,370,584	6,001,000	5,574,000
Difference between expected and actual experience	(668,598)	(887,137)	(599,933)	(1,331,914)	(763,000)	-
Changes in assumptions	3,533,431	-	(893,223)	-	-	-
Benefits payments, including refunds of member contributions	(4,589,364)	(4,323,052)	(4,376,843)	(3,585,300)	(3,377,000)	(2,798,000)
Net change in total pension liability	9,092,603	5,101,464	4,306,706	4,949,527	5,392,000	6,376,000
Total Pension Liability - Beginning	107,159,697	102,058,233	97,751,527	92,802,000	87,410,000	81,034,000
Total Pension Liability - Ending	<u>\$ 116,252,300</u>	<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>
Plan Fiduciary Net position						
Employer contributions	\$ 2,538,585	\$ 2,394,595	\$ 2,355,587	\$ 2,804,570	\$ 2,830,000	\$ 3,167,000
Employee contributions	1,365,984	1,316,482	1,362,997	1,357,832	1,373,000	1,422,000
Projected earnings on plan investments	6,951,171	7,206,612	10,677,625	1,525,201	3,742,000	10,933,000
Benefit payments, including refunds of member contributions	(4,589,364)	(4,323,052)	(4,376,843)	(3,585,300)	(3,377,000)	(2,798,000)
Administrative expense	(67,621)	(61,420)	(61,057)	(52,120)	(50,000)	(57,000)
Other	(4,399)	(6,456)	(9,527)	391	(3,000)	1,000
Net change in Fiduciary Net Position	6,194,356	6,526,761	9,948,782	2,050,574	4,515,000	12,668,000
Total Net Position - Beginning	104,016,117	97,489,356	87,540,574	85,490,000	80,975,000	68,307,000
Total Net Position - Ending	<u>\$ 110,210,473</u>	<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>
Net Pension Liability	<u>\$ 6,041,827</u>	<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	94.80%	97.07%	95.52%	89.55%	92.12%	92.64%
Covered payroll	\$ 28,350,756	\$ 27,469,101	\$ 26,351,750	\$ 27,083,985	\$ 26,861,778	\$ 26,952,068
Net Pension liability as a percentage of covered payroll	21.31%	11.44%	17.34%	37.70%	27.22%	23.88%

*This schedule is intended to illustrate the requirement to show information for 10 years.
Additional years will be included as they become available.

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	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 2,721	\$ 2,721	\$ -	\$ 29,402	9.25%
2019	2,539	2,539	-	28,351	8.96%
2018	2,394	2,394	-	27,470	8.71%
2017	2,356	2,356	-	26,352	8.94%
2016	2,805	2,805	-	27,084	10.36%
2015	2,830	2,830	-	26,862	10.54%
2014	3,167	3,167	-	26,952	11.75%
2013	3,135	3,135	-	27,300	11.48%
2012	3,212	3,212	-	24,677	13.02%
2011	3,289	3,289	-	24,539	13.40%

Note: Covered payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under Statement No. GASB 68, covered payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System Teachers Retirement Plan

Schedule of the School Board's Proportionate Share of the Net Pension Liability (unaudited)
For Fiscal Years
(Amounts in thousands)

	2020		2019		2018		2017		2016		2015	
School Board's proportion of the Net Pension Liability		2.545%		2.568%		2.701%		2.400%		2.430%		2.467%
School Board's proportionate share of the Net Pension Liability	\$	290,090	\$	260,983	\$	283,848	\$	336,787	\$	305,901	\$	298,089
Covered payroll	\$	195,455	\$	188,385	\$	192,822	\$	194,172	\$	189,624	\$	189,067
School Board's proportionate of the Net Pension Liability as a percentage of its covered payroll		148%		139%		147%		173%		161%		158%
Plan fiduciary net position as a percentage of the total pension liability		73.51%		74.81%		72.92%		68.28%		70.68%		70.88%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2015 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System Teachers Retirement Plan
Schedule of School Board Contributions (unaudited)
Last 10 Fiscal Years
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 29,075	\$ 29,075	\$ -	\$ 185,408	15.68%
2019	28,775	28,775	-	195,455	14.72%
2018	29,028	29,028	-	188,385	15.41%
2017	26,582	26,582	-	192,822	13.79%
2016	25,755	25,755	-	194,172	13.26%
2015	26,206	26,206	-	189,624	13.82%
2014	21,056	21,056	-	189,067	11.14%
2013	20,911	20,911	-	144,714	14.45%
2012	19,516	19,516	-	148,138	13.17%
2011	16,027	16,027	-	135,016	11.87%

Note: Covered payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under GASB Statement No. 68, covered payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

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)

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service costs	\$ 1,498	\$ 1,504	\$ 1,552	\$ 1,527	\$ 1,563	\$ 1,530
Interest	6,129	6,054	5,976	5,891	5,770	5,586
Changes in assumptions	2,361	-	(850)	-	-	-
Difference between expected and actual experience	(1,066)	(2,076)	(646)	(1,511)	(1,027)	-
Benefits payments, including refunds of member contributions	(4,992)	(5,155)	(4,706)	(4,814)	(4,343)	(4,659)
Change in proportionate share	658	9	76	1	21	
Net change in total pension liability	4,588	336	1,402	1,094	1,984	2,457
Total Pension Liability - Beginning	89,398	89,062	87,660	86,566	84,582	82,125
Total Pension Liability - Ending	<u>\$ 93,986</u>	<u>\$ 89,398</u>	<u>\$ 89,062</u>	<u>\$ 87,660</u>	<u>\$ 86,566</u>	<u>\$ 84,582</u>
Plan Fiduciary Net Position						
Employer contributions	\$ 1,151	\$ 1,435	\$ 1,408	\$ 1,794	\$ 1,768	\$ 1,722
Employee contributions	845	814	807	800	785	775
Projected earnings on plan investments	5,486	5,851	8,877	1,248	3,321	10,151
Benefit payments, including refunds of member contributions	(4,994)	(5,155)	(4,706)	(4,814)	(4,343)	(4,659)
Administrative expense	(56)	(52)	(52)	(47)	(47)	(56)
Change in proportionate share	611	(2)	41	1	18	
Other	(3)	(36)	(17)	(17)	(11)	1
Net change in Fiduciary Net Position	3,040	2,855	6,358	(1,035)	1,491	7,934
Total Net Position - Beginning	83,176	80,321	73,963	74,998	73,507	65,573
Total Net Position - Ending	<u>\$ 86,216</u>	<u>\$ 83,176</u>	<u>\$ 80,321</u>	<u>\$ 73,963</u>	<u>\$ 74,998</u>	<u>\$ 73,507</u>
Net Pension Liability	<u>\$ 7,770</u>	<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	91.73%	93.04%	90.19%	84.37%	86.64%	86.91%
Covered payroll	\$ 22,848	\$ 22,292	\$ 23,756	\$ 22,219	\$ 22,224	\$ 21,766
Net Pension liability as a percentage of covered payroll	34.01%	27.91%	36.79%	61.65%	52.05%	50.88%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2015 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

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
2020	\$ 1,212	\$ 1,212	\$ -	\$ 23,659	5.12%
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%

Note: Covered payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under Statement No. GASB 68, covered payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

CITY OF NORFOLK
City OPEB Liability
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)
For Fiscal Years

	2020	2019	2018
Total OPEB Liability			
Service Costs	\$ 4,029,985	\$ 2,485,855	\$ 2,638,578
Interest	1,461,628	1,178,923	864,633
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(5,055,352)	(2,005,011)	(1,413,447)
Changes in assumptions	1,272,010	3,702,351	1,815,771
Benefits payments, including refunds of member contributions	(1,355,887)	(1,223,511)	(1,247,913)
Net change in total OPEB liability	352,384	4,138,607	2,657,622
Total OPEB Liability - Beginning	36,443,796	32,305,189	29,647,567
Total OPEB Liability - Ending	<u>\$ 36,796,180</u>	<u>\$ 36,443,796</u>	<u>\$ 32,305,189</u>
 Covered employee payroll	 \$ 198,510,945	 \$ 199,097,008	 \$ 196,905,143
 Net OPEB liability as a percentage of covered employee payroll	 18.54%	 18.30%	 16.41%

*The schedule is intended to illustrate the requirement to show information for 10 years.
Since 2018 was the first year for presentation, no older data is available. However, additional
years will be included as they become available.

CITY OF NORFOLK
City Line of Duty OPEB Liability
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)
For Fiscal Years

	2020	2019	2018
Total OPEB Liability			
Service Costs	\$ 1,454,436	\$ 1,517,002	\$ 991,486
Interest	1,187,989	1,336,572	637,503
Changes of benefit terms	-	-	19,652,972
Difference between expected and actual experience	4,206,413	(3,476,174)	(2,397)
Changes in assumptions	2,507,435	(4,964,076)	(5,648,603)
Benefits payments, including refunds of member contributions	(1,007,750)	(1,030,394)	(822,158)
Net change in total OPEB liability	8,348,523	(6,617,070)	14,808,803
Total OPEB Liability - Beginning	30,476,168	37,093,238	22,284,435
Total OPEB Liability - Ending	<u>\$ 38,824,691</u>	<u>\$ 30,476,168</u>	<u>\$ 37,093,238</u>
 Covered employee payroll	 \$ 70,942,265	 \$ 66,183,480	 \$ 68,244,678
 Net OPEB liability as a percentage of covered employee payroll	 54.73%	 46.05%	 54.35%

*The schedule is intended to illustrate the requirement to show information for 10 years.
Since 2018 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

CITY OF NORFOLK
School Board OPEB Liability
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)
For Fiscal Years

	2020	2019	2018
Total OPEB Liability			
Service Costs	\$ 625,247	\$ 1,381,764	\$ 1,468,830
Interest	1,896,670	1,673,986	1,702,533
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(4,651,923)	3,627,408	(3,274,812)
Changes in assumptions	1,277,781	(1,794,422)	(10,475,847)
Benefits payments, including refunds of member contributions	(2,401,320)	(2,129,544)	(2,580,746)
Net change in total OPEB liability	(3,253,545)	2,759,192	(13,160,042)
Total OPEB Liability - Beginning	49,889,185	47,129,993	60,290,035
Total OPEB Liability - Ending	<u>\$ 46,635,640</u>	<u>\$ 49,889,185</u>	<u>\$ 47,129,993</u>
 Covered employee payroll	 \$ 185,408,346	 \$ 193,211,731	 \$ 202,324,943
Net OPEB liability as a percentage of covered employee payroll	25.15%	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.

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)

	2020	2019	2018
School Board's proportion of contributions of the Net HIC OPEB Liability	2.20%	2.57%	2.70%
School Board's proportionate share of the Net HIC OPEB Liability	\$ 28,802	\$ 28,146	\$ 29,296
Covered payroll	\$ 184,851	\$ 182,653	\$ 182,244
School Board's proportionate of the Net HIC OPEB Liability as a percentage of its covered payroll	15.58%	15.41%	16.08%
Plan fiduciary net position as a percentage of the Total HIC OPEB Liability	8.97%	8.08%	7.04%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.

*The amount presented have a measurement date of the previous fiscal year end.

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)

	2020	2019	2018
School Board's proportion of contributions of the Net GLI OPEB Liability	0.95%	1.10%	1.16%
School Board's proportionate share of the Net GLI OPEB Liability	\$ 15,421	\$ 16,679	\$ 14,976
Covered payroll	\$ 185,315	\$ 183,561	\$ 183,561
School Board's proportionate of the Net GLI OPEB Liability as a percentage of its covered payroll	8.32%	9.09%	8.16%
Plan fiduciary net position as a percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.

*The amount presented have a measurement date of the previous fiscal year end.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System - Group Life Insurance Program (GLI) Political Subdivisions
Schedule of the School Board's Share of the Net OPEB Liability (unaudited)
For Fiscal Years
(Amounts in thousands)

	2020	2019	2018
School Board's proportion of contributions of the Net GLI OPEB Liability	0.09%	0.09%	0.09%
School Board's proportionate share of the Net GLI OPEB Liability	\$ 1,503	\$ 1,392	\$ 1,185
Covered payroll	\$ 18,647	\$ 17,509	\$ 16,999
School Board's proportionate of the Net GLI OPEB Liability as a percentage of its covered payroll	8.06%	7.95%	6.97%
Plan fiduciary net position as a percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.

*The amount presented have a measurement date of the previous fiscal year end.

See accompanying independent auditors' report

SCHOOL BOARD OF THE CITY OF NORFOLK
A Component Unit of the City of Norfolk
Virginia Retirement System - 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
2020	\$ 2,225	\$ 2,225	-	\$ 185,408	1.20%
2019	2,181	2,181	-	184,851	1.18%
2018	2,219	2,181	38	182,653	1.21%
2017	2,242	2,023	219	182,244	1.23%
2016	2,163	1,943	220	183,289	1.18%
2015	2,119	1,903	216	179,564	1.18%
2014	2,096	1,989	107	179,148	1.17%
2013	2,074	1,968	106	177,281	1.17%
2012	1,837	1,021	816	170,096	1.08%
2011	1,916	1,064	852	177,412	1.08%

*The schedule will eventually report 10 years of data as the information becomes available.

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
2020	\$ 1,115	\$ 1,115	\$ -	\$ 185,408	0.60%
2019	968	968	-	185,315	0.52%
2018	928	928	-	183,561	0.51%
2017	714	714	-	183,561	0.39%
2016	981	888	93	185,045	0.53%
2015	958	868	90	180,745	0.53%
2014	957	866	91	180,487	0.53%
2013	949	860	89	179,135	0.53%
2012	757	482	275	172,021	0.44%
2011	790	588	202	179,569	0.44%

*The amounts shown here represent the employer share of group life insurance contributions and exclude the employee portion of group life insurance costs. The statewide cost sharing for group life insurance is 40% for the employer and 60% for employees. VRS permits school boards to pay both the employee and employer share of contributions, and the Norfolk School Board has elected to do that. The contributions noted above represent 40% of the total premiums paid by the school board.

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
2020	\$ 94	\$ 94	\$ -	17,819	0.53%
2019	94	94	-	18,647	0.50%
2018	91	91	-	17,509	0.52%
2017	88	88	-	16,999	0.52%
2016	88	79	9	16,511	0.53%
2015	86	78	8	16,184	0.53%
2014	84	76	8	15,912	0.53%
2013	84	76	8	15,890	0.53%
2012	67	42	25	15,154	0.44%
2011	68	44	24	15,546	0.44%

*The amounts shown here represent the employer share of group life insurance contributions and exclude the employee portion of group life insurance costs. The statewide cost sharing for group life insurance is 40% for the employer and 60% for employees. VRS permits school boards to pay both the employee and employer share of contributions, and the Norfolk School Board has elected to do that. The contributions noted above represent 40% of the total premiums paid by the school board.

CITY OF NORFOLK, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended JUNE 30, 2020

A. VRS Teacher Retirement Plan

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

B. VRS Retirement Plan for Political Subdivisions

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

CITY OF NORFOLK, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended JUNE 30, 2020

C. VRS Post-employment Benefit Plan – Group Life Insurance Program (GLI)

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

D. VRS Post-employment Benefit Plan – Health Insurance Credit Plan (HIC)

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

CITY OF NORFOLK, VIRGINIA

Exhibit E-1

**Schedule of Revenue, Budget and Actual (Unaudited)
General Fund
For the Year Ending June 30, 2020**

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
General property taxes	\$ 305,436,500	\$ 305,436,500	\$ 305,693,092	\$ 256,592
Other local taxes	170,844,800	170,844,800	161,697,210	(9,147,590)
Permits, privilege fees and licenses	3,387,500	3,387,500	3,633,149	245,649
Fines and forfeitures	1,094,000	1,094,000	798,931	(295,069)
Use of money and property	8,588,191	8,532,891	8,178,074	(354,817)
Charges for services	26,040,999	26,043,803	20,514,713	(5,529,090)
Miscellaneous revenue	9,243,474	9,280,770	9,866,133	585,363
Recovered costs	11,931,115	11,946,315	11,344,116	(602,199)
Non-categorical aid - Virginia	36,036,200	36,036,200	35,568,849	(467,351)
Shared expense - Virginia	22,384,860	22,384,860	22,897,825	512,965
Categorical aid - Virginia	272,947,989	272,947,989	272,019,306	(928,683)
Categorical aid - Federal	8,709,175	8,709,175	8,838,806	129,631
Other sources and transfers	25,237,926	51,487,602	45,596,110	(5,891,492)
Total revenue budget	\$ 901,882,729	\$ 928,132,405	\$ 906,646,314	\$ (21,486,091)

Exhibit E-1 for GASB 54 includes the General Fund, the Nauticus Fund and the Community Services Board.

CITY OF NORFOLK, VIRGINIA

Exhibit E-2

**Schedule of Expenditures, Budget and Actual (Unaudited)
General Fund
For the Year Ending June 30, 2020**

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
Legislative	\$ 5,215,803	\$ 5,215,803	\$ 4,849,313	\$ 366,490
Executive	2,517,452	2,515,452	2,420,112	95,340
Department of Law	4,905,409	4,970,109	4,634,183	335,926
Finance, City Treasurer, Commissioner of Revenue	11,597,869	11,597,869	11,062,045	535,824
Department of Human Resources	3,657,170	3,547,120	3,565,830	(18,710)
Courts, Sheriff and Detention	44,436,054	44,607,343	43,420,672	1,186,671
Department of Public Health	3,459,696	3,459,696	3,320,885	138,811
Department of Human Services	74,387,361	75,045,355	70,106,214	4,939,141
Department of Public Works	16,996,849	16,911,360	12,959,425	3,951,935
Recreation Parks and Open Space, Maritime Center	22,525,310	22,428,109	19,757,637	2,670,472
Education	336,161,810	340,553,302	307,077,278	33,476,024
Norfolk Public Libraries	12,535,319	12,632,520	11,484,435	1,148,085
Elections	1,110,962	1,110,962	1,037,619	73,343
Department of Planning & Community Development	8,632,976	9,009,160	6,631,543	2,377,617
Department of Neighborhood Development	4,923,765	5,055,130	4,756,218	298,912
Department of Cultural Facilities, Arts & Entertainment	6,167,660	7,649,043	5,762,807	1,886,236
Departmental Support	16,742,310	35,886,346	21,782,209	14,104,137
Outside Agencies	53,724,081	53,434,081	49,197,294	4,236,787
Department of Police	77,618,592	77,622,775	73,621,572	4,001,203
Department of Fire and Rescue	47,278,783	47,278,783	48,446,060	(1,167,277)
Debt service	81,510,525	81,510,525	85,463,475	(3,952,950)
Office of Budget and Strategic Planning	1,566,063	1,831,230	1,817,647	13,583
Resilience	421,720	509,209	446,042	63,167
General Services	27,698,512	27,733,182	25,788,591	1,944,591
Economic Development	2,371,835	2,371,835	2,032,659	339,176
Department of Information Technology	16,789,497	16,716,760	15,898,626	818,134
Virginia Zoological Park	4,463,294	4,463,294	4,470,106	(6,812)
Transit	12,466,052	12,466,052	11,646,277	819,775
Total expenditure budget	<u>\$ 901,882,729</u>	<u>\$ 928,132,405</u>	<u>\$ 853,456,774</u>	<u>\$ 74,675,631</u>

Exhibit E-2 for GASB 54 includes the General Fund, the Nauticus Fund and the Community Services Board.

CITY OF NORFOLK, VIRGINIA
Notes to Required Supplementary Information
Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited)
For the Year Ending June 30, 2020

	General Fund
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	\$ 906,646,314
Differences--budget to GAAP:	
The effects of accounting for school revenue as a component unit	(207,473,186)
The effects of accounting for transfer from fund balance	(25,695,611)
General fund transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(19,900,499)
The effects of reclassification of recovered costs	(9,349,523)
Gross proceeds from other financing sources	(182,066)
Total revenues as reported on the Statement of Revenues, Expenditure and Changes in Fund Balances - Governmental Funds	<u>\$ 644,045,429</u>
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$ 853,456,774
Differences--budget to GAAP:	
The effects of accounting for school expenditures as a component unit	(182,366,597)
The effects of accounting for Special Revenue fund as a non major fund	-
The effects of reclassification of recovered costs	(9,349,523)
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	(887,281)
General fund transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	(87,724,600)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 573,128,773</u>

There were no material violations of the annual appropriated budget for the General fund for fiscal year 2020.

OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

**~ Nonmajor Governmental Funds ~
~ Agency Funds ~
~ Internal Service Funds ~**

OTHER SCHEDULES

**~ 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:

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.

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.





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CITY OF NORFOLK, VIRGINIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020

Exhibit F-1

	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Resiliency	Total Special Revenue	Endowed Care Fund	Nonmajor Governmental Funds
ASSETS														
Cash and short-term investments	\$ -	\$ 35,492	\$ 3,851,173	\$ 32,623,230	\$ -	\$ 133,693	\$ 264,934	\$ 8,826,979	\$ 133,714	\$ -	\$ -	\$ 45,869,215	\$ 6,053,665	\$ 51,922,880
Receivables, net	-	684	2,422,190	1,706,494	415,597	53,657	1,250	568,740	-	-	-	5,168,612	1,140	5,169,752
Accrued investment income	-	-	37.00	19	-	-	-	-	-	-	-	56	-	56
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	9,273,732	371,414	-	-	-	4,466	-	9,151,635	18,801,247	-	18,801,247
Prepaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	614,338	-	-	-	-	-	-	614,338	-	614,338
Total assets	\$ -	\$ 36,176	\$ 6,273,400	\$ 43,603,475	\$ 1,401,349	\$ 187,350	\$ 266,184	\$ 9,395,719	\$ 138,180	\$ -	\$ 9,151,635	\$ 70,453,468	\$ 6,054,805	\$ 76,508,273
LIABILITIES, DEFERRED INFLOWS														
Vouchers payable	\$ -	\$ 15,652	\$ 814,117	\$ 2,536,030	\$ 80,096	\$ 8,590	\$ -	\$ -	\$ 74,058	\$ -	\$ 4,537,770	\$ 8,066,313	\$ -	\$ 8,066,313
Contract retainage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued payroll	-	8,539	109,049	112,561	-	26,446	-	-	110,405	-	-	367,000	-	367,000
Accrued expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	31,088,780	-	-	-	-	-	-	-	31,088,780	-	31,088,780
Due to other funds	-	-	-	-	-	-	-	-	-	-	4,613,865	4,613,865	-	4,613,865
Other liabilities	-	-	-	-	289,657	-	-	-	-	-	-	289,657	-	289,657
Total liabilities	-	24,191	923,166	33,737,371	369,753	35,036	-	-	184,463	-	9,151,635	44,425,615	-	44,425,615
DEFERRED INFLOWS OF RESOURCES														
Revenue not available for current obligations	-	-	2,252,915	-	1,031,596	169,791	-	-	-	-	-	3,454,302	-	3,454,302
FUND BALANCES														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	2,909,602	-	-	-	-	-	-	-	2,909,602	6,054,805	8,964,407
Committed	-	-	-	5,541,532	-	-	37,803	-	-	-	-	5,579,335	-	5,579,335
Assigned	-	11,985	3,097,319	1,414,970	-	-	228,381	9,395,719	-	-	-	14,148,374	-	14,148,374
Unassigned	-	-	-	-	-	(17,477)	-	-	(46,283)	-	-	(63,760)	-	(63,760)
Total fund balances	-	11,985	3,097,319	9,866,104	-	(17,477)	266,184	9,395,719	(46,283)	-	-	22,573,551	6,054,805	28,628,356
Total liabilities and fund balances	\$ -	\$ 36,176	\$ 6,273,400	\$ 43,603,475	\$ 1,401,349	\$ 187,350	\$ 266,184	\$ 9,395,719	\$ 138,180	\$ -	\$ 9,151,635	\$ 70,453,468	\$ 6,054,805	\$ 76,508,273

CITY OF NORFOLK, VIRGINIA

Exhibit F-2

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ending June 30, 2020**

	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Resiliency	Total Special Revenue	Endowed Care Fund	Total Nonmajor Governmental Funds
REVENUES														
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6,268,007	\$ -	6,268,007	\$ -	\$ 6,268,007
Other local taxes	-	-	-	-	-	-	-	6,264,217	3,571,596	-	-	9,835,813	-	9,835,813
Fines and forfeitures	-	-	-	2,500	-	-	-	-	-	-	-	2,500	-	2,500
Use of money and property	-	426	59,423	25,784	-	-	15,000	-	-	-	-	100,633	38,013	138,646
Charges for services	-	1,103,085	20,847,507	232,730	-	1,424,289	-	-	72	-	-	23,607,683	219,015	23,826,698
Miscellaneous	-	3,827	9,677	2,004,621	5,532	1,879	-	-	-	-	-	2,025,536	-	2,025,536
Intergovernmental:												-		
Commonwealth of Virginia	-	-	207,510	21,291,938	-	-	-	118,343	1,353,376	-	-	22,971,167	-	22,971,167
Federal government	-	-	-	13,632,704	4,473,442	-	-	-	-	-	19,755,374	37,861,520	-	37,861,520
Total revenue	-	1,107,338	21,124,117	37,190,277	4,478,974	1,426,168	15,000	6,382,560	4,925,044	6,268,007	19,755,374	102,672,859	257,028	102,929,887
EXPENDITURES														
General government	-	-	-	701,974	-	-	-	328,498	-	-	-	1,030,472	-	1,030,472
Judicial administration	-	-	-	4,152,586	-	-	-	-	-	-	-	4,152,586	-	4,152,586
Public safety	-	-	-	4,562,908	-	-	-	-	5,861,292	-	-	10,424,200	-	10,424,200
Public works	-	977,724	20,997,409	7,458,769	-	-	-	-	-	-	-	29,433,902	-	29,433,902
Health and public assistance	-	-	-	22,121,354	765,899	-	-	-	-	-	-	22,887,253	-	22,887,253
Cultural and recreation	-	-	-	622,293	-	1,663,785	9,000	-	-	-	-	2,295,078	-	2,295,078
Community development	-	-	-	1,925,526	3,713,075	-	-	-	-	-	19,755,374	25,393,975	-	25,393,975
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	977,724	20,997,409	41,545,410	4,478,974	1,663,785	9,000	328,498	5,861,292	-	19,755,374	95,617,466	-	95,617,466
Excess (deficiency) of revenue over (under) expenditures	-	129,614	126,708	(4,355,133)	-	(237,617)	6,000	6,054,062	(936,248)	6,268,007	-	7,055,393	257,028	7,312,421
OTHER FINANCING SOURCES (USES)														
Transfers in	-	50,000	-	7,270,804	-	214,273	-	407,896	956,073	-	-	8,899,046	-	8,899,046
Transfers out	-	(210,943)	(1,528,430)	-	-	-	-	(9,701,299)	-	(7,982,832)	-	(19,423,504)	-	(19,423,504)
Total other financing sources and (uses)	-	(160,943)	(1,528,430)	7,270,804	-	214,273	-	(9,293,403)	956,073	(7,982,832)	-	(10,524,458)	-	(10,524,458)
SPECIAL ITEMS														
Contribution to Storm Water Utility fund	(4,692,138)	-	-	-	-	-	-	-	-	-	-	(4,692,138)	-	(4,692,138)
Total other financing sources and (uses) and special items	(4,692,138)	(160,943)	(1,528,430)	7,270,804	-	214,273	-	(9,293,403)	956,073	(7,982,832)	-	(15,216,596)	-	(15,216,596)
Net change in fund balances	(4,692,138)	(31,329)	(1,401,722)	2,915,671	-	(23,344)	6,000	(3,239,341)	19,825	(1,714,825)	-	(8,161,203)	257,028	(7,904,175)
Fund balances--beginning	4,692,138	43,314	4,499,041	6,950,433	-	5,867	260,184	12,635,060	(66,108)	1,714,825	-	30,734,754	5,797,777	36,532,531
Fund balances--ending	\$ -	\$ 11,985	\$ 3,097,319	\$ 9,866,104	\$ -	\$ (17,477)	\$ 266,184	\$ 9,395,719	\$ (46,283)	\$ -	\$ -	\$ 22,573,551	\$ 6,054,805	\$ 28,628,356

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

Exhibit G-1

Combining Statement of Net Position - Internal Service Funds
June 30, 2020

	Healthcare	Fleet Management	Total
ASSETS			
Current assets:			
Cash and short-term investments	\$ 13,112,035	\$ 1,735,899	\$ 14,847,934
Receivables, net	4,919,244	165,020	5,084,264
Due from agency fund	-	-	-
Total current assets	18,031,279	1,900,919	19,932,198
Noncurrent assets:			
Capital assets:			
Land	-	415,000	415,000
Buildings and equipment, net	-	11,048,951	11,048,951
Accumulated depreciation	-	(8,613,642)	(8,613,642)
Total noncurrent assets	-	2,850,309	2,850,309
Deferred outflows of resources			
Related to pensions	-	809,725	809,725
Related to OPEB	-	66,881	66,881
Total assets	\$ 18,031,279	\$ 5,627,834	\$ 23,659,113
LIABILITIES			
Current liabilities:			
Vouchers payable	\$ 583,450	\$ 539,359	\$ 1,122,809
Unearned revenue	10,105,813	-	10,105,813
Compensated absences	4,183	160,173	164,356
Accrued payroll	4,902	60,694	65,596
Other liabilities	6,552,869	-	6,552,869
Total current liabilities	17,251,217	760,226	18,011,443
Noncurrent liabilities:			
Compensated absences	-	117,225	117,225
Net pension liability	-	3,388,330	3,388,330
Net OPEB liability	-	397,382	397,382
Total noncurrent liabilities	-	3,902,937	3,902,937
Deferred inflows of resources			
Related to pensions	-	159,443	159,443
Related to OPEB	-	78,489	78,489
Total deferred inflows	-	237,932	237,932
Total liabilities	\$ 17,251,217	\$ 4,901,095	\$ 22,152,312
NET POSITION			
Net investment in capital assets	\$ -	\$ 2,850,309	\$ 2,850,309
Unrestricted	780,062	(2,123,570)	(1,343,508)
Total net position	\$ 780,062	\$ 726,739	\$ 1,506,801

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, 2020**

	Healthcare	Fleet Management	Total
OPERATING REVENUES			
Charges for services	\$ 79,941,871	\$ 10,946,921	\$ 90,888,792
Miscellaneous	-	27,892	27,892
Total operating revenues	79,941,871	10,974,813	90,916,684
OPERATING EXPENSES			
Personal services	147,542	2,730,950	2,878,492
Healthcare costs	79,600,990	-	79,600,990
Cost of goods sold	-	2,771,944	2,771,944
Plant operations	-	4,168,821	4,168,821
Depreciation and amortization	-	257,848	257,848
Retirement and OPEB expense	-	769,933	769,933
Other	-	200,041	200,041
Total operating expenses	79,748,532	10,899,537	90,648,069
Operating income (loss)	193,339	75,276	268,615
Net income (loss)	193,339	75,276	268,615
Net change in net position	193,339	75,276	268,615
Net position - beginning	586,723	651,463	1,238,186
Net position - ending	\$ 780,062	\$ 726,739	\$ 1,506,801

CITY OF NORFOLK, VIRGINIA

Exhibit G-3

**Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2020**

	Healthcare	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 81,828,779	\$ 11,005,348	\$ 92,834,127
Payments to employees	-	(3,131,485)	(3,131,485)
Payments to suppliers	(80,907,703)	(7,377,748)	(88,285,451)
Other payments	-	(200,041)	(200,041)
Net cash provided by (used in) operating activities	<u>921,076</u>	<u>296,074</u>	<u>1,217,150</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund activity	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of capital assets	-	(526)	(526)
Capital Contributions	-	-	-
Net cash provided by capital and related financing activities	<u>-</u>	<u>(526)</u>	<u>(526)</u>
Net increase in cash and short-term investments	921,076	295,548	1,216,624
Cash and short-term investments - beginning of the year	<u>12,190,959</u>	<u>1,440,351</u>	<u>13,631,310</u>
Cash and short-term investments - end of the year	<u><u>\$ 13,112,035</u></u>	<u><u>\$ 1,735,899</u></u>	<u><u>\$ 14,847,934</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities			
Operating income (loss)	\$ 193,339	\$ 75,276	\$ 268,615
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	257,848	257,848
Effect of changes in assets, deferred outflows and liabilities and deferred inflows:			
Receivables, net	(1,081,141)	30,535	(1,050,606)
Prepaid expenses	-	-	-
Vouchers payable	(1,159,171)	(436,983)	(1,596,154)
Accrued payroll	-	26,226	26,226
Net pension liability	-	343,172	343,172
Unearned revenue	2,968,049	-	2,968,049
Net cash provided by (used in) operating activities	<u><u>\$ 921,076</u></u>	<u><u>\$ 296,074</u></u>	<u><u>\$ 1,217,150</u></u>
Noncash investing, capital, and financing activities:			
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, 2020
(unaudited)

Exhibit H-1

	Other	Commonwealth of Virginia	Total
ASSETS			
Cash and short-term investments	\$ 8,731,729	\$ 194,067	\$ 8,925,796
Other	108,516	-	108,516
Total assets	<u>\$ 8,840,245</u>	<u>\$ 194,067</u>	<u>\$ 9,034,312</u>
LIABILITIES			
Vouchers payable	\$ 391,521	\$ -	\$ 391,521
Due to governmental funds	-	-	-
Due to other agencies	8,448,724	194,067	8,642,791
Total liabilities	<u>\$ 8,840,245</u>	<u>\$ 194,067</u>	<u>\$ 9,034,312</u>

CITY OF NORFOLK, VIRGINIA

Exhibit H-2

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2020

(unaudited)

	Other			
	Balance	Additions	Deductions	Balance
	June 30, 2019			June 30, 2020
ASSETS				
Cash and short-term investments	\$ 12,279,502	\$ 10,506,290	\$ 14,054,063	\$ 8,731,729
Other receivables	108,522	73,276	73,282	108,516
Total assets	<u>\$ 12,388,024</u>	<u>\$ 10,579,566</u>	<u>\$ 14,127,345</u>	<u>\$ 8,840,245</u>
LIABILITIES				
Vouchers payable	\$ 362,111	\$ 929,064	\$ 899,654	\$ 391,521
Due to governmental funds	-	201,532	201,532	-
Due to other agencies	12,025,913	11,290,481	14,867,670	8,448,724
Total liabilities	<u>\$ 12,388,024</u>	<u>\$ 12,421,077</u>	<u>\$ 15,968,856</u>	<u>\$ 8,840,245</u>

	Commonwealth of Virginia			
	Balance	Additions	Deductions	Balance
	June 30, 2019			June 30, 2020
ASSETS				
Cash and short-term investments	\$ 9,395	\$ 4,099,674	\$ 3,915,002	\$ 194,067
Total assets	<u>\$ 9,395</u>	<u>\$ 4,099,674</u>	<u>\$ 3,915,002</u>	<u>\$ 194,067</u>
LIABILITIES				
Due to the Commonwealth of Virginia	\$ 9,395	\$ 4,099,674	\$ 3,915,002	\$ 194,067
Total liabilities	<u>\$ 9,395</u>	<u>\$ 4,099,674</u>	<u>\$ 3,915,002</u>	<u>\$ 194,067</u>

	Total			
	Balance	Additions	Deductions	Balance
	June 30, 2019			June 30, 2020
ASSETS				
Cash and short-term investments	\$ 12,288,897	\$ 14,605,964	\$ 17,969,065	\$ 8,925,796
Other receivables	108,522	73,276	73,282	108,516
Total assets	<u>\$ 12,397,419</u>	<u>\$ 14,679,240</u>	<u>\$ 18,042,347</u>	<u>\$ 9,034,312</u>
LIABILITIES				
Vouchers payable	\$ 362,111	\$ 929,064	\$ 899,654	\$ 391,521
Due to other funds	-	201,532	201,532	-
Due to other agencies	12,035,308	15,390,155	18,782,672	8,642,791
Total liabilities	<u>\$ 12,397,419</u>	<u>\$ 16,520,751</u>	<u>\$ 19,883,858</u>	<u>\$ 9,034,312</u>

SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –

~Special Revenue Funds~

~Internal Service Funds~

~Capital Projects Fund~





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Schedule of Revenues and Expenditures - Budget and Actual
Towing and Recovery Operations Special Revenue Fund
For the Year Ending June 30, 2020

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ 565	\$ 426	\$ (139)
Charges for services	1,653,000	1,103,085	(549,915)
Intergovernmental federal	-	-	-
Miscellaneous	1,870	3,827	1,957
Transfer in	-	50,000	50,000
Total revenue	<u>\$ 1,655,435</u>	<u>\$ 1,157,338</u>	<u>\$ (498,097)</u>
Expenditures and transfers:			
Towing and recovery	\$ 1,448,249	\$ 981,481	\$ 466,768
Transfer out	207,186	207,186	-
Total expenditures	<u>\$ 1,655,435</u>	<u>\$ 1,188,667</u>	<u>\$ 466,768</u>

**Schedule of Revenues and Expenditures - Budget and Actual
Golf Special Revenue Fund
For the Year Ending June 30, 2020**

	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, 2020**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Other local taxes	\$ 3,571,596	\$ 3,571,596	\$ -
Charges for services	4,500	72	(4,428)
Recovered cost	1,164,593	1,353,376	188,783
Transfer in	1,171,660	956,073	(215,587)
Total revenue	\$ 5,912,349	\$ 5,881,117	\$ (31,232)
Expenditures:			
Operations	\$ 6,025,966	\$ 5,861,292	\$ 164,674
Total expenditures	\$ 6,025,966	\$ 5,861,292	\$ 164,674

**Schedule of Revenues and Expenditures - Budget and Actual
Cemeteries Special Revenue Fund
For the Year Ending June 30, 2020**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 1,285,933	\$ 1,256,412	\$ (29,521)
Miscellaneous	-	1,879	1,879
Recovered cost	188,651	167,877	(20,774)
Transfer in	447,637	214,273	(233,364)
Rollover from last year*	42,510	42,510	-
Total revenue	<u>\$ 1,964,731</u>	<u>\$ 1,682,951</u>	<u>\$ (281,780)</u>
Expenditures:			
Cemetery operations	<u>\$ 1,964,731</u>	<u>\$ 1,663,785</u>	<u>\$ 300,946</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, 2020**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Taxes-Hotel & Restaurant	\$ 7,207,000	\$ 6,264,217	\$ (942,783)
Intergovernmental - state	100,000	118,343	18,343
Transfer in	-	407,896	407,896
Rollover from last year*	2,804,300	2,804,300	-
Total revenue	<u>\$ 10,111,300</u>	<u>\$ 9,594,756</u>	<u>\$ (516,544)</u>
Expenditures:			
Transfer out (Debt Service)	\$ 4,951,300	\$ 4,951,300	\$ -
Transfer out (Capital Projects)	1,750,000	1,750,000	-
Transfer out (General Fund)	3,000,000	3,000,000	-
All purpose	410,000	328,498	81,502
Total expenditures	<u>\$ 10,111,300</u>	<u>\$ 10,029,798</u>	<u>\$ 81,502</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, 2020**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Taxes-real property	\$ 6,268,000	\$ 6,268,000	\$ -
Rollover from last year	1,714,824	1,714,824	-
Total revenue	<u>\$ 7,982,824</u>	<u>\$ 7,982,824</u>	<u>\$ -</u>
Expenditures:			
Transfer out (Debt Service)	\$ 1,632,325	\$ 1,632,325	\$ -
Transfer out (General Fund)	6,350,499	6,350,499	-
Total expenditures	<u>\$ 7,982,824</u>	<u>\$ 7,982,824</u>	<u>\$ -</u>

**Schedule of Revenues and Expenditures - Budget and Actual
Community Development Fund
For the Year Ending June 30, 2020**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Intergovernmental Federal	<u>\$ 5,561,639</u>	<u>\$ 4,478,974</u>	<u>\$ (1,082,665)</u>
Expenditures:			
Operations	<u>\$ 5,561,639</u>	<u>\$ 4,478,974</u>	<u>\$ 1,082,665</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, 2020**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ 11,000	\$ 1,575	\$ (9,425)
Charges for services	21,915,000	20,847,507	(1,067,493)
Recovered costs	4,000	207,510	203,510
Miscellaneous	-	67,525	67,525
Total revenue	<u>\$ 21,930,000</u>	<u>\$ 21,124,117</u>	<u>\$ (805,883)</u>
Expenditures and transfers:			
Public works	\$ 20,401,570	\$ 20,997,408	\$ (595,838)
Transfer out	1,528,430	1,528,429	1
Total expenditures	<u>\$ 21,930,000</u>	<u>\$ 22,525,837</u>	<u>\$ (595,837)</u>

**Schedule of Revenues and Expenditures - Budget and Actual
Grants Funds
For the Year Ending June 30, 2020**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Fines and forfeitures	\$ -	\$ 2,500	\$ 2,500
Use of money and property	-	25,784	25,784
Charges for services	-	232,730	232,730
Intergovernmental			
Federal	-	13,632,704	13,632,704
State	-	21,291,938	21,291,938
Operating Transfers	-	7,275,804	7,275,804
Miscellaneous	-	1,999,621	1,999,621
Total revenue	<u>\$ -</u>	<u>\$ 44,461,081</u>	<u>\$ 44,461,081</u>
Expenditures and transfers:			
General government	\$ -	\$ 701,974	\$ (701,974)
Judicial administration	-	4,152,586	(4,152,586)
Public safety	-	4,562,908	(4,562,908)
Public works	-	7,458,769	(7,458,769)
Health and public assistance	-	22,121,354	(22,121,354)
Cultural and recreation	-	622,293	(622,293)
Community development	-	1,925,526	(1,925,526)
Total expenditures	<u>\$ -</u>	<u>\$ 41,545,410</u>	<u>\$ (41,545,410)</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, 2020

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 11,247,559	\$ 10,946,921	\$ (300,638)
Miscellaneous & capital contributions	97,365	27,892	(69,473)
Total revenue	<u>\$ 11,344,924</u>	<u>\$ 10,974,813</u>	<u>\$ (370,111)</u>
Expenditures:			
Fleet	<u>\$ 11,344,924</u>	<u>\$ 10,899,537</u>	<u>\$ 445,387</u>

Schedule of Revenues and Expenditures - Budget and Actual
Healthcare Management Internal Service Fund
For the Year Ending June 30, 2020

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	<u>\$ 92,248,194</u>	<u>\$ 79,941,871</u>	<u>\$ (12,306,323)</u>
Expenditures:			
Healthcare	<u>\$ 92,248,194</u>	<u>\$ 79,748,532</u>	<u>\$ 12,499,662</u>

CITY OF NORFOLK, VA
Capital Improvement Program
Schedule of Expenditures - Budget and Actual
From Inception and for the Year Ending June 30, 2020

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
Community Development					
Neighborhood Project Development	\$ 4,935,000	\$ 1,131,622	\$ 209,692	\$ 1,341,314	\$ 3,593,686
Neighborhood Conservation Revitalization	46,390,203	47,970,813	303,173	48,273,986	(1,883,783)
Broad Creek Renaissance	32,631,300	26,845,422	496,752	27,342,174	5,289,126
Neighborhood commercial Improvements	79,998,695	79,529,296	529,664	80,058,960	(60,265)
Create Special Service Areas	744,950	493,585	-	493,585	251,365
Convert Street Lights to LED	75,000	-	65,940	65,940	9,060
Improve Emerging Districts	4,500,000	-	942,044	942,044	3,557,956
Improve Road Infrastructure in St. Paul's Area	2,000,000	-	269,270	269,270	1,730,730
Maintain Sidewalks Citywide	1,300,000	-	477,046	477,046	822,954
Other	974,774	974,774	-	974,774	-
Community Development Total	173,549,922	156,945,512	3,293,582	160,239,094	13,310,828
Cultural Facilities					
Attucks Theatre Renovations	2,550,629	2,558,762	-	2,558,762	(8,133)
Scope and Chrysler Hall Improvements	29,987,779	22,482,720	3,511,861	25,994,581	3,993,198
Chrysler Museum Improvements	15,208,912	15,066,111	-	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
Fund Nauticus Capital Campaign	1,000,000	-	-	-	1,000,000
USS Wisconsin Improvements	11,464,974	10,020,389	1,157,900	11,178,289	286,685
Other	8,907,578	5,862,035	-	5,862,035	3,045,543
Cultural Facilities Total	146,711,315	126,714,935	4,669,760	131,384,695	15,326,620
Economic Development					
Acquire/Dispose/Upgrade City Properties	87,290,463	70,863,553	6,072,058	76,935,611	10,354,852
Nauticus/Cruise Terminal Development	37,350,000	37,305,659	-	37,305,659	44,341
Huntersville Redevelopment	1,000,000	924,423	-	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	149,746,822	132,707,273	6,072,058	138,779,331	10,967,491
General/Other					
Campostella Landfill Closure	6,500,000	3,597,983	323,571	3,921,554	2,578,446
Beach Erosion Control	32,891,700	30,039,381	1,978,762	32,018,143	873,557
Transfer to Debt Service	1,600,000	6,392,418	53,436	6,445,854	(4,845,854)
IFMS Implementation	5,900,224	5,900,407	-	5,900,407	(183)
Waterway Dredging Projects	7,009,487	6,007,630	664,371	6,672,001	337,486
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	612,751	-	612,751	1,387,249
Other	34,358,367	19,103,359	-	19,103,359	15,255,008
General/Other Total	100,340,819	81,234,971	3,020,140	84,255,111	16,085,708
Public Buildings and Facilities					
Fire Station Emergency Generation Program	6,670,188	1,671,777	4,707,197	6,378,974	291,214
Infrastructure Improvements	21,200,473	6,089,728	-	6,089,728	15,110,745
City Building Renovations	-	-	-	-	-
Annual Roof Maintenance	9,678,652	9,358,634	95,748	9,454,382	224,270
Library Facilities - Anchor Branch	20,476,238	20,096,375	-	20,096,375	379,863
Police Precinct Replacement	20,328,986	20,328,986	-	20,328,986	-
Courts Replacement and Renovations	122,620,168	121,477,730	(5,814,825)	115,662,905	6,957,263
Jail Renovations	10,217,510	9,012,373	287,459	9,299,832	917,678
Selden Arcade Renovations	8,400,543	8,400,543	-	8,400,543	-
City Hall Building Renovations	25,596,839	17,622,224	3,284,108	20,906,332	4,690,507
Tow Yard Acquisition	697,045	337,027	-	337,027	360,018
Fire Facilities Replacement/Improvements	12,259,541	11,063,134	702,238	11,765,372	494,169
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	2,166,065	-	2,166,065	2,583,915
Construct Southside Library	7,100,000	-	1,329,850	1,329,850	5,770,150
Acquire Equipment and Technology	8,691,100	-	3,441,561	3,441,561	5,249,539
Create Gender-Neutral Restroom in City Hall	42,000	-	21,387	21,387	20,613
Improve Cemeteries Infrastructure	250,000	-	4,403	4,403	245,597
Improve Marriott Waterside Conference Center (PA)	6,500,000	-	6,220,524	6,220,524	279,476
Improve Waste Management Facilities	1,000,000	-	704,582	704,582	295,418
Renovate the School Administration Building	500,000	-	299,448	299,448	200,553
Upgrade Security at City Facilities	560,000	-	122,042	122,042	437,958
Improve Animal Care Center Infrastructure	500,000	-	-	-	500,000
Renovate Magistrate's Office	550,000	-	-	-	550,000
Repair and Replace Underground Storage Tanks	100,000	-	-	-	100,000
Other	19,768,142	13,115,761	4,474,763	17,590,524	2,177,618
Public Buildings and Facilities Total	378,841,402	308,862,932	19,880,483	328,743,415	50,097,987

CITY OF NORFOLK, VA
Capital Improvement Program
Schedule of Expenditures - Budget and Actual
From Inception and for the Year Ending June 30, 2020

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
Parks/Recreational Facilities					
Zoo Master Plan	28,407,037	27,620,572	13,160	27,633,732	773,305
Titus town Recreation Center Improvements	3,550,000	3,000,000	-	3,000,000	550,000
Botanical Gardens	2,494,413	2,494,412	-	2,494,412	1
Existing Recreation Center Improvements	14,260,717	14,050,854	173,963	14,224,817	35,900
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	4,759,747	3,801,943	12,310	3,814,253	945,494
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	13,855,320	-	13,855,320	337,090
Parks/Recreational Facilities Total	120,440,038	117,318,602	199,434	117,518,036	2,922,002
Schools					
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	22,834,870	-	22,834,870	274,755
Ocean View Elementary School	22,847,436	21,809,362	-	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	25,788,063	717,096	26,505,159	3,926,825
Schools Other	44,838,847	38,821,341	6,232,402	45,053,743	(214,896)
Schools Total	278,453,413	261,767,923	6,949,499	268,717,422	9,735,991
Transportation					
Old Dominion University Master Plan	10,304,204	5,610,091	-	5,610,091	4,694,113
VDOT Urban Support	9,773,025	8,612,228	146,291	8,758,519	1,014,506
Bridge Maintenance & Repair Program	41,918,240	34,128,306	1,575,679	35,703,985	6,214,255
Signal & Intersection Enhancements	13,606,765	12,052,730	363,583	12,416,313	1,190,452
Citywide Soundwall Program	8,405,303	8,403,332	-	8,403,332	1,971
Neighborhood Streets Improvements	76,997,088	75,412,622	1,511,922	76,924,544	72,544
Atlantic City Development	14,356,810	13,899,027	-	13,899,027	457,783
Citywide Boat Ramp Improvements	2,388,822	2,407,557	-	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
Install New Sidewalks	2,550,000	-	91,133	91,133	2,458,867
Other	33,598,348	26,633,856	-	26,633,856	6,964,492
Transportation Total	323,258,092	261,310,446	3,688,609	264,999,055	58,259,037
Grand Total	1,671,341,823	\$ 1,446,862,594	\$ 47,773,564	\$ 1,494,636,158	\$ 176,705,665
Storm Water					
Storm Water Quality Improvements - SW	16,520,000	15,382,261	(1,246,822)	-	-
Storm Water Facility Improvements	19,003,340	15,484,223	-	-	-
Old Dominion University Master Plan	1,788,255	1,788,255	-	-	-
Drain Line Clean & Slip Lining	995,843	995,843	-	-	-
Neighborhood Flood Reduction - SW	26,712,748	20,015,492	(365,388)	-	-
Bulkheading Master Project	2,100,000	2,100,000	-	-	-
Campostella Landfill Closure - SW	-	-	(10,733)	-	-
Other	9,904,175	1,674,232	-	-	-
Storm Water Total	77,024,361	57,440,306	(1,622,943)	-	-
Grand Total With Storm Water	1,748,366,184	1,504,302,900	46,150,621	1,494,636,158	176,705,665

**STATISTICAL
SECTION
(Unaudited)**





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CITY OF NORFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2020

STATISTICAL SECTION

This section of the City of Norfolk's comprehensive annual financial report provides detailed historical and economic information for users of the financial statements, notes to the financial statements, and required supplementary information for the purpose of assessing and evaluating the City's economic condition.

Financial Trends Information – These schedules provide information on the City's net assets, changes to net assets and fund balance for assessing the changes in financial position over time.

Revenue Capacity Information – These schedules provide information on the City's ability to generate revenue, specifically property tax revenue (the major source of revenue for governmental activities).

Debt Capacity Information – These schedules provide information on the City's outstanding debt, debt limitations and the ability to leverage and pay future debt.

Demographic and Economic Information – These schedules provide information about the environment in which the City operates.

Operating Information – These schedules provide operating information related to the City's infrastructure, assets and services provided by function.

Sources: Unless otherwise noted, the information in these statistical schedules is from the comprehensive annual financial reports for the relevant years.





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City of Norfolk, Virginia
Financial Trends Information
Schedule 1
Net Position by Category
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:		restated	restated		restated			restated		
Net investment in capital assets	\$ 324,576	\$ 295,206	\$ 319,550	\$ 337,937	\$ 428,380	\$ 386,641	\$ 365,913	\$ 351,887	\$ 382,093	\$ 384,078
Restricted	6,744	11,081	11,111	22,062	10,485	12,412	12,042	6,485	6,690	9,094
Unrestricted	5,347	25,832	22,593	(149,763)	(217,542)	(153,467)	(124,543)	(108,368)	(109,199)	(148,756)
Subtotal governmental activities net position	336,667	332,119	353,254	210,236	221,323	245,586	253,412	250,004	279,584	244,416
Business-type activities:										
Net investment in capital assets	267,107	270,913	275,195	259,371	266,206	301,340	342,470	330,979	364,975	406,149
Restricted	12,928	12,928	13,244	32,495	29,610	31,766	35,237	36,017	28,501	29,946
Unrestricted	62,458	72,063	78,631	77,120	100,988	85,668	59,766	98,533	102,475	121,751
Subtotal business-type activities net position	342,493	355,904	367,070	368,986	396,804	418,774	437,473	465,529	495,951	557,846
Primary government:										
Net investment in capital assets	591,683	566,119	594,745	597,308	694,586	687,981	708,383	682,866	747,068	790,227
Restricted	19,672	24,009	24,355	54,557	40,095	44,178	47,279	42,502	35,191	39,040
Unrestricted	67,805	97,895	101,224	(72,643)	(116,554)	(67,799)	(64,777)	(9,835)	(6,724)	(27,005)
Total primary government net position	<u>\$ 679,160</u>	<u>\$ 688,023</u>	<u>\$ 720,324</u>	<u>\$ 579,222</u>	<u>\$ 618,127</u>	<u>\$ 664,360</u>	<u>\$ 690,885</u>	<u>\$ 715,533</u>	<u>\$ 775,535</u>	<u>\$ 802,262</u>

Note:

1. Restatements are due to implementation of new accounting pronouncements.
2. Beginning in fiscal year 2020, the Storm Water Special Revenue Fund was converted to an Enterprise Fund.

City of Norfolk, Virginia
Financial Trends Information
Schedule 2
Changes in Net Position
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenue										
Governmental activities:										
Charges for services										
General government	\$ 18,630	\$ 9,441	\$ 9,489	\$ 4,149	\$ 7,152	\$ 4,642	\$ 4,822	\$ 4,728	\$ 7,267	\$ 6,069
Judicial administration	3,629	3,690	3,717	3,142	2,938	2,729	2,688	2,507	2,396	1,896
Public safety	7,942	8,424	10,154	7,613	7,563	8,307	8,364	7,802	8,504	8,067
Public works	36,890	50,597	38,320	37,769	41,821	42,341	40,322	41,185	40,169	23,242
Health and public assistance	82	50	5,349	5,597	5,577	6,310	6,390	6,385	5,498	5,928
Culture and recreation	10,101	9,751	10,297	9,685	8,948	10,054	9,835	9,305	9,810	6,817
Community development	1,479	1,807	2,368	1,960	2,557	2,370	2,511	1,264	2,244	2,510
Capital grants and contributions ²	-	765	15,000	15,933	1,000	5,672	5,941	11,954	3,806	(25,255)
Operating grants and contributions	116,648	119,353	131,719	120,713	125,802	132,611	135,194	151,519	142,804	161,602
Total governmental activities program revenue	195,401	203,878	226,413	206,561	203,358	215,036	216,067	236,649	222,498	190,876
Business-type activities:										
Charges for services										
Water utility	80,573	78,148	76,584	79,097	82,996	80,749	84,529	86,942	111,546	91,377
Wastewater utility	24,362	24,798	25,469	27,119	28,144	27,823	29,065	30,201	31,222	31,705
Parking facilities	19,682	19,452	19,162	20,413	19,520	19,612	20,577	22,148	22,324	19,953
Storm Water utility	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	21,666
Capital grants and contributions ²	130	187	-	2,761	3,006	338	188	144	381	26,705
Total business-type activities program revenue	124,747	122,585	121,215	129,390	133,666	128,522	134,359	139,435	165,473	191,406
Total primary government program revenues	320,148	326,463	347,628	335,951	337,024	343,558	350,426	376,084	387,971	382,282
Expenses										
Governmental activities:										
General government	103,550	109,188	119,764	122,656	126,959	130,550	155,159	152,832	157,320	157,801
Judicial administration	49,980	51,102	51,654	55,062	49,056	51,926	55,547	57,118	46,124	48,443
Public safety	129,721	129,138	125,270	125,122	120,710	119,828	133,378	160,378	138,890	153,190
Public works	101,137	91,542	71,324	66,909	81,171	79,200	80,825	69,194	66,079	61,612
Health and public assistance	82,368	75,428	90,993	90,919	86,776	85,730	89,103	87,827	91,735	97,275
Culture and recreation	64,352	63,499	56,039	56,499	58,443	60,064	62,996	46,799	58,962	64,901
Community development	18,638	17,223	16,158	12,622	13,040	16,734	15,402	23,320	29,381	40,728
Education	104,511	104,512	109,287	109,467	117,722	114,769	114,972	131,137	136,660	135,699
Interest on long-term debt	27,931	26,822	28,249	25,187	22,060	22,950	19,326	24,965	28,817	24,998
Total government activities expenses	682,188	668,454	668,738	664,443	675,937	681,751	726,708	753,570	753,968	784,647
Business-type activities:										
Water utility	67,852	64,473	61,358	61,609	59,448	59,415	65,319	61,276	63,967	65,534
Wastewater utility	19,707	18,806	19,983	20,128	19,142	19,226	22,072	21,012	20,201	21,082
Parking facilities	22,050	20,469	20,961	23,677	20,045	20,651	21,078	23,084	25,365	24,850
Storm Water utility	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13,239
Total business-type activities expenses	109,609	103,748	102,302	105,414	98,635	99,292	108,469	105,372	109,533	124,705
Total primary government expenses	791,797	772,202	771,040	769,857	774,572	781,043	835,177	858,942	863,501	909,352
Net (Expense) Revenue										
Governmental activities	(486,787)	(464,576)	(442,325)	(457,882)	(472,579)	(466,715)	(510,641)	(516,921)	(531,470)	(593,771)
Business-type activities	15,138	18,837	18,913	23,976	35,031	29,230	25,890	34,063	55,940	66,701
Total primary government net expense	<u>\$ (471,649)</u>	<u>\$ (445,739)</u>	<u>\$ (423,412)</u>	<u>\$ (433,906)</u>	<u>\$ (437,548)</u>	<u>\$ (437,485)</u>	<u>\$ (484,751)</u>	<u>\$ (482,858)</u>	<u>\$ (475,530)</u>	<u>\$ (527,070)</u>

Note:

- Beginning in fiscal year 2020, the Storm Water Special Revenue Fund was converted to an Enterprise Fund.
- The contribution to the Storm Water Utility fund identified as a "special item" on the Statement of Activities is included in capital grants and contributions in fiscal year 2020.

City of Norfolk, Virginia
Financial Trends Information
Schedule 2-1
Changes in Net Position
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenue and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Real estate and personal property	\$ 255,530	\$ 245,439	\$ 246,345	\$ 254,357	\$ 263,490	\$ 263,395	\$ 271,461	\$ 277,132	\$ 303,623	\$ 316,998
Consumption utility	48,360	43,588	43,211	43,055	42,961	41,849	41,452	41,292	39,947	38,890
Sales and use	28,411	27,599	29,707	29,436	29,981	30,330	31,185	32,799	33,259	35,395
Restaurant food	24,094	30,300	30,818	31,127	32,634	34,224	34,934	37,990	39,210	35,284
Business licenses	25,849	28,667	29,301	29,889	28,640	28,935	30,557	28,529	29,929	29,916
Cigarette	7,161	8,097	7,926	7,409	7,821	7,784	7,860	7,492	7,889	7,703
Motor vehicle licenses	4,313	4,318	4,210	3,966	3,953	4,488	4,642	4,760	4,903	4,963
Other	15,698	18,665	18,124	16,618	18,280	18,424	18,909	21,277	22,127	19,382
Interest and investment earnings	1,065	916	563	783	164	291	249	270	1,212	1,403
Grants and contributions not restricted to specific programs	32,642	32,726	33,539	33,788	33,793	34,863	36,440	28,158	35,965	36,316
Miscellaneous	5,901	4,653	11,501	14,563	11,916	16,404	30,778	31,189	12,677	17,377
Gain on disposal of assets	-	-	1,734	-	-	-	-	-	-	-
Capital contributions Norfolk Public Schools	11,085	-	-	-	-	-	-	-	-	3,716
Transfers between governmental and business-type activities	10,052	10,087	10,114	10,052	10,033	10,000	10,000	10,000	30,309	11,259
Total governmental activities	<u>470,161</u>	<u>455,055</u>	<u>467,093</u>	<u>475,043</u>	<u>483,666</u>	<u>490,987</u>	<u>518,467</u>	<u>520,888</u>	<u>561,050</u>	<u>558,602</u>
Business-type activities:										
Interest and investment earnings	511	314	234	496	112	295	432	671	2,507	3,383
Grants and contributions not restricted to specific programs	557	371	1,626	219	214	149	150	142	134	126
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	(52)	-	45
Miscellaneous	3,431	3,951	4,042	3,162	2,506	2,295	2,228	2,059	2,151	2,899
Gain (Loss) on disposal of assets	(157)	26	9	(88)	(2)	-	-	-	-	-
Transfers between governmental and business-type activities	(10,052)	(10,087)	(10,114)	(10,052)	(10,033)	(10,000)	(10,000)	(10,000)	(30,309)	(11,259)
Total business-type activities	<u>(5,710)</u>	<u>(5,425)</u>	<u>(4,203)</u>	<u>(6,263)</u>	<u>(7,203)</u>	<u>(7,261)</u>	<u>(7,190)</u>	<u>(7,180)</u>	<u>(25,517)</u>	<u>(4,806)</u>
Total primary governmental activities	<u>464,451</u>	<u>449,630</u>	<u>462,890</u>	<u>468,780</u>	<u>476,463</u>	<u>483,726</u>	<u>511,277</u>	<u>513,708</u>	<u>535,533</u>	<u>553,796</u>
Change in Net Position										
Governmental activities	5,585	12,730	9,211	2,464	16,951	(19,654)	1,546	(10,582)	561,050	(35,168)
Business-type activities	<u>13,127</u>	<u>13,488</u>	<u>19,773</u>	<u>28,768</u>	<u>22,027</u>	<u>18,629</u>	<u>26,873</u>	<u>48,760</u>	<u>(25,517)</u>	<u>61,895</u>
Total Primary Government changes in net position	<u>\$ 18,712</u>	<u>\$ 26,218</u>	<u>\$ 28,984</u>	<u>\$ 31,232</u>	<u>\$ 38,978</u>	<u>\$ (1,025)</u>	<u>\$ 28,419</u>	<u>\$ 38,178</u>	<u>\$ 535,533</u>	<u>\$ 26,726</u>

City of Norfolk, Virginia
Financial Trends Information
Schedule 3
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Nonspendable	\$ 5.00	\$ -	\$ -	\$ -	\$ -	\$ 139	\$ -	\$ -	\$ -	\$ -
Restricted	395.00	330	300	265	2,100	3,015	165	145	135	130
Committed	1,899	3,000	3,000	3,000	4,000	5,000	8,698	9,347	10,032	13,051
Assigned	38,014	34,839	33,919	23,901	25,904	26,557	36,605	44,118	65,231	66,842
Unassigned	55,968	54,338	54,055	58,100	65,580	73,077	70,652	70,962	76,510	74,994
Reserved ⁽¹⁾	-	-	-	-	-	-	-	-	-	-
Unreserved ⁽¹⁾	-	-	-	-	-	-	-	-	-	-
Total General Fund	<u>96,281</u>	<u>92,507</u>	<u>91,274</u>	<u>85,266</u>	<u>97,584</u>	<u>107,788</u>	<u>116,120</u>	<u>124,572</u>	<u>151,908</u>	<u>155,017</u>
Capital Projects Fund:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	41,063	95,053	-	10,933	-	-	-	-	-	-
Committed	11,978	14,376	13,637	14,480	14,704	6,170	-	-	4,105	-
Assigned	26,307	15,345	7,339	4,052	-	-	-	-	-	-
Unassigned	-	-	-	-	(84,624)	(216,480)	(190,871)	(128,799)	-	(7,055)
Reserved ⁽¹⁾	-	-	-	-	-	-	-	-	-	-
Unreserved ⁽¹⁾	-	-	-	-	-	-	-	-	-	-
Total Capital Projects Fund ⁽²⁾	<u>79,348</u>	<u>124,774</u>	<u>20,976</u>	<u>29,465</u>	<u>(69,920)</u>	<u>(210,310)</u>	<u>(190,871)</u>	<u>(128,799)</u>	<u>4,105</u>	<u>(7,055)</u>
All Other Governmental Funds:										
Nonspendable	22	23	24	-	-	-	-	-	-	-
Restricted	2,621	9,474	10,811	10,864	8,385	9,397	6,223	6,340	6,554	8,965
Committed	11,259	3,246	2,454	5,050	2,764	3,138	5,872	7,323	7,705	5,579
Assigned	9,877	13,569	20,708	22,144	17,843	26,554	20,345	21,501	22,339	14,148
Unassigned	-	-	-	(1,556)	(2,913)	(2,689)	(932)	(823)	(66)	(64)
Reserved ⁽¹⁾	-	-	-	-	-	-	-	-	-	-
Unreserved ⁽¹⁾	-	-	-	-	-	-	-	-	-	-
Total other governmental funds	<u>23,779</u>	<u>26,312</u>	<u>33,997</u>	<u>36,502</u>	<u>26,079</u>	<u>36,400</u>	<u>31,508</u>	<u>34,341</u>	<u>36,532</u>	<u>28,628</u>
Total fund balance, governmental funds	<u>\$ 199,408</u>	<u>\$ 243,593</u>	<u>\$ 146,247</u>	<u>\$ 151,233</u>	<u>\$ 53,743</u>	<u>\$ (66,122)</u>	<u>\$ (43,243)</u>	<u>\$ 30,114</u>	<u>\$ 192,545</u>	<u>\$ 176,590</u>

(1) The City implemented GASB Statement No. 54 during fiscal year 2011.

(2) The decrease in the Capital Projects fund balance is primarily attributable to timing of the City's external borrowing (see page 34).

City of Norfolk, Virginia
Financial Trends Information
Schedule 4
Changes in Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue:										
General property taxes	\$ 258,004	\$ 252,917	\$ 246,359	\$ 256,979	\$ 262,433	\$ 265,943	\$ 269,816	\$ 277,559	\$ 303,370	\$ 311,961
Other local taxes	153,886	161,234	163,297	161,499	164,270	166,034	169,539	174,139	177,263	171,533
Licenses and permits	3,691	3,574	4,098	3,089	3,013	3,038	3,576	3,292	4,118	3,599
Fines and forfeitures	1,298	1,108	1,102	1,242	1,264	1,111	921	1,068	1,027	801
Use of money and property	7,169	6,695	6,539	6,329	9,668	7,354	7,786	7,504	11,098	9,861
Charges for services	47,955	47,859	56,077	60,040	59,983	62,709	62,315	62,383	60,905	41,335
Miscellaneous	14,850	11,643	26,178	29,133	10,142	11,325	12,080	11,311	11,287	11,743
Recovered costs ⁽¹⁾	10,723	10,312	11,396	-	-	-	-	-	-	-
Intergovernmental	149,489	161,572	161,148	153,782	158,840	166,686	176,784	193,289	182,023	198,634
Total revenues	647,065	656,914	676,194	672,093	669,613	684,200	702,817	730,545	751,091	749,467
Expenditures:										
Current										
General government	80,855	100,504	112,804	109,292	110,904	118,468	127,367	131,203	136,987	133,751
Judicial administration	47,535	48,233	50,920	51,673	51,360	50,513	50,767	52,012	45,914	47,359
Public safety	115,975	116,296	117,427	113,394	112,055	116,436	121,494	123,905	127,610	131,883
Public works	70,124	62,330	54,427	55,267	61,369	58,716	63,231	66,882	62,511	53,665
Health and public assistance	79,757	74,331	88,413	88,671	85,631	85,815	87,330	86,702	87,554	91,787
Culture and recreation	45,862	44,529	47,153	46,705	48,765	44,531	44,825	45,968	45,399	43,499
Community development	16,565	15,142	15,128	12,482	12,303	13,677	14,994	22,237	28,212	38,095
Education	104,511	104,512	109,287	111,854	117,722	114,769	114,972	120,972	122,972	124,711
Debt service:										
Principal retirement	50,865	57,683	50,559	48,135	49,255	46,175	50,663	52,583	49,122	61,128
Interest and other charges	29,675	27,360	27,668	28,682	26,896	26,955	27,150	27,317	32,212	29,448
Debt issuance costs	-	-	-	1,127	680	318	-	907	1,823	1,886
Capital outlay	76,534	98,892	116,580	100,709	103,113	140,093	98,492	67,938	49,790	49,490
Total expenditures	718,258	749,812	790,366	767,991	780,053	816,466	801,285	798,626	790,106	806,702
(Deficiency) of revenues (under) expenditures	(71,193)	(92,898)	(114,172)	(95,898)	(110,440)	(132,266)	(98,468)	(68,081)	(39,015)	(57,235)
Other financing sources (uses):										
Proceeds of refunding bonds	84,136	74,859	-	73,428	74,094	-	49,378	27,744	-	221,756
Proceeds from capital leases	-	-	-	-	-	2,400	-	-	-	-
Proceeds from line of credit	-	-	-	-	1,000	-	-	-	-	-
Cost of Issuance	-	-	-	1,127	811	-	(1,106)	-	-	-
Proceeds of debt (general obligation bonds and notes)	2,821	109,835	-	77,930	-	-	90,094	95,305	144,820	27,553
Payment to refunded bonds escrow agent	(84,136)	(74,859)	-	(79,964)	(81,267)	-	(55,684)	(31,799)	-	(220,838)
Premium on bonds issued	505	15,311	-	17,081	7,530	-	22,586	20,111	24,939	7,591
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Proceeds from sale or disposal of fixed assets	-	2,700	1,966	-	-	-	6,080	20,077	1,378	3,716
Operating transfers in	104,873	107,136	112,121	107,633	102,604	107,953	106,474	108,550	128,910	120,991
Operating transfers (out)	(95,332)	(97,899)	(102,006)	(95,224)	(92,571)	(97,953)	(96,474)	(98,550)	(98,601)	(109,732)
Total other financing sources (uses)	12,867	137,083	12,081	102,011	12,201	12,400	121,348	141,438	201,446	51,037
Special items:										
Contribution to stormwater utility fund	-	-	-	-	-	-	-	-	-	(9,757)
Total special items	-	-	-	-	-	-	-	-	-	(9,757)
Net change in fund balances	<u>\$ (58,326)</u>	<u>\$ 44,185</u>	<u>\$ (102,091)</u>	<u>\$ 6,113</u>	<u>\$ (98,239)</u>	<u>\$ (119,866)</u>	<u>\$ 22,880</u>	<u>\$ 73,357</u>	<u>\$ 162,431</u>	<u>\$ (15,955)</u>
Debt service as a percentage of noncapital expenditures	12.19%	12.27%	11.57%	11.22%	11.28%	10.91%	10.95%	10.77%	11.03%	12.02%

Note:

1. Beginning in fiscal year 2014, recovered costs are classified as the appropriate revenue or expense reimbursement.

City of Norfolk, Virginia
Financial Trends Information
Schedule 5
Program Revenue by Function
Last Ten Fiscal Years
(Amounts in thousands)

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
General government	\$ 21,795	\$ 10,466	\$ 10,833	\$ 5,077	\$ 12,739	\$ 7,798	\$ 6,725	\$ 7,570	\$ 10,376	\$ 6,069
Judicial administration	27,069	27,880	29,479	28,537	23,113	25,811	27,242	26,163	26,275	1,896
Public safety	12,335	14,217	15,980	11,116	14,226	11,662	12,606	14,991	11,762	8,067
Public works	61,552	77,436	68,326	63,124	76,359	69,609	77,639	98,084	74,029	23,242
Health and public assistance	52,280	51,654	62,657	62,224	57,059	72,181	70,931	60,539	60,707	5,928
Culture and recreation	10,330	11,573	26,284	25,837	9,947	17,301	10,020	9,489	10,050	6,817
Community development	10,040	8,538	10,266	7,626	7,498	8,255	8,360	17,316	27,018	2,510
Interest on long-term debt	-	2,115	2,587	3,021	2,417	2,419	2,544	2,497	2,281	-
Total governmental activities	<u>195,401</u>	<u>203,879</u>	<u>226,412</u>	<u>206,562</u>	<u>203,358</u>	<u>215,036</u>	<u>216,067</u>	<u>236,649</u>	<u>222,498</u>	<u>54,529</u>
Business-type activities:										
Water utility	80,703	78,335	76,585	81,757	85,925	81,087	84,718	86,944	111,927	91,377
Wastewater utility	24,362	24,798	25,469	27,219	28,144	27,823	29,065	30,342	31,222	31,705
Parking facilities	19,682	19,452	19,162	20,414	19,596	19,612	20,576	22,149	22,324	19,953
Storm Water utility ⁽¹⁾	-	-	-	-	-	-	-	-	-	21,666
Total business-type activities	<u>124,747</u>	<u>122,585</u>	<u>121,216</u>	<u>129,390</u>	<u>133,665</u>	<u>128,522</u>	<u>134,359</u>	<u>139,435</u>	<u>165,473</u>	<u>164,701</u>
Total primary government	<u>\$ 320,148</u>	<u>\$ 326,464</u>	<u>\$ 347,628</u>	<u>\$ 335,952</u>	<u>\$ 337,023</u>	<u>\$ 343,558</u>	<u>\$ 350,426</u>	<u>\$ 376,084</u>	<u>\$ 387,971</u>	<u>\$ 219,230</u>

Note:

1. Beginning in fiscal year 2020, the Storm Water Special Revenue Fund was converted to an Enterprise Fund.

City of Norfolk, Virginia
Financial Trends Information
Schedule 6
Total Revenue by Source, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs ⁽¹⁾	Inter- governmental	Totals
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
2020	311,961	171,533	3,599	801	9,861	41,335	11,743	N/A	198,634	749,467
Change 2011-2020	20.9%	11.5%	(2.5%)	(38.3%)	37.6%	(13.8%)	(20.9%)	N/A	32.9%	15.8%

City of Norfolk, Virginia
Financial Trends Information
Other Local Tax Revenues by Source, Governmental Funds ⁽²⁾
Schedule 7
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	Consumption Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
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	4,488	18,424	166,034
2017	41,452	31,185	34,934	30,557	7,860	4,642	18,909	169,539
2018	41,292	32,799	37,990	28,529	7,492	4,760	21,277	174,139
2019	39,947	33,259	39,210	29,929	7,889	4,903	22,126	177,263
2020	38,890	35,395	35,284	29,916	7,703	4,963	19,382	171,533
Change 2011-2020	(10.0%)	24.6%	23.9%	15.7%	7.6%	15.1%	17.5%	11.5%

Notes:

1. Beginning in fiscal year 2014, recovered costs are classified as the appropriate revenue or expense reimbursement.
2. Presents additional details on Other Local Taxes presented in Schedule 6 above.

N/A - Not Available

City of Norfolk, Virginia
Revenue Capacity Information
Schedule 1
Assessed Valuations and Estimated Actual Values of Taxable Property
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
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
2020	21,334,651	2,141,764	304,481	23,780,896	23,780,896

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.

City of Norfolk, Virginia
Revenue Capacity Information
Schedule 2
Direct Property Rates
Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.25	\$ 1.25
Downtown improvement district	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Personal property	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.11	1.11	1.11	1.15	1.11	1.15	1.15	1.15	1.25	1.25
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.25
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total direct tax rate	1.19	1.21	1.22	1.22	1.22	1.24	1.23	1.25	1.33	1.32
Assessed value of real property as a percent of fair market value:										
As determined by the City Assessor	96%	100%	100%	98%	100%	100%	100%	100%	100%	100%
As determined by the Commonwealth's Department of Taxation	N/A	100%	100%	99%	100%	99%	97%	97%	97%	97%

Notes:

1. Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.
2. The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2011 through 2020.
3. The most recent Virginia Assessment/Sales ratio study is for 2018.
4. The total direct tax rate is calculated using a weighted average formula that combines real, personal and other property using the original property tax levy and total taxable property assessed value.

N/A - Not available

City of Norfolk, Virginia
Revenue Capacity Information
Schedule 3
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2011			2020		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
MacArthur Shopping Center	152,853,900	2	0.79%	217,243,100	1	1.02%
MPB, Inc.				141,016,100	2	0.66%
ODU Real Estate Foundation	101,124,500	5	0.52%	140,375,100	3	0.66%
Northern Southern	148,086,410	3	0.77%	94,716,000	4	0.44%
SLNWC Office Company, LLC				83,675,700	5	0.39%
Hertz Norfolk 999 Waterside, LLC				77,423,200	6	0.36%
Norfolk Hotel Associates, LLC				73,812,100	7	0.35%
Dominion Enterprises				69,962,400	8	0.33%
WIM Core Portfolio Owner, LLC				64,921,300	9	0.30%
Sir Properties Trust				59,059,300	10	0.28%
Bank of America	80,654,300	6	0.42%			
Cox Virginia Telecom	62,560,511	8	0.32%			
Dominion Tower LTD Partnership	59,652,400	9	0.31%			
Ford Motor Company						
LCP Waterside Hotel Owner, LLC						
Military Circle, LLC						
Norfolk Housing, LLC	55,511,700	10	0.29%			
Verizon Virginia, Inc.	139,564,095	4	0.72%			
Virginia Natural Gas, Inc.	70,523,192	7	0.37%			
Virginia Power Co.	270,009,241	1	1.40%			
	<u>\$ 1,140,540,249</u>		<u>5.90%</u>	<u>\$ 1,022,204,300</u>		<u>4.79%</u>
	\$ 19,320,643,495			\$ 21,334,650,731		

Note:

1. Information obtained from the City's Real Estate Assessor's Office.

City of Norfolk, Virginia
Revenue Capacity Information
Schedule 4
Property Tax Levy and Collections by Tax Year
Last Ten Years

Tax Year	Original Tax Levy	Adjusted Tax Levy ⁽¹⁾	Current Collections	Percent of Current Collections to Tax Levy ⁽²⁾	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy ⁽²⁾
2011	\$ 254,756	\$ 253,375	\$ 235,518	92.95%	\$ 17,857	\$ 253,375	100.00%
2012	247,528	247,398	233,396	94.34%	14,000	247,396	100.00%
2013	244,309	243,683	229,872	94.33%	13,809	243,681	100.00%
2014	254,008	254,598	240,481	94.46%	13,991	254,472	99.95%
2015	256,040	260,734	245,803	94.27%	13,560	259,363	99.47%
2016	264,043	265,482	251,933	94.90%	11,902	263,835	99.38%
2017	268,718	269,672	255,712	94.82%	11,926	267,638	99.25%
2018	275,648	277,578	262,585	94.60%	12,160	274,745	98.98%
2019	300,270	300,270	285,588	95.11%	12,137	297,725	99.15%
2020	314,540	314,540	288,746	91.80%	-	288,746	91.80%

Notes:

- Adjusted Tax Levy has been adjusted to reflect residual taxable amount after exonerations and reassessments. Information obtained from Office of the City Treasurer.
- Percentage of Collections to Tax Levy are calculated using the adjusted Tax Levy amounts. Taxes collected during the current year that relate to prior years are included in the year assessed. Total collections for the year ended June 30, 2020, were \$305,160,852 of which \$16,414,379 are for prior years and are included under the column entitled "Delinquent Collections."

City of Norfolk, Virginia
Debt Capacity Information
Schedule 1
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amount in Thousands)

Fiscal Year	General Obligation Bonds	General Obligation Notes/ Line of Credit	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Position Ratio
Governmental Activities							
2011	\$ 651,755	\$ 1,208	\$ -	\$ 652,963	\$ 2,676	7.53%	0.52
2012	717,407	-	-	717,407	2,919	7.96%	0.46
2013	664,909	-	-	664,909	2,699	7.44%	0.54
2014	718,937	-	-	718,937	2,918	7.76%	0.52
2015	665,809	-	-	665,809	2,694	6.98%	0.33
2016	611,876	-	-	611,876	2,476	6.41%	0.40
2017	664,941	-	-	664,941	2,700	6.77%	0.38
2018	720,180	-	-	720,180	2,931	7.06%	0.35
2019	831,837	-	-	831,837	3,395	N/A	0.34
2020	790,550	-	-	790,550	N/A	N/A	0.31
Business-Type Activities							
2011	\$ 189,782	\$ -	\$ 445,687	\$ 635,469	\$ 2,605	7.33%	0.54
2012	193,729	-	439,410	633,139	2,576	7.03%	0.56
2013	184,119	-	486,832	670,951	2,723	7.50%	0.55
2014	259,717	-	410,401	670,118	2,720	7.23%	0.57
2015	247,490	-	443,911	691,401	2,797	7.25%	0.57
2016	236,084	-	436,720	672,804	2,723	7.05%	0.62
2017	258,922	-	424,459	683,381	2,775	6.96%	0.64
2018	261,164	-	442,381	703,545	2,863	6.89%	0.66
2019	217,515	-	443,646	661,161	2,698	N/A	0.75
2020	249,570	-	424,304	673,874	N/A	N/A	0.83
Total Primary Governmental Activities							
2011	\$ 841,537	\$ 1,208	\$ 445,687	\$ 1,288,432	\$ 5,281	14.87%	0.54
2012	911,136	-	439,410	1,350,546	5,494	14.99%	0.51
2013	849,028	-	486,832	1,335,860	5,422	14.94%	0.55
2014	978,654	-	410,401	1,389,055	5,638	14.99%	0.49
2015	913,299	-	443,911	1,357,210	5,491	14.24%	0.46
2016	847,960	-	436,720	1,284,680	5,199	13.46%	0.52
2017	923,863	-	424,459	1,348,322	5,475	13.73%	0.51
2018	981,344	-	442,381	1,423,725	5,794	13.95%	0.50
2019	1,049,352	-	443,646	1,492,998	6,093	N/A	0.52
2020	1,040,120	-	424,304	1,464,424	N/A	N/A	0.55

Note:

1. Population is detailed in Schedule 2 Debt Capacity Information.

N/A - not available

City of Norfolk, Virginia
Debt Capacity Information
Schedule 2
Ratios of General Bonded Debt
Total Assessed Value and Bonded Debt Per Capita
Last Ten Years

Fiscal Year	Gross Bonded Debt (in thousands)	Debt Payable from Enterprise Revenue (in thousands)	Net Bonded Debt (in thousands)	Assessed Value of Taxable Property (in thousands)	Population	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2011	\$ 841,537	\$ 189,782	\$ 651,755	\$ 21,383,674	\$ 243,985	3.05%	\$ 2,671
2012	911,136	193,729	717,407	20,529,023	245,803	3.49%	2,919
2013	849,028	184,119	664,909	20,093,307	246,392	3.31%	2,699
2014	978,654	259,717	718,937	19,788,842	246,394	3.63%	2,918
2015	914,299	247,490	665,809	20,892,353	247,189	3.19%	2,694
2016	1,039,960	252,795	787,165	21,366,996	247,087	3.68%	3,186
2017	1,123,755	269,011	854,744	21,918,700	246,256	3.90%	3,471
2018	1,147,918	271,164	876,754	22,096,988	245,741	3.97%	N/A
2019	1,068,372	226,735	841,637	22,633,265	245,054	3.72%	N/A
2020	1,103,120	252,570	850,550	23,780,896	N/A	3.58%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2011 through 2019 population estimates is the Weldon Cooper Center for Public Service, University of Virginia.
3. Gross Bonded Debt includes unamortized premiums.

N/A - not available

City of Norfolk, Virginia
Debt Capacity Information
Schedule 3
Computation of Direct Bonded Debt
June 30, 2020

	Jurisdiction	Gross Bonded Debt (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct:	City of Norfolk	\$ 1,103,120	100%	\$ 1,103,120

Note:

1. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of any municipal government.

City of Norfolk, Virginia
Debt Capacity Information
Schedule 4
Legal Debt Margin
Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total assessed value of taxed real property	\$ 19,320,643,495	\$ 18,676,730,533	\$ 18,319,948,478	\$ 18,421,412,121	\$ 18,734,201,726	\$ 19,106,737,956	\$ 19,433,889,018	\$ 19,870,880,970	\$ 20,344,603,804	\$ 21,134,551,094
Debt Limit - 10% of total assessed valuation	1,932,064,350	1,867,673,053	1,831,994,848	1,842,141,212	1,873,420,173	1,910,673,796	1,943,388,902	1,987,088,097	2,034,460,380	2,113,455,109
Net debt applicable to debt limitation	829,621,927	877,060,431	818,068,050	912,700,343	914,299,379	988,381,839	1,065,983,734	1,079,595,115	988,038,371	1,086,293,856
Legal Debt Margin	<u>\$ 1,102,442,422</u>	<u>\$ 990,612,622</u>	<u>\$ 1,013,926,798</u>	<u>\$ 929,440,869</u>	<u>\$ 959,120,794</u>	<u>\$ 922,291,955</u>	<u>\$ 877,405,167</u>	<u>\$ 907,492,982</u>	<u>\$ 1,046,422,009</u>	<u>\$ 1,027,161,253</u>
Net debt percentage of debt limitation	42.94%	46.96%	44.65%	49.55%	48.80%	51.73%	54.85%	54.33%	48.57%	51.40%

City of Norfolk, Virginia
Debt Capacity Information
Schedule 5
Revenue Bonds Debt Service Coverage
Water Utility Fund
Last Ten Fiscal Years

Fiscal Year				Debt Service				Coverage
	Revenue Available for Debt Service ⁽¹⁾	Operating Expenses Less Depreciation & Amortization ⁽²⁾	Income Available for Debt Service	Principal	Interest	Total		
2011	\$ 83,737,444	\$ 37,068,753	\$ 46,668,691	\$ 9,875,000	\$ 16,527,844	\$ 26,402,844	1.77	
2012	81,295,219	34,667,524	46,627,695	11,285,000	11,184,363	22,469,363	2.08	
2013	80,091,220	34,810,702	45,280,518	7,000,000	14,700,777	21,700,777	2.09	
2014	82,078,002	34,466,877	47,611,125	7,250,000	15,630,219	22,880,219	2.08	
2015	85,490,793	36,882,803	48,607,990	7,805,000	13,905,866	21,710,866	2.24	
2016	83,103,038	32,731,817	50,371,221	8,750,000	16,612,870	25,362,870	1.99	
2017	86,970,065	37,735,743	49,234,322	10,090,000	15,988,725	26,078,725	1.89	
2018	89,419,996	34,889,820	54,530,176	13,860,000	14,376,733	28,236,733	1.93	
2019	115,557,713	36,530,929	79,026,784	14,200,000	15,858,467	30,058,467	2.63	
2020	96,751,921	36,444,887	60,307,034	13,830,000	15,044,375	28,874,375	2.09	

Notes:

1. Includes operating revenue, plus interest income not capitalized.
2. Includes operating expenses, less depreciation/amortization and payment in lieu of taxes (PILOT).

City of Norfolk, Virginia
Debt Capacity Information
Schedule 6
Revenue Bonds Debt Service Coverage
Wastewater Utility Fund
Last Ten Fiscal Years

Fiscal Year				Debt Service			Coverage
	Revenue Available for Debt Service ⁽¹⁾	Operating Expenses Less Depreciation & Amortization ⁽²⁾	Income Available for Debt Service	Principal	Interest	Total	
2011	\$ 24,856,689	\$ 11,375,370	\$ 13,481,319	\$ 850,000	\$ -	\$ 850,000	15.86
2012	25,695,602	10,860,728	14,834,874	1,225,000	-	1,225,000	12.11
2013	25,898,789	11,541,897	14,356,892	1,725,000	-	1,725,000	8.32
2014	27,409,238	10,767,704	16,641,534	1,957,500	-	1,957,500	8.50
2015	28,241,721	10,581,959	17,659,762	2,490,000	-	2,490,000	7.09
2016	28,028,027	10,347,338	17,680,689	3,019,967	-	3,019,967	5.85
2017	29,246,659	12,826,121	16,420,538	3,488,443	-	3,488,443	4.71
2018	30,336,506	11,186,214	19,150,292	3,856,919	-	3,856,919	4.97
2019	31,582,034	11,291,981	20,290,053	4,525,669	-	4,525,669	4.48
2020	32,097,154	11,933,730	20,163,424	6,816,855	325,483	7,142,338	2.82

Notes:

1. Includes operating revenue, plus interest income not capitalized.
2. Includes operating expenses, less depreciation/amortization and payment in lieu of taxes (PILOT).

City of Norfolk, Virginia
Debt Capacity
Schedule 7
Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt
Last Ten Years
to Total General Expenditures

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2011	\$ 49,650,794	\$ -	\$ 28,802,303	\$ -	\$ 78,453,097	\$ 577,669,780	13.58%
2012	55,716,041	-	26,525,905	-	82,241,946	590,849,686	13.92%
2013	50,558,810	-	27,668,004	-	78,226,814	594,180,698	13.17%
2014	48,400,297	-	28,682,414	-	77,082,711	588,506,007	13.10%
2015	49,212,914	-	26,896,108	-	76,109,022	593,478,745	12.82%
2016	46,175,445	-	26,955,137	-	73,130,582	596,768,904	12.25%
2017	50,663,318	-	27,149,634	-	77,812,952	618,253,753	12.59%
2018	52,583,233	-	27,316,523	-	79,899,756	644,120,067	12.40%
2019	49,121,542	-	32,211,611	-	81,333,153	661,339,027	12.30%
2020	53,737,152	-	29,710,170	-	83,447,322	664,623,252	12.56%

Notes:

1. Total general expenditures include the expenditures of the General fund and Debt Service fund.
2. Total general expenditures are presented using the modified accrual basis of accounting.

City of Norfolk, Virginia
Demographic and Economic Information
Schedule 1
Population Statistics
Last Ten Calendar Years

Year	Population	Personal Income (000's)	Per Capita Personal Income	Civilian Labor Force Estimates	% Unemployed
2010	242,803	\$ 8,380,127	\$ 34,501	112,449	8.8%
2011	243,985	8,608,415	35,342	112,932	8.3%
2012	245,803	8,928,833	36,308	112,848	7.6%
2013	246,392	8,842,338	36,066	112,742	7.0%
2014	246,394	9,122,284	37,052	112,175	6.4%
2015	247,189	9,529,615	38,676	111,318	5.6%
2016	247,087	9,433,045	35,940	110,644	5.2%
2017	246,256	9,811,229	40,094	113,166	4.9%
2018	245,741	10,207,860	41,822	112,100	3.9%
2019	245,054	10,407,518	42,875	112,364	3.5%

Notes:

1. Population from the Weldon Cooper Center for Public Service, University of Virginia and U.S. Census Bureau. Population data was not available for 2020
2. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2020.
3. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics.
4. All information on an average annual calendar year.

City of Norfolk, Virginia
Demographic and Economic Information
Schedule 2
Ten Largest Employers in Norfolk
Current Year and Nine Years Ago

Employer	Rank	
	2011	2020
U.S. Department of Defense	1	1
Sentara Healthcare	3	2
Norfolk City School Board	2	3
City of Norfolk	4	4
Old Dominion University, Norfolk	5	5
Children's Hospital of the King's Daughters	6	6
Sentara Health Management		7
Eastern Virginia Medical School	8	8
Anthem		9
Norfolk State University	9	10
Norshipco	7	
Portfolio Recovery Associates	10	
Total Employment	90,948	140,487

Notes:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2020 is the quarter ended December 2019, as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics, 1st Quarter 2011 and 1st Quarter 2020.
4. Each of the top 10 employers has 1,000+ employees. The actual number of employees for each employer was not available.

City of Norfolk, Virginia
Demographic and Economic Information
Schedule 3
New Construction and Property Values

Fiscal Year	Residential Construction			Non-Residential Construction	
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)
2011	221	479	\$ 37,298	27	\$ 40,073
2012	268	371	39,360	26	116,401
2013	384	822	63,728	28	105,635
2014	432	1,393	93,072	33	37,575
2015	399	729	59,018	36	233,824
2016	384	894	74,377	20	91,171
2017	459	1,193	68,571	25	82,443
2018	346	597	54,899	15	118,459
2019	274	1,125	83,245	31	238,513
2020	405	1,182	87,820	26	282,015

Notes:

1. The source of residential and nonresidential construction is the City's Department of Planning and Community Development.
2. Non-residential construction includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

City of Norfolk, Virginia
Demographic and Economic Information
Schedule 4
Annual Employment Average by Industry
(in thousands)

	Calendar Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Goods-Producing Industries:										
Construction	4.7	4.4	4.1	3.8	3.8	4.2	4.1	4.6	4.5	4.2
Manufacturing	6.8	6.5	6.8	6.7	6.1	6.3	6.0	6.1	6.7	7.1
Service-Providing Industries:										
Wholesale trade	4.1	3.9	3.7	3.5	3.5	3.5	3.5	3.3	2.1	2.0
Retail trade	12.8	12.9	12.6	12.8	12.7	12.7	12.7	12.8	12.3	11.7
Transportation and warehousing	8.8	8.8	9.0	8.8	8.8	8.8	8.6	8.6	8.2	8.7
Information	2.7	2.5	2.9	2.9	2.8	2.9	3.0	2.9	2.4	2.3
Finance and insurance	5.4	5.5	5.3	5.3	5.6	5.2	5.3	5.1	5.2	5.3
Real estate and rental and leasing	2.6	2.6	2.5	2.7	2.6	2.6	2.5	2.6	2.4	2.4
Professional and technical services	11.6	11.5	11.0	11.4	11.0	10.5	10.4	10.7	10.9	11.2
Management of companies and enterprises	2.1	2.0	2.0	1.9	1.8	1.7	1.6	1.6	1.8	1.7
Administrative, support and waste services	6.6	7.4	6.8	7.6	7.7	7.7	7.3	8.3	9.3	8.9
Educational services	16.1	15.9	16.0	16.1	15.9	15.6	15.4	15.0	19.1	18.9
Healthcare and social assistance	21.0	21.9	22.4	22.4	21.8	22.0	22.8	23.1	21.8	20.0
Arts, entertainment and recreation	2.2	2.3	2.3	2.3	2.3	2.2	2.3	2.3	1.9	1.9
Accommodation and food services	10.3	10.9	10.9	10.6	10.5	10.9	11.2	11.5	11.3	11.7
Public administration	13.9	14.2	14.4	12.7	12.4	18.0	18.4	18.2	18.3	18.4
Other services	3.8	4.0	4.1	4.2	4.3	4.1	4.2	4.5	4.5	4.6
Total (adjusted for rounding)	136.3	138.0	137.8	136.4	134.4	139.7	140.2	141.9	142.7	141.0

Notes:

1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.
2. All information on an average annual calendar year.
3. This schedule includes data for the ten-year period 2010 - 2019 as calendar year. Calendar year data not available for 2020.

City of Norfolk, Virginia
Operating Information
Schedule 1
Full-Time Equivalent (FTE) Positions by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
General government	492	501	461	425	473	450	453	441	442	447
Judicial administration	12	10	13	12	10	10	10	10	11	12
Public safety										
Police	891	879	828	837	823	838	874	843	843	792
Fire	510	517	507	504	489	489	504	482	482	483
Other	90	90	77	76	76	74	70	65	65	61
Public works	431	427	395	388	369	383	387	379	379	274
Health and public assistance	532	534	709	697	697	715	710	686	686	642
Culture and recreational	512	501	459	456	429	442	446	455	455	434
Community development	137	142	94	96	103	128	132	131	131	130
Business-type activities:										
Water utility	289	289	266	273	265	262	259	258	258	250
Wastewater utility	103	104	99	99	95	94	92	91	91	90
Parking facilities	85	85	85	76	63	58	53	54	54	50
Storm Water utility ⁽²⁾	-	-	-	-	-	-	-	-	-	91
Total full-time equivalent positions	4,084	4,079	3,993	3,937	3,892	3,941	3,990	3,895	3,895	3,756

Note:

1. Data obtained from the City's Human Resources Information System.
2. In Fiscal Year 2020, Storm Water transitioned to a proprietary fund. Employees in this fund were previously reported in Public Works.

City of Norfolk, Virginia
Operating Information
Schedule 2
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Service calls	241,282	251,099	245,620	259,938	240,459	241,530	235,763	247,070	239,755	234,468
Arrests	27,930	29,080	27,073	25,850	21,404	19,364	17,938	19,382	19,499	17,276
Reports filed	30,507	28,649	28,035	26,060	26,039	27,322	27,287	24,168	23,286	23,082
Fire:										
Incidences (fires, EMS)	40,641	45,350	44,370	43,713	44,699	46,670	47,232	45,039	44,817	45,042
Highways and Streets:										
Streets resurfacing (miles)	67	139	53	76	26	41	78	77	74	72
Sanitation:										
Total solid waste collected and disposed (tons)	84,162	89,106	83,297	79,382	80,128	84,162	87,851	81,974	86,568	87,770
Water Utilities:										
Water delivered to water mains (gallons in thousands)	22,810,560	22,039,690	21,532,680	21,147,530	21,530,000	21,349,210	21,920,310	21,498,500	21,364,650	20,642,560
Total water consumption (gallons in thousands)	21,155,000	20,360,972	20,109,000	20,241,312	20,054,780	19,282,870	19,649,330	19,548,271	19,178,839	18,930,786
Percent of unmetered water	7.25%	7.62%	6.62%	4.29%	6.85%	9.68%	10.36%	9.07%	10.23%	8.29%
Average daily delivery (gallons in thousands)	62,494	60,217	58,994	57,938	59,000	58,320	60,060	59,900	59,890	56,400
Maximum daily pumpage (gallons in thousands)	80,200	76,310	74,640	74,890	88,970	67,610	72,220	81,000	69,940	69,400
Minimum daily pumpage (gallons in thousands)	52,350	50,070	49,890	48,030	51,110	51,010	48,120	50,000	49,790	48,630

City of Norfolk, Virginia
Operating Information
Schedule 3
Capital Assets and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety:										
Police Stations	3	3	3	3	3	3	3	3	3	3
Fire										
Fire stations	14	14	14	14	14	14	14	14	14	14
Education:										
High schools	5	5	5	5	5	5	5	5	5	5
Middle schools	8	8	8	8	7	8	8	8	8	8
Elementary (Pre K - 8)	35	34	33	33	33	33	33	33	33	33
Other educational facilities	5	6	6	6	7	10	10	10	10	10
Libraries	11	11	11	11	11	11	11	12	12	12
Public Recreation:										
Parks:										
Acreage	587	587	587	587	587	630	630	630	630	633
Regional parks	2	2	2	2	2	2	2	2	2	2
Neighborhood parks	71	71	71	71	71	72	72	72	72	73
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1
Nature education centers	1	1	1	1	1	1	1	1	1	1
Playgrounds	101	101	102	105	106	106	106	106	106	106
Hiking trails (miles)	2	2	2	2	2	5	5	5	5	5
Recreation:										
Acreage	957	957	957	957	957	981	981	981	977	977
Recreational and senior centers	30	30	30	30	30	30	30	30	29	29
Swimming pools	6	6	6	6	6	6	6	6	6	5
Tennis courts	148	142	142	142	142	142	142	142	138	138
Baseball/softball diamonds	86	86	86	86	86	86	86	86	86	86
Football/soccer fields	49	49	49	49	49	49	49	49	49	49
Field hockey	3	3	3	3	3	3	3	3	3	3
Basketball courts	203	201	201	201	201	201	201	201	199	199
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal golf courses	3	3	3	3	2	2	2	2	2	2
Public Services:										
Transportation and Engineering:										
Streets (lane miles)	2,188	2,189	2,174	2,175	2,166	2,195	2,213	2,220	2,250	1,719
Sidewalks (miles)	968	968	968	887	887	902	902	906	909	895
Bridges	50	50	50	50	52	52	53	53	53	53
Signalized intersections	304	305	304	311	312	312	313	315	315	315
Street lights	31,277	31,132	31,138	31,138	31,269	31,289	32,081	32,121	32,786	34,286
Utilities:										
Water customer accounts	64,289	64,440	64,654	64,856	65,687	65,426	65,673	65,984	66,151	66,964
Miles of water main in the system	838	824	826	828	828	821	822	821	822	823
Capital assets (in '000)										
Water fund	\$ 448,407	\$ 470,466	\$ 480,999	\$ 487,577	\$ 503,659	\$ 533,746	\$ 561,297	\$ 566,863	\$ 570,315	\$ 575,825
Wastewater fund	198,842	214,308	229,891	238,931	249,210	261,039	266,307	272,992	280,035	290,103
Total utilities assets (in '000)	\$ 647,249	\$ 684,774	\$ 710,890	\$ 726,508	\$ 752,869	\$ 794,785	\$ 827,604	\$ 839,855	\$ 850,350	\$ 865,928
Convention Center:										
Meeting rooms	8	8	8	8	8	8	58	58	58	58
Meeting/ballroom space/exhibit (square feet)	68,130	68,130	68,130	68,130	68,130	68,130	118,879	118,879	118,879	129,379
Parking Facilities:										
Parking lots/garages	25	24	24	24	24	25	27	27	27	26
Parking meters	584	756	738	752	676	643	643	643	643	659
Storm Water Management:										
Miles of storm sewers	357	357	366	386	386	404	385	385	385	399

City of Norfolk, Virginia
Operating Information
Schedule 4
Water System Statistics
As of June 30, 2020

Average Metered Consumption (million gallons per day)

Fiscal Year	Norfolk Retail	Virginia Beach	U.S. Navy	Chesapeake	Total
2011	17.4	33.7	4.3	2.2	57.6
2012	17.1	32.4	4.0	2.3	55.8
2013	16.8	32.2	4.0	2.5	55.5
2014	16.7	31.8	4.3	2.3	55.1
2015	16.8	30.8	5.0	2.3	54.9
2016	15.8	30.9	4.2	2.0	52.9
2017	15.7	31.5	4.6	2.1	53.9
2018	15.6	30.7	5.1	2.2	53.6
2019	15.5	30.2	4.9	2.0	52.6
2020	15.1	30.6	4.2	2.0	51.9

Retail Customers' Average Annual Costs - Norfolk Retail

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2011	\$ 34,472,000	6,362,000	\$ 5.42
2012	33,537,000	6,241,000	5.37
2013	33,813,000	6,134,000	5.51
2014	34,920,000	6,092,000	5.73
2015	35,846,000	6,136,000	5.84
2016	35,288,000	5,769,000	6.12
2017	36,213,000	5,717,000	6.33
2018	37,929,000	5,702,000	6.65
2019	38,776,000	5,659,000	6.85
2020	39,330,000	5,516,000	7.13

Wholesale Customers' Average Annual Costs - Virginia Beach

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2011	\$ 28,703,000	12,307,800	\$ 2.33
2012	25,519,000	11,826,000	2.16
2013	22,643,000	11,739,000	1.93
2014	23,188,000	11,614,000	1.99
2015	23,771,000	11,257,000	2.11
2016	23,731,000	11,263,000	2.11
2017	24,722,000	11,489,000	2.15
2018	23,548,000	11,200,000	2.10
2019	25,158,000	11,015,000	2.28
2020	22,771,000	11,157,000	2.04

Wholesale Customers' Average Annual Costs -

U.S. Navy, including Norfolk and Virginia Beach Facilities

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2011	\$ 8,837,000	1,562,000	\$ 5.66
2012	8,534,000	1,460,000	5.85
2013	8,768,000	1,444,000	6.07
2014	9,927,000	1,571,000	6.32
2015	12,017,000	1,838,000	6.54
2016	10,356,000	1,530,000	6.77
2017	11,710,000	1,662,000	7.05
2018	13,310,000	1,844,000	7.22
2019	13,315,000	1,774,000	7.51
2020	11,835,924	1,524,000	7.77

Wholesale Customers' Average Annual Costs - Chesapeake

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2011	\$ 4,299,000	803,000	\$ 5.35
2012	4,691,000	840,000	5.58
2013	5,099,000	897,500	5.68
2014	4,912,000	835,300	5.88
2015	5,009,000	823,800	6.08
2016	4,718,000	720,000	6.55
2017	5,100,000	781,000	6.53
2018	5,471,000	802,000	6.82
2019	5,148,000	718,000	7.17
2020	5,384,000	734,000	7.34

Raw Water Consumption (million gallons per day)

Fiscal Year	WTWA	Virginia Beach	Chesapeake	Total
2011	4.20	-	7.13	11.33
2012	5.40	-	7.21	12.61
2013	5.40	-	7.23	12.63
2014	5.65	-	7.11	12.76
2015	6.00	-	7.08	13.08
2016	6.75	-	7.10	13.85
2017	6.75	-	7.11	13.86
2018	7.50	-	7.06	14.56
2019	7.50	10.00	7.01	24.51
2020	8.25	10.00	7.01	25.26

Wholesale Customers' Average Annual Costs - WTWA

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost
2011	\$ 1,762,950	1,533,000	\$ 1.15
2012	2,306,070	1,971,000	1.17
2013	2,384,910	1,971,000	1.21
2014	2,536,568	2,062,250	1.23
2015	2,737,500	2,190,000	1.25
2016	3,128,963	2,463,750	1.27
2017	3,128,963	2,463,750	1.27
2018	3,531,375	2,737,500	1.29
2019	3,586,125	2,737,500	1.31
2020	4,065,188	3,011,250	1.35

Wholesale Customers' Average Annual Costs - Virginia Beach

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost
2011	\$ -	-	\$ -
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	2,371,100	1,825,000	1.31
2020	4,941,000	3,650,000	1.35

Wholesale Customers' Average Annual Costs - Chesapeake

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost
2011	\$ 2,989,952	2,602,450	1.15
2012	3,090,236	2,631,650	1.17
2013	3,202,788	2,638,950	1.21
2014	3,191,564	2,595,150	1.23
2015	3,240,364	2,584,200	1.25
2016	3,302,111	2,591,500	1.27
2017	3,301,122	2,595,150	1.27
2018	3,330,149	2,576,900	1.29
2019	3,352,605	2,558,650	1.31
2020	3,465,383	2,558,650	1.35

⁽¹⁾ "Mgal" means 1,000 gallons

Additional Information:

1) Water Utility Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

July 1, 2018 - June 30, 2019

July 1, 2019 - June 30, 2020

2) Water Utility Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.

3) Financial information on the Water Utility Fund is provided in the "Introductory Section" and the "Financial Section" of each respective year's Comprehensive Annual Financial Report.

City of Norfolk, Virginia
Operating Information
Schedule 5
Wastewater System Statistics
As of June 30, 2020

The Wastewater System

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.

Approximate population served	242,234	citizens
Total wastewater pumping stations	141	pump stations
Miles of gravity wastewater mains	682	miles
Miles of wastewater force mains	54	miles

Organization and Management

The Department of Utilities is responsible for the operation of two enterprise funds, the Water Utilities Fund and the Wastewater Utilities Fund. Kristen M. Lentz, P.E. is the Director of Utilities and Robert Carteris is the Assistant Director of Utilities. The Department, which is comprised of eight divisions, is organized as follows: Water Production, Water Quality, Wastewater, Water Distribution, Water Accounts, Engineering, Accounting & Budget and the Director's Office.

Rates

Each customer using the Wastewater System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Effective in Fiscal Year 2005, the City Council established a long-term retail rate plan and starting in 2006, Fiscal Year wastewater rates increase annually by 4.0% and produces the following rates:

Fiscal Year	Retail Rate
2019	\$4.30 per 100 cubic feet
2020	\$4.47 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

Largest Users

Rank	Entity	Usage (CCF)
1	Norfolk Redevelopment and Housing Authority	472,493
2	BAE Systems	135,110
3	Old Dominion University	135,056
4	Sentara Norfolk General	121,273
5	Norfolk State University	79,317

Operating Income

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Total Operating Revenues	\$ 30,315,078	\$ 31,309,706	\$ 31,817,215
Total Operating Expenses	<u>18,039,472</u>	<u>18,280,874</u>	<u>19,190,658</u>
Total Operating Income	<u>\$ 12,275,606</u>	<u>\$ 13,028,832</u>	<u>\$ 12,626,557</u>

**City of Norfolk, Virginia
Operating Information
Schedule 6
Parking System Statistics
As of June 30, 2020**

Short-term Parking Rates at all City-Owned Facilities, Except the MacArthur Center Garages

Time	Hourly Rates	Time	Hourly Rates
0 to 1 Hour	\$1.50	6 PM to 9 PM/Collect-On-Entry	\$3.00
1 to 2 Hours	\$3.00	9 PM to 3 AM/Collect-On-Entry	\$5.00
2 to 3 Hours	\$4.50	Special Event Rate/Collect-On-Entry	\$5.00
3 to 4 Hours	\$6.00		
4 to 5 Hours	\$7.50		
5 to 6 Hours	\$9.00		
6 to 7 Hours	\$10.50		
7 to 8 Hours	\$12.00		
Maximum Daily Rate (up to 24 Hours)	\$13.00		
Lost Ticket/Per Day	\$13.00		

Short-term Parking Rates at the MacArthur Center Garages

Monday - Friday	Saturday & Sunday
\$1.00 for first hour - third hour	\$1.00 for entry prior to 6 PM
\$2.00 for each additional hour until 6 PM	\$2.00 for entry after 6 PM
\$2.00 for entry after 6 PM	
Maximum of \$10.00 per 24-hour period	Maximum of \$10.00 per 24-hour period

Special Event Rates

All facilities, except the MacArthur Center Garages, have a collect-on-entry, special event rate of \$5.00 per vehicle. The MacArthur Center Garages special event fee is \$2.00 per vehicle.

Metered Parking Rates

Metered Area	General Location	Hourly Rate
Tier 1	All streets west of St. Paul's Boulevard, City Hall Avenue and south, Waterside Drive and north, and all streets east of Boush Street including Boush Street	\$0.45 per 15 minutes
Tier 2	All remaining downtown areas with meters	\$0.35 per 15 minutes
Education Lot	Corner of St. Paul's Boulevard and City Hall Avenue	\$0.50 per 30 minutes
Spotswood Lot	Located off Colley Avenue, between Brandon and Spotswood Avenue	\$0.50 per half hour; \$2.00 maximum four-hour limit
ODU Village	161 meters located on 41 st , 43 rd , 45 th , 46 th , 47 th Street and Monarch Way	\$0.50 per 30 minutes

Monthly Parking Rates at all City-Owned Facilities

Daytime rates vary from \$37.00 unreserved per month in outlying lots to \$130.00 for reserved spaces in the core downtown. Nightly monthly parking rates vary from \$20.00 per month to \$43.00 per month.

Parking Fines

Parking Violation	Fine Schedule	Parking Violation	Fine Schedule
Overtime Parking - Meter	\$25.00	No Parking - This Side	\$30.00
Overtime Parking - Time Zone	40.00	No Stopping Zone	40.00
Overtime Parking - Meter Feeding	30.00	Restricted City Lot	35.00
No Parking	40.00	Handicapped Parking	255.00
No Parking - Fire Hydrant	75.00	Taxi Stand	40.00
No Parking - Cross Walk	40.00	Blocking Driveway	35.00
No Parking - Loading Zone	35.00	Overnight Parking	30.00
No Parking - Here to Corner	35.00	Parking off of Roadway	40.00
No Parking - Facing Wrong Way	30.00	Blocking Fire Lane	105.00
No Parking - Bus Stop	40.00		
No Parking - Street Cleaning	45.00		

Parking Fines

Fiscal Year	Parking Tickets Issued	Revenue	Collection Rate
2011	62,731	\$ 2,062,060	82%
2012	58,928	2,169,813	87%
2013	56,751	1,822,693	85%
2014	57,409	2,382,072	100%
2015	46,593	2,292,227	94%
2016	41,850	2,153,328	87%
2017	39,542	1,956,999	82%
2018	36,990	2,089,907	87%
2019	35,582	1,481,645	76%
2020	29,142	1,207,960	73%

Additional Information

1) Parking Facilities Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.
July 1, 2018 - June 30, 2019
July 1, 2019 - June 30, 2020

2) Parking Facilities Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.

APPENDIX B

FORMS OF BOND COUNSEL OPINION LETTERS

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August 12, 2021

City Council of the City of Norfolk, Virginia
Norfolk, Virginia

\$74,220,000
City of Norfolk, Virginia
General Obligation Capital Improvement Bonds,
Series 2021A (Tax-Exempt)

Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City"), in connection with the issuance and sale of the City's \$74,220,000 General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt) (the "Bonds"), dated the date of their delivery.

In connection with this opinion letter, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Tax Code") and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon and are assuming the accuracy of certifications and representations of the City, City officers and other public officials and certain other third parties contained in certificates and other documents delivered at closing, including, without limitation, certifications as to the use of proceeds of the Bonds, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.

2. The City Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax (a "Specific Tax Preference Item"). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

In delivering this opinion, we are assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Tax Code. The Tax Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax certificate and related documents for the Bonds (the "Tax Certificates") delivered at closing by the City contain covenants (the "Covenants") under which the City has agreed to comply with such requirements. A failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificates. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Tax Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The opinions are subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences, fraudulent transfers and equitable subordination), reorganization, moratorium and other similar laws affecting creditors' rights generally. The opinions are subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing.

Our services as bond counsel to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the City dated July 22, 2021, and the Official Statement of the City dated July 27, 2021. This opinion letter is given as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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August 12, 2021

Mayor and Council of the
City of Norfolk, Virginia
Norfolk, Virginia

\$36,895,000
City of Norfolk, Virginia
General Obligation Refunding Bonds,
Series 2021B (Federally Taxable)

Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City"), in connection with the issuance and sale by the City of its \$36,895,000 General Obligation Refunding Bonds, Series 2021B (Federally Taxable) (the "Bonds"), dated the date of their delivery.

In connection with this opinion letter, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to this opinion, we have relied upon and are assuming the accuracy of certifications and representations of the City, City officers and other public officials and certain third parties contained in certificates and other documents delivered at closing, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.

2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds is includable in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences with respect to the Bonds.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth, or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The opinions are subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences, fraudulent transfers and equitable subordination), reorganization, moratorium and other similar laws affecting creditors' rights generally. The opinions are subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing.

Our services as bond counsel to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the City dated July 22, 2021, and the Official Statement of the City dated July 27, 2021. 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 August 12, 2021 (the "Closing Date"), by the City of Norfolk, Virginia (the "City"), in connection with the issuance by the City of its \$74,220,000 General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt) and its \$36,895,000 General Obligation Refunding Bonds, Series 2021B (Federally Taxable) (collectively, the "Bonds"), pursuant to Ordinance No. 47,953 and Ordinance No. 48,448 adopted by the City Council of the City on April 14, 2020 and July 20, 2021, respectively (collectively, the "Ordinance"). Pursuant to the Ordinance, the City approved the offering and sale of the Bonds to the public pursuant to an Official Statement relating to the Bonds, dated July 27, 2021 (the "Official Statement"). The City has determined that it constitutes an "obligated person" within the meaning of the Rule, as hereinafter defined, with respect to the Bonds and, accordingly, hereby represents, covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth elsewhere in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the City means the following:

(i) the financial statements (consisting of at least a statement of net assets, a statement of cash flows and a statement of revenues, expenses and changes in fund net assets for all governmental/enterprise funds) of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this Disclosure Agreement will prohibit the City after the date of the Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(ii) updates of the operating data contained in the sections in the Final Official Statement titled "Table II-3, Key Debt Trends," "Table II-6, Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita," "Table III-2, Revenue Capacity Information Assessed Valuations of Taxable Property," "Table III-5, Real and Personal Property Tax Levies and Collections," "Table III-6, Ten Principal Real Property Taxpayers" and "Table III-14, Comparative Statement of Revenue and Expenditures, General Fund."

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the City and the results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

"Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" shall mean the U.S. Securities and Exchange Commission.

Section 2. Purpose of the Disclosure Agreement; Representation. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and in order to assist the Participating Underwriters in complying with the Rule. The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 3. Obligations of the City. (a) The City shall complete the preparation of the Annual Financial Information with respect to any Fiscal Year of the City not later than March 31 after the end of such Fiscal Year.

(b) The City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), the Annual Financial Information within 30 days after it is prepared in final form.

(c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 - TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material. "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of a payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

Provided that nothing in this subsection (c) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(d) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner, notice of a failure of the City to provide the Annual Financial Information, on or before the date specified in this Disclosure Agreement.

(e) The City shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the current Fiscal Year.

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB, in an electronic format as prescribed by the MSRB. Should the SEC approve any additional or subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing system.

Section 5. Incorporation by Reference. Any or all of the Annual Financial Information may be incorporated by specific reference from other documents, including official statements containing information with respect to the City, which are available to the public on the internet website of the MSRB or filed with the SEC. The City shall clearly identify each such other document so incorporated by reference.

Section 6. CUSIP Numbers. The City shall reference, or cause the Dissemination Agent (if not the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

Section 7. Termination of Reporting Obligation. The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 9. Identifying Information. All documents provided to the MSRB hereunder shall be accompanied by identifying information as prescribed by the MSRB.

Section 10. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and to the Participating Underwriters for the Bonds to the effect that such amendment is permitted or required by the Rule.

Section 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(c), in addition to that which is required by this Disclosure Agreement. If the City chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(c), in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this

Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

Section 12. Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or any other debt authorization of the City, or any Bond and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and the Holders and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Continuing Disclosure Agreement on behalf of the City of Norfolk, Virginia, as of the Closing Date.

CITY OF NORFOLK, VIRGINIA

By: _____
Dr. Larry H. Filer II
City Manager, City of Norfolk, Virginia

By: _____
Christine A. Garczynski
Director of Finance, City of Norfolk, Virginia

Approved as to Form and Correctness:

Office of the City Attorney
City of Norfolk, Virginia

[Signature Page to Continuing Disclosure Agreement]

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds (the "Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC

has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to a Bond unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (an "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such Bond is credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the bond registrar or paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participants or Indirect Participant and not of DTC, the City or the bond registrar and paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the bond registrar and paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the bond registrar and paying agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Neither the City nor the bond registrar and paying agent has any responsibility or obligation to the Direct Participants or Indirect Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (ii) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (iii) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to such owners; or (iv) any other action taken by DTC, or its nominee, Cede & Co., as Holder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the holders of the Bonds or Bondholders mean Cede & Co. and not the Beneficial Owners, and Cede & Co. will be treated as the only Holder of the Bonds.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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