

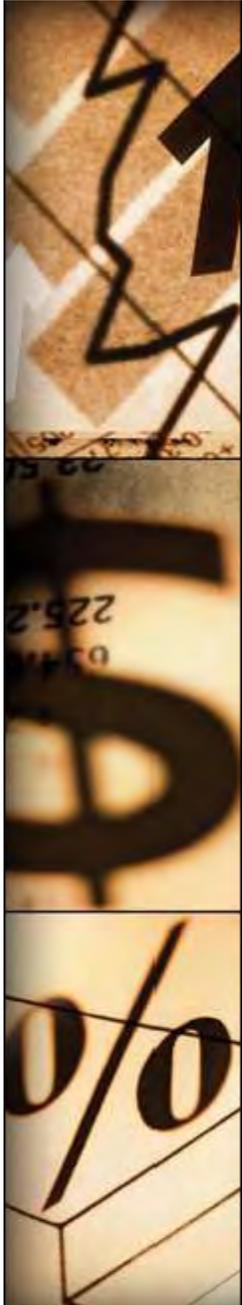
Five Year Forecast

FY 2013-2017

City of Virginia Beach

Table of Contents

Introduction.....	2
Demographics and Economic Indicators.....	4
Formula Revenues.....	21
School Forecast.....	33
City Forecast.....	51
Conclusions and Threats to the Forecast.....	75
Appendix.....	80



Introduction

This year's Five Year Forecast is being presented under very similar circumstances to last year's forecast. The national economy continues to grow at an extremely slow pace and some economists fear that the country could experience a double dip recession. While some aspects of the economy have shown improvement, the continued struggle of the housing market weighs heavily on local governments, many of which rely on real estate taxes as their main source of revenue.

This year's document may look a little different than it has in the past. There's that old expression, "a picture is worth a thousand words", and in this year's forecast staff has taken that to heart. Each section in the document will have a brief introduction that highlights the main theme followed by a series of graphs illustrating the forecast projections. While there are brief summaries explaining each graph in the forecast, an attempt is made to capture the most important points in only a few sentences.

While the document may look a little different, its purpose remains the same. The Five Year Forecast provides to the reader a current depiction of the budget and projections of the upcoming five years. Included in this are outlooks of the major City and School revenues and expenditures and what forces are driving their performance over the forecasted period.

This report is divided into five main sections:

The **Demographics and Economic Indicators** section includes a discussion of the more impactful demographic trends anticipated to occur over the next five years. Discussion will also include some of the major economic indicators that are occurring nationally and/or locally and how those indicators could impact the forecasted revenues and expenditures.

The **Formula Revenues** section will discuss all of the major revenue sources shared by the City and School system and their performance and projections during the forecast period.

The **School Forecast** section contains revenues unique to the School system, as well as expenditure trends that are driving costs over the next five years. It will also illustrate the current formula revenue trends in support of the School system.

The **City Forecast** section highlights all revenue received by the City including funding formula taxes and "non-formula" taxes, as well as a discussion of fees and other revenues that support local government services. Like the School forecast, this section will project key expenditure

drivers and their impact on City expenditures over the next five years.

Finally, the ***Conclusions and Threats to the Forecast*** will provide an overall picture of City and School revenues and expenditures, as well as a discussion of the major threats potentially impacting the forecast.

Although we don't have a crystal ball and can't predict the future, this report represents staffs best efforts to provide the reader with the information necessary to make informed decisions as we enter the FY 2012-13 budget.





Demographics and Economic Indicators

The City of Virginia Beach, like much of the country, is experiencing demographic and economic trends that will have impacts on service delivery over the next five years and well into the future. As a City, it is important to recognize these trends and begin to plan for their impacts on our community.

Demographics

The most basic demographic trend occurring in Virginia Beach is the slow growth in the City's population. From 1990 to 2000, the census shows the City's population grew by 8.2%, but from 2000 to 2010, the rate of growth fell to 3.0%. Due to the slowing rate of population growth experienced over the past decade, the City is only projecting an annual average growth rate of 0.3% over the forecast period. As was recently noted by a demographer at the University of Virginia, the City's births has exceeded deaths, but that positive residual has barely offset our negative net migration (the City has experienced a net out migration for nearly every year since 1993).

While the City's population grew, the City's School system actually saw a decline in enrollment from 1998 to 2011. During that period, enrollment fell 10.5%. In 2009, student enrollment fell below 70,000 students for the first time since 1990.

Despite this trend, the Schools are projecting a modest increase in enrollment of 1% over the forecast period.

The trend that may have the single largest impact on the City is the aging of the City's population. As the population ages, the needs of these residents will have to be met in order to maintain the long term viability of the City as a community for a lifetime. This trend is certainly not particular to Virginia Beach, as many cities across the country will need to be prepared to modify service delivery for the aging population. The bottom line is that municipal services will have to serve this growing customer base.

The National Association of Area Agencies on Aging (n4a) has conducted research and identified the ten best practices for communities in preparing for the aging population boom. According to their research, communities who are looking to prepare for the needs of their more senior residents should provide:

- Preventive health care
- Nutrition education
- Age appropriate fitness programs and recreational facilities
- Safe driving assistance, including larger, easier-to-read road signage, grooved lane dividers, reflective road markings, dedicated left-turn lanes, and transportation options available for people who cannot or do not want to drive
- Special planning and training for public safety personnel and other first responders
- Home modification programs
- Tax assistance and property-tax relief

- Re-training and lifelong learning opportunities
- Community engagement opportunities
- A single point of access to all aging information and services in the community

While this list isn't all inclusive, many of the services and programs described are currently being provided by the City of Virginia Beach. While the City may be well positioned to deal with this demographic trend, more can always be done to help these residents enjoy their "golden years".

Economic Indicators

This section will explore the economic environment across the country as well as how our local economy is performing. For the past several years, Virginia Beach has remained optimistic that the economy and the housing market would have turned the corner by now and that a full recovery would be occurring. Unfortunately, this optimism has not played out and the national economy remains weak.

The best indicator of the nation's weak economy is the Gross Domestic Product (GDP). The recession of 2008 and 2009 was the largest and longest decline in GDP since the recession that occurred from 1945 to 1947. The country has faced other recessions, but growth coming out of those periods was more robust than the country experienced during this recession.

One of the biggest factors constraining a recovery is continued high unemployment. Nationally, since May of 2009, the unemployment rate has dipped below 9% only twice (February of 2011 at 8.9% and March of 2011 at 8.8%). In order to reduce the unemployment rate by 1%, the economy will need to add 1.5 million jobs. Currently, the unemployment rate stands at 9%; however, actual unemployment is thought to be considerably higher as many have become frustrated and stopped looking for work altogether. According to the Bureau of Labor Statistics, 42.9% of those unemployed have been unemployed for more than 27 weeks.

Of those that are still employed, wages have declined. According to the Bureau of Labor Statistics, real average hourly earnings fell 1.9%, seasonally adjusted from September 2010 to September 2011. When this is coupled with inflation, which is up 3.9% from 2010 to September 2011, the purchasing power of the average consumer has fallen considerably. With this decrease in buying power, consumer spending has become very unpredictable. In August 2011, consumer spending reached its lowest level since April 2009.

The stock market has also become increasingly volatile. On August 4, 2011, the stock market experienced a 513 point decline which erased all of the gains experienced up to that point for 2011. August also saw four days of 400 point swings for the first time. It appears that much of this volatility is due to the markets reactions to political and

economic data. Some economists opine that there is too much reaction to the political and not enough to the economic.

In spite of all of these factors, businesses are experiencing record profits; however, this has not translated into hiring. While hiring isn't taking place, there has been some increase in business savings and investments as companies have begun purchasing land, buildings, and equipment.

Another major factor in the economic crisis has been consumer spending. Although spending is increasing, the country certainly has not seen the level of consumer spending experienced before the recession began in 2007. Average annual growth in consumer spending was 3% prior to the recession. In 2010, spending increased just 2%, and these increases were off of the lowered recessionary base.

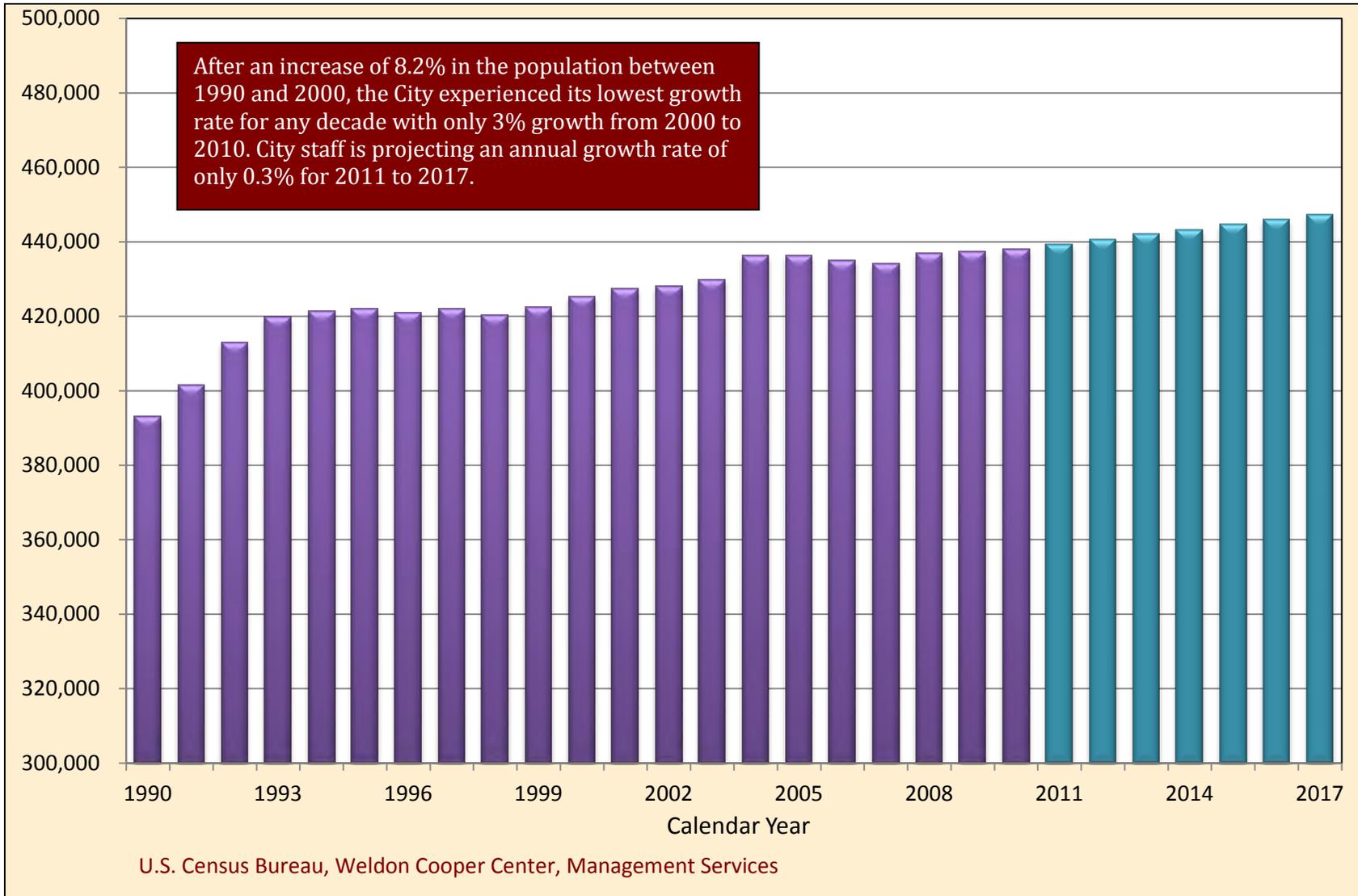
The most staggering blow to the national economy and the local economy has been the housing market. While Virginia Beach is faring better than some communities across the country, very real impacts of the housing crisis are still being felt. By including the Real Estate Assessor's projection for FY 2012-13, property values in Virginia Beach have declined 17.6% since FY 2009-10. The Real Estate Assessor's office is not projecting growth in real estate assessments until FY 2016-17, the last year of the

forecast period. Many homeowners are now "under water" and foreclosures continue to plague the market.

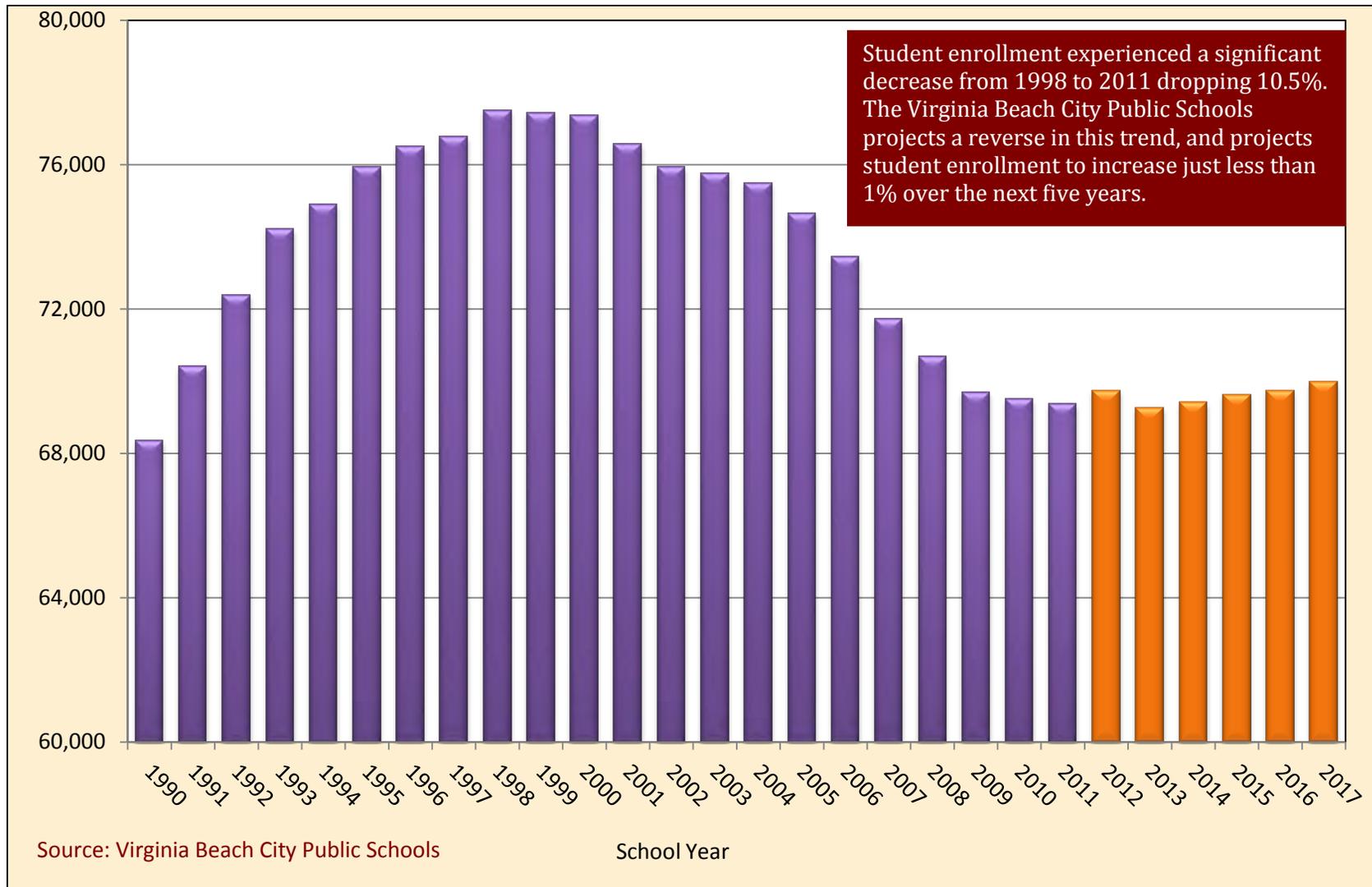
Uncertainty exists in how much the City will receive, how the City will be affected by political decisions, and how these decisions will affect the local economy. The City of Virginia Beach and the entire Hampton Roads region is highly dependent on military spending. Military spending in Virginia Beach grew in 2010, but there is a great deal of uncertainty about the Congressional Super Committee being able to reach consensus prior to their November deadline. If they are unable to reach an agreement, automatic reductions in spending will occur and a large proportion will be in military spending.

With all of these other economic factors as a backdrop, it is not surprising that consumer confidence has fallen back below 50 (anything below 50 indicates a contracting economy). In August 2011, consumer confidence fell almost 15 points to the lowest level since April 2009. The consumer confidence survey was completed in the first two weeks of August 2011, which captures the wild streak on Wall Street, the downgrade of U.S. debt, and the national debt ceiling debate. Although those events have passed, consumer confidence remained low in September 2011 and could continue to remain low as people continue to express frustration with government.

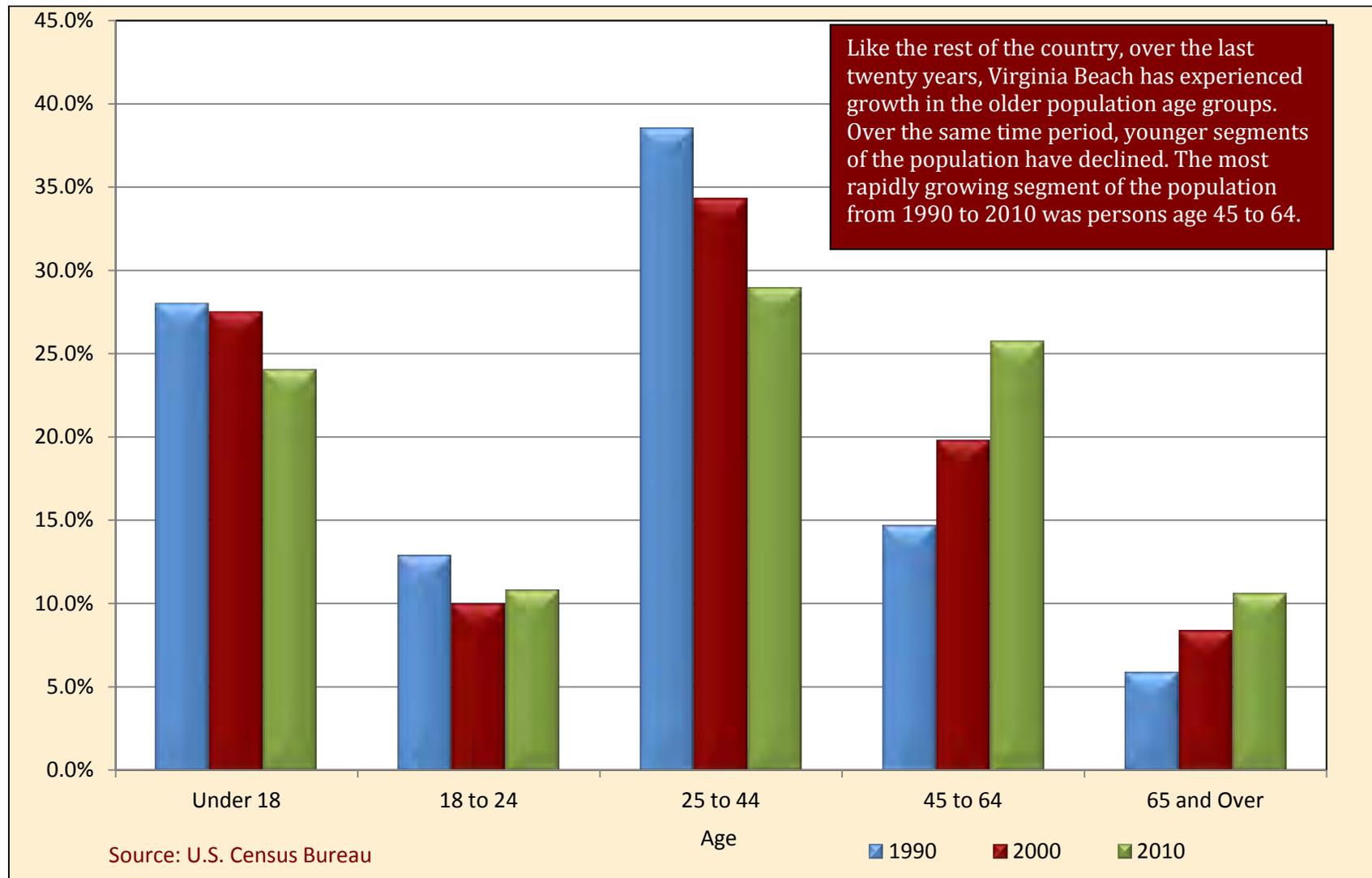
City of Virginia Beach Population



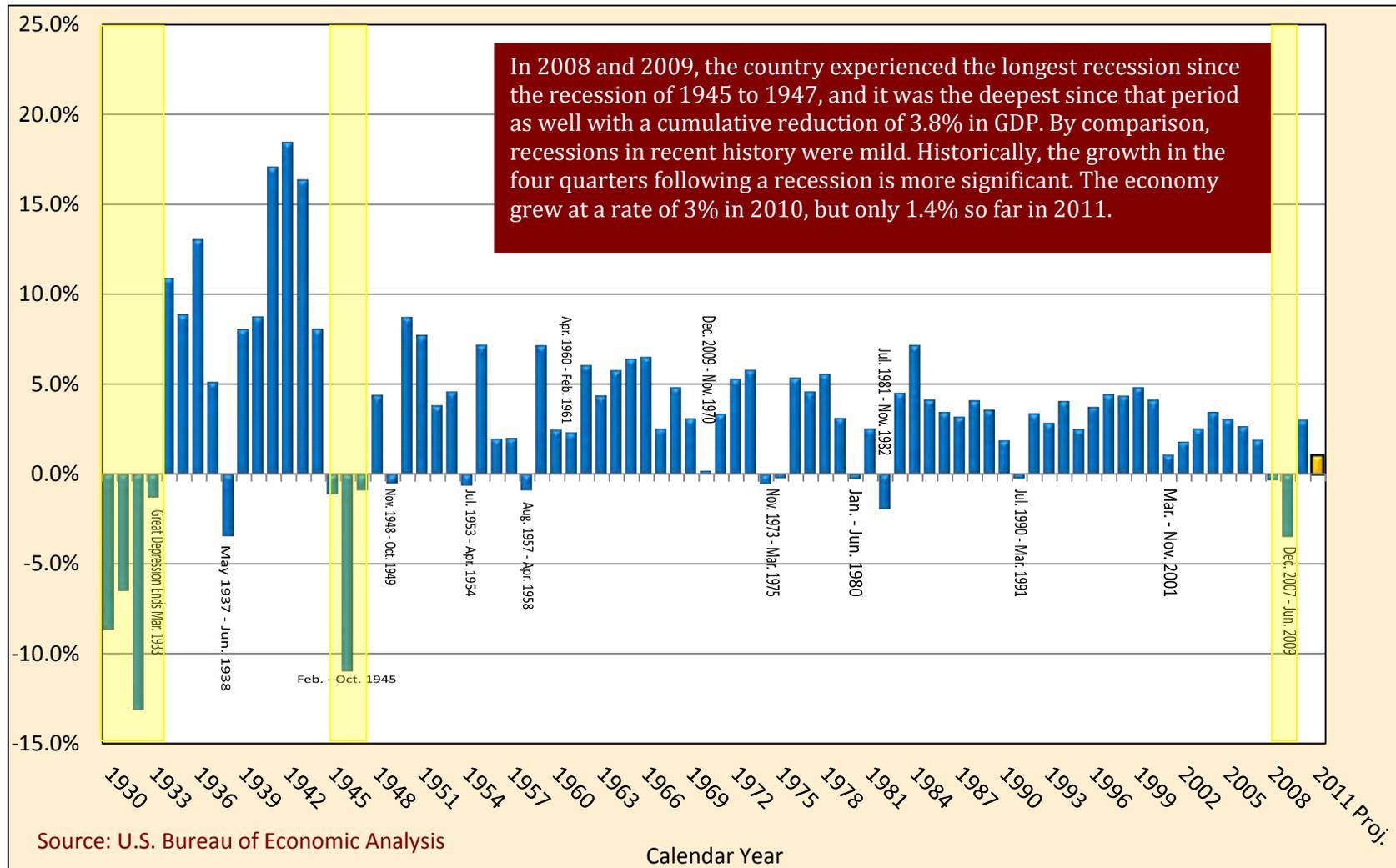
Student Enrollment Virginia Beach City Public Schools



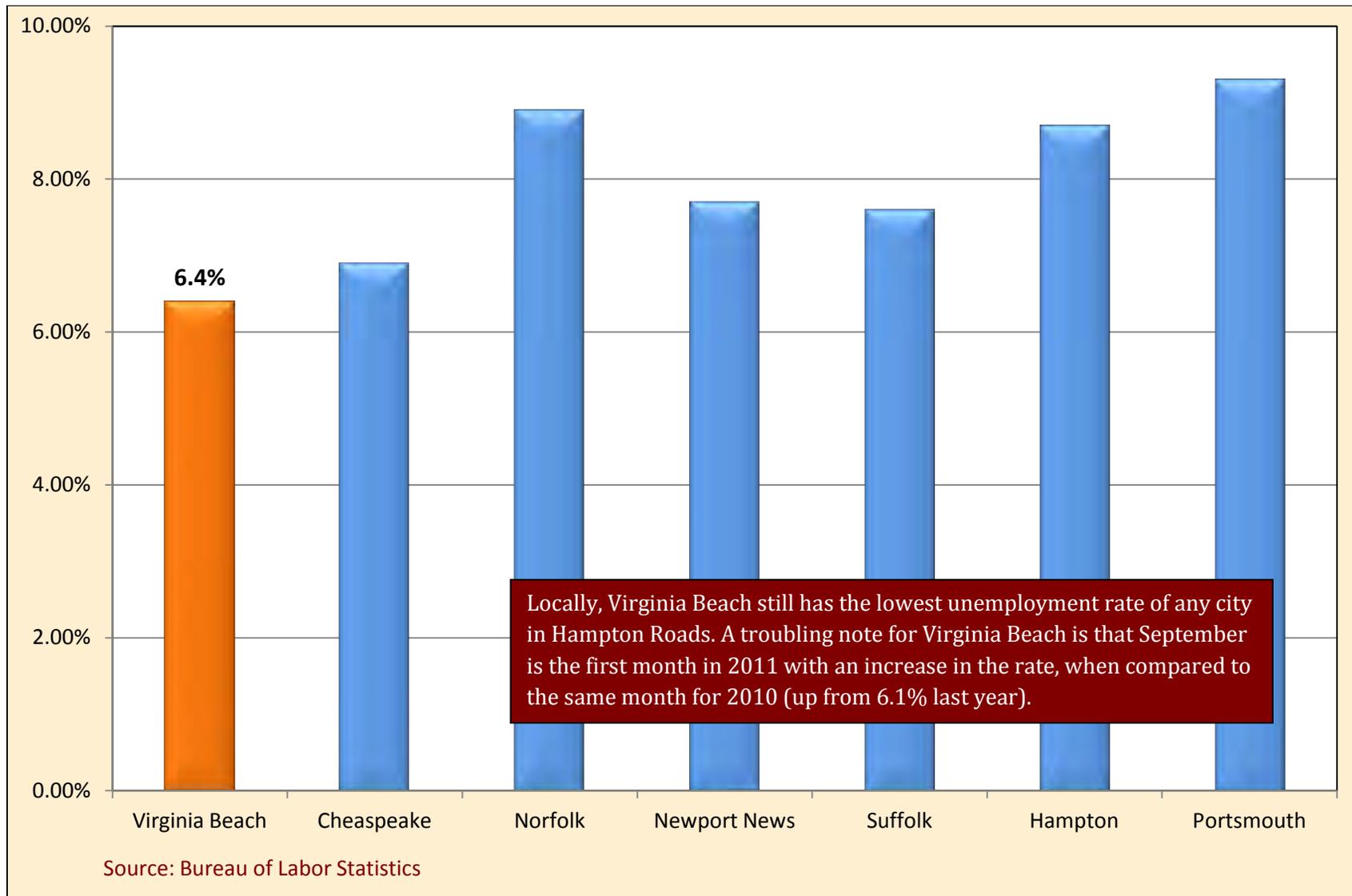
Proportion of the Population by Age



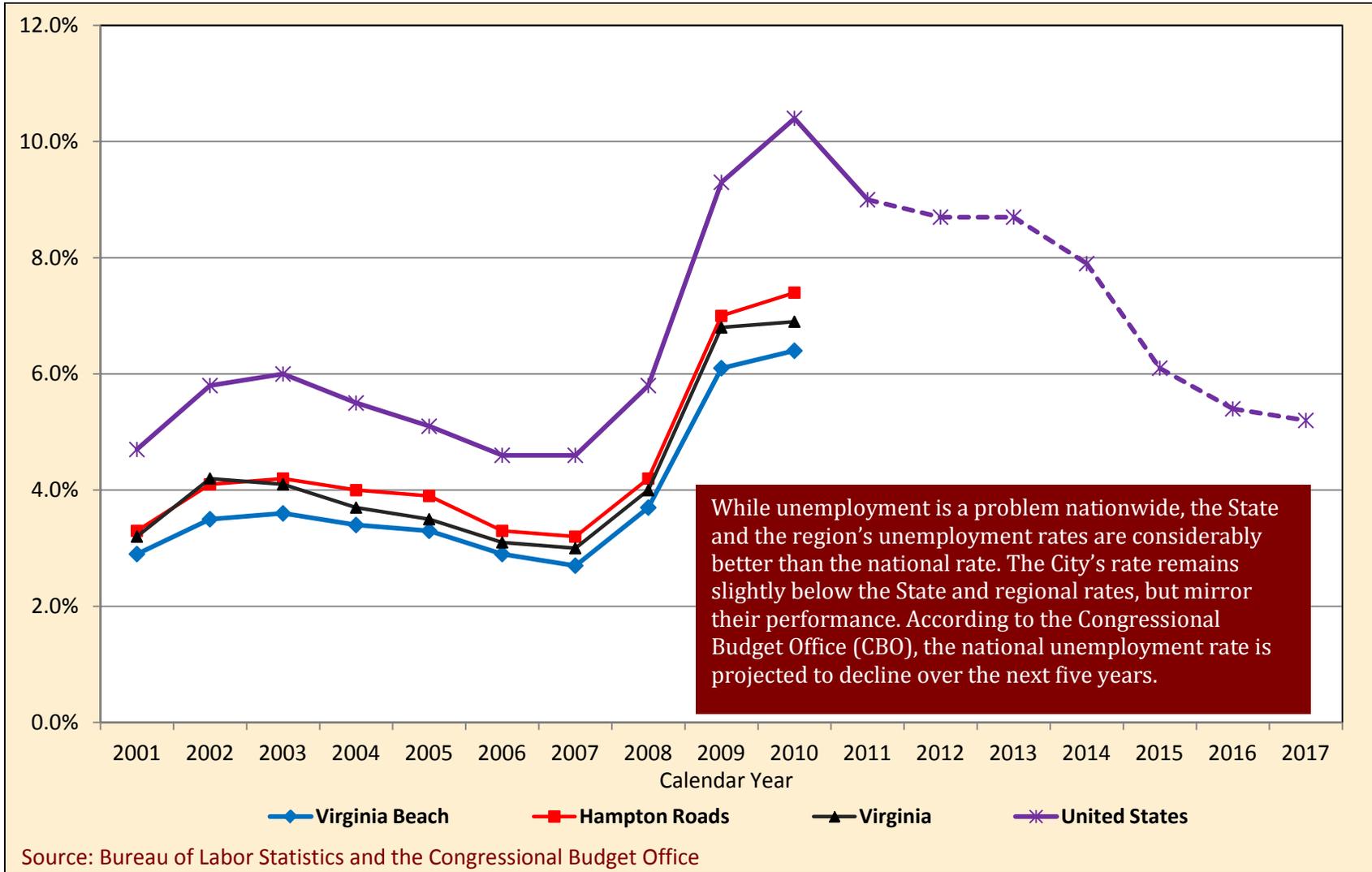
Historical Comparison of Recession and Recovery Percent Change in Gross Domestic Product (GDP)



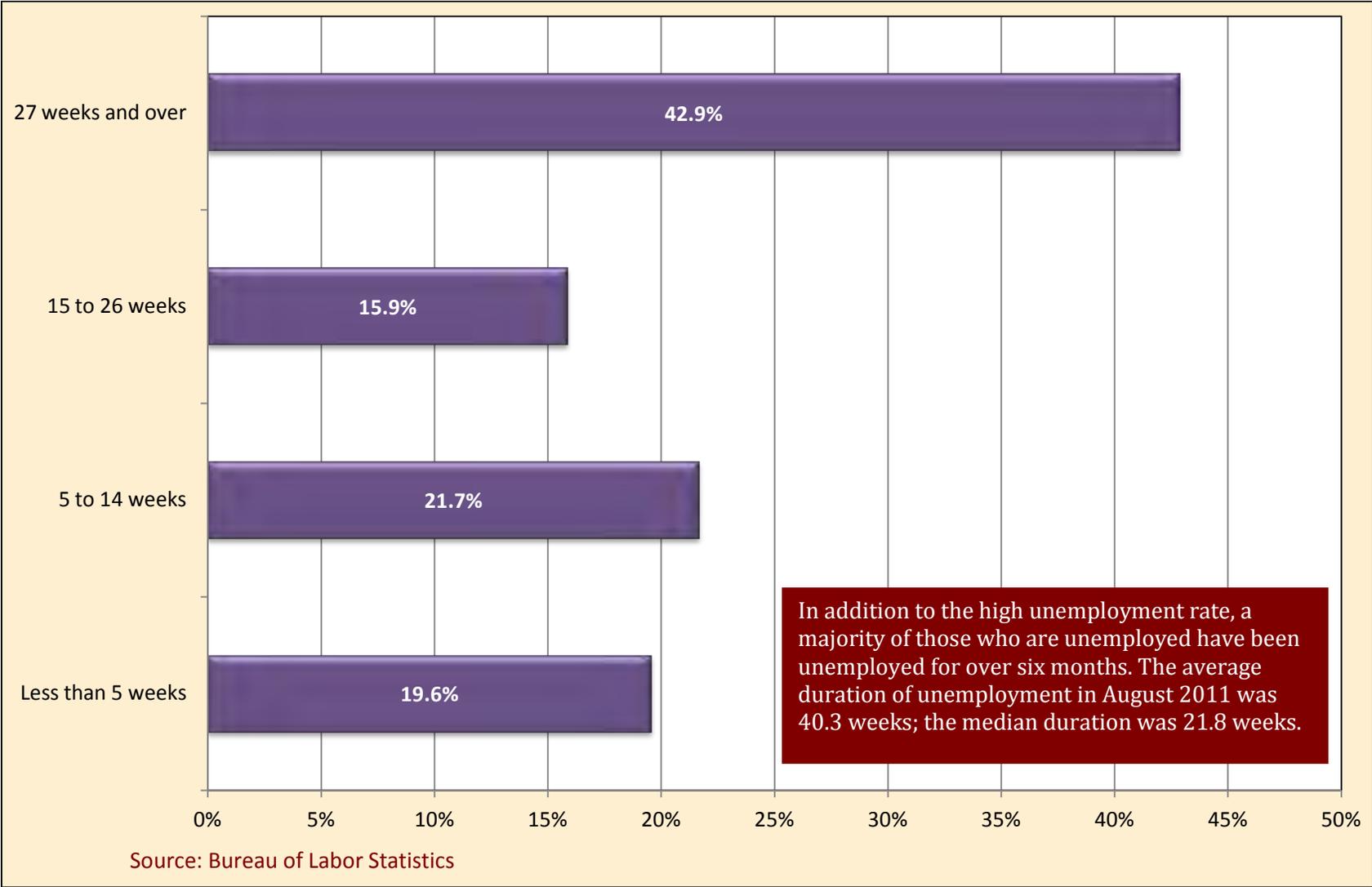
Local Unemployment Rates (September 2011)



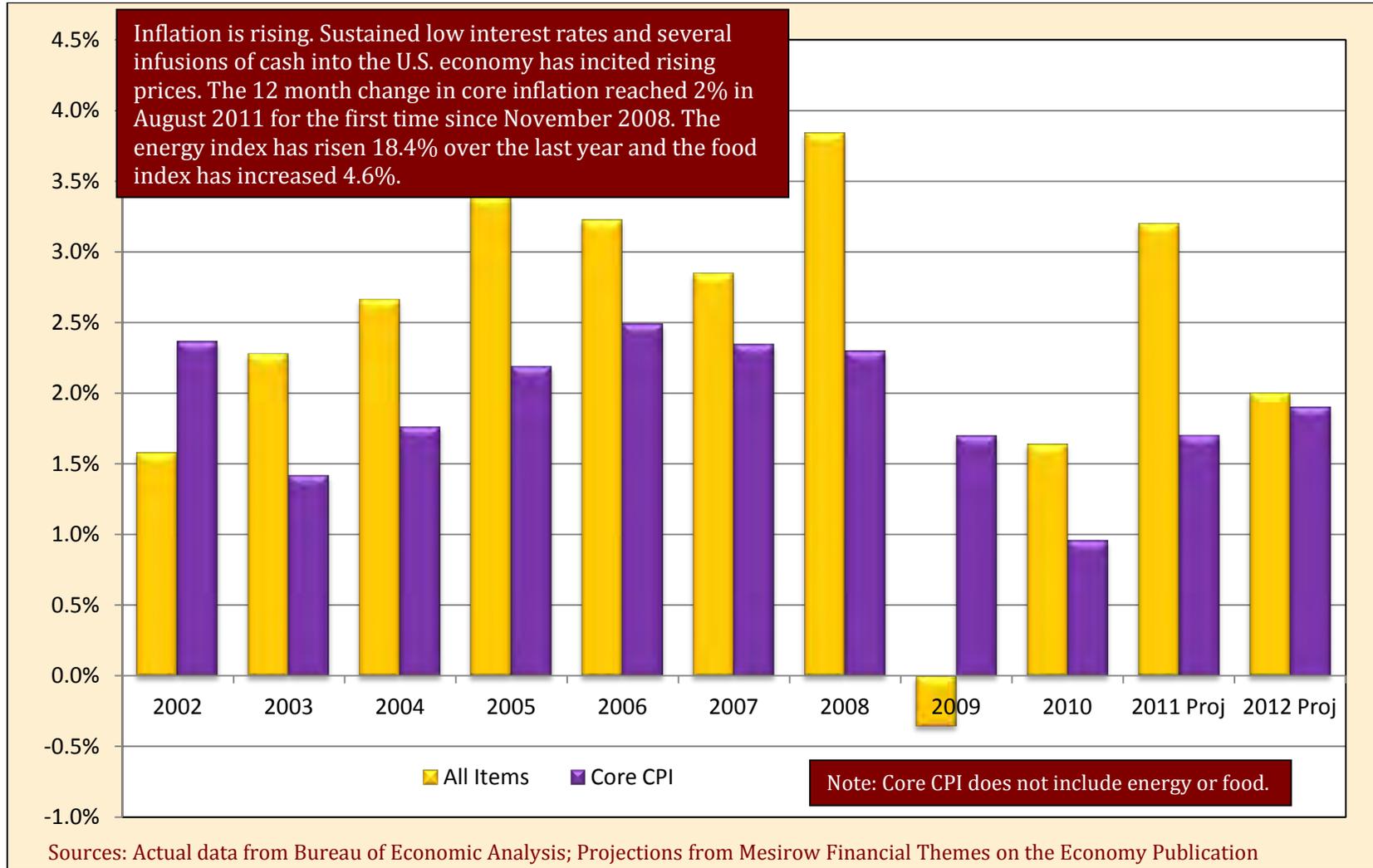
A Comparison of National, State, and Local Unemployment Rates



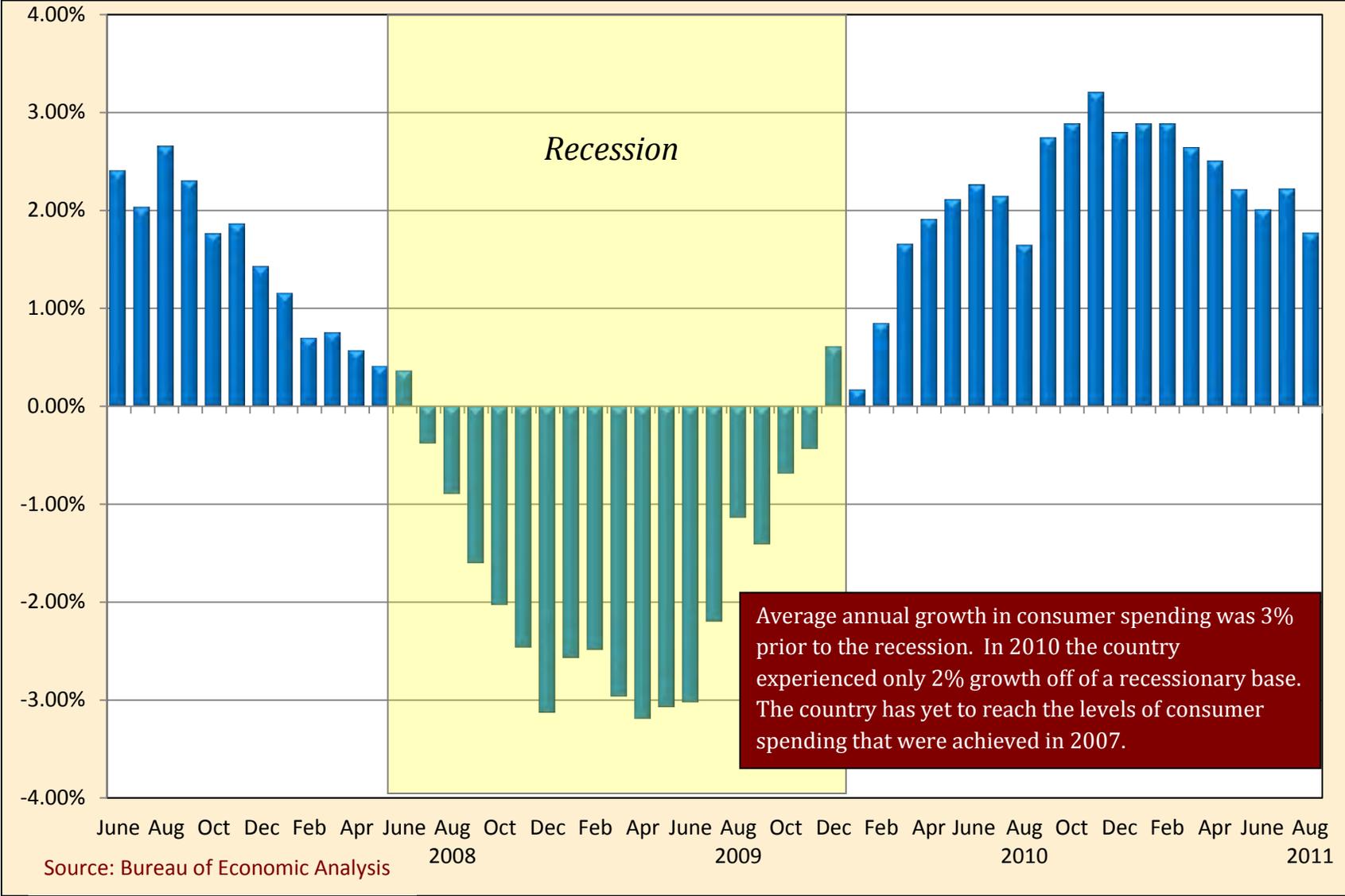
How Long Have Americans Been Unemployed?



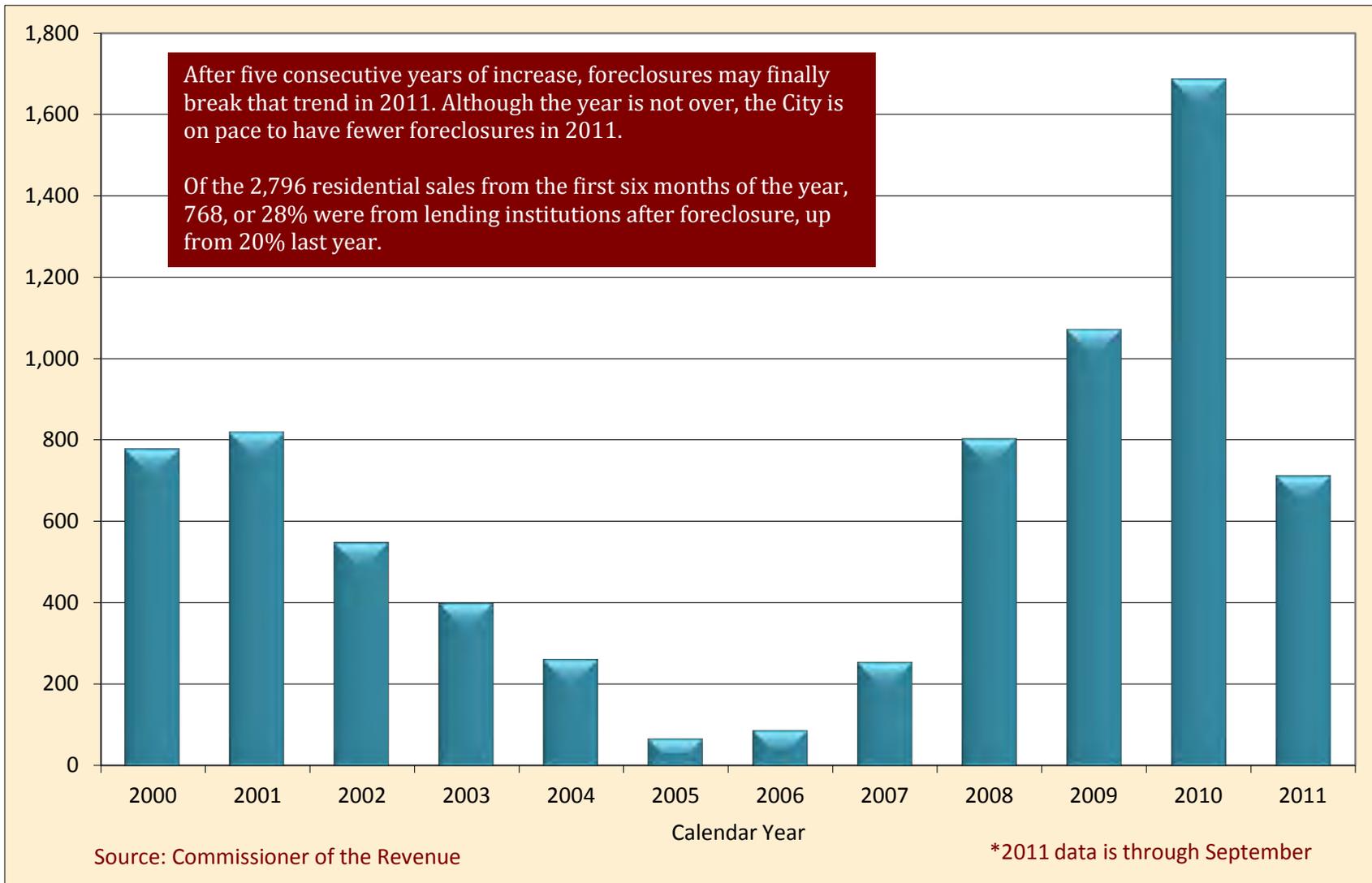
Change in Consumer Price Index (CPI)



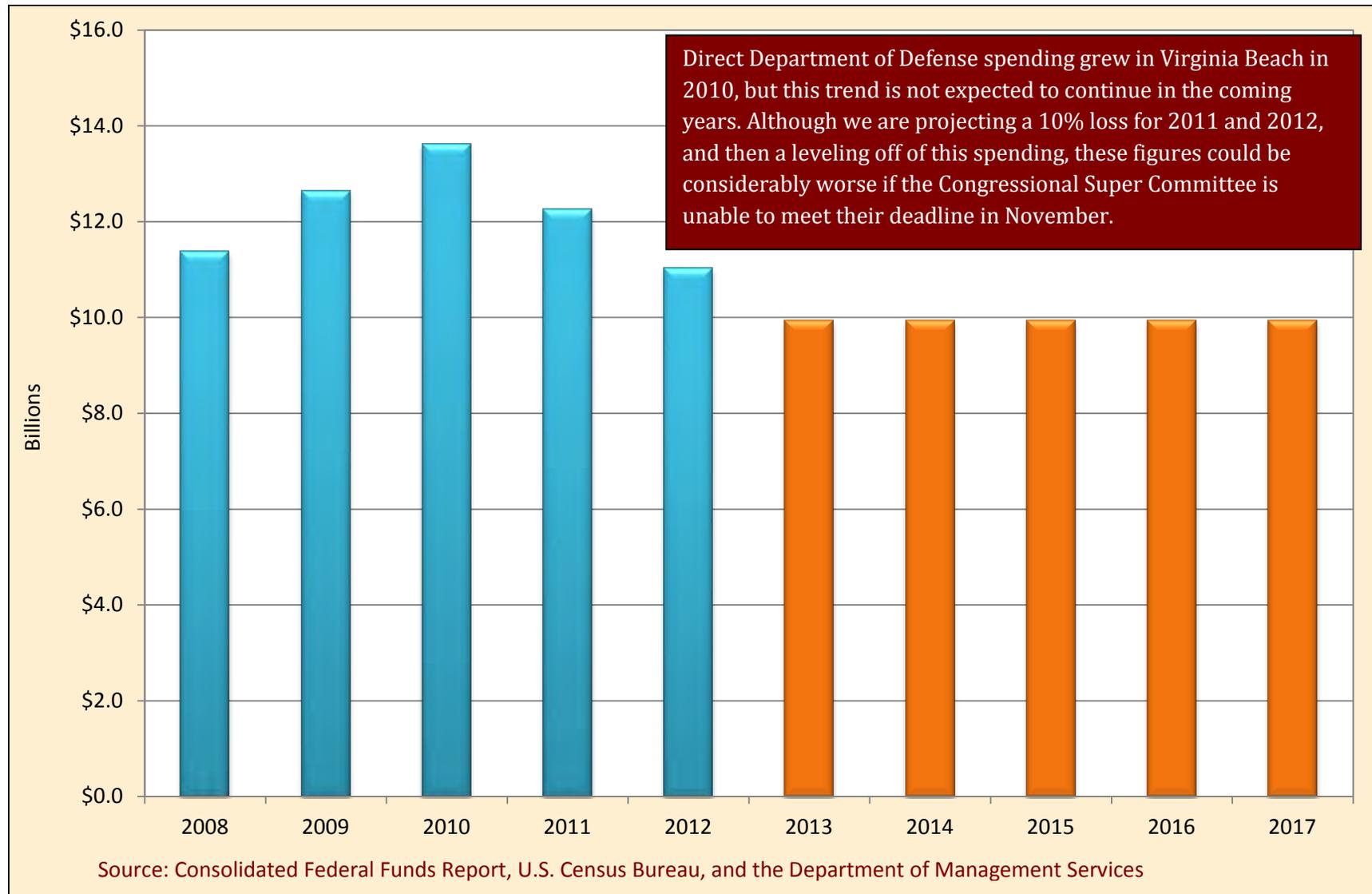
Percent Change in National Consumer Spending



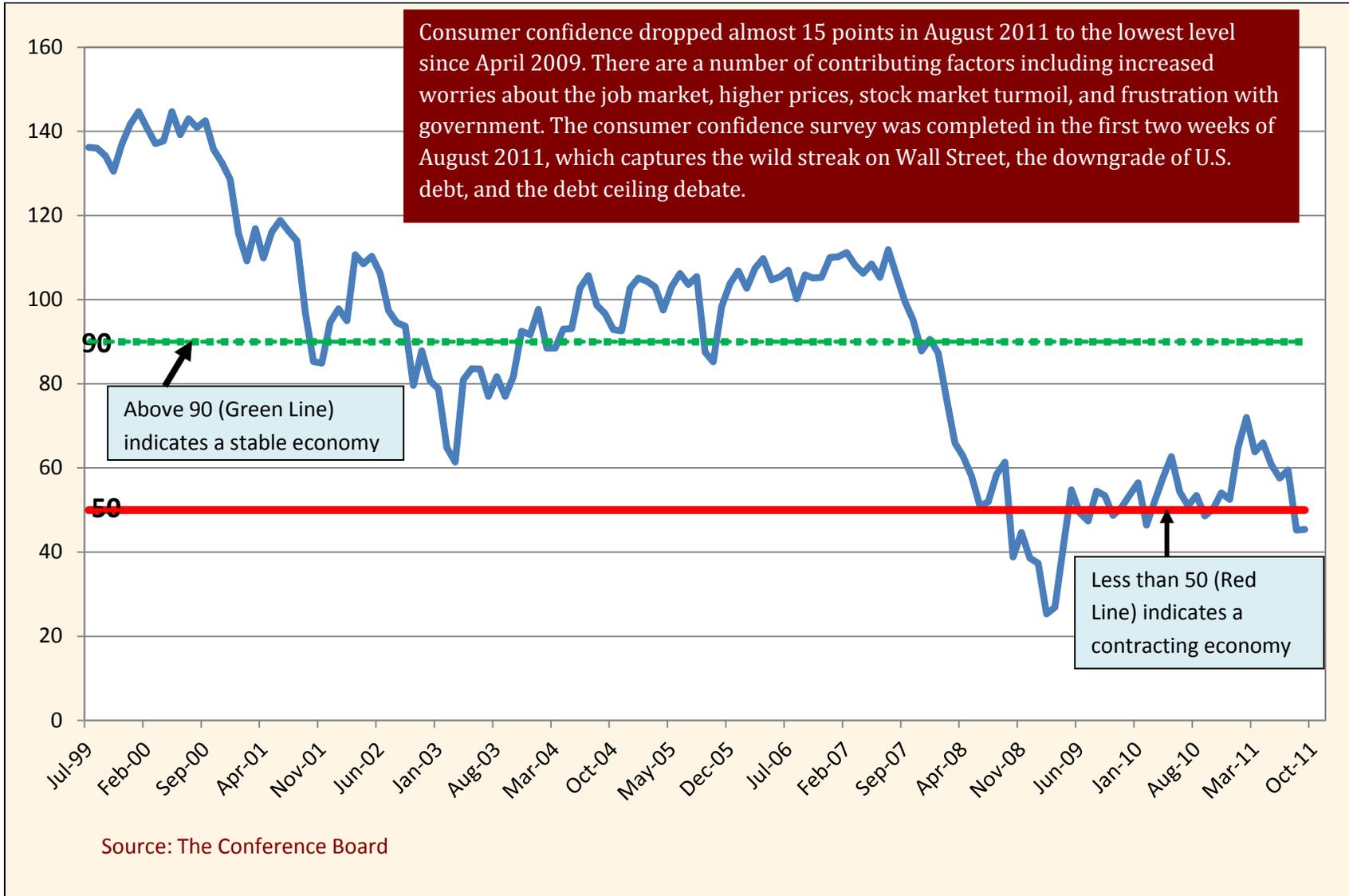
Foreclosures in Virginia Beach



Department of Defense Spending in Virginia Beach

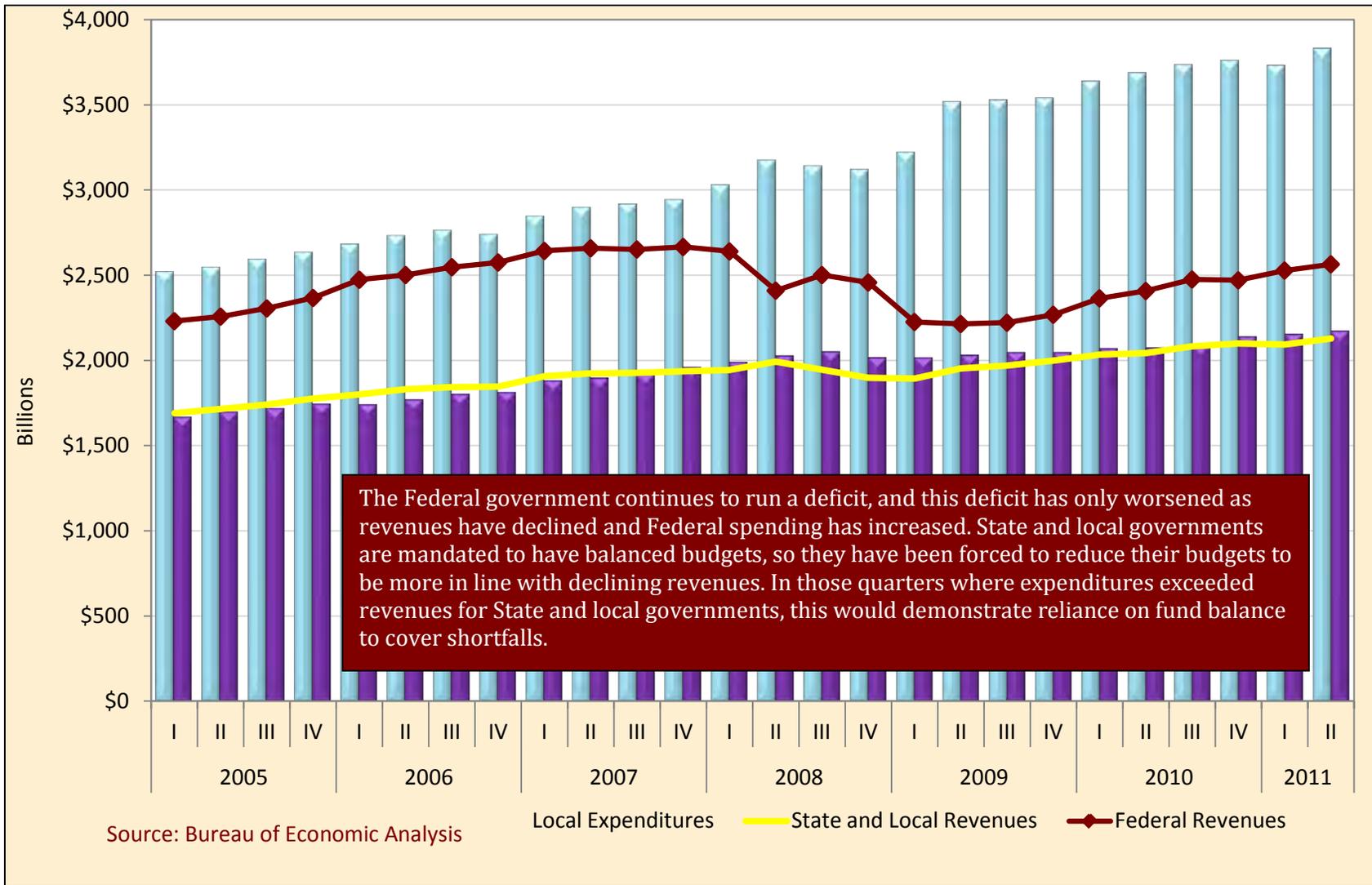


Consumer Confidence



Government Revenues and Expenditures

(in Billions of Dollars)





Formula Revenues

According to Machiavelli, “Whoever wishes to foresee the future must consult the past.....” Knowing and understanding the history of City revenues plays a great part in attempting to predict the financial standing of the City over the next five years. In order to look forward to where revenues are headed, it is important to know where revenues once were and their trend. The table below identifies the revenues contained in the current City/School Revenue Sharing Formula. These revenues are shared 51.3% to the School system and 48.7% to the City. While normally these revenues are among the most stable streams, this recession and slow recovery has hit them particularly hard. The table below shows the decline of all but Cable Franchise revenue over the last five years.

Table 1-A

Revenues	FY 2007-08	FY 2011-12*	Change
Real Estate	\$ 474,823,442	\$ 442,451,852	\$ (32,371,590)
Personal Property	138,514,561	124,688,678	(13,825,883)
General Sales	55,691,644	52,958,340	(2,733,304)
Utility (Includes Virginia Tele.)	42,214,067	39,712,077	(2,501,990)
Business License	44,987,245	41,342,542	(3,644,703)
Cable Franchise	4,746,612	7,012,363	2,265,751
Total:	\$ 760,977,571	\$ 708,165,852	\$ 52,811,719

*These revenues do not reflect City Council’s decision to reduce the School Formula Revenues in FY 2011-12, by \$9.2 million and replace with School Fund Balances.

Swings in the economy impact taxable revenues the most. In FY 2007-08, the tax revenues which comprise the formula revenues represented 46% of total City revenues; however, in FY 2011-12 they declined to only 42% of total. As the following graphs will illustrate, these revenues are expected to continue to struggle due to the slow economic recovery.

Real Estate revenue remains the largest revenue source making up 26% of the total City revenues. This does not bode well as the real estate market is not anticipated to fully recover within the projected forecast period. Turmoil in the housing market has the City Real Estate Assessor projecting assessments to decline **-5.5%** in FY 2012-13, decline **-3.0%** in FY 2013-14, decline **-3.0%** in FY 2014-15, **no change** in FY 2015-16 and finally increase by **1%** in FY 2016-17. Real Estate revenues are not projected to return to their FY 2007-08 levels until well beyond the scope of this forecast.

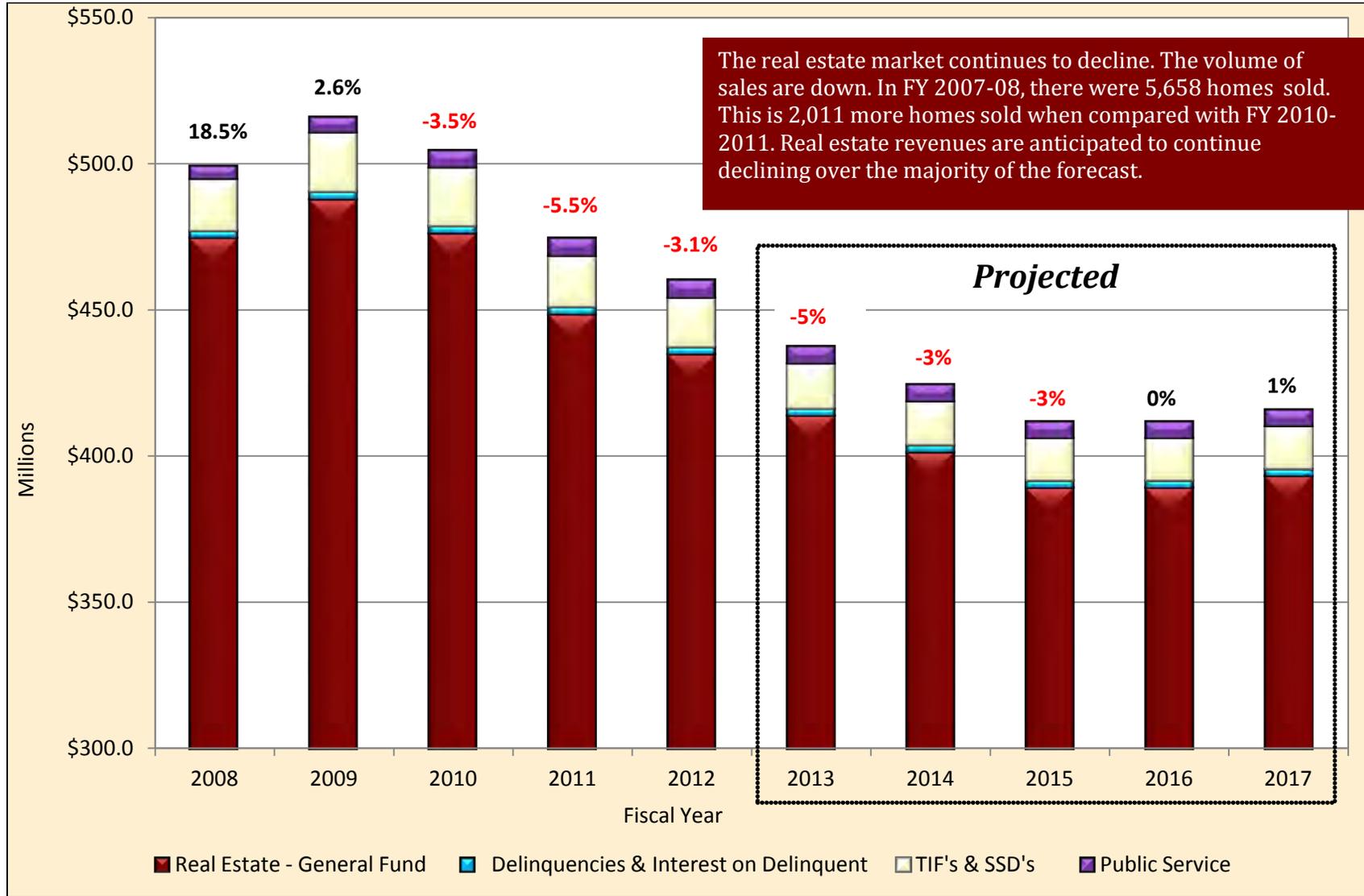
Although Real Estate revenues look bleak over the next five years, upward trends in consumer spending indicate increases in other tax revenues. Several of the tax revenues are anticipated to return and, in some cases exceed, their FY 2007-08 levels during the forecast period. Real Estate and Utility tax revenues are anticipated to decline for much of the forecast period; however, the growth in other formula revenues is not sufficient to offset this loss until FY 2015-16 and FY 2016-17. Below is a table displaying the net change in revenue sharing formula tax revenues between each year of the forecast period:

	Fiscal Year				
	2012-13	2013-14	2014-15	2015-16	2016-17
Net Change in Millions*	\$ (9.6)	\$ (6.8)	\$ (6.2)	\$ 6.2	\$ 10.4

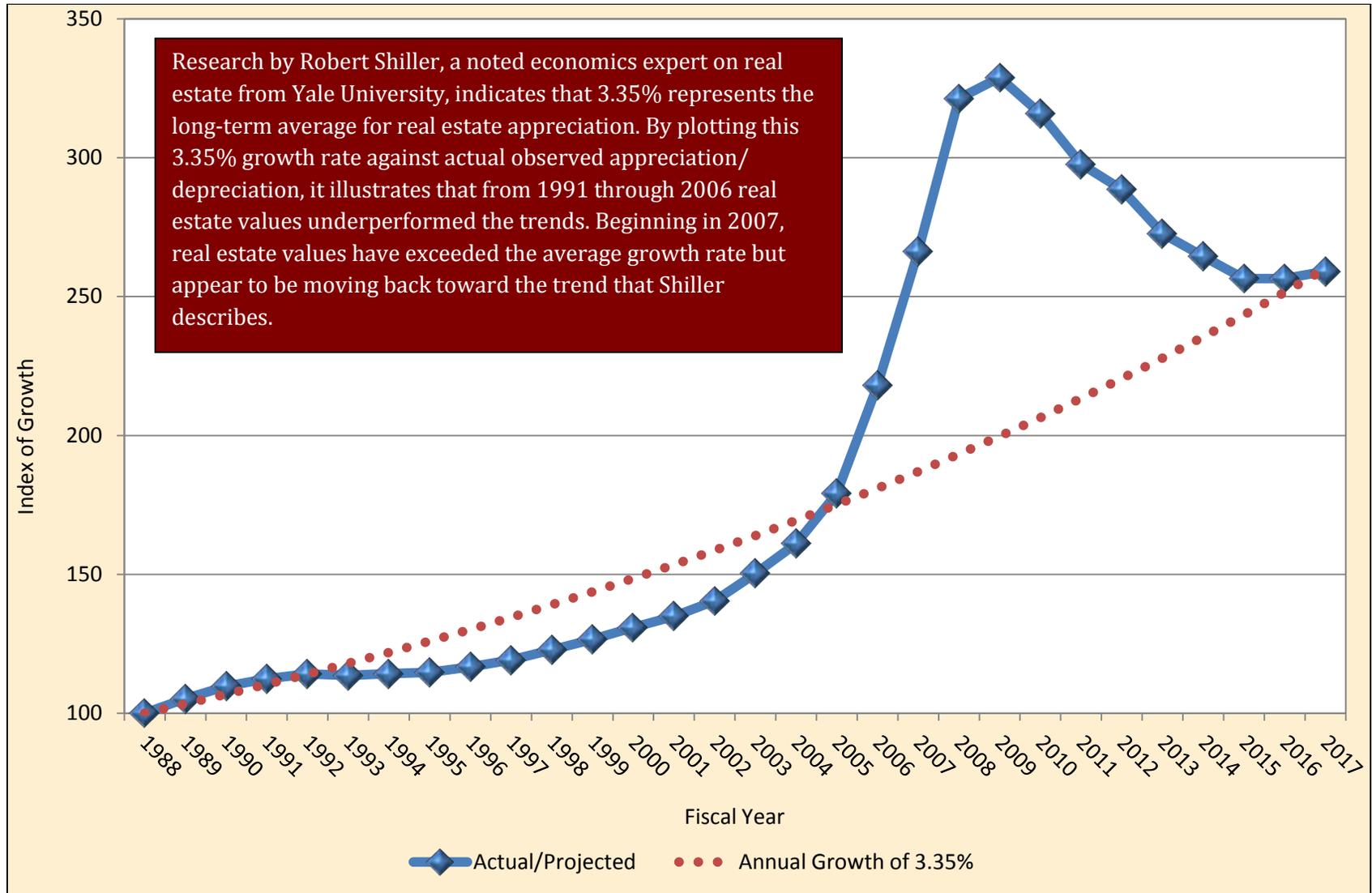
* Sharing Formula Revenue Only

The following pages will briefly touch on each source of revenue; discuss their trend, and the factors impacting their projected trend over the next five years.

Real Estate Tax Revenue

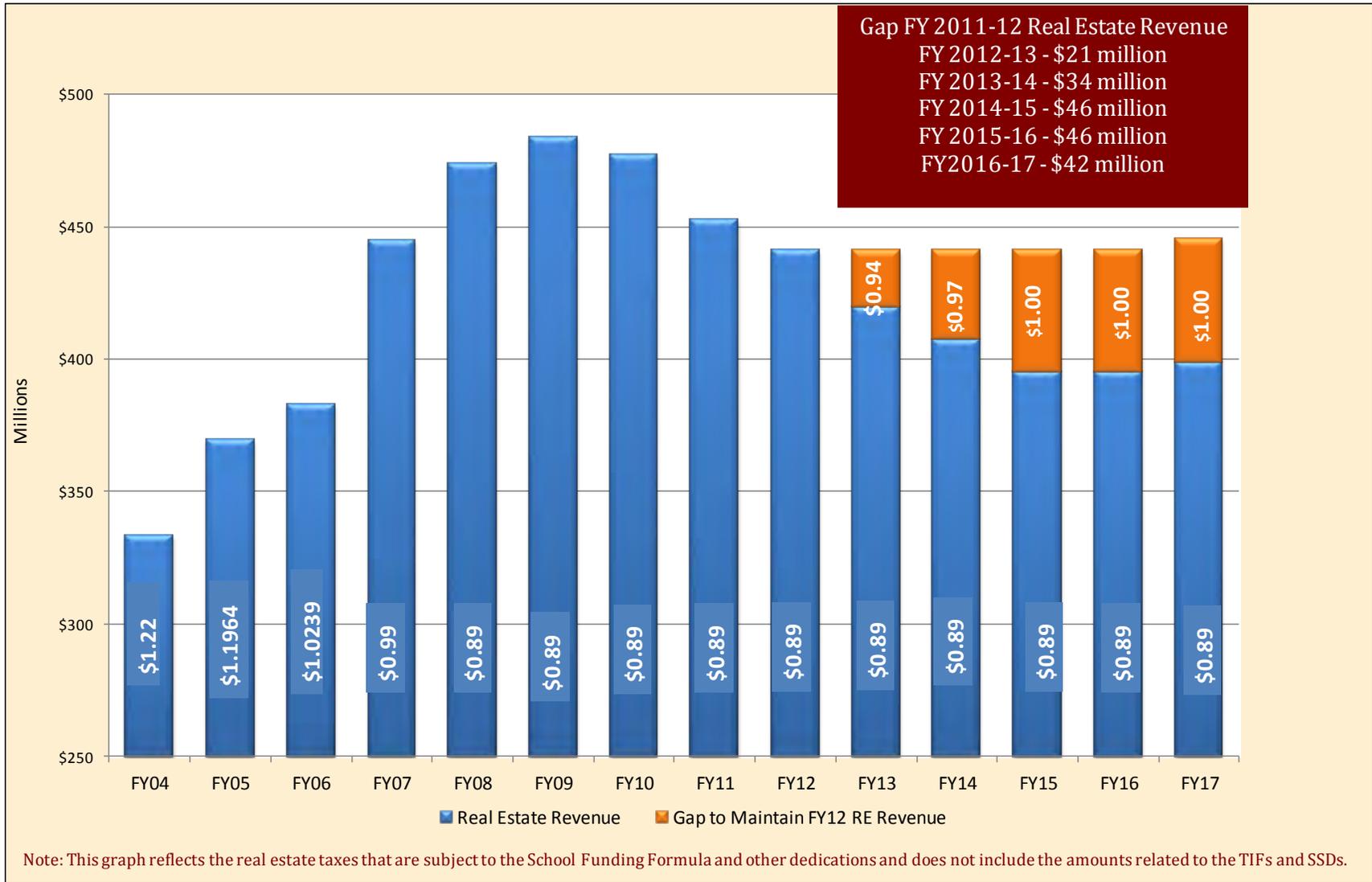


Actual and Projected Real Estate Appreciation/Depreciation Versus 3.35% Annual Growth



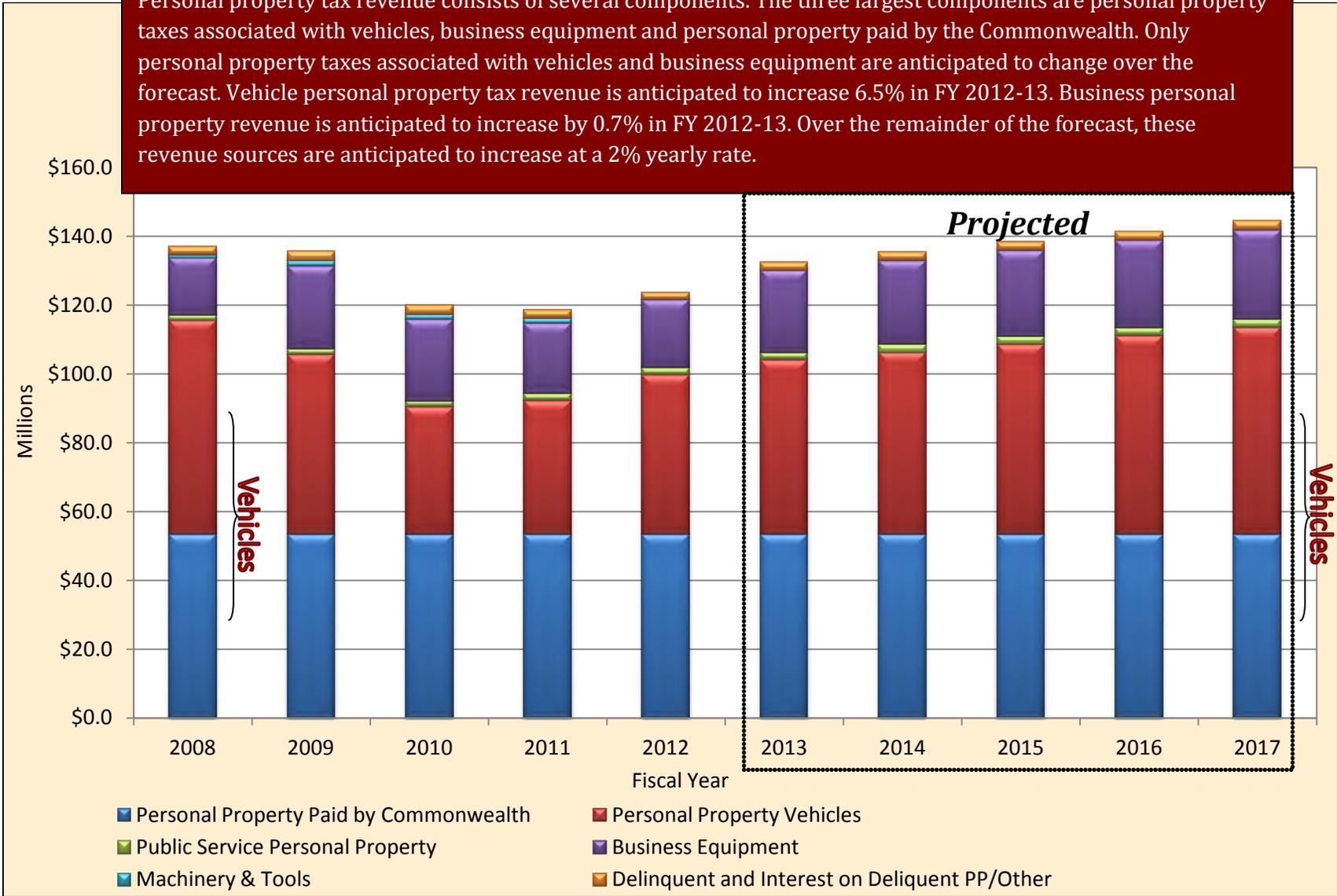
Hypothetical Tax Rate

Where Homeowners Pay the Same Tax Bill as FY 2011-12

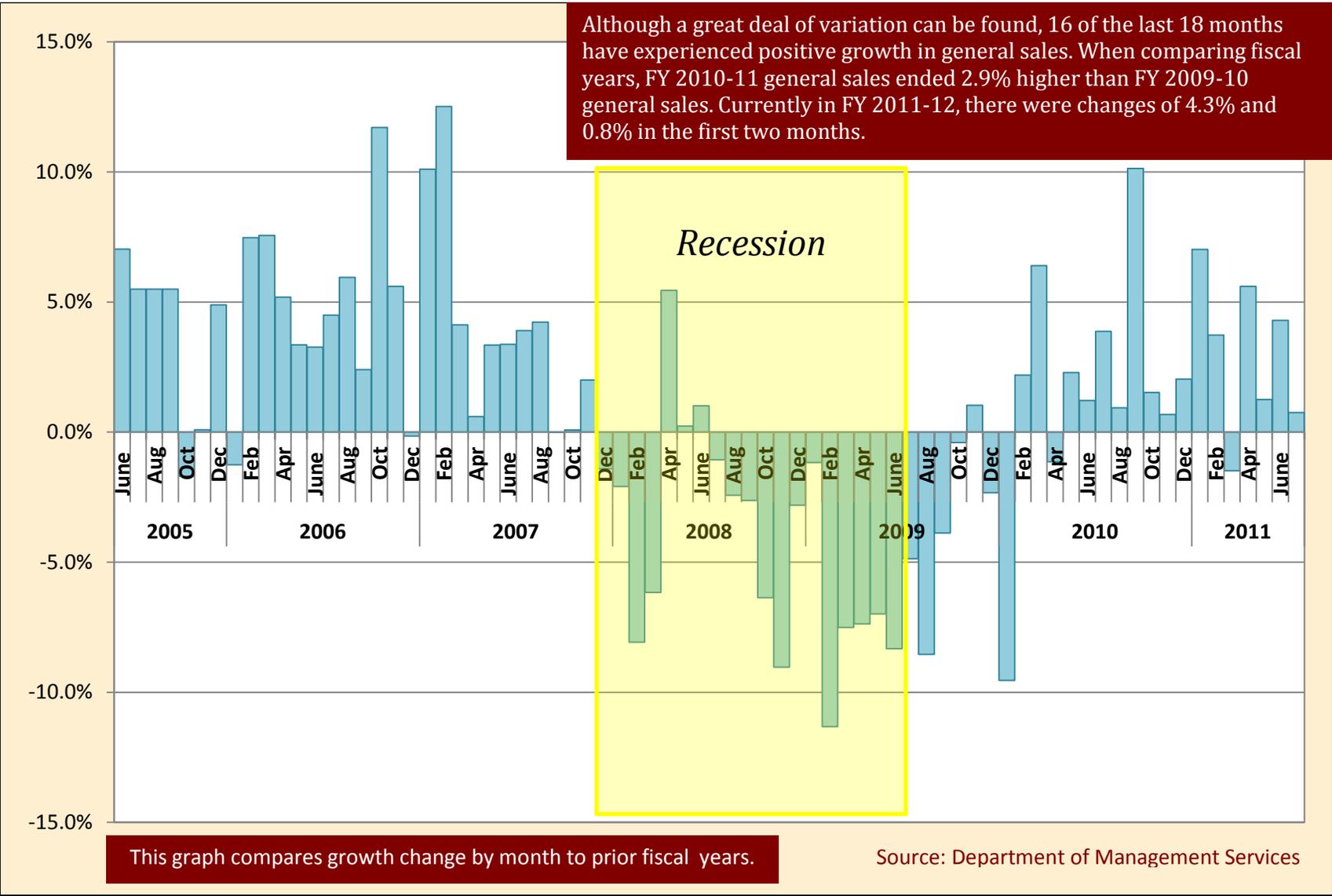


Personal Property Tax Revenue

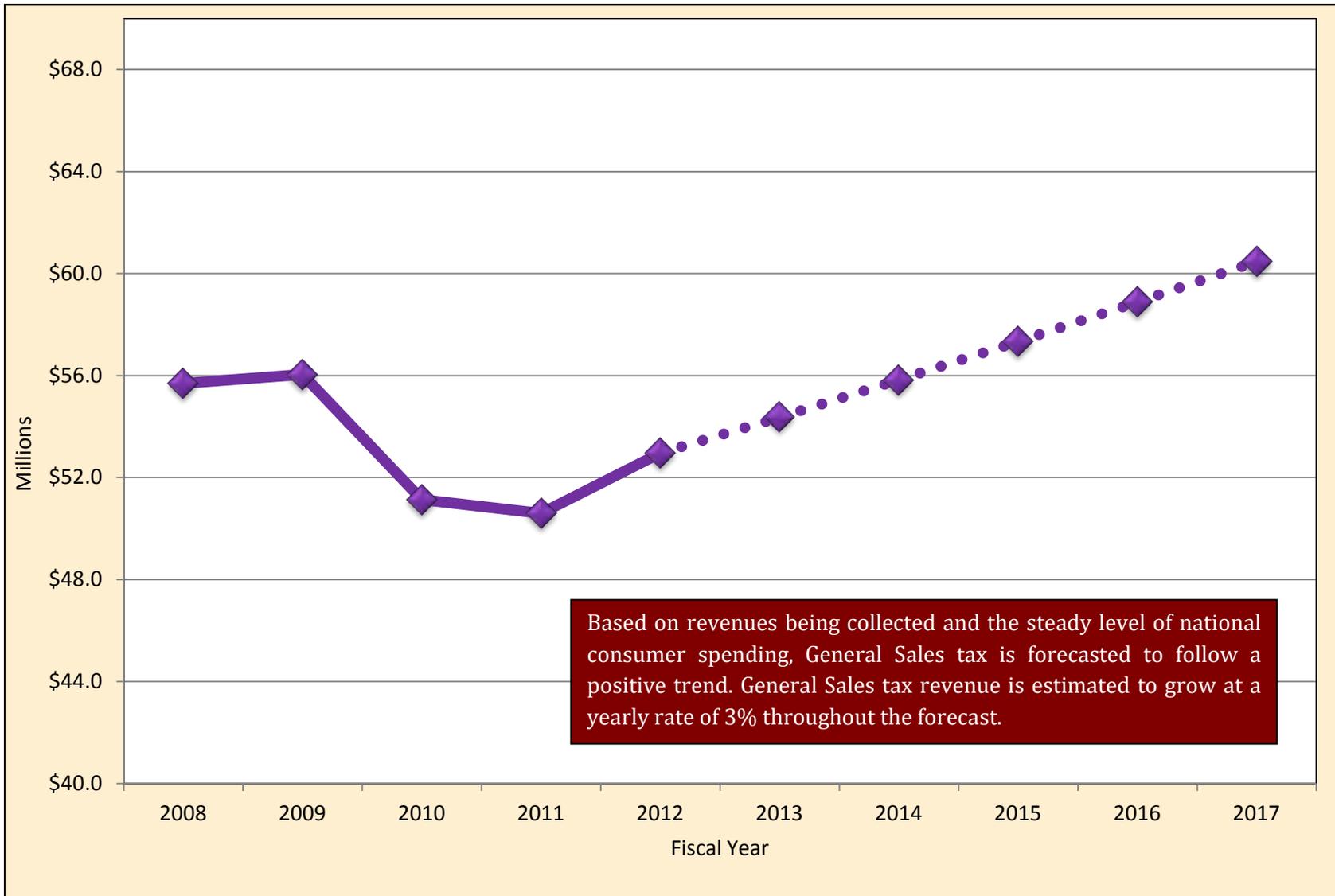
Personal property tax revenue consists of several components. The three largest components are personal property taxes associated with vehicles, business equipment and personal property paid by the Commonwealth. Only personal property taxes associated with vehicles and business equipment are anticipated to change over the forecast. Vehicle personal property tax revenue is anticipated to increase 6.5% in FY 2012-13. Business personal property revenue is anticipated to increase by 0.7% in FY 2012-13. Over the remainder of the forecast, these revenue sources are anticipated to increase at a 2% yearly rate.



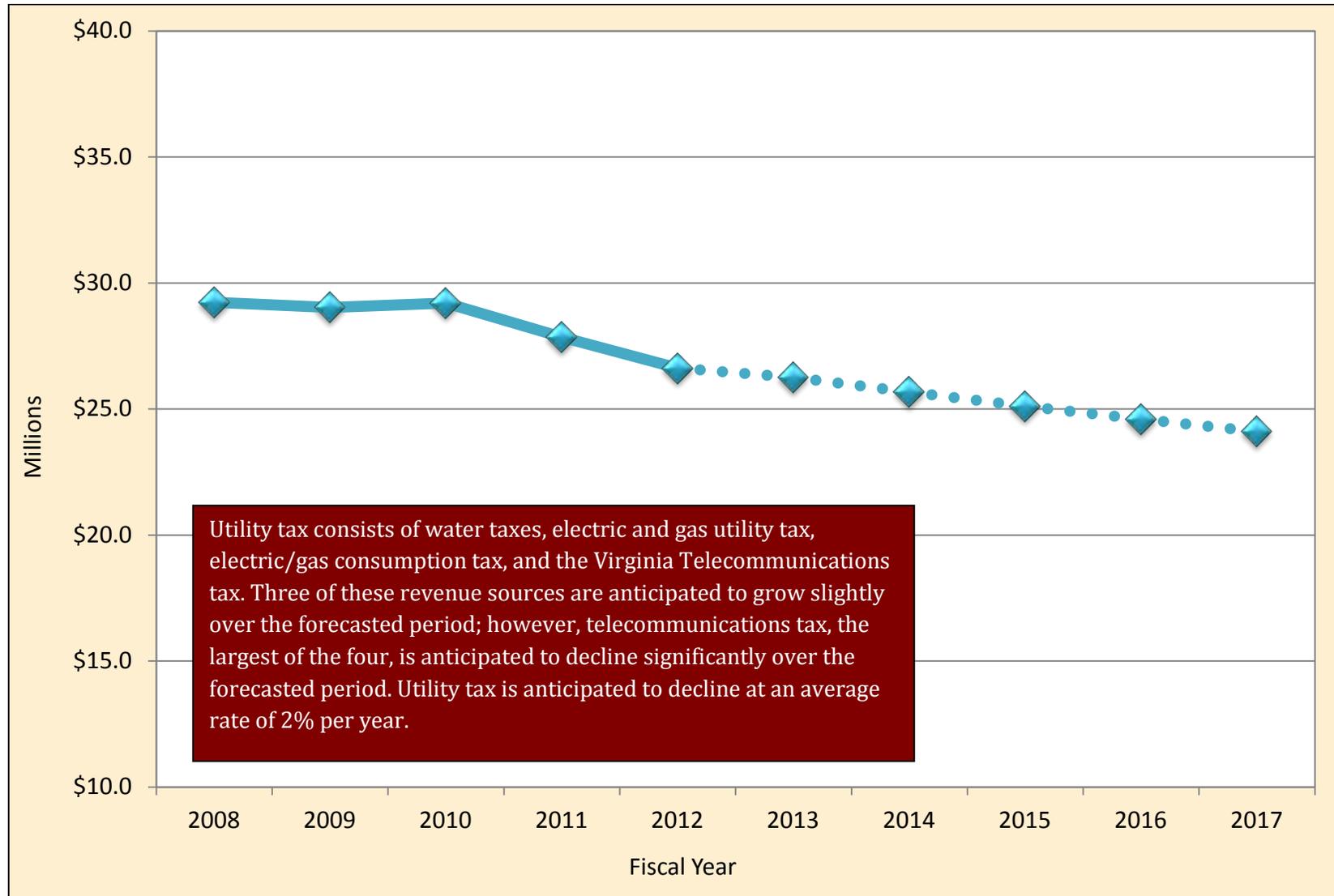
General Sales Tax Revenue – Change in Growth



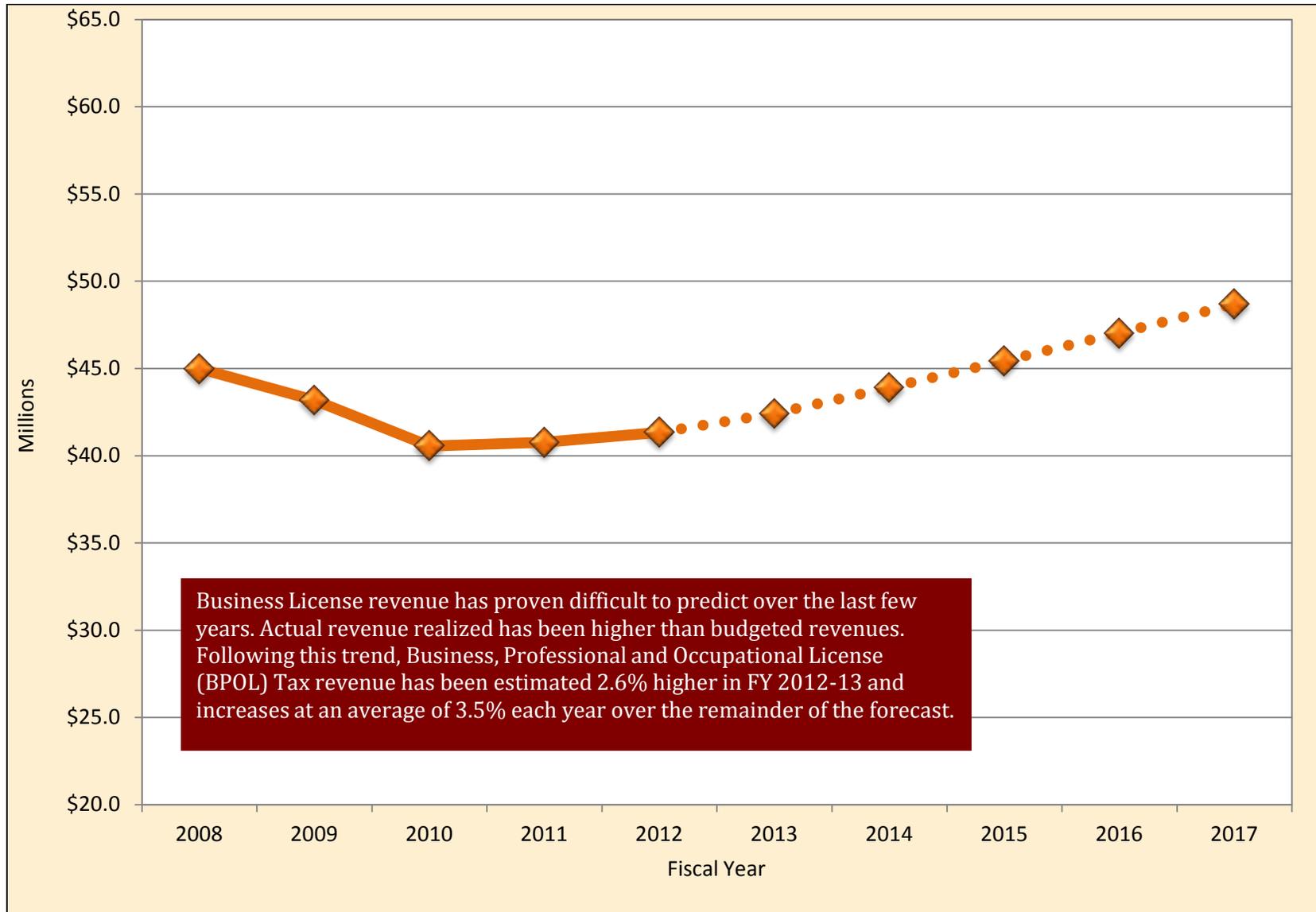
General Sales Tax



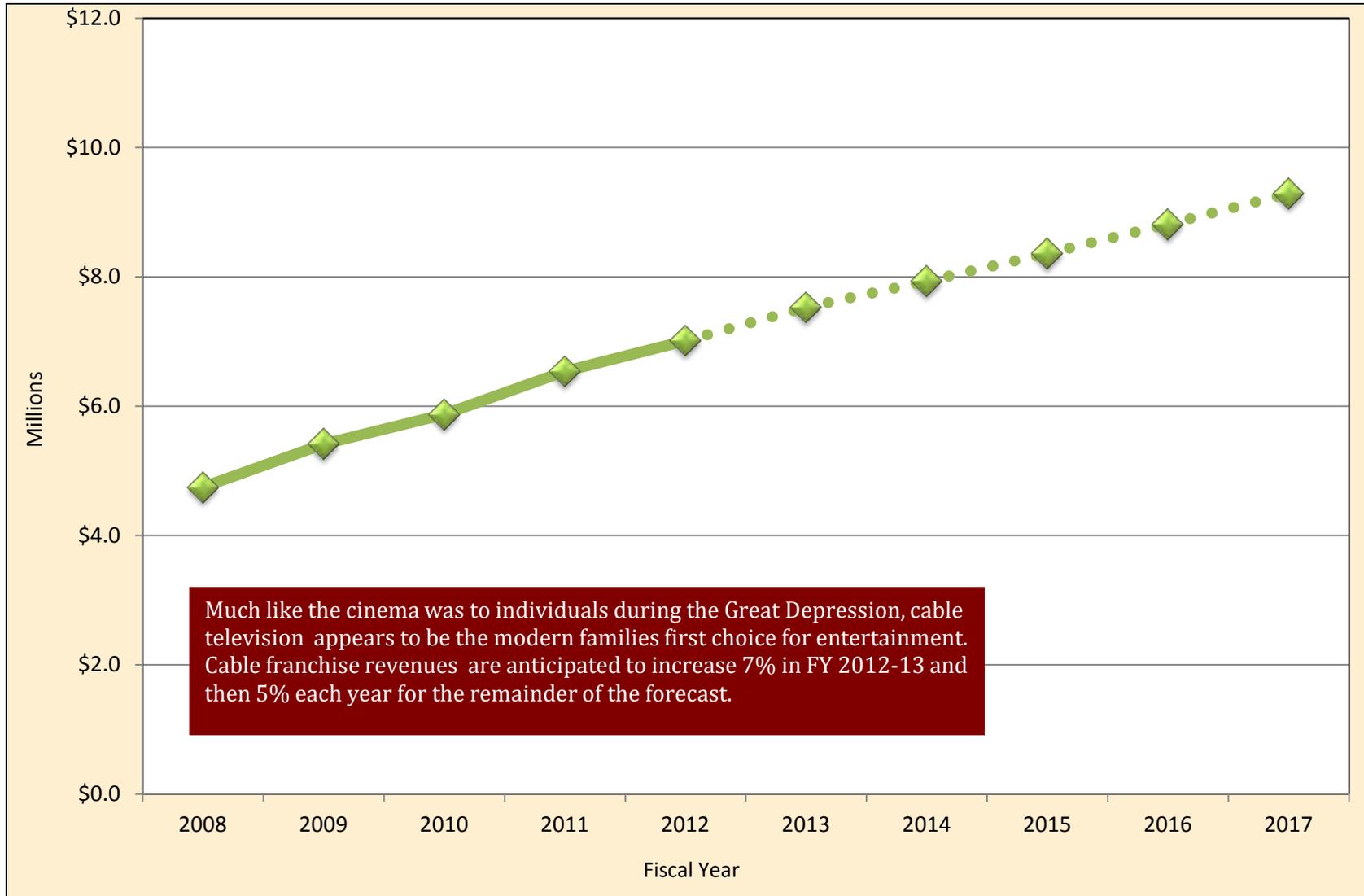
Utility Taxes



Business License



Cable Franchise Tax





School Forecast

The Virginia Beach City Public Schools receives revenue from a variety of sources; however, the majority of this revenue comes from the City of Virginia Beach through the local revenue sharing formula agreement, the State of Virginia, and the Federal government. The Schools also receive a small amount of money generated by fees and other miscellaneous sources.

Due predominantly to the decline in real estate tax assessments, the amount of funding that the Schools have received through the local revenue sharing formula has declined over the past several years. Over the forecast period, revenue sharing dollars will continue to decline through FY 2014-15, when they are projected to be \$351.7 million. After FY 2014-15, some growth is expected to occur in real estate assessments, and with that growth, revenue sharing dollars are expected to increase.

The School system receives State Aid which is distributed to School districts based on two criteria. The first is average daily membership, which in the simplest terms, is a calculation of the average enrollment for the School system. As discussed previously in the demographics section, School enrollment has declined over the past 13 years, but is projected to increase by 1% over the forecast period. The second criteria for disbursement of State funds are the Local Composite Index (LCI). The LCI is a formula that uses a multitude of variables including net income and assessed property values to calculate a local communities “ability to pay” for providing education.

The LCI calculates the City’s ability to pay versus the other jurisdictions in the State. While the City has certainly experienced an economic downturn, it is far better off than some other communities around the State. As the City’s LCI increases, the State funding for Virginia Beach Schools decreases. It is anticipated the City’s LCI will increase with the next biennial budget and put a greater burden on local dollars for education funding.

The other major source of State funding is State Share Sales Tax. Over the forecast, State Share Sales Tax is expected to increase based on improving statewide sales tax collections. State funding includes funding for school operations, as well as grant and textbook funding. While State funding for operations is also expected to grow over the forecast period, State grant and textbook funding is expected to remain at FY 2011-12 levels.

The Schools also receive Federal revenue through grants as well as funding to assist with educating students associated with military families. While the American Recovery and Reinvestment Act (ARRA) stimulus revenue has been utilized over the past several years to assist the School system in maintaining teaching positions, and provide a bonus for teachers and other School personnel, these funds are no longer available and Federal revenue is expected to decline by approximately \$17 million in FY 2012-13. In FY 2013-14, Federal revenue is projected to remain stable; however, in FY 2014-15, another \$2.2 million decrease is anticipated due to reductions in the Federal budget.

Increases in School expenditures over the forecast period will be driven almost exclusively by increased costs for salaries and fringe benefits. The Schools have included a 3.0% salary increase in FY 2012-13 and that, coupled with escalating costs for employee health insurance and Virginia Retirement System (VRS) rates is projected to increase total School expenditures by 9.6% from FY 2011-12 to FY 2016-17.

In FY 2011-12 the Schools provided employees a 0.5% pay increase and a 2.5% one-time bonus. In FY 2012-13, the Schools have included a 3% pay raise for School staff.

In FY 2012-13 the Schools will be cutting 85 FTE's from their grants fund and adding 26.64 FTEs in their operating fund for a net reduction of 58.36 FTEs. The FTEs being cut from the grants fund were shifted from the operating fund in FY 2011-12 and funded using one-time stimulus funding. Now that this funding is no longer available, these positions are being eliminated.

The net impact to the Schools budget with the 3% salary increase and the reduction of 58.36 FTEs, is an increase of \$1.6 million in salaries in FY 2012-13. Over the remainder of the forecast there is no salary increases included and salaries are expected to remain relatively stable.

The salary increase included in the School's forecast for FY 2012-13 is having some impact on School fringe benefit

costs. The two main drivers of the increasing costs are health insurance and VRS rates.

Like the City, the Schools are also facing major increases in health insurance and VRS costs. Health insurance costs for the Schools are expected to increase \$8.3 million in FY 2012-13 and increase by \$41.2 million over the five year forecast.

Like insurance costs, VRS rates are expected to raise increasing fringe benefit costs even more. For FY 2012-13, early indications are that the VRS rates for School employees will increase 2.5% with an additional 2.5% each year for the remainder of the forecast. If these two rate increases are realized, the rate per School employee would be 17.83%.

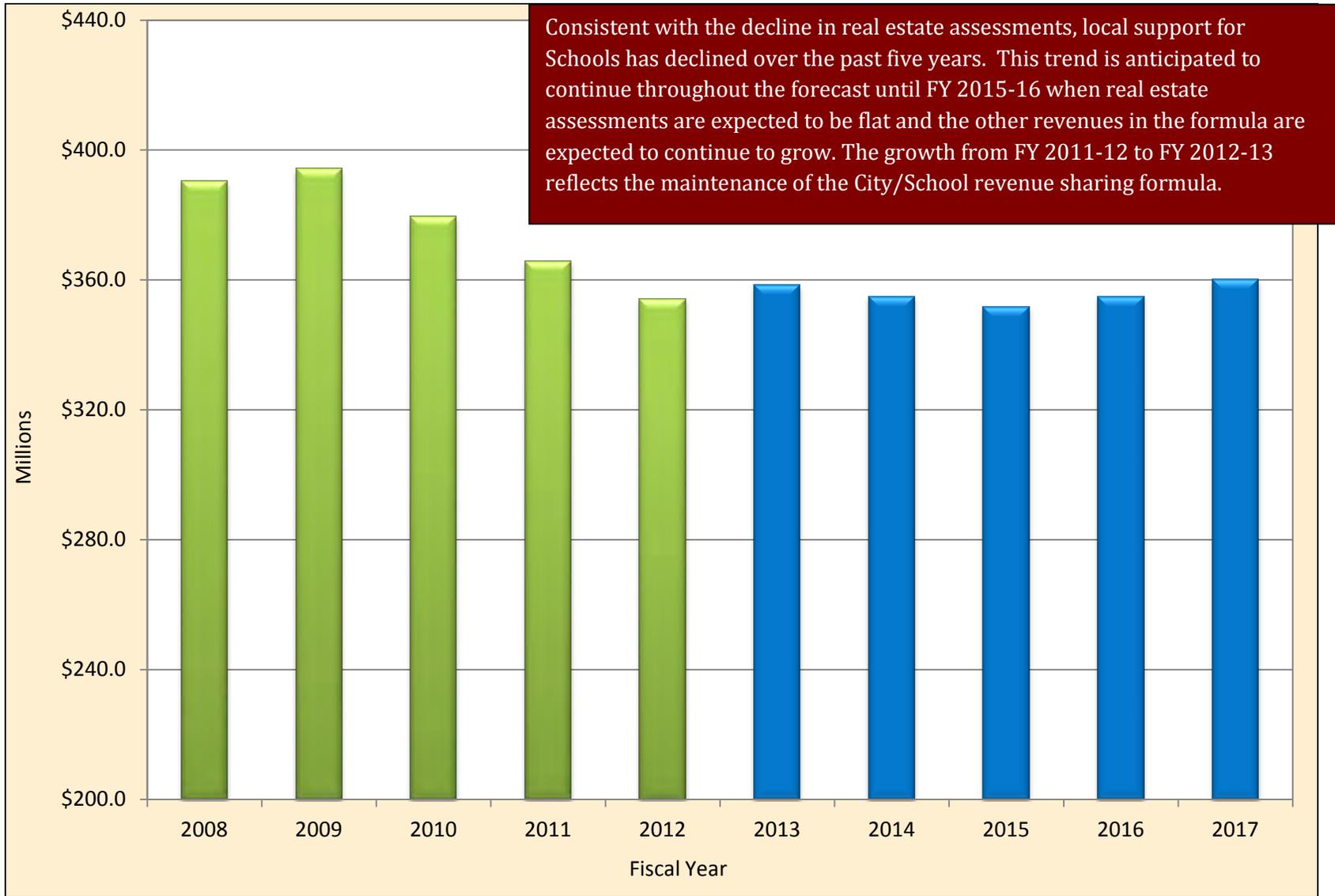
In terms of other expenditure categories within the School budget, utilities are the only area that will experience substantial growth. During the forecast period, utility costs are expected to grow from \$18.6 million in FY 2012-13 to \$20.3 million in FY 2016-17. Purchased services will increase modestly over the forecast period ranging from \$52.2 million in FY 2012-13 to \$53.6 million in FY 2016-17. Materials and supplies are projected to decline from \$63.9 million in FY 2012-13 to \$51.4 million by the end of the forecast. Other charges (excluding utilities) and capital outlay will remain flat at \$7.9 million and \$2.3 million respectively throughout the forecast period.

After eliminating pay-go financing from the School's budget in FY 2009-10, the Schools are anticipating including \$1.0 million in pay-go in FY 2013-14 and maintaining that amount throughout the forecast. Debt service payments are anticipated to decline from \$44.7 million in FY 2012-13 to \$43.5 million in FY 2016-17.

School Expenditure Assumptions

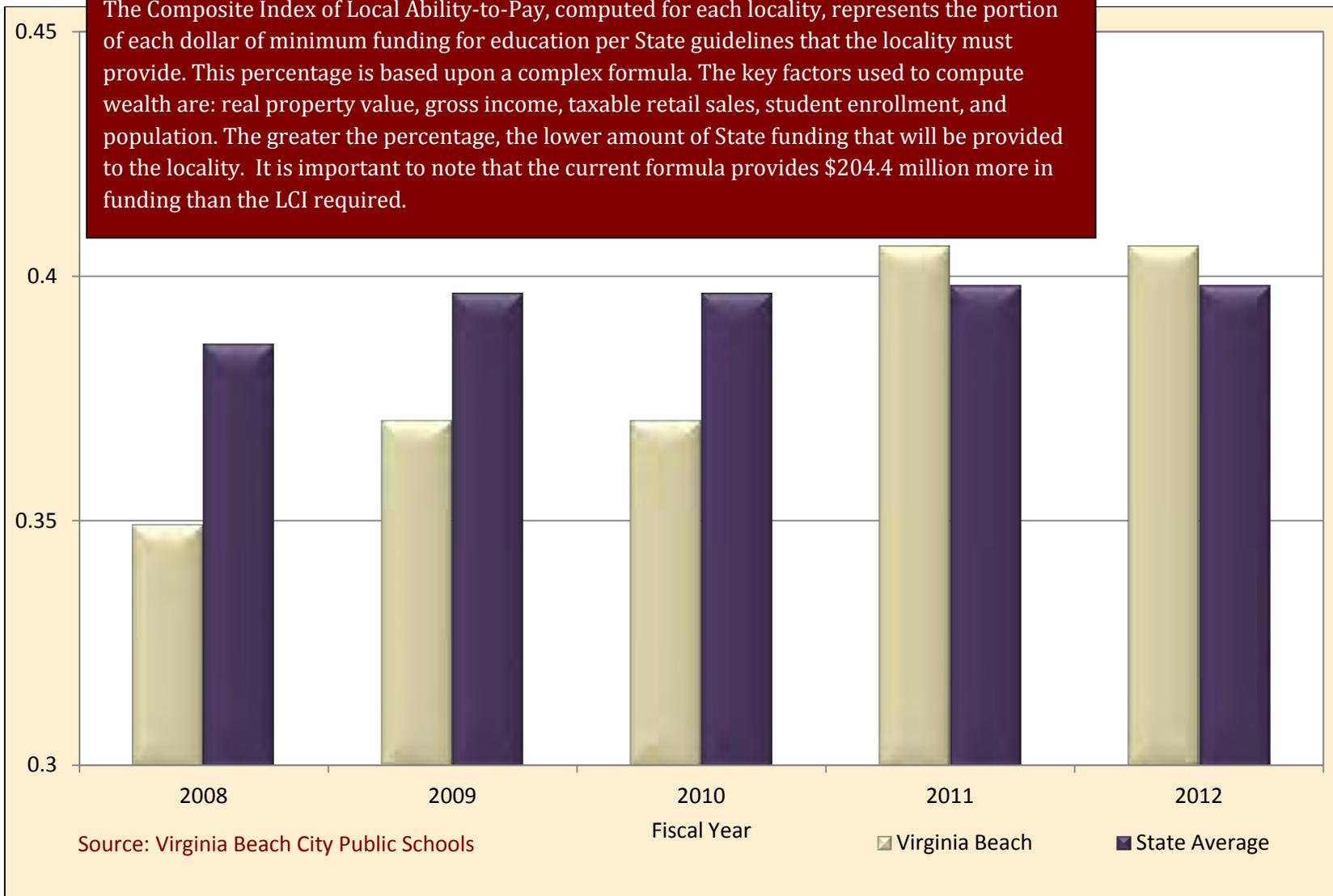
	Fiscal Year				
	2012-13	2013-14	2014-15	2015-16	2016-17
Pay Increase	3.0%	0.0%	0.0%	0.0%	0.0%
VRS Rate Increase	2.5%	2.5%	2.5%	2.5%	2.5%
Increase in Health Insurance Costs (in millions)	\$8.3	\$13.3	\$7.7	\$5.6	\$6.9
Increase in Pay Go Funding (in millions)	\$0.0	\$1.0	\$1.0	\$1.0	\$1.0

Local Revenue Sharing Formula Support

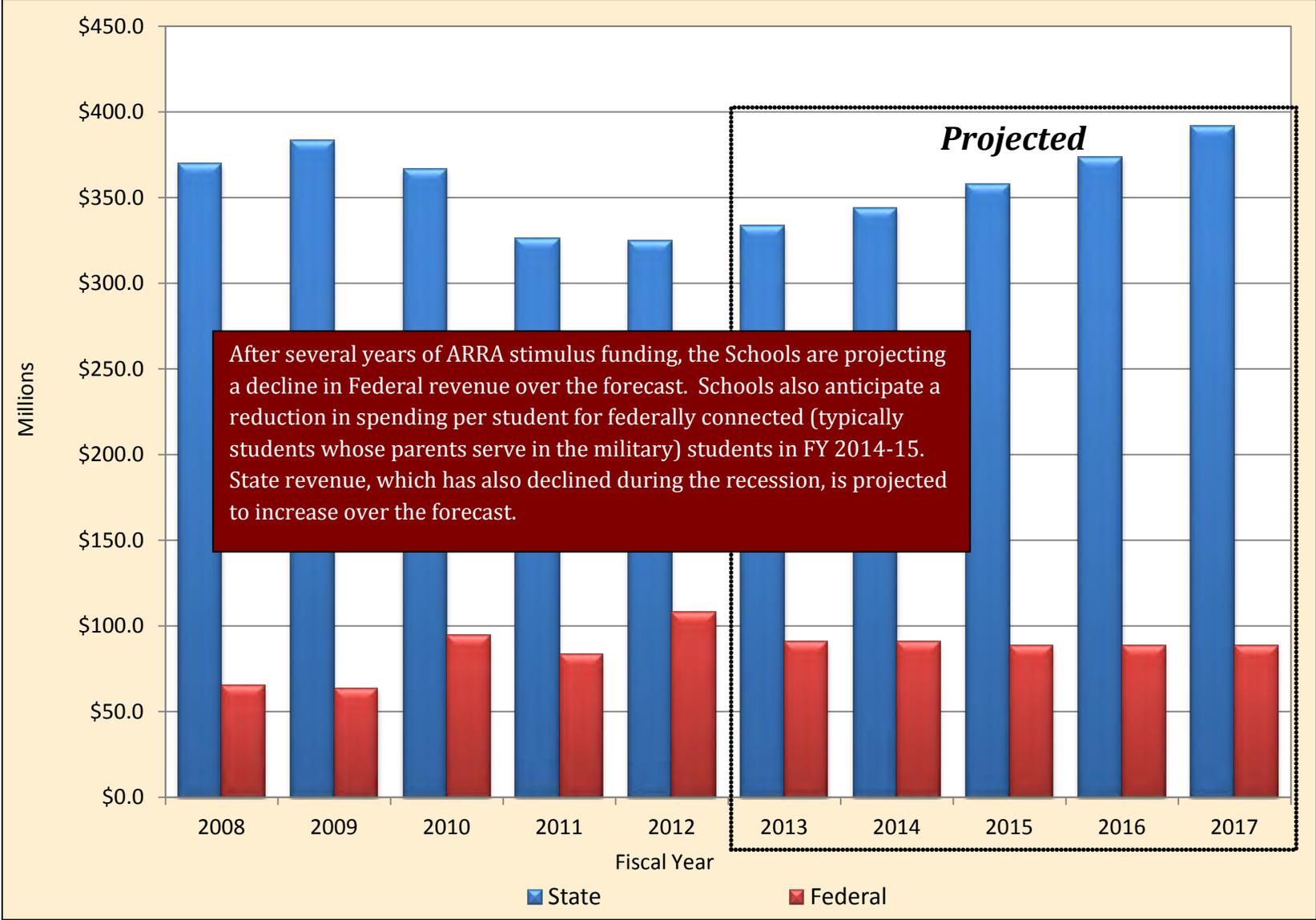


Local Composite Index

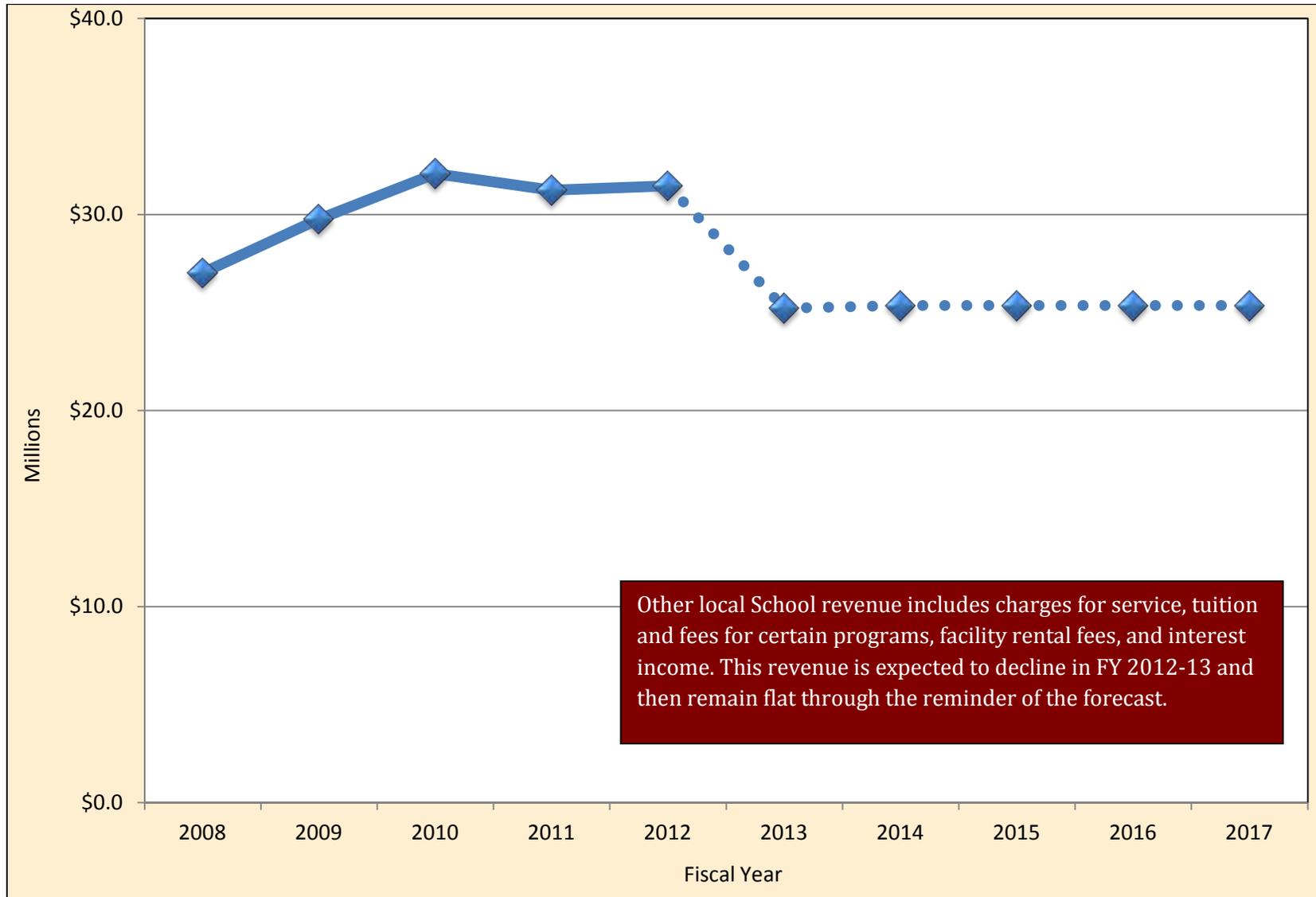
The Composite Index of Local Ability-to-Pay, computed for each locality, represents the portion of each dollar of minimum funding for education per State guidelines that the locality must provide. This percentage is based upon a complex formula. The key factors used to compute wealth are: real property value, gross income, taxable retail sales, student enrollment, and population. The greater the percentage, the lower amount of State funding that will be provided to the locality. It is important to note that the current formula provides \$204.4 million more in funding than the LCI required.



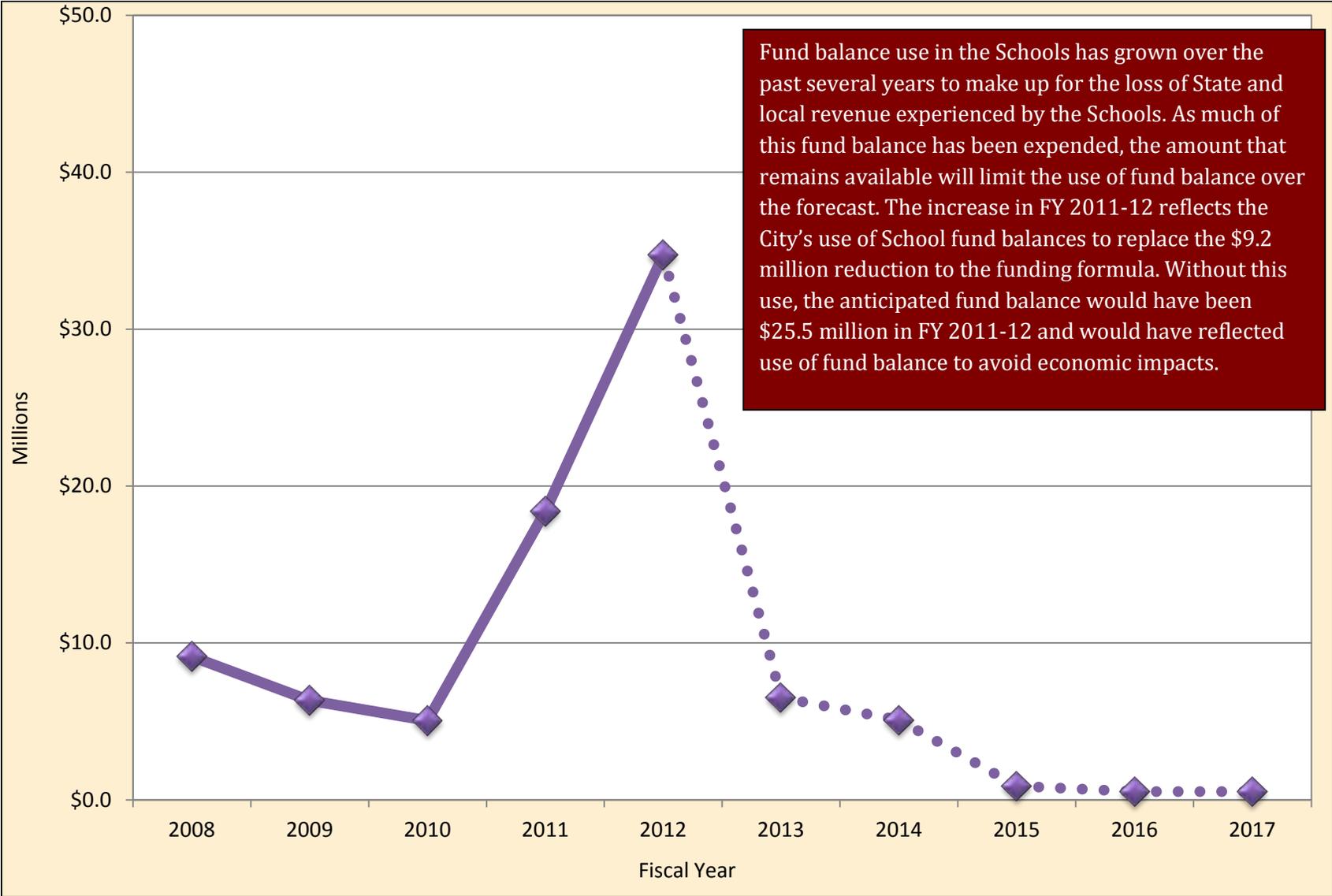
School State and Federal Revenue



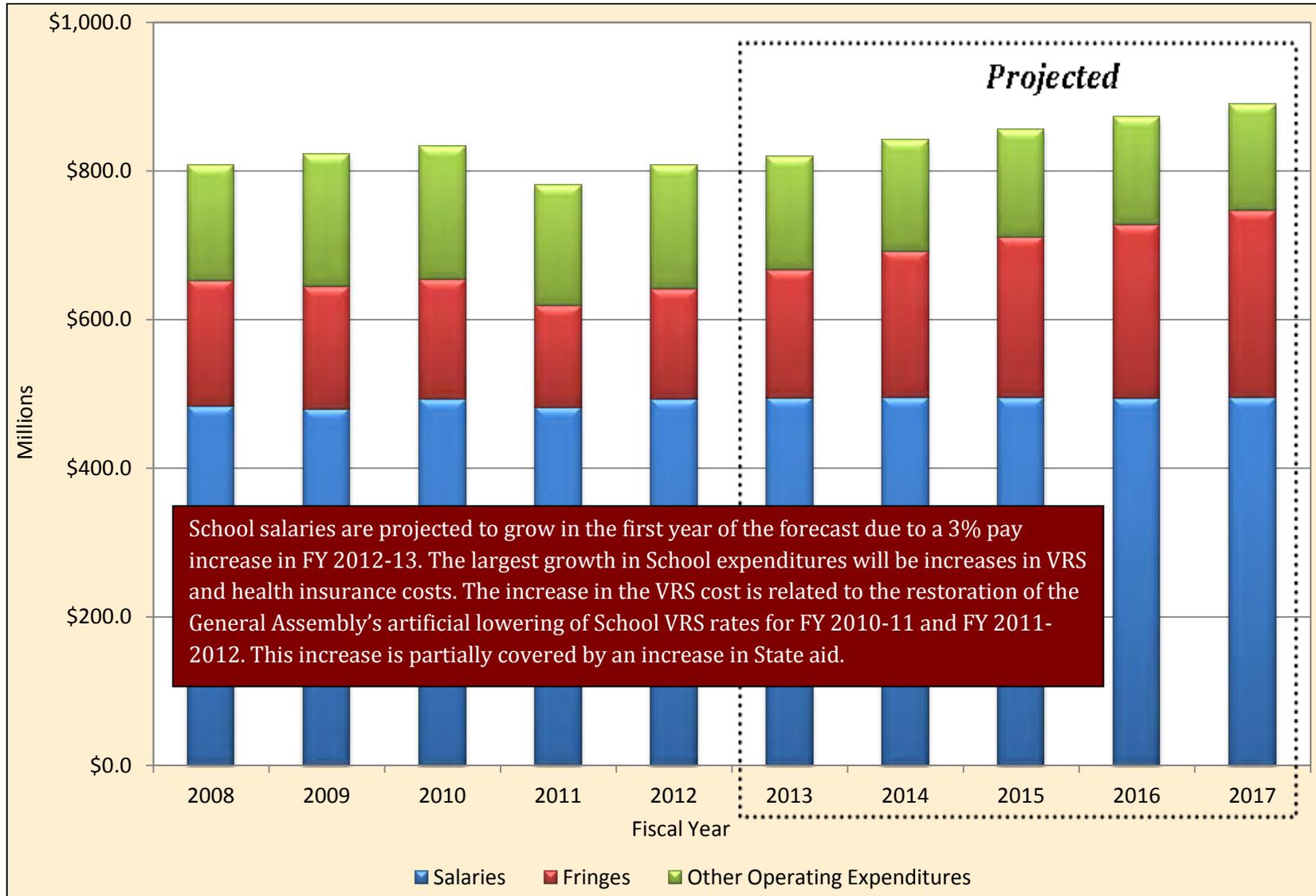
Other Local School Revenue



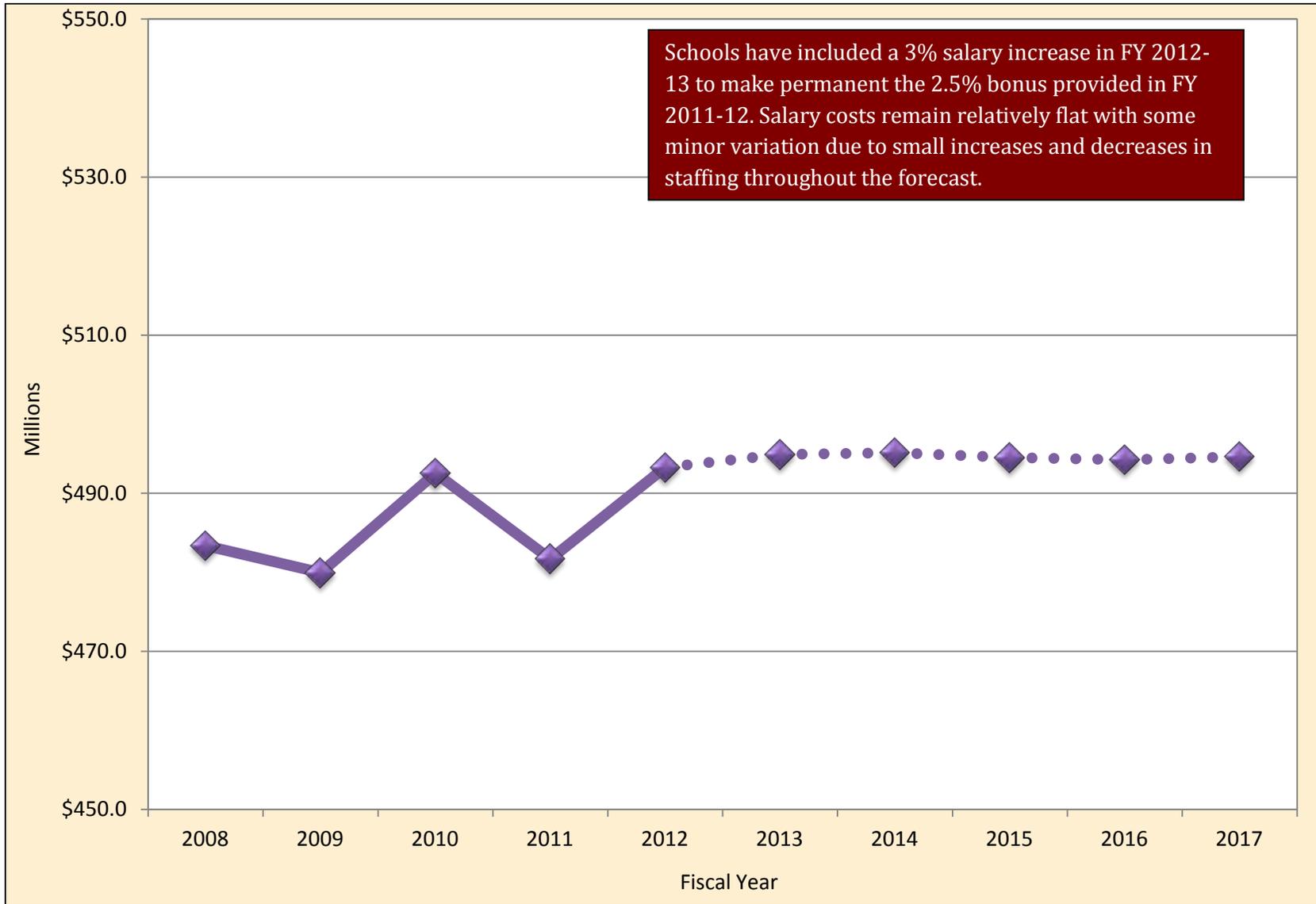
School Fund Balance



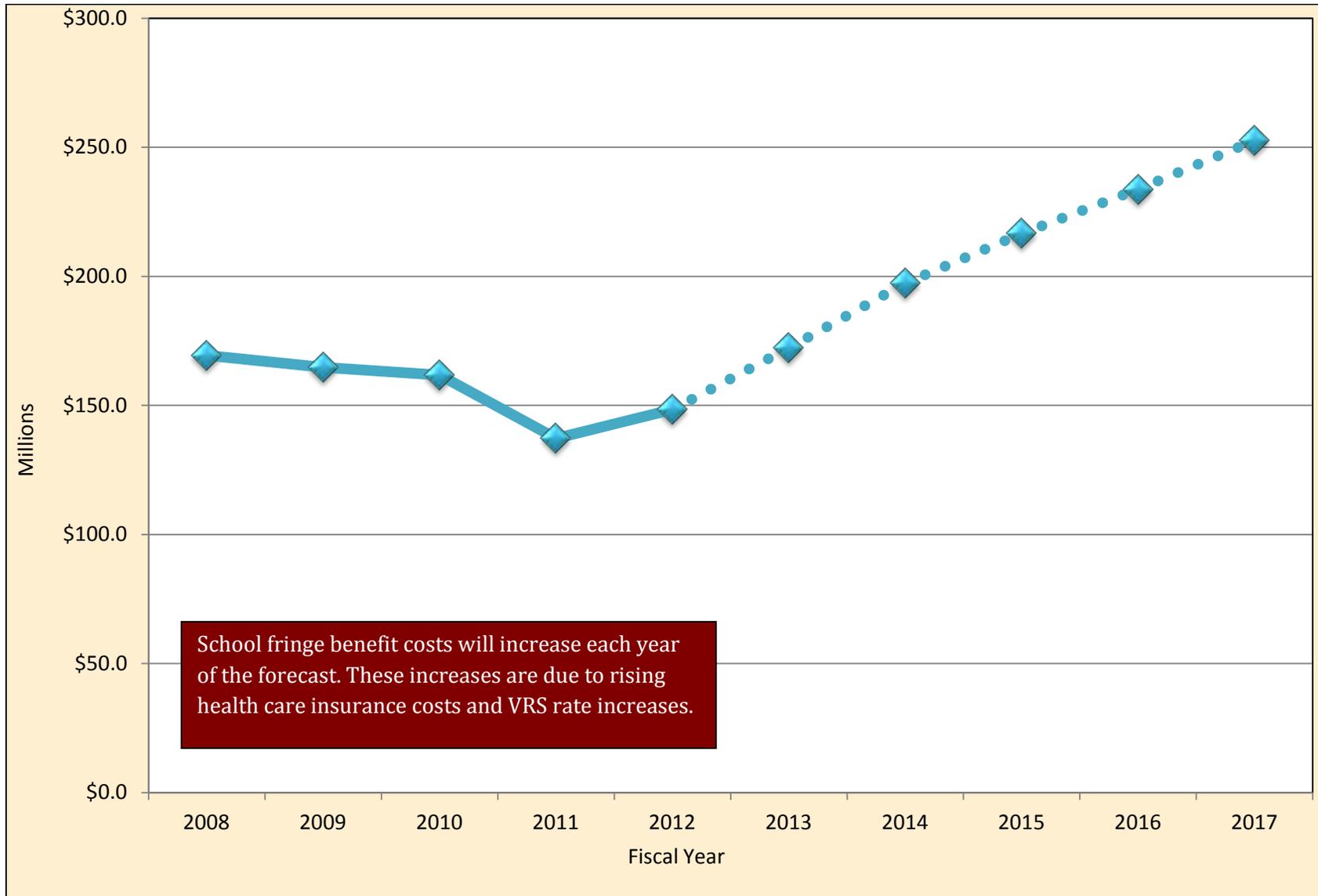
Total School Expenditures



School Salaries

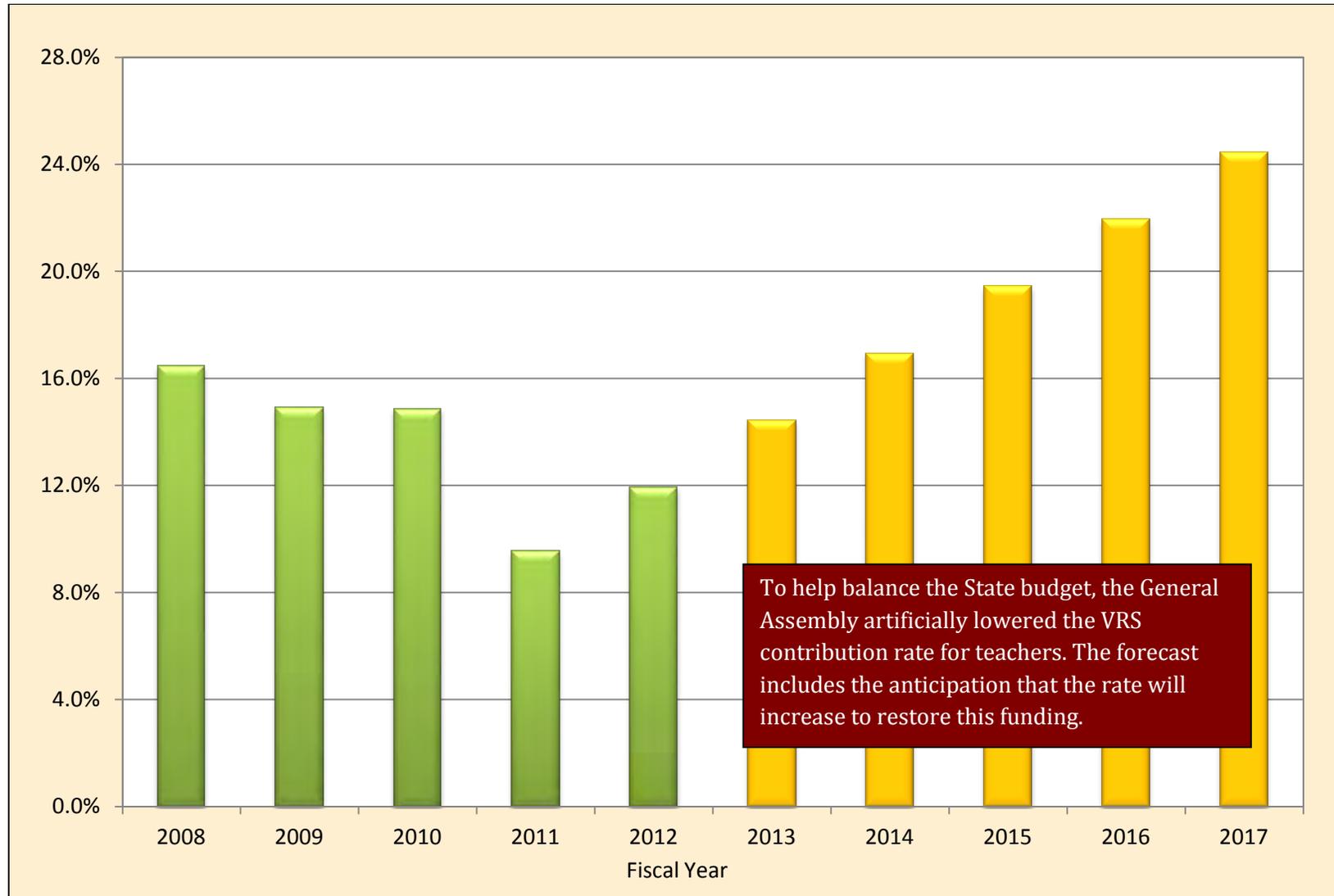


School Fringe Benefits

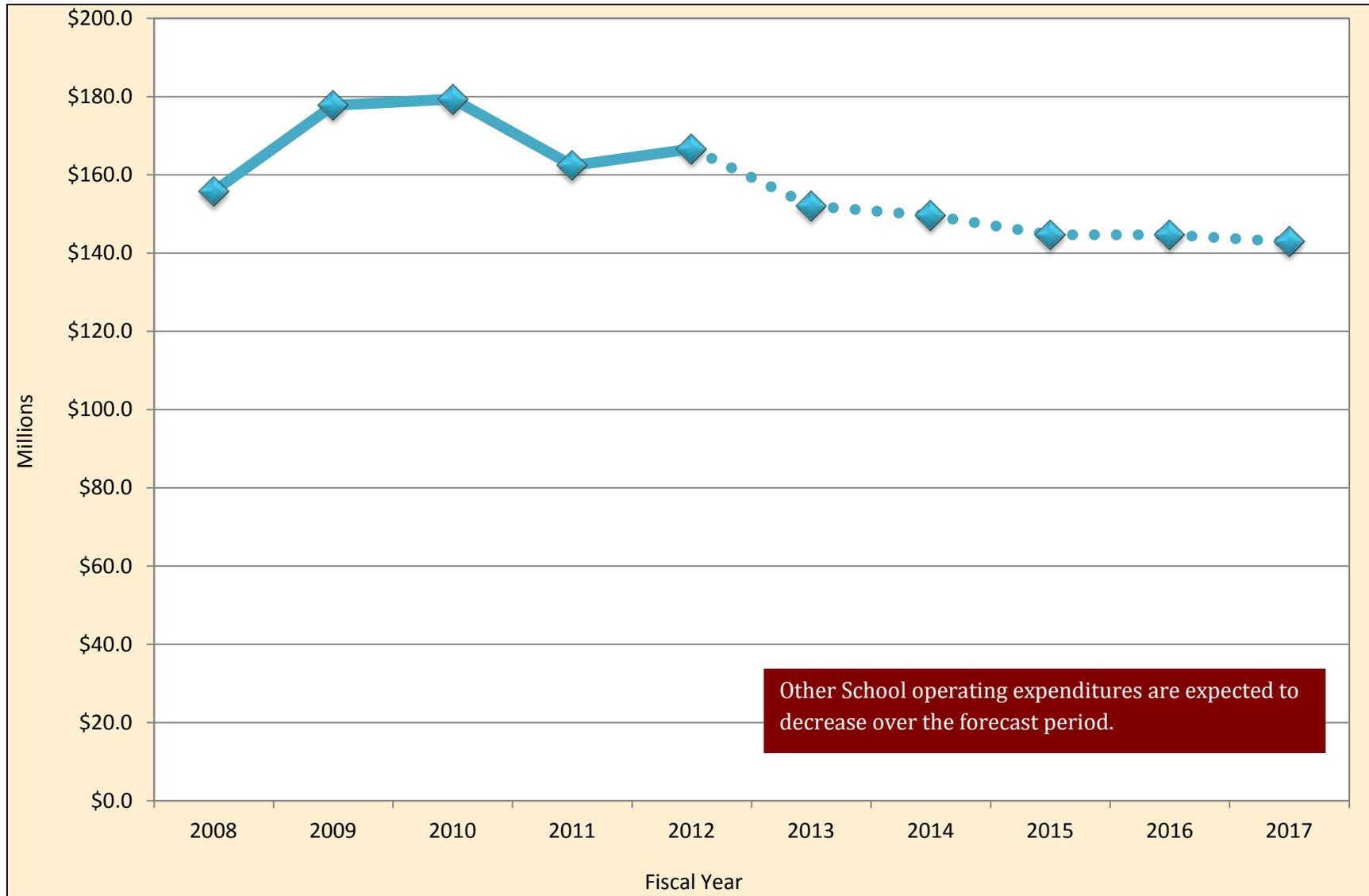


Virginia Retirement System (VRS) Contribution Rate

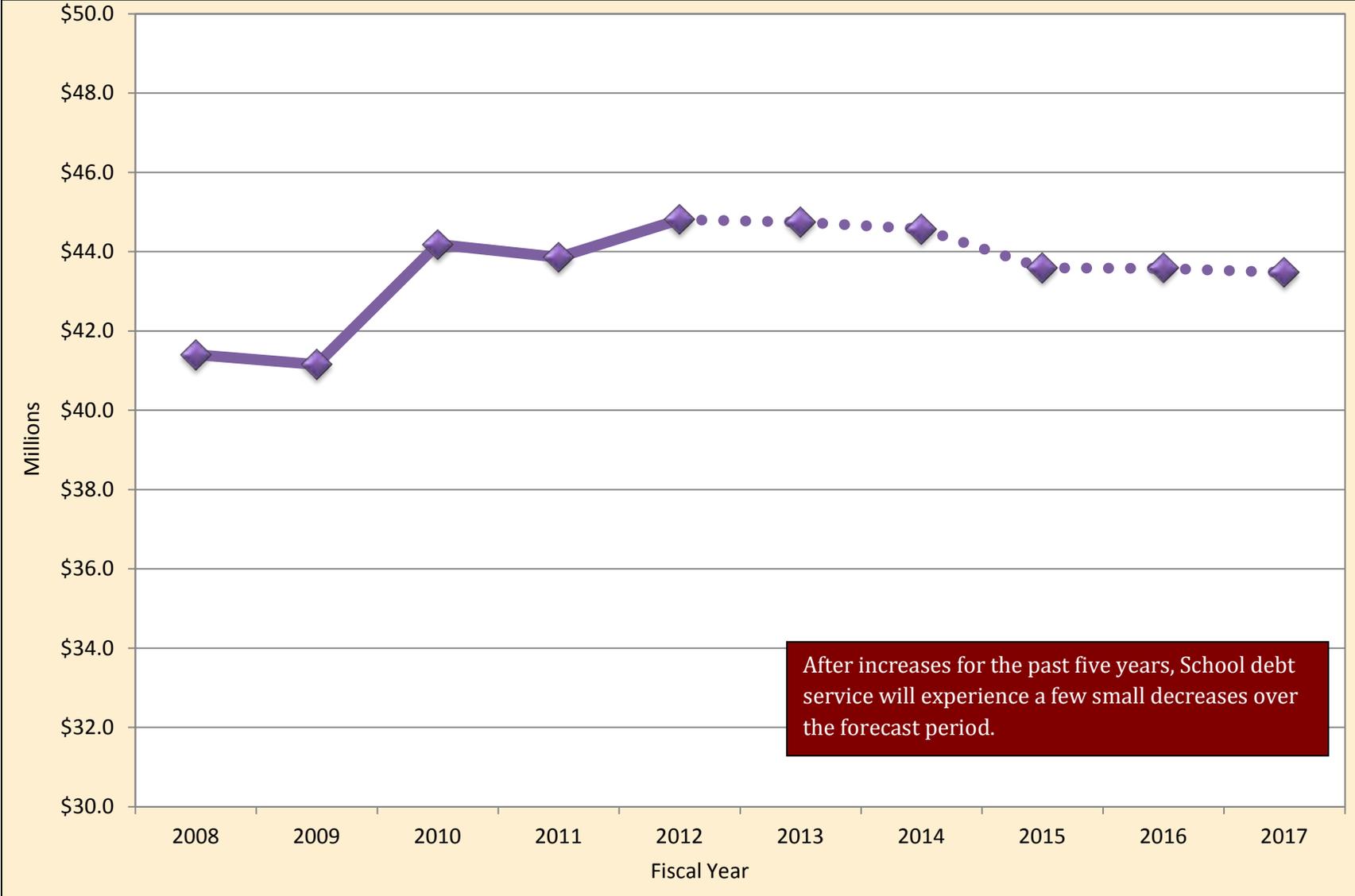
School Employees (Includes retirement and life insurance)



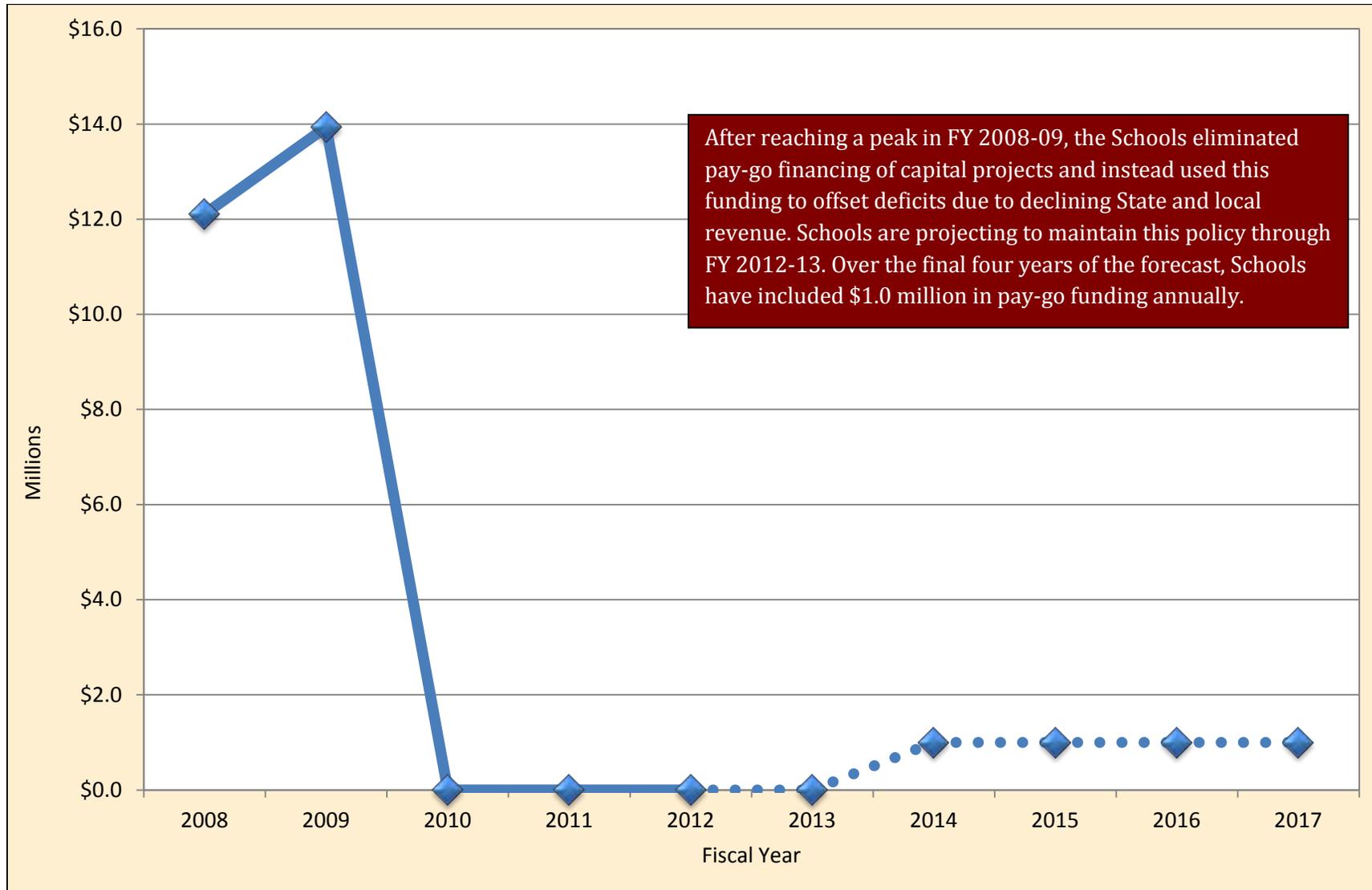
Other School Operating Expenditures



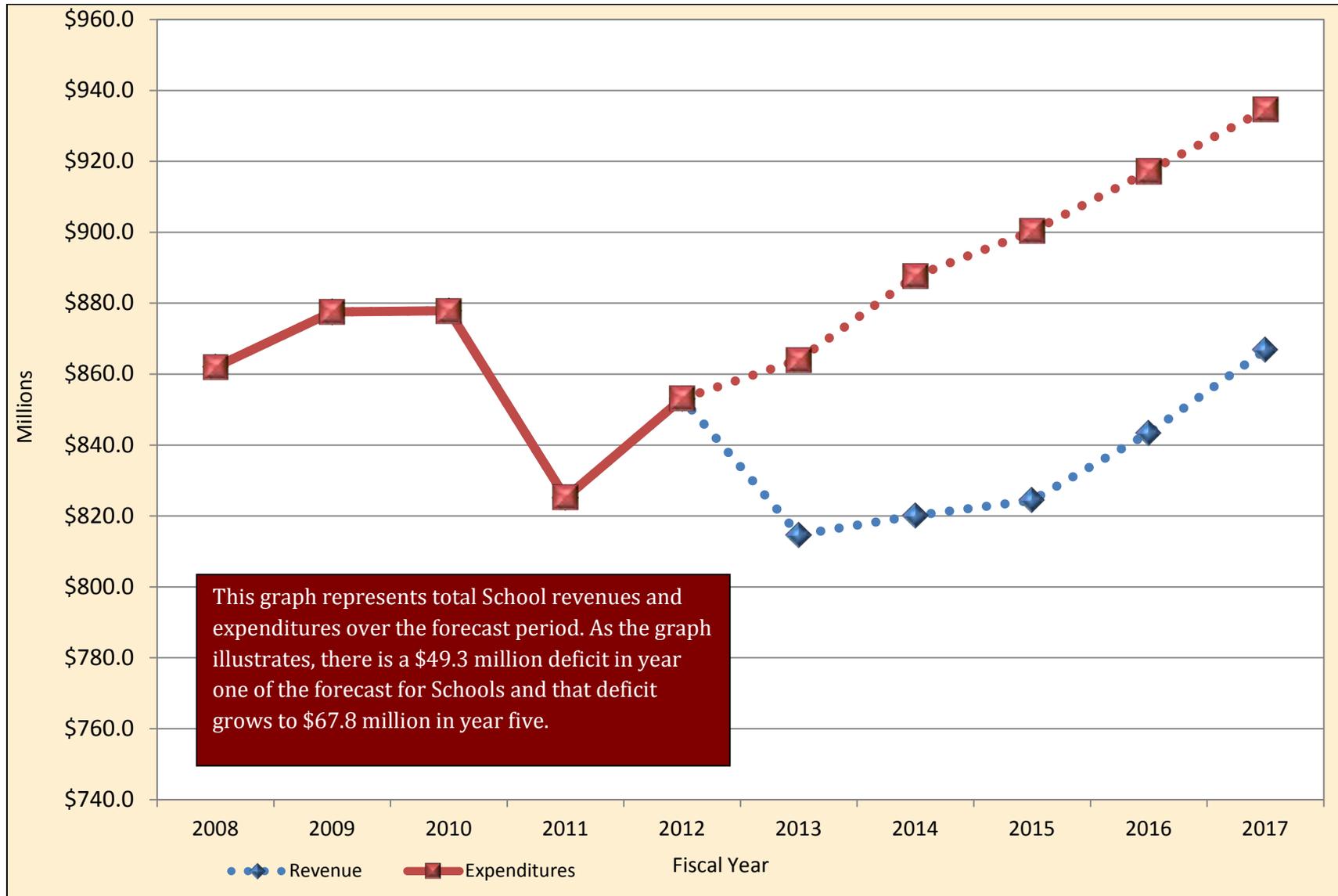
School Debt Service



School Pay-As-You-Go



School Forecast





City Forecast

The City's portion of the City/School Revenue Sharing Formula (RSF) is expected to decline over the next five years. This decline is due primarily to the impact of the recession and the continued decline in housing values. Other revenues outside of the formula are beginning to show signs of recovery.

Revenues	FY 2007-08	FY 2011-12	% Change
RSF	\$ 370,959,432	\$354,081,449	-5%
* Dedications	16,963,867	16,799,180	-1%
Telecom. (E-911)	7,085,853	5,949,230	-16%
Automobile	9,428,425	9,275,877	-2%
Cigarette	10,749,109	11,778,927	10%
Amusement	5,161,559	5,339,451	3%
Hotel Room	23,044,882	26,051,287	13%
Restaurant	49,134,920	51,752,268	5%
Other Local	188,637,377	231,614,119	23%
State Revenue	125,026,588	110,465,778	-12%
Federal Revenue	45,480,648	45,900,223	1%
Fund Balance	9,410,409	20,537,880	118%
Total:	\$ 861,083,069	\$ 889,545,669	3%

Tourism related revenues have remained relatively stable over the last five years in spite of the recession. Even though the recovery pace is slow, the forecast projects these revenues to increase.

It is important to note that a large portion of these revenues are dedicated to supporting tourism, entertainment, maintenance, and development programs.

As revenues declined over the last five years, City leaders chose to reallocate resources in a manner that protected the core services offered by the City. For example, reducing library operating hours, eliminating a total of 137.4 positions, delaying the replacement of capital items, postponing infrastructure maintenance/repairs and reducing Capital Improvement Program pay-go freed up resources to be re-allocated to departments like Police, Fire and Emergency Medical Services over the last five years.

Expenditure	FY 2007-08	FY 2011-12	% Change
Public Safety	\$ 165,302,485	\$ 183,040,214	11%
Human Services	106,682,055	111,880,229	5%
All Other City Departments	353,034,447	357,313,556	1%
Water and Sewer*	70,207,306	77,520,782	10%
Storm Water*	10,560,825	15,028,496	42%
Pay-Go	61,851,186	40,959,979	-34%
Debt	93,444,765	103,802,413	11%
Total:	\$ 861,083,069	\$ 889,545,669	3%

*Number is the operating budget net Pay-Go and Utility Debt

In FY 2011-12, the City of Virginia Beach operates on a budget that differs from the FY 2007-08 operating budget by roughly 3%. The Bureau of Labor Statistics reports that over this same time period, inflation increased about 9% overall. Even though the City of Virginia Beach's 2011-12 operating budget is comparable to the pre-recession operating budget in size, the City is still not functioning at the same level it was in FY 2007-08.

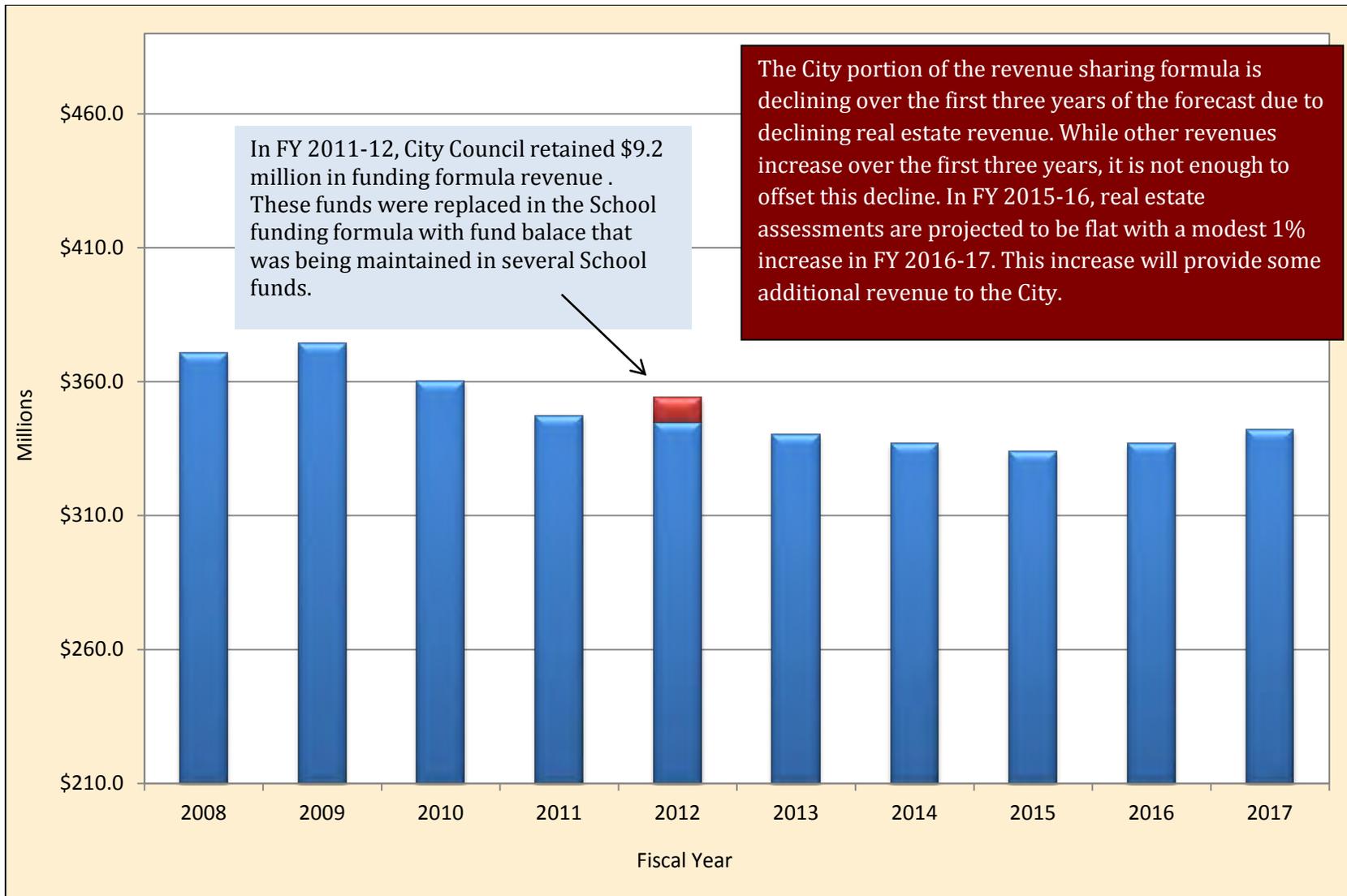
In looking out five years, there are primarily four key drivers that will increase the City's overall expenditures. Unfortunately, several of these drivers are the result of decisions being made at the State and Federal level and outside the control of City leaders. The following is a list of

drivers anticipated to impact the City of Virginia Beach's operating expenditures over the next five years:

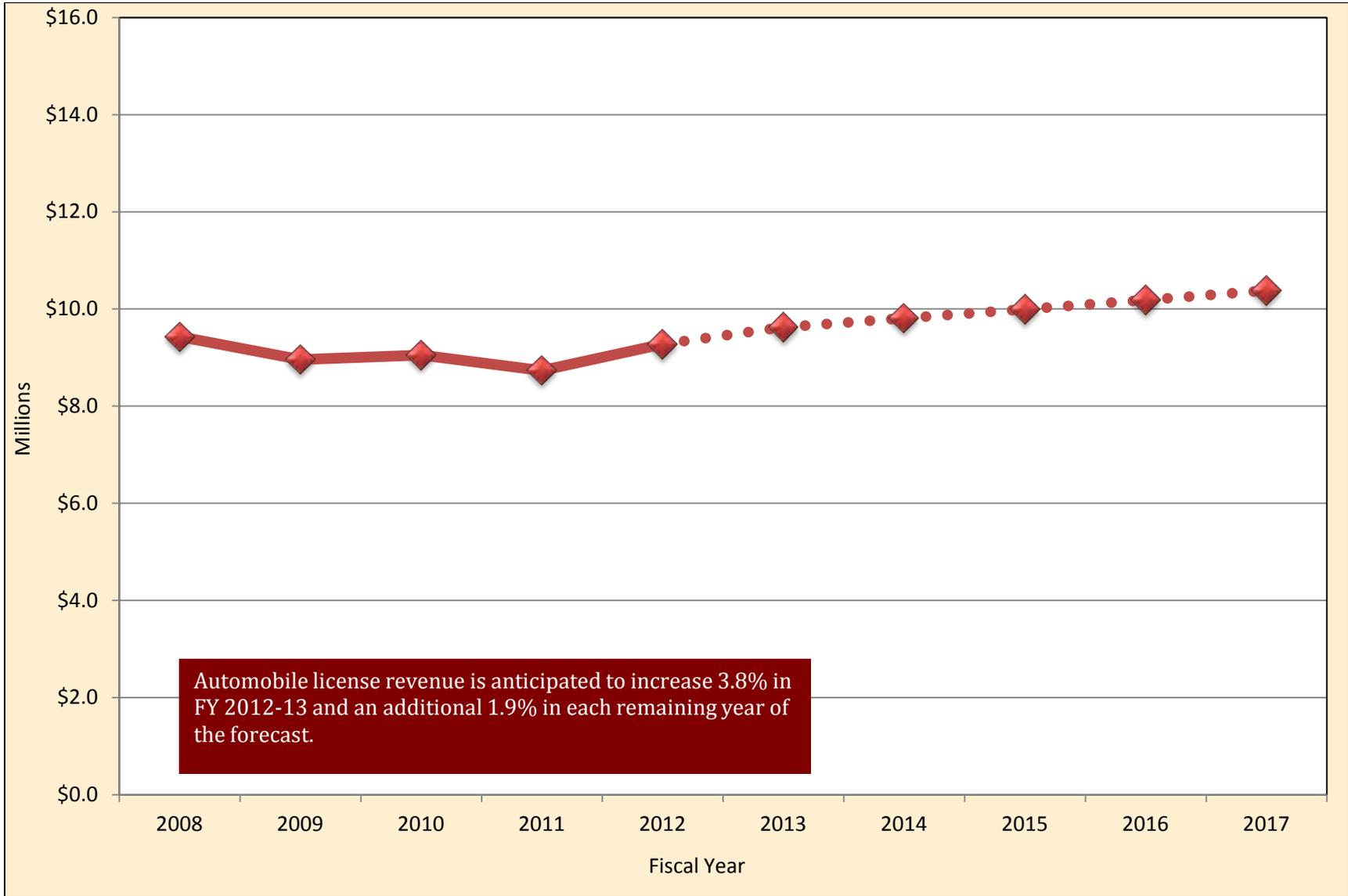
- *Increases in the Virginia Retirement System (VRS) Rate*
- *Health insurance cost increases*
- *Southeastern Public Service Authority contract expires*
- *Debt Service*

For much of the forecast period, these drivers represent 50% or more of the expenditure increase between each fiscal year. The following pages will discuss in greater detail each of these drivers, the assumptions behind the drivers, and the impact they will have on the City over the next five years.

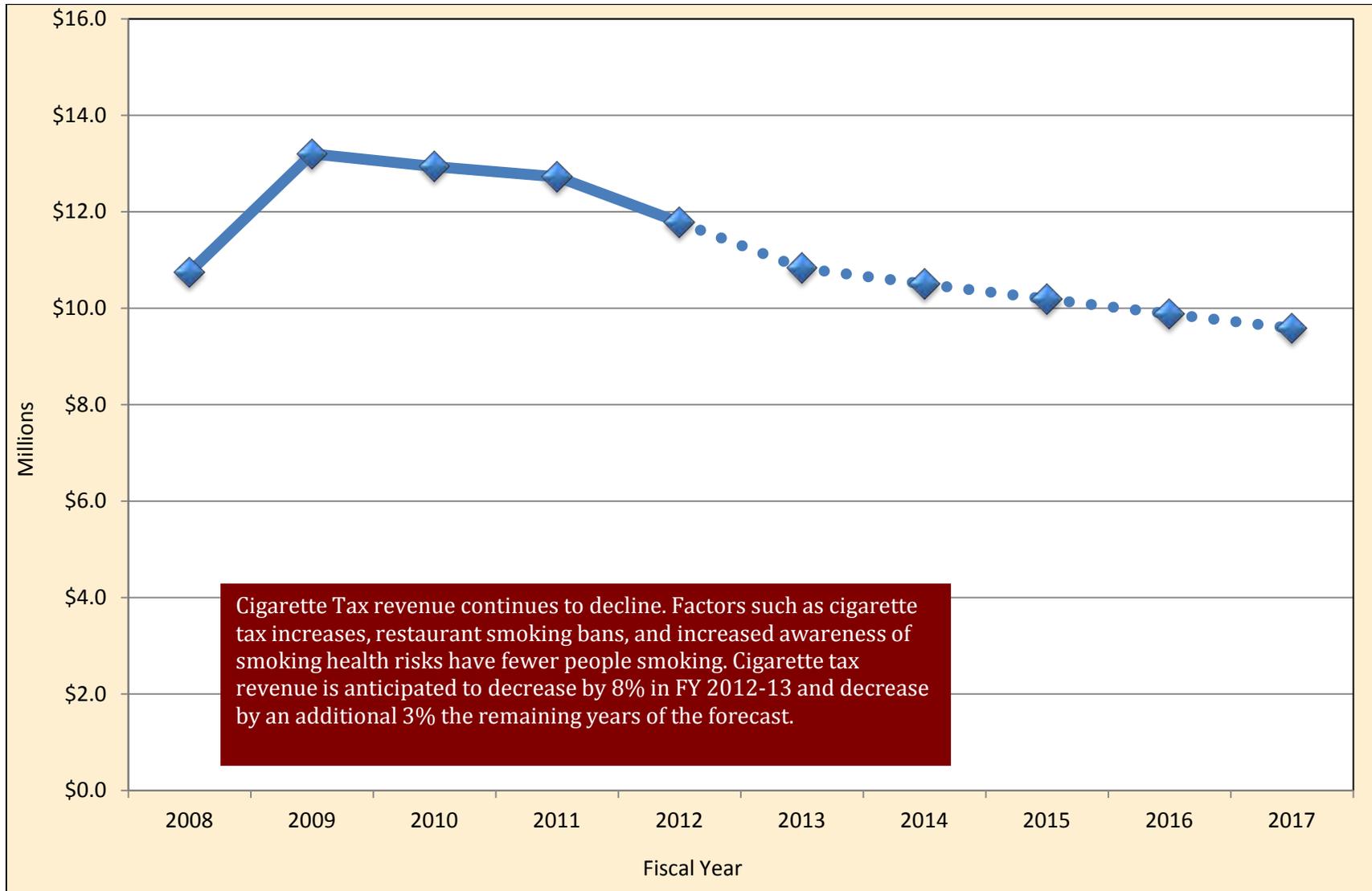
City Portion of the Revenue Sharing Formula



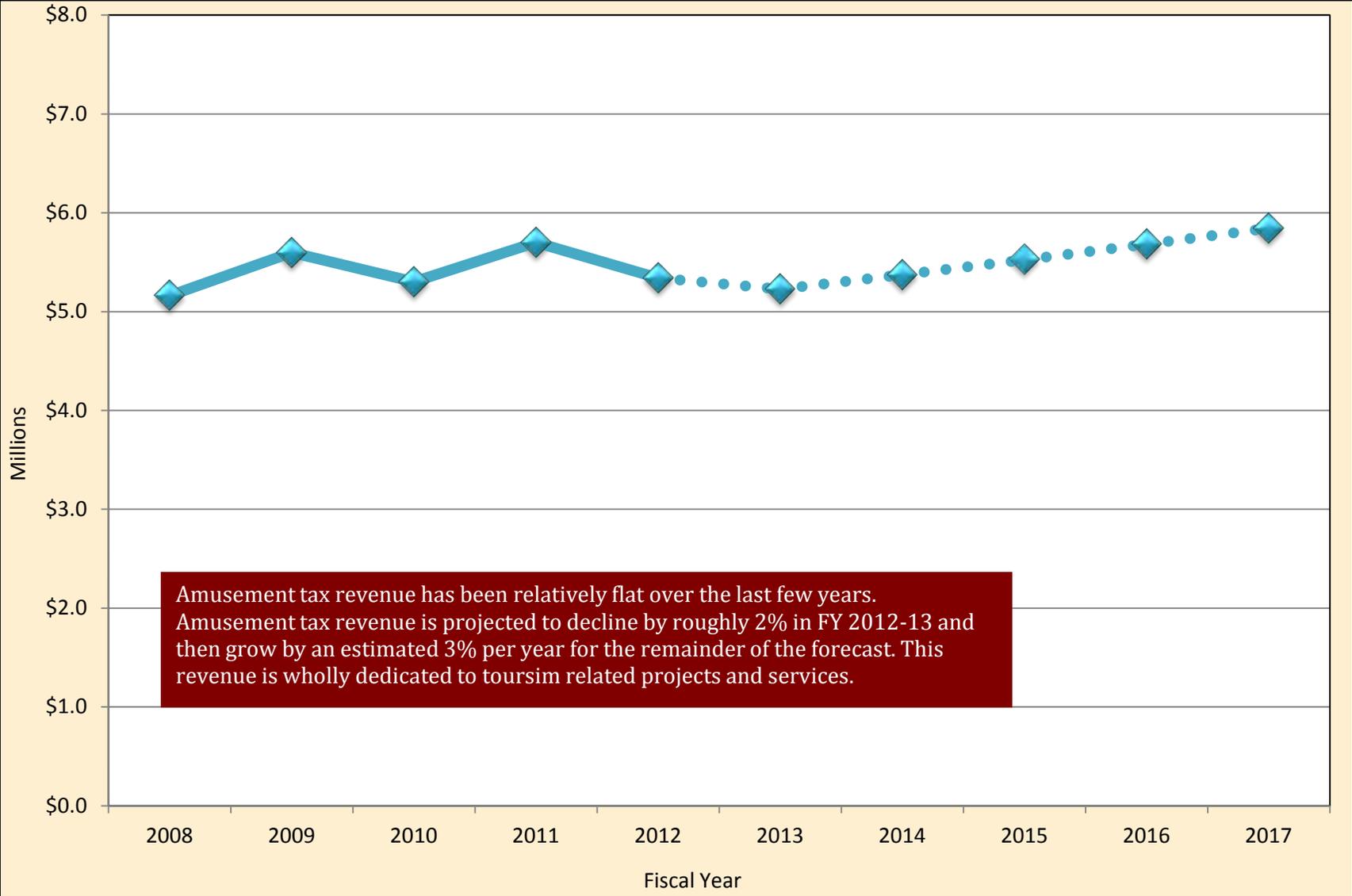
Automobile License



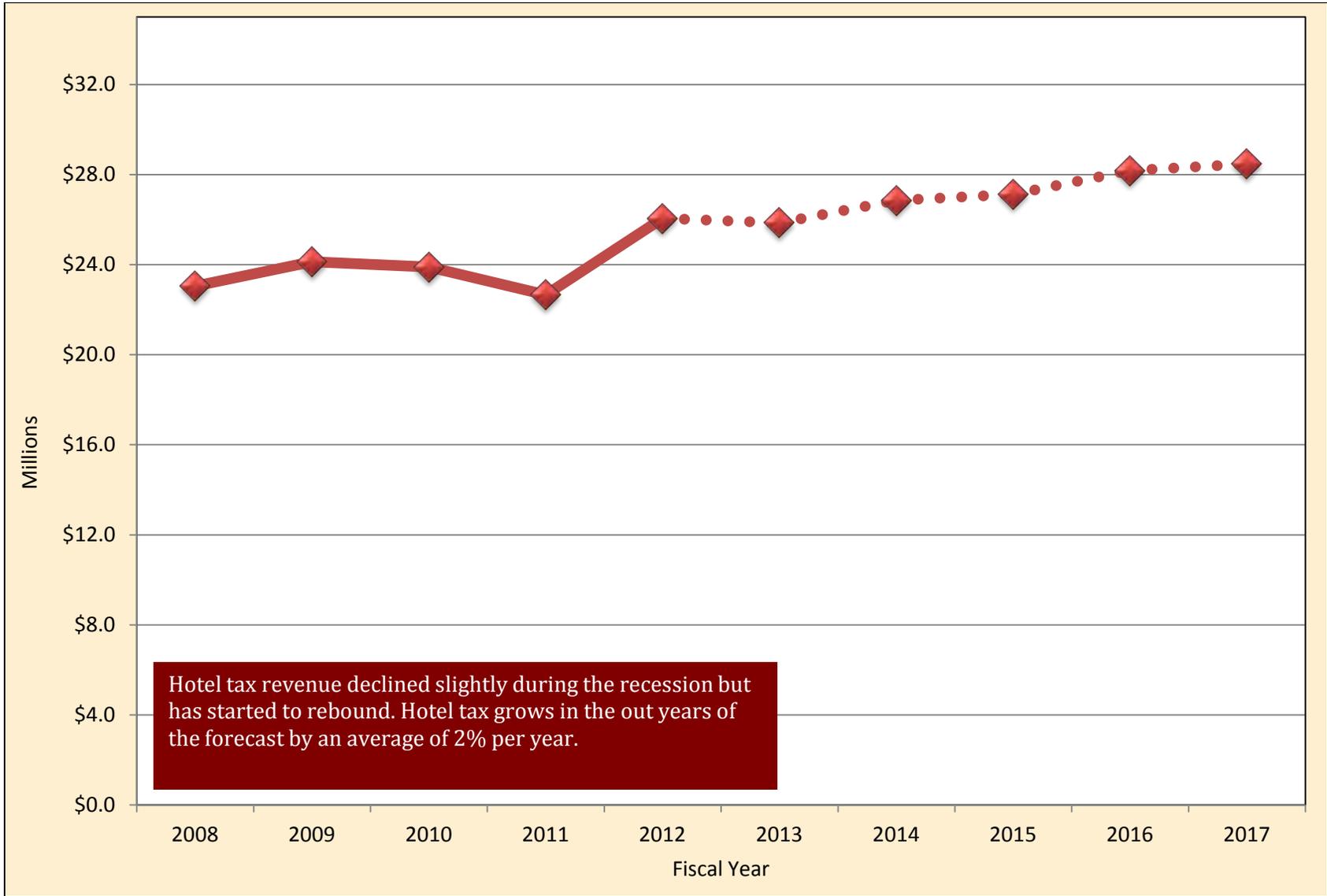
Cigarette Tax Revenue



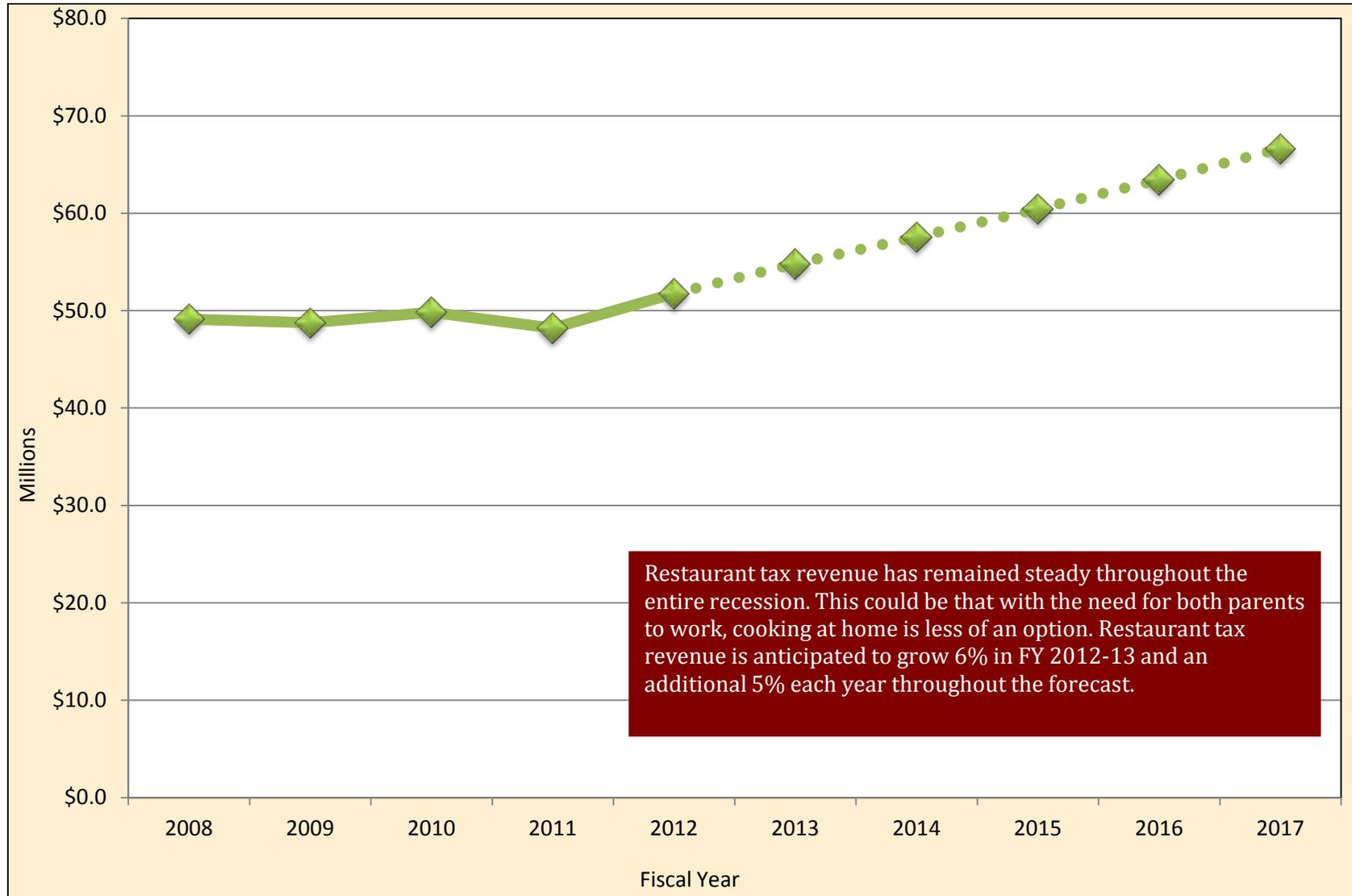
Amusement Tax



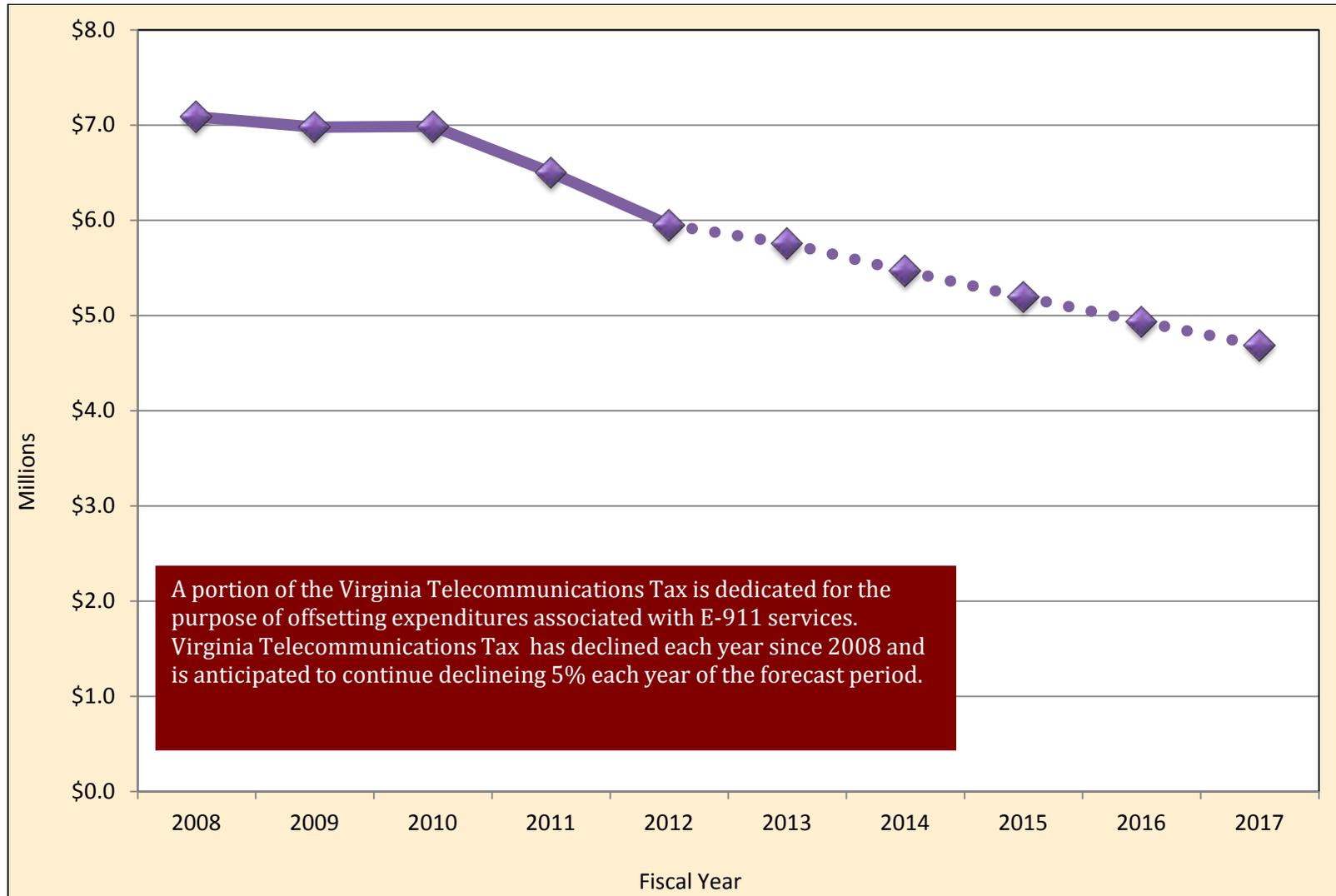
Hotel Occupancy Tax



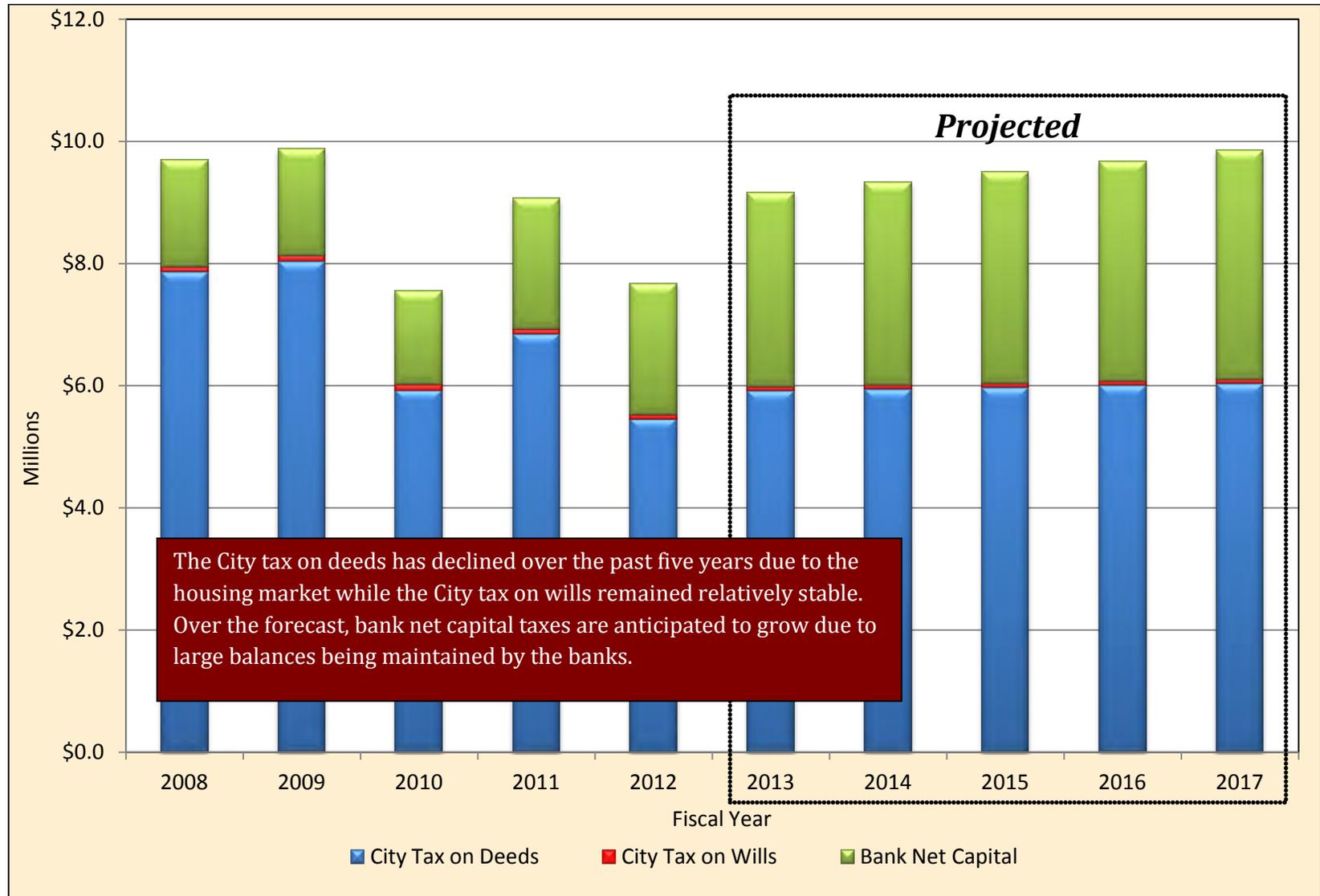
Restaurant Tax



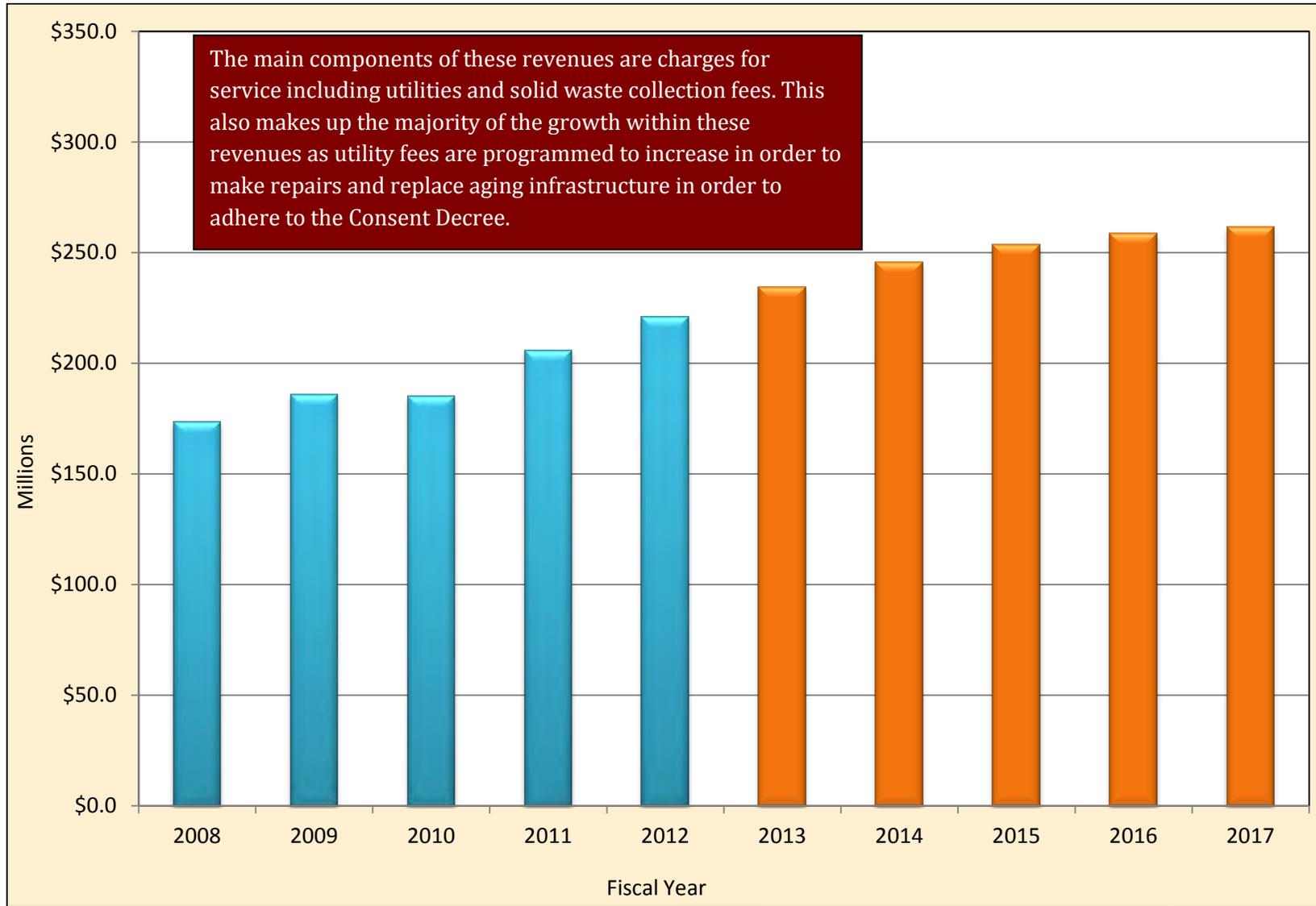
Virginia Telecommunications Tax (Portion Dedicated to E 911 Services)



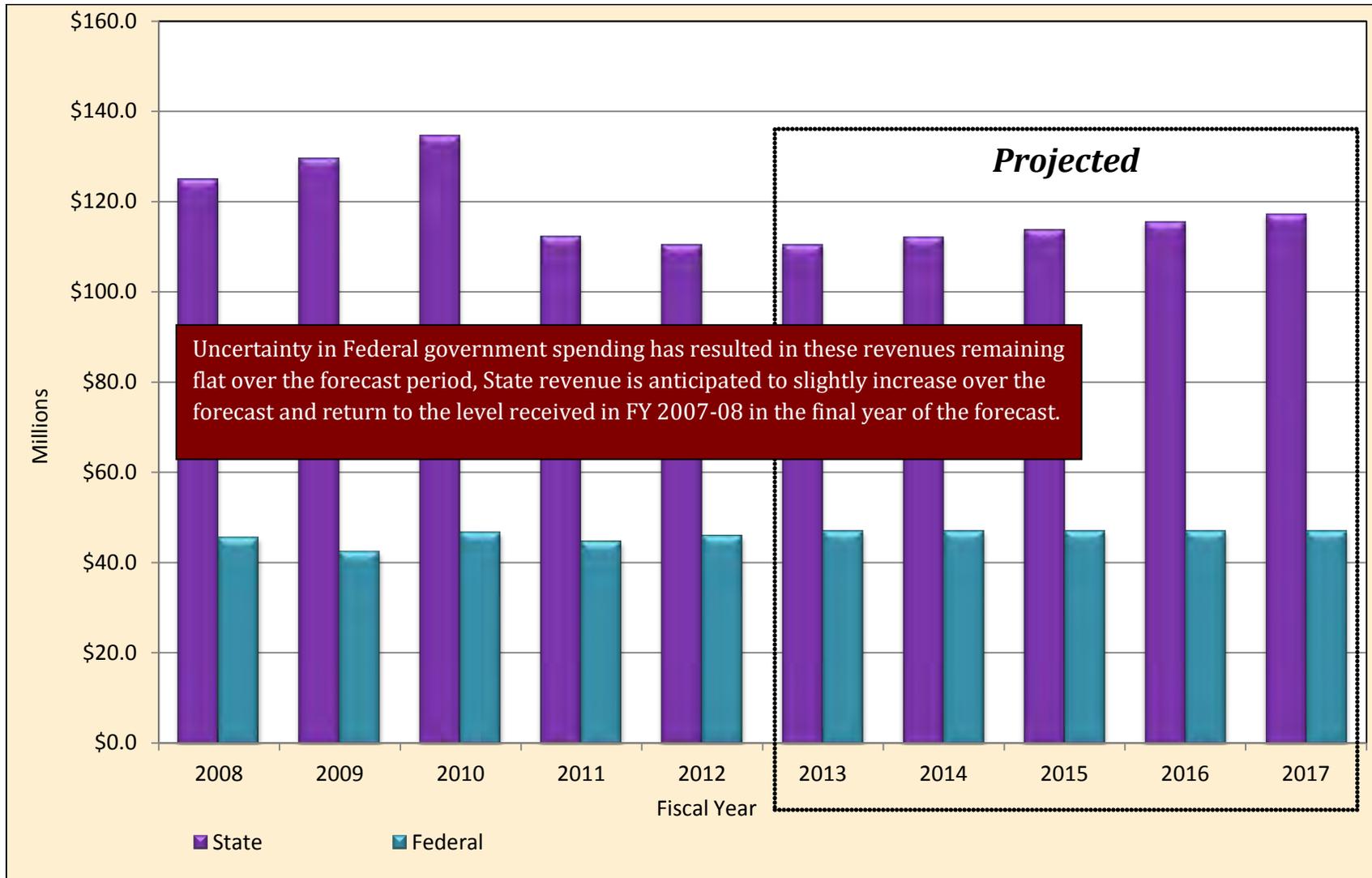
Other Local Taxes



Fees and Other Local Revenues



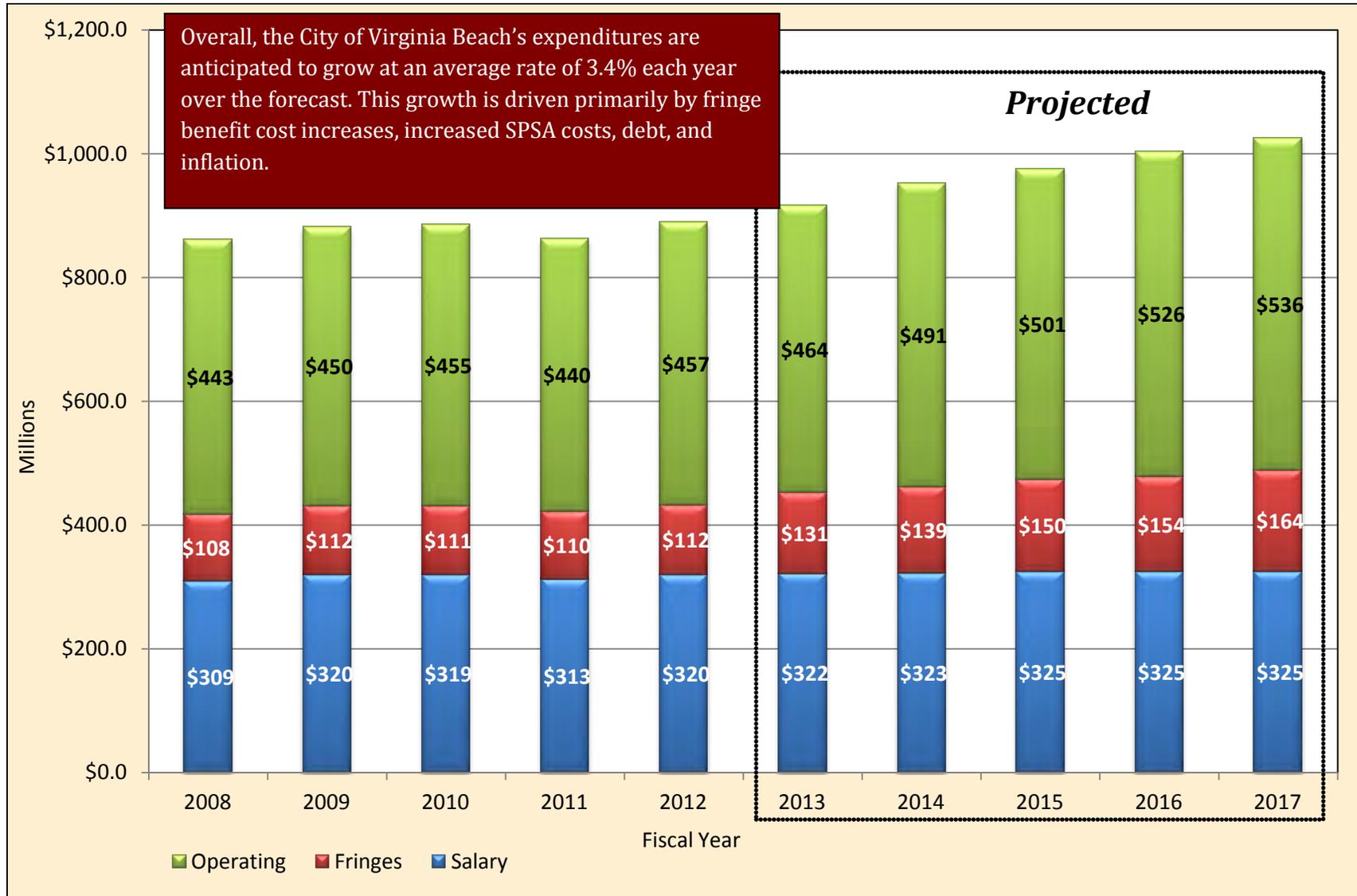
City State and Federal Revenue



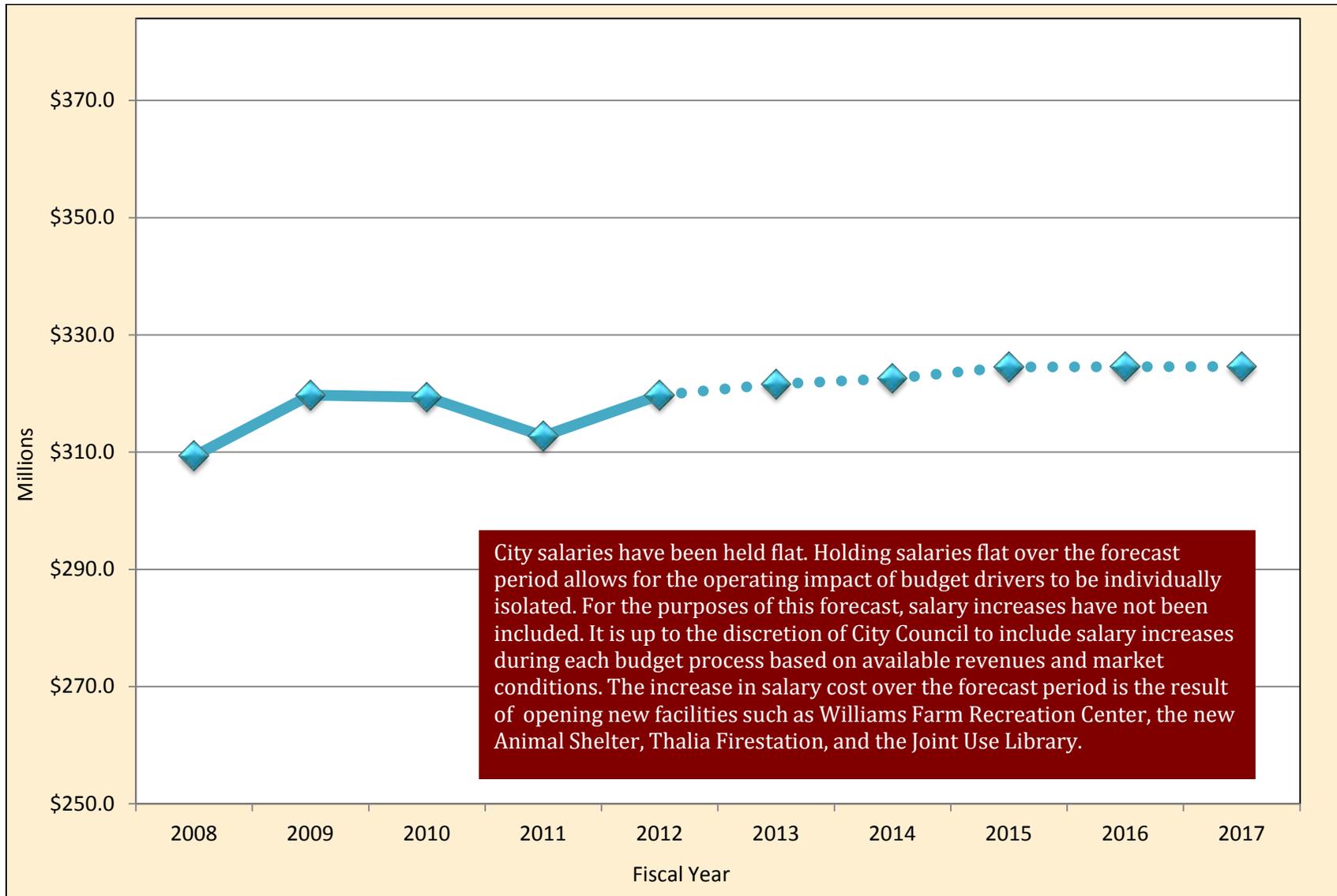
City Expenditure Assumptions

	Fiscal Year				
	2012-13	2013-14	2014-15	2015-16	2016-17
Pay Increase	0.00%	0.00%	0.00%	0.00%	0.00%
VRS/Life Insurance Rate Increase	3.65%	0.00%	2.00%	0.00%	2.00%
Increase in Health Insurance Costs	22%	23%	10%	6%	7%
Increase in Risk Management Costs	19.0%	15.0%	15.0%	15.0%	15.0%
Inflation	0.00%	3.00%	3.00%	3.00%	3.00%
Increase in Pay Go Funding (in millions)	\$8.4	\$9.9	\$1.6	\$1.1	\$0.4
SPSA (in millions)	\$0.0	\$1.1	\$0.0	\$10.3	\$0.0

Total City Expenditures

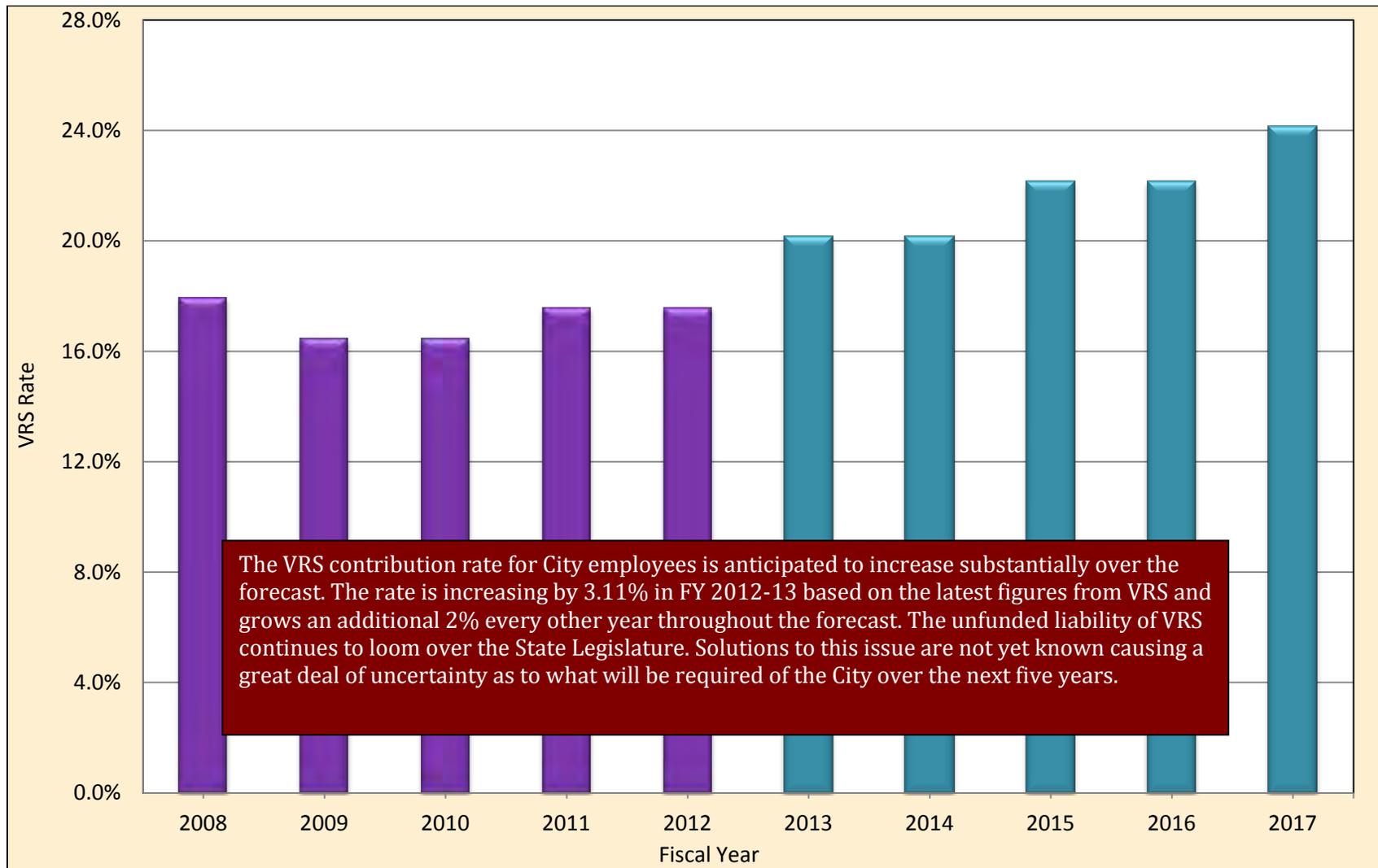


City Salaries



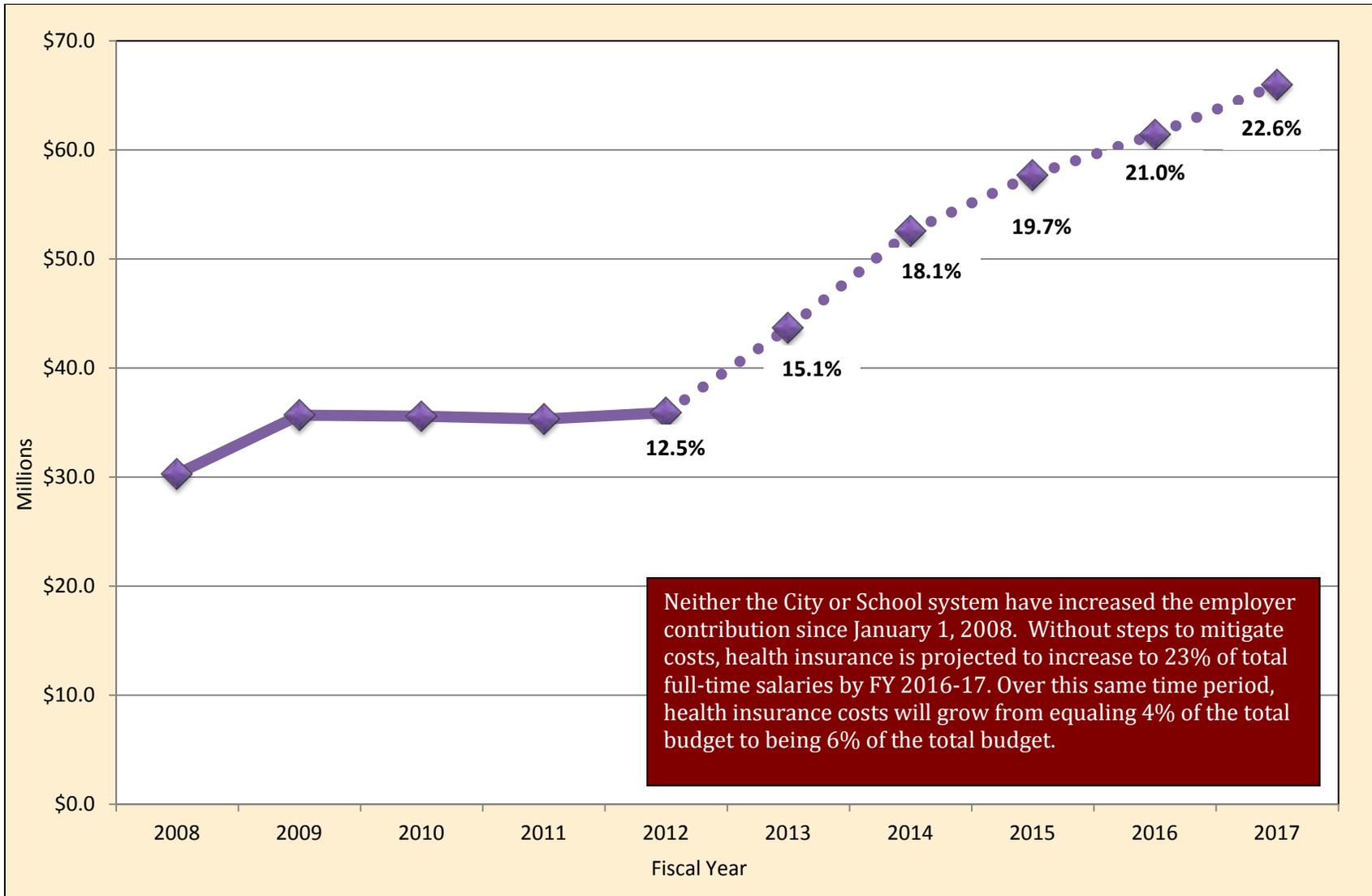
Virginia Retirement System (VRS) Contribution Rate

City Employees (Includes retirement and life insurance)

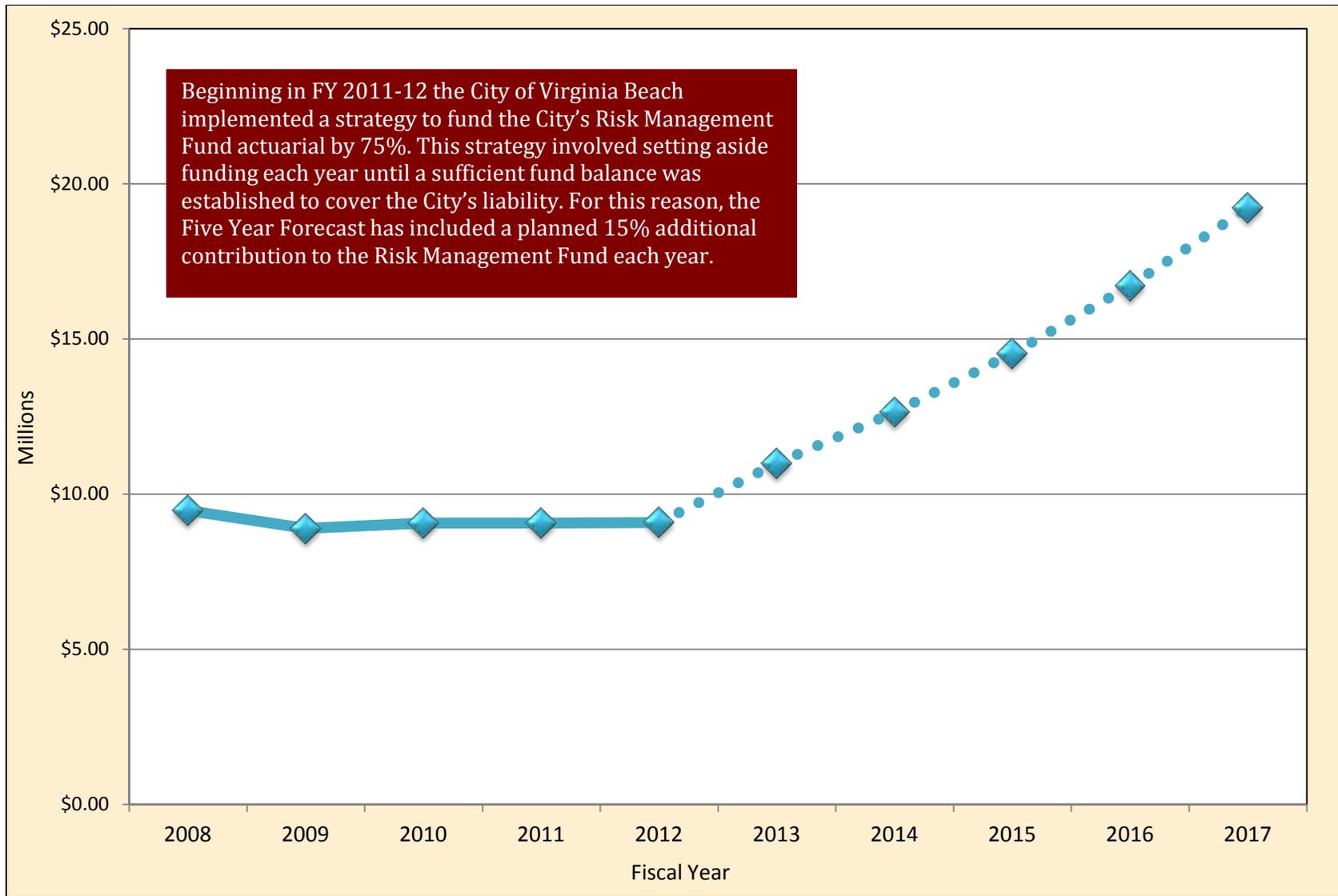


Employer Contribution Health Insurance

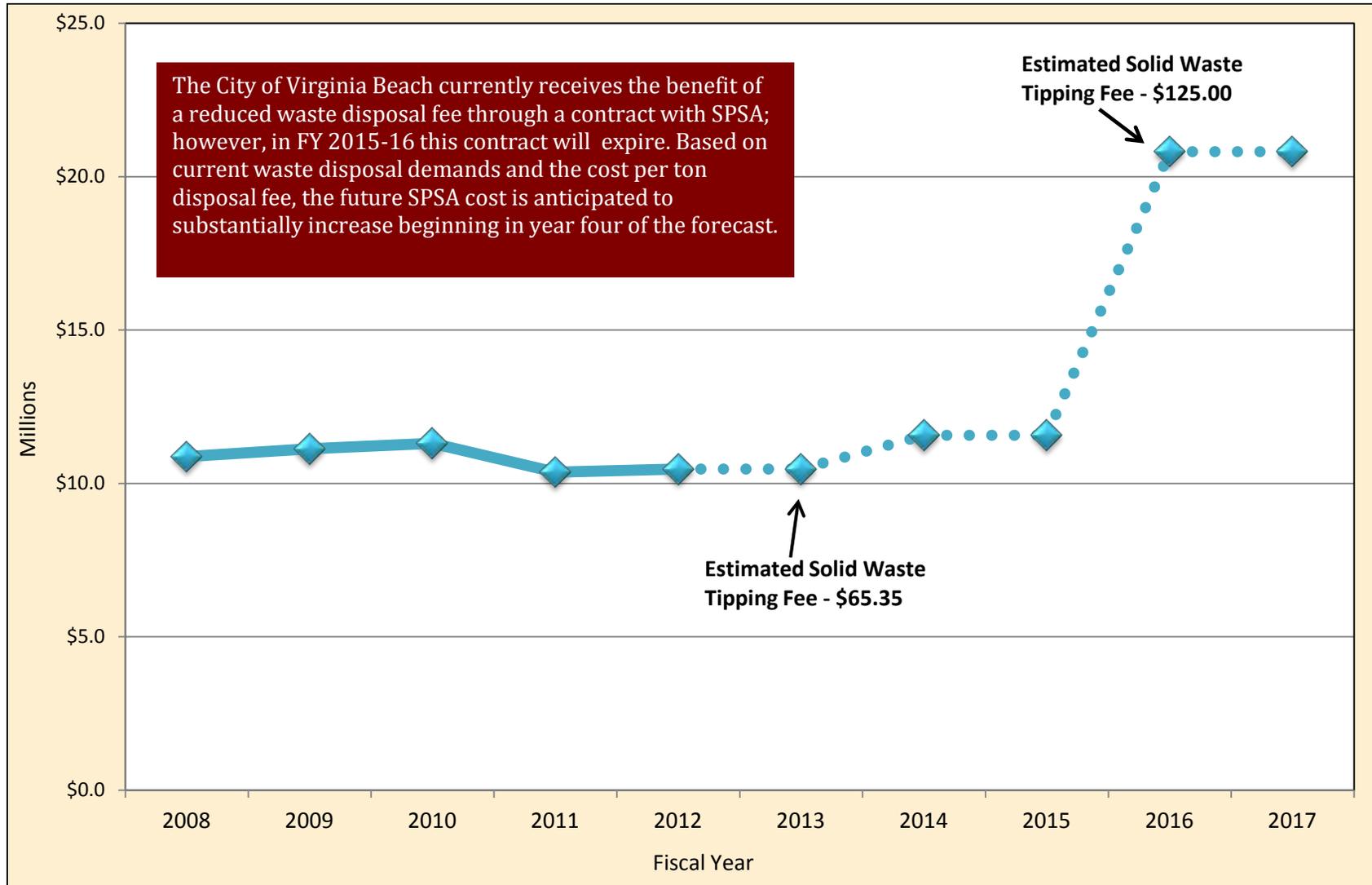
City Portion



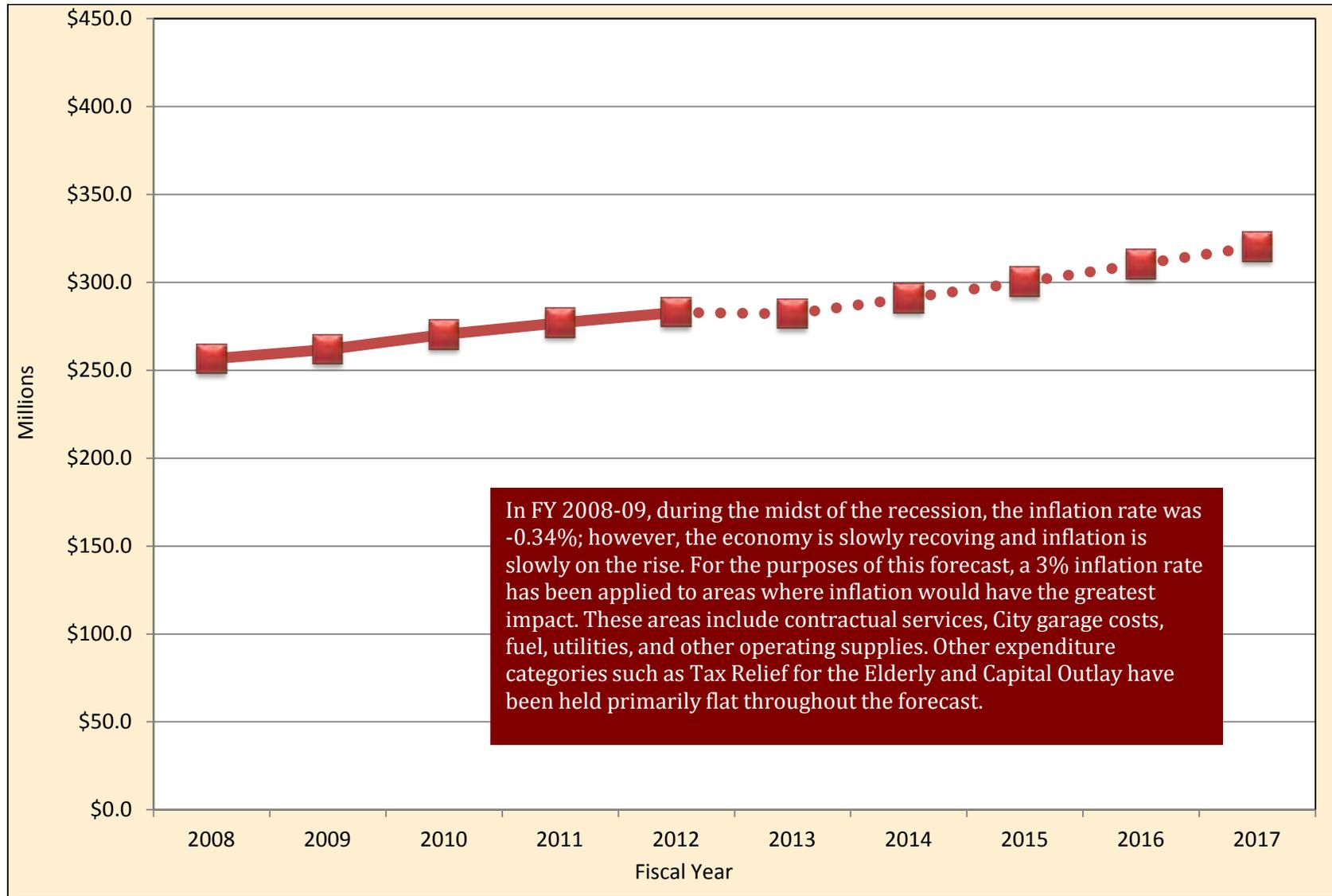
Risk Management



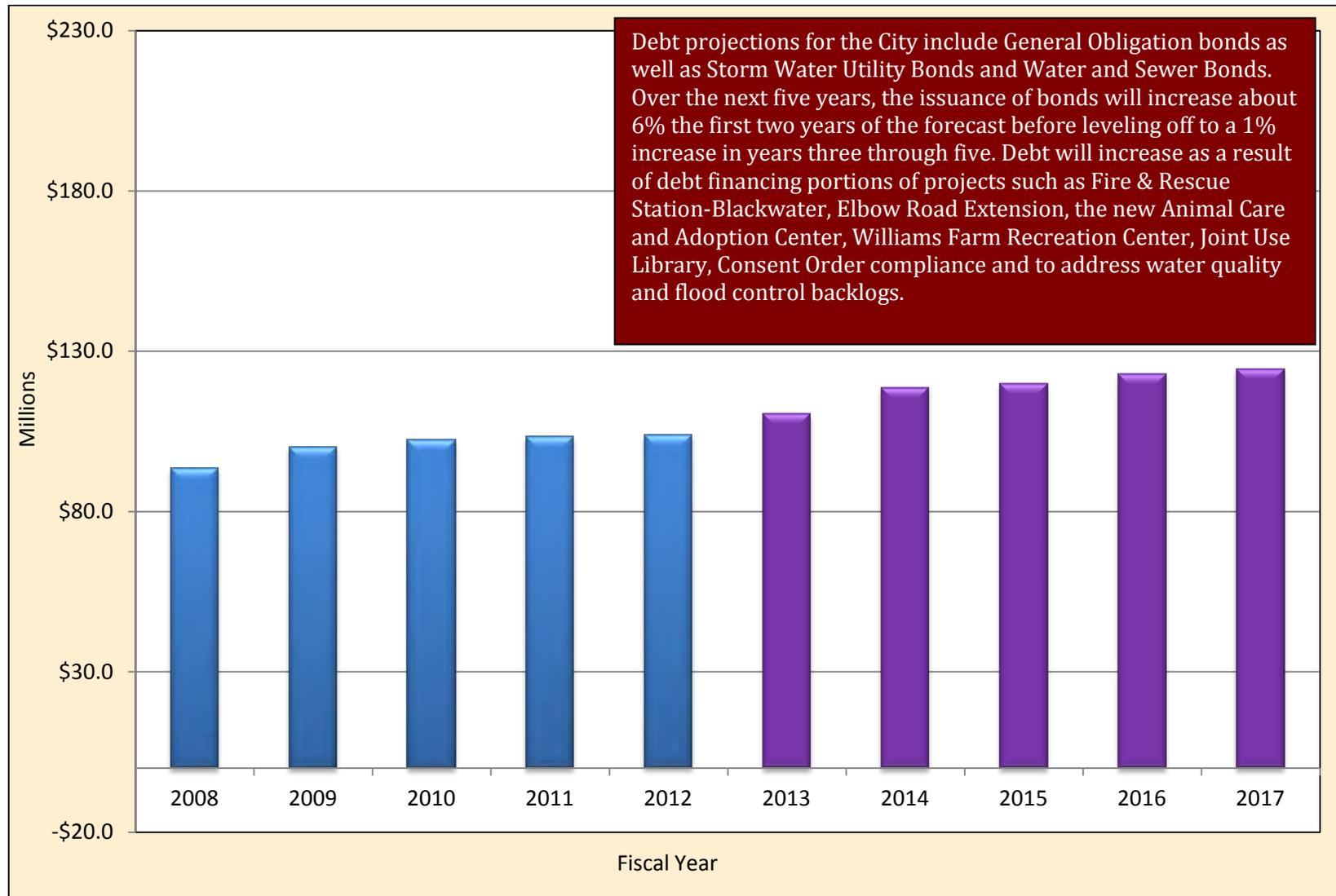
Southeastern Public Service Authority (SPSA) Contract Cost



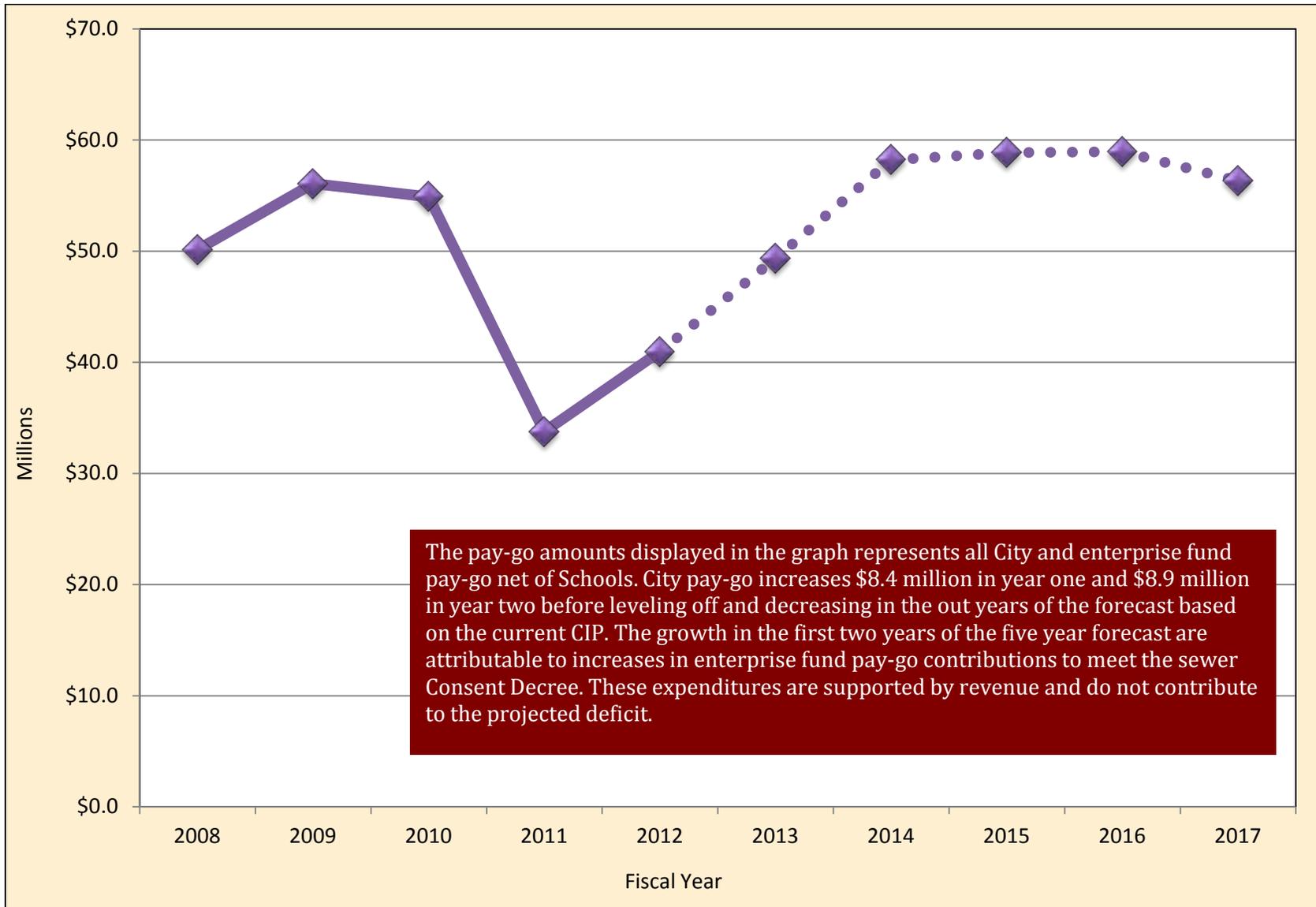
Other City Expenditures



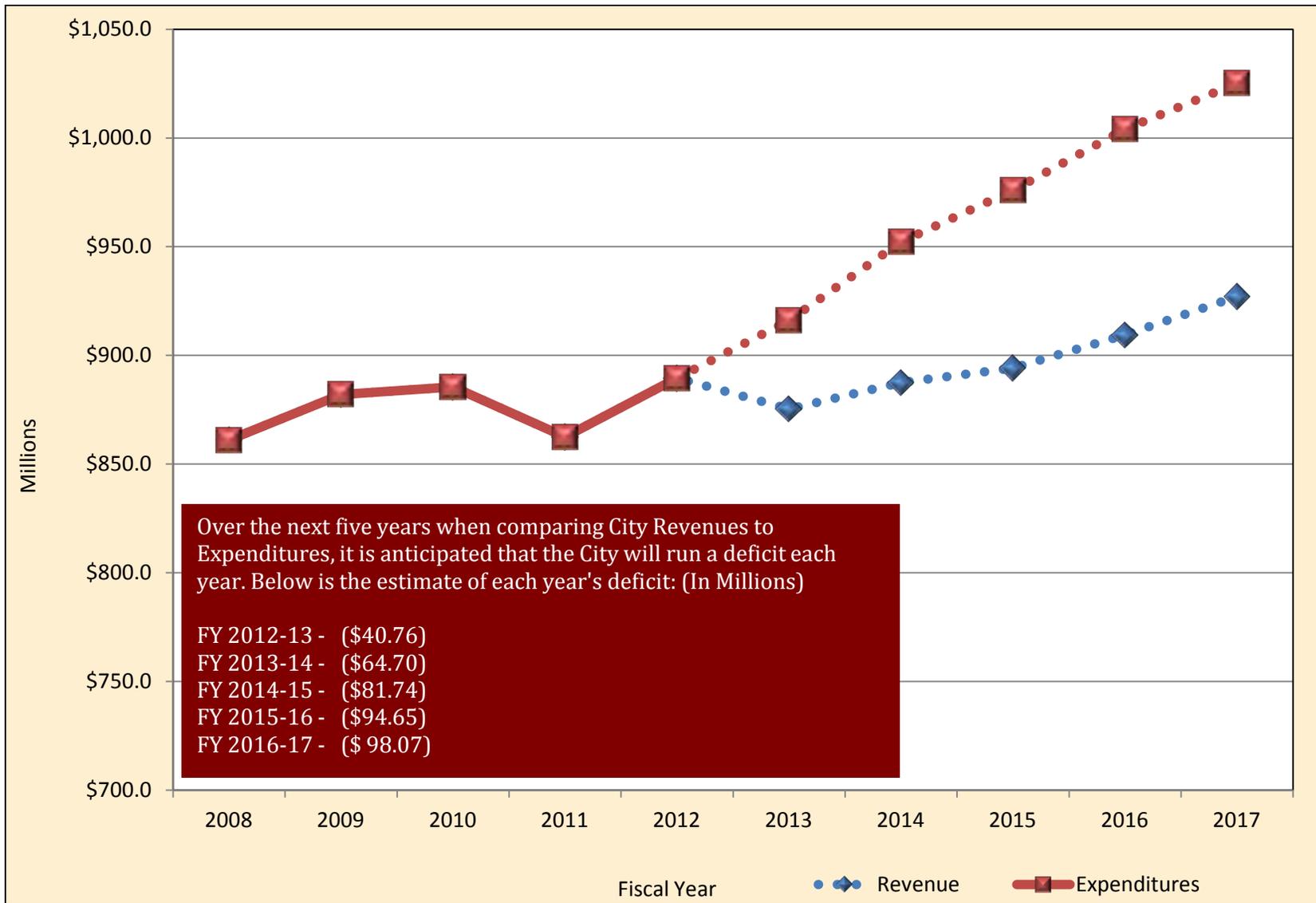
City Debt Service



City Pay-As-You-Go



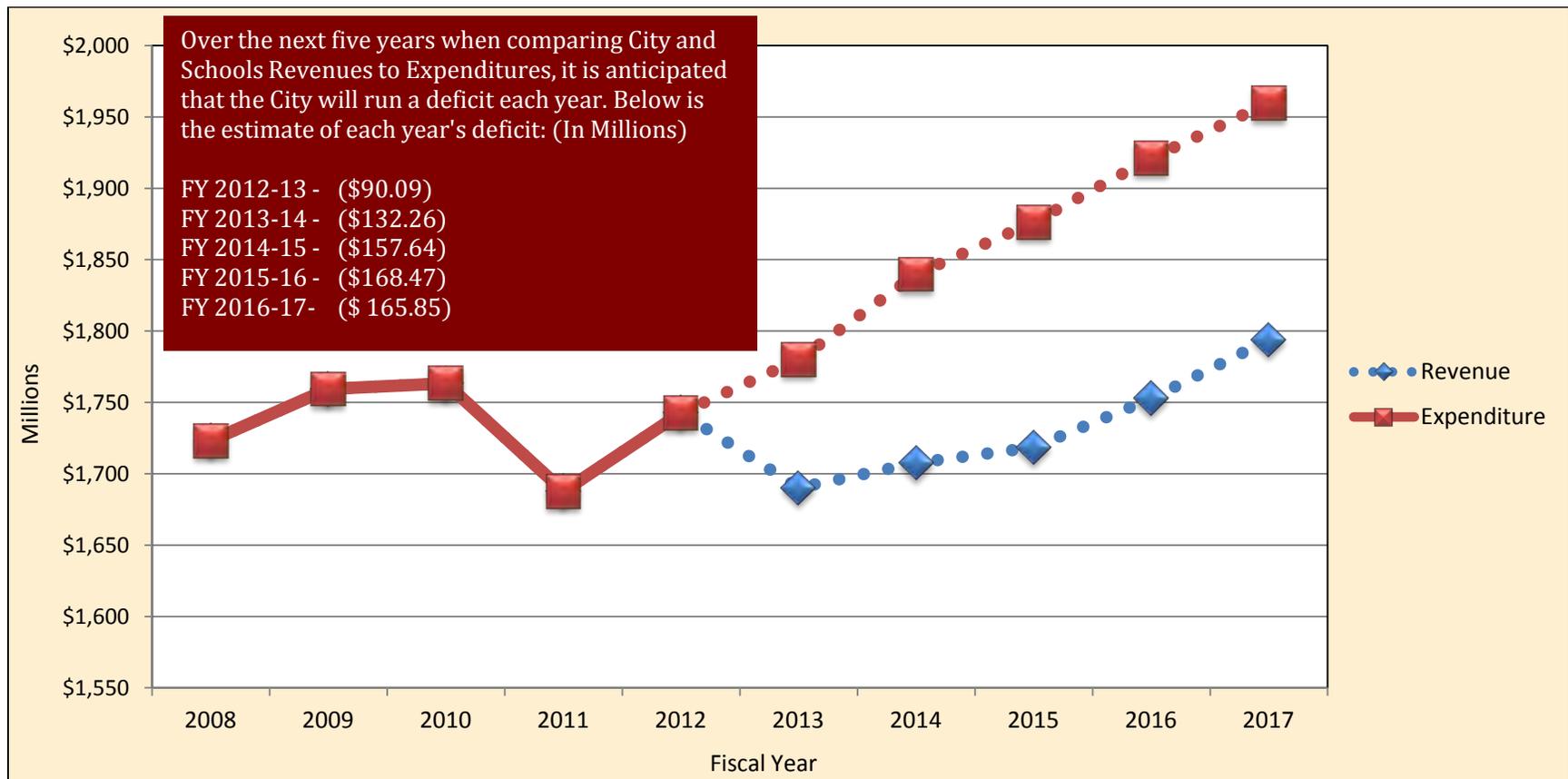
City Forecast





Conclusions and Threats to the Forecast

The economy continues to struggle. Based on discussions with regional economists and City Manager's from the various Hampton Roads communities, this situation is likely to continue until real estate values begin to stabilize and recover. While other revenues, be they State revenue or other taxes, are expected to begin recovery in the latter years of the forecast, the decline in real estate tax revenue will be a drag on the total finances of the City and School system through the first four years of the forecast. This decline in real estate tax revenue will result in a real decrease in total revenues for the first three years. Revenue growth required to maintain the current package of services is between 3 to 5%. This forecast does not project revenues to reach that level over the next five years. This reduced revenue comes at a time when significant growth in several expenditure categories will be affecting the cost to deliver services and maintain employee compensation.



As can be seen on the previous page, combined, the City and Schools are facing substantial deficits over the next five years. Factors driving these are the continuing decline of real estate values dragging overall revenue growth down, the rising costs of retirement and health care, the impact of increased tipping fees, debt service, and for Schools, a pay-raise. Delving into the annual deficits one clear pattern emerges, that the deficit, while large, is really being driven almost entirely by these factors. The table below illustrates the impact of these drivers on the total deficit.

Explanation of the Deficit

Significant Drivers	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Total Deficit:	\$ 90,093,166	\$ 132,258,618	\$ 157,640,527	\$ 168,467,280	\$ 165,850,621
Salary Increases – Schools	1,633,187	1,633,187	1,014,586	733,676	1,128,930
Salary City – New Facilities	1,897,433	2,833,494	4,807,302	4,835,984	4,865,528
Health Insurance	16,071,507	38,287,911	51,152,393	60,452,849	71,871,505
VRS	26,304,978	37,270,560	54,482,881	66,106,416	84,048,709
SPSA – City	-	1,103,037	1,103,037	11,451,994	11,451,994
Real Estate Revenue	22,604,519	35,659,974	48,323,766	48,323,766	44,229,141
Remaining Deficit:	\$ 21,581,543	\$ 15,470,455	\$ (3,243,438)	\$ (23,437,405)	\$ (51,745,186)

Interesting to note is the fact that without the impact of these drivers, the base deficit (normal churn in cost) is relatively manageable over the next five years. As noted in the table above, the base deficit is eliminated by FY 2014-15 (as noted by the base deficit of -\$3.2 million). These drivers are the primary reason for the deficit over the five years. If real estate was held flat against the FY 2011-12 level, then the base deficit would be eliminated.

Of the drivers, health insurance, retirement, and life insurance are the ones which will have a substantial impact on both the City and School costs over the next five years. (Retirement costs are being set by Richmond rather than locally and are based on the losses in the fund due to the market and the need to recover funds used by the General Assembly to lower State budget costs in FY 2010-11 and FY 2011-12). Currently VRS projects that the City has an unfunded liability of \$275 million over the next 30 years and the School system faces an unfunded liability of nearly twice that amount. Potential GASB pronouncements changing the way this unfunded liability is calculated could increase these figures to a combined liability of over \$1.3 billion. It is critically important to our workforce that this benefit be provided; however, we must seek ways to manage this liability over time or it risks becoming unsustainable.

Likewise, health insurance costs are growing for both City and Schools based upon utilization by employees/retirees and their families, as well as changes to health care regulations nationally.

If costs continue as they have, the cost of providing health insurance (covered by both the employer and employee) is expected to increase by 10% annually to well over \$230 million by FY 2016-17. It is important to remember that the City has not changed the employer contribution for these costs since FY 2007-08 nor has the City adjusted the employee premium since FY 2009-10. Instead, we have

relied on changes to the plan design to mitigate increases and the fund balance of the fund to cover increases that did occur. In FY 2011-12 the operating budget projects the use of \$16 million in fund balance, just over half of the amount available to offset rising costs. The forecast makes several assumptions concerning health care insurance costs:

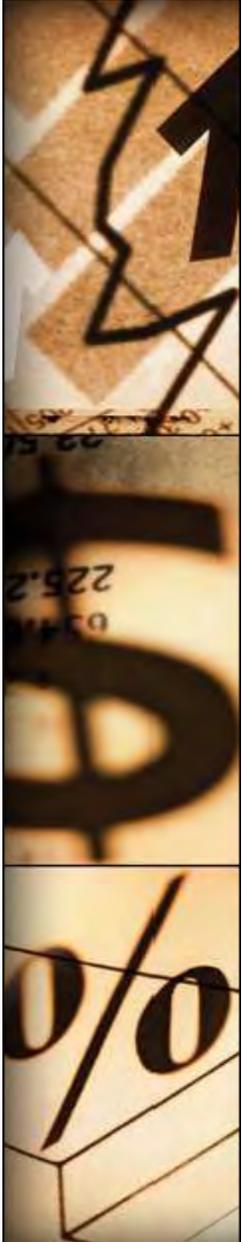
- That the employer contribution must increase by \$15 million
- That employee premiums must increase
- That the \$8 million GASB45 requirement (retiree health care cost for current employees) will be covered by both
- That changes in employee utilization patterns (i.e. Wellness Advantage Program) and plan design/coverage will have to occur to control rising costs.

The other two drivers of this forecast are the assumption by Schools to make permanent the 2.5% pay raise provided to employees in FY 2011-12 as a bonus and on the City side the need to address the increasing tipping fee related to changes in the Southeastern Public Service Authority (SPSA).

The pay increase assumption by the School system brings School employees in line with the City's decision to provide its employees with a 2.5% base pay increase in that year. Neither City or Schools have assumed any pay increases over the course of the forecast; however, this is not an indication that a decision has been made to not provide any increase to salaries; rather it places that decision in the

context of the annual operating budget and each year's anticipated revenues. Each 1% increase in City and School salaries would cost roughly \$10.2 million. The remaining driver is the elimination of the rate subsidy the City has enjoyed as compensation for the use of the City landfill to take regional ash and residue. This subsidy will end in FY 2015-16 and will result in an increase in the tipping fee from \$62.35 today to roughly \$125.00.

The major threat to this forecast, beyond the continued stagnation of the economy, is the potential impact from Federal deficit reduction discussions. Whether the "Super Committee" meets its target of \$1.2 trillion in reductions or not, the City and Schools can expect to see reductions in direct and indirect military spending, reductions in funding through Medicaid and Medicare to low income and elderly residents as military and entitlement programs comprise the lion's share of the Federal budget and its deficit. This Federal funding flows into the School system as Title I funding or Federal Impact Aid. It flows into the City through economic spending in the community by welfare recipients, and it flows through an already constricted State budget. Without a doubt, the decisions made in Washington with regard to their budget will trickle down into the Virginia Beach economy and the City's operating budget over the forecast period.



Appendix

City Five Year Forecast

	07-08 Budget	08-09 Budget	FY 09-10 Budget	FY 10-11 Budget	FY 11-12 Budget	FY 12-13 Budget	FY 13-14 Budget	FY 14-15 Budget	FY 15-16 Budget	FY 16-17 Budget
Salaries										
Full-Time Salaries	\$ 263,884,878	\$ 285,102,633	\$ 289,121,666	\$ 281,249,610	\$ 287,760,743	\$ 289,643,342	\$ 290,552,367	\$ 292,498,327	\$ 292,498,327	\$ 292,498,327
Part-Time and Overtime Salaries	\$ 21,594,043	\$ 23,356,386	\$ 23,514,824	\$ 24,862,306	\$ 25,425,848	\$ 25,414,433	\$ 25,414,433	\$ 25,414,433	\$ 25,414,433	\$ 25,414,433
Other - Salaries	\$ 7,066,046	\$ 6,245,715	\$ 6,737,844	\$ 6,609,805	\$ 6,556,504	\$ 6,582,753	\$ 6,609,789	\$ 6,637,637	\$ 6,666,319	\$ 6,695,863
Salary Increase	\$ 16,776,027	\$ 5,037,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 309,320,994	\$ 319,742,516	\$ 319,374,334	\$ 312,721,721	\$ 319,743,095	\$ 321,640,528	\$ 322,576,589	\$ 324,550,397	\$ 324,579,079	\$ 324,608,623
Fringe Benefits										
FICA/Medicare	\$ 21,778,820	\$ 23,516,025	\$ 24,056,756	\$ 23,310,792	\$ 23,885,759	\$ 24,054,558	\$ 24,054,558	\$ 24,054,558	\$ 24,054,558	\$ 24,054,558
Retirement/Life Insurance	\$ 48,386,413	\$ 49,380,125	\$ 51,126,833	\$ 50,451,287	\$ 50,937,420	\$ 61,630,159	\$ 60,877,425	\$ 66,594,686	\$ 66,653,961	\$ 72,594,572
Health Insurance	\$ 30,294,869	\$ 35,680,210	\$ 35,573,026	\$ 35,321,335	\$ 35,914,628	\$ 43,678,451	\$ 52,564,798	\$ 57,711,567	\$ 61,432,669	\$ 65,999,732
Other-Fringes	\$ 872,152	\$ 939,130	\$ 689,640	\$ 455,452	\$ 1,569,909	\$ 1,569,909	\$ 1,569,909	\$ 1,569,909	\$ 1,569,909	\$ 1,569,909
Fringe Increase	\$ 7,134,198	\$ 2,515,115	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 108,466,452	\$ 112,030,605	\$ 111,446,255	\$ 109,538,866	\$ 112,307,716	\$ 130,933,077	\$ 139,066,690	\$ 149,930,720	\$ 153,711,097	\$ 164,218,771
Contractual Services										
Contractual Services	\$ 80,784,296	\$ 83,980,488	\$ 88,142,478	\$ 93,810,378	\$ 97,879,413	\$ 98,130,253	\$ 101,059,756	\$ 104,077,145	\$ 107,185,054	\$ 110,386,203
SPSA	\$ 10,878,205	\$ 11,126,702	\$ 11,308,116	\$ 10,369,760	\$ 10,469,462	\$ 10,469,711	\$ 11,572,499	\$ 11,572,499	\$ 20,818,419	\$ 20,818,419
Total	\$ 91,662,501	\$ 95,107,190	\$ 99,450,594	\$ 104,180,138	\$ 108,348,875	\$ 108,599,964	\$ 112,632,255	\$ 115,649,644	\$ 128,003,473	\$ 131,204,622
Internal Services										
Internal Services-Risk Management	\$ 9,470,536	\$ 8,891,825	\$ 9,069,894	\$ 9,066,917	\$ 9,086,341	\$ 10,993,803	\$ 12,642,873	\$ 14,539,304	\$ 16,720,200	\$ 19,228,229
Internal Services-City Garage	\$ 15,245,487	\$ 14,974,380	\$ 15,264,791	\$ 15,120,669	\$ 15,246,653	\$ 15,331,611	\$ 15,987,706	\$ 16,675,072	\$ 17,395,336	\$ 18,150,212
Internal Services-Other	\$ 6,857,211	\$ 6,449,129	\$ 6,738,065	\$ 6,204,556	\$ 6,933,367	\$ 6,947,361	\$ 6,961,775	\$ 6,976,621	\$ 6,991,913	\$ 7,007,663
Total	\$ 31,573,234	\$ 30,315,334	\$ 31,072,750	\$ 30,392,142	\$ 31,266,361	\$ 33,272,775	\$ 35,592,354	\$ 38,190,997	\$ 41,107,449	\$ 44,386,104
Other Charges										
Other Charges-Utilities	\$ 41,434,905	\$ 42,963,633	\$ 44,512,211	\$ 45,843,738	\$ 44,731,146	\$ 41,761,090	\$ 43,058,337	\$ 44,142,347	\$ 45,254,240	\$ 46,394,750
Other Charges-Tax Relief	\$ 14,004,158	\$ 15,158,306	\$ 15,854,241	\$ 16,354,241	\$ 15,687,821	\$ 15,903,724	\$ 15,903,724	\$ 15,903,724	\$ 15,903,724	\$ 15,903,724
Other Charges-Other	\$ 73,873,834	\$ 75,650,688	\$ 77,868,767	\$ 77,716,980	\$ 77,627,818	\$ 77,955,907	\$ 80,378,308	\$ 82,885,940	\$ 85,483,244	\$ 88,175,076
Total	\$ 129,312,897	\$ 133,772,627	\$ 138,235,219	\$ 139,914,959	\$ 138,046,785	\$ 135,620,721	\$ 139,340,369	\$ 142,932,011	\$ 146,641,209	\$ 150,473,550
Capital Outlay										
Capital Outlay/Leases/Structures and Im	\$ 14,775,688	\$ 13,781,625	\$ 12,899,621	\$ 12,931,035	\$ 15,727,011	\$ 15,056,255	\$ 15,081,780	\$ 15,024,270	\$ 15,480,419	\$ 15,065,515
Total	\$ 14,775,688	\$ 13,781,625	\$ 12,899,621	\$ 12,931,035	\$ 15,727,011	\$ 15,056,255	\$ 15,081,780	\$ 15,024,270	\$ 15,480,419	\$ 15,065,515
Debt Service										
Debt Service	\$ 93,444,765	\$ 100,027,282	\$ 102,225,759	\$ 103,343,624	\$ 103,802,413	\$ 110,385,793	\$ 118,515,141	\$ 119,826,637	\$ 122,765,953	\$ 124,302,924
Total	\$ 93,444,765	\$ 100,027,282	\$ 102,225,759	\$ 103,343,624	\$ 103,802,413	\$ 110,385,793	\$ 118,515,141	\$ 119,826,637	\$ 122,765,953	\$ 124,302,924
Reserve for Contingencies										
Reserve for Contingencies	\$ 32,394,010	\$ 21,137,215	\$ 15,842,597	\$ 15,682,731	\$ 19,343,434	\$ 3,376,047	\$ 3,703,406	\$ 3,728,489	\$ 3,754,324	\$ 3,780,934
Total	\$ 32,394,010	\$ 21,137,215	\$ 15,842,597	\$ 15,682,731	\$ 19,343,434	\$ 3,376,047	\$ 3,703,406	\$ 3,728,489	\$ 3,754,324	\$ 3,780,934
Future Commitments										
Future Commitments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,889,476	\$ 7,452,490	\$ 7,215,012	\$ 9,056,548	\$ 10,807,067
Total	\$ -	\$ 7,889,476	\$ 7,452,490	\$ 7,215,012	\$ 9,056,548	\$ 10,807,067				
Pay-As-You-Go										
Pay-As-You-Go	\$ 50,132,528	\$ 56,078,423	\$ 54,884,677	\$ 33,746,430	\$ 40,959,979	\$ 49,355,972	\$ 58,207,919	\$ 58,851,462	\$ 58,953,786	\$ 56,323,640
Total	\$ 50,132,528	\$ 56,078,423	\$ 54,884,677	\$ 33,746,430	\$ 40,959,979	\$ 49,355,972	\$ 58,207,919	\$ 58,851,462	\$ 58,953,786	\$ 56,323,640
City Total	\$ 861,083,069	\$ 881,992,817	\$ 885,431,806	\$ 862,451,646	\$ 889,545,669	\$ 916,130,606	\$ 952,168,993	\$ 975,899,639	\$ 1,004,053,337	\$ 1,025,171,750

Five Year Forecast

	FY 11/12	Grant and Other	Total Budget	FY 12/13	Grant and Other	Total Budget	FY 13/14	Grant and Other	Total Budget	FY 14/15	Grant and Other	Total Budget	FY 15/16	Grant and Other	Total Budget	FY 16/17	Grant and Other	Total Budget
Total RSF funds	708,195,304			698,600,979			691,795,772			685,579,598			691,799,008			702,190,842		
School RSF funds	353,384,961			358,382,302			354,891,231			351,702,334			354,892,891			360,223,902		
Net Debt Service (per 2011 city esti)	44,812,083			44,747,986			44,571,237			43,593,842			43,581,414			43,479,707		
PAYGO CIP	-			-			1,000,000			1,000,000			1,000,000			1,000,000		
Technology Fund 106	23,242,524			27,394,204			29,182,378			29,182,378			30,657,403			30,657,403		
Net transfer to Operating Budget	285,955,817			286,240,112			280,137,616			277,926,114			279,654,074			285,086,792		
Total RSP funds	354,010,424			358,382,302			354,891,231			351,702,334			354,892,891			360,223,902		
Projected enrollment	69,738			69,267			69,410			69,627			69,742			69,982		
Projected ADM	69,041			68,574			68,716			68,931			69,045			69,282		
Federal Revenue	\$ 16,636,723	\$ 91,355,030	\$ 107,991,753	\$ 16,636,723	\$ 74,351,057	\$ 90,987,780	\$ 16,636,723	\$ 74,351,057	\$ 90,987,780	\$ 14,371,131	\$ 74,351,057	\$ 88,722,188	\$ 14,371,131	\$ 74,351,057	\$ 88,722,188	\$ 14,371,131	\$ 74,351,057	\$ 88,722,188
State Sales Tax	72,311,348	-	72,311,348	73,757,575	-	73,757,575	75,232,727	-	75,232,727	77,865,872	-	77,865,872	80,980,507	-	80,980,507	84,219,727	-	84,219,727
State Aid	235,353,367	17,160,190	252,513,557	242,294,070	17,533,846	259,827,916	250,930,396	17,629,929	268,560,325	262,270,715	17,629,929	279,900,644	275,258,738	17,629,929	292,888,667	290,119,893	17,629,929	307,749,822
Local RSF	285,955,817	-	285,955,817	286,240,112	-	286,240,112	280,137,616	-	280,137,616	277,926,114	-	277,926,114	279,654,074	-	279,654,074	285,086,792	-	285,086,792
Other Local	3,281,938	38,841,647	42,123,585	3,281,938	42,160,811	45,442,749	3,281,938	44,093,985	47,375,923	3,281,938	44,093,985	47,375,923	3,281,938	45,569,010	48,850,948	3,281,938	45,569,010	48,850,948
Special School Reserve/Fund Balan	22,593,767	-	22,593,767	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance	17,630,906	17,630,906	17,630,906	17,630,906	6,515,443	6,515,443	6,515,443	5,086,146	5,086,146	5,086,146	878,432	878,432	525,000	525,000	525,000	525,000	525,000	525,000
Transfer from Other Funds	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782	7,167,782
Debt Service	44,812,083	44,812,083	44,812,083	44,747,986	44,747,986	44,747,986	44,571,237	44,571,237	44,571,237	43,593,842	43,593,842	43,593,842	43,581,414	43,581,414	43,581,414	43,479,707	43,479,707	43,479,707
PAYGO	-	-	-	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Revenues	\$ 636,132,960	\$ 216,967,638	\$ 853,100,598	\$ 622,210,418	\$ 192,476,925	\$ 814,687,343	\$ 626,219,400	\$ 193,900,136	\$ 820,119,536	\$ 635,715,770	\$ 188,715,027	\$ 824,430,797	\$ 653,546,388	\$ 189,824,192	\$ 843,370,580	\$ 677,079,481	\$ 189,722,485	\$ 866,801,966
Instruction	\$ 498,906,054			\$ (13,922,542)	\$ (24,490,713)		\$ 545,387,485	\$ 1,423,211		\$ 559,545,303	\$ (5,185,109)		\$ 569,942,675	\$ 1,109,165		\$ 583,788,996	\$ (101,707)	
Administration	21,466,731			22,680,886			23,503,171			24,160,665			24,602,527			25,231,283		
Transportation	29,904,366			31,601,635			32,750,907			33,668,419			35,527,766			36,506,203		
Operations	85,855,809			89,553,310			92,135,618			94,242,566			97,288,213			99,326,463		
Total Expenditures	\$ 636,132,960			\$ 671,546,524			\$ 693,777,181			\$ 711,616,953			\$ 727,361,181			\$ 744,852,945		
Funding Shortfall	\$ -			\$ (49,336,106)			\$ (67,557,781)			\$ (75,901,183)			\$ (73,814,793)			\$ (67,773,464)		
FTE's	9,036.88	1,341.39	10,387.27	9,063.52	1,256.39	10,328.91	9,068.00	1,256.39	10,333.39	9,076.84	1,236.39	10,322.23	9,082.72	1,225.39	10,317.11	9,097.14	1,219.39	10,325.53
Salaries	\$ 416,143,673	\$ 77,111,351	\$ 493,255,024	\$ 429,754,732	\$ 65,133,479	\$ 494,888,211	\$ 429,991,598	\$ 65,133,479	\$ 495,125,077	\$ 430,472,997	\$ 64,033,479	\$ 494,506,476	\$ 430,797,087	\$ 63,428,479	\$ 494,225,566	\$ 431,522,341	\$ 63,098,479	\$ 494,620,820
Fringe	125,994,723	22,410,795	148,405,518	147,523,860	24,801,581	172,325,441	168,733,646	28,640,168	197,373,814	185,416,134	31,170,453	216,586,587	200,317,517	33,412,684	233,730,201	216,411,179	36,172,297	252,583,476
GASB-45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchased Services	38,924,422	12,971,514	51,895,936	37,951,906	14,203,864	52,155,770	37,951,906	14,563,864	52,515,770	37,951,906	14,623,864	52,575,770	37,951,906	15,283,160	53,235,066	37,951,906	15,643,864	53,595,770
Other Charges - Utilities	17,584,275	-	17,584,275	18,602,675	-	18,602,675	19,150,183	-	19,150,183	19,639,373	-	19,639,373	19,975,284	-	19,975,284	20,317,913	-	20,317,913
Other Charges	6,597,488	1,376,775	7,974,263	6,606,137	1,290,315	7,896,452	6,615,046	1,292,631	7,907,677	6,624,222	1,295,016	7,919,238	6,624,222	1,295,016	7,919,238	6,624,222	1,295,016	7,919,238
Materials and Supplies	22,766,516	56,866,296	79,632,812	22,985,351	40,880,876	63,866,227	23,212,939	37,279,933	60,492,872	23,390,458	31,579,549	54,970,007	23,573,302	30,404,615	53,977,917	23,761,631	27,614,298	51,375,929
Capital Outlay	1,277,171	987,624	2,264,795	1,277,171	987,624	2,264,795	1,277,171	987,624	2,264,795	1,277,171	987,624	2,264,795	1,277,171	987,624	2,264,795	1,277,171	987,624	2,264,795
Transfers and Improvements	6,844,692	431,200	7,275,892	6,844,692	431,200	7,275,892	6,844,692	431,200	7,275,892	6,844,692	431,200	7,275,892	6,844,692	431,200	7,275,892	6,986,582	431,200	7,417,782
Debt Service	-	44,812,083	44,812,083	44,747,986	44,747,986	44,747,986	44,571,237	44,571,237	44,571,237	43,593,842	43,593,842	43,593,842	43,581,414	43,581,414	43,581,414	43,479,707	43,479,707	43,479,707
PAYGO	-	-	-	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Expenditures	\$ 636,132,960	\$ 216,967,638	\$ 853,100,598	\$ 671,546,524	\$ 192,476,925	\$ 864,023,449	\$ 693,777,181	\$ 193,900,136	\$ 887,677,317	\$ 711,616,953	\$ 188,715,027	\$ 900,331,980	\$ 727,361,181	\$ 189,824,192	\$ 917,185,373	\$ 744,852,945	\$ 189,722,485	\$ 934,575,430

(Total Deficit/Surplus) - (49,336,106) (67,557,781) (75,901,183) (73,814,793) (67,773,464)

City and School Combined Five Year Forecast	07-08 Budget	08-09 Budget	09-10 Budget	10-11 Budget	11-12 Budget	12-13 Budget	13-14 Budget	14-15 Budget	15-16 Budget	16-17 Budget
Salaries										
Full-Time Salaries	\$ 263,884,878	\$ 285,102,633	\$ 289,121,666	\$ 281,249,610	\$ 287,760,743	\$ 289,643,342	\$ 290,552,367	\$ 292,498,327	\$ 292,498,327	\$ 292,498,327
Part-Time and Overtime Salaries	\$ 21,594,043	\$ 23,356,386	\$ 23,514,824	\$ 24,862,306	\$ 25,425,848	\$ 25,414,433	\$ 25,414,433	\$ 25,414,433	\$ 25,414,433	\$ 25,414,433
Other - Salaries	\$ 7,066,046	\$ 6,245,715	\$ 6,737,844	\$ 6,609,805	\$ 6,556,504	\$ 6,582,753	\$ 6,609,789	\$ 6,637,637	\$ 6,666,319	\$ 6,695,863
Salary Increase	\$ 16,776,027	\$ 5,037,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Total:	\$ 309,320,994	\$ 319,742,516	\$ 319,374,334	\$ 312,721,721	\$ 319,743,095	\$ 321,640,528	\$ 322,576,589	\$ 324,550,397	\$ 324,579,079	\$ 324,608,623
School Total:	\$ 483,345,695	\$ 479,936,512	\$ 492,541,445	\$ 481,682,448	\$ 493,255,024	\$ 494,888,211	\$ 495,125,077	\$ 494,506,476	\$ 494,225,566	\$ 494,620,820
Combined Total:	\$ 792,666,689	\$ 799,679,028	\$ 811,915,779	\$ 794,404,169	\$ 812,998,119	\$ 816,528,739	\$ 817,701,666	\$ 819,056,873	\$ 818,804,645	\$ 819,229,443
Fringe Benefits										
FICA/Medicare	\$ 21,778,820	\$ 23,516,025	\$ 24,056,756	\$ 23,310,792	\$ 23,885,759	\$ 24,054,558	\$ 24,054,558	\$ 24,054,558	\$ 24,054,558	\$ 24,054,558
Retirement/Life Insurance	\$ 48,386,413	\$ 49,380,125	\$ 51,126,833	\$ 50,451,287	\$ 50,937,420	\$ 61,630,159	\$ 60,877,425	\$ 66,594,686	\$ 66,653,961	\$ 72,594,572
Health Insurance	\$ 30,294,869	\$ 35,680,210	\$ 35,573,026	\$ 35,321,335	\$ 35,914,628	\$ 43,678,451	\$ 52,564,798	\$ 57,711,567	\$ 61,432,669	\$ 65,999,732
Other-Fringes	\$ 872,152	\$ 939,130	\$ 689,640	\$ 455,452	\$ 1,569,909	\$ 1,569,909	\$ 1,569,909	\$ 1,569,909	\$ 1,569,909	\$ 1,569,909
Fringe Increase	\$ 7,134,198	\$ 2,515,115	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Total:	\$ 108,466,452	\$ 112,030,605	\$ 111,446,255	\$ 109,538,866	\$ 112,307,716	\$ 130,933,077	\$ 139,066,690	\$ 149,930,720	\$ 153,711,097	\$ 164,218,771
School Total:	\$ 169,379,776	\$ 164,743,474	\$ 161,790,648	\$ 137,267,229	\$ 148,405,518	\$ 172,325,441	\$ 197,373,814	\$ 216,586,587	\$ 233,730,201	\$ 252,583,476
Combined Total:	\$ 277,846,228	\$ 276,774,079	\$ 273,236,903	\$ 246,806,095	\$ 260,713,234	\$ 303,258,518	\$ 336,440,504	\$ 366,517,307	\$ 387,441,298	\$ 416,802,247
Contractual Services										
Contractual Services	\$ 80,784,296	\$ 83,980,488	\$ 88,142,478	\$ 93,810,378	\$ 97,879,413	\$ 98,130,253	\$ 101,059,756	\$ 104,077,145	\$ 107,185,054	\$ 110,386,203
SPSA	\$ 10,878,205	\$ 11,126,702	\$ 11,308,116	\$ 10,369,760	\$ 10,469,462	\$ 10,469,711	\$ 11,572,499	\$ 11,572,499	\$ 20,818,419	\$ 20,818,419
City Total:	\$ 91,662,501	\$ 95,107,190	\$ 99,450,594	\$ 104,180,138	\$ 108,348,875	\$ 108,599,964	\$ 112,632,255	\$ 115,649,644	\$ 128,003,473	\$ 131,204,622
School Total:	\$ 52,095,619	\$ 47,421,555	\$ 57,336,917	\$ 53,740,958	\$ 52,128,003	\$ 52,155,770	\$ 52,515,770	\$ 52,575,770	\$ 53,235,066	\$ 53,595,770
Combined Total:	\$ 143,758,120	\$ 142,528,745	\$ 156,787,511	\$ 157,921,096	\$ 160,476,878	\$ 160,755,734	\$ 165,148,025	\$ 168,225,414	\$ 181,238,539	\$ 184,800,392
Internal Services										
Internal Services-Risk Management	\$ 9,470,536	\$ 8,891,825	\$ 9,069,894	\$ 9,066,917	\$ 9,086,341	\$ 10,993,803	\$ 12,642,873	\$ 14,539,304	\$ 16,720,200	\$ 19,228,229
Internal Services-City Garage	\$ 15,245,487	\$ 14,974,380	\$ 15,264,791	\$ 15,120,669	\$ 15,246,653	\$ 15,331,611	\$ 15,987,706	\$ 16,675,072	\$ 17,395,336	\$ 18,150,212
Internal Services-Other	\$ 6,857,211	\$ 6,449,129	\$ 6,738,065	\$ 6,204,556	\$ 6,933,367	\$ 6,947,361	\$ 6,961,775	\$ 6,976,621	\$ 6,991,913	\$ 7,007,663
City Total:	\$ 31,573,234	\$ 30,315,334	\$ 31,072,750	\$ 30,392,142	\$ 31,266,361	\$ 33,272,775	\$ 35,592,354	\$ 38,190,997	\$ 41,107,449	\$ 44,386,104
School Total:	\$ -									
Combined Total:	\$ 31,573,234	\$ 30,315,334	\$ 31,072,750	\$ 30,392,142	\$ 31,266,361	\$ 33,272,775	\$ 35,592,354	\$ 38,190,997	\$ 41,107,449	\$ 44,386,104
Other Charges										
Other Charges-Utilities	\$ 41,434,905	\$ 42,963,633	\$ 44,512,211	\$ 45,843,738	\$ 44,731,146	\$ 41,761,090	\$ 43,058,337	\$ 44,142,347	\$ 45,254,240	\$ 46,394,750
Other Charges-Tax Relief	\$ 14,004,158	\$ 15,158,306	\$ 15,854,241	\$ 16,354,241	\$ 15,687,821	\$ 15,903,724	\$ 15,903,724	\$ 15,903,724	\$ 15,903,724	\$ 15,903,724
Other Charges-Other	\$ 73,873,834	\$ 75,650,688	\$ 77,868,767	\$ 77,716,980	\$ 77,627,818	\$ 77,955,907	\$ 80,378,308	\$ 82,885,940	\$ 85,483,244	\$ 88,175,076
City Total:	\$ 129,312,897	\$ 133,772,627	\$ 138,235,219	\$ 139,914,959	\$ 138,046,785	\$ 135,620,721	\$ 139,340,369	\$ 142,932,011	\$ 146,641,209	\$ 150,473,550
School Total:	\$ 89,222,650	\$ 92,864,388	\$ 104,906,605	\$ 97,173,908	\$ 112,234,909	\$ 97,641,246	\$ 94,826,624	\$ 89,804,510	\$ 89,148,331	\$ 87,033,862
Combined Total:	\$ 218,535,547	\$ 226,637,015	\$ 243,141,824	\$ 237,088,867	\$ 250,281,694	\$ 233,261,967	\$ 234,166,993	\$ 232,736,521	\$ 235,789,540	\$ 237,507,412
Capital Outlay										
Capital Outlay/Leases/Structures and Improvements	\$ 14,775,688	\$ 13,781,625	\$ 12,899,621	\$ 12,931,035	\$ 15,727,011	\$ 15,056,255	\$ 15,081,780	\$ 15,024,270	\$ 15,480,419	\$ 15,065,515
City Total:	\$ 14,775,688	\$ 13,781,625	\$ 12,899,621	\$ 12,931,035	\$ 15,727,011	\$ 15,056,255	\$ 15,081,780	\$ 15,024,270	\$ 15,480,419	\$ 15,065,515
School Total:	\$ 14,456,813	\$ 37,463,446	\$ 17,101,584	\$ 11,472,766	\$ 2,265,061	\$ 2,264,795				
Combined Total:	\$ 29,232,501	\$ 51,245,071	\$ 30,001,205	\$ 24,403,801	\$ 17,992,072	\$ 17,321,050	\$ 17,346,575	\$ 17,289,065	\$ 17,745,214	\$ 17,330,310
Debt Service										
Debt Service	\$ 93,444,765	\$ 100,027,282	\$ 102,225,759	\$ 103,343,624	\$ 103,802,413	\$ 110,385,793	\$ 118,515,141	\$ 119,826,637	\$ 122,765,953	\$ 124,302,924
City Total:	\$ 93,444,765	\$ 100,027,282	\$ 102,225,759	\$ 103,343,624	\$ 103,802,413	\$ 110,385,793	\$ 118,515,141	\$ 119,826,637	\$ 122,765,953	\$ 124,302,924
School Total:	\$ 41,402,094	\$ 41,154,429	\$ 44,183,674	\$ 43,859,978	\$ 44,812,083	\$ 44,747,986	\$ 44,571,237	\$ 43,593,842	\$ 43,581,414	\$ 43,476,707
Combined Total:	\$ 134,846,859	\$ 141,181,711	\$ 146,409,433	\$ 147,203,602	\$ 148,614,496	\$ 155,133,779	\$ 163,086,378	\$ 163,420,479	\$ 166,347,367	\$ 167,779,631
Reserve for Contingencies										
Reserve for Contingencies	\$ 28,951,998	\$ 18,464,406	\$ 13,726,582	\$ 13,516,774	\$ 17,959,688	\$ 1,759,259	\$ 2,062,267	\$ 2,062,267	\$ 2,062,267	\$ 2,062,267
City Total:	\$ 28,951,998	\$ 18,464,406	\$ 13,726,582	\$ 13,516,774	\$ 17,959,688	\$ 1,759,259	\$ 2,062,267	\$ 2,062,267	\$ 2,062,267	\$ 2,062,267
School Total:	\$ -									
Stormwater:	\$ 562,812	\$ -	\$ 160,777	\$ 223,436	\$ 73,985	\$ 283,384	\$ 283,384	\$ 283,384	\$ 283,384	\$ 283,384
Water and Sewer Total:	\$ 2,879,200	\$ 2,672,809	\$ 1,955,238	\$ 1,942,521	\$ 1,309,761	\$ 1,333,404	\$ 1,357,755	\$ 1,382,838	\$ 1,408,673	\$ 1,435,283
Combined Total:	\$ 32,394,010	\$ 21,137,215	\$ 15,842,597	\$ 15,682,731	\$ 19,343,434	\$ 3,376,047	\$ 3,703,406	\$ 3,728,489	\$ 3,754,324	\$ 3,780,934
Future Commitments										
Future Commitments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,889,476	\$ 7,452,490	\$ 7,215,012	\$ 9,056,548	\$ 10,807,067
City Total:	\$ -	\$ 7,889,476	\$ 7,452,490	\$ 7,215,012	\$ 9,056,548	\$ 10,807,067				
School Total:	\$ -									
Combined Total:	\$ -	\$ 7,889,476	\$ 7,452,490	\$ 7,215,012	\$ 9,056,548	\$ 10,807,067				
Pay-As-You-Go										
Pay-As-You-Go	\$ 50,132,528	\$ 56,078,423	\$ 54,884,677	\$ 33,746,430	\$ 40,959,979	\$ 49,355,972	\$ 58,207,919	\$ 58,851,462	\$ 58,953,786	\$ 56,323,640
City Total:	\$ 50,132,528	\$ 56,078,423	\$ 54,884,677	\$ 33,746,430	\$ 40,959,979	\$ 49,355,972	\$ 58,207,919	\$ 58,851,462	\$ 58,953,786	\$ 56,323,640
School Total:	\$ 12,108,658	\$ 13,936,308	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Combined Total:	\$ 62,241,186	\$ 70,014,731	\$ 54,884,677	\$ 33,746,430	\$ 40,959,979	\$ 49,355,972	\$ 59,207,919	\$ 59,851,462	\$ 59,953,786	\$ 57,323,640
Total City Combined:	\$ 1,723,094,374	\$ 1,759,512,929	\$ 1,763,292,679	\$ 1,687,648,933	\$ 1,742,646,267	\$ 1,780,154,055	\$ 1,839,846,310	\$ 1,876,231,619	\$ 1,921,238,710	\$ 1,959,747,180

Revenues

	07-08 Budget	08-09 Budget	09-10 Budget	10-11 Budget	11-12 Budget	12-13 Budget	13-14 Budget	14-15 Budget	15-16 Budget	16-17 Budget
Real Estate	\$ 487,989,563	\$ 499,148,556	\$ 491,664,376	\$ 464,343,022	\$ 451,554,946	\$ 429,135,169	\$ 416,261,115	\$ 403,773,281	\$ 403,773,281	\$ 407,811,013
Public Service Real Estate	\$ 4,090,908	\$ 4,518,482	\$ 5,080,847	\$ 5,938,660	\$ 6,231,429	\$ 6,046,687	\$ 5,865,286	\$ 5,689,328	\$ 5,689,328	\$ 5,746,221
Delinquent Real Estate	\$ 1,157,836	\$ 1,244,459	\$ 1,244,459	\$ 1,885,082	\$ 1,474,265	\$ 1,474,265	\$ 1,474,265	\$ 1,474,265	\$ 1,474,265	\$ 1,474,265
Personal Property	\$ 80,186,471	\$ 78,276,398	\$ 62,440,080	\$ 60,984,512	\$ 66,350,741	\$ 74,896,945	\$ 77,719,760	\$ 80,604,677	\$ 83,553,063	\$ 86,566,315
Public Service Personal Property	\$ 1,527,448	\$ 1,571,727	\$ 1,761,661	\$ 2,073,301	\$ 2,023,407	\$ 2,169,018	\$ 2,216,737	\$ 2,265,505	\$ 2,315,346	\$ 2,366,284
Delinquent Personal Property	\$ 1,923,762	\$ 2,307,887	\$ 2,307,887	\$ 1,471,392	\$ 1,426,388	\$ 1,618,228	\$ 1,653,829	\$ 1,690,213	\$ 1,727,398	\$ 1,765,400
Interest on Delinquent	\$ 1,464,012	\$ 1,350,484	\$ 1,350,484	\$ 2,110,708	\$ 1,475,274	\$ 1,421,277	\$ 1,430,559	\$ 1,440,045	\$ 1,449,740	\$ 1,459,649
PPTRA	\$ 53,412,868	\$ 53,412,868	\$ 53,412,868	\$ 53,412,868	\$ 53,412,868	\$ 53,412,868	\$ 53,412,868	\$ 53,412,868	\$ 53,412,868	\$ 53,412,868
General Sales Tax	\$ 55,691,644	\$ 56,040,158	\$ 51,129,941	\$ 50,596,245	\$ 52,958,340	\$ 54,363,440	\$ 55,831,253	\$ 57,338,696	\$ 58,886,841	\$ 60,476,786
Utility Tax	\$ 23,680,089	\$ 23,791,320	\$ 24,088,712	\$ 23,542,029	\$ 23,923,497	\$ 24,081,446	\$ 24,244,428	\$ 24,405,622	\$ 24,568,125	\$ 24,731,951
Utility Tax Consumption	\$ 1,624,392	\$ 1,619,709	\$ 1,648,863	\$ 1,693,271	\$ 1,591,414	\$ 1,634,884	\$ 1,674,121	\$ 1,714,300	\$ 1,755,443	\$ 1,797,574
Cox Cable Franchise	\$ 4,746,613	\$ 5,413,198	\$ 5,873,378	\$ 6,538,943	\$ 7,012,363	\$ 7,527,233	\$ 7,933,703	\$ 8,362,123	\$ 8,813,678	\$ 9,289,616
Cell Phone Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Virginia Telecom Tax	\$ 23,995,439	\$ 23,634,421	\$ 23,655,431	\$ 22,017,919	\$ 20,146,396	\$ 19,486,378	\$ 18,512,059	\$ 17,586,456	\$ 16,707,133	\$ 15,871,776
Business License	\$ 44,987,245	\$ 43,180,830	\$ 40,556,906	\$ 40,771,644	\$ 41,342,542	\$ 42,423,932	\$ 43,908,770	\$ 45,445,577	\$ 47,036,172	\$ 48,682,438
Restaurant Tax	\$ 49,134,920	\$ 48,745,131	\$ 49,829,621	\$ 48,188,033	\$ 51,752,268	\$ 54,807,099	\$ 57,547,453	\$ 60,424,826	\$ 63,446,067	\$ 66,618,371
Amusement Tax	\$ 5,161,559	\$ 5,597,076	\$ 5,300,732	\$ 5,700,550	\$ 5,339,451	\$ 5,227,852	\$ 5,373,533	\$ 5,524,498	\$ 5,680,996	\$ 5,843,291
Hotel Room Tax	\$ 23,044,882	\$ 24,133,253	\$ 23,891,018	\$ 22,659,486	\$ 26,051,287	\$ 25,857,917	\$ 26,852,812	\$ 27,126,955	\$ 28,177,773	\$ 28,475,929
Cigarette Tax	\$ 10,749,109	\$ 13,199,518	\$ 12,935,527	\$ 12,721,345	\$ 11,778,927	\$ 10,829,011	\$ 10,501,232	\$ 10,186,194	\$ 9,880,608	\$ 9,584,190
Locally Generated										
Permits, Privilege, Fees & Reg. Lic.	\$ 5,215,634	\$ 5,854,200	\$ 4,401,926	\$ 4,699,896	\$ 4,079,791	\$ 4,079,791	\$ 4,161,387	\$ 4,244,615	\$ 4,329,507	\$ 4,416,097
Use of Money & Property	\$ 16,892,728	\$ 18,770,010	\$ 16,581,340	\$ 10,783,936	\$ 9,809,982	\$ 8,451,617	\$ 8,526,441	\$ 8,613,222	\$ 8,702,124	\$ 8,702,124
Charge for Service	\$ 157,930,012	\$ 167,986,391	\$ 171,862,329	\$ 196,969,653	\$ 211,490,334	\$ 226,529,829	\$ 237,463,024	\$ 244,510,187	\$ 248,466,768	\$ 250,841,188
Miscellaneous Revenue	\$ 14,348,670	\$ 14,910,132	\$ 16,561,697	\$ 16,450,811	\$ 20,155,131	\$ 13,684,736	\$ 13,831,562	\$ 13,978,464	\$ 14,117,464	\$ 14,248,772
Fines and Forfeitures	\$ 6,023,855	\$ 7,950,911	\$ 8,526,239	\$ 8,219,750	\$ 6,872,815	\$ 6,872,815	\$ 7,010,271	\$ 7,150,477	\$ 7,293,486	\$ 7,418,710
Other Sources										
Revenue from Commonwealth	\$ 494,945,450	\$ 513,091,423	\$ 501,339,854	\$ 438,500,980	\$ 435,290,683	\$ 444,051,269	\$ 455,915,817	\$ 471,571,122	\$ 489,380,849	\$ 509,213,899
Revenue from Federal	\$ 111,028,405	\$ 105,960,878	\$ 141,244,957	\$ 128,231,615	\$ 153,891,976	\$ 137,905,736	\$ 137,905,736	\$ 135,640,144	\$ 135,640,144	\$ 135,640,144
Fund Balance	\$ 18,546,426	\$ 13,634,106	\$ 23,466,599	\$ 36,117,429	\$ 55,262,553	\$ 10,274,559	\$ 8,216,706	\$ 1,919,157	\$ 3,629,840	\$ 8,206,866
Other Revenues	\$ 23,594,434	\$ 24,169,403	\$ 21,134,947	\$ 21,025,853	\$ 19,947,199	\$ 21,796,888	\$ 22,142,965	\$ 22,498,276	\$ 22,863,123	\$ 23,234,822
Total Revenue	\$ 1,723,094,374	\$ 1,759,512,929	\$ 1,763,292,679	\$ 1,687,648,933	\$ 1,742,646,267	\$ 1,690,060,889	\$ 1,707,587,692	\$ 1,718,591,092	\$ 1,752,771,430	\$ 1,793,896,559
Expenditure over Revenue Difference	\$0	\$0	\$0	\$0	\$0	\$ (90,093,166)	\$ (132,258,618)	\$ (157,640,527)	\$ (168,467,280)	\$ (165,850,621)