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# Budget Overview

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# ACKNOWLEDGMENTS

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The preparation of the city's operating budget and capital improvement 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 2026 Budget and CIP were 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 Committees
- The Executive Budget Team
- Department and Office Directors

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

Jason Beasley, Alan Boring, Nicholas Darrow, Jessica Dennis, Moira Facer, Atia Ferdousee, Alex Frazier, Paul Harris, Brian Hostetter, Matthew Konopka, Alahna Knight, Carl Larsen, Stephen Lucas, Pamela Marino, Betty Meyer, Izek Montebon, Veronica Quevedo, Cecelia Rieb, Caylin Sawyer, Natasha Singh-Miller, Jay Spare, Kelly Weber Stefonowich, Genevieve Thomas, Andréa Vargas, and Timothy Werner.

**City Manager,**

A handwritten signature in blue ink, appearing to read "Patrick G. Roberts". The signature is written in a cursive style with a blue ink pen.

**Patrick G. Roberts,**

# DISTINGUISHED BUDGET PRESENTATION AWARD

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

## *Distinguished Budget Presentation Award*

PRESENTED TO

**City of Norfolk  
Virginia**

For the Fiscal Year Beginning

**July 01, 2024**

*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, 2024. The review process by GFOA has not commenced for the annual budget for the fiscal year beginning July 1, 2025.

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 2026 budget continues to conform to program requirements and will be submitted to GFOA for award eligibility.

# CITY OF NORFOLK GOVERNMENT

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

Norfolk City Council meets the second and fourth Tuesday of each month in Norfolk City Hall. The agenda and start times for the informal and formal sessions are posted on the city's webpage.

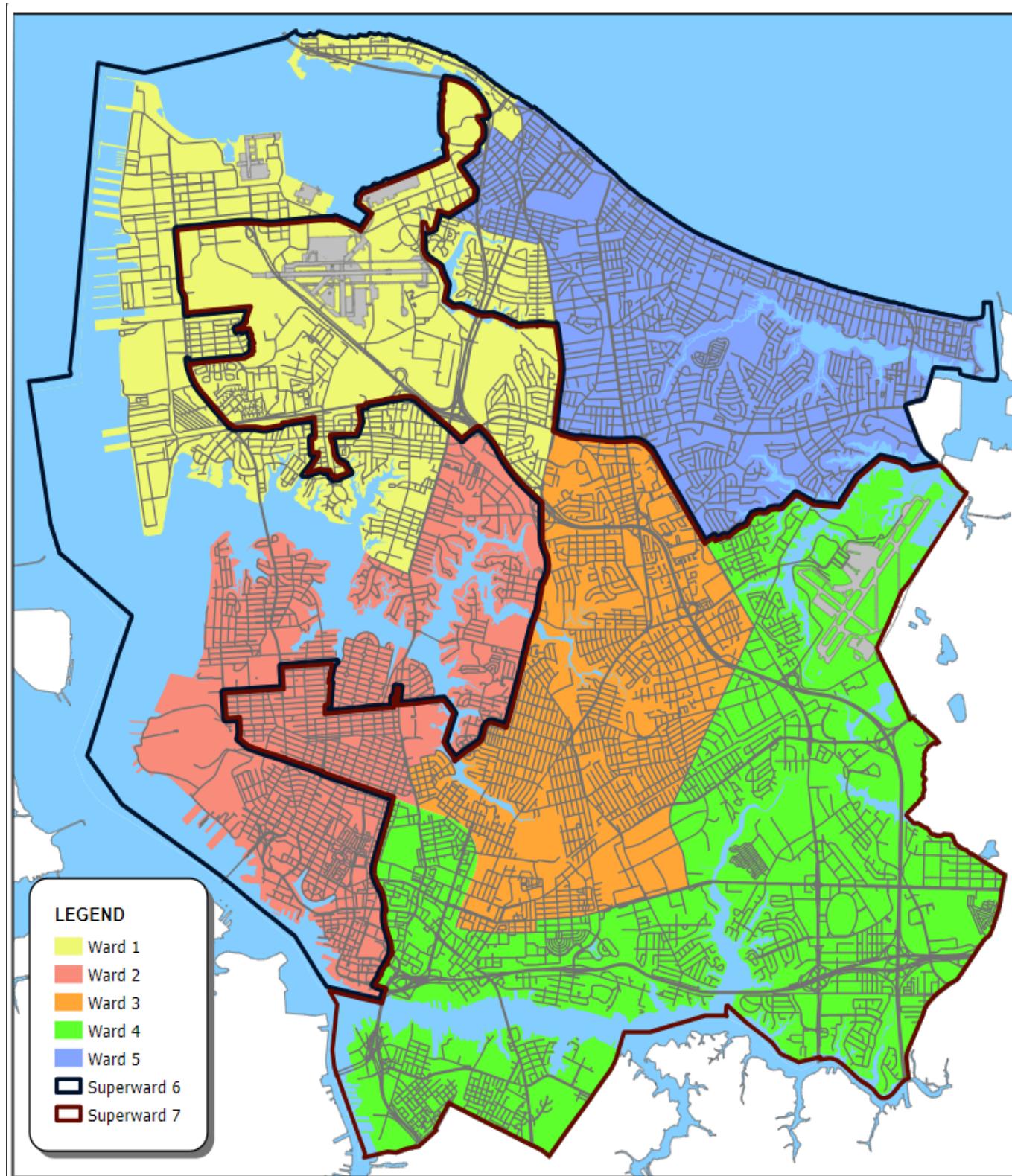
The Norfolk City Council is an elected body made up of the Mayor and seven Council members. The seven Council members are elected through a ward system, and the Mayor is elected at large by the residents of Norfolk. These members elect a vice president (Vice Mayor) of the Council. For further information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

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
- Jeremy D. McGee; Superward six
- Carlos J. Clanton; 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, Brad Smith; City Clerk, Richard A. Bull; and City Real Estate Assessor, W.A. (Pete) Rodda.

# CITY OF NORFOLK WARD MAP



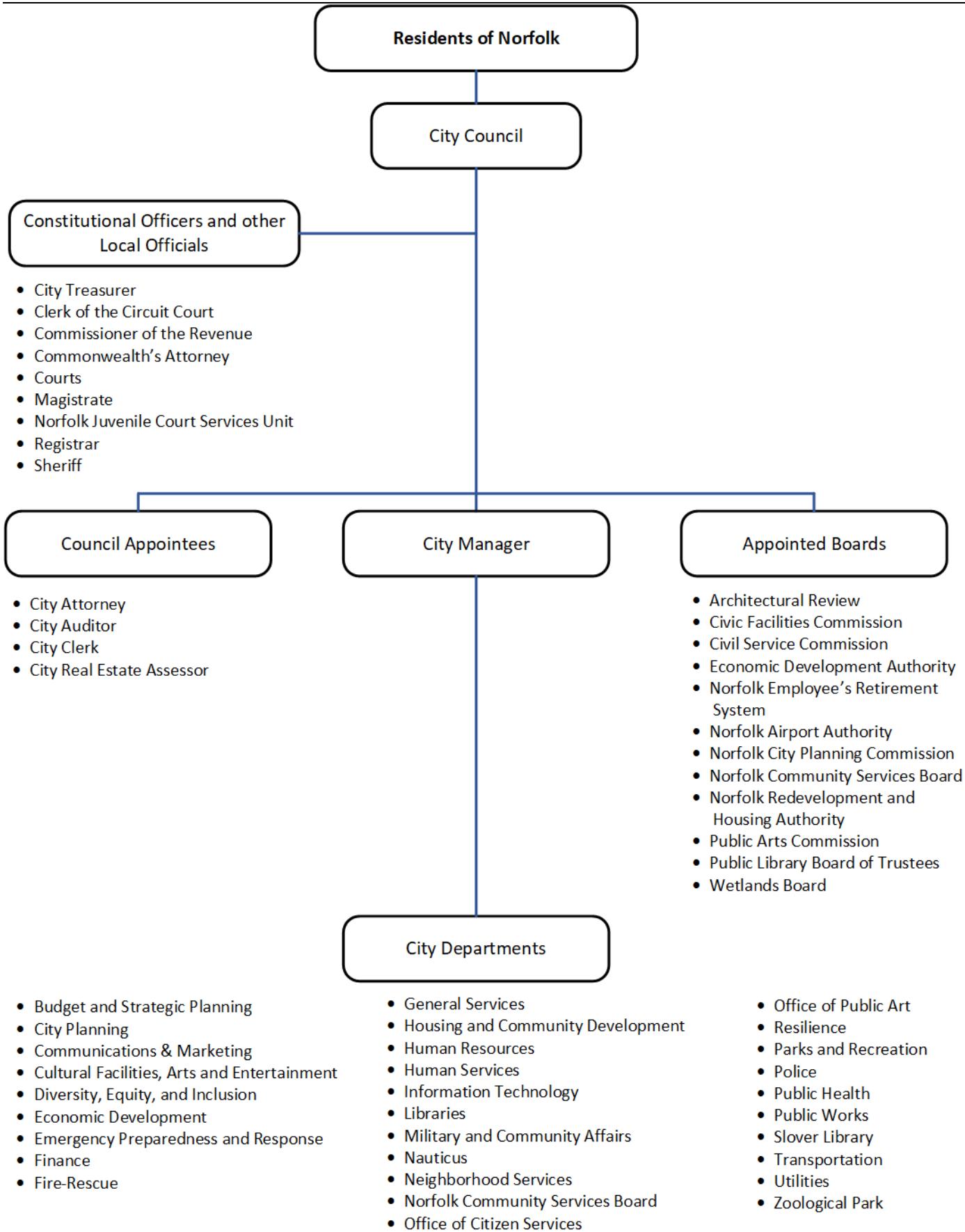
# CITY COUNCIL'S VISION FOR NORFOLK

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## **Vision Statement**

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

# CITY OF NORFOLK ORGANIZATIONAL CHART



# READER'S GUIDE TO THE BUDGET

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## PURPOSE

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The budget is an instrument that sets policy and summarizes public service programs provided by the city government and how these programs are funded. It is the annual plan for coordinating revenues and expenditures. The budget presented covers the period of **July 1, 2025 to June 30, 2026**. The Adopted Budget document may include technical changes made after the City Manager's presentation of the Adopted budget to City Council.

## BUDGET OVERVIEW

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This section provides information on budget and financial policies, fund structure, basis of budget and accounting, budget process, 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 2024 provided in the summaries do not include designations and financial adjustments posted after June 30, 2024.

## GENERAL FUND REVENUE AND EXPENDITURE

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The General Fund is used to account for primary government services. A summary of historical and estimated revenue from each source is provided for the General Fund. For each department within the General Fund, a summary of historical and approved expenditures is provided. Historical revenue and expenditure amounts for FY 2024 do not include designations and financial adjustments posted after June 30, 2024.

## ANNUAL GRANTS PLAN

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

## DEPARTMENT BUDGETS

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This section provides detailed information on the budget of each department within the General Fund. This includes a brief description of adopted FY 2026 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 2023 and FY 2024 provided in the department summaries do not include designations and financial adjustments posted after June 30 of each fiscal year.

## PUBLIC SCHOOL EDUCATION

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

## **SPECIAL REVENUE, ENTERPRISE, AND INTERNAL SERVICE FUNDS**

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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 2026 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 2023 and FY 2024 provided in the department summaries do not include designations and financial adjustments posted after June 30 of each fiscal year.

## **CAPITAL IMPROVEMENT PLAN**

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This section contains the city's Capital Improvement Plan (CIP) for the next five years. Only the first year of the FY 2026-FY 2030 is appropriated by City Council and available for departments to spend. The section also includes sources of funding and information about major CIP projects and the implications of the CIP on the city's debt service.

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

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

## **NORFOLK STATISTICAL INFORMATION**

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

## **ORDINANCES AND GLOSSARY**

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Once adopted by the City Council, the ordinances establishing the operating, capital improvement plan, annual grants, and the Annual Plan budget will be included in the document. The glossary provides definitions of budget-related terminology.

## **APPENDIX**

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The appendix includes the new compensation plans that will be implemented mid fiscal year 2026.

# FINANCIAL POLICIES

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## OPERATING BUDGET

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The Operating Budget for the city is developed pursuant to Section 67 of the Charter of the City of Norfolk, Virginia. In accordance with the City Charter, the City Manager submits to the City Council, no less than 60 days before the end of the fiscal year, an adopted 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 adopted budget by the City Manager, a public hearing is conducted to provide an opportunity for the public to make comments on the adopted operating budget and any adopted tax and fee adjustments such as adopted 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. Additional budget controls are set administratively by the City Manager as needed to meet City Council's direction. Departments may transfer funds within a departmental budget with approval from the City Manager and the Department of Budget and Strategic Planning. Transfers between appropriation levels identified in the operating budget and CIP ordinances must be approved by the City Council. The department of Budget and Strategic Planning is responsible for working with the City Attorney's office to process required ordinances.

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 and Housing Opportunity Reserve	The reserve 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; supporting affordable housing initiatives; 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)*

<b>Description</b>	<b>Policy</b>
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

<b>Description</b>	<b>Policy</b>
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

<b>Description</b>	<b>Policy</b>
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)*

<b>Description</b>	<b>Policy</b>
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

<b>Description</b>	<b>Policy</b>
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.

To be included in the CIP, a 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 prior year's adopted budget (FY 2025) 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 2026) as well as the base budget outlook for the following year (FY 2027).

# FUND STRUCTURE

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

## GOVERNMENTAL FUNDS

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Governmental funds consist of the General Fund, Special Revenue Funds, Capital Projects Fund, 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 Fund accounts for the city's normal recurring activities such as police, fire-rescue, public education (K-12), and public works. These activities are supported by revenue from: general property and other local taxes; permits, fees, and licenses; fines and forfeitures; use of money and property; charges for services; recovered costs; and aid from the Commonwealth and Federal Government.

### **Special Revenue Funds**

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

### **Capital Projects Fund**

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

## PROPRIETARY FUNDS

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Proprietary funds consist of Enterprise Funds and Internal Service Funds. Enterprise Funds account for operations similar to those found in the private sector and include Water Utility, Wastewater Utility, Storm Water Management, and Parking Facilities. Internal Service Funds account for the financing of goods and services provided by one department to other departments in the city and include Healthcare and Fleet Management.

### **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.

## **COMPONENT UNIT FUNDS**

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#### **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. 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 Grants**

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

#### **School Nutrition Services**

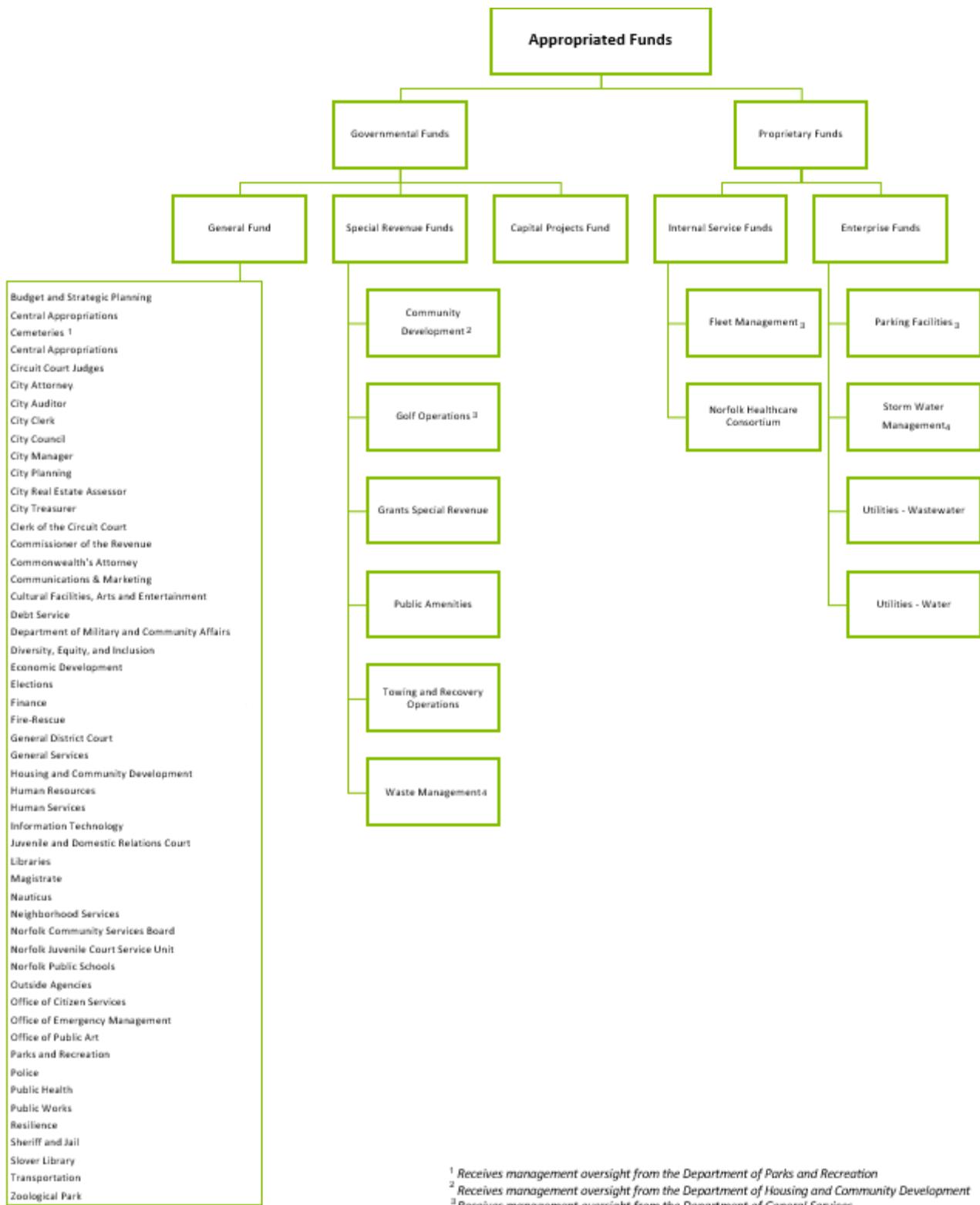
This fund supports the school breakfast and lunch program. School Nutrition Services is a self-funded non-reverting operation supported through cafeteria sales and federal and state reimbursements.

## **FIDUCIARY FUNDS AND ENDOWED CARE FUND**

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Fiduciary Funds are used to account for resources held for the benefit of parties outside the city and include the city's Pension Trust Fund, 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

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## BASIS OF BUDGETING

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This budget document reflects two methods of recognizing and accounting for revenues and expenditures, modified accrual and accrual. The modified accrual basis of accounting is used for the budgets of governmental fund types (General Fund, Special Revenue Funds, and Capital Projects Funds) of the city. The accrual basis of accounting is used for budgeting Enterprise Funds and Internal Service Funds except for depreciation, debt principal payments, capital outlay, and contractual commitments (see Basis of Accounting below).

The modified accrual basis is used for governmental fund types where expenditures are recorded as expenditures when the related fund liability is incurred (except for 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

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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

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## FORMULATION OF THE CITY MANAGER'S ADOPTED BUDGET

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

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

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

An operating budget is adopted each fiscal year for the General Fund, Enterprise Funds (Water Utility, Wastewater Utility, Storm Water Management, and Parking Facilities), Special Revenue Funds (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 an adopted 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 adopted budget to City Council.

## CITY COUNCIL'S AUTHORIZATION AND APPROPRIATION

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After general distribution of the adopted 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

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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 within any department, or fund that is not the general fund, with excess funds appropriated to said department or fund as necessary.

## **BUDGET IMPLEMENTATION**

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Once the budget is adopted, it is effective on July 1 and becomes the legal basis for the programs and services of each department of the city during the fiscal year. No department or other agency of the city government may spend in excess of adopted and appropriated amounts, unless authorized by budget transfer as approved by the City Manager. 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. In the event the City Manager becomes aware of a significant revenue reduction, steps will be taken to reduce expenditures to stay within anticipated revenues, including notifying City Council. Budget amendments may be made by the City Council to meet the changing needs of the city. The means by which the City Council may amend the budget include, but are not limited to, appropriation of additional funds and decreasing the amount of appropriated funds.

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

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

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

## **BUDGET PRINCIPLES AND POLICIES**

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These include the following:

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

# BUDGET CALENDAR

Date	Responsible Party	Description	Legal Requirement
August 2024 - September 2024	City Departments	Long-term Forecast Operating Budget Requests	N/A
October 2024 - December 2024	City Departments	Departments Submit Operating and Capital Improvement Budget Requests Department Program Budget Development with Budget Staff	N/A
December 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 5, 2025	Norfolk Public Schools	School Board proposes FY 2026 Educational Plan and Budget.	Code of Virginia 15.2-2503
March 25, 2025	City Manager	City Manager Presentation of Adopted Budget to City Council	City of Norfolk Charter Sec. 67
March 26, 2025	City Clerk	Public Hearing Notice of the Operating and Capital Improvement Plan Budgets	Code of Virginia 15.2-2506, 58.1-3007
March 28, 2025	City Clerk	Public Hearing Notice of the Real Estate Tax Increase due to increased reassessment	Code of Virginia 58.1-3321
March 28, 2025	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 31, 2025	City Clerk	Public Hearing Notice of the Operating and Capital Improvement Plan Budgets	Code of Virginia 15.2-2506, 58.1-3007
April 8, 2025	City Council	City Council Budget Worksession	N/A
April 9, 2025	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 29, 2025	City Council	City Council Budget Worksession	N/A
April 29, 2025	City Council	Public Hearing on the Real Estate Tax Increase due to increased reassessment	Code of Virginia 58.1-3321
May 13, 2025	City Council	City Council Budget Adoption	City of Norfolk Charter Sec. 68 Code of Virginia 15.2-2503

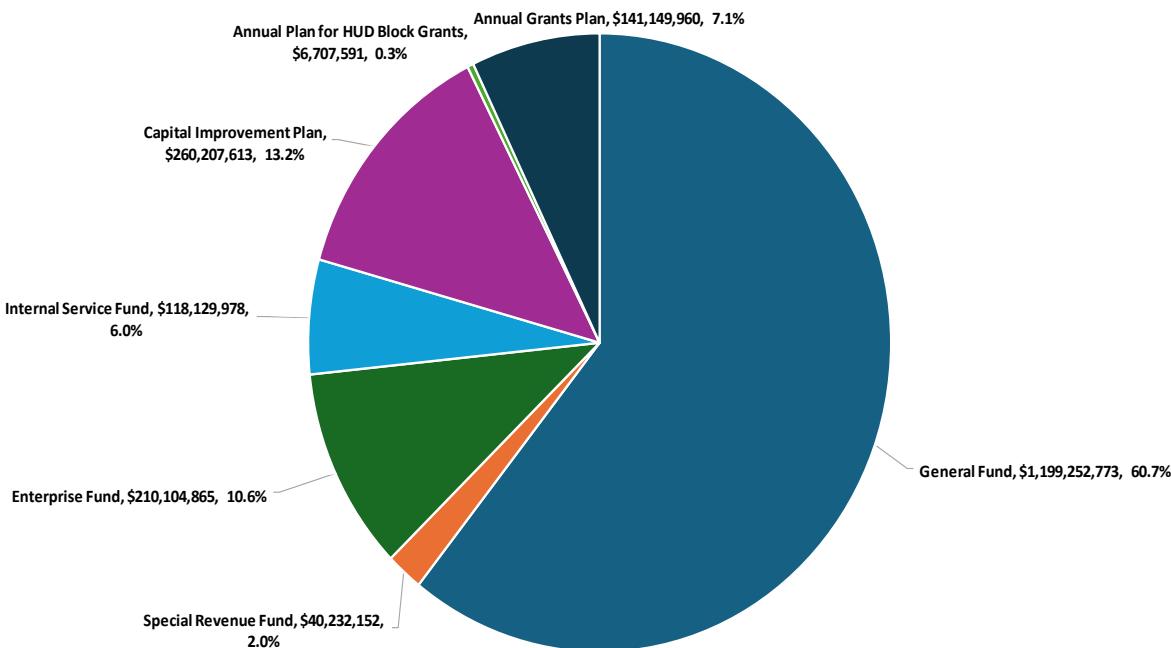
# FINANCIAL PLAN

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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 2026 Financial Plan to the Adopted FY 2025 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 2025 Adopted	FY 2026 Adopted	FY 2025 \$ Change	FY 2026 % Change
General Fund	1,160,436,606	1,199,252,773	38,816,167	3.3%
Special Revenue Funds	49,459,253	40,232,152	-9,227,101	-18.7%
Enterprise Funds	201,582,761	210,104,865	8,522,104	4.2%
Internal Service Funds	120,042,025	118,129,978	-1,912,047	-1.6%
<b>Total Operating Funds</b>	<b>1,531,520,645</b>	<b>1,567,719,768</b>	<b>36,199,123</b>	<b>2.4%</b>
Capital Improvement Plan	285,272,220	260,207,613	-25,064,607	-8.8%
<b>Total Operating and Capital</b>	<b>1,816,792,865</b>	<b>1,827,927,381</b>	<b>11,134,516</b>	<b>0.6%</b>
Annual Plan for HUD Block Grants	6,405,865	6,707,591	301,726	4.7%
Annual Grants Plan	113,896,639	141,149,960	27,253,321	23.9%
<b>Total Financial Plan</b>	<b>1,937,095,369</b>	<b>1,975,784,932</b>	<b>38,689,563</b>	<b>2.0%</b>

Adopted FY 2026 Financial Plan



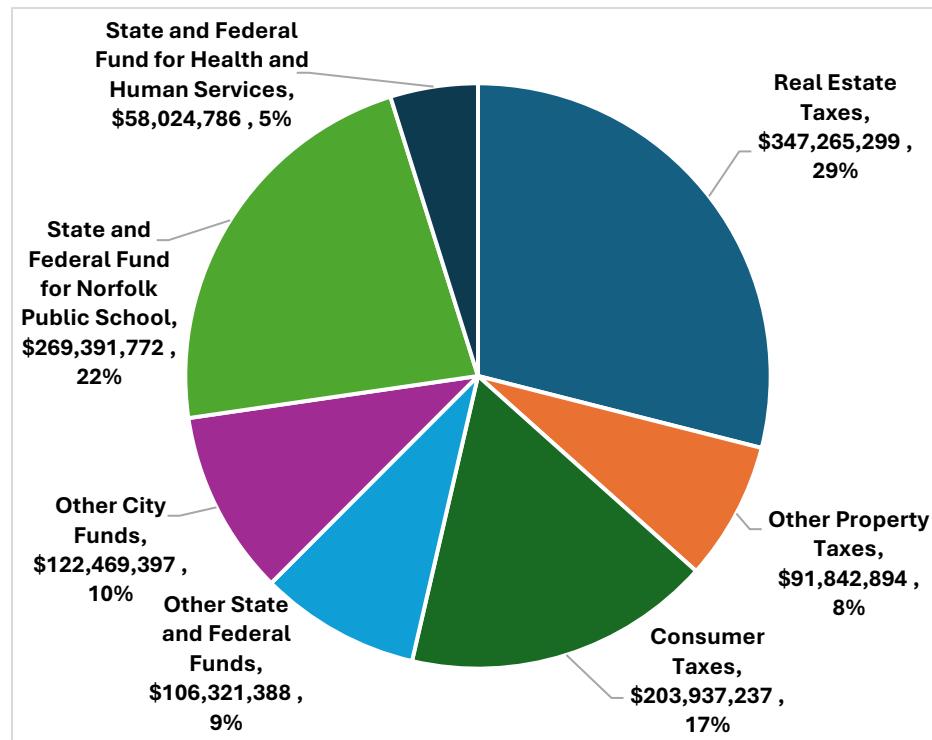
# GENERAL FUND BUDGET OVERVIEW

Adopted FY 2026 General Fund Revenues **\$1,199,252,773**

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

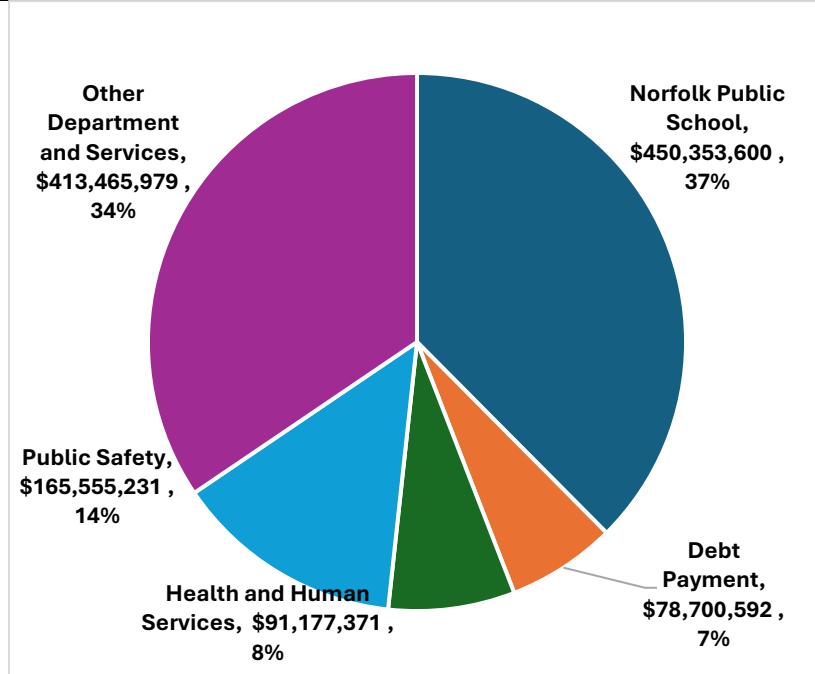
“Other City Funds” include local taxes, fees, charges, fines, rent and interest.

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



Adopted FY 2026 General Fund Expenditures **\$1,199,252,773**

In the FY 2026 Budget, Other Departments and Services include Public Works, Transit, Libraries, The Slover, Recreation, Cultural Facilities, Zoo, Nauticus, Planning, Neighborhood 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.

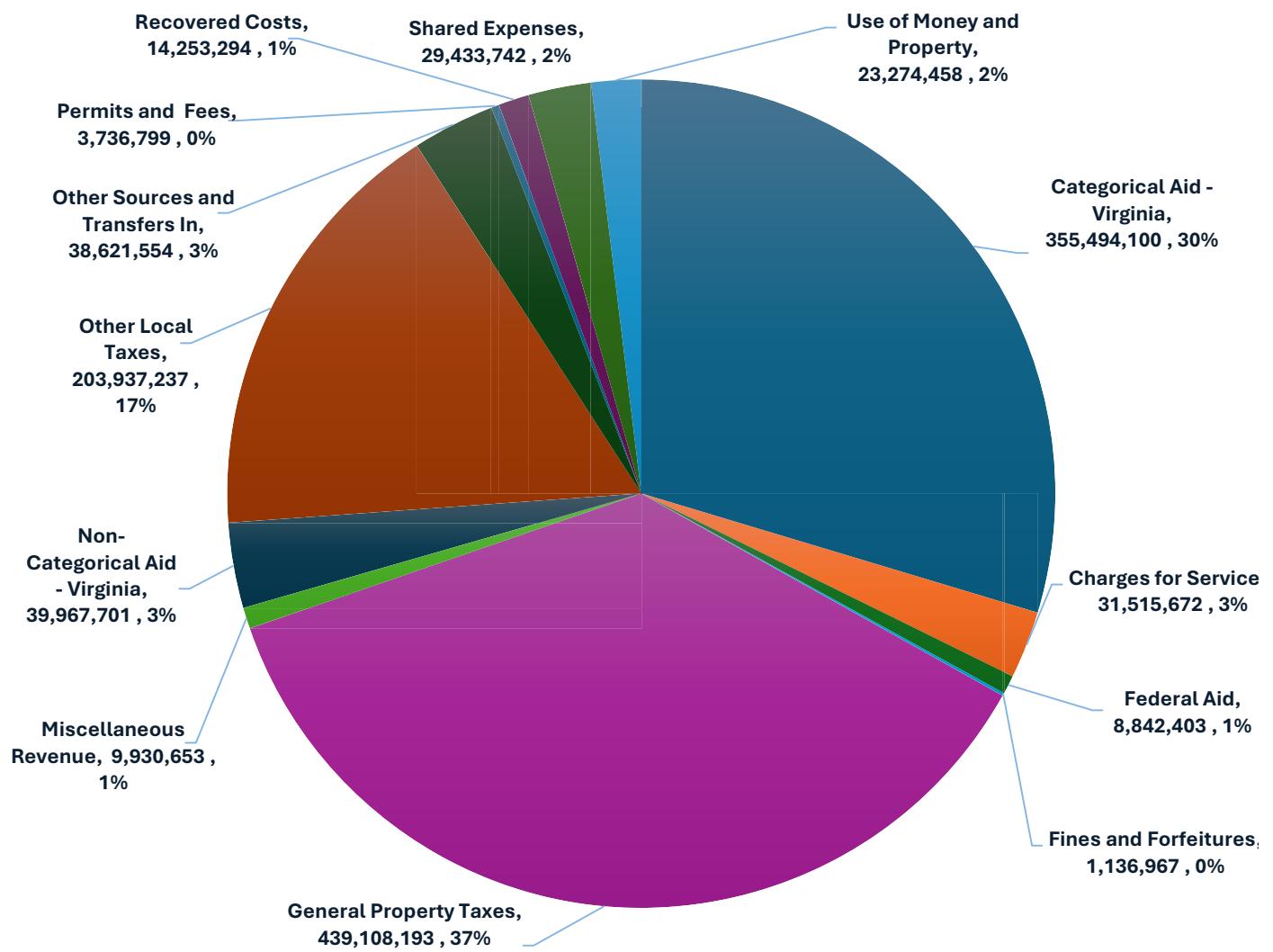
# ESTIMATED GENERAL FUND REVENUES BY SOURCE

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The following table compares the Adopted FY 2026 General Fund Operating Budget to the Adopted FY 2025 General Fund Operating Budget and the FY 2024 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 2024 Actual	FY 2025 Adopted	FY 2026 Adopted	FY 2025 vs. FY 2026 \$ Change	FY 2025 vs. FY 2026 % Change
General Property Taxes	396,872,615	397,122,005	439,108,193	41,986,188	10.57%
Other Local Taxes	194,325,010	199,722,376	203,937,237	4,214,861	2.11%
Permits and Fees	3,439,695	4,416,039	3,736,799	(679,240)	-15.38%
Fines and Forfeitures	1,090,259	1,476,800	1,136,967	(339,833)	-23.01%
Use of Money and Property	24,535,464	28,354,991	23,274,458	(5,080,533)	-17.92%
Charges for Services	30,546,322	27,558,654	31,515,672	3,957,018	14.36%
Miscellaneous Revenue	9,268,181	9,905,600	9,930,653	25,053	.25%
Recovered Costs	12,198,154	14,038,074	14,253,294	215,220	1.53%
Non-Categorical Aid - State	41,384,426	38,915,002	39,967,701	1,052,699	2.71%
Shared Expenses - State	26,520,477	28,204,741	29,433,742	1,229,001	4.36%
Categorical Aid - State	314,804,686	323,100,033	355,494,100	32,394,067	10.03%
Federal Aid	8,413,615	8,867,763	8,842,403	(25,360)	-0.29%
Other Sources and Transfers In	63,231,061	78,754,528	38,621,554	(40,132,974)	-50.96%
<b>General Fund Total</b>	<b>1,126,629,964</b>	<b>1,160,436,606</b>	<b>1,199,252,773</b>	<b>38,816,167</b>	<b>3.34%</b>

## Adopted FY 2026 General Fund Revenues by Sources



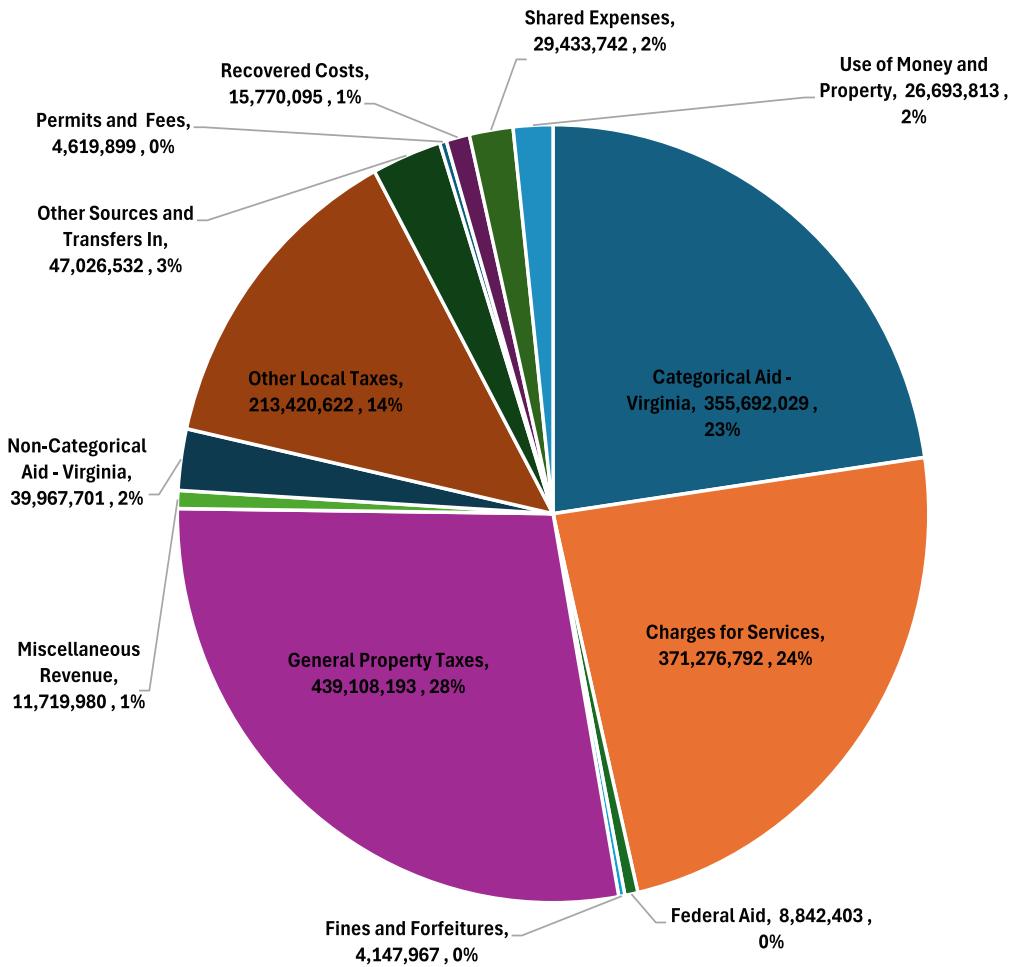
# ESTIMATED REVENUES BY SOURCE (ALL FUNDS)

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The following table compares the adopted FY 2026 Operating Budget to the adopted FY 2025 Operating Budget and the FY 2024 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 2024 Actual	FY 2025 Adopted	FY 2026 Adopted	FY 2025 vs. \$ Change	FY 2026 % Change
General Property Taxes	405,408,615	408,389,305	439,108,193	30,718,888	7.52%
Other Local Taxes	202,532,541	209,451,776	213,420,622	3,968,846	1.89%
Permits and Fees	4,598,657	5,299,139	4,619,899	(679,240)	-12.82%
Fines and Forfeitures	1,464,262	4,487,800	4,147,967	(339,833)	-7.57%
Use of Money and Property	32,356,378	30,789,346	26,693,813	(4,095,533)	-13.30%
Charges for Services	255,419,061	365,626,658	371,276,792	5,650,134	1.55%
Miscellaneous Revenue	10,278,892	12,438,933	11,719,980	(718,953)	29.7%
Recovered Costs	13,993,412	15,554,875	15,770,095	215,220	1.38%
Non-Categorical Aid - State	25,511,601	38,915,002	39,967,701	1,052,699	2.71%
Shared Expenses - State	26,520,477	28,204,741	29,433,742	1,229,001	4.36%
Categorical Aid - State	314,981,542	323,297,962	355,692,029	32,394,067	10.02%
Federal Aid	8,413,615	8,867,763	8,842,403	(25,360)	-0.29%
Other Sources and Transfers In	64,856,964	80,197,345	47,026,532	(33,170,813)	-41.36%
<b>Total All Funds</b>	<b>1,336,336,017</b>	<b>1,531,520,645</b>	<b>1,567,719,768</b>	<b>36,199,123</b>	<b>2.36%</b>

## Adopted Revenue FY 2026 (All Funds)



# ESTIMATED EXPENDITURES BY USE (ALL FUNDS)

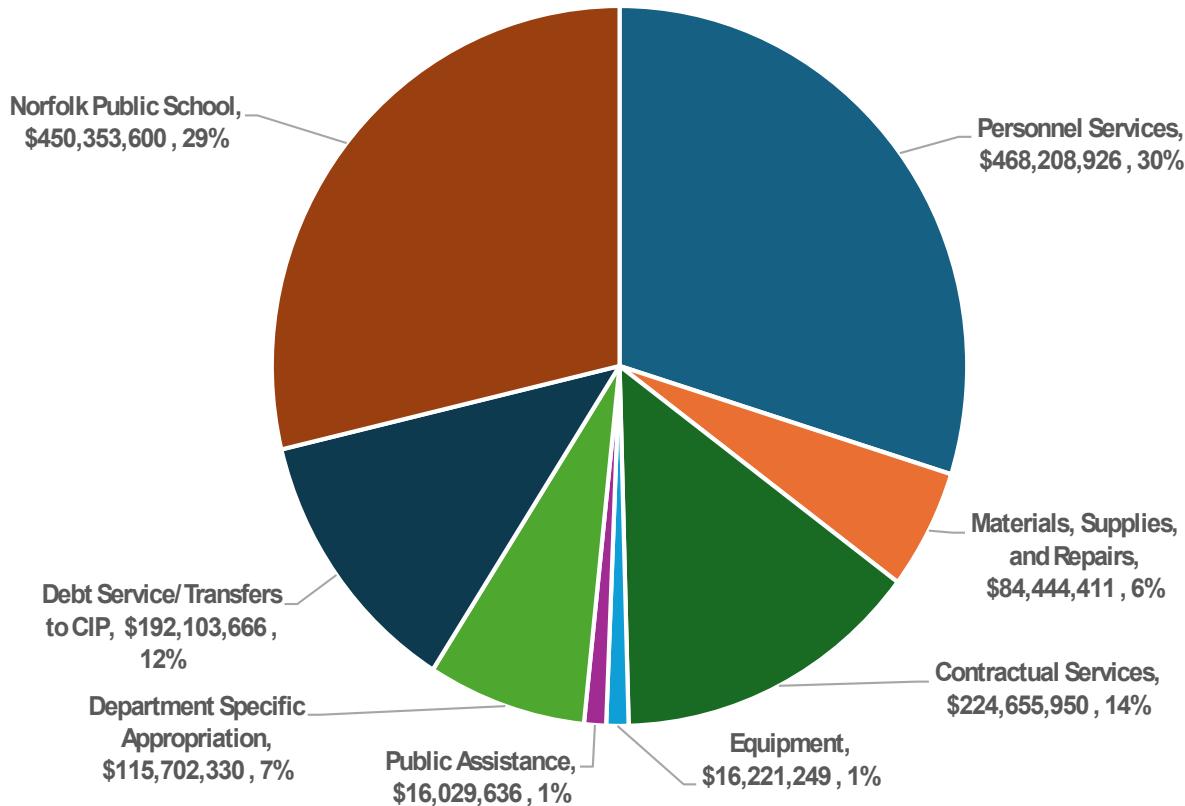
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The following table compares the Adopted FY 2026 Operating Budget to the Adopted FY 2025 Operating Budget and the FY 2024 Actual amount. Funding uses by category are shown to provide an overview of the principal uses of expenditures for the general and nongeneral operating funds of the city. Expenditures are reflected in those categories where they are originally spent.

Uses	FY 2024 Actual	FY 2025 Adopted	FY 2026 Adopted	FY 2025 vs. FY 2026 \$ Change	FY 2025 vs. FY 2026 % Change
Personnel Services	380,746,525	446,327,304	468,208,926	21,881,622	4.90%
Materials, Supplies and Repairs	81,653,682	80,270,075	\$84,444,411	4,174,336	5.20%
Contractual Services	108,019,725	216,406,863	224,655,950	8,249,087	3.81%
Equipment	16,163,937	15,488,314	16,221,249	\$732,935	4.73%
Norfolk Public School	405,575,172	441,194,115	450,353,600	9,159,485	2.08%
Department Specific Appropriation	154,243,217	129,977,065	115,702,330	(14,274,735)	-10.98%
Debt Service/Transfers to CIP	165,527,080	186,224,772	192,103,666	5,878,894	3.16%
Public Assistance	13,186,818	15,632,137	16,029,636	397,499	2.54%
<b>Total All Funds</b>	<b>1,325,116,156</b>	<b>1,531,520,645</b>	<b>1,567,719,768</b>	<b>36,199,123</b>	<b>2.36%</b>

Note: Norfolk Public School has \$6.64 million of one time reversion funds for FY 2026.

## Adopted Expenditures FY 2026 (All Funds)



## ESTIMATED EXPENDITURES BY FUND TYPE

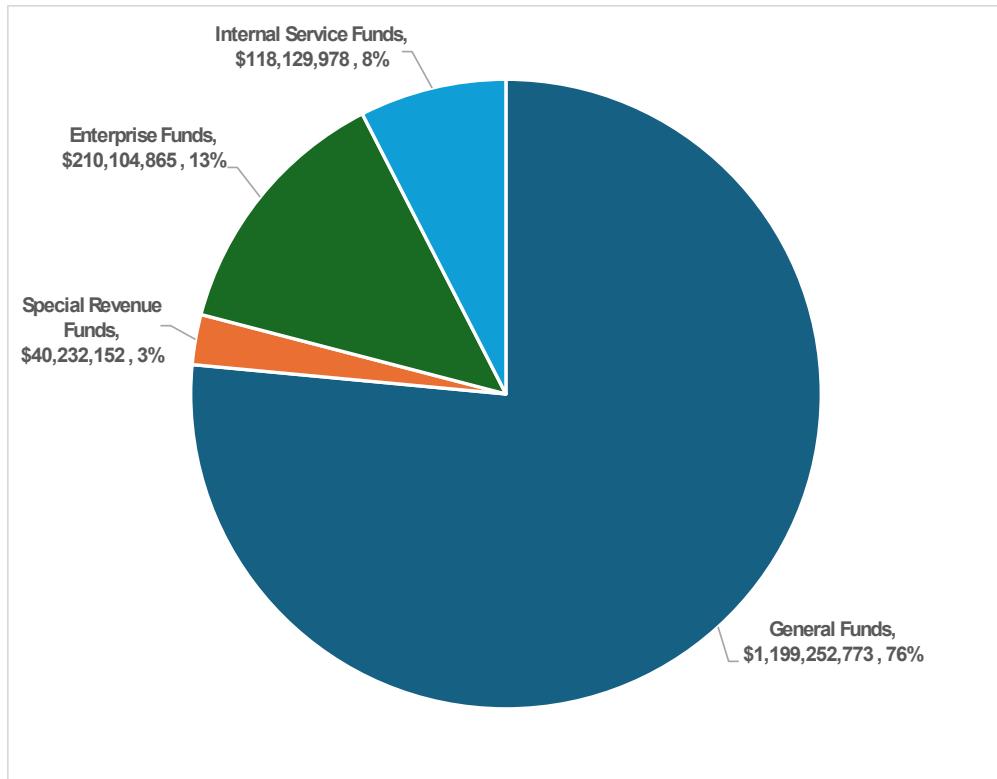
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The following table compares expenditures by fund type in the Adopted FY 2026 Operating Budget to the Adopted FY 2025 Operating Budget and the FY 2024 Actual amount.

Fund Type	FY 2024 Actual	FY 2025 Adopted	FY 2026 Adopted	FY 2025 vs. FY 2026 \$ Change	FY 2025 vs. FY 2026 % Change
General Fund	1,156,041,976	1,160,436,606	1,199,252,773	38,816,167	3.34%
Special Revenue Funds	32,116,992	49,459,253	40,232,152	(9,227,101)	-18.66%
Enterprise Funds	122,553,730	201,582,761	210,104,865	8,522,104	4.23%
Internal Service Funds	14,403,458	120,042,025	118,129,978	-1,912,047	-1.59%
<b>Total All Funds</b>	<b>1,325,116,156</b>	<b>1,531,520,645</b>	<b>1,567,719,768</b>	<b>36,199,123</b>	<b>2.36%</b>

Note: FY 2024 General Fund actuals do not include departments that were added at later dates.

## Adopted Expenditures by Fund Type FY 2026



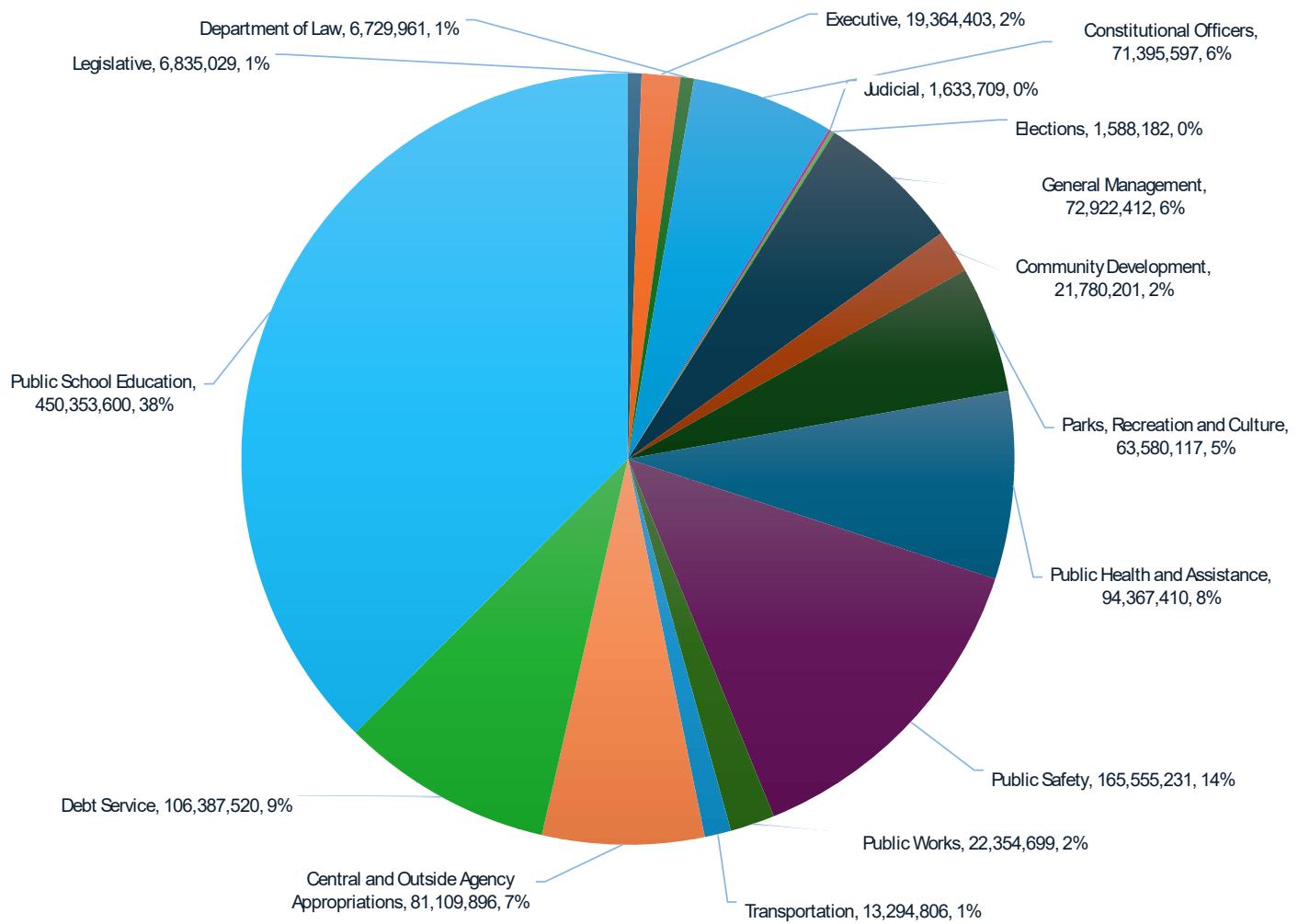
# ESTIMATED GENERAL FUND EXPENDITURES BY AREA

The following table compares the Adopted FY 2026 General Fund Operating Budget to the Adopted FY 2025 General Fund Operating Budget and the FY 2024 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 2024 Actual	FY 2025 Adopted	FY 2026 Adopted	FY 2025 vs. FY 2026	
				\$ Change	% Change
Legislative	6,153,490	6,737,216	6,835,029	97,831	1.45%
Executive	16,647,576	21,485,144	19,364,403	-2,120,741	-9.87%
Department of Law	6,328,882	6,676,962	6,729,961	52,999	0.79%
Constitutional Officers	61,535,309	65,123,618	71,395,597	6,271,979	9.63%
Judicial	1,339,530	1,612,132	1,633,709	21,577	1.34%
Elections	1,444,269	1,241,613	1,588,182	346,569	27.91%
General Management	66,086,894	72,023,807	72,922,412	989,605	1.25%
Community Development	14,782,755	22,766,930	21,780,201	-986,729	-4.33%
Parks, Recreation and Culture	51,949,262	55,771,257	63,580,117	7,808,860	14%
Public Health and Assistance	79,428,642	92,415,936	94,367,410	1,951,474	2.11%
Public Safety	119,395,177	157,313,201	165,555,231	8,242,030	5.24%
Public Works	18,873,394	23,258,513	22,354,699	-903,814	-3.89%
Transportation	11,552,646	12,178,875	13,294,806	1,115,931	9.16%
Central and Outside Agency Appropriations	201,538,008	67,257,235	81,109,896	13,852,661	20.60%
Debt Service	97,925,020	113,380,052	106,387,520	-6,992,532	-6.17%
Public School Education	390,373,683	441,194,115	450,353,600	9,159,485	2.08%
<b>General Fund Total<sup>1</sup></b>	<b>1,145,354,537</b>	<b>1,160,436,606</b>	<b>1,199,252,773</b>	<b>38,816,167</b>	<b>3.14%</b>

<sup>1</sup>The FY 2024 amount reflects the transitioning of eligible expenses to the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) grant.

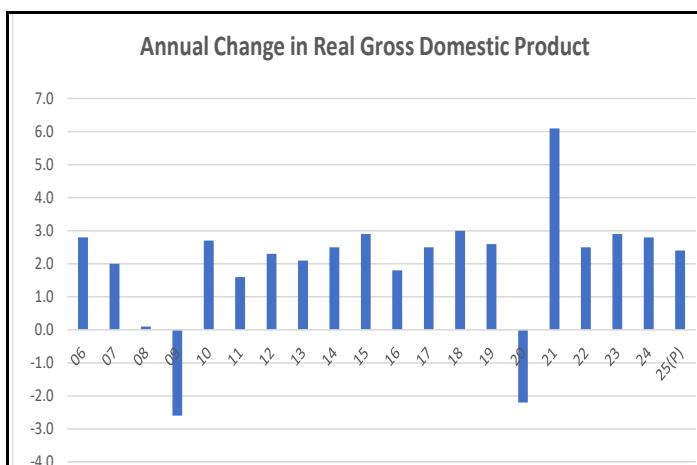
## Adopted General Fund FY 2026 Expenditures by Area



# 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 2.36% (compared to 6.2% last year). General Fund revenues are projected to increase by 3.34%, down from 7.0% which also reflects that the Cemetery Fund is now classified in the General Fund. In FY 2025, the final debt payment for the Tax Increment Financing (TIF) for Broadcreek Renaissance District was made, and the fund has been eliminated for FY 2026. This elimination increases the real estate tax revenue for General Fund by 3.5%. However, the TIF Fund was first created in January 2003 and it was never included in the school revenue sharing policy. As a result, the FY 2026 calculation for school dedication will exclude the estimated TIF fund from the base revenue.

## ECONOMIC OVERVIEW



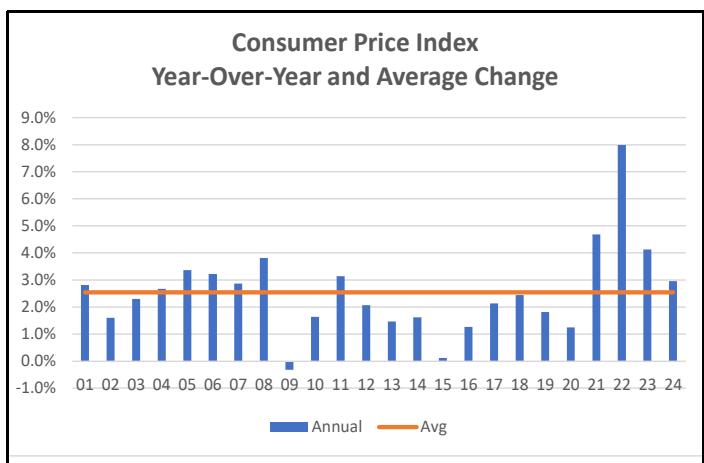
### National Economy

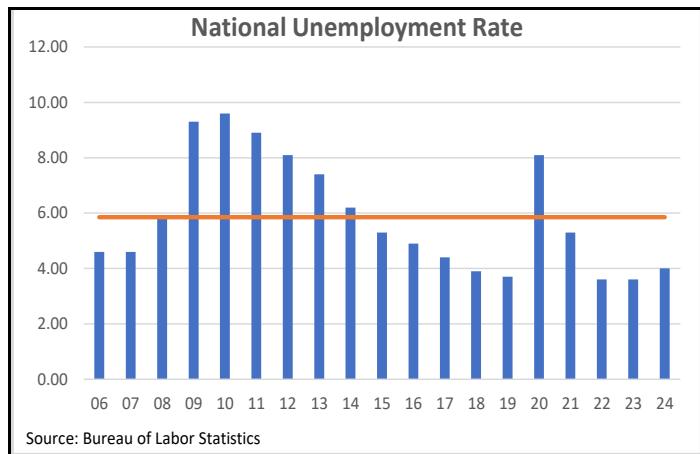
The national economy grew at 2.8% in 2024, slightly lower than in 2023 (2.9%). Real gross domestic product (GDP), the broadest measure of economic activity, grew modestly in the first half of the year, then accelerated in the second quarter and remained steady until the end of the year. Consumer spending on goods and services, business investment in structures, and government spending (federal, state, and local) contributed positively to the economy's growth in 2024. However, net exports did not perform well as imports offset the growth of exports for goods and services.

The US economy remains on a solid growth trajectory supported by healthy employment and income growth, robust consumer spending, and strong productivity momentum which is helping tame inflationary pressures that continued in 2024 from 2023.

After hiking its key interest rate to a 23-year high of 5.25% to 5.5% in 2022 and 2023 to subdue a pandemic-induced inflation surge, the Fed cut the rate by a total percentage point at three meetings late in 2024, citing slowing consumer price increases. The Fed's quarterly projections indicate an expectation of two interest rate cuts for next year.

Looking ahead to 2025, the consensus forecast anticipates real GDP to increase by 2.4 percent on an annual average basis, which would be slightly lower than the growth of 2024. Forecasters predict moderate job growth, a risk of GDP contractions, and a slightly higher risk of inflation for 2025.





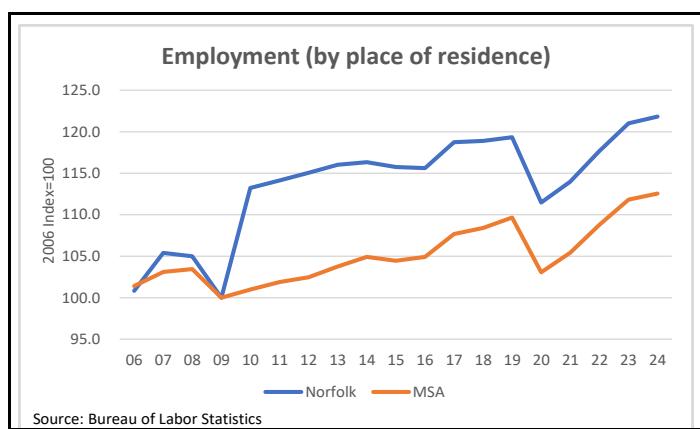
## Risks to the Economy

The recent few consecutive job reports came in below expectations, with a slightly higher unemployment rate of 4%. Real average hourly earnings for all employees increased 1.0 percent from January 2024 to January 2025. This change in real average hourly earnings combined with a 0.3 percent decrease in real average weekly earnings over this period. Slowing labor market trends should lead to increased consumer prudence, especially for lower- to median- income families, as slower employment growth weighs on income trends while prices and rates remain generally elevated.

## Regional and Local Economy

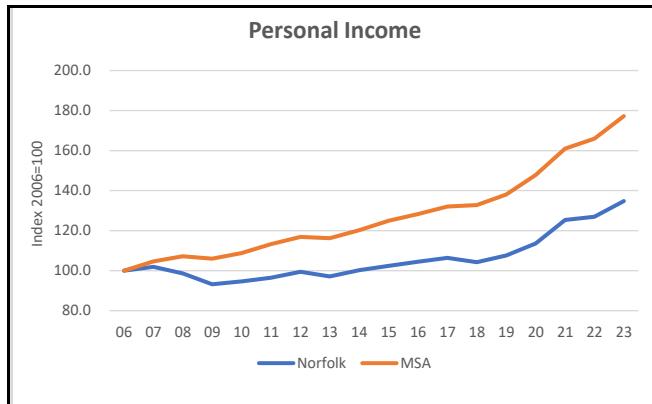
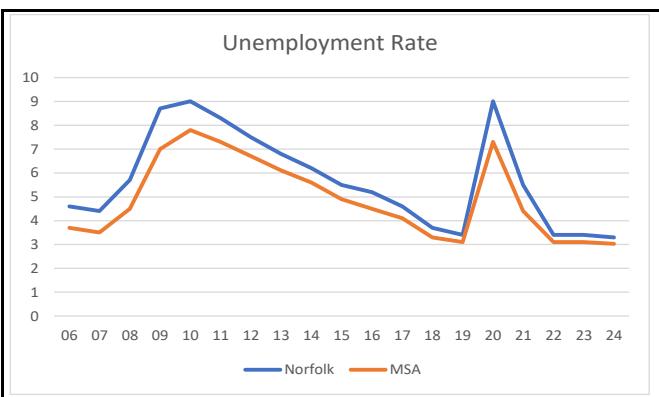
Hampton Roads Planning District Commission (HRPDC) Forecasting Team estimates Gross Regional Product (GRP) growth at 2.1% in 2025, which would be lower than the national growth projection. Their forecast posits that defense spending will continue to boost the regional economy, the Port of Virginia should see moderate growth in tonnage; and lower interest rates should stabilize home sales. On contrary, median prices are expected to increase (even with an additional supply of homes for sale).

Employment measures are one of the best indicators of the local economy. Norfolk continues to maintain a higher level of employment than the local metropolitan statistical area (MSA) of Virginia Beach- Norfolk- Newport News. This employment rate calculation is based on Place of Residence.



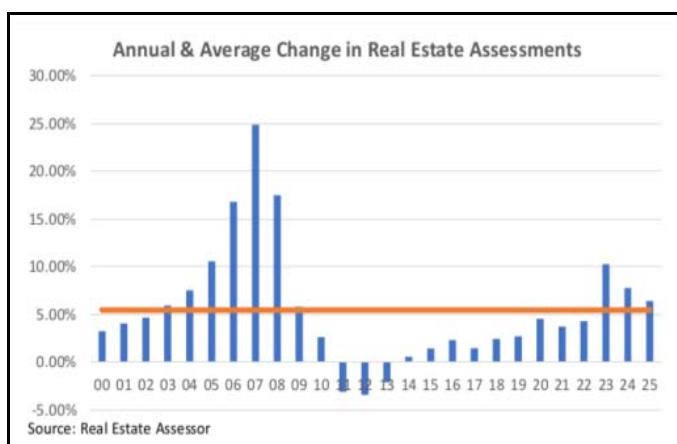
Norfolk's employment (by place of residence) is up 0.7% above last year, 8% higher than the regional employment. Unemployment is slightly higher than the regional rate, although it is 0.1% lower than last year's rate. The number of new jobs in Norfolk are slightly below the regional average, although it is 0.1% lower than last year's rate. The number of new jobs in Norfolk is slightly below the regional average, although it is 2.89% higher than last year.

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.



However, elevated uncertainty around policy direction and geopolitical risks casts a shadow over the 2025 outlook for the Hampton region, primarily due to potential federal spending cuts along with imposing new tariffs on imports. Virginia has approximately 144,000 federal employees, the second highest in the country. Among them, almost 60,000 (42%) federal employees are employed in the Hampton Roads region. Federal spending cuts would cause a major concern in this region. The economy of Hampton Roads is historically highly dependent on federal spending, export-import, and tourism. The recent imposition of new tariffs would create contractionary effects on the health of the regional economy. It is worth mentioning that Old Dominion University has been producing regional economic forecasts since 1996. However, this year marks the first time the ODU team has declined to provide any forecast numbers due to federal uncertainties. The HRPDC team conducted its analysis prior to the significant changes in federal policy introduced by the new administration. HRPDC stated they would also refrain from providing forecasts like ODU if they had not conducted the estimates earlier. All these reflect the considerable economic uncertainty facing the Hampton Roads area in the coming fiscal year.

## GENERAL FUND REVENUE OVERVIEW



The city generates revenue through taxes, user charges, and intergovernmental transfers from the state and federal governments. 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 2026, the Office of the Real Estate Assessor is estimating that the land book value of taxable real estate assessments on July 1, 2025 will increase by approximately 5.7% from the July 1, 2024 land book value. This would mark the thirteenth consecutive year of growth. However, the growth is now stabilizing as it is now lower than the previous year's growth of 6.4%, but still slightly higher than 5.5% average from 2000-2025.

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 2024 and 2025, carrying almost 60% of assessed values. General commercial assessment is anticipated to grow at a much slower rate due to the city's purchase of the Dillard's store in the MacArthur Center. Now, City has acquired the entire MacArthur Mall.

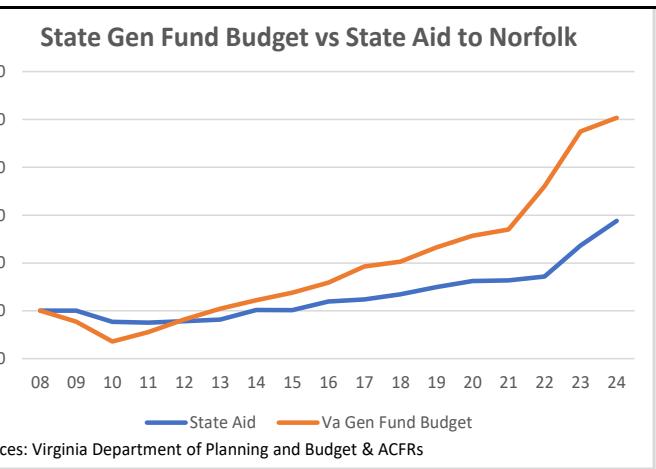
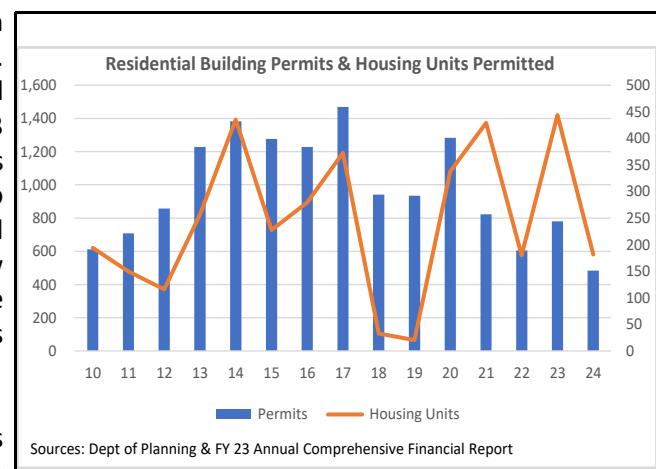
The number of new housing units along with new permits decreased substantially from 2023 to 2024. However, more housing units are expected in 2025 with lower interest rates in place. It is important to note that the city of Norfolk is predominantly built out, and the building activity currently occurring is mainly redevelopment, infill development, and vertical expansion.

The Commonwealth of Virginia provides over one-third of General Fund revenues in the FY 2026 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.

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 2025-2027 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 Adopted FY 2025 budget and Adopted FY 2026 budget.

The Adopted FY 2026 General Fund budget is approximately \$1.199 billion, which is 3.34% (\$38.8 million) above the Adopted FY 2025 Budget.

## General Fund Revenue Summary

Source	FY 2024 Actual	FY 2025 Adopted	FY 2026 Adopted	FY 2025 vs. FY 2026		FY 2026 % of Total
				\$ Change	% Change	
General Property Taxes	396,872,615	397,122,005	439,108,193	41,986,188	10.57%	439,108,193
Other Local Taxes	194,325,010	199,722,376	203,937,237	4,214,861	2.11%	203,937,237
Permits and Fees	3,439,695	4,416,039	3,736,799	(679,240)	-15.38%	3,736,799
Fines and Forfeitures	1,090,259	1,476,800	1,136,967	(339,833)	-23.01%	1,136,967
Use of Money and Property	24,535,464	28,354,991	23,274,458	(5,080,533)	-17.92%	23,274,458
Charges for Services	30,546,322	27,558,654	31,515,672	3,957,018	14.36%	31,515,672
Miscellaneous Revenue	9,268,181	9,905,600	9,930,653	25,053	0.25%	9,930,653
Recovered Costs	12,198,154	14,038,074	14,253,294	215,220	1.53%	14,253,294
Non-Categorical Aid - State	41,384,426	38,915,002	39,967,701	1,052,699	2.71%	39,967,701
Shared Expenses - State	26,520,477	28,204,741	29,433,742	1,229,001	4.36%	29,433,742
Categorical Aid - State	314,804,686	323,100,033	355,494,100	32,394,067	10.03%	355,494,100
Federal Aid	8,413,615	8,867,763	8,842,403	(25,360)	-0.29%	8,842,403
Other Sources and Transfers In	63,231,061	78,754,528	38,621,554	(40,132,974)	-50.96%	38,621,554
<b>General Fund Total</b>	<b>1,126,629,964</b>	<b>1,160,436,606</b>	<b>1,199,252,773</b>	<b>38,816,167</b>	<b>3.34%</b>	<b>1,199,252,773</b>

## REVENUE MONITORING

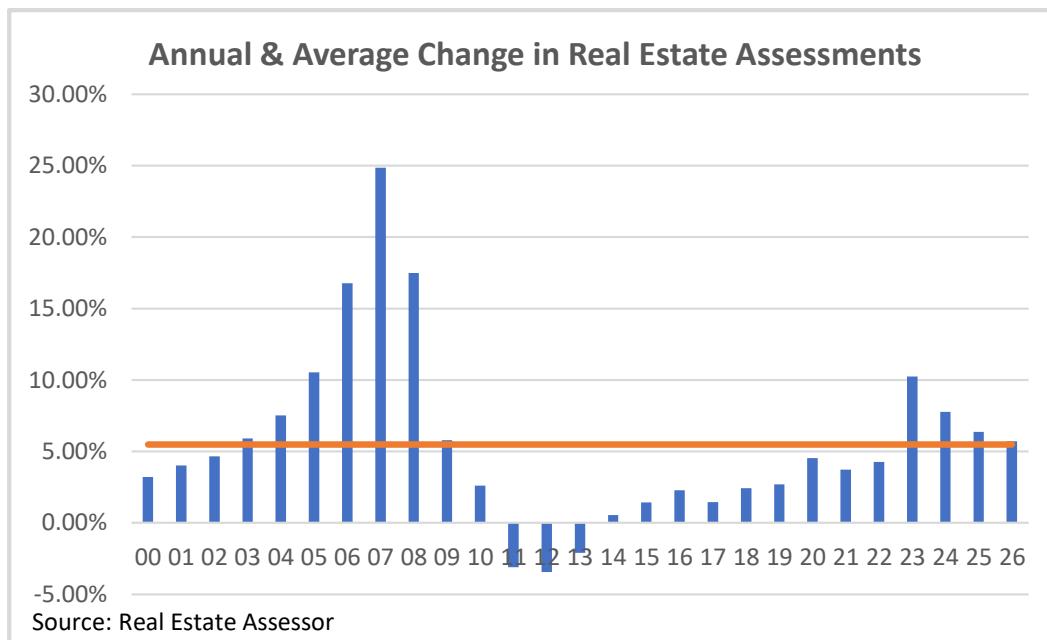
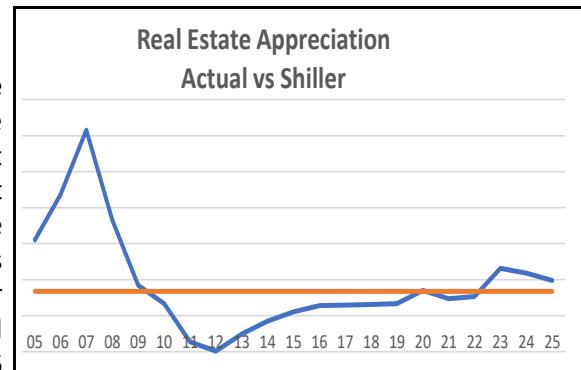
Collection of the city's revenue sources are monitored throughout the year. Financial reports are monitored monthly and quarterly to determine the accuracy of budget projections. This allows for appropriate administrative action if actual results differ substantially from projections. A detailed analysis 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 37% or \$439.1 million of the city's FY 2026 General Fund revenues. Real estate tax revenue is the largest component of general property taxes, comprising approximately \$359.5 million or 29.98% of FY 2026 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 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

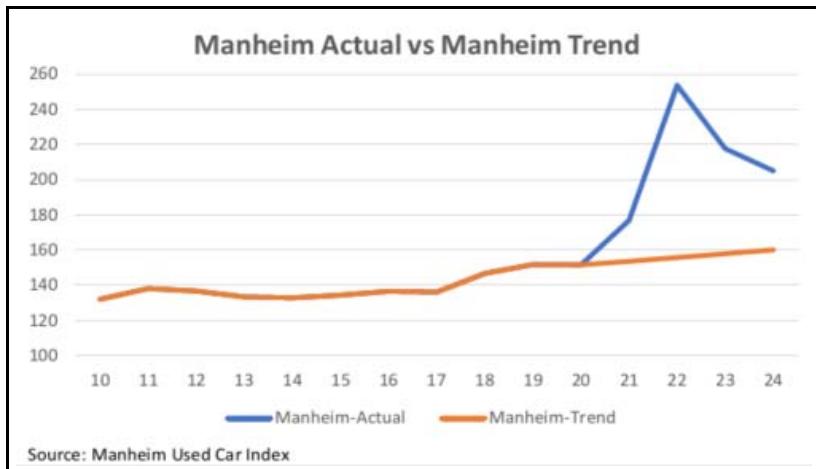
The current real estate tax revenue estimate also reflects the Office of the Real Estate Assessor's estimate of the overall taxable assessments in the land book on July 1, 2025. The most recent update from the Office of the Real Estate Assessor indicated that overall taxable assessments on July 1, 2025 are projected to be approximately 5.7% above the land book value on July 1, 2024. 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 2026 continues to be largely from residential assessments due to the robust housing market. On the other hand, general commercial assessments declined due to the city's purchase of properties like MacArthur Mall. 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 4.41% from FY 2005 - FY 2025.



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 32.8% of the city's real estate assessed value is tax exempt. This would be equivalent to a potential revenue loss of approximately \$166.86 million based on the FY 2025 assessed value and the current real estate tax rate of \$1.23 per \$100 of assessed value.

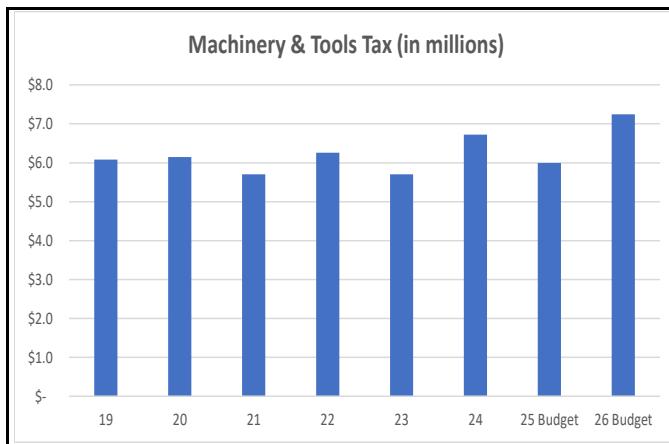
## Personal Property Tax

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 2026, these comprise approximately 6% or \$72.3 million of General Fund revenues. Personal property taxes (including delinquencies) are estimated to be approximately 15.92% above the FY 2025



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 20.6% 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 2025 from FY 2024. However, the trend of used car price started to decline last year and continues until now. However, the prices may rise again due to new tariffs imposition.

The FY 2026 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, 2026). 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.

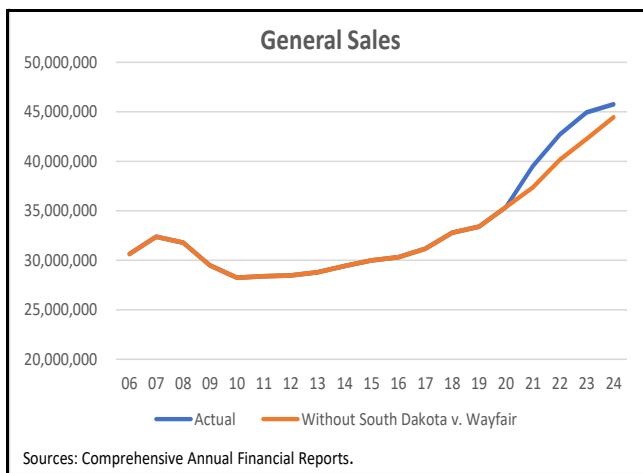


### Machinery and Tools Tax

The machinery and tools tax is the third largest component of general property taxes. In FY 2025, the tax makes up approximately 0.6% or \$7.2 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 2026. 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 \$203.9 million of General Fund revenues in FY 2026 and are 2% above the FY 2025 budget. 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 17.01% or \$203.9 million of the operating budget in FY 2026 and are approximately 2.11% above the FY 2025 budget. The citywide amount includes the Public Amenities Fund portion of the hotel and food and beverage taxes.



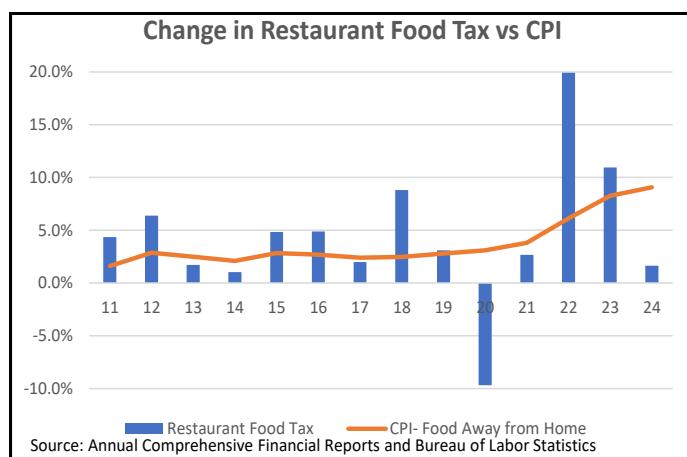
The sales and use tax makes up approximately 4.14% or \$49.6 million of the city's General Fund revenue in FY 2026 which is approximately 5% above the FY 2025 budget. Unlike the other consumption-based taxes, sales and use tax did not decline during the pandemic, and continues to grow. The sales and 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

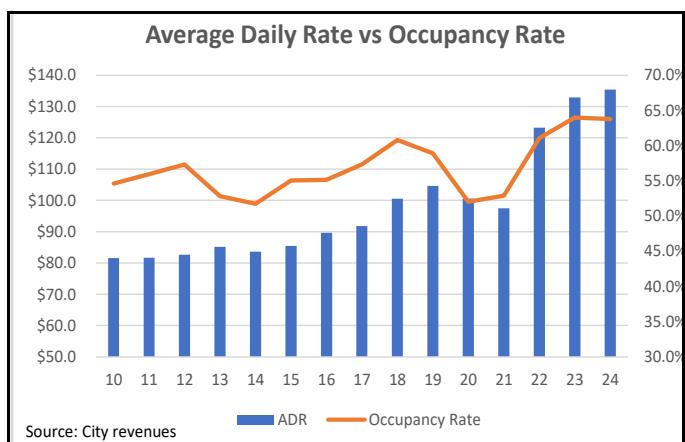
result of more comprehensive taxation of online sales, the city anticipates a \$1.3 million increase in revenue in FY 2026.

### 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 \$7.7 million in FY 2026, and the revenue generated from the 5.5 percentage points of the tax rate allocated to the General Fund is estimated to be approximately \$42.7 million or 3.57% of General Fund revenues in FY 2026. The FY 2026 estimate is approximately 3.6% below the FY 2025 budget, which reflects FY 2022 and FY 2023 were significantly outperforming the budget and the continued recovery from the pandemic and has risen much above its pre-pandemic level. FY 2025 revenues are currently underperforming the budget.



### Hotel Tax



Hotel taxes are levied on occupied hotel rooms along with vacation rentals/ homestay 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 \$1.7 million in FY 2026, and the revenue generated from the 7.0 percentage points allocated to the General Fund is estimated to be approximately \$12 million or 1.0% of General Fund revenues in FY 2026. 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 2026 estimate is 3.23% above the FY 2025 budget, which reflects FY 2023 significantly outperforming the budget and the continued recovery from the pandemic and has risen above its pre-pandemic level.

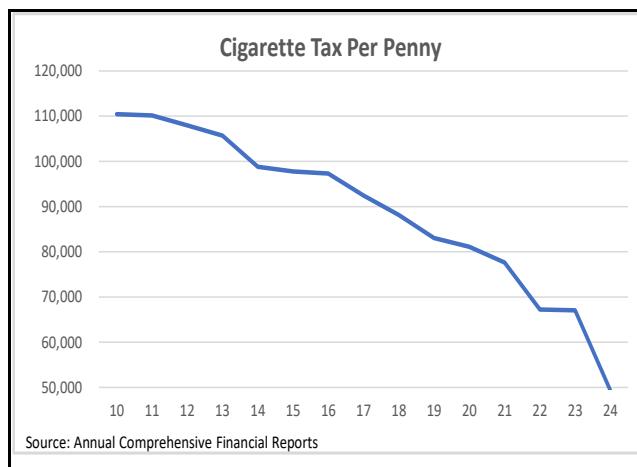
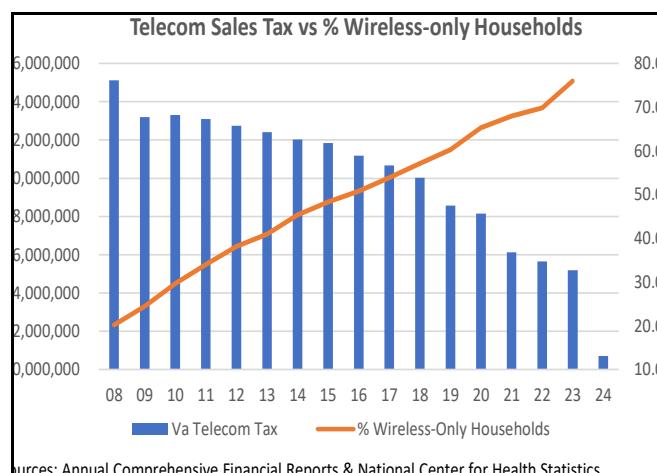
The hotel tax estimate does not include the \$3.00 surcharge per room night ("room tax"), estimated to generate approximately \$3.6 million in FY 2026. The room tax was enacted on April 1, 2006 at the rate of \$1.00 per room night with support from the Norfolk Hotel-Motel Association and the revenue designated for Norfolk Convention and Visitor's Bureau (Visit Norfolk) for visitor promotion and advertising for conventions and tourism. In FY 2012, the room 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 room tax was raised to \$3.00 per room night (current rate) to offset budget reductions to Outside Agencies (see Outside Agencies section). For FY 2026, city is planning to accumulate a portion of room tax revenue from vacation rentals/homestay to support sand replenishment at the Coastal Character District by enhanced billing collections.

## 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 3.20% or \$38.3 million of General Fund revenues in FY 2026.

## Consumer Utility Tax

Consumer utility taxes on water, gas, electricity, and the communications sales and use tax combined, make up approximately 1.78% or \$21.29 million of the city's General Fund revenue in FY 2026. 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 General 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 2026 estimate for these taxes is 0.5% below the FY 2025 budget mostly because telecommunication tax is trending significantly lower and water, gas, and electricity are just meeting the budget.



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 \$9.7 million in FY 2026, which is approximately 7.09% below the FY 2025 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; online sales, underground market, and e-cigarette purchases. However, quitting smoking has societal benefits. Moreover, the state capped local ability to raise the cigarette tax in FY 2021, so Norfolk cannot increase its rate of 0.95 cents to generate more revenue. Besides the state began taxing vaping in FY 2021 but did not authorize a local tax.

## **PERMITS AND FEES**

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Permits are issued to regulate new construction and ensure public safety. Revenues from this source are comprised of fees for permits, licenses, and other privileges subject to city regulation. The revenues partially cover the expense of providing regulatory services such as zoning inspections, building code inspections, plan review, right-of-way permitting, and fire inspections in the city. Revenue from this source has generally fluctuated based upon the level of building construction activity in the city and large commercial projects. Permits and regulatory fees are projected to be approximately 0.31% or \$3.7 million of General Fund revenues in FY 2026 and is approximately 15.4% below the FY 2025 budget reflecting in part the reclassification of the Cemetery Fund to the General Fund.

## **FINES AND FORFEITURES**

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Fines and forfeitures in the General Fund largely consist of revenues received from the courts as fines and forfeitures for violations of city ordinances. The FY 2026 budget is approximately 23.01% or \$339,000 less than the FY 2025 budget. Citywide, fines and forfeitures total approximately \$4.1 million of revenues from all operating funds in FY 2026. 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**

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Revenue from use of money and property is comprised primarily of interest earned on cash balances, rent from short-term and long-term property leases, income from cultural facilities venues, and prudent management of city assets. In FY 2026, revenue from this source makes up approximately 1.94% or \$23.3 million of General Fund revenues. The FY 2026 budget is approximately \$4.1 million above the FY 2025 budget. The growth largely reflects the positive impact of city's rising investment portfolio.

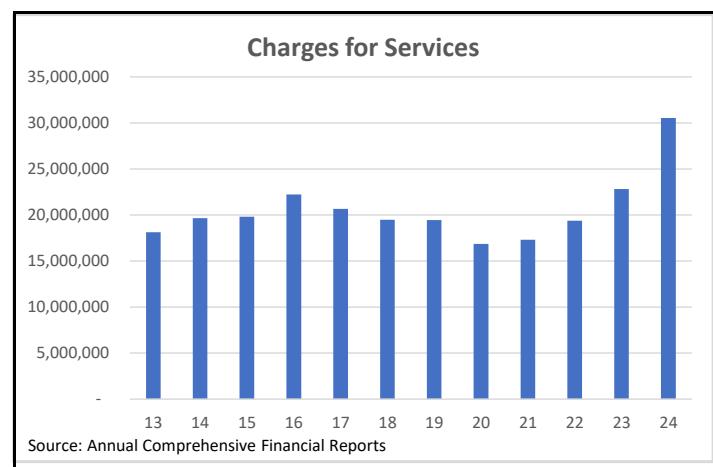
## **CHARGES FOR SERVICES**

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

Charges for services make up approximately 9.35% or \$31.5 million of FY 2026 General Fund revenues. The FY 2026 budget is 9.35% above the FY 2025 budget (14.36% without the fund reclassification), reflecting in part the reclassification of the Cemetery Fund to the General Fund. It also 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 \$371.3 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 Adopted Operating Budget includes a rate increase for daily, metered and monthly parking, fee increases in Waste Management and towing services, and automatic fee increases in Water, Wastewater, and Storm Water. See Selected Tax Rates and Fees section for changes in the rates for services in FY 2026.



## 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 2026, the city is estimating approximately \$9.9 million in miscellaneous revenue, which represents 0.83% of FY 2026 General Fund revenues.

## 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 \$14.3 million of FY 2026 General Fund revenues. The FY 2026 budget is approximately 1.5% above the FY 2025 budget.

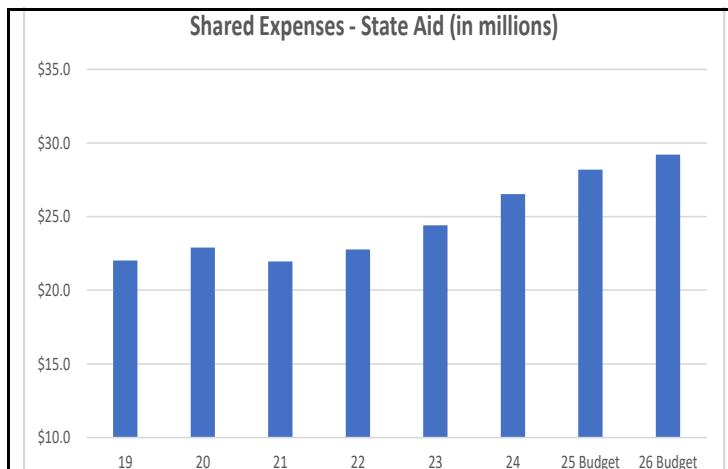
## REVENUE FROM THE COMMONWEALTH

Revenue from the Commonwealth totals approximately \$424.9 million or 35% of FY 2026 General Fund revenues and is 8.81% above the FY 2025 budget. Revenue from the Commonwealth is divided into three categories which are discussed below: Non-categorical aid (\$39.97 million), Shared expenses (\$29.4 million), and Categorical aid (\$355.5 million). Estimates are based upon the General Assembly's adopted 2025-2027 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 3.3% or \$39.97 million of General Fund revenues and is approximately 2.7% higher than the FY 2025 budget. The decrease is largely due to the under performance of Passenger Car Rental revenue.

## SHARED EXPENSES



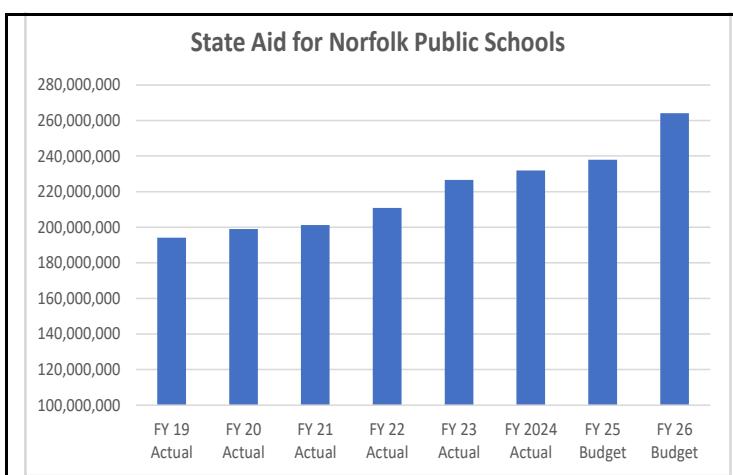
Shared expenses consist of recovered costs from the Commonwealth for a portion of the state-supported salaries and benefits, and qualifying nonpersonnel expenses of constitutional offices and other offices serving the Norfolk community, including the Norfolk Electoral Board, Sheriff, City Treasurer, Commissioner of the Revenue, Clerk of the Circuit Court, and Commonwealth's Attorney. Shared expenses make up approximately 2.4% or \$29.2 million of FY 2026 General Fund revenues. The FY 2026 amount is approximately 3.43% above the FY 2025 budget. The increase largely reflects the annualization of FY 2025 pay raise, and an estimated 3% pay raise for FY 2026.

## 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 29.64% or \$355.5 million of General Fund revenues in FY 2026 which is approximately 10% above the FY 2025 budget. The change reflects increases in Street Maintenance, Human Services, and Community Services Board revenues along with Norfolk Public Schools.

### Norfolk Public Schools State Aid

In FY 2026, Norfolk is expected to receive a total of \$355.5 million in state categorical aid, with the majority, approximately \$263.99 million, being allocated to Norfolk Public Schools. This categorical aid includes revenue from the state sales and use tax, as well as state school funds. The state sales and use tax for schools comes from the city's share of the state's sales and use tax, which is specifically 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, 1¼ cent of the state sales and use tax was dedicated to public education, which reflected the change in FY 2005 when half of the one-half cent sales and use tax increase adopted by the General Assembly was earmarked for local school divisions and real estate tax relief. Half of that quarter percent is distributed in the manner discussed above. The other half of the quarter percent goes to support the Standards of Quality (SOQ), which is included in state school funds. State school funds support school operational costs. The rate of reimbursements is based on the SOQ formula with reimbursement rates varying by program and area of emphasis. Changes in enrollment figures affect this revenue source. Localities are required to match the state contribution based on a composite index. Norfolk continues to provide more than its required share of local effort.

## **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 \$43.3 million and \$11.2 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 \$1.5 million in FY 2026. Per diem payment rates for FY26 remain as follows: 1) Per diem payments for local responsible inmates are \$5 per inmate day in local and regional jails and \$19 per inmate day in jail farms. 2) Per diem payments for all state responsible inmates (with all charges adjudicated), regardless of length of stay in the jail, will be paid a rate of \$15 per inmate day in both local and regional jails as well as jail farms. State responsible inmates, for per diem payment purposes, are still defined as any person convicted of one or more felony offenses and (a) the sum of consecutive effective sentences for felonies, committed on or after January 1, 1995, is (i) more than 12 months or (ii) one year or more, or (b) the sum of consecutive effective sentences for felonies, committed before January 1, 1995, is more than two years.

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 \$36.06 million in FY 2026. 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**

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Aid from the federal government primarily includes funds for Norfolk Public Schools and Norfolk Community Services Board. Federal aid totals approximately \$8.8 million or 0.74% of General Fund revenues in FY 2026 and slightly below (0.29%) the FY 2025 budget.

## **OTHER SOURCES AND TRANSFERS IN**

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Revenue from other sources and transfers in consist of intra-governmental transfers and carry forward funds. It totals approximately \$38.6 million or 3.22% of General Fund revenues in FY 2026, which is a decrease of approximately \$40.6 million from the FY 2025 budget, reflecting the elimination of Tax Increment Financing (TIF) Fund. In FY 2026, other sources and transfers in includes transfers in from non-general funds such as: Utilities (\$10 million) 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 \$25.1 million consists of: carryforward of prior year budget savings from transitioning eligible expenses to the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) grant (\$16.66 million); carryforward of Norfolk Public Schools reversion funds (\$6.46 million), and carryforward of Norfolk Community Service Board (\$2 million).

# EXPENDITURE SUMMARY

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FY 2026  
Adopted

## GENERAL FUND

City Auditor	1,301,755
City Clerk	1,974,545
City Council	462,091
City Real Estate Assessor	3,096,638
Executive Departments	19,364,403
Department of Law	6,729,961
City Treasurer	3,358,631
Clerk of the Circuit Court	3,695,360
Commissioner of the Revenue	3,607,413
Commonwealth's Attorney	8,362,282
Sheriff and Jail	52,371,911
Circuit Court Judges	1,058,151
General District Court	260,761
Juvenile and Domestic Relations Court	81,833
Magistrate	12,248
Norfolk Juvenile Court Service Unit	220,716
Elections	1,588,182
Finance	9,859,081
General Services	32,013,927
Human Resources	5,638,360
Information Technology	25,411,044
City Planning	7,086,136
Economic Development	6,650,704
Neighborhood Services	5,749,080
Military and Community Affairs	777,738
Citizen Services	1,516,543
Cultural Facilities, Arts and Entertainment	8,697,242
Libraries	11,987,303
Nauticus	5,685,735
Parks and Recreation	26,939,667
The Slover	3,666,229
Virginia Zoological Park	6,183,965

	<b>FY 2026 Adopted</b>
Public Art	419,976
Human Services	56,470,593
Norfolk Community Services Board	34,706,778
Public Health	3,190,039
Emergency Management	640,622
Fire-Rescue	68,554,899
Police	96,359,710
Public Works	22,354,699
Transportation	13,294,806
Central Appropriations	31,117,830
Outside Agencies	49,992,066
Debt Service	106,387,520
Public School Education (Norfolk Public Schools)	450,353,600
<b>Total General Fund</b>	<b>1,199,252,773</b>
 <b>SPECIAL REVENUE FUNDS</b>	
Public Amenities	9,681,314
Towing and Recovery Operations	1,978,104
Waste Management	28,572,734
<b>Total Special Revenue Funds</b>	<b>40,232,152</b>
 <b>ENTERPRISE FUNDS</b>	
Parking Facilities	25,621,585
Storm Water Management	25,010,155
Utilities - Wastewater	40,517,436
Utilities - Water	118,955,689
<b>Total Enterprise Funds</b>	<b>210,104,865</b>
 <b>INTERNAL SERVICE FUNDS</b>	
Fleet Management	15,141,978
Healthcare	102,988,000
<b>Total Internal Service Funds</b>	<b>118,129,978</b>
<b>TOTAL CITY OPERATIONS</b>	<b>1,567,719,768</b>
<b>CAPITAL IMPROVEMENT PLAN</b>	<b>260,207,613</b>
<b>ANNUAL GRANTS PLAN<sup>1</sup></b>	<b>141,149,960</b>
<b>ANNUAL HUD PLAN</b>	<b>6,707,591</b>
<b>TOTAL APPROPRIATIONS</b>	<b>1,975,784,932</b>

# SELECTED TAX RATES AND FEES

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Description	FY 2025 Adopted	FY 2026 Adopted
<b>PROPERTY TAXES</b>		
Real Estate (General Tax)	\$1.23/\$100 Assessed Value	\$1.23/\$100 Assessed Value
Real Estate (Downtown Improvement District)	\$1.39/\$100 Assessed Value	\$1.39/\$100 Assessed Value
<b>Personal Property</b>		
Airplane	\$2.40/\$100 Assessed Value	\$2.40/\$100 Assessed Value
Motor Vehicle	\$4.33/\$100 Assessed Value	\$4.33/\$100 Assessed Value
Recreational Vehicle	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Business Furniture, Fixtures, and Equipment	\$4.33/\$100 Assessed Value	\$4.33/\$100 Assessed Value
Watercraft - Business	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Watercraft - Recreational	\$0.000001/\$100 Assessed Value	\$0.000001/\$100 Assessed Value
<b>Machinery &amp; Tools</b>	\$4.25/\$100 Assessed Value	\$4.25/\$100 Assessed Value
<b>OTHER LOCAL TAXES</b>		
<b>Amusement and Admissions</b>	10%	10%
Cigarette	95 cents/pack of 20 cigarettes (47.5 mills/cigarette)	95 cents/pack of 20 cigarettes (47.5 mills/cigarette)
<b>Emergency 911 (Landline)</b>	Replaced by the statewide E-911 tax rate of \$0.75/line/month	Replaced by the statewide E-911 tax rate of \$0.75/line/month
<b>Hotel/Motel Lodging</b>	8%	8%
<b>Room Tax</b>	\$3.00 per room night	\$3.00 per room night
<b>Food and Beverage</b>	6.5%	6.5%
<b>Recreational Boat License:</b>		
Boats under 16 feet in length	\$15.00	\$15.00
Boats 16 feet and over in length	\$40.00	\$40.00
<b>Motor Vehicle License:</b>		
Small Trailers (<2,000 pounds)	\$11.50	\$11.50
Motorcycles	\$20.00	\$20.00
Cars and Small Trucks	\$31.00	\$31.00
Mid-Size Trucks/Vans (>4,000 pounds)	\$36.00	\$36.00
Large Vehicles (over 19,000 pounds)	\$1.60-\$1.80/1,000 pounds of gross weight (additional \$5 flat fee)	\$1.60-\$1.80/1,000 pounds of gross weight (additional \$5 flat fee)

Description	FY 2025 Adopted	FY 2026 Adopted
<b>REFUSE DISPOSAL</b>		
<b>Residential</b>		
Single or Multiple Units (four units or less)	<b>\$28.51/unit/month</b>	<b>\$33.51/unit/month</b>
Multiple Units (five units or more)	\$47.44/container/month	\$47.44/container/month
<b>Commercial</b>		
Business 1 times per week	\$61.18/unit/month	\$61.18/unit/month
Business 5 times per week	\$151.64/unit/month	\$151.64/unit/month
Combined Commercial and Residential	\$88.19/unit/month	\$88.19/unit/month
<b>WATER AND WASTEWATER UTILITY FEES</b>		
Water	<b>\$6.29/100 cubic feet</b>	<b>\$6.51/100 cubic feet</b>
Wastewater	<b>\$5.44/100 cubic feet</b>	<b>\$5.66/100 cubic feet</b>
<b>STORM WATER FEES (rate calculated based on a 30-day month)</b>		
Residential	<b>\$14.07/month</b>	<b>\$14.59/month</b>
Commercial	<b>\$14.07/month per 2,000 sq. ft.</b>	<b>\$14.59/month per 2,000 sq. ft.</b>
<b>UTILITY TAXES</b>		
<b>Commercial</b>		
Gas	Rate/month: \$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance (maximum of \$500/month)	Rate/month: \$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance (maximum of \$500/month)
Electricity (Manufacturing)	Rate/month: \$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance (maximum of \$53,000/month)	Rate/month: \$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance (maximum of \$53,000/month)
Electricity (Non-Manufacturing)	Rate/month: \$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance	Rate/month: \$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance
Telephone (Cellular, Landline)	Replaced by the State Communications Sales & Use Tax 5% of sales price of services	Replaced by the State Communications Sales & Use Tax 5% of sales price of services
Water	25% on first \$75, plus 15% of bill in excess of \$75	25% on first \$75, plus 15% of bill in excess of \$75
<b>Residential</b>		
Cable and Satellite Service Telephone (Cellular, Landline)	Replaced by the State Communications Sales & Use Tax	Replaced by the State Communications Sales & Use Tax
Electricity	\$1.75 + \$0.016891/kWh monthly (capped at \$3.75/month)	\$1.75 + \$0.016891/kWh monthly (capped at \$3.75/month)
Gas	\$1.50/month	\$1.50/month
Water (5/8" Meter)	25% on first \$22.50/month	25% on first \$22.50/month

# GENERAL FUND BALANCE RESERVES

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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 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 2024 Estimate	FY 2024 Minimum	FY 2025 Projection
<b>General Fund, Fund Balances - Unassigned</b>	\$101,958,118	\$101,958,118	\$101,958,118
<b>Less: Economic Downturn Reserve</b>	\$5,000,000	\$5,000,000	\$5,000,000
<b>Net Unassigned Fund Balance</b>	\$96,958,118	\$96,958,118	\$96,958,118
<b>Less: General Fund Unassigned Reserve<sup>1</sup></b>	\$96,215,542	\$96,215,542	\$96,215,542
<b>Available Unassigned Fund Balance</b>	<b>\$742,576</b>		<b>\$742,576</b>

<sup>1</sup>The 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, 2024.

# ESTIMATED GENERAL FUND - FUND BALANCE

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<b>Beginning General Fund - Fund Balance, July 1, 2023*</b>	<b><u>\$324,380,805</u></b>
<hr/>	
Add Revenues**	
Revenues (excluding transfers)	\$1,135,669,306
Return from water and wastewater utility funds	\$10,000,000
Return from tax increment financing fund	\$11,267,300
Return from Norfolk Public Schools (reversion funds)	\$0
Public amenities fund support for Norfolk Consortium	\$3,500,000
<b>Total Fund Balance and Revenues</b>	<b><u>\$1,484,817,411</u></b>
<hr/>	
Less: Anticipated Expenditures**	
Norfolk Public Schools operating budget	\$441,194,115
Public safety	\$157,313,201
Public health and assistance	\$92,415,936
Other city departments	\$288,876,067
Central appropriations and outside agencies	\$67,257,235
Debt service	\$113,380,052
<b>Total Fund Balance and Expenditures</b>	<b><u>\$1,484,817,411</u></b>

\*Amount reported in the FY 2024 Annual Comprehensive Financial Report

\*\*Based on FY 2025 Adopted Budget

# SUMMARY OF CHANGES IN FUND BALANCE

## General Fund

	FY 2024 Actual	FY 2025 Adopted	FY 2026 Adopted
<b>Operating Revenues</b>			
General property taxes	396,872,615	397,122,005	439,108,193
Other local taxes	194,324,918	199,722,376	203,937,237
Permits and fees	3,439,696	4,416,039	3,736,799
Fines and forfeitures	1,090,260	1,476,800	1,136,967
Charges for services	29,901,837	27,558,654	31,515,672
Miscellaneous	8,463,629	9,905,600	9,930,653
Recovered costs	9,039,283	14,038,074	14,253,294
Commonwealth	363,054,206	390,219,776	424,895,543
Federal	31,225,233	8,867,763	8,842,403
<b>Total Operating Revenues</b>	<b>1,037,411,677</b>	<b>1,053,327,087</b>	<b>1,137,356,761</b>
<b>Operating Expenses</b>			
Personnel services	318,180,001	384,922,586	404,190,610
Contractual services	74,686,856	75,316,851	81,797,829
Materials, supplies and repairs	46,417,841	53,812,182	48,092,629
Department specific appropriation	470,621,552	513,103,991	519,017,120
Public assistance	10,435,775	15,632,137	16,029,636
<b>Total Operating Expenses</b>	<b>920,342,025</b>	<b>1,042,787,747</b>	<b>1,069,127,824</b>
<b>Operating Income (Loss)</b>	<b>117,069,652</b>	<b>10,539,340</b>	<b>68,228,937</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	25,579,215	28,354,991	23,274,458
Capital outlay	(9,057,327)	(2,771,962)	(9,766,067)
Debt service	(101,391,078)	(109,195,897)	(108,168,795)
Acctg. for Encumbrances for Budget not GAAP	(5,923,226)	0	0
<b>Total Non-Operating Revenue/Expense</b>	<b>(90,792,416)</b>	<b>(83,612,868)</b>	<b>(94,660,404)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>26,277,236</b>	<b>(73,073,528)</b>	<b>(26,431,467)</b>
Operating transfers in	20,536,000	55,339,862	19,962,467
Operating transfers out	(159,152,324)	(5,681,000)	(12,190,087)
<b>Total Operating Transfers</b>	<b>(138,616,324)</b>	<b>49,658,862</b>	<b>7,772,380</b>
<b>Net Change in Fund Balance</b>	<b>(112,339,088)</b>	<b>(23,414,666)</b>	<b>(18,659,087)</b>
<b>Beginning Fund Balance at July 1</b>	<b>436,719,893</b>	<b>324,380,805</b>	<b>300,966,139</b>
<b>Ending Fund Balance at June 30</b>	<b>324,380,805</b>	<b>300,966,139</b>	<b>282,307,052</b>

Note: FY 2024 amounts are based on figures in the city's Annual Comprehensive Financial Report.

## Special Revenue Funds

	FY 2024 Actual	FY 2025 Adopted	FY 2026 Adopted
<b>Operating Revenues</b>			
General property taxes	8,536,000	11,267,300	0
Other local taxes	9,179,224	9,729,400	9,483,385
Fines and forfeitures	0	11,000	11,000
Charges for services	25,010,704	25,308,828	26,862,500
Miscellaneous	66,731	553,410	1,633
Recovered costs	0	443,201	443,201
Commonwealth	1,543,915	197,929	197,929
Federal	7,242,936	0	0
<b>Total Operating Revenues</b>	<b>51,579,510</b>	<b>47,511,068</b>	<b>36,999,648</b>
<b>Operating Expenses</b>			
Personnel services	10,044,524	10,384,708	9,618,122
Contractual services	11,133,905	12,603,846	15,408,499
Materials, supplies and repairs	2,501,072	2,239,170	2,130,455
Department specific appropriation	517,706	2,613,271	5,820,028
<b>Total Operating Expenses</b>	<b>24,197,206</b>	<b>27,840,995</b>	<b>32,977,104</b>
<b>Operating Income (Loss)</b>	<b>27,382,304</b>	<b>19,670,073</b>	<b>4,022,544</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	48,539	1,025,335	1,010,335
Capital outlay	(2,468,051)	(2,046,598)	(2,637,383)
Debt service	(6,591,121)	(4,804,995)	(4,617,665)
<b>Total Non-Operating Revenue/Expense</b>	<b>(9,010,633)</b>	<b>(5,825,623)</b>	<b>(6,244,713)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>18,371,671</b>	<b>13,844,450</b>	<b>(2,222,169)</b>
Operating transfers in	739,332	476,041	2,000,000
Operating transfers out	(17,127,121)	(14,767,300)	0
<b>Total Operating Transfers</b>	<b>(16,387,789)</b>	<b>(14,291,259)</b>	<b>2,000,000</b>
<b>Net Change in Fund Balance</b>	<b>1,983,882</b>	<b>(446,809)</b>	<b>(222,169)</b>
<b>Beginning Fund Balance at July 1</b>	<b>11,371,281</b>	<b>13,335,163</b>	<b>12,888,354</b>
<b>Ending Fund Balance at June 30</b>	<b>13,335,163</b>	<b>12,888,354</b>	<b>12,666,185</b>

Note: FY 2024 amounts are based on figures in the city's Annual Comprehensive Financial Report. For FY 2025 and FY 2026, 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 2024 Actual	FY 2025 Adopted	FY 2026 Adopted
<b>Operating Revenues</b>			
Permits and fees	0	883,100	883,100
Fines and forfeitures	0	3,000,000	3,000,000
Charges for services	192,686,359	194,808,598	201,537,131
Miscellaneous	2,343,909	476,043	1,269,614
Recovered costs	0	1,003,600	1,003,600
<b>Total Operating Revenues</b>	<b>195,030,268</b>	<b>200,171,341</b>	<b>207,693,445</b>
<b>Operating Expenses</b>			
Personnel services	44,592,972	45,455,472	48,606,041
Contractual services/Materials, supplies and repairs	52,134,296	45,585,307	49,872,779
Depreciation	32,147,023	0	0
Department specific appropriation	0	30,686,618	40,919,527
<b>Total Operating Expenses</b>	<b>128,874,291</b>	<b>121,727,397</b>	<b>139,398,347</b>
<b>Operating Income (Loss)</b>	<b>66,155,977</b>	<b>78,443,944</b>	<b>68,295,098</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	6,784,770	1,404,020	2,411,420
Capital outlay	0	(3,449,042)	(3,751,954)
Intergovernmental revenue	338,324	0	0
Miscellaneous revenue (expense)	0	0	0
Interest and Fiscal Charges	(17,432,307)	0	0
Gain/(Loss)-Sale of fixed assets & investments	(299,735)	0	0
Debt service	0	(63,641,122)	(56,954,564)
<b>Total Non-Operating Revenue/Expense</b>	<b>(10,608,948)</b>	<b>(65,686,144)</b>	<b>(58,295,098)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>55,547,029</b>	<b>12,757,800</b>	<b>10,000,000</b>
Capital Contribution	940,347	0	0
Operating transfers in	6,745,552	7,400	0
Operating transfers out	(11,203,741)	(12,765,200)	(10,000,000)
<b>Total Operating Transfers/Capital Contribution</b>	<b>(3,517,842)</b>	<b>(12,757,800)</b>	<b>(10,000,000)</b>
<b>Net Income (Loss)</b>	<b>52,029,187</b>	<b>0</b>	<b>0</b>
<b>Beginning Net Assets at July 1</b>	<b>716,727,770</b>	<b>768,756,957</b>	<b>768,756,957</b>
<b>Ending net assets at June 30</b>	<b>768,756,957</b>	<b>768,756,957</b>	<b>768,756,957</b>

Note: FY 2024 amounts are based on figures in the city's Annual Comprehensive Financial Report.

## Internal Service Funds

	FY 2024 Actual	FY 2025 Adopted	FY 2026 Adopted
<b>Operating Revenues</b>			
Charges for services	103,412,162	117,950,578	111,361,489
Miscellaneous	1,332,802	1,503,880	518,080
Recovered costs	0	70,000	70,000
<b>Total Operating Revenues</b>	<b>104,744,964</b>	<b>119,524,458</b>	<b>111,949,569</b>
<b>Operating Expenses</b>			
Personnel services	4,791,123	5,564,538	5,794,153
Cost of Goods Sold	6,143,740	0	0
Contractual services	84,464,663	108,196,545	105,547,265
Materials, supplies and repairs/Other	4,973,912	6,084,512	6,351,160
Depreciation	396,408	0	0
<b>Total Operating Expenses</b>	<b>100,769,846</b>	<b>119,845,595</b>	<b>117,692,578</b>
<b>Operating Income (Loss)</b>	<b>3,975,118</b>	<b>(321,137)</b>	<b>(5,743,009)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	0	5,000	5,000
Capital outlay	0	(59,237)	(65,845)
Miscellaneous revenue (expense)	0	0	(199,000)
Gain/(Loss)-Sale of fixed assets & investments	(15,514)	0	0
Debt Service	0	(137,193)	(172,555)
<b>Total Non-Operating Revenue/Expense</b>	<b>(15,514)</b>	<b>(191,430)</b>	<b>(432,400)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>3,959,604</b>	<b>(512,567)</b>	<b>(6,175,409)</b>
Capital Contribution	313,177	0	0
Operating transfers in	0	0	3,000
Operating transfers out	(127,771)	0	0
<b>Total Operating Transfers</b>	<b>185,406</b>	<b>0</b>	<b>3,000</b>
<b>Net Income (Loss)</b>	<b>4,145,010</b>	<b>(512,567)</b>	<b>(6,172,409)</b>
<b>Beginning Net Assets at July 1</b>	<b>24,989,799</b>	<b>29,134,809</b>	<b>28,622,242</b>
<b>Ending net assets at June 30</b>	<b>29,134,809</b>	<b>28,622,242</b>	<b>22,449,833</b>

Note: FY 2024 amounts are based on figures in the city's Annual Comprehensive Financial Report. The budgeted FY 2025 and FY 2026 net income change is due to the Fleet Management Fund and the reduction in healthcare revenue surplus. Ending net assets at June 30 will vary based on actual revenues and expenditures.

# TRANSFERS FROM/TO

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

## Transfer from General Fund to FY 2026

Capital Improvement Plan	12,190,087
Waste Management Fund	2,000,000
Grants Fund (estimated) <sup>1</sup>	7,604,629
<b>Total Transfers from General Fund</b>	<b>21,794,716</b>

## Transfer to General Fund from

Public Amenities Fund	3,500,000
Wastewater Utility Fund	1,500,000
Water Utility Fund	8,500,000
<b>Total Transfers to General Fund</b>	<b>13,500,000</b>

## Capital Improvement Plan Cash Sources

General Fund Transfer to CIP <sup>2</sup>	12,190,087
General Fund CIP Other Cash Support	7,966,834
Norfolk Public Schools	3,951,457
Parking Fund	2,350,000
Wastewater Utility Fund	6,000,000
Water Utility Fund	46,600,000
<b>Total Capital Improvement Plan Cash Sources</b>	<b>79,058,378</b>

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

<sup>2</sup> General fund CIP receives a transfer of cash from the General Fund and also receives cash support from other sources. Please see the CIP funding source section for more information.

# FULL TIME EQUIVALENT (FTE) STAFFING SUMMARY

	FY 2024 Adopted	FY 2025 Adopted	FY 2026 Adopted	Change FY 2025 to FY 2026
<b>General Fund</b>				
Budget and Strategic Planning	29.0	27.5	27.5	0.0
Circuit Court Judges	5.0	5.0	5.0	0.0
City Attorney	37.0	37.0	38.0	1.0
City Auditor	9.0	9.0	9.0	0.0
City Clerk	13.8	15.0	15.0	0.0
City Council	8.0	8.0	8.0	0.0
City Manager*	18.0	39.0	13.0	-26.0
City Planning	73.0	78.0	79.0	1.0
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	44.0	44.0	44.0	0.0
Commissioner of the Revenue	37.0	37.0	37.0	0.0
Commonwealth's Attorney	64.0	68.0	68.0	0.0
Communications	18.0	18.0	18.0	0.0
Cultural Facilities, Arts & Entertainment	47.0	49.0	51.0	2.0
Diversity, Equity, and Inclusion	11.0	11.0	10.0	-1.0
Economic Development	22.0	23.0	21.0	-2.0
Elections	7.0	7.0	7.0	0.0
Finance Department	68.0	69.0	69.0	0.0
Fire-Rescue	526.0	528.0	554.0	26.0
General Services and Administration	138.4	143.4	142.4	-1.0
Housing and Community Development	30.0	31.0	31.0	0.0
Human Resources	35.0	40.0	40.0	0.0
Human Services	483.5	480.5	471.0	-9.5
Information Technology	86.0	91.0	92.0	1.0
Libraries	114.5	115.5	115.5	0.0
Military and Community Affairs*	0.0	0.0	5.0	5.0
Nauticus	29.0	35.0	35.0	0.0
Neighborhood Services	69.0	51.0	51.0	0.0
Norfolk Community Services Board	311.5	323.8	305.2	-18.6
Parks and Recreation*	215.0	218.0	247.0	29.0
Office of Citizen Services*	0.0	0.0	22.0	22.0
Office of Emergency Management	0.0	4.0	4.0	0.0
Office of Public Art*	0.0	0.0	3.0	3.0
Police	750.0	838.0	840.0	2.0
Public Health	7.0	7.0	7.0	0.0
Public Works	140.0	146.0	146.0	0.0

	FY 2024 Adopted	FY 2025 Adopted	FY 2026 Adopted	Change FY 2025 to FY 2026
Resilience	11.0	11.0	11.0	0.0
Sheriff and Jail	438.0	438.0	440.0	2.0
The Slover	35.0	35.0	35.0	0.0
Transportation	60.0	60.0	63.0	3.0
Zoological Park	51.0	51.0	63.0	12.0
<b>Total General Fund</b>	<b>4,097.7</b>	<b>4,248.7</b>	<b>4,299.6</b>	<b>50.9</b>
<b>Special Revenue Funds</b>				
Cemeteries*	29.0	29.0	0.0	-29.0
Emergency Preparedness and Response	82.0	0.0	0.0	0.0
Towing and Recovery Operations	8.0	8.0	10.0	2.0
Waste Management	106.0	106.0	118.0	12.0
<b>Total Special Revenue Funds</b>	<b>225.0</b>	<b>143.0</b>	<b>128.0</b>	<b>-15.0</b>
<b>Enterprise Funds</b>				
Parking Facilities	85.4	85.4	86.4	1.0
Storm Water Management	113.0	113.0	113.0	0.0
Wastewater Utility	101.0	101.0	101.0	0.0
Water Utility	291.0	290.5	290.5	0.0
<b>Total Enterprise Funds</b>	<b>590.4</b>	<b>589.9</b>	<b>590.9</b>	<b>1.0</b>
<b>Internal Service Funds</b>				
Fleet	52.0	52.0	52.0	0.0
Healthcare	14.0	16.0	15.0	-1.0
<b>Total Internal Service Funds</b>	<b>66.0</b>	<b>68.0</b>	<b>67.0</b>	<b>-1.0</b>
<b>Total All Funds</b>	<b>4,979.1</b>	<b>5,049.6</b>	<b>5,085.5</b>	<b>35.9</b>

\*The FY 2026 adopted Budget includes reorganizations of multiple departments. The Cemeteries Fund was moved into the General Fund within the Parks and Recreation Department. The Citizen Services Program is being transferred out of the City Managers Office, and will be a new department. The Office of Public Art and the Department of Military and Community Affairs are being created in conjunction with the FY 2026 adopted Budget.

**Only permanent positions are reflected in this table.**

# BONDED INDEBTEDNESS

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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 is 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, fee-supported revenue bonds and, various other grants, fees, and dedicated funding sources. However, bond funds are strictly used for capital expenses, not ongoing operating costs.

The issuance of bonds creates a liability for the city, as it must repay bondholders with interest over the term of the loan, and therefore the city must be strategic and judicious with its spending priorities and decisions. Under the Virginia Constitution, cities can issue general obligation bonds, secured by a pledge to levy taxes if needed to cover debt service. However, the amount of tax-supported debt is limited to 10% of the total taxable assessed property value within the city.

The subsequent table displays the estimated general obligation Legal Debt Margin for the current fiscal year as of June 30, 2025, along with figures from the preceding four fiscal years. While the constitutional debt limit shown here is high, the City Council's adopted financial policies establish a more conservative debt limit to ensure fiscal responsibility.

As of	Taxable Real Property Assessed Value <sup>(1)</sup>	Debt Limit: 10% of Assessed Value	Debt Applicable to Debt Limit <sup>(3)(4)</sup>	Amount of Debt as % of Debt Limit	Legal Margin for Additional Debt
June 30, 2025 <sup>(2)</sup>	27,847,142,798	2,784,714,280	1,026,005,474	36.85%	1,758,658,806
June 30, 2024	27,210,434,577	2,721,043,458	1,164,793,737	42.81%	1,556,249,721
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

(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, 2025.

(3)Debt Applicable to Debt Limit as of June 30, 2025, excludes \$535,534,103 of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.

(4)Existing Debt as June 30, 2025. Exclusive of any future amount borrowed on the Line of Credit, and any future bond issuance.

## FINANCIAL POLICIES

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The city maintains conservative financial policies to ensure both short- and long-term fiscal sustainability while providing critical analysis for sound financial decisions. These policies guide the management of the city's finances, aiming to deliver quality services, ensure a balanced budget, and establish necessary reserves for future obligations.

A key objective is maintaining the city's bond rating, which is supported by ongoing efforts to improve financial policies, budgets, forecasts, and overall 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. Additionally, the city's adherence to Generally Accepted Accounting Principles (GAAP) and the receipt of prestigious awards such as the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award further demonstrate its commitment to quality financial management.

## GENERAL CAPITAL IMPROVEMENTS—DEBT AFFORDABILITY MEASURES

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The decision to assume new general obligation debt to finance General Capital projects shall be based on costs and benefits, current conditions of the construction and municipal bond markets, and the city's ability to afford and pay the debt. This will be determined through an objective, analytical approach, comparing the city's generally accepted measures of affordability to the current values for the city.

The City Council's debt affordability policies reflect its commitment to sound financial practices, supporting the city's high credit ratings and helping secure lower borrowing costs for capital projects. These policies are designed to preserve fiscal integrity and ensure long-term financial sustainability. The CIP for General Capital Improvements (bonds not supported by user fees) is guided by five measures of affordability, which are outlined below:

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

The adopted CIP fully complies with the city's adopted debt ratios, ensuring that all debt issuance remains within established limits. However, it is important to note that the plan maintains a tight alignment with these ratios throughout the entire five-year period, requiring careful monitoring to ensure continued fiscal responsibility. Notably, this five-year CIP incorporates a significant level of external contributions, including Commonwealth funds, grants, tax credits and anticipated philanthropic donations.

These affordability measures ensure that the city maintains a sound debt position while safeguarding the credit quality of its obligations. At the same time, the city retains flexibility to invest in projects of significance and importance, such as addressing resiliency challenges from coastal flooding, neighborhood revitalization, and economic development. Major projects like the new Maury High School, the Downtown Floodwall extension, and renovations to Chrysler Hall and Scope are actively managed within the CIP. The city remains committed to

reassessing its future debt issuance and strategic investments considering external funding changes, available revenue for debt repayment, and current budget priorities.

## STATEMENT OF NO PAST DEFAULT

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

## OUTSTANDING DEBT

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Debt service for General Capital Improvements is funded through the General Fund. In contrast, debt for enterprise and other fee-supported operations is paid from the respective revenues generated by the fees and rates charged for services, without being secured by taxes or General Fund revenues. The estimated total outstanding bonded indebtedness, including revenue bonds, at the end of FY 2025 is estimated to be \$1,373,017,923 (excluding any amounts borrowed on the Line of Credit and any future bond issuances). The city anticipates issuing additional General Capital debt in the next fiscal year to meet the cash flow needs of previously approved capital projects, as well as the FY 26 CIP. As a result, debt service is expected to rise significantly over the next five years, which will require careful consideration in future financial and budgetary planning.

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 annually to address new or changing priorities. Projects may be adjusted based on service level standards and needs, special funding opportunities, emergency requirements, or directives or priorities established by the City Council. Because priorities can change, planned projects included in outward years are not guaranteed funding. Only those projects identified in the first year of the five-year CIP are appropriated in the adopted budget. The five-year CIP is essential for long-term planning, establishing funding priorities, coordinating departmental projects, and ensuring the city's financial sustainability. It serves as a critical tool for linking infrastructure needs, community priorities, and the city's fiscal capacity.

Properly managing the city's debt is crucial to its overall financial health, and its growth is tied to the growth of financial resources. The city does not borrow funds for authorized projects until those projects are actively moving forward and incurring expenses. Most capital projects go through multiple phases, including design, land/rights-of-way acquisition, permitting and construction. While many capital projects take one or two years from start to completion, major projects may span several years before significant spending begins. The CIP enables the annual appropriation of funds for specific phases while allocating resources for future phases.

The city uses bonds for projects that have at least the same useful life as the bond repayment period. For instance, a twenty-year bond is used to finance projects with at least a twenty-year expected lifespan, ensuring that the city pays for the infrastructure as it is used.

When structuring debt, the city also considers factors such as repayment sources, project types, 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 pays down the principal evenly over the bond's life, decreasing total debt service over time.

The level annual debt service structure, similar to a mortgage, starts with higher interest payments and gradually increases principal repayment. While this structure offers lower initial debt service costs, the overall cost is higher.

The predictability and consistency of the level annual debt service structure is particularly useful for revenue bonds, like those for Norfolk's Water, Wastewater, and Storm Water programs, which are secured by user fees.

Both structures have their merits, however the city primarily uses the level annual principal structure to finance General Capital projects, as it minimizes overall borrowing costs by repaying debt more quickly. This faster repayment recycles the city's debt capacity, offering greater flexibility for future capital projects.

## ENTERPRISE AND OTHER SELF-SUPPORTING OPERATIONS DEBT

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The city issues revenue bonds to acquire, improve, or construct capital assets or to refund previous bonds, but does not use bonds to fund daily operations. Norfolk's Water, Wastewater, and Storm Water Revenue Bond programs are governed by bond indentures and financing agreements, which include restrictive covenants such as debt coverage requirements (revenue-to-debt service ratios) to support long-term fiscal sustainability. Each revenue bond program is backed by the revenues of their corresponding system. The city has committed to setting rates, fees, and charges to ensure that net revenues meet or exceed the required debt service coverage. Historically, all revenue bond programs, including projections for FY 2026, meet these requirements.

As previously noted, outstanding Wastewater and Storm Water bonds consist of a blend of general obligation and revenue bonds, while Water bonds are entirely revenue-backed. The city finances capital needs for its Parking, Nauticus, Towing and Recovery and Waste Management operations 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. Should money in the respective funds not be 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

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Bond or credit ratings provide an independent opinion of an issuer's creditworthiness, such as the city, based on relevant risk factors. Long-term general obligation ratings reflect an issuer's ability and willingness to repay its debt obligations, on a timely basis. Municipal credit ratings are primarily influenced by four key factors: the issuer's financial position, 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. Investors rely on ratings when making investment decisions, and underwriters use them to decide whether to underwrite a particular bond issue or a willingness to hold the investment.

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") - each use their own methodology to assess creditworthiness and use specific rating scale to communicate their opinions. Ratings are typically expressed as letter grades, ranging from 'AAA' to 'D', to indicate the level of credit risk. Within each rating category, credits may also be further distinguished by "notches". The current 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+	AAA

Norfolk's bond ratings are considered very strong, helping the city secure low financing costs for key capital projects. In general, an AA rating indicates very high-quality bonds with some elements of long-term risks, while AAA represents the highest-quality bonds. These ratings serve as a benchmark for comparing the city's credit profile with

other governmental entities. The ratings reflect the city's strong economy, liquidity, and management practices. The city is committed to maintaining and improving its overall credit standing, balancing financial flexibility with potential limitations or restrictions.

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

## Computation of Legal Debt Margin

### June 30, 2025 (Estimated)

Total Assessed Value of Taxed Real Property as of March 31, 2024	\$27,847,142,798
Debt Limit: 10% of Total Assessed Value	\$2,784,714,280
Amount of Debt Applicable to Debt Limit: <sup>(1)(2)(3)(4)</sup>	
Gross Debt	\$1,026,005,474
Legal Debt Margin	\$1,758,658,806
Amount of Debt as a percent of Debt Limit	36.85%

(1) Includes all non-General Fund supported general obligation debt including Wastewater, Parking, Storm Water, 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 general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.

(4) Existing Debt as of June 30, 2025. 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 <sup>(1)(2)</sup>			General Obligation Equipment <sup>(1)</sup>			Water Revenue <sup>(1)</sup>		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	84,158,559	32,559,871	116,718,430	355,000	100,375	455,375	18,965,000	11,378,863	30,343,863
2027	84,933,855	30,061,658	114,995,513	355,000	82,625	437,625	16,235,000	10,495,663	26,730,663
2028	85,149,151	27,418,977	112,568,129	190,000	69,000	259,000	14,000,000	9,733,213	23,733,213
2029	77,808,982	24,745,779	102,554,761	1,285,000	32,125	1,317,125	13,400,000	9,041,238	22,441,238
2030	75,335,290	22,297,654	97,632,944	-	-	-	13,068,342	8,544,534	21,612,875
2031	71,000,290	20,035,909	91,036,199	-	-	-	12,695,643	7,921,670	20,617,313
2032	71,065,290	17,408,960	88,474,250	-	-	-	12,298,018	7,317,882	19,615,900
2033	64,530,290	15,366,479	79,896,768	-	-	-	11,880,467	6,734,515	18,614,982
2034	57,545,290	12,823,173	70,368,462	-	-	-	11,442,990	6,172,298	17,615,288
2035	55,550,290	10,876,210	66,426,500	-	-	-	10,980,589	5,632,317	16,612,907
2036	53,375,290	9,098,046	62,473,336	-	-	-	8,448,264	5,166,899	13,615,163
2037	54,067,899	7,532,355	61,600,255	-	-	-	8,861,016	4,755,934	13,616,950
2038	51,095,000	5,679,633	56,774,633	-	-	-	9,288,446	4,325,486	13,614,332
2039	42,445,000	4,240,262	46,685,262	-	-	-	9,741,754	3,872,834	13,614,588
2040	18,775,000	3,273,150	22,048,150	-	-	-	9,579,742	3,417,409	12,997,150
2041	18,815,000	2,530,692	21,345,692	-	-	-	10,037,809	2,959,341	12,997,150
2042	9,815,000	1,827,950	11,642,950	-	-	-	10,520,958	2,478,068	12,999,025
2043	11,105,000	1,425,706	12,530,706	-	-	-	11,029,188	1,972,338	13,001,525
2044	7,215,000	1,103,108	8,318,108	-	-	-	11,557,500	1,441,025	12,998,525
2045	7,410,000	877,020	8,287,020	-	-	-	12,115,896	882,879	12,998,775
2046	7,600,000	643,921	8,243,921	-	-	-	8,509,376	401,274	8,910,650
2047	7,935,000	395,553	8,330,553	-	-	-	2,632,941	157,084	2,790,025
2048	5,400,000	178,431	5,578,431	-	-	-	2,736,592	57,558	2,794,150
2049	2,860,000	45,560	2,905,560	-	-	-	439,068	2,195	441,263
<b>Total</b>	<b>1,024,990,474</b>	<b>252,446,059</b>	<b>1,277,436,532</b>	<b>2,185,000</b>	<b>284,125</b>	<b>2,469,125</b>	<b>250,465,000</b>	<b>114,862,515</b>	<b>365,327,515</b>

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

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

Fiscal Year	Wastewater Revenue <sup>(1)</sup>			Storm Water Revenue <sup>(1)</sup>			Totals <sup>(1)</sup>		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	8,454,222	86,592	8,540,814	34,751	503	35,254	111,967,532	44,126,203	156,093,735
2027	7,752,445	70,946	8,525,168	34,838	416	35,254	109,311,137	40,711,307	150,724,222
2028	7,956,715	151,730	7,904,175	34,925	329	35,254	107,330,792	37,373,248	144,499,769
2029	7,252,183	143,762	8,100,477	35,012	241	35,254	99,781,178	33,963,145	134,448,854
2030	6,835,191	135,754	7,387,937	35,100	154	35,254	95,273,922	30,978,095	126,669,010
2031	6,418,239	127,706	6,962,897	35,188	66	35,254	90,149,360	28,085,350	118,651,662
2032	6,051,328	119,618	6,537,857	-	-	-	89,414,635	24,846,460	114,628,007
2033	5,559,456	111,489	6,162,816	-	-	-	81,970,213	22,212,482	104,674,567
2034	5,335,126	103,319	5,662,776	-	-	-	74,323,406	19,098,789	93,646,526
2035	4,820,853	95,109	5,430,235	-	-	-	71,351,732	16,603,637	88,469,641
2036	4,289,121	86,857	4,907,710	-	-	-	66,112,675	14,351,802	80,996,209
2037	3,714,517	78,565	4,367,685	-	-	-	66,643,432	12,366,854	79,584,890
2038	3,318,796	70,230	3,784,747	-	-	-	63,702,641	10,075,349	74,173,712
2039	3,114,216	61,854	3,380,650	-	-	-	55,300,970	8,174,950	63,680,500
2040	3,010,590	53,436	3,167,653	-	-	-	31,365,331	6,743,995	38,212,953
2041	2,843,709	44,976	3,055,566	-	-	-	31,696,518	5,535,010	37,398,409
2042	2,426,871	36,474	2,880,183	-	-	-	22,762,829	4,342,492	27,522,159
2043	1,715,416	27,929	2,454,800	-	-	-	23,849,604	3,425,972	27,987,031
2044	1,724,004	19,341	1,734,757	-	-	-	20,496,504	2,563,474	23,051,391
2045	1,118,094	11,286	1,735,290	-	-	-	20,643,990	1,771,185	23,021,085
2046	969,816	6,072	1,124,166	-	-	-	17,079,192	1,051,267	18,278,737
2047	486,727	1,217	971,033	-	-	-	11,054,669	553,854	12,091,611
2048	-	-	486,727	-	-	-	8,136,592	235,990	8,859,309
2049	-	-	-	-	-	-	3,299,068	47,755	3,346,823
<b>Total</b>	<b>95,167,637</b>	<b>1,644,260</b>	<b>105,266,120</b>	<b>209,813</b>	<b>1,709</b>	<b>211,521</b>	<b>1,373,017,923</b>	<b>369,238,667</b>	<b>1,750,710,813</b>

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

(1) Existing Debt Service as of June 30, 2025. 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.

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