
Budget Overview



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ACKNOWLEDGMENTS

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

The FY 2025 Budget was developed with the assistance of many who deserve acknowledgment and appreciation:

- Residents of the city and civic league members, particularly those who attended community outreach meetings
- Members of the city's Employee Relations Committee
- The Executive Budget Team
- Department and office directors
- Members of the business community
- Council Appointees
- Constitutional Officers

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

Director, Department of Budget and Strategic Planning

Pete Buryk

Department of Budget and Strategic Planning Staff

Jason Beasley, Alan Boring, Alicia Davis, Moira Facer, Paul Harris, Brian Hostetter, Matthew Konopka, Amanda Kostusiaak, Carl Larsen, Dyteya Lewis, Stephen Lucas, Pamela Marino, Betty Meyer, Izek Montebon, Cecelia Rieb, Caylin Sawyer, Natasha Singh-Miller, Crystal Skinner, Jay Spare, Adam Tabakin, Genevieve Thomas, Andréa Vargas, and Timothy Werner.

City Manager,



Patrick Roberts

DISTINGUISHED BUDGET PRESENTATION AWARD



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

**City of Norfolk
Virginia**

For the Fiscal Year Beginning

July 01, 2023

Christopher P. Morill

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Norfolk, Virginia for its annual budget for the fiscal year beginning July 1, 2023. The review process by GFOA has not commenced for the annual budget for the fiscal year beginning July 1, 2024.

This prestigious award is presented to governmental entities that prepare budget documents which exhibit the highest qualities in meeting or exceeding both the guidelines established by the National Advisory Council on State and Local Budgeting and GFOA's standards of best practices. Documents submitted for the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting. The award is valid for a period of one year. The FY 2025 budget continues to conform to program requirements and will be submitted to GFOA for award eligibility.

CITY OF NORFOLK GOVERNMENT

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

Norfolk City Council meets the second and fourth Tuesday of each month in Norfolk City Hall. On these days, the informal council meeting starts at 3:30 pm and the formal Council meeting starts at 6:00 pm.

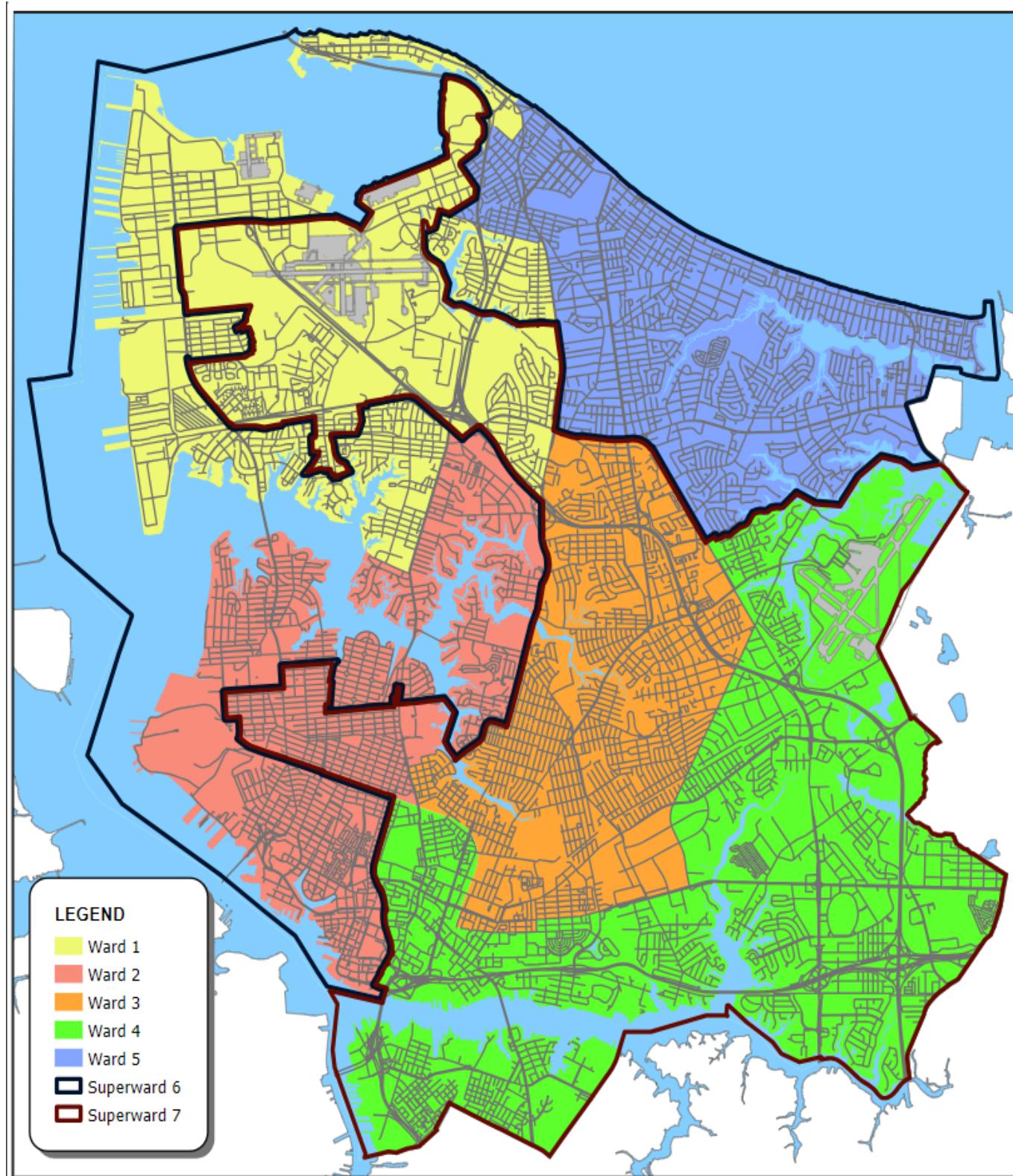
The Norfolk City Council is an elected body made up of the Mayor and seven Council members. The seven Council members are elected through a ward system, and the Mayor is elected at large by the residents of Norfolk. These members elect a vice president (Vice Mayor) of the Council. For further information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

The Norfolk City Council and the Ward to which each Council member represents are as follows:

- Kenneth Cooper Alexander, Ph.D.; Mayor
- Martin A. Thomas Jr.; Vice Mayor and Ward one
- Courtney R. Doyle; Ward two
- Mamie B. Johnson; Ward three
- John E. "JP" Paige; Ward four
- Thomas R. Smigiel Jr.; Ward five
- Andria P. McClellan; Superward six
- Danica J. Royster; Superward seven

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

CITY OF NORFOLK WARD MAP

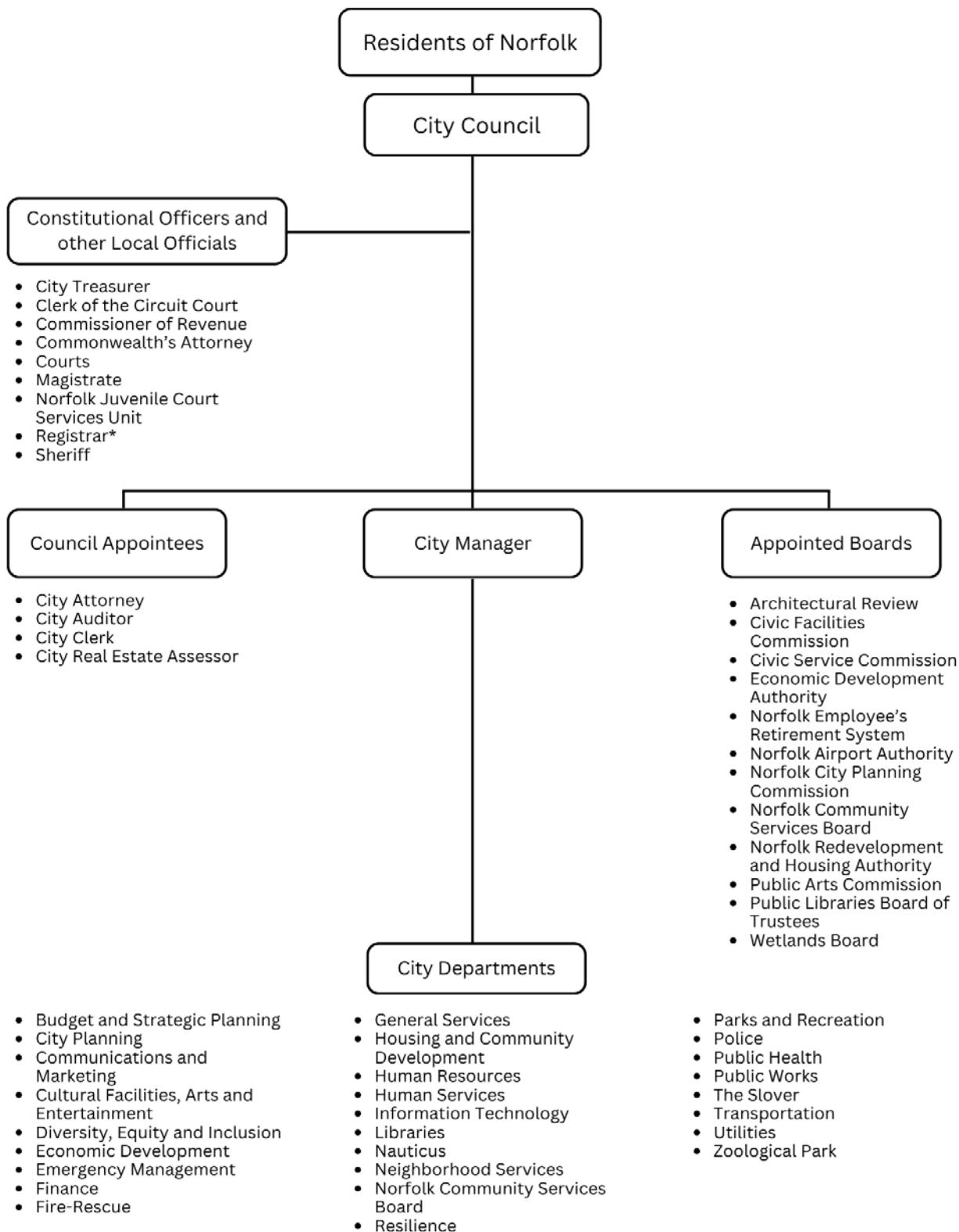


CITY COUNCIL'S VISION FOR NORFOLK

Vision Statement

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

CITY OF NORFOLK ORGANIZATIONAL CHART



*Appointed by State Board of Elections

READER'S GUIDE TO THE BUDGET

PURPOSE

The budget is an instrument that sets policy and summarizes public service programs provided by the city government and how these programs are funded. It is the annual plan for coordinating revenues and expenditures. The budget presented covers the period of **July 1, 2024 to June 30, 2025**. The Adopted Budget document may include technical changes made after the City Manager's presentation of the proposed budget to City Council.

BUDGET OVERVIEW

This section provides information on budget and financial policies, fund structure, basis of budget and accounting, budget process, and the budget calendar. The section also includes revenue and expenditure summaries, discussion of major revenue sources, indebtedness, and personnel staffing. Historical revenue and expenditure amounts for FY 2023 provided in the summaries do not include designations and financial adjustments posted after June 30, 2023. FY 2025 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to City Council.

GENERAL FUND REVENUE AND EXPENDITURE

The General Fund is used to account for primary government services. A summary of historical and estimated revenue from each source is provided for the General Fund. For each department within the General Fund, a summary of historical and approved expenditures is provided. Historical revenue and expenditure amounts for FY 2023 do not include designations and financial adjustments posted after June 30, 2023. FY 2025 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to City Council.

ANNUAL GRANTS PLAN

This section provides an overview of the grants that the city anticipates to receive annually from federal, state, and other agencies that are dedicated for specific purposes. This information provides readers a more complete picture of the city's resources available to provide programs and services for residents.

DEPARTMENT BUDGETS

This section provides detailed information on the budget of each department within the General Fund. This includes a brief description of adopted FY 2025 budget actions, their impact on the budget and full-time equivalent (FTE) personnel. Program information and performance measure detail are included in the department budget pages. Historical revenue and expenditure amounts for FY 2022 and FY 2023 provided in the department summaries do not include designations and financial adjustments posted after June 30 of each fiscal year. FY 2025 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to City Council.

PUBLIC SCHOOL EDUCATION

This section provides information on the adopted appropriation for Norfolk Public Schools.

SPECIAL REVENUE, ENTERPRISE, AND INTERNAL SERVICE FUNDS

These sections provide detailed information on the budget for the city's Special Revenue, Enterprise, and Internal Service Funds. A brief description of adopted FY 2025 budget actions, their impact on the budget, and full-time equivalent (FTE) personnel are provided in this section. Program information and performance measure details are included in the department budget pages. Historical revenues and expenditures for FY 2022 and FY 2023 provided in the department summaries do not include designations and financial adjustments posted after June 30 of each fiscal year. FY 2025 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to City Council.

UNFUNDED REQUESTS

The city began FY 2025 budget development with a base budget gap. Growth in ongoing revenues did not support corresponding growth in expenditures required to maintain the same level of service as FY 2024. With finite resources, the FY 2025 budget required strategies to grow revenue, reduce expenditures, and enhance existing service levels. With an initial base budget gap, the city cannot afford to fund all enhancements requested by departments. The Unfunded Budget Requests Report shows enhancements that were requested by departments, but not funded in the FY 2025 budget.

CAPITAL IMPROVEMENT PLAN

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

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

This section contains the Annual Plan for the Community Development Block Grant (CDBG), HOME Investment Partnerships Program, and Emergency Solutions Grant Program. The Annual Plan identifies the annual funding of the city's priority community development projects and activities as outlined in the five-year Consolidated Plan.

NORFOLK STATISTICAL INFORMATION

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

ORDINANCES AND GLOSSARY

The ordinances adopted by the City Council establish the operating, capital improvement plan, annual grants, and the Annual Plan budget. The glossary provides definitions of budget-related terminology.

FINANCIAL POLICIES

OPERATING BUDGET

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

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

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

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

The administration is committed to high standards of financial management and currently maintains and follows financial practices and guidelines. On February 26, 2019, City Council passed a resolution to update the city's policies on reserves, debt affordability, and surplus funds utilization, and adopt new financial policies on pension funding and enterprise fund financial management. On May 11, 2021, City Council passed a resolution updating the Pension Funding Policy to allow for the positive impacts garnered from the sale of debt to refinance a portion of the city's pension liability. The update also provides a framework of when the city's existing reserves will be utilized. The city's Reserve Policy documents the city's approach to establishing and maintaining strong reserves across the spectrum of city operations. The policy is designed to:

- Identify city operations and functions for which reserves should be established and maintained, considering risks to the operation from unexpected events and the availability of other resources to address such events, and the volatility of expenditures and revenues of the operation
- Establish target reserve levels and provide a timeframe for meeting reserve targets, using a phased approach where necessary so that reserve goals are balanced appropriately with current budget availability
- Establish criteria for the use of reserves and the process to replenish reserves

Financial policies demonstrate commitment to consistent financial practices, operational efficiencies, and best practices; preserve fiscal integrity; and improve fiscal stability to promote long-term fiscal sustainability. Sound financial management practices contribute to maintaining high city credit ratings and lower borrowing costs for capital projects.

RESERVE FUNDS

Description	Policy
General Fund Unassigned Reserve	Maintained for the purpose of sustaining General Fund operations in the case of public emergency such as a natural disaster or other unforeseen catastrophic event, and will not be accessed to meet operating shortfalls or to fund new programs or personnel. At least 10% of General Fund expenditures plus General Fund transfers out. City Council must approve all planned uses.
Risk Management Reserve	Provide funding sources for certain claims made against the City. Maximum funding of \$8,000,000 and no less than \$5,000,000. City Council must approve all withdrawals.
Economic Downturn Reserve	Serves as a countercyclical reserve or "bridge funding". The Council may use this to transition expenditure growth to match slower revenue growth during an economic recession, or to mitigate the impact of a severe, but temporary revenue loss, or to fund one-time economic stimulus to speed the city's recovery from an economic downturn. Fund at no less than 2.5% of the three year average of real estate tax revenues, not-to-exceed \$5,000,000. City Council must approve all withdrawals.
Inclusive Development Opportunity Fund	The Fund can be used to advance inclusive economic development and reduce inequities by improving the health, stability and economic security of residents and neighborhoods; fostering business and job growth; increasing household wealth; and supporting people, places, and actions that promote inclusive economic growth throughout the city's diverse communities. Supports inclusive economic growth, with a targeted threshold of \$2,000,000. City Council must approve all withdrawals.
Reserve Replenishment	In the event a reserve is used to provide for temporary funding needs, the city shall restore the reserve to the minimum level within five fiscal years following the fiscal year in which the event occurred and shall include a projected timeline for full reimbursement in the authorizing ordinance.

PENSION FUNDING

Description	Policy
Pension Funding Policy	The year following the issuance of pension obligation bonds, the contribution will be the current year's actuarially defined contribution plus debt service on the bonds. 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: 1). NERS' funded ratio reaches 100%, 2). the year over year increase in the city's total pension contribution exceeds 6% or 3). if the total pension contribution rises above \$80,000,000. The city will strive to fund the actuarially defined contribution plus debt service on the pension obligation bonds in any year. The city's enterprise funds will pay their respective portion, from dedicated fees and revenues, of pension costs including debt.

DEBT AFFORDABILITY MEASURES

Description	Policy
Net Debt as a Percent of the Total Assessed Value of Taxable Property	Keep General Fund net debt below 3.5% with a not-to-exceed of 4.0% of the total assessed value of taxable property. For purposes of this ratio, the city will exclude debt issued to fund pension costs, as that debt is replacing an existing liability rather than funding a new capital project.
Debt Service as Percent of General Fund Budget	Keep General Fund debt service below 10% with a not-to-exceed of 11% of General Fund budget. For purposes of this ratio, the city will exclude the debt service on debt issued to fund pension costs, as that debt is replacing an existing liability rather than funding a new capital project.
Ten-year (10) General Obligation Payout Ratio	Strive to repay the principal amount of the long-term general obligation bonds by at least 55% or greater within 10 years.
Overlapping Debt – e.g. Special service district financing or tax increment financing that would be subject to annual appropriation	The total amount of overlapping debt not to exceed 0.5% of total assessed value of taxable property.
Variable Rate Debt	Limit the city's outstanding debt with variable interest rate to no more than 20% by fund.

USE OF SURPLUS

Description		Policy
Surplus Policy		Use of Surplus
	1	Entire prior fiscal year-end surplus will fund reserves until the minimum requirement of each reserve has been met. If reserves are not at their required minimum. Funding of reserves will be in the following priority. 1. General Fund Unassigned Reserve 2. Risk Management Reserve 3. Economic Downturn Reserve 4. Inclusive Development Opportunity Reserve
	2	If reserves have met the required minimum, but not the maximum. 50% of prior fiscal year-end surplus will fund reserves and 50% will cash fund (PAYGO) the Capital Improvement Plan.
	3	If reserves are fully funded at the maximum requirement. Entire prior fiscal year-end surplus will cash fund (PAYGO) the Capital Improvement Plan or one-time technology and equipment purchases.

PARKING FUND

Description	Policy
Debt Service Coverage	Maintain debt service at a minimum of 1.1 times.
Unrestricted Cash	Maintain a minimum of 240 days of operating and maintenance expense.

Parking Fund (continued)

Description	Policy
Repair & Replacement Reserve	Intended to be used for emergency or unforeseen capital needs. Maintain a repair and replacement reserve of \$1,000,000 within five years. City Council must approve all withdrawals.
Ten-Year Financial Plan	Develop a ten-year financial plan annually that integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

WATER UTILITY FUND

Description	Policy
Debt Service Coverage	Maintain debt service at a minimum of 1.5 times gross of ROI and PILOT.
Unrestricted Cash	Maintain a minimum of 240 days of operating and maintenance expense.
Repair & Replacement Reserve	Intended to be used for emergency or unforeseen capital needs. Maintain a repair and replacement reserve of \$2,000,000 within five years. City Council must approve all withdrawals, and the intended use must comply with all legal and Master Indenture of Trust requirements.
Return on Investment ("ROI")	The General Fund ROI transfer from the Water Utility Fund shall not exceed \$8,500,000 in a given year. Additional transfers may only be considered in the event the Water Utility Fund receives one-time, significant revenues and provided that the additional transfer would not cause the Fund to fail to adhere to any other financial policies.
Payment in Lieu of Taxes ("PILOT")	The PILOT paid by the Water Utility Fund to the General Fund to be based on the taxable assessed value of real property using the applicable tax rate.
Ten-Year Financial Plan	Develop a ten-year financial plan annually that integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

WASTEWATER UTILITY FUND

Description	Policy
Debt Service Coverage	Maintain revenue bond debt service at 1.15 times and 1.1 times combined coverage (General Obligation and Revenue) minimum gross of ROI and PILOT.
Unrestricted Cash	Maintain a minimum of 180 days of operating and maintenance expense.
Repair & Replacement Reserve	Intended to be used for emergency or unforeseen capital needs. Maintain a repair and replacement reserve of \$1,000,000 within five years. City Council must approve all withdrawals.
Return on Investment ("ROI")	The General Fund ROI Transfer from the Wastewater Utility Fund shall not exceed \$1,500,000 in a given year. Additional transfers may only be considered in the event the Wastewater Utility Fund receives one-time, significant revenues and provided that the additional transfer would not cause the Fund to fail to adhere to any other financial policies.

Wastewater Utility Fund (continued)

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

STORM WATER UTILITY FUND

Description	Policy
Debt Service Coverage	Maintain revenue bond debt service coverage minimum at 1.15 times coverage and 1.1 times combined coverage (General Obligation and Revenue).
Unrestricted Cash	Maintain a minimum of 180 days of operating and maintenance expense.
Repair & Replacement Reserve	Intended to be used for emergency or unforeseen capital needs. Maintain a repair and replacement reserve of \$1,000,000 within five years. City Council must approve all withdrawals.
Ten-Year Financial Plan	Develop a ten-year financial plan annually that integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

CAPITAL IMPROVEMENT PLAN

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

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

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

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

MULTI-YEAR PLANNING

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

In the summer of each fiscal year, the Department of Budget and Strategic Planning (B&SP) Budget Team initiates the process of compiling information for the long-term forecast from city departments, regional and city partner agencies, state and federal agencies, and state and regional economists. In FY 2019, B&SP integrated the long-term forecast submission process in the performance budgeting ("budget") system. As a result of the budget system enhancement, items in the forecast were seamlessly incorporated in the department's base budget for the upcoming fiscal year. The actions in the Adopted FY 2024 Budget that impact the following fiscal year's base budget are incorporated at the starting point of the following year's long-term forecasting process. Also, the long-term base revenue forecast is updated to reflect actions in the adopted budget. During the fall, B&SP refined the long-term forecast compiled during the summer. Although the long-term forecast was not presented at the fall financial update, the internal long-term forecast highlighted the projected fiscal impact from the Norfolk casino delay in coming online, compensation and benefit cost increases, debt service payment increases, other inflationary and contractual increases, and the potential use of one-time funds to bridge the budget deficit.

The long-term base budget forecast annually incorporates adjustments to base revenues and expenditures due to: state, federal, and local mandates; debt payments; compensation and benefit cost increases; and other inflationary or contractual cost increases needed to maintain existing levels of service; the estimated impact of the Norfolk Public Schools (NPS) revenue sharing formula; obligations related to regional partnerships; the opening of new city facilities; economic development projects coming to fruition; national, state, and regional economic forecasts; state budget actions enacted by the General Assembly; state budget forecasts; annualization of prior year prorated costs; and removal of one-time budgetary items. However, the base revenue and expenditure forecast does not include: new fees; fee or tax rate changes; the cost of budget enhancements such as, new programs or initiatives, and program or service expansion; or policy changes under consideration and requiring City Council or administrative action. The preliminary long-term forecast provided the start point of the development of the budget for the upcoming fiscal year (FY 2025) as well as the base budget outlook for the following year (FY 2026).

FUND STRUCTURE

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

GOVERNMENTAL FUNDS

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

General Fund

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

Special Revenue Funds

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

Capital Projects Fund

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

PROPRIETARY FUNDS

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

Enterprise Funds

Water Utility Fund

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

Wastewater Utility Fund

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

Storm Water Management Fund

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

Parking Facilities Fund

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

Internal Service Funds

Healthcare Fund

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

Fleet Management Fund

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

COMPONENT UNIT FUNDS

Education

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

School Operating Fund

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

School Grants

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

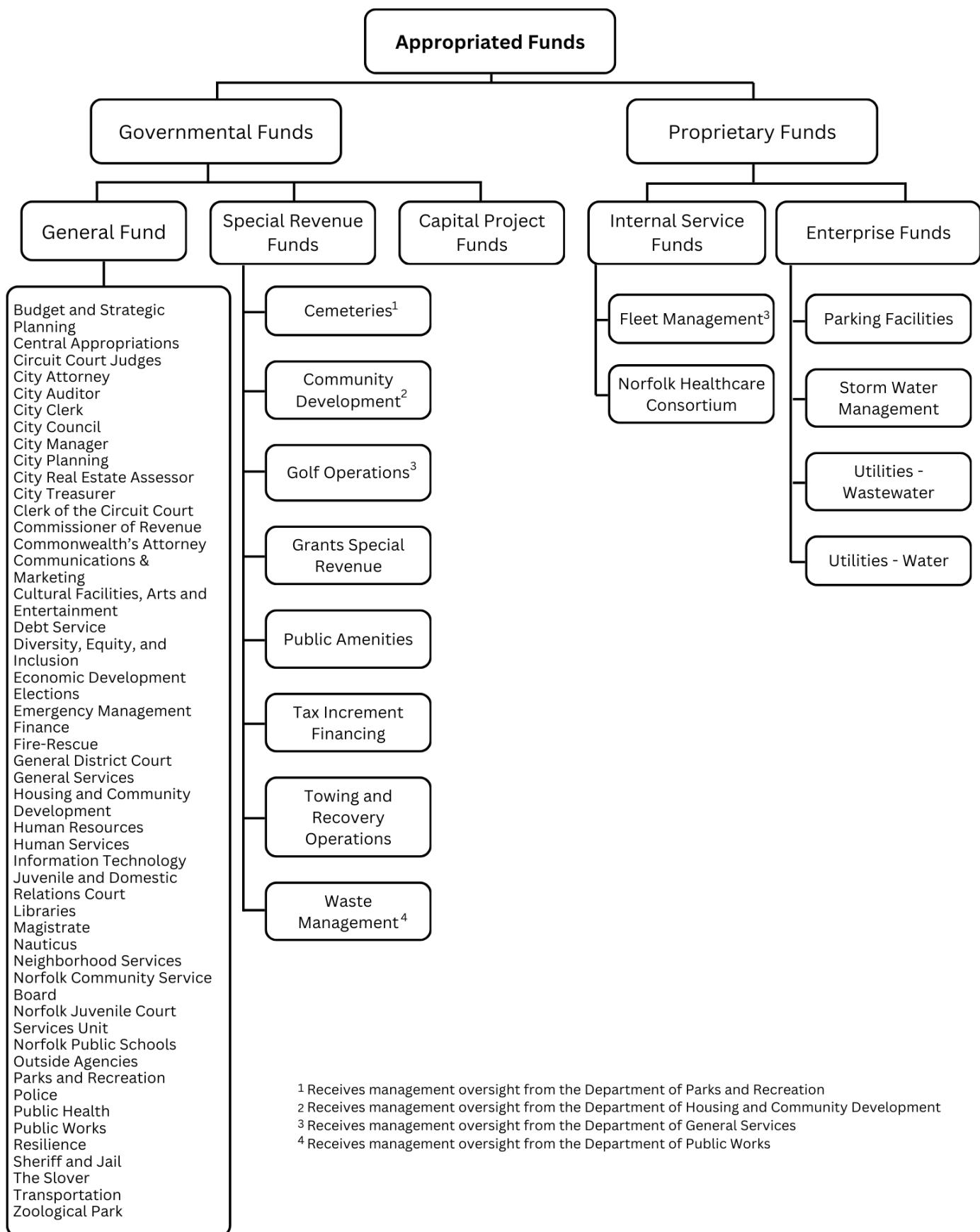
School Nutrition Services

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

FIDUCIARY FUNDS AND ENDOWED CARE FUND

Fiduciary Funds are used to account for resources held for the benefit of parties outside the city and include the city's Pension Trust Fund, Pension Funding Trust Fund, Commonwealth of Virginia custodial fund, and other custodial funds. Custodial funds are used to account for assets held by the city for individuals, private organizations, other governmental units, and/or other funds. 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. Fiduciary Funds and the Endowed Care Fund are not included in the city's budget, since its resources are not available to support the city's own programs. These funds financial statements are presented separately within the city's Annual Comprehensive Financial Report.

FUND STRUCTURE



BASIS OF BUDGETING AND ACCOUNTING

BASIS OF BUDGETING

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

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

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

BASIS OF ACCOUNTING

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

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

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

BUDGET PROCESS

FORMULATION OF THE CITY MANAGER'S BUDGET

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

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

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

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

All funds are under formal budget control, the most significant of which is the General Fund. No less than 60 days before the end of the current fiscal year, the City Manager submits to the City Council a proposed operating budget for the next fiscal year. The operating budget includes recommended expenditures and the means to finance them. The adopted budget may include technical changes made after the City Manager's presentation of the proposed budget to City Council.

CITY COUNCIL'S AUTHORIZATION AND APPROPRIATION

After general distribution of the proposed budget, public hearings are conducted to obtain comments and recommendations from the public. No less than 30 days before the end of the fiscal year, the City Council shall pass an annual appropriation ordinance which shall be based on the budget document submitted by the City Manager and subsequent changes made by the City Council. The annual operating budget ordinance appropriates funding for use by departments for salaries, benefits and positions, and nonpersonnel as set forth in the detailed budget document. Amounts appropriated to each department are intended to be expended for the purposes designated by object group categories including: personnel services; materials, supplies and repairs; contractual services; equipment; public assistance; department specific appropriation; and debt service.

CITY MANAGER'S AUTHORIZATION

In accordance with the City Charter, at least 60 days before the end of each fiscal year, the City Manager shall prepare and submit to the City Council an annual budget for the ensuing fiscal year. The budget shall be balanced at all times. The total amount of appropriations shall not exceed the estimated revenues of the city.

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

BUDGET IMPLEMENTATION

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

CAPITAL IMPROVEMENT PLAN, ANNUAL GRANTS PLAN, AND ANNUAL PLAN

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

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

BUDGET PRINCIPLES AND POLICIES

These include the following:

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

BUDGET CALENDAR

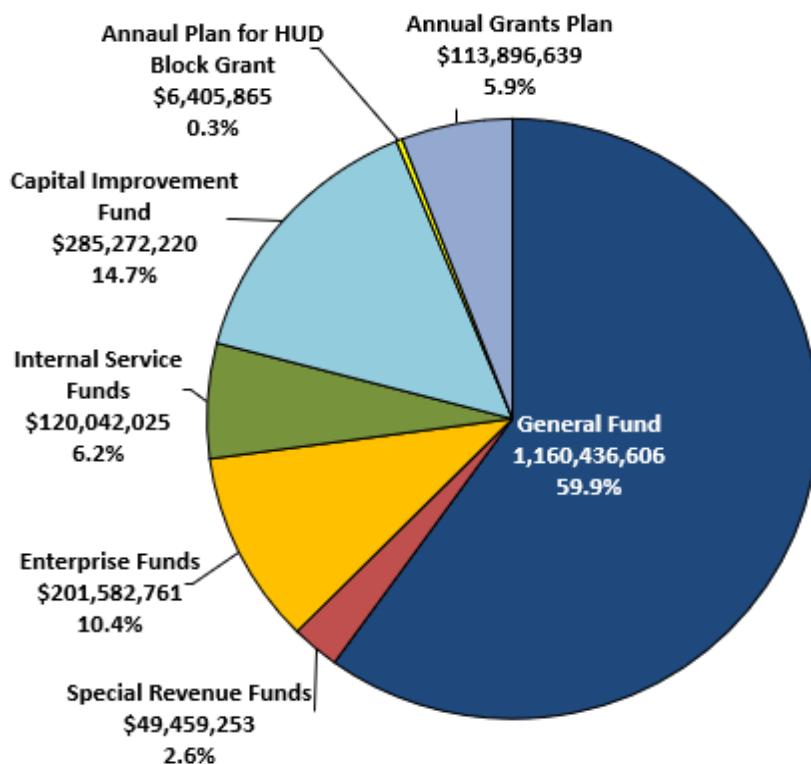
Date	Responsible Party	Description	Legal Requirement
August 2023 - September 2023	City Departments	Long-term Forecast Operating Budget Requests	N/A
October 2023 - December 2023	City Departments	Departments Submit Operating and Capital Improvement Budget Requests Department Program Budget Development with Budget Staff	N/A
January 2024 - March 2024	Budget and Strategic Planning Management Leadership Team City Departments	Department Meetings with Management Leadership Team on Operating and Capital Budget Requests	N/A
February 13, 2024	Budget and Strategic Planning	City Manager's Mid-Year Budget Review and Financial Update	N/A
March 20, 2024	Norfolk Public Schools	School Board approves FY 2025 Educational Plan and Budget.	Code of Virginia 15.2-2503
March 26, 2024	Budget and Strategic Planning	Public Hearing Notice of the HUD Grant (CDBG, ESG, and HOME) Budget	U.S. Department of Housing and Urban Development (HUD)
March 26, 2024	City Manager	City Manager Presentation of Proposed Budget to City Council	City of Norfolk Charter Sec. 67
March 27, 2024	City Clerk	Public Hearing Notice of the Real Estate Tax Increase due to increased reassessment	Code of Virginia 58.1-3321
March 27, 2024	City Clerk	Public Hearing Notice of the Operating and Capital Improvement Plan Budgets	Code of Virginia 15.2-2506, 58.1-3007
April 9, 2024	City Council	City Council Budget Worksession	N/A
April 10, 2024	City Council	Public Hearing on the Operating, Capital Improvement Plan, and HUD Grant (CDBG, ESG and HOME) Budgets	Code of Virginia 15.2-2506, 58.1-3007
April 23, 2024	City Council	City Council Budget Worksession	N/A
April 30, 2024	City Council	Public Hearing on the Real Estate Tax Increase due to increased reassessment	Code of Virginia 58.1-3321
May 14, 2024	City Council	City Council Budget Adoption	City of Norfolk Charter Sec. 68 Code of Virginia 15.2-2503

FINANCIAL PLAN

The city's financial plan consists of the General Fund and other operating funds, Capital Improvement Plan, Annual Grants Plan, and Annual Plan for U.S. Housing and Urban Development (HUD) block grants. The following table compares the Adopted FY 2025 Financial Plan to the Adopted FY 2024 Financial Plan. The tables and charts in the pages that follow show revenues and expenditures for the General Fund and operating funds combined ("All Funds").

	FY 2024 Adopted	FY 2025 Adopted	FY 2024 \$ Change	FY 2025 % Change
General Fund	1,079,245,028	1,160,436,606	81,191,578	7.52%
Special Revenue Funds	52,016,213	49,459,253	-2,556,960	-4.9%
Enterprise Funds	189,980,838	201,582,761	11,601,923	6.1%
Internal Service Funds	118,615,533	120,042,025	1,426,492	1.2%
Total Operating Funds	1,439,857,612	1,531,520,645	91,663,033	6.37%
Capital Improvement Plan	395,613,169	285,272,220	-110,340,949	-27.89%
Total Operating and Capital	1,835,470,781	1,816,792,865	-18,677,916	-1.02%
Annual Plan for HUD Block Grants	7,054,048	6,405,865	-648,183	-9.2%
Annual Grants Plan	86,498,241	113,896,639	27,398,398	31.68%
Total Financial Plan	1,929,023,070	1,937,095,369	8,072,299	0.42%

Adopted FY 2025 Financial Plan



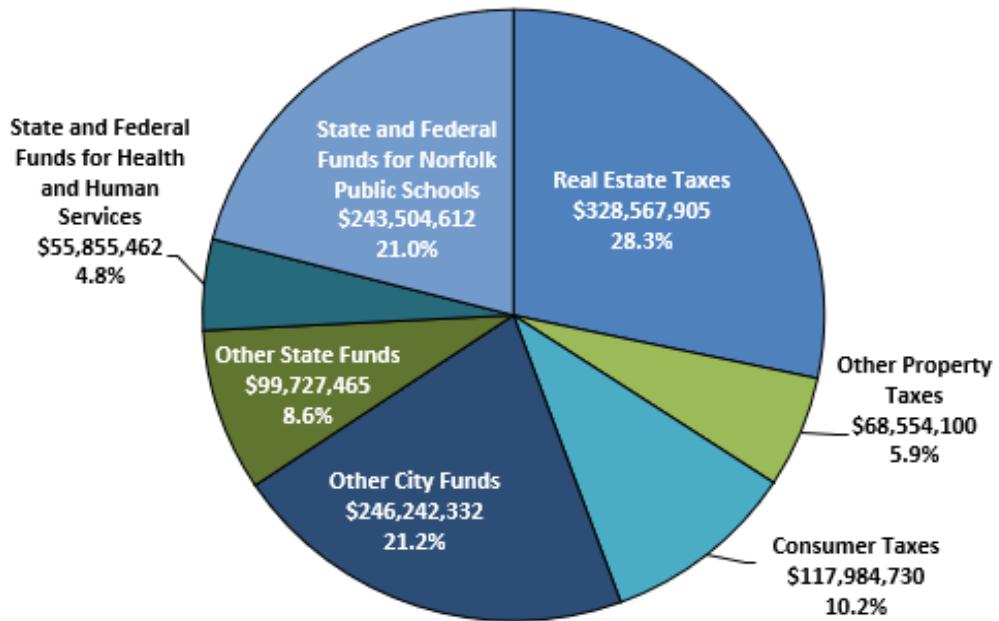
GENERAL FUND BUDGET OVERVIEW

Adopted FY 2025 General Fund Revenues \$1,160,436,606

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

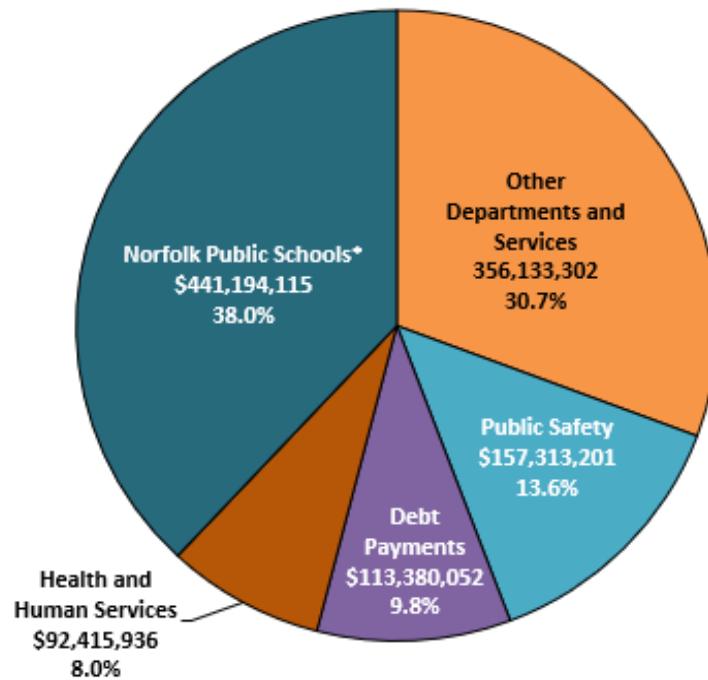
"Other City Funds" include local taxes, fees, charges, fines, rent and interest.

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



Adopted FY 2025 General Fund Expenditures \$1,160,436,606

In the FY 2025 budget, "Other Departments and Services" include public works, transit, libraries, The Slover, recreation, cultural facilities, zoo, Nauticus, planning, neighborhood development, economic development, finance, human resources, information technology, general services, legislative, executive, law, judicial, constitutional officers, outside agencies, and central appropriations.



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

ESTIMATED GENERAL FUND REVENUES BY SOURCE

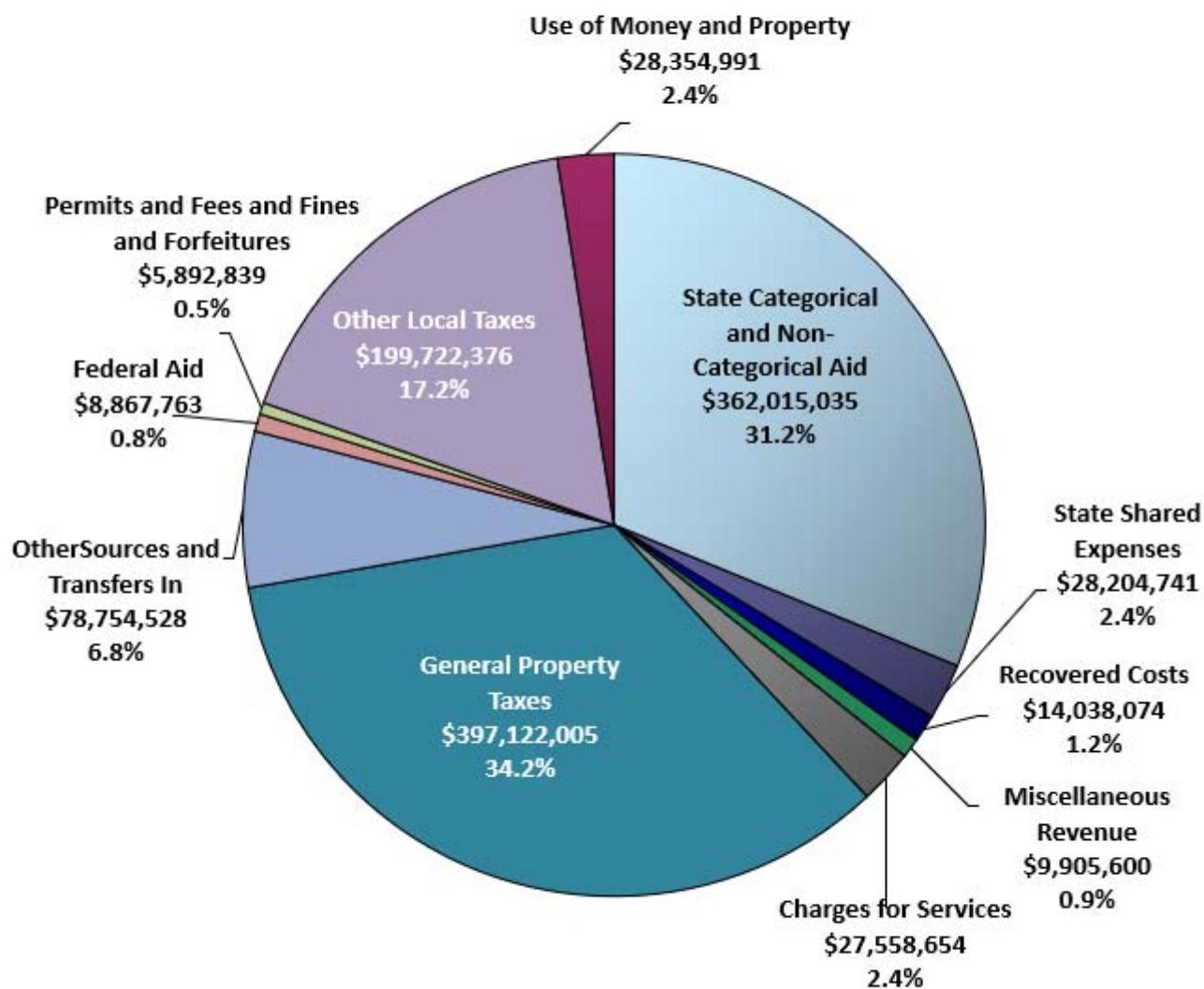
The following table compares the Adopted FY 2025 General Fund Operating Budget to the Adopted FY 2024 General Fund Operating Budget and the FY 2023 Actual amount. Funding sources are shown by category to provide an overview of the principal sources of revenue for the general operating fund of the city. These revenue sources support general government operations. The tables and charts in the pages that follow show revenues and expenditures for all funds.

Source	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted	FY 2024 vs. FY 2025 \$ Change	FY 2024 vs. FY 2025 % Change
General Property Taxes	366,591,809	384,369,200	397,122,005	12,752,805	3.32%
Other Local Taxes	166,566,448	181,084,500	199,722,376	18,637,876	10.29%
Permits and Fees	4,318,315	4,068,000	4,416,039	348,039	8.56%
Fines and Forfeitures	1,025,789	1,505,000	1,476,800	-28,200	-1.87%
Use of Money and Property	14,022,159	13,603,434	28,354,991	14,751,557	108.1%
Charges for Services	33,116,686	26,172,740	27,558,654	1,385,914	5.3%
Miscellaneous Revenue	10,101,315	8,669,610	9,905,600	1,235,990	14.26%
Recovered Costs	11,840,889	10,997,183	14,038,074	3,085,641	27.65%
Non-Categorical Aid - State	24,928,334	39,362,165	38,915,002	-447,163	-1.14%
Shared Expenses - State	22,452,296	25,119,100	28,204,741	3,085,641	12.28%
Categorical Aid - State	303,055,920	319,960,477	323,100,033	3,139,556	.98%
Federal Aid	11,100,769	8,615,256	8,867,763	252,507	2.93%
Other Sources and Transfers In*	52,334,277	55,718,363	78,754,528	23,036,165	41.34%
General Fund Total	1,021,455,007	1,079,245,028	1,160,436,606	81,191,578	7.52%

*The FY 2025 adopted budget has one-time Norfolk Public Schools reversion funds of \$30.6 million in Other Sources and Transfers In.

Note: FY 2023 amounts may not sum to total due to rounding.

Adopted FY 2025 General Fund Revenues by Source



ESTIMATED REVENUES BY SOURCE (ALL FUNDS)

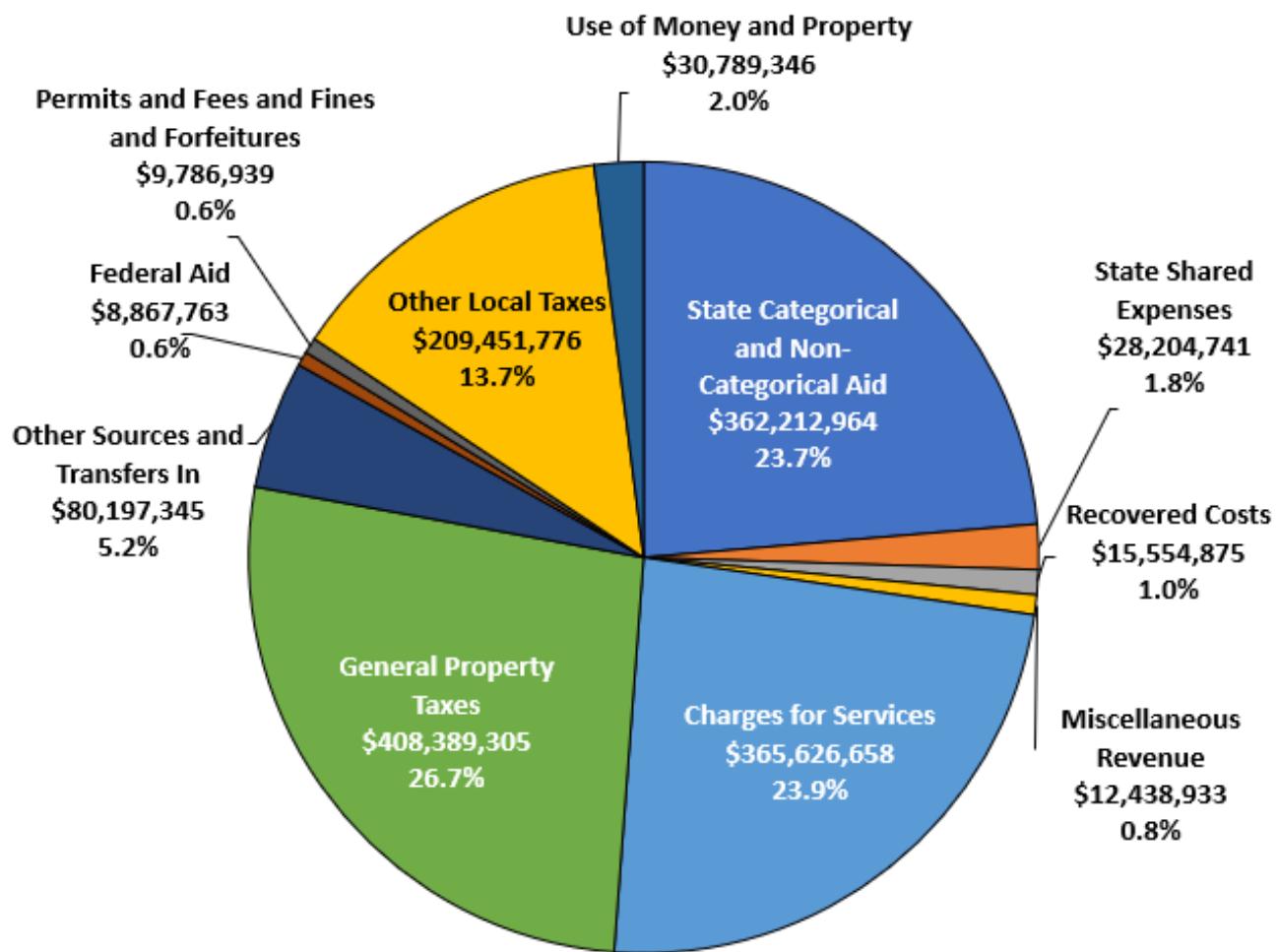
The following table compares the Adopted FY 2025 Operating Budget to the Adopted FY 2024 Operating Budget and the FY 2023 Actual amount. Funding sources by category are shown to provide an overview of the sources of revenue for the general and nongeneral operating funds of the city. Revenues are reflected in those categories where they are originally raised.

Source	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted	FY 2024 vs. \$ Change	FY 2025 % Change
General Property Taxes	373,792,509	392,905,200	408,389,305	15,484,105	3.9%
Other Local Taxes	178,141,501	193,171,096	209,451,776	16,280,680	8.4%
Permits and Fees	5,331,745	4,936,100	5,299,139	363,039	7.4%
Fines and Forfeitures	2,748,600	3,616,000	4,487,800	871,800	24.1%
Use of Money and Property	17,716,880	14,671,289	30,789,346	16,118,057	109.9%
Charges for Services	338,126,791	355,071,262	365,626,658	10,555,396	3.0%
Miscellaneous Revenue	11,301,557	9,587,955	12,438,933	2,850,978	29.7%
Recovered Costs	16,246,210	13,984,242	15,554,875	1,570,633	11.2%
Non-Categorical Aid - State	24,928,334	39,362,165	38,915,002	-447,163	-1.1%
Shared Expenses - State	22,452,296	25,119,100	28,204,741	3,085,641	12.3%
Categorical Aid - State	303,201,409	320,096,477	323,297,962	3,201,485	1.0%
Federal Aid	11,301,557	8,728,873	8,867,763	138,890	1.6%
Other Sources and Transfers In*	182,390,919	58,607,853	80,197,345	21,589,492	36.8%
Total All Funds	1,487,479,521	1,439,857,612	1,531,520,645	91,663,033	6.4%

*The FY 2025 adopted budget has one-time Norfolk Public Schools reversion funds of \$30.6 million in Other Sources and Transfers In.

Note: FY 2023 amounts may not sum to total due to rounding.

Adopted FY 2025 Revenues by Source (All Funds)



ESTIMATED EXPENDITURES BY USE (ALL FUNDS)

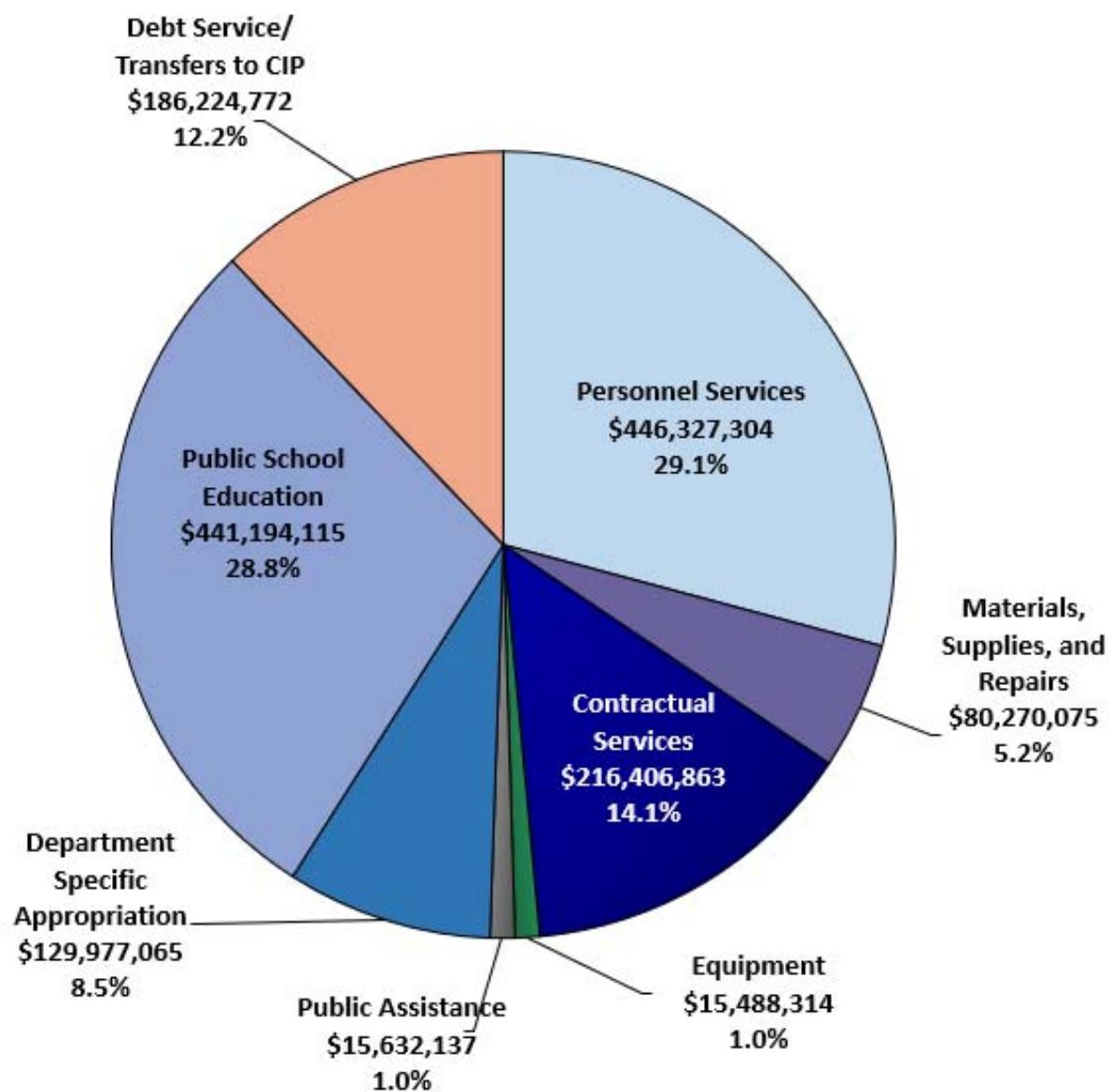
The following table compares the Adopted FY 2025 Operating Budget to the Adopted FY 2024 Operating Budget and the FY 2023 Actual amount. Funding uses by category are shown to provide an overview of the principal uses of expenditures for the general and nongeneral operating funds of the city. Expenditures are reflected in those categories where they are originally spent.

Uses	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted	FY 2024 vs. FY 2025 \$ Change	FY 2024 vs. FY 2025 % Change
Personnel Services	322,521,510	426,149,609	446,327,304	20,177,695	4.7%
Materials, Supplies and Repairs	66,748,448	78,555,664	80,270,075	1,714,411	2.2%
Contractual Services	153,161,503	207,197,960	216,406,863	9,208,903	4.4%
Equipment	10,696,865	15,429,750	15,488,314	58,564	0.4%
Department Specific Appropriation	71,611,647	121,691,730	129,977,065	8,285,335	6.8%
Public School Education*	362,618,349	404,575,172	441,194,115	36,618,943	9.1%
Debt Service/Transfers to CIP	118,931,302	170,700,519	186,224,772	15,524,253	9.1%
Public Assistance	13,882,945	15,557,208	15,632,137	74,929	0.5%
Total All Funds	1,120,172,569	1,439,857,612	1,531,520,645	91,663,033	6.37%

*Public School Education has \$30.6 million in one-time reversion funds for FY 2025.

Note: FY 2023 amounts may not sum to total due to rounding.

Adopted FY 2025 Expenditure by Use (All Funds)



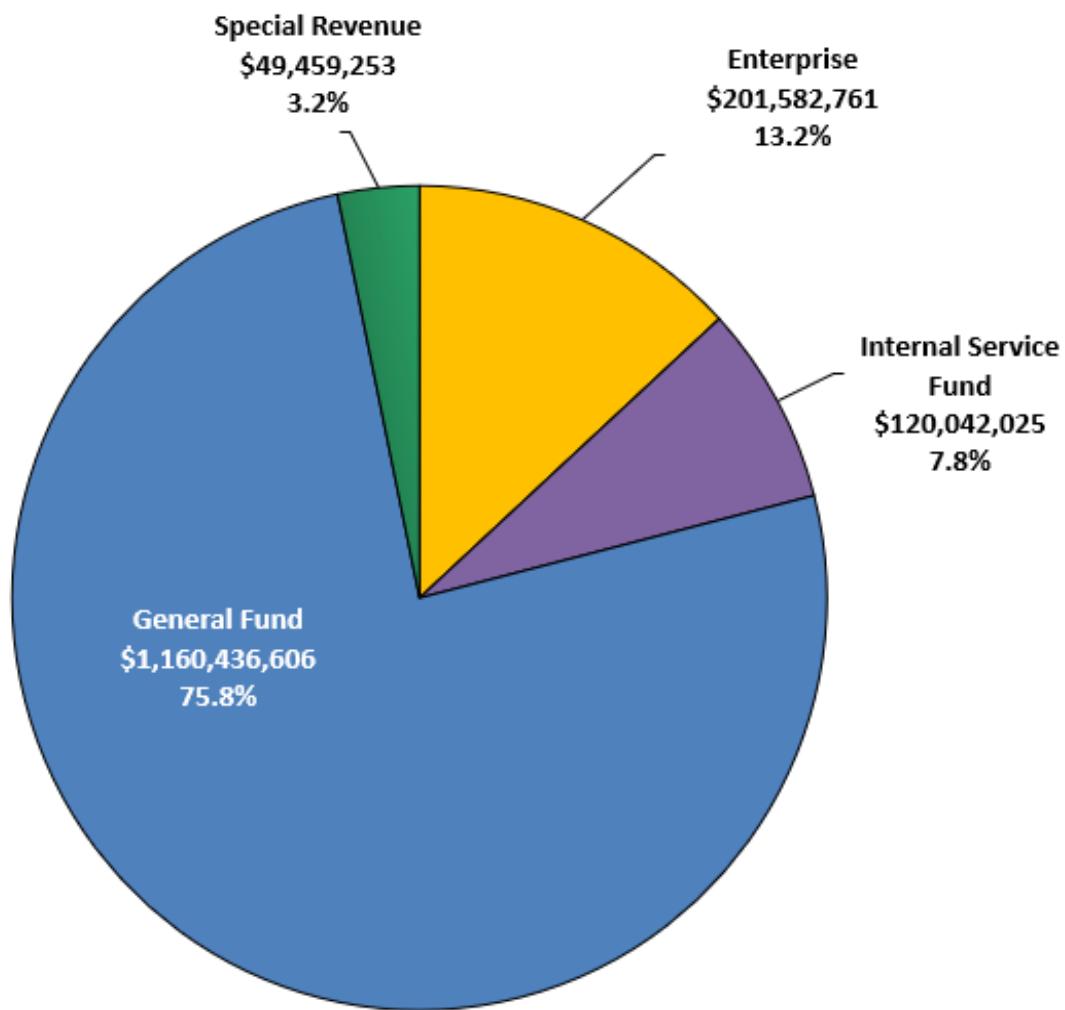
ESTIMATED EXPENDITURES BY FUND TYPE

The following table compares expenditures by fund type in the Adopted FY 2025 Operating Budget to the Adopted FY 2024 Operating Budget and the FY 2023 Actual amount.

Fund Type	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted	FY 2024 vs. FY 2025 \$ Change	FY 2024 vs. FY 2025 % Change
General Fund	888,972,305	1,079,245,028	1,160,436,606	81,191,578	7.5%
Special Revenue Funds	48,369,501	52,016,213	49,459,253	-2,556,960	-4.9%
Enterprise Funds	103,661,780	189,980,838	201,582,761	11,601,923	6.1%
Internal Service Funds	79,168,983	118,615,533	120,042,025	1,426,492	1.2%
Total All Funds	1,120,172,569	1,439,857,612	1,531,520,645	91,663,033	6.37%

Note: FY 2023 amounts may not sum to total due to rounding.

Adopted FY 2025 Expenditure by Fund Type (All Funds)



ESTIMATED GENERAL FUND EXPENDITURES BY AREA

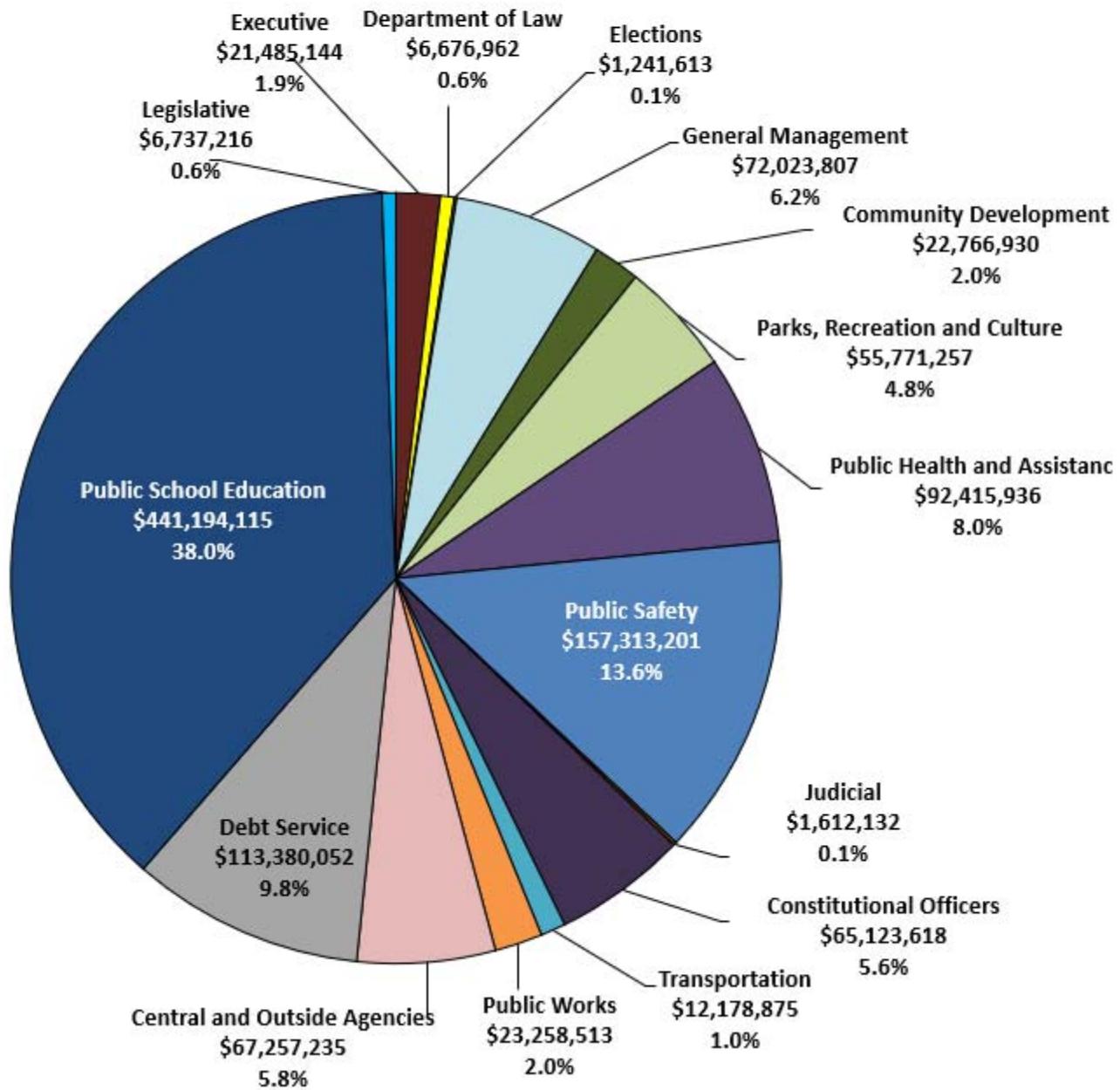
The following table compares the Adopted FY 2025 General Fund Operating Budget to the Adopted FY 2024 General Fund Operating Budget and the FY 2023 Actual amount by area. Major areas of service are shown to provide a broad overview of the expenditures for the general operating fund of the city.

Service Area	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted	FY 2024 vs. FY 2025 \$ Change	FY 2024 vs. FY 2025 % Change
Legislative	5,671,042	6,378,474	6,737,216	358,742	5.6%
Executive	14,378,839	19,321,880	21,485,144	2,163,264	11.2%
Department of Law	5,580,712	5,963,932	6,676,962	713,030	12.0%
Constitutional Officers	56,287,204	62,793,765	65,123,618	2,329,853	3.7%
Judicial	1,304,291	1,522,739	1,612,132	89,393	5.9%
Elections	1,316,430	1,179,525	1,241,613	62,088	5.3%
General Management	59,364,985	65,839,103	72,023,807	6,184,704	9.4%
Community Development	14,317,285	16,727,751	22,766,930	6,039,179	36.1%
Parks, Recreation and Culture	46,963,470	52,598,666	55,771,257	3,172,591	6%
Public Health and Assistance	78,241,458	90,519,907	92,415,936	1,896,029	2.1%
Public Safety ¹	71,863,986	142,236,866	157,313,201	15,076,335	10.6%
Public Works	16,106,867	22,188,536	23,258,513	1,069,977	4.8%
Transportation	9,846,899	12,119,902	12,178,875	58,973	0.5%
Central and Outside Agency Appropriations	69,380,244	73,913,566	67,257,235	-6,656,331	-9.0%
Debt Service	90,329,325	101,365,244	113,380,052	12,014,808	11.9%
Public School Education	362,618,349	404,575,172	441,194,115	36,618,943	9.3%
General Fund Total	903,571,386	1,079,245,028	1,160,436,606	81,191,578	7.52%

¹The FY 2023 amount reflects the transitioning of eligible expenses to the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) grant. FY 2025 adopted funding for Public Safety includes the transition of 911-Emergency Response to the General Fund, previously classified as a Special Revenue Fund.

Note: FY 2023 amounts may not sum to total due to rounding.

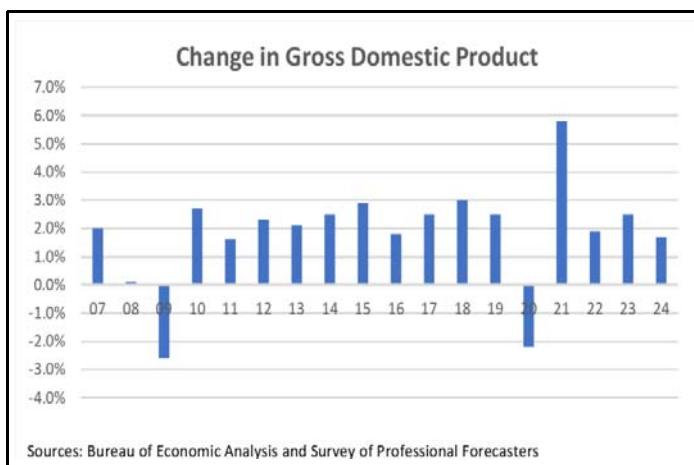
Adopted FY 2025 General Fund Expenditures by Source



MAJOR REVENUE SOURCES

Evaluating the city's current and long-term financial health requires a review of the economy and major revenue sources. Overall, the city's revenues are anticipated to continue to grow, increasing at 6.4% (compared to 5.8% last year). General Fund revenues are projected to increase by 7.5%, up slightly from 7.0% and also reflect that the Emergency Preparedness and Response Fund is now classified in the General Fund. Real estate assessments, which drives real estate taxes, the largest locally generated General Fund revenue source are projected to grow by approximately 6.4% in FY 2025, down from the last two years (10.2% and 7.8% respectively) but above the 25 year average of 5.5%.

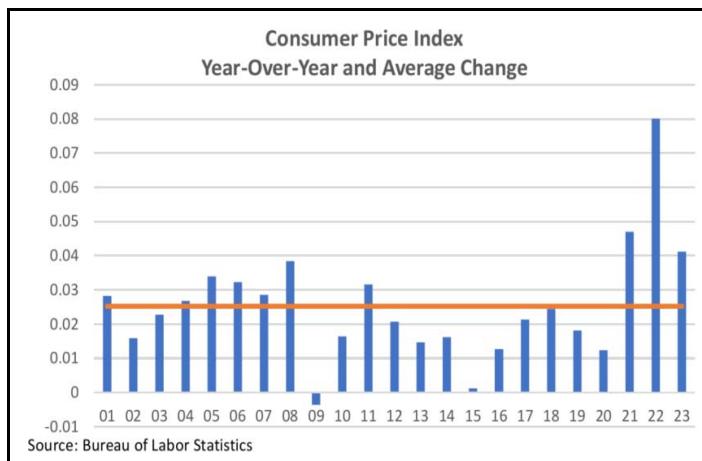
ECONOMIC OVERVIEW

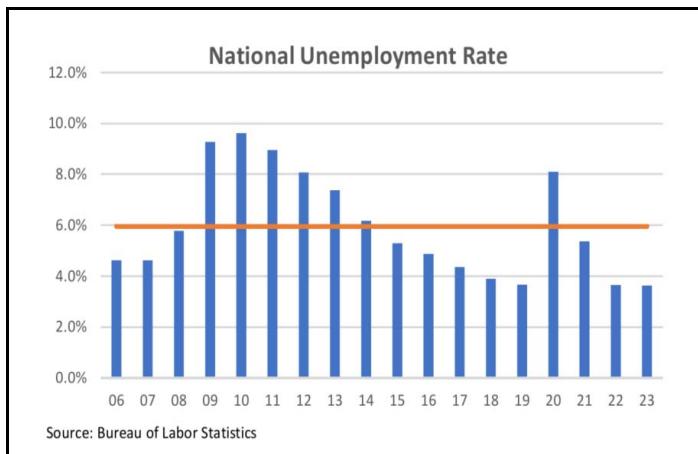


The big economic news for 2023: the economy avoided a recession. The consensus view was the fastest interest rate hikes in 40 years would induce a recession. Several reasons serve as explanations for avoidance. Supply disruptions were more transitory than feared, resulting in inflation declining more rapidly than expected as shown in the accompanying chart. Interest hikes (at least not yet) did not retard growth that history would have suggested; homeowners remained locked into low mortgage rates, and government spending filled the gap. The Federal Reserve rescued regional bank failures, providing a huge psychological boost in confidence. A recession has never occurred without a rise in the unemployment rate, which now has fallen to its pre-COVID recession level. Moving forward to 2024, the consensus forecast expects slightly lower growth across all categories of GDP (consumption, investment, government spending, and exports minus imports).

National Economy

The economy grew at 2.5% in 2023, besting the rate of 1.9% in 2022, but below the 5.8% rate in 2021. Real gross domestic product (GDP) which is the broadest measure of economic activity, grew modestly in the first half of the year, then accelerated in the latter half to end the year with an annual growth of 2.5% (second estimate). Consumer spending on both goods and services, business investment in structures, government spending (federal, state, and local), and exports contributed positively to the economy's growth in 2023. Offsetting the growth were residential investment and inventory investment.





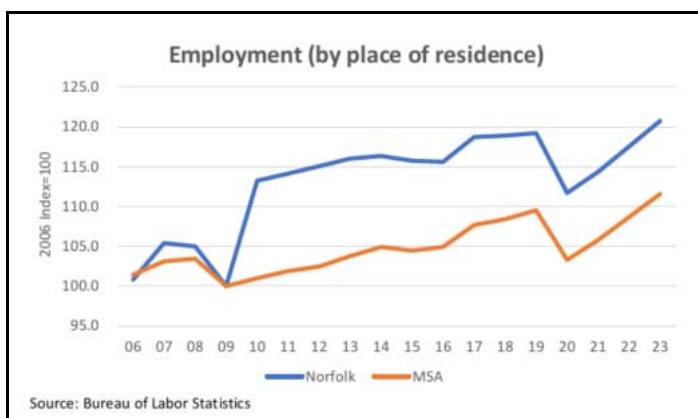
Risks to the Economy

Although a recession no longer is the case, that does not mean the risk of a recession has disappeared. Monetary policy affects the economy with variable lags, meaning the effects of past rate hikes may not have fully taken hold (defaults and delinquencies, particularly in commercial real estate, remain a concern). Second, geopolitical risks abound. Inflation remains above the Federal Reserve's target, and monetary policy errors do occur because the Federal Reserve does not possess perfect information about the health of, and the precise interest rate necessary to maintain, the economy.

Local and Regional Economy

The Old Dominion University (ODU) Economic Forecasting Team estimates the inflation-adjusted Gross Regional Product (GRP) growth at 2.6% in 2023, essentially matching the national rate for GDP. Paralleling the national economy, they forecast growth will moderate (2.1%) in 2024. Their forecast posits: Defense spending will continue to boost the regional economy; the Port of Virginia should see moderate growth in tonnage; lower interest rates should stabilize home sales, but median prices are expected to increase (even with additional supply of homes for sale). Lastly, uncertainty in Washington, D.C., continues to represent a major concern for our region.

Likewise, the economic outlook from the Hampton Roads Planning District Commission (HRPDC) also presented in January, is positive as well. The HRPDC outlook is also anticipating the region's growth (GRP) to slow, but exceed that of the nation, as well as slower growth in jobs and taxable sales for 2024.

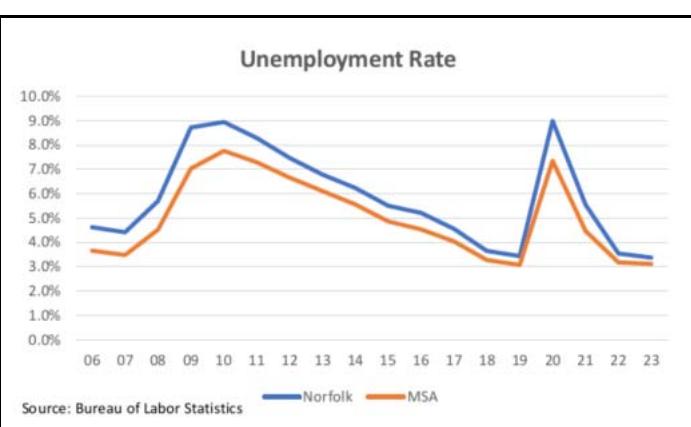


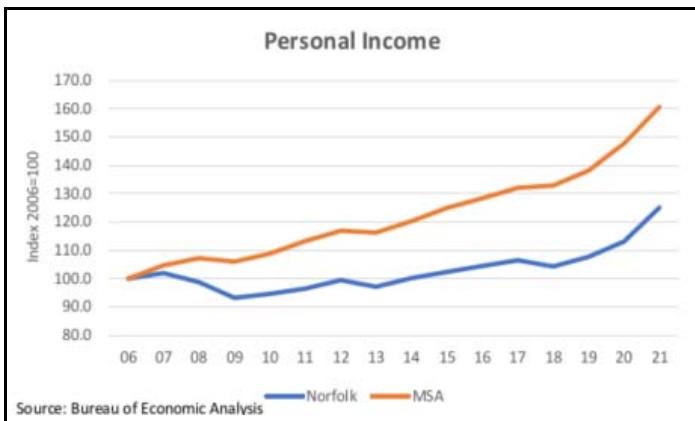
Norfolk's economy continues to perform well, surpassing its long-term average for many economic metrics. Measures of employment perhaps represent the best indicators of the local economy:

- Place of Residence: employed residents, regardless of the city in which the resident is employed (the unemployment rate is based on this measure).
- Place of Work: the number of jobs located within Norfolk's boundaries, regardless of whether the job is held by a resident.

Employment, by place of residence, is up 20.8% above its pre-recession peak, besting the Metropolitan Statistical Area (MSA) growth of 11.7%. Jobs, by place of residence, however, are up 1.9% above their pre-recession peak while the MSA is up 4.9%. Both are growing above their long-term averages. The unemployment rate stands at 3.3%, 65% below its recessionary peak in 2009 (9.6%).

Income represents a companion economic indicator to measures of employment. Personal Income serves as the broadest measure of local income, and the chart displays an index of growth, illustrating Norfolk's growth has notably lagged that of the MSA.





Turning attention to consumer spending, which represents about 70% of the national economy, all the city's consumer revenues have robustly recovered from the COVID recession; however, growth through mid-year of FY 2024 has moderated.

GENERAL FUND REVENUE OVERVIEW



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

Real estate taxes are the city's largest source of locally generated revenue. For FY 2025, the Office of the Real Estate Assessor is estimating that the land book value of taxable real estate assessments on July 1, 2024 will increase by approximately 6.4% from the July 1, 2023 land book value. This would mark the twelfth consecutive year of growth. Although the 6.4% increase is lower than the previous year's growth of 7.8%, it is above the 5.5% average from FY 2000 - FY 2025.

The increase is largely from residential assessments, which reflects the continued strength in the local housing market. Although home sales declined, the sales price of homes sold continued to rise. Home sales declined in calendar year 2023 compared to calendar year 2022. However, the average sales price of existing and new homes sold combined continued to increase in 2023. On the other hand, general commercial assessments is anticipated to decline largely due to the city's purchase of the MacArthur Mall.

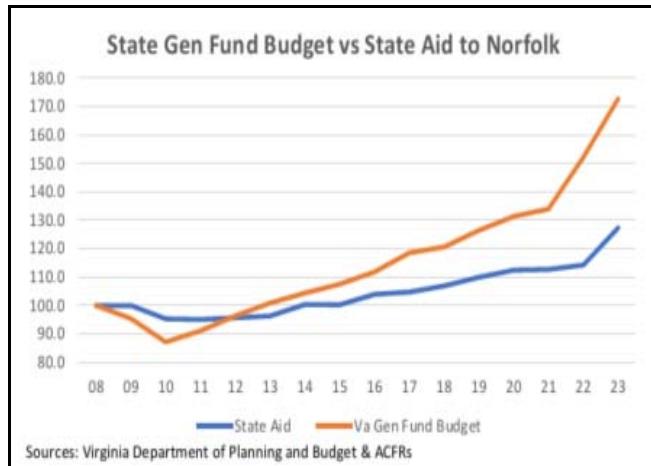
After rising for four consecutive years, new housing units permitted decreased from 1,702 to 1,104, but still remain 15.3% above the 2010-2023 average. Also in FY 2023, the number of residential building permits rose slightly, increasing to 268 from 263 in FY 2022. In contrast, the number of nonresidential (or "commercial") building permits rose after flat performance for the previous two years. It is important to note that the city of Norfolk is predominantly built out, and the building activity occurring currently is mainly redevelopment, infill development, and vertical expansion.



The Commonwealth of Virginia provides over one-third of General Fund revenues in the FY 2025 General Fund budget. Revenue from the Commonwealth consists of funding that are mostly for dedicated purposes such as K-12

education, social services, transportation, and shared expenses of constitutional officers. House Bill (HB) 599 funds for law enforcement, the city's share of the Commonwealth's personal property tax ("car tax") relief funds, and the tax on rental of cars also comprise revenue from the Commonwealth. In total, it is the largest revenue source category in the General Fund.

As a result of the Great Recession, the Commonwealth saw a significant decline in revenues that, in turn, reduced direct aid to education, HB 599 funds for police, Constitutional Officers salaries and benefits funding, jail per diem, and funds for street maintenance. The Commonwealth also imposed a "flexible cut" to state aid to localities and permanently eliminated the local share of ABC profits and wine tax. Not all revenues from the Commonwealth have returned to the pre-recession peak such as, HB 599 funds, and jail per diem funding, even though the Commonwealth's General Fund revenues have been above its last pre-recession peak since FY 2012. Since the recovery began, the state's revenue growth exceeds the restoration of state aid to Norfolk. If the State Aid to Norfolk matched the state's rate of general fund revenue growth, the city would receive an additional \$24.5 million in revenue (11 cents on the real estate tax rate), meaning the state has allocated revenue growth to priorities other than Aid to Local Governments.



The remaining revenue comes from the federal government, recovered costs, interfund transfers, and carryforward of prior year funds. Revenue from the federal government are mostly dedicated to Norfolk Public Schools and the Norfolk Community Services Board. Interfund transfers include a return on investment from Utilities (water and wastewater) operations. It also includes funding from the Public Amenities Fund to support the Norfolk Consortium (see Outside Agencies) and excess revenues from the Tax Increment Financing Fund. Carryforward funds are generated through a combination of projected current year savings, realized savings from prior years, and account closeouts. Carryforward funds may also include the re-appropriation of prior year(s) unspent designated funds.

Preliminary General Fund revenue projections, based on historical data and current economic data, were initially compiled over the summer. Estimates were updated in the fall with submission of estimates from city departments and offices and information from the Governor's proposed 2024-2026 biennial budget. Projections were updated through February to incorporate the current information available from the city, Commonwealth, and Norfolk Public Schools. Initial revenue estimates were based on the analysis of the collection history and patterns, underlying drivers that impact a revenue source, information from departments that collect revenue, overall economic environment, and developments projected for the city in the coming year. The revenue amounts shown in the discussion that follows include the FY 2024 budget and FY 2025 budget.

The Adopted FY 2025 General Fund budget is approximately \$1.16 billion, which is 7.5% (\$81.2 million) above the Adopted FY 2024 Budget.

General Fund Revenue Summary

Source	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted	FY 2024 vs. FY 2025 \$ Change	FY 2025 % Change	FY 2025 % of Total
General Property Taxes	366,591,807	384,369,200	397,122,005	12,752,805	3.3%	34.2%
Other Local Taxes	166,566,448	181,084,500	199,722,376	18,637,876	10.3%	17.2%
Permits and Fees	4,318,315	4,068,000	4,416,039	348,039	8.6%	0.4%
Fines and Forfeitures	1,025,789	1,505,000	1,476,800	-28,200	-1.9%	0.1%
Use of Money and Property	14,022,160	13,603,434	28,354,991	14,751,557	108.4%	2.4%
Charges for Services	33,116,684	26,172,740	27,558,654	1,385,914	5.3%	2.4%
Miscellaneous Revenue	10,101,313	8,669,610	9,905,600	1,235,990	14.3%	0.9%
Recovered Costs	11,840,889	10,997,183	14,038,074	3,040,891	27.7%	1.2%
Non-Categorical Aid - State	24,928,333	39,362,165	38,915,002	-447,163	-1.1%	3.4%
Shared Expenses - State	22,452,296	25,119,100	28,204,741	3,085,641	12.3%	2.4%
Categorical Aid - State	303,055,921	319,960,477	323,100,033	3,139,556	1.0%	27.8%
Federal Aid	11,100,769	8,615,256	8,867,763	252,507	2.9%	0.8%
Other Sources and Transfers In	52,334,277	55,718,363	78,754,528	23,036,165	41.3%	6.8%
General Fund Total	1,021,455,001	1,079,245,028	1,160,436,606	81,191,578	7.5%	100.0%

Note: FY 2023 Actual amounts may not sum to total due to rounding. Percentages may not total to 100 due to rounding.

REVENUE MONITORING

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

GENERAL PROPERTY TAXES

General property taxes are levied on the assessed value of real estate and personal property including motor vehicles and machinery and tools. These taxes make up approximately 34.2% or \$397.1 million of the city's FY 2025 General Fund revenues. Real estate tax revenue is the largest component of general property taxes, comprising approximately \$328.1 million or 28.3% of FY 2025 General Fund revenues. It includes current and delinquent real estate taxes as well as, the tax on public service corporations and the additional \$0.16 per \$100 of assessed value levied on real estate located within the Downtown Improvement District (DID). The estimate for current real estate taxes reflects the adopted real estate tax rate of \$1.23 per \$100 (2 cents lower than FY 2024) of assessed value and setting aside a sum sufficient amount estimated at approximately \$5.5 million for real estate tax relief to qualifying senior and disabled homeowners and to state mandated disabled veterans and surviving spouses of the armed forces killed in action.

Real Estate Tax

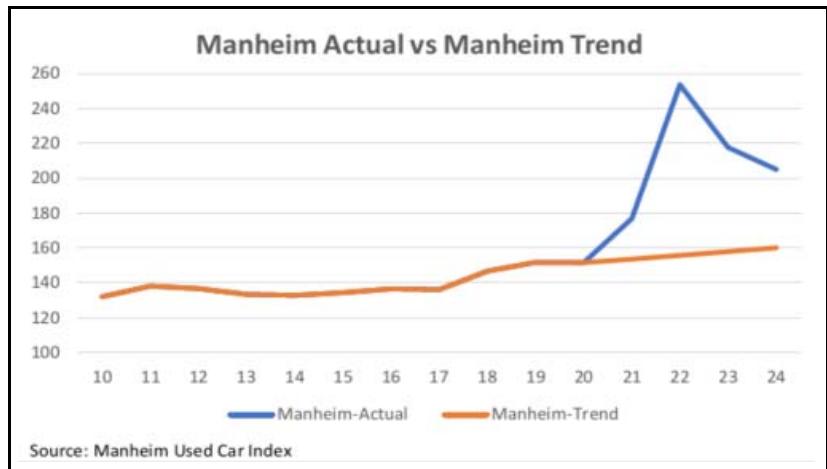
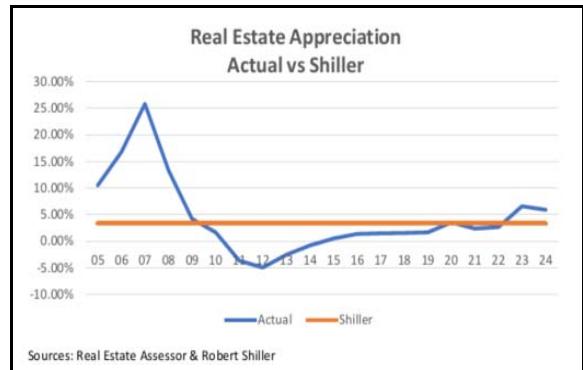
The current real estate tax revenue estimate also reflects the Office of the Real Estate Assessor's estimate of the overall taxable assessments in the land book on July 1, 2024. The most recent update from the Office of the Real Estate Assessor indicated that overall taxable assessments on July 1, 2024 are projected to be approximately 6.4% above the land book value on July 1, 2023. This marks the twelfth consecutive year of growth. In comparison, over the past ten years, taxable real estate assessments have increased at an average annual rate of 5.5%. The projected increase in FY 2024 continues to be largely from residential assessments due to the robust housing market. On the other hand, general commercial assessments are anticipated to decline largely due to the decline in MacArthur Mall value. Recent market volatility, illustrated by four double-digit gains and four declines over the last 21 years (FY 2005 - FY 2025), characterizes this revenue. This contrasts with only three double-digit gains and one decline with the prior 25 years (FY 1980 - FY 2004). Research by Robert Shiller from Yale University suggests 3.35 % represents the long-term average for real estate appreciation, compared to Norfolk's 4.25% from FY 2005 - FY 2025. Growth does not occur in a linear manner, however, meaning the real estate market sometimes overshoots in both directions and explaining why City Council adjusts the rates in both directions.

Further, it is also important to note that due to the significant property owned by federal, state, and local governments, and religious and secular organizations in Norfolk, approximately 35% of the city's real estate assessed value is tax exempt. This would be equivalent to a potential revenue loss of approximately \$185.4 million based on the FY 2024 assessed value and the current real estate tax rate of \$1.25 per \$100 of assessed value. If Norfolk's tax-exempt percentage matched that of the seven largest cities, the city would realize an additional \$107.4 million.

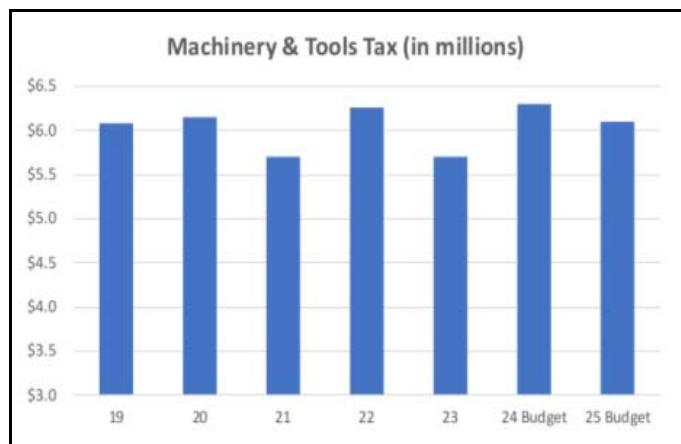
Personal Property Tax

The second largest component of general property taxes is the personal property tax, which is levied on tangible personal property, that includes motor vehicles, boats, aircraft, business furnishings, and office equipment. Household goods and personal effects are exempt from taxation. Personal property taxes in total include current and delinquent collections, refunds, and taxes from public service corporations. In FY 2025, these comprise approximately 5.3% or \$61.8 million of General Fund revenues. Personal property taxes are estimated to be approximately 6.8% above the FY 2024 budget. The global health crisis and supply-chain limitations reduced the production of new cars, driving demand for used cars that, in turn, boost their prices to unprecedented levels. The Manheim Used Car Index serves as the best proxy for J.D. Powers Used Car Values, which the city uses to assess cars. In the chart above, the blue line represents the actual index values, highlighted by the marked increase of 67.4% beginning in FY 2020 and peaking in FY 2022. The orange line represents an extrapolation based on trends from FY 2010 - FY 2019. Prices have dropped 19.2% from their peak, but a gap of 21.9% remains. Literature supports a permanent, structural increase in used car prices, rather than reverting to pre-supply chain price levels. The increase reflects the value of motor vehicles not declining as quickly as anticipated in FY 2023 from FY 2022. As a result, revenues are anticipated to be above budget in FY 2024.

The FY 2025 budget assumes no change in the general tax rate on personal property at \$4.33 per \$100 of assessed value. The estimate is also based on the state car tax relief at 51% rate for FY 2025 (tax bills due June 5, 2025). The



51% relief rate is anticipated to fully exhaust relief funds provided to the city by the Commonwealth under the Personal Property Tax Relief Act. This means that qualifying vehicles with an assessed value of more than \$1,000 will receive a 51% tax relief rate on the vehicle's first \$20,000 of assessed value. Qualifying vehicles with an assessed value of \$1,000 or less will receive 100% tax relief rate. Prior to FY 2006, qualifying vehicles with an assessed value of more than \$1,000 were reimbursed for 70% of the total property tax eligible for relief. State legislation passed in 2004 capped car tax relief funds statewide at \$950 million beginning in FY 2006. Consequently, each locality in the state now receives a fixed share of the \$950 million of statewide personal property tax relief funds per state code. Each locality's share was determined based on the proportional share of actual personal property tax relief payments received in tax year 2005, as certified by the Virginia Auditor of Public Accounts, of which, Norfolk's share is \$16,871,056.



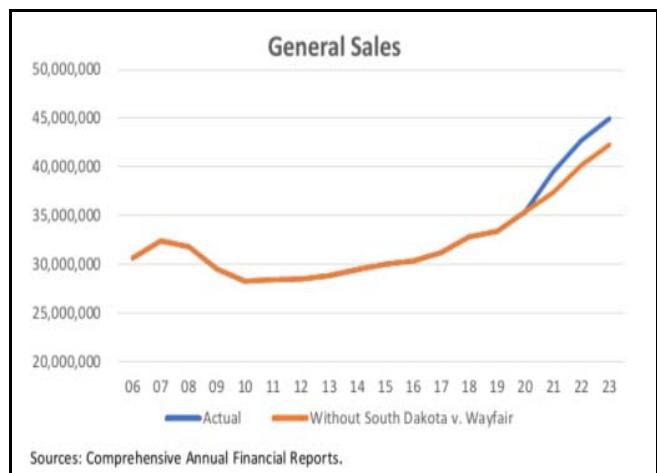
Machinery and Tools Tax

The machinery and tools tax is the third largest component of general property taxes. In FY 2025, the tax makes up approximately 0.5% or \$6 million of General Fund revenues. The tax is levied on machinery and tools used in manufacturing, mining, radio and television broadcasting, cable television, dry cleaning or laundry businesses at a rate of \$4.25 per \$100 of assessed value. That tax rate is eight cents below the tax rate on general personal property of \$4.33 per \$100 of assessed value. Machinery and tools tax revenue is expected to remain stable in FY 2025. It is important to note that there have been several attempts by state legislators to curtail or eliminate localities' taxing authority over this source.

OTHER LOCAL TAXES

Other local taxes are comprised of consumer and business-based taxes, including taxes on utilities (water, gas, electricity, and communications), sales, hotel, restaurant/meals, admissions, and cigarettes, as well as franchise, business license, and recordation taxes. Historically, the revenue category are sensitive to changes in economic conditions and was impacted by the economic effects of COVID-19. It declined in FY 2020 but rose back to the pre-pandemic level in FY 2022 with the growth in sales tax and recovery of food and beverage and hotel taxes. Other local taxes are projected to comprise approximately 17.2% or \$199.7 million of General Fund revenues in FY 2025 and are 10.3% above the FY 2024 budget (8.2% without the fund reclassification), reflecting in part the reclassification of the Emergency Preparedness and Response Fund to the General Fund. Other local taxes include consumption-based taxes, which have now recovered and have risen back to pre-pandemic levels. Citywide (all funds), other local taxes make up approximately 13.7% or \$209.5 million of the operating budget in FY 2025 and are approximately 8.4% above the FY 2024 budget. The citywide amount includes the Public Amenities Fund portion of the hotel and food and beverage taxes and Emergency Preparedness and Response portion of the telecommunications sales and use tax. Also, the proposed budget reflects reinstatement of the motor vehicle license fee, which City Council suspended for two calendar years (2022 and 2023) because of the spike in used care prices.

Sales and Use Tax

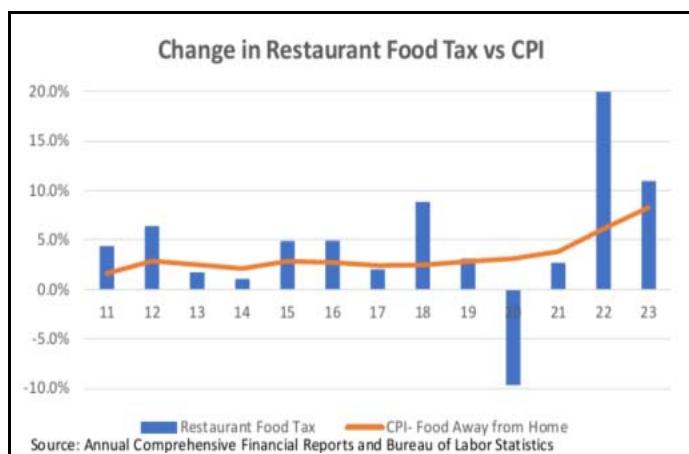


The sales and use tax makes up approximately 4.1% or \$47.3 million of the city's General Fund revenue in FY 2025 which is approximately 5.5% above the FY 2024 budget. Unlike the other consumption-based taxes, sales and use tax did not decline during the pandemic, and continues to grow. The sales and use tax is levied on selling, distribution, leasing, or renting of tangible personal property, use or consumption of tangible personal property, as well as taxable services in Virginia. Revenue from this source has historically been sensitive to the state of the economy, household income, and underlying price level changes. Changes in the local retail activity (such as new businesses, expansions, closures, and job changes) and in the local economy impact the projection of this revenue source. Also, much of the growth in FY 2020 and FY 2021 was largely due to the post Supreme Court, South Dakota v. Wayfair legislation. Since July 1, 2019, sales tax requirements have been in place for remote sellers and marketplace facilitators that have an economic nexus in Virginia. Under the law enacted during the 2019 session of the General Assembly, a remote seller or marketplace facilitator who meet the economic nexus standards of selling or facilitating the sale of more than \$100,000 in annual gross retail sales or 200 or more transactions to Virginia customers began collecting sales tax on July 1, 2019. Prior to the law, mainly businesses with a physical presence in Virginia were required to collect the state's sales and use tax. Adjustments made by the Virginia Department of Taxation for overpayments and underpayments of the tax by businesses also affect sales and use tax collections. As a result of more comprehensive taxation of internet sales, Norfolk may have realized a gain of \$2.7 million in revenue.

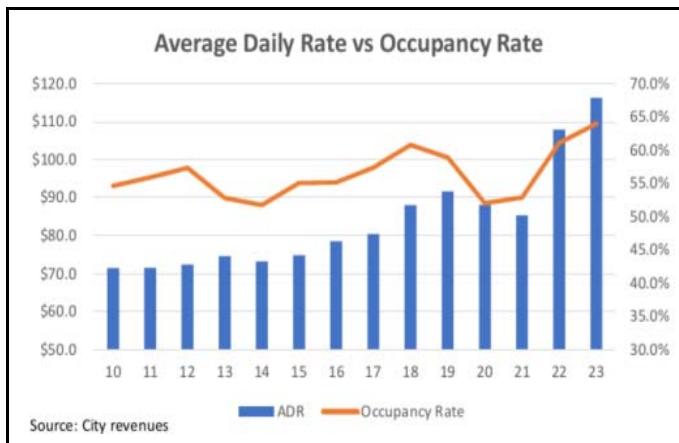
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Prepared Food and Beverage Tax

Taxes are collected on prepared food and beverages. The tax rate is 6.5% of the value of the meal. One percentage point is allocated to the Public Amenities Fund, and 5.5 percentage points is allocated to the General Fund. The revenue generated by 1.0 percentage point of the tax rate for the Public Amenities Fund is estimated to be approximately \$8.065 million in FY 2025, and the revenue generated from the 5.5 percentage points of the tax rate allocated to the General Fund is estimated to be approximately \$44.4 million or 3.8% of General Fund revenues in FY 2025. The FY 2025 estimate is approximately 13.0% above the FY 2024 budget, which reflects FY 2023 significantly outperforming the budget (base adjustment) and the continued recovery from the pandemic and has risen above its pre-pandemic level. The recovery has been faster than anticipated. As a result, FY 2025 revenues are outpacing the budget. Inflation serves as one propellant of restaurant meal tax.



Hotel Tax



Hotel taxes are levied on occupied hotel rooms at the rate of 8.0% of the room charge. Similar to the food and beverage tax, 1.0 percentage point is allocated to the Public Amenities Fund and 7.0 percentage points is allocated to the General Fund. The 8.0% tax rate does not include the 1.0% tax imposed by the General Assembly for the regional transportation district. The revenue generated by the 1.0 percentage point of the tax for the Public Amenities Fund is estimated to be approximately \$1.66 million in FY 2025, and the revenue generated from the 7.0 percentage points allocated to the General Fund is estimated to be approximately \$11.6 million or 1.0% of General Fund revenues in FY 2025. COVID significantly reduced business

and leisure travel, resulting in a 14% decline in hotel revenues. Travel and revenue snapped back quickly, however. Occupancy and average daily rate (ADR) determine hotel taxes and are reflected in the above chart. The FY 2025 estimate is 21.0% above the FY 2024 budget, which reflects FY 2023 significantly outperforming the budget (base adjustment) and the continued recovery from the pandemic and has risen above its pre-pandemic level.

The hotel tax estimate does not include the \$3.00 surcharge per room night ("bed tax"), estimated to generate approximately \$3.66 million in FY 2025. The bed tax was enacted on April 1, 2006 at the rate of \$1.00 per room night with support from the Norfolk Hotel-Motel Association and the revenue designated for Norfolk Convention and Visitor's Bureau (Visit Norfolk) for visitor promotion and advertising for conventions and tourism. In FY 2012, the bed tax was raised to \$2.00 per room night with the additional \$1.00 revenue designated for the Norfolk Consortium (see Outside Agencies section). In FY 2019, the bed tax was raised to \$3.00 per room night (current rate) to offset budget reductions to Outside Agencies (see Outside Agencies section).

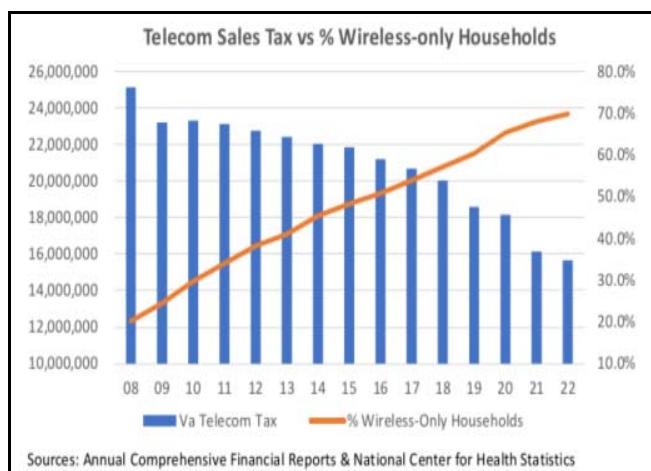
Business License Tax

Business license taxes are collected from entities that engage in a business, trade, profession, or occupation in the city. It is generally imposed as a percentage of gross receipts generated during the previous calendar year. It is also applied to individuals that maintain a place of business, either permanent or temporary, or conduct a business-related activity. Business license tax rates vary depending on business classification and gross receipts generated. Norfolk's rates are at the state maximum allowed for the main business classifications. Revenue collections in recent years have been reduced by refunds of overpayments. In FY 2022, the city recorded over \$5 million in business license tax refund liability. Business license taxes makes up approximately 3.2% or \$37.1 million of General Fund revenues in FY 2025.

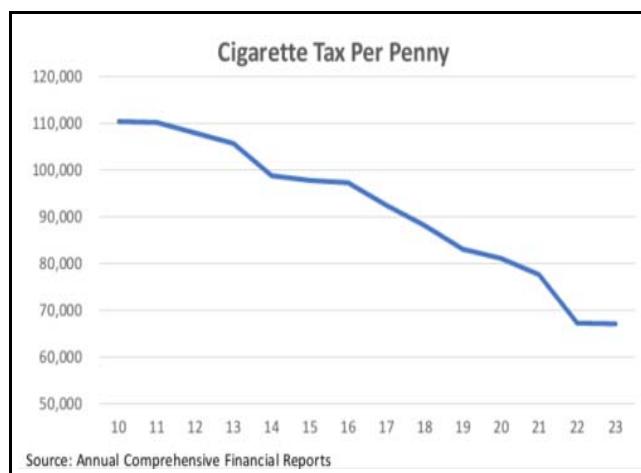
Consumer Utility Tax

Consumer utility taxes on water, gas, electricity, and the communications sales and use tax combined, make up approximately 2.7% or \$31.2 million of the city's General Fund revenue in FY 2025. The consumer utility tax is levied on the purchase of utility service including water, gas, and electricity. Monthly receipts are monitored and used as a basis for estimating the revenue yield, taking seasonal variations into consideration. The consumer utility tax on telephones, cell phones, and cable TV was abolished and replaced by a statewide uniform communications sales and use tax on January 1, 2007. The Emergency 911 (E-911) tax on telephones was also replaced by a statewide uniform \$0.75 tax per phone at the same time. The E-911 tax is distributed to the city together with the communications sales and use tax in one lump sum. Consequently, a portion

of the city's communications sales and use tax is allocated to directly support emergency communications (E-911) in the Emergency Preparedness and Response Special Revenue Fund (approximately \$3.6 million). Since inception of the Virginia Telecommunication tax, Norfolk receives \$9.9 million (39.5%) less in revenue (over four cents on the Real Estate tax rate), due to cancellation of landlines, satellite radio services, and cable ("cord cutting"). Importantly, the tax does not apply to audio digital streaming platforms (Apple Music, Spotify, etc.), or video streaming services (Netflix, Hulu, YouTube TV, Apple TV, etc.). If the telecommunication tax applied to these services, Norfolk could have received between \$3.8 million and \$7.6 million in 2022. The FY 2025 estimate for these taxes is 5.5% below the FY 2025 budget because nearly all utility taxes underperformed.



Sources: Annual Comprehensive Financial Reports & National Center for Health Statistics



Source: Annual Comprehensive Financial Reports

The city dedicated a portion of the Telecommunication Sales Tax to the Emergency Preparedness and Response Fund. With the merger of this fund to the General Fund, the city records the communications sales and use tax in two accounts (one dedicated for E-911). The total revenue is \$14.0 million in FY 2025, which is approximately 4.2% below the FY 2024 budget. Since the inception of the tax, revenue has fluctuated due to adjustments for overpayments and underpayments of the tax by telecommunications service providers. Revenue has also been on a downward trend due to changes in technology and lower utilization of communications services subject to the tax, such as landline telephones. State legislation to modernize local taxation authority to reflect technological changes in communication services were proposed during the 2018 General Assembly

Session but were not enacted.

Cigarette Tax

Many factors contribute to the declining trend in cigarette tax revenue: health awareness; non-smoking legislation; cancer litigation; price increases; internet, gray, and black-market, and e-cigarette purchases. However, quitting smoking has societal benefits. If Norfolk had maintained the 2010 per penny revenue generation of the cigarette tax, the city would realize an additional \$4.1 million in tax revenue (nearly two cents on the real estate tax rate). Two state issues to note: 1) The state capped local ability to raise the cigarette tax in FY 2021, meaning Norfolk cannot increase its rate of 0.95 cents; and 2) the state began taxing vaping in FY 2021 but did not authorize a local tax.

PERMITS AND FEES

Permits are issued to regulate new construction and ensure public safety. Revenues from this source are comprised of fees for permits, licenses, and other privileges subject to city regulation. The revenues partially cover the expense of providing regulatory services such as, zoning inspections, building code inspections, plan review, right-of-way permitting, and fire inspections in the city. Revenue from this source has generally fluctuated based upon the level of building construction activity in the city and large commercial projects. Permits and regulatory fees are projected to be approximately 0.4% or \$4.4 million of General Fund revenues in FY 2025 and is approximately 8.6% above the FY 2024 budget.

FINES AND FORFEITURES

Fines and forfeitures in the General Fund largely consist of revenues received from the courts as fines and forfeitures for violations of city ordinances. In FY 2024, fines and forfeitures provide approximately 0.1% or \$1.5 million of General Fund revenues. The FY 2025 budget is approximately 1.9% or \$28,000 less than the FY 2024 budget. Citywide, fines and forfeitures total approximately \$4.5 million of revenues from all operating funds in FY 2025. The majority of the revenues from this source citywide are generated from fines for parking citations which support the operations of the Parking Facilities Fund (nongeneral fund).

USE OF MONEY AND PROPERTY

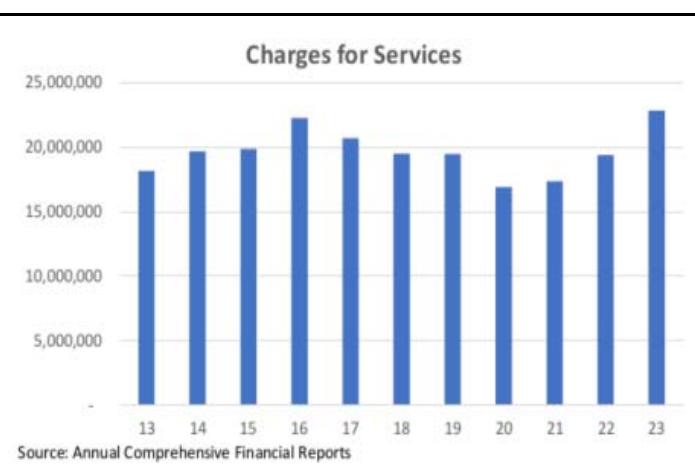
Revenue from use of money and property is comprised primarily of interest earned on cash balances, rent from short-term and long-term property leases, income from cultural facilities venues, and prudent management of city assets. In FY 2025, revenue from this source makes up approximately 2.4% or \$28.3 million of General Fund revenues. The FY 2025 budget is approximately double or \$14.7 million above the FY 2024 budget. The growth largely reflects the positive impact of rising interest rates on the city's interest from investments.

CHARGES FOR SERVICES

Charges for services include fees charged for various programs and services such as, recreation centers, Virginia Zoo, courts (judiciary), paramedical rescue, Norfolk Public School activities, Norfolk Community Services Board (NCSB), cruise ship terminal, and Nauticus.

Charges for services make up approximately 2.4 % or \$27.6 million of FY 2025 General Fund revenues. The FY 2025 budget is 5.3% above the FY 2024 budget which reflects increases in Parks and Recreation charges, Fire and Rescue, Zoo attendance, and charges for Community Services Board. These offset declines in charges for services in Norfolk Public Schools. Charges for services continues to recover and has risen above its pre-pandemic level.

Citywide, most of the revenue from this source are charges for services by nongeneral funds. Charges for services citywide make up approximately \$365.6 million of operating budget, over ten times the amount in the General Fund alone. Nongeneral fund charges are mostly from user fees for utilities (water and wastewater services), parking facilities, storm water management, and refuse disposal. The rates for these user fees are set to ensure



operations are fully supported by the fees collected. This year's proposed Operating Budget includes a two-cent reduction in the Real Estate Tax, and automatic fee increases in Water, Wastewater, and Storm Water. See Selected Tax Rates and Fees section for changes in the rates for non-general fund charges for services in FY 2025.

MISCELLANEOUS REVENUE

Miscellaneous revenue consists of revenues not classified in other categories and includes revenue from payments in lieu of taxes (PILOT), fee for services provided to the U.S. Navy's housing public-private venture, administrative fees, and proceeds from the sale of city-owned land. In FY 2025, the city is estimating to receive approximately \$9.9 million, which represents 0.9% of FY 2025 General Fund revenues. The FY 2025 budget includes estimated proceeds from the auction of city-owned vacant property that began in Spring 2022.

RECOVERED COSTS

Recovered costs consist of revenue from non-general funds, partner agencies, and the public for certain expenses, such as indirect costs, employee compensation, debt service, and communications and information technology services. Recovered costs make up approximately 1.2% or \$14.0 million of FY 2025 General Fund revenues. The FY 2025 budget is approximately 27.7% (\$3.0 million) above the FY 2024 budget. The increase in the FY 2025 budget from FY 2024 is largely due to merger of Emergency Preparedness and Response Fund to the General Fund and the distribution and allocation of indirect costs to non-general fund departments.

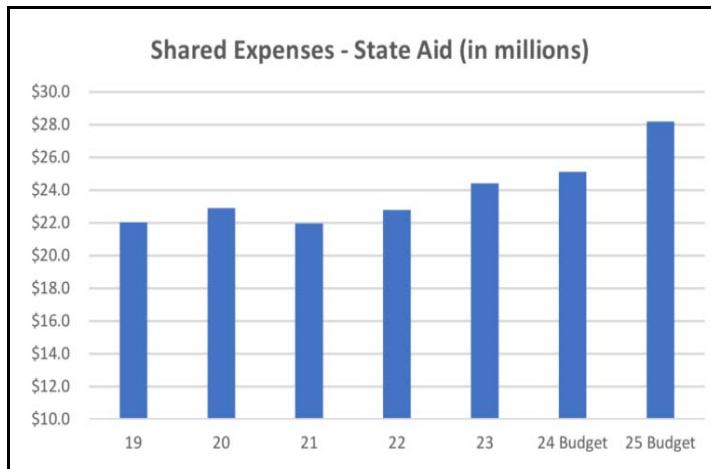
REVENUE FROM THE COMMONWEALTH

Revenue from the Commonwealth totals approximately \$390.2 million or 33.6% of FY 2025 General Fund revenues and is 1.5% above the FY 2024 budget. Revenue from the Commonwealth is divided into three categories which are discussed below: Non-categorical aid (\$38.9 million), Shared expenses (\$28.2 million), and Categorical aid (\$323.1 million). Estimates are based upon the General Assembly's adopted 2024-2026 biennial budget .

NON-CATEGORICAL AID - VIRGINIA

Non-categorical aid consists of revenue from the Commonwealth without restriction as to use. Non-categorical aid is estimated to be 3.4% or \$38.9 million of General Fund revenues and is approximately 1.7% less than the FY 2024 budget. The decrease is largely due to the under performance of Passenger Car Rental revenue.

SHARED EXPENSES



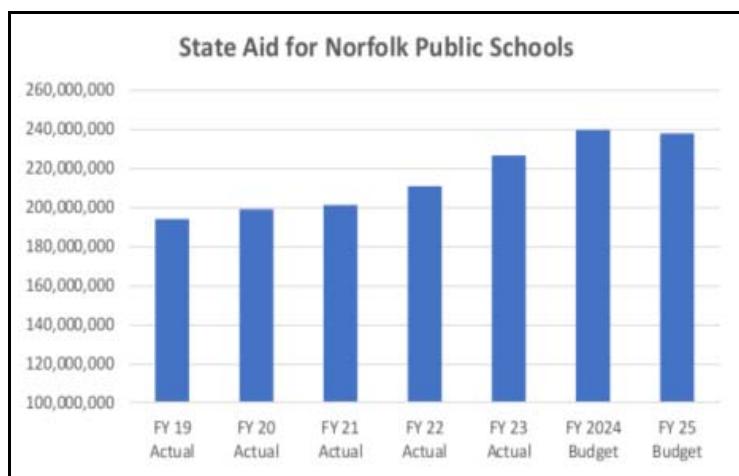
Shared expenses consist of recovered costs from the Commonwealth for a portion of the state-supported salaries and benefits, and qualifying nonpersonnel expenses of constitutional offices and other offices serving the Norfolk community, including the Norfolk Electoral Board, Sheriff, City Treasurer, Commissioner of the Revenue, Clerk of the Circuit Court, and Commonwealth's Attorney. Shared expenses make up approximately 2.4% or \$28.2 million of FY 2025 General Fund revenues. The FY 2025 amount is approximately 12.3% above the FY 2024 budget. The increase largely reflects the annualization of FY 2024 pay raise, an estimated 2% pay raise for FY 2025, new state positions for the City Treasurer and the Commissioner of the Revenue, and salary upgrades/reclassifications of Sheriff Deputy positions.

STATE CATEGORICAL AID

Categorical aid from the Commonwealth consists mainly of revenues earmarked for core services including, K-12 education, social services administration and public assistance grants, Norfolk Community Services Board (NCSB), libraries, Virginia Department of Transportation (VDOT) funding for street maintenance and localities that host port-owned facilities, and local adult correctional facility. State categorical aid makes up approximately 27.8% or \$323.1 million of General Fund revenues in FY 2025 which is approximately 1.0% above the FY 2024 budget. The modest change reflects increases in Street Maintenance, Human Services, and Community Services Board revenues offset by decreases in revenues for Norfolk Public Schools (declining enrollment).

Norfolk Public Schools State Aid

Of the \$323.1 million of state categorical aid estimated to be received in FY 2025, most of the revenue is earmarked for Norfolk Public Schools, approximately \$238.0 million of the \$323.1 million. Categorical aid for Norfolk Public Schools includes the state sales and use tax and state school funds. State sales and use tax for schools is the revenue from the city's proportionate share of the state sales and use tax designated for public education. Since July 1, 2012, the city's share of the state sales and use tax is based on the population estimate provided by the Weldon Cooper Center for Public Service at the University of Virginia. In addition, in FY 2014, state sales and use tax dedicated to public education increased to 1% cent as part of the statewide transportation bill. Prior to FY 2014, 1½ cent of the state sales and use tax was dedicated to public education, which reflected the change in FY 2005 when half of the one-half cent sales and use tax increase adopted by the General Assembly was earmarked for local school divisions and real estate tax relief. Half of that quarter percent is distributed in the manner discussed above. The other half of the quarter percent goes to support the Standards of Quality (SOQ), which is included in state school funds. State school funds support school operational costs. The rate of reimbursements is based on the SOQ formula with reimbursement rates varying by program and area of emphasis. Changes in enrollment figures affect this revenue source. Localities are required to



match the state contribution based on a composite index. Norfolk continues to provide more than its required share of local effort.

Other Sources of Revenue

Categorical aid also includes the state reimbursement for the cost of operating the Department of Human Services and Norfolk Community Services Board, estimated to be approximately \$40.1 million and \$10.6 million, respectively. State aid is tied to operating costs that include the cost of personnel, fringe benefits, nonpersonal services, and rent for buildings and parking. The reimbursement rate of the overall costs varies by program.

The jail per diem estimate is approximately \$1.6 million in FY 2025, reflecting an increase to the inmate per diem payment for every local-responsible inmate housed, from \$4.00 to \$5.00 per day. As a brief history of funding, since the 2016-2018 biennium, the state appropriates the full estimated statewide cost for jail per diems. In prior years, the General Assembly did not appropriate the full estimated statewide cost for jail per diems, addressing funding shortfalls in the mid-biennium or caboose budget. However, if the appropriation falls short due to statewide inmate population being higher than anticipated, the Compensation Board will prorate the amounts distributed to local jails. Since March 1, 2010, per diem payments for local responsible inmates in local or regional jails was reduced to \$4.00 per day from \$8.00 per day, while the per diem payments for state inmates housed in local jails was changed to \$12.00 per day from \$8.00 or \$14.00 per day (reflecting the \$6.00 bonus payment for certain state inmates). Payment for jail contract beds fell to \$8.00 per day from \$14.00 per day. These changes in the per diem rates resulted in approximately a \$2.0 million decline in jail per diem funding to the city. Effective July 1, 2022, the per diem payment for state inmates housed in local jails was changed to \$15.00 per day from \$12.00 per day. Lastly, as noted above, on December 1, 2023, the state increased per diems for locally housed inmates from \$4.00 to \$5.00 per day.

Categorical aid also includes funds received from the Virginia Department of Transportation (VDOT) for street construction and maintenance and support for localities that host Virginia Port Authority owned real estate, estimated in total to be approximately \$30.2 million in FY 2024. The funds for street construction and maintenance are received from VDOT to maintain the city's principal and minor arterials, collector roads, and local streets based on moving lane miles. The revenue allocated to the city is based on a statewide maintenance index of the unit costs used on roads and bridges. Changes in the index are used to calculate and implement annual per-land-mile rates. The rates fluctuate on index changes and number of miles assessed. These funds offset qualifying operating costs recorded in the city's budget.

FEDERAL AID

Aid from the federal government primarily includes funds for Norfolk Public Schools and Norfolk Community Services Board. Federal aid totals approximately \$8.9 million or 0.8% of General Fund revenues in FY 2025 and is 2.9% (\$252,000) above the FY 2024 budget.

OTHER SOURCES AND TRANSFERS IN

Revenue from other sources and transfers in consist of intra-governmental transfers and carry forward funds. It totals approximately \$78.8 million or 6.7% of General Fund revenues in FY 2025, which is an increase of approximately \$23.0 million from the FY 2024 budget. In FY 2025, other sources and transfers in includes transfers in of \$24.8 million from non-general funds such as: Utilities (\$10 million); Tax Increment Financing Fund (\$11.3 million) which consists of the annual transfer of excess revenue (increased because of debt retirement); and Public Amenities Fund (\$3.5 million) to support the Norfolk Consortium. See Outside Agencies section of the budget document for details on the Norfolk Consortium. The remaining amount of approximately \$52.0 million consists of: carryforward of prior year budget savings from transitioning eligible expenses to the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) grant (\$21.0 million); carryforward of the Department of Public Health's FY 2024 year-end settlement (\$400,000); and carryforward of Norfolk Public Schools reversion funds (\$30.6 million).

APPROPRIATIONS

Department	FY 2025 Adopted
GENERAL FUND	
LEGISLATIVE	
City Auditor	1,299,650
City Clerk	1,995,241
City Council	401,527
City Real Estate Assessor	3,040,798
Total Legislative	6,737,216
EXECUTIVE	
Budget and Strategic Planning	3,450,723
City Manager	5,598,718
Communications & Marketing	2,694,636
Diversity, Equity, and Inclusion	1,453,164
Housing and Community Development	6,865,918
Resilience	1,421,985
Total Executive	21,485,144
DEPARTMENT OF LAW	
CONSTITUTIONAL OFFICERS	
City Treasurer	3,287,349
Clerk of the Circuit Court	3,575,753
Commissioner of the Revenue	3,550,468
Commonwealth's Attorney	7,742,777
Sheriff and Jail	46,967,271
Total Constitutional Officers	65,123,618
JUDICIAL	
Circuit Court Judges	1,036,574
General District Court	260,761
Juvenile and Domestic Relations Court	81,833
Magistrate	12,248
Norfolk Juvenile Court Service Unit	220,716
Total Judicial	1,612,132
ELECTIONS	
GENERAL MANAGEMENT	
Finance	9,297,842

Department	FY 2025 Adopted
General Services	32,785,423
Human Resources	5,474,670
Information Technology	24,465,872
Total General Management	72,023,807
COMMUNITY DEVELOPMENT	
City Planning	7,302,106
Economic Development	9,598,749
Neighborhood Development	5,866,075
Total Community Development	22,766,930
PARKS, RECREATION AND CULTURE	
Cultural Facilities, Arts and Entertainment	7,108,711
Libraries	11,357,119
Nauticus	5,329,274
Parks and Recreation	22,954,222
The Slover	3,816,685
Virginia Zoological Park	5,205,246
Total Parks, Recreation and Culture	55,771,257
PUBLIC HEALTH AND ASSISTANCE	
Human Services	55,107,430
Norfolk Community Services Board	33,751,142
Public Health	3,557,364
Total Public Health and Assistance	92,415,936
PUBLIC SAFETY	
Emergency Management	830,158
Fire-Rescue	62,332,321
Police	94,150,722
Total Public Safety	157,313,201
PUBLIC WORKS	23,258,513
TRANSPORTATION	12,178,875
CENTRAL AND OUTSIDE AGENCY APPROPRIATIONS	
Central Appropriations	17,918,177
Outside Agencies	49,339,058
Total Central and Outside Agency Appropriations	67,257,235
DEBT SERVICE	113,380,052
PUBLIC SCHOOL EDUCATION (Norfolk Public Schools)	441,194,115
Total General Fund	1,160,436,606

Department	FY 2025 Adopted
SPECIAL REVENUE FUNDS	
Cemeteries	2,290,387
Golf Operations	15,000
Public Amenities	9,927,329
Tax Increment Financing	11,267,300
Towing and Recovery Operations	1,854,032
Waste Management	24,105,205
Total Special Revenue Funds	49,459,253
ENTERPRISE FUNDS	
Parking Facilities	23,477,742
Storm Water Management	24,596,825
Utilities - Wastewater	38,945,103
Utilities - Water	114,563,091
Total Enterprise Funds	201,582,761
INTERNAL SERVICE FUNDS	
Fleet Management	14,341,487
Healthcare	105,700,538
Total Internal Service Funds	120,042,025
TOTAL CITY OPERATIONS	1,531,520,645
CAPITAL IMPROVEMENT PLAN	285,272,220
ANNUAL GRANTS PLAN¹	113,896,639
ANNUAL HUD PLAN	6,405,865
TOTAL APPROPRIATIONS	1,937,095,369

¹The amount reflects the “up to” amount appropriated by the operating budget ordinance. The actual grant award will vary annually.

Note: Numbers may not add to total/subtotal due to rounding.

SELECTED TAX RATES AND FEES

Description	FY 2024 Adopted	FY 2025 Adopted
PROPERTY TAXES		
Real Estate (General Tax)	\$1.25/\$100 Assessed Value	\$1.23/\$100 Assessed Value
Real Estate (Downtown Improvement District)	\$1.41/\$100 Assessed Value	\$1.41/\$100 Assessed Value
Personal Property		
Airplane	\$2.40/\$100 Assessed Value	\$2.40/\$100 Assessed Value
Motor Vehicle	\$4.33/\$100 Assessed Value	\$4.33/\$100 Assessed Value
Recreational Vehicle	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Business Furniture, Fixtures, and Equipment	\$4.33/\$100 Assessed Value	\$4.33/\$100 Assessed Value
Watercraft - Business	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Watercraft - Recreational	\$0.000001/\$100 Assessed Value	\$0.000001/\$100 Assessed Value
Machinery & Tools	\$4.25/\$100 Assessed Value	\$4.25/\$100 Assessed Value
OTHER LOCAL TAXES		
Amusement and Admissions	10%	10%
Cigarette	95 cents/pack of 20 cigarettes (47.5 mils/cigarette)	95 cents/pack of 20 cigarettes (47.5 mils/cigarette)
Emergency 911 (Landline)	Replaced by the statewide E-911 tax rate of \$0.75/line/month	Replaced by the statewide E-911 tax rate of \$0.75/line/month
Hotel/Motel Lodging	8%	8%
Bed Tax	\$3.00 per room night	\$3.00 per room night
Food and Beverage	6.5%	6.5%
Recreational Boat License:		
Boats under 16 feet in length	\$15.00	\$15.00
Boats 16 feet and over in length	\$40.00	\$40.00
Motor Vehicle License:		
Small Trailers (<2,000 pounds)	\$11.50	\$11.50
Motorcycles	\$20.00	\$20.00
Cars and Small Trucks	\$31.00	\$31.00
Mid-Size Trucks/Vans (>4,000 pounds)	\$36.00	\$36.00
Large Vehicles (over 19,000 pounds)	\$1.60-\$1.80/1,000 pounds of gross weight (additional \$5 flat fee)	\$1.60-\$1.80/1,000 pounds of gross weight (additional \$5 flat fee)

Description	FY 2024 Adopted	FY 2025 Adopted
REFUSE DISPOSAL		
Residential		
Single or Multiple Units (four units or less)	\$28.51/unit/month	\$28.51/unit/month
Multiple Units (five units or more)	\$47.44/container/month	\$47.44/container/month
Commercial		
Business 1 times per week	\$61.18/unit/month	\$61.18/unit/month
Business 5 times per week	\$151.64/unit/month	\$151.64/unit/month
Combined Commercial and Residential	\$88.19/unit/month	\$88.19/unit/month
WATER AND WASTEWATER UTILITY FEES		
Water	\$6.08/100 cubic feet	\$6.29/100 cubic feet
Wastewater	\$5.23/100 cubic feet	\$5.44/100 cubic feet
STORM WATER FEES (rate calculated based on a 30-day month)		
Residential	\$13.57/month	\$14.07/month
Commercial	\$13.57/month per 2,000 sq. ft.	\$14.07/month per 2,000 sq. ft.
UTILITY TAXES		
Commercial		
Gas	Rate/month: \$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance (maximum of \$500/month)	Rate/month: \$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance (maximum of \$500/month)
Electricity (Manufacturing)	Rate/month: \$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance (maximum of \$53,000/month)	Rate/month: \$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance (maximum of \$53,000/month)
Electricity (Non-Manufacturing)	Rate/month: \$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance	Rate/month: \$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance
Telephone (Cellular, Landline)	Replaced by the State Communications Sales & Use Tax 5% of sales price of services	Replaced by the State Communications Sales & Use Tax 5% of sales price of services
Water	25% on first \$75, plus 15% of bill in excess of \$75	25% on first \$75, plus 15% of bill in excess of \$75
Residential		
Cable and Satellite Service	Replaced by the State	Replaced by the State
Telephone (Cellular, Landline)	Communications Sales & Use Tax	Communications Sales & Use Tax
Electricity	\$1.75 + \$0.016891/kWh monthly (capped at \$3.75/month)	\$1.75 + \$0.016891/kWh monthly (capped at \$3.75/month)
Gas	\$1.50/month	\$1.50/month
Water (5/8" Meter)	25% on first \$22.50/month	25% on first \$22.50/month

GENERAL FUND BALANCE RESERVES

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

The City Council adopted a resolution on May 16, 2000 to create reserve funds. On July 23, 2013, City Council adopted a resolution that updated the policies on reserve funds establishing reserve target levels, formalized the city's long-standing self-imposed debt affordability measures, and established financial policies for the Parking Facilities Fund. City Council's resolution passed on February 26, 2019, updated the city's policies on reserves, debt affordability, and surplus funds utilization, and adopted new financial policies on pension funding and enterprise fund financial management. On May 11, 2021, City Council passed a resolution updating the Pension Funding Policy to allow for the positive impacts garnered from the sale of debt to refinance a portion of the city's pension liability. The update also provides a framework of when the city's existing reserves will be utilized. The city's Reserve Policy documents the city's approach to establishing and maintaining strong reserves across the spectrum of city operations. The city's financial policies demonstrate its commitment to consistent financial practices, operational efficiencies and best practices. Sound financial management practices contribute to maintaining high city credit ratings and lower borrowing costs for capital projects, preserve fiscal integrity, and promote long-term fiscal sustainability. The Financial Policies section provides more detail on the policies.

General Fund Balance Reserves

Reserve	FY 2023 Estimate	FY 2023 Minimum	FY 2023 Maximum	FY 2024 Projection
General Fund Unassigned Reserve¹	\$66,085,337	\$62,339,916	N/A	\$66,085,337
Risk Management Reserve	\$8,000,000	\$5,000,000	\$8,000,000	\$8,000,000
Economic Downturn Reserve	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Inclusive Development Opportunity Fund	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
General Fund Balance Reserves at June 30²	\$81,085,337			\$81,085,337

¹The amounts are in accordance with the most recent financial policies adopted by City Council. The General Fund unassigned reserve policy minimum is equal to ten percent (10%) of General Fund expenditures, plus General Fund transfers out as of June 30, 2023.

²The amounts above exclude reserves for encumbrances and other legally restricted reserves and designations for specific appropriations.

ESTIMATED GENERAL FUND - FUND BALANCE

Beginning General Fund - Fund Balance, July 1, 2023*	<u>\$436,719,893</u>
<hr/>	
Add Revenues**	
Revenues (excluding transfers)	\$1,023,526,665
Return from water and wastewater utility funds	\$10,000,000
Return from tax increment financing fund	\$7,036,000
Return from Norfolk Public Schools (reversion funds)	\$0
Public amenities fund support for Norfolk Consortium	\$3,500,000
Total Fund Balance and Revenues	<u>\$1,480,782,558</u>
<hr/>	
Less: Anticipated Expenditures**	
Norfolk Public Schools operating budget	\$404,575,172
Public safety	\$142,236,866
Public health and assistance	\$90,519,907
Other city departments	\$266,634,273
Central appropriations and outside agencies	\$73,913,566
Debt service	\$101,365,244

*Amount reported in the FY 2023 Annual Comprehensive Financial Report

**Based on FY 2024 Adopted Budget

SUMMARY OF CHANGES IN FUND BALANCE

General Fund

	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted
Operating Revenues			
General property taxes	372,610,808	384,369,200	397,122,005
Other local taxes	187,618,448	181,084,500	199,722,376
Permits and fees	5,017,579	4,068,000	4,416,039
Fines and forfeitures	1,097,691	1,505,000	1,476,800
Charges for services	34,555,928	26,172,740	27,558,654
Miscellaneous	14,694,706	8,669,610	9,905,600
Recovered costs	11,169,192	10,997,183	14,038,074
Commonwealth	350,906,550	384,441,742	390,219,776
Federal	33,415,506	8,615,256	8,867,763
Total Operating Revenues	1,011,086,408	1,009,923,231	1,053,327,087
Operating Expenses			
Personnel services	265,691,820	360,628,052	384,922,586
Contractual services	66,398,094	67,015,429	75,316,851
Materials, supplies and repairs	41,683,035	47,871,070	53,812,182
Department specific appropriation	416,715,194	475,790,032	513,103,991
Public assistance	13,919,230	15,557,208	15,632,137
Total Operating Expenses	804,407,372	966,861,791	1,042,787,747
Operating Income (Loss)	206,679,036	43,061,440	10,539,340
Non-Operating Revenues (Expenses)			
Use of money and property	15,262,609	13,603,434	28,354,991
Capital outlay	(10,900,261)	(7,452,064)	(2,771,962)
Debt service	(97,220,472)	(101,897,354)	(109,195,897)
Acctg. for Encumbrances for Budget not GAAP	(6,187,922)	0	0
Total Non-Operating Revenue/Expense	(99,046,047)	(95,745,984)	(83,612,868)
Income (Loss) Before Operating Transfers	107,632,989	(52,684,544)	(73,073,528)
Operating transfers in	19,200,700	20,536,000	55,339,862
Operating transfers out	(19,898,157)	(3,033,819)	(5,681,000)
Total Operating Transfers	(697,457)	17,502,181	49,658,862
Net Change in Fund Balance	106,935,532	(35,182,363)	(23,414,666)
Beginning Fund Balance at July 1	329,784,361	436,719,893	401,537,530
Ending Fund Balance at June 30	436,719,893	401,537,530	378,122,864

Note: FY 2023 amounts are based on figures in the city's Annual Comprehensive Financial Report. The net change in fund balance in FY 2023 and FY 2024 includes budget savings from the use of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to offset FY 2022 qualifying expenses.

Special Revenue Funds

	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted
Operating Revenues			
General property taxes	7,200,700	8,536,000	11,267,300
Other local taxes	12,583,108	12,086,596	9,729,400
Fines and forfeitures	0	11,000	11,000
Charges for services	24,963,962	25,301,345	25,308,828
Miscellaneous	33,383	637,445	553,410
Recovered costs	0	1,919,594	443,201
Commonwealth	1,543,915	136,000	197,929
Federal	3,905	113,617	0
Total Operating Revenues	46,328,973	48,741,597	47,511,068
Operating Expenses			
Personnel services	13,804,067	16,106,387	10,384,708
Contractual services	13,165,042	12,940,901	12,603,846
Materials, supplies and repairs	2,417,058	2,712,641	2,239,170
Department specific appropriation	497,321	1,066,481	2,613,271
Total Operating Expenses	29,883,488	32,826,410	27,840,995
Operating Income (Loss)	16,445,485	15,915,187	19,670,073
Non-Operating Revenues (Expenses)			
Use of money and property	56,969	925,335	1,025,335
Capital outlay	(2,599,119)	(2,077,818)	(2,046,598)
Debt service	(6,770,658)	(6,575,985)	(4,804,995)
Total Non-Operating Revenue/Expense	(9,312,808)	(7,728,468)	(5,825,623)
Income (Loss) Before Operating Transfers	7,132,677	8,186,719	13,844,450
Operating transfers in	1,719,021	2,190,929	476,041
Operating transfers out	(8,849,046)	(10,536,000)	(14,767,300)
Total Operating Transfers	(7,130,025)	(8,345,071)	(14,291,259)
Net Change in Fund Balance	2,652	(158,352)	(446,809)
Beginning Fund Balance at July 1	11,368,629	11,371,281	11,212,929
Ending Fund Balance at June 30	11,371,281	11,212,929	10,766,120

Note: FY 2023 amounts are based on figures in the city's Annual Comprehensive Financial Report. For FY 2024, the majority of the net change in fund balance reflects the change in fund balance of the Public Amenities Fund and Waste Management Fund. See Public Amenities Fund and Waste Management Fund sections for details.

SUMMARY OF CHANGES IN NET ASSETS

Enterprise Funds

	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted
Operating Revenues			
Permits and fees	0	868,100	883,100
Fines and forfeitures	0	2,100,000	3,000,000
Charges for services	183,604,774	185,581,818	194,808,598
Miscellaneous	3,163,359	280,900	476,043
Recovered costs	0	1,003,600	1,003,600
Total Operating Revenues	186,768,133	189,834,418	200,171,341
Operating Expenses			
Personnel services	41,519,768	43,926,874	45,455,472
Contractual services/Materials, supplies and repairs	49,808,470	43,375,279	45,585,307
Depreciation	31,830,022	0	0
Department specific appropriation	0	26,683,460	30,686,618
Total Operating Expenses	123,158,260	113,985,613	121,727,397
Operating Income (Loss)	63,609,873	75,848,805	78,443,944
Non-Operating Revenues (Expenses)			
Use of money and property	2,486,335	139,020	1,404,020
Capital outlay	0	(4,738,706)	(3,449,042)
Intergovernmental revenue	4,196,918	0	0
Miscellaneous revenue (expense)	(4,489)	0	0
Interest and Fiscal Charges	(16,036,226)	0	0
Gain/(Loss)-Sale of fixed assets & investments	(230,484)	7,400	0
Debt service	0	(58,491,319)	(63,641,122)
Total Non-Operating Revenue/Expense	(9,587,946)	(63,083,605)	(65,686,144)
Income (Loss) Before Operating Transfers	54,021,927	12,765,200	12,757,800
Capital Contribution	3,228,246	0	0
Operating transfers in	1,163,014	0	7,400
Operating transfers out	(11,000,748)	(12,765,200)	(12,765,200)
Total Operating Transfers/Capital Contribution	(6,609,488)	(12,765,200)	(12,757,800)
Net Income (Loss)	47,412,439	0	0
Beginning Net Assets at July 1	669,315,331	716,727,770	716,727,770
Ending net assets at June 30	716,727,770	716,727,770	716,727,770

Note: FY 2023 amounts are based on figures in the city's Annual Comprehensive Financial Report. The FY 2024 net income change is due to the Parking Facilities Fund. See Parking Facilities Fund section for details.

Internal Service Funds

	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted
Operating Revenues			
Charges for services	99,270,533	118,015,359	117,950,578
Miscellaneous	67,319	0	1,503,880
Recovered costs	0	63,865	70,000
Total Operating Revenues	99,337,852	118,079,224	119,524,458
Operating Expenses			
Personnel services	4,641,713	5,488,296	5,564,538
Cost of Goods Sold	5,286,393	0	0
Contractual services	73,829,531	108,055,717	108,196,545
Materials, supplies and repairs/Other	5,067,344	4,884,512	6,084,512
Depreciation	364,117	0	0
Total Operating Expenses	89,189,098	118,428,525	119,845,595
Operating Income (Loss)	10,148,754	(349,301)	(321,137)
Non-Operating Revenues (Expenses)			
Use of money and property	0	3,500	5,000
Capital outlay	0	(59,237)	(59,237)
Miscellaneous revenue (expense)	0	0	0
Gain/(Loss)-Sale of fixed assets & investments	0	3,000	0
Debt Service	0	(127,771)	(137,193)
Total Non-Operating Revenue/Expense	0	(180,508)	(191,430)
Income (Loss) Before Operating Transfers	10,148,754	(529,809)	(512,567)
Capital Contribution	74,803	0	0
Operating transfers in	0	0	0
Operating transfers out	(103,472)	0	0
Total Operating Transfers	(28,669)	0	0
Net Income (Loss)	10,120,085	(529,809)	(512,567)
Beginning Net Assets at July 1	14,869,714	24,989,799	24,459,990
Ending net assets at June 30	24,989,799	24,459,990	23,947,423

Note: FY 2023 amounts are based on figures in the city's Annual Comprehensive Financial Report. The budgeted FY 2024 and FY 2025 net income change is due to the Fleet Management Fund. See Fleet Management Fund section for details. Ending net assets at June 30 will vary based on actual revenues and expenditures.

TRANSFERS FROM/TO

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

Transfer from General Fund to FY 2025

Capital Improvement Plan	5,681,000
Cemetery Fund	329,252
Grants Fund (estimated) ¹	16,563,801
Total Transfers from General Fund	22,574,053

Transfer to General Fund from

Public Amenities Fund	3,500,000
Tax Increment Financing Fund	11,267,300
Wastewater Utility Fund	1,500,000
Water Utility Fund	8,500,000
Total Transfers to General Fund	24,767,300

Capital Improvement Plan Cash Sources

General Fund ²	14,347,981
Norfolk Public Schools ²	2,398,269
State Match ²	73,850,000
Storm Water Management Fund	1,315,200
Wastewater Utility Fund	10,000,000
Water Utility Fund	51,463,000
Total Capital Improvement Plan Cash Sources	153,374,450

¹Actual amount transferred from the General Fund may vary based upon the actual grant award. See Annual Grants Plan for details.

²See Adopted CIP Ordinance for details.

FULL TIME EQUIVALENT (FTE) STAFFING SUMMARY

	FY 2023 Adopted FTE	FY 2024 Adopted FTE	FY 2025 Adopted FTE	Change FY 2024 to FY 2025
General Fund				
Budget and Strategic Planning	22.0	29.0	27.5	-1.5
Circuit Court Judges	5.0	5.0	5.0	0.0
City Attorney	37.0	37.0	37.0	0.0
City Auditor	9.0	9.0	9.0	0.0
City Clerk	13.0	13.8	15.0	1.2
City Council	8.0	8.0	8.0	0.0
City Manager*	18.0	18.0	39.0	21.0
City Planning	71.0	73.0	78.0	5.0
City Real Estate Assessor	25.0	25.0	25.0	0.0
City Treasurer	32.0	32.0	32.0	0.0
Clerk of Circuit Court	46.0	44.0	44.0	0.0
Commissioner of the Revenue	37.0	37.0	37.0	0.0
Commonwealth's Attorney	64.0	64.0	68.0	4.0
Communications	14.0	18.0	18.0	0.0
Cultural Facilities, Arts & Entertainment	46.0	47.0	49.0	2.0
Diversity, Equity, and Inclusion	8.0	11.0	11.0	3.0
Economic Development	22.0	22.0	23.0	1.0
Elections	6.0	7.0	7.0	0.0
Finance Department	65.0	68.0	69.0	1.0
Fire-Rescue	523.0	526.0	528.0	2.0
General Services and Administration	127.4	138.4	143.4	5.0
Housing and Community Development	28.0	30.0	31.0	1.0
Human Resources	33.0	35.0	40.0	5.0
Human Services	486.5	483.5	480.5	-3.0
Information Technology	85.0	86.0	91.0	5.0
Libraries	100.0	114.5	115.5	1.0
Nauticus	27.0	29.0	35.0	6.0
Neighborhood Services*	56.0	69.0	51.0	-18.0
Norfolk Community Services Board	310.5	311.5	323.8	12.3
Parks and Recreation	202.0	215.0	218.0	3.0
Office of Emergency Management*	0.0	0.0	4.0	4.0
Police*	830.0	750.0	838.0	88.0
Public Health	7.0	7.0	7.0	0.0
Public Works	138.0	140.0	146.0	6.0

	FY 2023 Adopted FTE	FY 2024 Adopted FTE	FY 2025 Adopted FTE	Change FY 2024 to FY 2025
Resilience	7.0	11.0	11.0	0.0
Sheriff and Jail	436.0	438.0	438.0	0.0
The Slover	30.0	35.0	35.0	0.0
Transportation	57.0	60.0	60.0	0.0
Zoological Park	51.0	51.0	51.0	0.0
Total General Fund	4,082.4	4,097.7	4,248.7	151.0
Special Revenue Funds				
Cemeteries	29.0	29.0	29.0	0.0
Emergency Preparedness and Response*	82.0	82.0	0.0	-82.0
Towing and Recovery Operations	8.0	8.0	8.0	0.0
Waste Management	106.0	106.0	106.0	0.0
Total Special Revenue Funds	225.0	225.0	143.0	-82.0
Enterprise Funds				
Parking Facilities	66.4	85.4	85.4	0.0
Storm Water Management	112.0	113.0	113.0	0.0
Wastewater Utility	102.0	101.0	101.0	0.0
Water Utility	289.0	291.0	290.5	-0.5
Total Enterprise Funds	569.4	590.4	589.9	-0.5
Internal Service Funds				
Fleet	52.0	52.0	52.0	0.0
Healthcare	13.0	14.0	16.0	2.0
Total Internal Service Funds	65.0	66.0	68.0	2.0
Total All Funds	4,941.8	4,979.1	5,049.6	70.5

Note: Totals may not add up due to rounding.

*The FY 2025 Budget includes reorganizations of multiple departments. The 911 Call Center was moved out of the Special Revenue Fund within Emergency Preparedness and Response into the Norfolk Police Department, the remaining programs within the Emergency Preparedness and Response Department was moved to the General Fund into the Office of Emergency Management. Also, the Norfolk Cares Call Center was moved from the Department of Neighborhood Services into the City Manager's Office.

Only permanent positions are reflected in the this table.

BONDED INDEBTEDNESS

The city's Capital Improvement Plan (CIP) forecasts and aligns projected revenues with capital project priorities and planned capital improvement expenses for maintaining, enhancing, and expanding city infrastructure needs over a five-year period. These projects have a pivotal role in shaping the degree and direction of community development. Capital projects encompass the design, construction, renovation, or maintenance of city owned infrastructure known as capital assets. Capital assets are of significant value and include projects such as streets, bridges, schools, libraries, recreation and community centers, roads, technology systems, water, wastewater, parking, storm water infrastructure and parks.

Funding for city capital projects are derived from a variety of sources, including tax-supported pay-as-you-go (PAYGO) funds, financed dollars such as tax-supported general obligation (G.O.) bonds and revenue bonds and, various other grants, fees, and dedicated funding sources. Bond funds are used to fund capital expenditures; they are not used to fund ongoing operating costs.

The issuance of bonds results in a liability for the city. The city must pay back the bondholders with interest over the term of the loan, and therefore must be strategic and judicious with its spending priorities and decisions. The Virginia Constitution authorizes cities and counties within Virginia to issue general obligation bonds secured by a pledge of their full faith and credit of an issuer and a promise to levy taxes in an unlimited amount as necessary to pay debt service. The amount of ad valorem tax-supported debt that the city may incur is limited by the Virginia Constitution, which states that the bonded indebtedness of cities and counties in Virginia may not exceed the sum of ten percent (10%) of the total taxable assessed valuation of property within the city.

The subsequent table displays the estimated general obligation Legal Debt Margin for the current fiscal year as of June 30, 2024, along with figures from the preceding four fiscal years. Please note, the Constitutional debt limit is significantly higher than the debt limit established by the City Council's Adopted Financial Policies.

As of	Taxable Real Property Assessed Value ⁽¹⁾	Debt Limit: 10% of Assessed Value	Debt Applicable to Debt Limit ⁽³⁾⁽⁴⁾	Amount of Debt as % of Debt Limit	Legal Margin for Additional Debt
June 30, 2024 ⁽²⁾	27,162,408,777	2,716,240,878	1,137,739,027	41.89%	1,578,501,851
June 30, 2023	25,295,259,876	2,529,525,988	1,299,326,707	51.37%	1,230,199,281
June 30, 2022	23,076,117,734	2,307,611,773	1,253,606,783	54.32%	1,054,004,990
June 30, 2021	22,154,797,959	2,215,479,796	1,267,408,068	57.21%	948,071,728
June 30, 2020	21,134,551,094	2,113,455,109	1,099,194,913	52.01%	1,014,260,196

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

(2)Taxable Real Property Assessed Value is estimated as of March 31, 2024.

(3)Projected Debt Applicable to Debt Limit excludes \$423,668,103 of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued

(4)Existing Debt as June 30, 2024. Exclusive of any future amount borrowed on the Line of Credit, and any future bond issuance.

FINANCIAL POLICIES

The city maintains conservative financial policies to assure both short- and long-term fiscal sustainability, and help provide critical analysis and sound review for financial decisions. These policies are intended to provide direction so that the city's finances are managed in a manner that will continue to provide for the delivery of quality services; maintain an enhanced service delivery; ensure a balanced budget; and establish reserves necessary to meet known and unknown future obligations.

Maintaining the city's bond rating is an important objective of the city's financial policies. To this end, the city is constantly working to improve its financial policies, budgets, forecasts, and financial health.

A key component in the rating agencies' analysis is the evidence of sound management practices. Developing and adhering to long-term financial and capital improvement plans, keeping expense growth in-line with revenues, and maintaining an adequate level of operating reserves are important. Preparation of annual financial reports in accordance with Generally Accepted Accounting Principles, receipt of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting, and receipt of the Distinguished Budget Presentation Award, are further evidence of quality financial management.

GENERAL CAPITAL IMPROVEMENTS—DEBT AFFORDABILITY MEASURES

The decision on whether to assume new general obligation debt to finance General Capital projects shall be based on costs and benefits, current conditions of the municipal bond market, and the city's ability to afford new debt and service it as determined by an objective analytical approach. This process shall compare generally accepted measures of affordability to the current values for the city.

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

- Debt service as a percent of the General Fund budget (remain below 10%, with a not-to-exceed of 11% of the General Fund budget)
- Net debt as a percent of taxable property (remain below 3.5%, with a not-to-exceed of 4% of the total assessed value of taxable property)
- Ten-year general obligation payout ratio (retirement of the principal amount of the long-term general obligation bonds by at least 55% or greater within 10 years)
- Overlapping debt limit (overlapping debt not to exceed 0.5% of total assessed value of taxable property)
- Variable rate debt limits (the city's outstanding debt with variable interest rate will not exceed 20% by fund)

The Proposed CIP is in compliance with the city's adopted debt ratios throughout the five-year plan. Importantly, this five-year CIP, includes an unprecedented amount of external contributions from Commonwealth funds, grants, tax credits and anticipated philanthropic donations.

These affordability measures ensure that the city maintains a sound debt position and protects the credit quality of its obligations, while providing flexibility to consider investing in projects of significance and importance, such as our resiliency challenges of coastal flooding, neighborhood resiliency, and economic vibrancy. The city will actively

manage the issuance of debt for major governmental projects, such as the construction of a new Maury High School, large-scale extension of the Downtown Floodwall, and major renovations to regional public amenities such as Chrysler Hall and Scope Arena, as shown within both the adopted and planned five-year CIP.

The city remains committed to assessing its future debt issuance and strategic investments relative to any changes in external contributions, revenue available for debt repayment, and existing budget commitments.

STATEMENT OF NO PAST DEFAULT

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

OUTSTANDING DEBT

Debt service for General Capital Improvements is funded from the General Fund. The debt of the enterprise and other fee-supported operations are paid solely from the respective revenues from fees and rates charged for the services they provide and are not secured by any pledge of ad valorem taxes or General Fund revenues of the city. The estimated total outstanding bonded indebtedness, including revenue bonds, at the end of FY 2024 is estimated to be \$1,453,630,806 (exclusive of the amount borrowed on the Line of Credit and any future bond issuance). The city anticipates issuing additional General Capital debt within the next fiscal year to finance the cashflow needs of the capital projects previously approved by the City Council.

The city's CIP forecasts and aligns projected revenues with capital project priorities and planned capital improvement expenses for maintaining, enhancing, and expanding infrastructure needs over a five-year period. The CIP is updated each year ensuring that new and/or changing priorities are addressed. Projects are subject to change based on level of service standards and needs, special funding opportunities, emergency requirements, or other directives or priorities established by the City Council. Because priorities can change, planned projects included in outward years are not guaranteed for funding. Only those projects identified in the first year of the five-year CIP are appropriated in the adopted budget. However, it is important to provide and approve the five-year CIP for long-term planning, establishing funding priorities and goals, as well as coordinating and phasing improvements for all departmental projects. Long-range capital planning is an important management tool that strengthens the links between infrastructure requirements, identified needs and priorities of the community, and the financial sustainability and capacity of the city.

Properly managing the city's debt is a critical element of the city's overall financial health, and its growth is dependent on the growth of financial resources. The city does not borrow to fund authorized projects until such projects are actively moving and spending money. Most capital projects have several phases including design, land/rights-of-way acquisition, permitting, and construction. A capital project can take one or two years from inception to completion; however, major projects may span several years prior to construction commencement where the significant dollar expenditures begin. The CIP allows for the annual appropriation of financial resources for a specific phase while allocating funds for future phases.

The city uses bonds on projects that have at least the same useful life as the length of the bond and obligation repayment schedule. For example, if the city issues a twenty-year bond, the funded projects should have at least a 20 year expected useful life. This allows the city to meet infrastructure needs while paying for the assets (via debt service payments on the bonds) as they are used.

In addition to aligning debt with project timing and useful life, when structuring its debt, the city considers factors such as the source of debt repayment, the type of capital projects financed, debt service coverage requirements, and

market conditions. The two most frequently used debt service structures (by the city and other local governments) are level annual principal payments and level annual debt service (i.e., principal plus interest) payments. A level annual principal structure retires principal evenly over the life of the bonds, so that total debt service decreases over time.

With level annual debt service structure, which is akin to a house mortgage amortization, early payments primarily cover interest costs, and principal repayment increases over the life of the bonds. A benefit of the level debt service structure is the annual cost of debt service will be less in the initial years, although overall cost will be higher. The predictability and consistency of the level annual debt service structure benefits revenue bond programs including Norfolk's Water, Wastewater, and Storm Water Revenue Bond programs where the debt is secured by user fees.

Both structures have their merits, but the city primarily employs the level annual principal structure to finance General Capital projects. This choice ensure the lowest overall cost of borrowing since the debt is repaid more rapidly. Because of the rapid debt payment, this structure recycles the city's debt capacity more quickly, giving the city greater flexibility to fund additional capital projects in the future.

ENTERPRISE AND OTHER SELF-SUPPORTING OPERATIONS DEBT

The city issues revenue bonds for the purpose of acquiring, improving, or constructing capital assets or to refund previously issued bonds. The city does not issue bonds for the purpose of funding daily operations. Norfolk's Water, Wastewater, and Storm Water Revenue Bond programs operate under the governance of bond indentures of trust and financing agreements, which contain certain restrictive covenants for these essential services, including debt coverage requirement (revenue to debt service ratios) for their respective operations that supports the commitment to long-term fiscal sustainability. Each of the revenue bond programs are supported by the revenues of their corresponding system. The city has covenanted that it will establish, fix, charge and collect rates, fees, and other charges to ensure that Net Revenues are not less than the debt service coverage requirement, or the customer rates of the enterprise have to be raised to maintain the coverages in each fiscal year. All revenue bond programs, historically and estimated for FY 2025, satisfy debt coverage requirements.

As previously noted, outstanding Wastewater and Storm Water bonds consist of a blend of general obligations of the city and revenue bonds, while Water solely utilize revenue bonds. Capital needs for the city's Parking, Nauticus, Towing and Recovery and Waste Management operations are financed through self-supporting general obligation bonds.

As a matter of practice, the city pays such general obligation bonds from its respective self-supporting or enterprise activities. If money in the respective funds is not sufficient to pay debt service on the general obligations, the city is obligated to pay such debt service from the General Fund or other available revenues.

BOND RATINGS

Bond or credit ratings provide an independent opinion of the general creditworthiness of an issuer, such as the city, based on relevant risk factors. Long-term general obligation ratings are based on an issuer's ability and willingness to repay fully the principal and interest of its debt obligations, on a timely basis. Municipal credit ratings are primarily based on four key factors: the issuer's financial position, the issuer's current and future debt burden, financial management, and the economy. Ratings are an extremely important factor in determining the bond's marketability and interest rate. Ratings are relied upon by investors in making investment decisions and by the underwriters in determining whether to underwrite a particular bond issue or a willingness to hold the investment.

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

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

Norfolk's ratings on its General Obligations Bonds are considered very strong and continue to assist in achieving a relatively low cost of funds to finance key capital projects throughout the city. In general, AA category rating signifies very high-quality bonds with some elements of long-term risks and AAA signifies the highest-quality bonds. These issuer credit ratings serve as a benchmark for comparing the city's overall credit profile to other governmental entities throughout the country. These ratings reflect the strong economy, liquidity, and management practices of the city. The city shall strive to maintain and improve the overall credit standing of its general credit and specific debt programs. When addressing efforts to improve ratings, the city will seek to balance financial flexibility (and related ability to meet the challenges facing the community) with potential limitations or restrictions.

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

Computation of Legal Debt Margin

June 30, 2024 (Estimated)

Total Assessed Value of Taxed Real Property as of March 31, 2024	\$27,162,408,777
Debt Limit: 10% of Total Assessed Value	\$2,716,240,878
Amount of Debt Applicable to Debt Limit: ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	
Gross Debt	\$1,107,739,027
Line of Credit	30,000,000
Legal Debt Margin	\$1,578,501,851
Amount of Debt as a percent of Debt Limit	41.89%

(1) Includes all non-General Fund supported general obligation debt including Wastewater, Parking, Storm Water, Nauticus, Towing and Recovery Operations, and Waste Management

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

(3) Excludes \$423,668,103 of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.

(4) Existing Debt as of June 30, 2024. Exclusive of any future amount borrowed on the Line of Credit, and any future bond issuance.

YEARLY MATURITY OF LONG-TERM DEBT

Fiscal Year	General Obligation ⁽¹⁾⁽²⁾			General Obligation Equipment ⁽¹⁾			Water Revenue ⁽¹⁾		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	83,218,264	35,078,084	118,296,348	460,000	120,750	580,750	17,880,000	12,590,388	30,470,388
2026	84,158,559	32,559,871	116,718,430	355,000	100,375	455,375	18,965,000	11,676,763	30,641,763
2027	84,933,855	30,061,658	114,995,513	355,000	82,625	437,625	16,235,000	10,793,563	27,028,563
2028	85,149,151	27,418,977	112,568,129	190,000	69,000	259,000	14,000,000	10,031,113	24,031,113
2029	77,808,982	24,745,779	102,554,761	1,285,000	32,125	1,317,125	13,400,000	9,339,138	22,739,138
2030	75,335,290	22,297,654	97,632,944	-	-	-	12,340,000	8,688,250	21,028,250
2031	71,000,290	20,035,909	91,036,199	-	-	-	11,960,000	8,072,688	20,032,688
2032	71,065,290	17,408,960	88,474,250	-	-	-	11,555,000	7,476,275	19,031,275
2033	64,530,290	15,366,479	79,896,768	-	-	-	11,130,000	6,900,356	18,030,356
2034	57,545,290	12,823,173	70,368,462	-	-	-	10,685,000	6,345,663	17,030,663
2035	55,550,290	10,876,210	66,426,500	-	-	-	10,215,000	5,813,281	16,028,281
2036	53,375,290	9,098,046	62,473,336	-	-	-	7,675,000	5,355,538	13,030,538
2037	54,067,899	7,532,355	61,600,255	-	-	-	8,080,000	4,952,325	13,032,325
2038	51,095,000	5,679,633	56,774,633	-	-	-	8,500,000	4,529,706	13,029,706
2039	42,445,000	4,240,262	46,685,262	-	-	-	8,945,000	4,084,963	13,029,963
2040	18,775,000	3,273,150	22,048,150	-	-	-	9,410,000	3,619,794	13,029,794
2041	18,815,000	2,530,692	21,345,692	-	-	-	9,895,000	3,133,356	13,028,356
2042	9,815,000	1,827,950	11,642,950	-	-	-	10,415,000	2,618,113	13,033,113
2043	11,105,000	1,425,706	12,530,706	-	-	-	10,960,000	2,072,363	13,032,363
2044	7,215,000	1,103,108	8,318,108	-	-	-	11,535,000	1,493,494	13,028,494
2045	7,410,000	887,020	8,287,020	-	-	-	12,150,000	879,481	13,029,481
2046	7,600,000	643,921	8,243,921	-	-	-	7,655,000	373,125	8,028,125
2047	7,935,000	395,553	8,330,553	-	-	-	1,770,000	137,500	1,907,500
2048	5,400,000	178,431	5,578,431	-	-	-	1,865,000	46,625	1,911,625
2049	2,860,000	45,560	2,905,560	-	-	-	-	-	-
Total	1,108,208,737	287,524,142	1,395,732,880	2,645,000	404,875	3,049,875	257,220,000	131,023,856	388,243,856

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

YEARLY MATURITY OF LONG-TERM DEBT (CONTINUED)

Fiscal Year	Wastewater Revenue ⁽¹⁾			Storm Water Revenue ⁽¹⁾			Totals ⁽¹⁾		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	8,254,955	55,504	8,310,459	34,664	590	35,254	109,847,883	47,845,315	157,693,198
2026	8,454,222	86,592	8,540,814	34,751	503	35,254	111,967,532	44,424,103	156,391,635
2027	7,752,445	70,946	7,823,391	34,838	416	35,254	109,311,137	41,009,207	150,320,345
2028	7,070,271	62,286	7,132,557	34,925	329	35,254	106,444,347	37,581,705	144,026,052
2029	6,361,301	58,756	6,420,057	35,012	241	35,254	98,890,295	34,176,039	133,066,334
2030	5,939,849	55,208	5,995,057	35,100	154	35,254	93,650,238	31,041,266	124,691,504
2031	5,518,415	51,643	5,570,057	35,188	66	35,254	88,513,892	28,160,305	116,674,197
2032	5,146,998	48,059	5,195,057	-	-	-	87,767,288	24,933,294	112,700,582
2033	4,650,600	44,458	4,695,057	-	-	-	80,310,889	22,311,293	102,622,182
2034	4,421,719	40,838	4,462,557	-	-	-	72,652,009	19,209,673	91,861,682
2035	3,902,873	37,200	3,940,074	-	-	-	69,668,163	16,726,692	86,394,855
2036	3,366,546	33,545	3,400,090	-	-	-	64,416,835	14,487,128	78,903,963
2037	2,787,323	29,870	2,817,193	-	-	-	64,935,222	12,514,551	77,449,773
2038	2,386,960	26,178	2,413,138	-	-	-	61,981,960	10,235,517	72,217,477
2039	2,177,716	22,467	2,200,182	-	-	-	53,567,716	8,347,691	61,915,407
2040	2,069,401	18,737	2,088,138	-	-	-	30,254,401	6,911,681	37,166,082
2041	1,897,808	14,989	1,912,797	-	-	-	30,607,808	5,679,038	36,286,846
2042	1,476,232	11,222	1,487,457	-	-	-	21,706,235	4,457,285	26,163,520
2043	760,021	7,436	767,457	-	-	-	22,825,021	3,505,504	26,330,525
2044	763,826	3,631	767,457	-	-	-	19,513,826	2,600,233	22,114,059
2045	153,109	383	153,491	-	-	-	19,713,109	1,756,884	21,469,993
2046	-	-	-	-	-	-	15,255,000	1,017,46	16,272,046
2047	-	-	-	-	-	-	9,705,000	533,053	10,238,053
2048	-	-	-	-	-	-	7,265,000	225,056	7,490,056
2049	-	-	-	-	-	-	2,860,000	45,560	7,490,056
Total	85,312,592	779,948	86,092,540	244,477	2,298	246,775	1,453,630,806	419,735,119	1,873,365,925

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

(1) Existing Debt Service as of June 30, 2024. Exclusive of the amount borrowed on the Line of Credit, and any future bond issuance.

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