

Resource Management Plan

Executive Summary (Adopted)

FY 2013 - 14



CITY OF
VIRGINIA BEACH
VIRGINIA
JANUARY 1963

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented a "Distinguished Budget Presentation Award" to the City of Virginia Beach, Virginia for the annual budget beginning July 1, 2012. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



Acknowledgements

The Department of Budget and Management Services thanks the many individuals and departments who assisted in preparing this document. Particular thanks go to the Management Leadership Team and the City Council for their important contributions to priority setting; City Department Directors; participating appointed and elected officials; and the Media and Communications Group who assisted with budget communication. Special thanks go to my staff for their willingness to work through the changes, issues and problems creatively, with cheerfulness and unsurpassed competence.

*Luis Asercion ♦ David Bradley ♦ Kevin Chatellier ♦ Meredith Ching ♦ Jacqueline Conley
Kathy Cooper ♦ Monica Dudek ♦ Paul Harris ♦ Lee Hedberg ♦ Stacy Hershberger ♦ Jonathan Hobbs
Beth Kavanaugh ♦ Tonya Martin ♦ Rebecca Taylor-Schmidt*

Sincerely,



Catheryn R. Whitesell, Director
Department of Budget & Management Services



Table of Contents

<i>Distinguished Budget Presentation Award</i>	<i>i</i>
<i>Acknowledgements</i>	<i>ii</i>
<i>Table of Contents</i>	<i>iii</i>
Overview	1
Virginia Beach City Council and Vision	2
City Organization and Information	3
Reconciliation of the FY 2013-14 Operating Budget and Six Year CIP	4
City Manager’s Message For the Proposed FY 2013-14 Resource Management Plan	8
Schedule of Workshops and Public Hearings	13
Understanding the Budget Process	14
Operating Budget	15
Envision Virginia Beach 2040 Plan	16
Revenues	18
Collections for General Sales Tax, Hotel Tax, and Meal Tax	18
Total Change in Assessed Value	19
Fund Balance Use as a Percentage of Total Revenue	20
FY 2013-14 Adopted Operating Budget Total Estimated Revenues	21
City and School Revenue Summary	22
Impacts on Taxpayers	23
Adopted 2013-14 for Virginia Beach and Adopted FY 2012-13 for Other Hampton Roads Cities Selected Taxes/Fees	24
Expenditures	24
FY 2013-14 Adopted Operating Budget Total Expenditures	24
City and School Expenditures by Expenditure Type	25
Personnel and Fringe Benefits	26
Operating Expenditures	28
Capital Outlay	29
Pay-As-You-Go Capital Financing	29
Debt Service and Reserves	29
Sustainability and Efficiency Efforts	30
Capital Improvement Program	33
Summary of Projects Estimates	33
Means of Financing	33
Where We Are	34
Capital Improvement Budget All Six Years of Funding	35
Utilities Section	35
Schools Section	36
Roadways Section	36
Buildings Section	36
Parks and Recreation Section	37
Coastal Section	37
Economic Vitality	38
Communications and Information Technology (ComIT)	38
CIP Funding by Project Type	39
Original “Top 13” Facility Replacement Priority List	40

<i>Performance Measures</i> -----	41
Performance Measurement Initiatives-----	42
Economic Vitality -----	43
Family and Youth Opportunities-----	44
Quality Physical Environment-----	46
Cultural and Recreational Opportunities-----	47
Quality Education and Lifelong Learning-----	48
Safe Community-----	50
Quality Organization -----	52
Organizational Indicators -----	53
Organizational Indicators Comparison -----	54

<i>Appendices</i> -----	56
Financial Strategy-----	56
Estimated General Fund Balance -----	59
Changes in Undesignated Fund Balance -----	60
Summary of Purpose and Fund Balance Policy -----	61
City and School Fund Balance -----	67
Revenue Summary-----	68
Dedication of Local Revenues -----	69
Summary of Adopted Fee and Tax Adjustments -----	70
Expenditure Summary-----	74
Personnel Summary-----	75
Summary of City Positions by Department -----	76
Additions and Reductions of City Positions-----	77
Additions and Reductions of School Positions -----	79
Demographic Information -----	80
Sequestration (Letter to City Council) -----	82



Overview

The Resource Management Plan is comprised of three volumes: the Executive Summary, Operating Budget and Capital Improvement Program. These volumes are interrelated and help to support and define each other. The volumes are considered and adopted by the City Council as an integrated whole.

Executive Summary

This volume provides a comprehensive overview of the policies, both service and fiscal, which guide the development and implementation of the annual Operating Budget, the Capital Budget and the five planning years of the Capital Improvement Program. It includes a forecast of expenses, resources and trends, as well as brief highlights of the new or expanded programs or projects. This document is designed to provide the reader with a quick and comprehensive understanding of the financial strategies of the government.

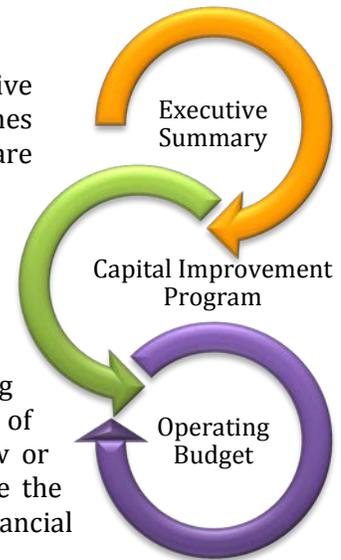
Capital Improvement Program (CIP)

This volume is comprised of the annual Capital Budget (year one of the six year plan) and five planning years (years two through six). The CIP is organized into sections based on the seven business areas of the government. The functional sections of Roadways, Buildings, Coastal, Economic and Tourism, Schools, Parks and Recreation, Water Utilities, Sewer Utilities, Storm Water, and Communications and Information Technology are assigned to their appropriate business area. Within each functional area, each project page includes a brief description of the project, a financing plan, and a location map, if applicable.

Operating Budget

This volume provides detailed information on the City's anticipated spending needs for the upcoming fiscal year, beginning July 1st through June 30th. It provides detailed discussions of revenues and expenses. The Operating Budget documents are organized into sections based on the seven business areas of the government. Departments are assigned to each of the business areas.

The reader should be aware that the Executive Summary provides a good description of how resources are used by the government and the policies which guide that use, but for a complete understanding of the detailed spending plans, one needs to reference all three documents. The complete Resource Management Plan is available in the City's Central Library, at City Hall, and on the Internet. To see the Resource Management Plan on the internet, go to vbgov.com, City Budget.



Virginia Beach City Council



Virginia Beach Vision: 2026

Virginia Beach
is the leading City in Virginia



Virginia Beach
*is a community with
Diverse, Distinctive Neighborhoods,
a Diverse Local Economy,
with Diverse Living Choices and
an Effective Transportation System.*



Virginia Beach
*has a beautiful Natural Setting and Resources,
a First Class Resort,
and a Vibrant Town Center.*



Our People Enjoy
*Great Schools and
Places to Have Fun*

“A Community for a Lifetime”



City Organization and Information

The City of Virginia Beach adopted its first Charter on February 28, 1962; it was ratified by the State legislation to be effective January 1, 1963, thereby incorporating the City. In its Charter, the City established a Council/Manager form of government, in which an elected City Council establishes policy and the resulting programs are carried out by an appointed City Manager.

City Council Members:

Mayor William D. Sessoms, Jr.
 Louis R. Jones, Vice-Mayor, District 4-Bayside
 Glenn R. Davis, District 3-Rose Hall
 Bill R. DeSteph, At-Large
 Robert Dyer, District 1-Centerville
 Barbara M. Henley, District 7-Princess Anne

Key Statistics

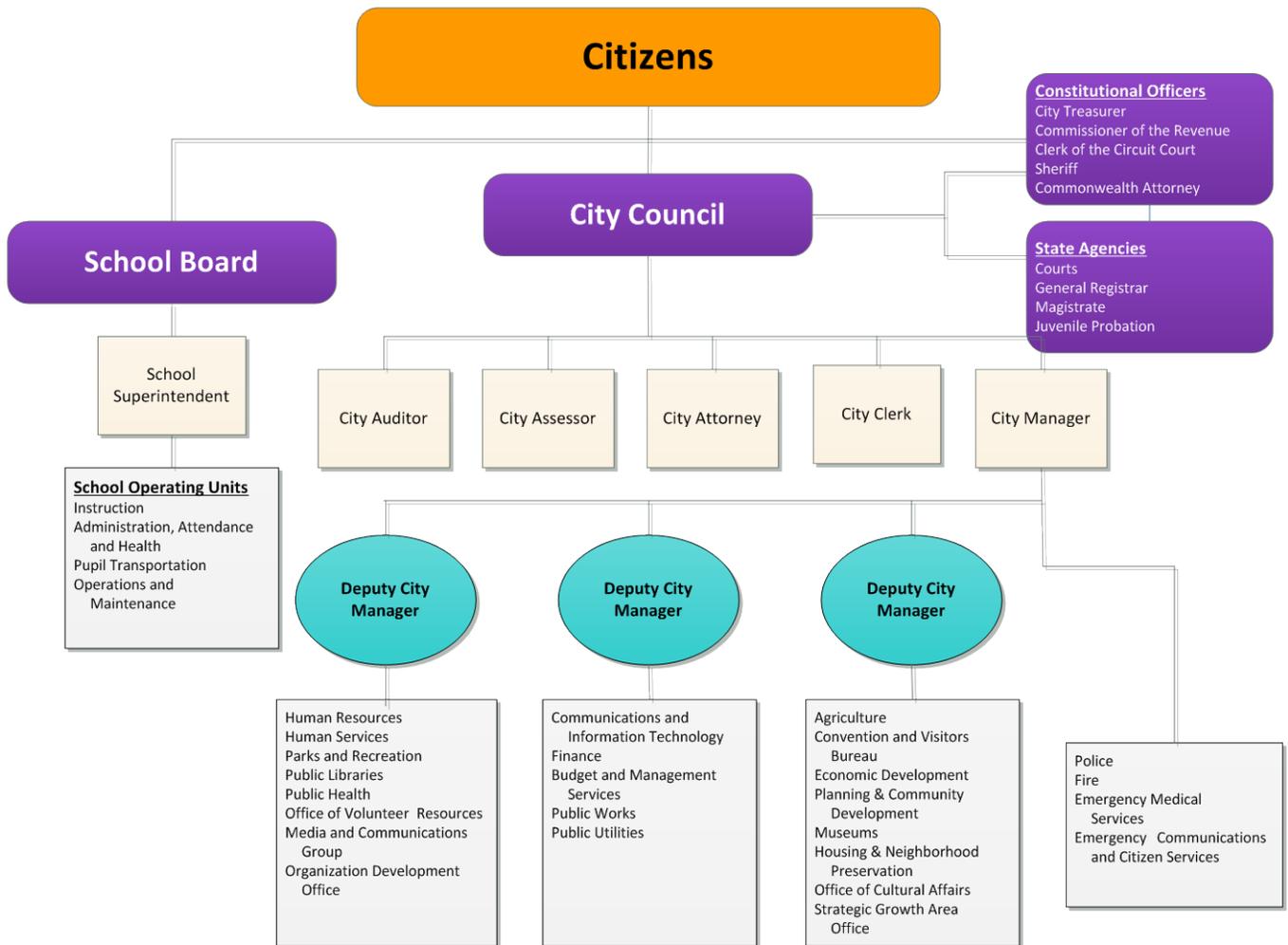
Total Square Miles of Land: 248.3
Total Square Miles of Water: 58.5
Population Estimate (FY 2013-14): 450,219
Number of Registered Voters (January 2013): 304,611
Number of Homes/Residences (excludes on-base military housing): 173,504

John D. Moss, At-Large
 Amelia N. Ross-Hammond, District 2-Kempsville
 John E. Uhrin, District 6-Beach
 Rosemary Wilson, At-Large
 James L. Wood, District 5-Lynnhaven

City Council Appointees:

James K. Spore, City Manager
 Mark Stiles-City Attorney
 Lyndon Remias-City Auditor

Ruth Hodges Fraser-City Clerk
 Jerald Banagan-City Real Estate Assessor





City of Virginia Beach

WILLIAM D. SESSOMS, JR.
Mayor

VBgov.com

MUNICIPAL CENTER
BUILDING 1
2401 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23456-9000
(757) 385-4581
FAX (757) 385-5699
WSESSOMS@VBGOV.COM

May 7, 2013

Subject: Reconciliation of the FY 2013-14 Operating Budget and Six Year Capital Improvement Program

Dear City Council Members:

Since the initial presentation of the Proposed Operating Budget and Six Year CIP at the end of March, there have been two opportunities to hear suggestions from the public; several of you have held town hall meetings to discuss the proposed budget and CIP; and we have held five budget workshops with the various departments to gain additional information. In addition, staff has responded to almost 200 City Council questions. We are now at that time to integrate the various ideas we have heard from the community into our Budget for fiscal year 2014. As in the past, we are preparing a "straw man" recommendation to get us started in our discussions today.

We believe the two issues that were most frequently raised at the public hearings were concerns over the proposed boat tax increase and the need to increase employee compensation. First, the need for the boat tax, recently city staff was informed that the Army Corps of Engineers would have funding to meet their commitment to dredging navigational channels from the Hurricane Sandy Relief Program. This will allow us to eliminate the proposed boat tax increase for FY 2014 and reduce the dredging program in the CIP; however, we will need to work towards a permanent funding solution for navigational dredging in the future. Staff has assured us that the remaining funding within the Coastal Program will allow us to meet current commitments without significantly impacting navigational channel dredging during the upcoming year.

Second, to increase employee compensation, we are recommending that City employees receive an additional 1.66% pay increase beginning on October 1st beyond the required 1.34% increase (State mandated VRS increase for full-time employees) proposed in the budget for July 1st. School employees would receive a similar increase by September 1st. This will bring the total pay increase for City and School employees to 3% next year and will allow the School Board to accept the State's funding for a 2% pay increase for SOQ positions.

To accomplish these changes to the budget, we recommend:

- 1) Reduce the sequestration reserve by \$1,976,000 million on efforts of the various federal agencies and the Congress to mitigate the impact of sequestration. This would leave \$724,000 in the reserve;
- 2) Reduce the funding available to address vertical compression by \$350,000. Refined numbers from Human Resources indicate that providing up to a maximum of \$5,000 vertical compression adjustment to the 170 supervisory employees who currently make less than those they supervise will reduce the cost to \$650,000 rather than the \$1 million included in the proposed budget.
- 3) Reduce funding debt service by \$1,290,339 for the City and by \$1,493,106 for Schools due to the favorable interest rates related to the recent bond sale and refinancing;
- 4) Increase State revenue by \$622,125 for Constitutional Offices and other state supported functions based on additional pay raise funding included in the State budget;
- 5) Increase State funding to Schools by \$3,843,201 for the State's proposed 2% pay raise along with increasing our required match under the City/School Revenue Sharing Formula by \$988,533 because of the additional State funding; and
- 6) Move an additional \$1,116,978 in Sandbridge TIF surplus funding from the School's CIP to their Operating Budget bringing the total in the School Operating Budget to \$3,116,978.
- 7) Reduce City funding for health care by \$800,000 to reflect recent estimates of health care reform costs.

In addition to addressing the boat tax and employee pay, we would recommend increasing the solid waste fee to fully cover the cost of delivering residential solid waste services. As the Public Works Department briefed us, this will require a fee of \$21.36 per month. The Proposed Operating Budget has a fee of \$13.00 per month; we would therefore add an \$8.36 increase to the monthly solid waste fee. This additional revenue will go to the solid waste special revenue fund. To partially offset this increase, we would suggest a two-cent reduction in the real estate tax rate from 95 cents to 93 cents per \$100 valuation. Implementing this plan would allow us to restore the Tax Relief for the Elderly Program along with other items being requested. As a part of this, we also recommend the reduction in real estate taxes not impact the School System through the Revenue Sharing Formula.

We also support the following adjustments to the Proposed Operating Budget and CIP to include: 1) adding a project to renovate the Owls Creek Marsh Pavilion, which will require \$1.16 million for design in the first year with the Aquarium Foundation providing \$746,560 of this amount; 2) converting two part-time nurses in Human Services to a full-time nurse to address turnover at the Recovery Center; 3) restoring the Media and Communications position and related costs in the City Manager's Office; 4) lowering the hotel tax in the Sandbridge SSD by 1% and offsetting that revenue loss to the sand replenishment project by increased use of the Sandbridge TIF; and 5) eliminating the proposed \$100 increase in the surf camp fee.

May 7, 2013
Page 3

We hope this suggested recommendation helps the City Council reach consensus on finalizing the FY 2014 Operating Budget and CIP. Attached is a table that explains these recommendations in more detail. We want to take this opportunity to not just thank the City Council for their time and commitment to working through the various issues in the Operating Budget and CIP; but also to thank all the staff who worked to make the briefings meaningful and to quickly respond to City Council questions.

Sincerely,


William D. Sessoms, Jr., Mayor


Louis R. Jones, Vice-Mayor

WDS/LRJ/crw

cc: Members of the School Board
James G. Merrill, Superintendent
James K. Spore, City Manager

	2014	Year 2	Year 3
Revenue Changes:			
1 Eliminate the Boat Tax	\$ (1,750,000)		
2 Lower Hotel tax in Sandbridge Special Services District by 1%	\$ (456,008)		
3 Increase the solid waste fee from the proposed \$13 per month to \$21.36 per month	\$ 12,118,000		
4 Lower Real Estate Tax rate from 95 cents to 93 cents per \$100 of value	\$ (9,581,816)		
5 Eliminate the increase in the Surf Camp Fee	\$ (5,000)		
6 Revenue from the Aquarium Foundation	\$ 746,560	\$ 2,498,500	\$ 2,307,500
7 Increase debt funding in CIP	\$ -	\$ 2,045,625	\$ 1,606,000
8 New Revenue from the State for 3% pay increase to state supported positions	\$ 622,126		
9 Additional State Funding for the State's 2% pay increase for SOQ instructional positions	\$ 3,843,201		
	<u>\$ 5,537,063</u>	<u>\$ 4,544,125</u>	<u>\$ 3,913,500</u>

Appropriation Changes:

10 Reduce funding in the CIP for dredging program	\$ (1,750,000)		
11 Reduce the Reserve for Contingencies account in the Sandbridge TIF	\$ (456,008)		
12 Restore funding to tax relief for the elderly	\$ 1,100,000		
13 Add a Capital Project to renovate the Owls Creek Marsh Pavilion	\$ 1,158,955	\$ 4,544,125	\$ 3,913,500
14 Convert 2 part-time nurses positions in Human Services to a full-time nurse	\$ 23,365		
15 Provide an additional 1.66% pay increase to City full-time and part-time employees on October 1	\$ 5,676,081		
16 Provide an additional 1.66% pay increase to School employees on September 1	\$ 6,453,285		
17 Match state 2% for SOQ instructional positions under the Formula	\$ 988,533		
18 Shift funding in Non-General Funds to provide for additional 1.66% pay increase on October 1	\$ (756,725)		
19 Reduce Sequestration Reserve	\$ (1,976,000)		
20 Reduce Vertical Compression Reserve to \$650,000	\$ (350,000)		
21 Reduce City Debt Service due to recent bond sale and refinancing	\$ (1,290,339)		
22 Reduce School Debt Service due to recent bond sale and refinancing	\$ (1,493,106)		
23 Reduction in Consolidated Old Donation Ctr/Kemps Landing Magnet School (1-233)	\$ (1,000,000)	\$ (591,000)	\$ 1,591,000
24 Reduction in School Renovation and Replacement - HVAC System II (1-103)	\$ (116,978)	\$ 591,000	\$ (1,000,000)
25 Reduction in School Renovation and Replacement - Roofing II (1-104)	\$ -	\$ -	\$ (491,000)
26 Reduction in School Renovation and Replacement - Grounds II (1-199)	\$ -	\$ -	\$ (100,000)
27 Reduction in Federal Health Care Reform costs	\$ (800,000)		
28 Reinstatement of the Media and Communications Administrator and related costs in the City Manager's Office	\$ 126,000		
	<u>\$ 5,537,063</u>	<u>\$ 4,544,125</u>	<u>\$ 3,913,500</u>



City of Virginia Beach

VBgov.com

OFFICE OF THE CITY MANAGER
(757) 385-4242
FAX (757) 427-5626
TTY: 711

MUNICIPAL CENTER
BUILDING 1
2401 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23456-9001

March 26, 2013

The Honorable William D. Sessoms, Jr., Mayor
Members of City Council

Subject: Proposed FY 2013-14 Resource Management Plan

Dear Mayor and Council Members:

For five years, I have waited to deliver positive budget news. It's been a long, difficult wait. For four straight years, we have endured smaller revenues and declining budgets. Though guarded, it's my pleasure to deliver good news:

I believe we have finally turned a corner.

On the surface, that may seem overly positive. City revenues, in total, are only increasing by \$5.5 million. Real estate assessments are down for the fifth year in a row – an unprecedented run. Expenses are rising. And, of course, the threat of Federal budget cuts due to sequestration is very real.

So why the optimism?

We started this budget season in November with a \$46 million gap for the City and Schools combined. That's a large number, certainly. But the gap was twice as big – \$90 million – a year earlier.

In January, City Real Estate Assessor Jerry Banagan delivered good news. The drop in real estate assessments would not be as bad as we feared. He had originally predicted a 3-percent decline. It turns out the decline will be only 0.8 percent. That's still a decline and no one should be content about that – but it's the smallest decline in the past five years. More important, it means we have \$10 million more revenue than we expected. It's possible that the assessment change for FY 2014-15 could be zero or slightly positive. That would certainly signal good news. (Who ever thought, six years ago, that flat assessments would be good news?)

As a result, we are in much better shape than we anticipated in November during the Five Year Forecast. We will not have to contemplate drastic program cuts or consider raising the real estate tax rate to fund Schools and transportation, as we did last year. We also will not have to dip so far into our savings accounts, as we did each of the past four years.

In short, this budget is the most sustainable in years.

Are there external threats to this budget? Yes. The biggest, by far, is the threat of Federal cutbacks due to sequestration. As this is written, no one knows how sequestration will affect Virginia Beach. In the short run, we are wary of possible cuts to City programs funded with Federal money. In the long run, we are concerned that tax collections could decline if the economy shrinks. We will closely monitor the effects of sequestration in the

coming months and have developed contingency plans should the situation dictate. For now, we cannot predict what shape these impacts will ultimately take.

And so it's my pleasure to present the proposed FY 2013-14 budget. It is not yet as healthy as I would like. But it is not nearly as unhealthy as we had originally feared.

Spending

Overall, this budget is slightly larger than the current budget -- \$5.5 million, or 0.3 percent. That's much less than the rate of inflation, which was 2.1% for 2012. That doesn't mean there are no changes in individual programs. It would be impossible *not* to make changes. We face Federal and State mandates that grow every year, and we face a growing citizen demand for some services, especially safety-net services, even as we climb out of the recession.

For example, more Virginia Beach residents than ever receive SNAP benefits – what we used to call food stamps. About 31,000 residents a month received SNAP benefits in 2011. It's now 34,000 a month. The number has *doubled* since the recession began in 2008, and it is still not shrinking, despite the slow recovery.

Even so, some of you may ask: Why aren't we spending *less*? With less money coming in, shouldn't we also have less money going out?

That's always possible, but not always wise. In fact, we are running out of places to cut without causing a recognizable decline in service quality. We could cut library hours – but we've already done that. We could mow the grass less often – but we've already done that. We could close a recreation center, but that would mean taking away a critical community amenity. Our recreation centers had 1.7 million visits last year.

Meanwhile, costs rise. Many of the biggest costs are beyond our control. Employee health care, for example, will cost an additional \$4.5 million in FY 2013-14. Likewise, we are under a Federal regional mandate to improve our sewer system and face another mandate for storm water. Both will require more spending and higher sewer fees for our residents.

Finally, let me address two unusual aspects of this spending plan.

First, there's the matter of sequestration. As I said, we can't predict how this will affect Virginia Beach, but we know it probably won't be good. To protect our budget, I propose setting aside \$2.7 million in current revenue as a reserve to offset immediate impacts of sequestration, and reserve \$9.9 million of our fund balance if needed, to replace money lost due to the economic impacts of Federal cuts.

Second, we propose to set aside \$1 million to address vertical salary compression issues as required by your ordinance adopted in 2006. As you know, we frequently hear complaints from supervisors that junior employees with long service can make more than their supervisor. This funding would be used for minimizing that imbalance. Similarly, the School Board has set aside \$1.7 million to address needed pay adjustments for principals and assistant principals, to reduce compression with teachers, and to ensure recruitment and retention of excellent staff.

Employees

City and School employees are the heart of our organization. Time and again, I have seen our employees shine in difficult situations, in the middle of the night and in the cold of winter, through hurricanes and snowstorms, water main breaks, and even a jet crash. Our employees are the finest anywhere.

If possible, I would reward every hard-working employee with a well-deserved bonus or raise. It is certainly overdue. Instead, in these difficult times, I am forced to propose a budget that includes a small number of job reductions for City staff and 136 fewer School staff. It gives me no pleasure to do this, and I am hopeful that this will be the last year this is required.

The proposed budget cuts 29 positions on the City side of the budget, including:

- ◆ 6.5 positions in libraries. These are mainly new jobs in the Joint Use Library with Tidewater Community College (TCC), which will open this summer. An evaluation with TCC indicated that there was a more efficient staffing pattern.
- ◆ 4 positions in Public Works, thanks to more efficient routing of sanitation vehicles.
- ◆ 6 positions in Parks and Recreation, which identified efficiencies in various programs.
- ◆ 3 positions in the Convention and Visitors Bureau, replacing custodial positions with contracted staffing.

It is important to note that *none* of the cuts are in public safety. In fact, public safety agencies would *add* 12 positions in this budget, including:

- ◆ 5 more 911 call-takers and supervisors.
- ◆ 4 more EMS employees, including 2 more paramedics in the new Town Center Fire and Rescue Station.
- ◆ 2 more positions in the Police Department.
- ◆ 1 more administrative employee in the Commonwealth's Attorney's office.

We would add 29 positions in other agencies. Twelve are in Human Services, where the demand for services is so great. Public Works also would receive five new engineering positions, mainly to support dredging, drainage, transportation, the strategic growth areas, and recreation projects.

The School Board has eliminated 136 positions, partly in anticipation of 452 fewer students, and partly because of the School Board's difficult decision to increase class size at the secondary level to reduce costs.

Finally, there is the question of pay. This budget proposes a 1.34 percent pay raise for all City and School employees. This would offset the extra 1 percent contribution that all employees must make to their retirement next year, under State law. It also would offset the higher taxes caused by this salary increase. Though it would be classified as a pay increase it represents a "no net loss adjustment."

The School Board has reluctantly rejected Governor McDonnell's suggested 2 percent pay increase because it would cost too much if applied to all School employees. Without significant financial help from the City Council, the School Board feels it cannot match the State's money provided only for SOQ teaching positions.

To save money, we continue to explore shared services with our sister cities. That process began last year and will continue. We also continue to work with the City Council's appointed Process Improvement Steering Committee to identify possible efficiencies.

Capital Projects

Driving around Virginia Beach, I continue to be struck by its natural and man-made beauty. It's what drew many of us to the City in the first place. But I am also struck by the enormity of our needs for infrastructure maintenance and renewal.

As Virginia Beach enters middle age – happy 50th birthday! – we find more and more things to patch and build afresh. This is especially true of our roads. It's why City Council increased the real estate tax rate 2 cents last year and dedicated these funds to road construction and maintenance. Coincidentally, this money will help us meet the maintenance requirement in the General Assembly's new transportation funding plan.

I'm happy to report that many major new road projects will start in FY 2013-14: replacing the aging Lesner Bridge, improving Shore Drive and the Indian River-Kempsville intersection, extending Seaboard Road and connecting the two halves of Lynnhaven Parkway. We also will start building a new fire and EMS station in Blackwater, dredging the Eastern Branch of the Lynnhaven River and making drainage improvements in College Park, Level Green and gaining momentum in our lake, pond, and canal maintenance program.

In this budget, I proposed adding funding to address important initiatives. This will allow us to realize a new housing resource center on Witchduck Road (pending City Council approval), improving Pacific Avenue and adding a parking garage at the resort, designing a visitor center at the Adam Thoroughgood House and a new park and adventure attraction at the Aquarium. It also includes badly needed rehabilitation of our sewer system and storm water drainage systems.

Revenues

Finally, let's discuss revenues.

Last year, the City Council adopted a 6-cent increase in the real estate tax rate. This extra money was dedicated to Schools (4 cents) and roads and line-of-duty pay (2 cents). Even with this increase, Virginia Beach still has the lowest real estate tax rate (and the lowest personal property tax rate on vehicles) among all seven large cities in Hampton Roads!

I am pleased to propose no change in either tax rate. However, the budget proposes modest increases in some smaller taxes and fees to help offset rising costs.

- ◆ The boat tax is established at \$1.00 per \$100 valuation to help fund dredging projects. This is appropriate and fair. Just as car and truck owners pay a personal property tax that helps us maintain roads, boat owners should help maintain our boating channels. They benefit directly from channel dredging. Federal funding is most unlikely to be forthcoming to keep our channels navigable. In conjunction with this change, the budget proposes lowering the tax rate for commercial boats, airplanes, and recreational vehicles from the current \$1.50 to \$1.00 per \$100 of value.
- ◆ A 5-cent increase in the cigarette tax to benefit economic development projects. This will help Virginia Beach attract new businesses, jobs, and diversifying the economy.
- ◆ A \$3 monthly increase in the waste management fee, bringing it to \$13 a month. This increase and another proposed for 2015 is necessary as we plan for the day when our City's garbage disposal discount with SPSA disappears in 2015, and in order to cover the cost of our municipal solid waste collection (black can system). In FY 2014-15 the city's cap on trash disposal will increase to \$100 per ton, up from the current \$65 per ton. Even with this increase, Virginia Beach will have the second-lowest waste fee of all seven cities in Hampton Roads.

- ◆ There are also previously approved increases in the storm water and sanitary sewer rates.
- ◆ Higher fees for some parks and recreation programs, some planning permits and some special event permits. This is consistent with our philosophy that users who benefit from certain services should help pay for them.

One more tax issue deserves your special attention.

As you know, Virginia Beach grants exemption from real estate taxes for qualified senior citizens. The current income limit is \$47,100 a year for 100% exemption, and we are proposing lowering it to \$42,100. The program currently costs \$14 million a year. We recently reviewed the program and found that Virginia Beach's income limit is much higher than that of any other City in Hampton Roads. Suffolk is the closest at \$41,479. All other cities in Hampton Roads have much lower income limits of \$21,000 to \$28,611. We also found that some qualifying seniors in Virginia Beach own very expensive homes. More than 100 homes in the program are valued at more than \$500,000. Six are worth more than \$1 million. This raises issues that run counter to the intent of the program.

The proposed new income limit would still be the highest threshold in Hampton Roads, but it would save \$1.1 million a year. This is a fair, reasonable and a needed change to keep this program sustainable.

Conclusion

This budget is primarily one of maintaining what we have. It is sustainable. The total budget only increases by 0.3%, far less than the current inflation rate. I am proud of the departments and employees in constantly working to absorb rising costs through efficiencies. As I indicated in my Striving for Excellence briefing, our employees have actively worked to save or avoid costs totaling almost \$1million. In addition our citizen volunteers worked 1.4 million hours adding the equivalent of over 650 positions.

This budget is balanced without major tax increases or borrowing from the rainy-day fund, as we have done these past four years. (Our current budget, for example, uses \$21 million in fund balance. The proposed budget only uses \$2 million and that is for Schools.)

We have weathered the most recent recession, not without pain, but by focusing on our values and City Council's priorities. The economy is still fragile, but it is definitely growing. And likewise, our revenues are improving. However, all of this is threatened by Federal Sequestration and its impending potential impact to our economy. The inability of the Federal government to adopt a budget, any budget, continues to cause uncertainty in the business community and danger for our regional economy.

As revenues rebound, and the economy slowly gets better, our quality of life improves. I see the smallest cuts in personnel in quite a while. I see major construction projects moving forward – new roads, new bridges, new fire stations, a new library, and better drainage for neighborhoods. I see Virginia Beach taking strong steps to move ever closer to our 2040 Vision.

Is this budget optimal? No – but then, no budget ever is. Is it an improvement over the last four? By far.

With Pride in Our City,



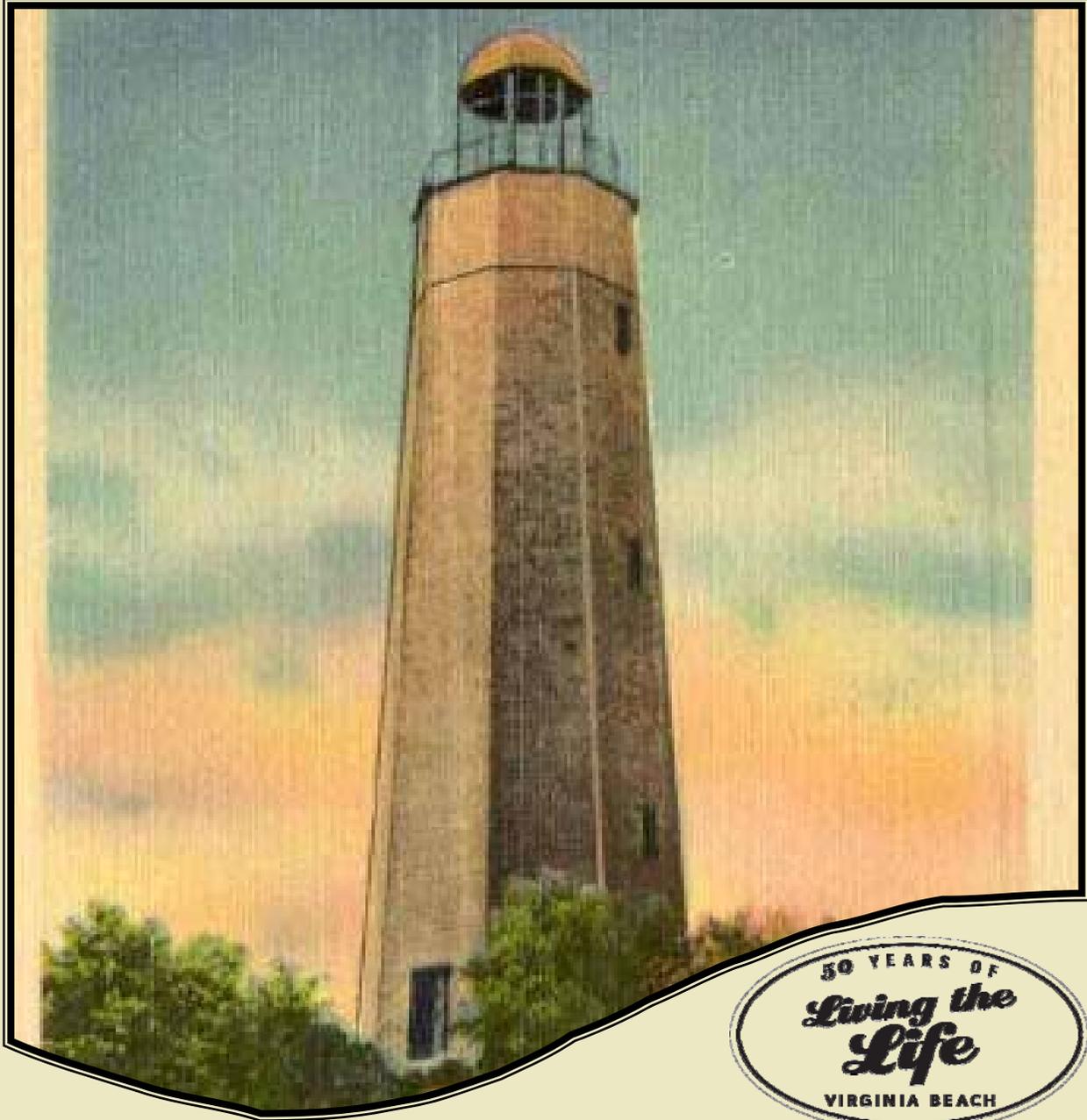
James K. Spore
City Manager

Schedule of Workshops and Public Hearings

<i>Date/Time</i>	<i>Event</i>	<i>Location</i>
Tuesday March 26, 2013	Presentation: The Proposed FY 2013-14 Operating Budget and Capital Improvement Program is Presented to City Council	City Council Chambers 6:00 p.m.
Tuesday April 2, 2013	Council Workshop: ◆ Economic Vitality	Council Conference Room
Thursday April 4, 2013	Budget Open House	Virginia Beach Convention Center 6:00 p.m.
Tuesday April 9, 2013	Council Workshop: ◆ Safe Community ◆ Quality Physical Environment	Council Conference Room
Tuesday April 16, 2013	Council Workshop: ◆ Quality Physical Environment (continued) ◆ Cultural and Recreational Opportunities ◆ Family and Youth Opportunities	Council Conference Room
Thursday April 18, 2013	Public Hearing	Virginia Beach Middle School 6:00 p.m.
Tuesday April 23, 2013	Council Workshop: ◆ Quality Education and Lifelong Learning	Council Conference Room
	Public Hearing	City Council Chambers 6:00 p.m.
Tuesday April 30, 2013	Council Workshop: ◆ Quality Organization	Council Conference Room
Tuesday May 7, 2013	Council Workshop: ◆ Reconciliation	
Tuesday May 14, 2013	Public Hearing Vote On: The FY 2013-14 Operating Budget and Capital Improvement Program	City Council Chambers 6:00 p.m.

Understanding the Budget Process

Month	Residents	City Council and School Board	City Administration
JULY			
AUGUST			Management Leadership Team (MLT) Budget Meetings MLT budget planning meetings begin.
SEPTEMBER			
OCTOBER			Budget Kickoff Senior City staffers meet to understand issues facing the City for the upcoming budget process.
NOVEMBER		City/Schools Five Year Forecast The upcoming five year financial situation is discussed in detail. City and School staff present information on the overall budget situation including revenues, planned expenditures and economic conditions.	Economic Forum Local City Managers and Budget Directors meet with regional economists to discuss local and national situations affecting our region's economy. Proposed Budget Development Budget and Management Services works with the City Manager's Office and departments to begin developing the Proposed Budget that fits with the City Council goals set in their retreat.
DECEMBER			
JANUARY		City Council Retreat All City Council members meet to discuss long range strategies.	CIP Caucus Meeting CIP caucus members meet to hear from CIP sections on current and proposed projects.
FEBRUARY			
MARCH		Modernization Committee Meeting Modernization committee members meet to discuss the Schools Modernization Program.	Presentation of the Proposed Budget The City Manager presents the Proposed Budget to City Council.
APRIL	Budget Summit Open to the Public	School Board Budget Adoption School Board members make final decisions and adopt the Virginia Beach City Public Schools Budget. City Council Workshops City staff meets with City Council to provide background information on the Proposed Budget through five workshops enabling Council to ask questions and request additional information.	Budget Inquiries Budget and Management Services and other City staff respond to inquiries from City Council regarding the Proposed Budget.
MAY	Budget Public Hearings Members of the public are welcome to comment on the Proposed Budget and offer suggestions to City Council.	Final Budget Adoption City Council makes final decisions and adopts the official City of Virginia Beach budget.	Adopted Budget Budget and Management Services produces the Adopted Budget and begins to develop budget guidelines for the next fiscal year.
JUNE			



OPERATING BUDGET



Operating Budget

This section provides a brief overview of the major issues driving both expenditures and revenues in the Operating Budget. While the economy is growing, albeit slower than past recoveries, this budget is developed with some uncertainty due to the inability of the Federal government to address their budget issues resulting in Federal Sequestration and a possible Federal government shutdown at the end of March. The major concern for the regional economy, and Virginia Beach in particular, is the possibility of major reductions in defense spending and the direct and indirect impacts on local revenues.

While developing a budget is never an easy task, the potential impact of Federal Sequestration on this year's budget makes the task even more difficult. In February, the City Manager sent a letter to City Council outlining the City's response (a copy of this letter is included in the appendix section). He noted in the letter that due to our conservative budget and financial policies, we will most likely not see any major impacts until early in fiscal year 2014. Still, this budget does address sequestration in two major ways: (1) 1% of Fund Balance has been reserved (\$9.9 million) to mitigate any impacts; and (2) a Reserve for Contingencies of \$724,000 has been set aside to help mitigate sequestration impacts.

In addition to the two steps above, the City will also be monitoring revenues and providing a monthly report of economic indicators to quickly identify any potential revenue problems as they occur because of the potential impact to citizens.

While the City is taking the steps identified above, the lack of any concrete information about impacts to specific programs has prohibited the City from reducing programs with Federal revenue.

Due to the uncertainty surrounding the budget, the City and Schools have been vigilant in controlling costs and performing operations as efficiently as possible. In total, the FY 2013-14 Operating Budget grows by 0.65% over the FY 2012-13 Operating Budget and represents the second year of below inflation increases.

Some of the major drivers impacting the budget include (1) the continuing decline in real estate assessments; (2) increasing cost of health insurance and the impact of the Federal health care law (Affordable Care Act); (3) inflationary cost increases; and (4) the increasing demand for certain services.

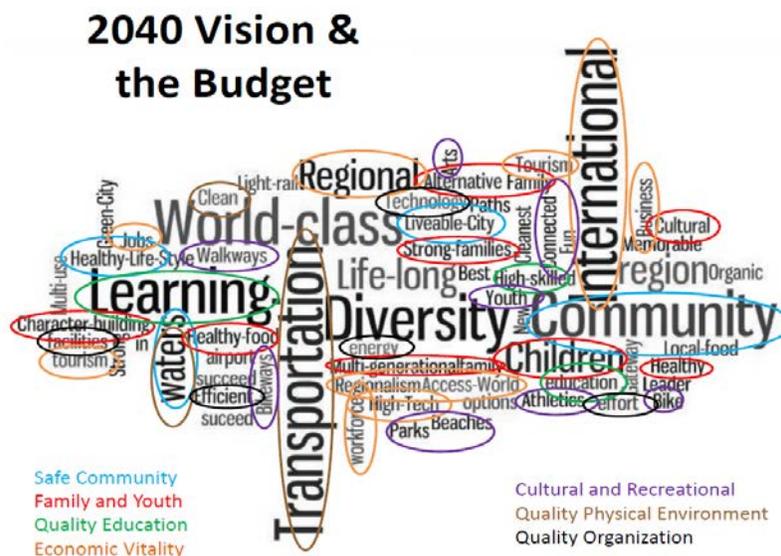


In order to gain insight into the citizen’s view of the FY 2013-14 budget process, the City conducted a virtual Town Hall and asked three questions; (1) The City (not including the Schools) faces a projected deficit of \$22.65 million. How would you prioritize the following service areas for funding? Each participant was given \$500 to allocate among a list of 10 service areas. The average allocation to each service area by the participants is shown on the following table; (2) What would you add to the City budget if anything; and (3) Would you be willing to absorb slightly higher taxes or fees to help your top priorities?

Service Area	Amount Allocated
Public Safety	\$144
Road Construction and Maintenance	\$77
Water, Sewer, Storm Water, and Coastal	\$48
Arts and Humanities, Libraries, and Recreation	\$40
Human Services	\$39
Trash Collection, Disposal, and Recycling	\$39
General Government	\$32
Economic Development	\$31
Housing and Neighborhood Preservation	\$25
Financial	\$25
Total	\$500

These priorities were not unexpected in that public safety and transportation were the top priorities of the respondents. Schools, if it had been included as a choice, would have also ranked high. Not many respondents had programs that they would add to the budget, but several indicated that they would support higher taxes or fees to maintain their top priorities. The responses gathered from the virtual Town Hall were compiled and distributed to the City Manager’s Office along with senior City staffers and the Budget Office for consideration in the developing of the budget.

Another aspect of citizen engagement that was utilized in the development of this year’s Resource Management Plan was the incorporation of *Envision Virginia Beach 2040*. The 2040 Vision, adopted by City Council, sets forth the community’s aspirations for how the City will look and feel thirty years from today. The word map below illustrates common terms used by citizens who participated in developing the vision. The larger the word the more citizens mentioned it.



To achieve the 2040 Vision will require a community effort, but clearly the City has a role. When thinking about the FY 2013-14 Operating Budget and Capital Improvement Program, it is evident that the City's seven business areas support the vision by providing a firm foundation for moving forward. None of the vision is achievable without the basis of a safe community with an appropriate safety net for its citizens. Even in 2040, the City will pick up the trash. We may do it with solar powered trucks or with a strong residential recycling component, but we most likely still need the service. Same is true for public schools, police and fire services, and the provision of drinking water and sanitary sewer. The circles on the word map illustrate some of the direct interactions, but more than that, it is the day to day services that make Virginia Beach a community for a lifetime today and in 2040.

The Envision 2040 plan identified six vision elements that describe how Virginia Beach will look in 2040.

- ◆ **Connected Community** - Virginia Beach is a well-planned community of exciting, diverse neighborhoods, each offering unique opportunities to live, work, play, and grow in a culturally rich and safe environment. Our neighborhoods and residents find interconnectivity through our award-winning multi-modal transportation system, the ubiquitous presence of broadband communication technologies, and most importantly by building a deep sense of community.

- ◆ **Learning Community** - We have a comprehensive approach to formal education and broader learning opportunities for citizens at all stages of life that supports their ability to learn, grow and prosper. We believe in and support an educational continuum that begins at birth and lasts a lifetime. Individuals, families, government, and businesses know and accept their roles preparing citizens to be successful throughout their life.

- ◆ **Diverse Community** - Our community-wide culture embraces and values all citizens and visitors with regard to ethnicity, national origin, gender, sexual orientation, age, socioeconomic standing, physical abilities, or religious beliefs. We address the processes and norms that ensure engagement, collaboration, fairness, respect, understanding, and trust exists between all populations within the community.

- ◆ **Unique Environment** - We value and enhance our greatest natural assets, a broad array of coastal resources that includes beaches, waterways, farmlands and wetlands. We are a model community for clean air and water, and our commitment to environmental sustainability. Local foods, open space and parks contribute to the overall quality of life and healthy living.

- ◆ **Active Lifestyle** - Cultural and recreational opportunities enhance the regional economy and provide emotional and intellectual opportunities for expression, education and entertainment. Citizens of all ages, individually and as families, experience the natural resources, restaurants,



museums, aquarium, recreation centers, and entertainment venues in the region to stimulate, strengthen, and revive the mind, body and spirit.

- ◆ **Thriving Economy** - We have a thriving regional economy that leverages our assets with high employment and dynamic business growth. We educate, attract, and retain a talented and diverse workforce and provide a broad base of employment with an emphasis on high paying jobs.

Many of the programs and services that the City provides link directly or indirectly to the achievement of Envision Virginia Beach 2040. Throughout the budget, the programmatic alignments with Envision 2040 will be highlighted in the *Departmental Overview* section of the Operating Budget document.

Revenues

Overall, revenue is growing by 0.65% in the FY 2013-14 budget. Like last year, most of the City’s local revenue streams continue to grow, especially the revenues that are sensitive to the economy such as sales tax, hotel tax, and restaurant meals tax. As the graph illustrates, these revenues dipped slightly in 2010 and 2011, but have recovered more quickly than the real estate tax coming out of the recession.

Collections for General Sales Tax, Hotel Tax, and Meal Tax



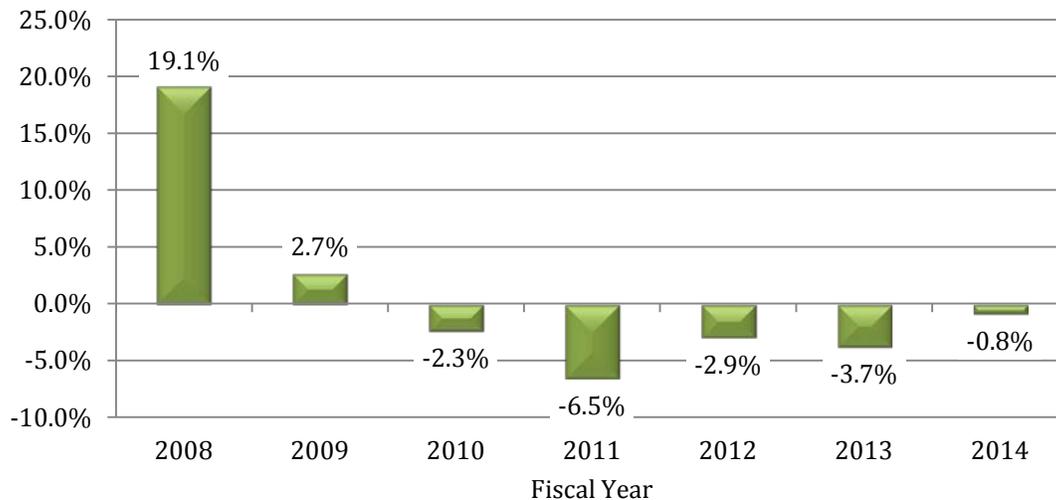
Other local taxes included in the FY 2013-14 Operating Budget presents a mixed bag with some showing continued growth, while others are declining. Among the other local taxes, revenue from personal property taxes, the Virginia Telecommunications Tax, the business license tax, and the cigarette tax are all anticipated to grow, while the real estate tax, utility taxes, and the cable franchise tax are all still declining.

Within the Operating Budget, there are two changes in local taxes. The first change in local tax rates is a five cent increase in the cigarette tax. The \$925,000 in revenue generated from the increase in the cigarette tax will be dedicated to economic development initiatives, mainly the Economic Development Incentive Program (EDIP) included in the CIP.

The more significant change in local tax rates is a two-cent reduction in the real estate tax rate. This reduces the rate from 95-cent to 93-cent per \$100 of valuation for real property. This reduction in the real estate tax, coupled with the increase in the solid waste fee (discussed later in this section) is part of the City’s strategy to place the burden of paying for specific services on the users who benefit directly from those services.

Real estate tax revenue continues to be the major drag on local revenue growth due to a continued decline in assessments. Since FY 2008-09, real estate assessments have declined a total of 16.2% which equates to a loss of \$8 billion in property value (when accounting for new construction).

Total Change in Assessed Value



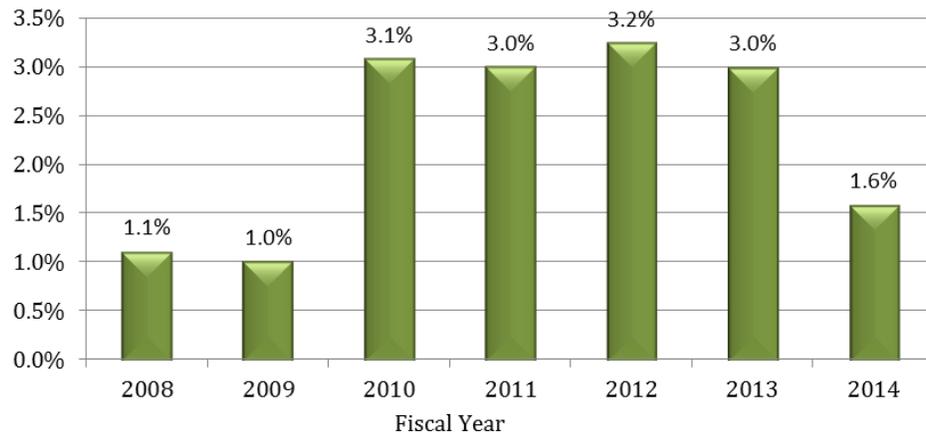
If there is good news concerning the local real estate market, it appears that the City may have reached the low point for property assessments. Annually, the City hosts a forum that includes local university economics professors and an economist from the Federal Reserve Board. At this year's forum, the data that was presented indicated that the regional real estate market may have reached its low point, a view shared by the City's Real Estate Assessor, barring any impact from Federal budget cuts. Assessments on existing residential properties in Virginia Beach are declining 2.3% on average and assessments on existing commercial/industrial properties are declining 1.18%. However, despite the decline in value of existing properties, strong growth in new construction brought the decline in total assessments for FY 2013-14 to 0.8%. According to the Real Estate Assessor's Office, the value of new construction for the past 12 months increased 50.1% from the previous year, primarily due to multifamily construction. Since real estate taxes are the largest source of local revenue, the annual decline in assessments has hampered the City's ability to meet growing service demands.

One of the positive changes with the budget is that minimal Fund Balance is being appropriated to balance the Operating Budget (the Schools are using \$3.1 million of fund balance that is being reverted to the General Fund from surplus funds from the Sandbridge Tax Increment Financing District). The strategy of appropriating fund balance has been used during the past several budget cycles to mitigate the impacts of the recession. While the City budgeted fund balance in a responsible manner (ensuring that the fund balance was available and our fund balance policy requirement was achieved), we have used 3% or greater



of fund balance revenue to balance the budget over the past four fiscal years. While some amounts of fund balance use is typical, especially in dedicated funds where the use is anticipated as a part of the financing strategy, the use of General Fund – fund balance to balance the Operating Budget has been non-existent for the City. The following graph shows the decline in the use of fund balance in FY 2013-14 as compared to previous years.

Fund Balance Use as a Percentage of Total Revenue



As part of the Blue Ribbon Committee’s recommendations from several years ago, the City has been raising program specific fees to users to cover the costs of these programs. A listing of fee increases can be found on page 70 of this document. The most significant fee related change in the Operating Budget is the increase of the solid waste collection fee from \$10 per month to \$21.36 per month. This fee is being raised to cover the full cost of providing solid waste collection and disposal services for the residents of Virginia Beach. The increase in the waste management fee continues the City’s goal of moving waste collection to a self-sustaining enterprise fund. This will eliminate the reliance of general government taxes, which means residences that receive City waste collection services will bear the direct cost of this service; therefore eliminating the subsidy paid by townhomes, condominiums, and businesses that are prohibited from receiving the service. Included with this increase is a two cent reduction in the real estate tax rate.



Another significant change in the Operating Budget is the generation of additional revenue from fees related to special events. Special events, especially at the oceanfront, require significant labor for setup, traffic control, parking, security, and clean up. These increased fees will help to defray some of the costs associated with these events while protecting neighborhood events.

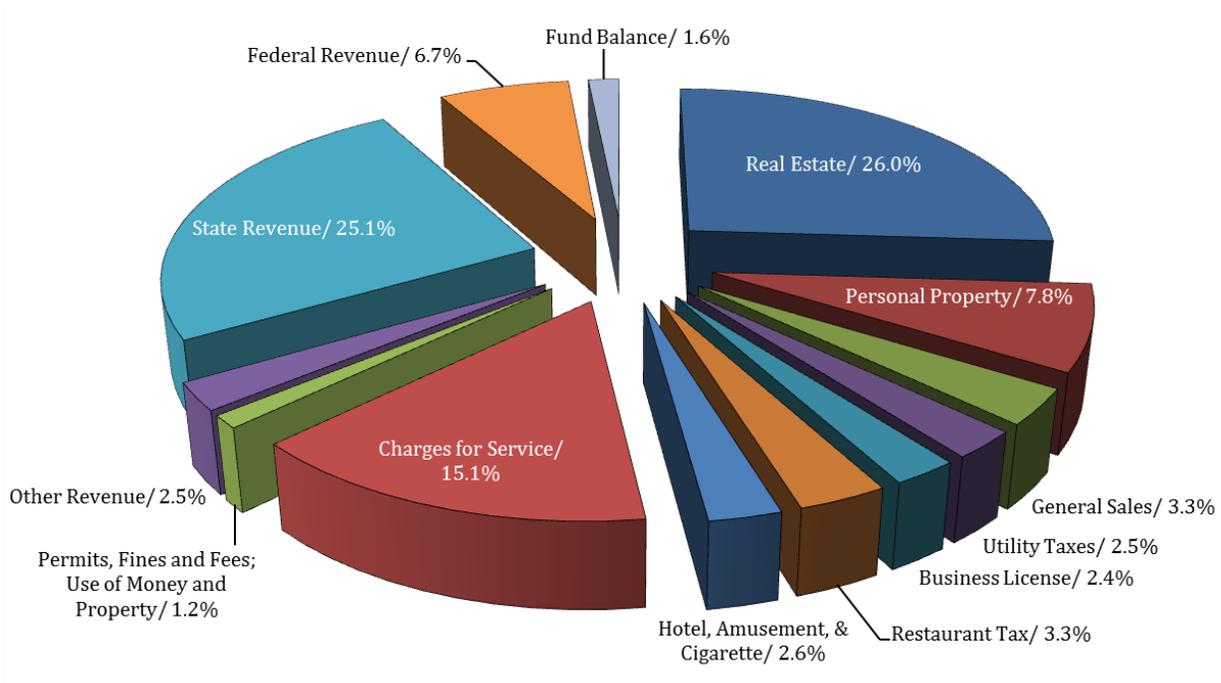


The Operating Budget also includes two rate increases for utilities that were previously approved by City Council: a \$1.52 per month increase in the storm water utility fee and a \$2.90 per month increase in the sewer rate (assuming monthly consumption of 5,000 gallons). The increase in the storm water utility fee will allow the City to address significant backlogs in the storm water program and begin addressing pending Federal regulations for Total Maximum Daily Load (TMDL), while the increase in the sewer rate will address critical infrastructure needs to ensure compliance with the Federal regional consent decree.

The City also receives funding from the State and Federal governments to support certain programs and services. In FY 2013-14, State revenue is expected to grow by 1.1%, while Federal revenue (assuming no impact from sequestration) is expected to decline by 1.6%. Staff will be monitoring these program specific Federal revenues closely and will notify City Council of possible programmatic impacts.

The following graph illustrates all funding sources that are being used in the Operating Budget.

**FY 2013-14 Adopted Operating Budget
Total Estimated Revenues**



Real estate revenues are the City's single largest revenue source and comprise 26% of the total funding. State revenues, which are a collection of many program specific revenues including support for education, comprise 25.1% of the funding. The third largest group of revenues and the source with the largest year over year growth as a percentage of total revenues for FY 2013-14, Charges for Service, is made up of the many fees charged to offset the cost of municipal services. These services include water and sewer bills, the waste management fee, recreation center memberships, library cards, and building permits to name a few. Other revenue is comprised of non-revenue receipts including water resource recovery fees, sewer main extensions, and sewer line fees; other taxes and fees include cable franchise taxes, bank net capital taxes, City taxes on deeds and wills; and other smaller scale revenues.

For City and Schools combined, revenues for the upcoming fiscal year are projected to increase 0.65% compared to the Adjusted FY 2012-13 Operating Budget. As seen on the next table, of the \$1,780.4 billion budget, \$940.9 million is allocated to support City programs and \$839.5 million is used to support School programs.

City and School Revenue Summary

	FY 2012-13 Adjusted Budget ¹	FY 2013-14				Percent Change
		City Adopted Budget	Schools Adopted Budget	Total City & Schools Adopted Budget		
Real Estate ²	\$ 474,312,812	\$ 443,705,633	\$ 19,163,632	\$ 462,869,265	-2.4%	
Personal Property	132,412,895	138,576,713	-	138,576,713	4.7%	
General Sales	54,098,252	57,987,462	-	57,987,462	7.2%	
Utility Tax	25,700,397	25,123,967	-	25,123,967	-2.2%	
VA Telecommunications	19,279,076	19,694,924	-	19,694,924	2.2%	
Business License	42,423,932	42,791,543	-	42,791,543	0.9%	
Cable Franchise	7,527,233	7,031,293	-	7,031,293	-6.6%	
Restaurant Tax	55,155,356	58,140,927	-	58,140,927	5.4%	
Amusement Tax	5,800,563	5,941,774	-	5,941,774	2.4%	
Hotel Room Tax	26,608,521	28,049,035	-	28,049,035	5.4%	
Cigarette Tax	12,153,510	13,042,050	-	13,042,050	7.3%	
Revenue Sharing Formula		-359,817,543	359,817,544	-	0.0%	
General Fund Balance (Sandbridge TIF)	21,087,917	0	3,116,978	3,116,978	-85.2%	
Other Fund Balance	31,815,912	3,841,898	21,236,079	25,077,977	-21.2%	
Utility Fees	141,005,711	149,536,876	-	149,536,876	6.1%	
Other Revenue	141,069,212	119,699,697	25,848,620	145,548,317	3.2%	
Waste Collection Fee	14,600,000	31,098,000	-	31,098,000	113.0%	
State Revenue	442,359,595	115,847,781	331,388,076	447,235,857	1.1%	
Federal Revenue	121,395,820	40,602,106	78,908,000	119,510,106	-1.6%	
Total Operating Budget	\$ 1,768,806,714	\$ 940,894,135	\$ 839,478,929	\$ 1,780,373,064	0.65%	

¹ The adjusted budget includes all ordinances adopted by City Council ² Four cent of last year's real estate tax rate increase was dedicated to education

A major change reflected in this table is the reinstatement of a revenue sharing formula with the Schools. The new formula is based on the Standards of Quality (SOQ), which mandates the minimum amount of revenue that must be provided by the City to the School System. The formula takes the sum of all non-dedicated local taxes and then subtracts from that amount the SOQ contribution (the SOQ amount is guaranteed to the Schools). The difference between these two figures is then multiplied by 32.37%, which makes up the supplemental local match. For FY 2013-14, the City is contributing \$359.8 million in revenue according to the revenue sharing formula (the policy and actual calculation are in the *Appendix* of the Operating Budget document).

As part of the revenue from the new formula, the Schools also receive four of the six cents real estate tax rate increase that was adopted by City Council in FY 2012-13. For FY 2013-14, this dedication equates to \$19,163,632. The Schools also redirected \$3.1 million of General Fund - fund balance (Sandbridge TIF surplus declaration) from their CIP to the Operating Budget. This is the second consecutive year that a portion of this funding has been redirected, at the School Board's request, to their Operating Budget. In addition, the City Council decided to hold the School System harmless from the 2 cent reduction in the real estate tax rate.

For FY 2013-14, the City is providing \$382.1 million in local funding (shown in **Bold** on the table above), 45.5% of the \$839.5 million in the FY 2013-14 School Operating Budget. This amount exceeds the minimum required by the State Standards of Quality by \$218.5 million.

Impacts on Taxpayers

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Adopted FY 2013-14
Real Estate Tax ¹	\$2,308.66	\$2,201.86	\$2,110.19	\$2,054.12	\$2,089.05	\$2,001.36
Personal Property Tax ²	210.90	155.76	160.99	189.08	244.44	269.49
Electricity Utility Tax	36.00	36.00	36.00	36.00	36.00	36.00
Gas Utility Tax	36.00	36.00	36.00	36.00	36.00	36.00
Va Telecommunications Tax	70.68	70.68	70.68	70.68	70.68	70.68
Water Utility Tax	36.00	36.00	36.00	36.00	36.00	36.00
Restaurant Tax	275.00	263.03	263.03	263.03	263.03	263.03
Admissions Tax	25.69	25.69	25.69	25.69	25.69	25.69
Vehicle License Decal	50.00	50.00	50.00	50.00	50.00	50.00
Storm Water Utility Fee	73.37	80.67	87.97	115.34	133.59	151.84
Residential Refuse Fee	None	None	None	60.00 ³	120.00	256.32
Water & Sewer	509.52	529.69	552.00	582.96	615.84	650.64
Total Tax Impact	\$3,631.81	\$3,473.83	\$3,428.55	\$3,518.90	\$3,720.32	\$3,847.05
Annual Change	\$0.00	(\$157.98)	(\$45.28)	\$90.35	\$201.42	\$126.73
Cumulative Change in Total Tax Impact		(\$157.98)	(\$203.26)	(\$112.92)	\$88.51	\$215.24

¹ Real estate taxes computed based on a median home value ² Personal property tax computed based on average vehicle value with two cars

³ Includes solid waste collection fee for half of year

While real estate taxes for most homeowners will be declining this year, the overall tax burden on the family of four will increase by \$126.73 or \$10.56 per month. As previously discussed in this section, an increase in the waste management fee and previously approved rate increases for the storm water utility fee and water and sewer charges will increase the annual impact on a typical family of four. It is important to note that some property owners do not receive water and sewer services or waste collection services and those property owners will see a smaller increase in their tax burden in FY 2013-14.

In addition to any changes in local taxes, the State has also approved a 1% increase in the State sales tax. This tax will be used to fund transportation initiatives (0.3% to VDOT and 0.7% to regional transportation projects), but will also increase the overall tax burden that citizens must pay to support government services. To mitigate the 1% increase in the State sales tax on Sandbridge cottage and hotel rentals, the City Council lowered the hotel tax rate in Sandbridge by 1%; thereby keeping the rates the same for these business owners.

The next table includes major tax rates and fees imposed on residents and visitors, and shows that Virginia Beach rates are generally equal to, or are the lowest imposed among the major cities in Hampton Roads. Virginia Beach compares favorably to its neighboring cities in terms of the quantity and quality of its services and programs, while maintaining many of the lowest tax rates in the Hampton Roads region.



**Adopted FY 2013-14 for Virginia Beach
Adopted FY 2013-14 for Other Hampton Roads Cities
Selected Taxes/Fees**

	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
<i>In dollar amounts:</i>							
Real Estate (per \$100 /A.V.)	0.93	1.05	1.13	1.27	1.03	1.27	1.22
Personal Property (Vehicles & Business)	3.70	4.08	4.33	5.00	4.25	4.25	4.50
Personal Property (Machinery & Tools)*	-	0.64	1.70	1.50	0.63	1.23	1.25
Automobile License	25.00	23.00	26.00	25.00	26.00	35.00	26.00
Cigarette (per pack)	0.70	0.50	0.75	0.60	0.50	0.80	0.85
Solid Waste Fee	21.36	-	27.01	33.36	17.50	18.42	27.08
<i>In percent:</i>							
Meals	5.5	5.5	6.5	6.5	6.5	7.5	7.5
Admissions	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Hotel	8.0	8.0	8.0	8.0	8.0	8.0	8.0

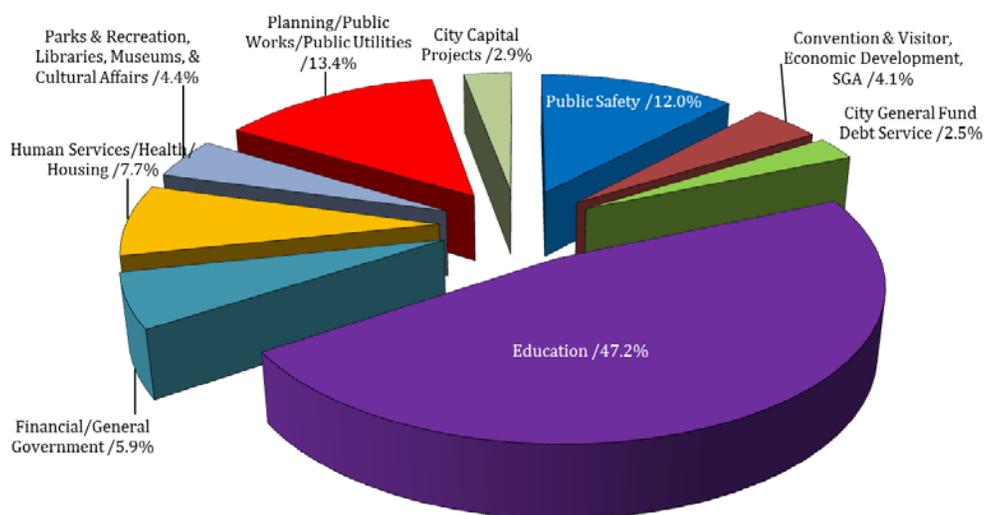
*Rate is one millionth of one cent, essentially zero. The Code of Virginia requires that all classifications of personal property be assessed and levied. City Council directed staff to eliminate this tax, and by imposing a rate of one millionth of one cent, the City Treasurer will not issue a nuisance bill. These rates do not include any State imposed taxes.

Despite the improving economy and some small rate increases, there are still reductions in current services for both the City and Schools. Some reductions have been achieved through efficiencies; some are a result of declining utilization, while other programs are still needed. There simply are not enough resources available to maintain all City and School programs. A complete list of reductions and other service needs is included in the *Requested but Not Funded* section of both the CIP and the Operating Budget documents.

Expenditures

Expenditures for the FY 2013-14 Operating Budget total \$1,780.4 billion. The graph below illustrates the breakdown of the budget by major service areas. As the graph shows, 47.0% of the budget is spent on education and the next largest amount goes to Planning, Public Works and Public Utilities at 13.4%, with public safety receiving the third highest percentage at 12%.

FY 2013-14 Adopted Operating Budget Total Expenditures



In order to summarize expenditures, the City and Schools also group expenditures by category. These categories include personnel (salaries and fringe benefits), operating, capital (equipment, storm water infrastructure, and roadway maintenance), debt service, reserves (future capital construction and contingencies), and pay-as-you-go, which is funding transferred from the Operating Budget to the Capital Budget to support construction projects and reduce the use of debt. The next table illustrates the budgeted amounts for these types of expenditures for both City and School Operating Budgets.

City and School Expenditures by Expenditure Type

	FY 2012-13 Total City & Schools Adjusted Budget	FY 2013-14			% Change	\$ Change
		City Adopted Budget	Schools Adopted Budget	Total City & Schools Adopted Budget		
Personnel	792,168,403	331,794,826	467,137,785	798,932,611	0.9%	6,764,208
Fringe Benefits	303,757,224	126,654,543	171,444,293	298,098,836	-1.9%	(5,658,388)
Operating Expenses	442,188,725	286,076,166	154,578,825	440,654,991	-0.3%	(1,533,734)
Capital Outlay	15,307,831	14,036,522	3,223,259	17,259,781	12.8%	1,951,950
Debt Service	155,772,999	110,247,560	43,094,767	153,342,327	-1.6%	(2,430,672)
Pay-As-You-Go	45,655,285	51,599,569	-	51,599,569	13.0%	5,944,284
Reserves	13,956,247	20,484,949	-	20,484,949	46.8%	6,528,702
Total	1,768,806,714	940,894,135	839,478,929	1,780,373,064	0.65%	11,566,350

Note: The City's "Personnel" figure includes the 1% required VRS salary increase, with an additional 2.0% general increase in a "Reserve" account. The Schools entire 3.0% salary increase is included in "Personnel".

As illustrated by the table, the overall budget is increasing 0.65% or about \$11.6 million consisting of a combination of increases and decreases in the various expenditure categories. Of the total Operating Budget, the City portion is increasing \$19.6 million or 2.1% and the Schools portion is decreasing \$8 million or -0.9%. For changes in expenditures by department, see page 74 - *Expenditure Summary* and page 75 - *Personnel Summary*. More detailed explanations of these changes can be found in the departmental sections of the FY 2013-14 Operating Budget as well as the Schools FY 2013-14 Operating Budget.

There are numerous factors impacting the cost of providing various programs and services. The increase in the Operating Budget involves costs mandated by the Federal government, addressing City Council priorities, maintaining existing services, and addressing known critical backlogs. In addition to these factors, increasing demand for services is being experienced in several programs.

Departments that provide social safety net programs such as Human Services, the Health Department, and Housing and Neighborhood Preservation all saw increases in service demand. For example, SNAP benefits have significantly increased over the last several years. The number of residents receiving SNAP benefits has more than doubled since the beginning of the recession and continued to grow in FY 2011-12 with an increase in monthly recipients of 10.6%.

In FY 2010-11, the Department of Housing and Neighborhood Preservation provided 23,109 unit months of service to 1,926 families in their Section 8 program. At the close of the year, there were 642 families on the programs waiting list. In FY 2011-12, the department provided 23,628 unit months of service to 1,969 families, but 365 families were still on the programs waiting list. The waiting list was reopened in September 2012 for one week and the department collected nearly 14,000 applications. Of this amount, approximately 65% are from persons outside of the City of Virginia Beach (HUD requires that the waiting list be open to anyone, anywhere; however, local agencies may designate a preference for serving families living or working in their jurisdiction).

Public safety departments such as Police, Fire, EMS, and Emergency Communications and Citizen Services (ECCS) all experienced increased workloads in FY 2011-12 and are projecting these increases to continue in FY 2012-13. When compared to the prior year, ECCS 911 calls increased 4.5%, EMS calls increased 1.9%, uniform patrol emergency calls for service for the Police Department increased 2%, and the Fire Department experienced the largest increases with emergency medical calls increasing 15.6% and fire and other emergency calls increasing 12.7%.



In addition to the increased call volumes, public safety departments also face increased workloads from mandates. An example is a change to the Virginia State Code that significantly increased the number of offenses and relationships that are subject to the restrictions of a protective order. It is the Police Department’s responsibility for service of the order (which expires within 72 hours), and to enter the order into the VCIN and the local records management system. State Police regulations also require a documented review by a second and third party to verify accuracy. The number of emergency protective orders has increased by about 65% since the beginning of FY 2011-12.

Other City programs and services are also experiencing increased usage. In FY 2011-12, the Parks and Recreation Department experienced a 13.3% increase in attendance at their staffed parks, attendance at the Sandler Center for the Performing Arts was up 55.2%, and while physical attendance at the library declined slightly, virtual visitation through the Library’s website grew 64.3% over the previous year. With the impact of the recession still being felt by some families, they may be choosing lower cost or no cost alternatives for entertainment like our parks and recreation centers.

Each section below discusses some of the major factors that are impacting the budget by expenditure categories.

Personnel and Fringe Benefits



Overall, personnel and fringe benefit costs are increasing slightly and represent just over 61% of the total budget. Included in the budget is an overall general pay increase of 3% (1% required to offset employee’s contribution to VRS and a 2% general increase). This 3% increase will be divided into two phases. Phase I will be a 1.34% increase on July 1 for both City and School employees. Phase II will be a 1.66% increase on September 1 for School employees and on October 1 for City employees.

Since FY 2008-09, the City and Schools combined have eliminated 402.4 FTEs. For FY 2013-14, the School system includes 10,190.92 FTEs, which is a net decrease of 135.6 FTEs from FY 2012-13. A majority of these positions are being eliminated due to an increase in average class size by half of a student at the secondary level and an anticipated reduction in enrollment of 452 students.

For the City, there is a net increase of 12.93 FTEs, which is a result of eliminating FTEs in some programmatic areas and adding new City FTEs in critical service areas to address City Council’s priorities such as:

- ◆ Paramedics to support volunteers at the new Town Center Fire and Rescue Station (2 FTEs).

- ◆ E 911 call takers and supervisors to address increased call volume (5 FTE's).
- ◆ Engineers in Public Works to support Strategic Growth Area (SGA) implementation, Parks and Recreation capital projects, neighborhood dredging, and transportation modeling (5 FTE's).
- ◆ Software development in Communications and Information Technology to begin developing mobile applications to enhance or expand citizen contact with City services (3 FTE's).
- ◆ Staff for Human Services to address increased workloads (12 FTE's).

The positions being added in Human Services are primarily supported by new revenue, whereas the other positions are supported by tax and fee revenues. A complete list of *Additions and Reductions of City and Schools Positions* begins on page 77. For the City positions that are eliminated, there will be a need to deploy the Employee Transition Program to transition these employees to other vacancies. School positions will be handled through attrition and contract negotiations.

In last year's budget, City and School employees both received a 1% salary increase. This increase was State mandated as part of the five year transition of 5% of employee Virginia Retirement System (VRS) costs from the City and Schools to employees. To offset the required contribution of 1% of their salary to their own retirement, the City and Schools are required to provide a 1% salary increase. This transition continues in FY 2013-14, with employees now contributing 2% of their salary to their own retirement, further reducing the retirement costs to the City and Schools. The City and Schools are providing another 1% pay increase to offset the additional 1% VRS payment. This process will continue until FY 2016-17 when employee contributions reach 5%.

Also included within the Operating Budget is a \$650,000 reserve to address vertical compression. Due to the lack of funding available to grant merit increases to employees, supervisors often make less than their subordinates. The School Budget also includes approximately \$1.7 million to address pay inequities in the Schools unified pay scale. These funds will be used to address the inequities in the pay of principals and assistant principals.

Historically, the City has not budgeted for attrition. This practice is part of the City's overall conservative approach to budgeting which has allowed us to maintain our triple AAA bond rating. In FY 2013-14 this will be particularly important to enable the City to mitigate the potential impacts of sequestration. Salary savings from vacancies have been used by the City to avoid large overtime budgets for departments impacted by inclement weather, special events, or other emergency situations. Departments also have the authority to manage salary savings within personnel accounts to address promotions and other personnel related adjustments.

Health insurance costs are increasing again in FY 2013-14. The expected increase for both the City and Schools budget is \$3.7 million. These costs are attributable to increased utilization and compliance with the Federal Affordable Care Act. In February 2013, the City Council and School Board were briefed on the anticipated costs of this Act. There are three major components driving the costs:

- ◆ A requirement that all part-time employees working an average of 30 hours per week must be covered by the employer's insurance plan – estimated cost of \$3 million.
- ◆ Employees not currently enrolled in the health plan, but who must get coverage and may select the City's plan – estimated cost of \$4.3 million.

- ◆ Reinsurance and Comparative Effectiveness Fees – estimated cost of \$2 million.

This \$9.3 million estimate is a worse case projection of a full year's impact on the health care plan. The FY 2013-14 Budget only funds the employer's portion, which currently stands at 80% of the total program and only funds that for half a year since these provisions of the Affordable Care Act take effect in January 2014.

The City is currently reviewing all programs that employ part-time workers to determine programmatic requirements as well as options for encouraging employees to select other available health care plans or Federal government Exchanges. City and School employee's health care contributions will also increase in January 2014, though rates have not yet been set.

In an attempt to reverse or slow the trend of increased health insurance costs, the City has implemented programs and incentives to encourage healthier living choices for employees. The desire is that these programs will help mitigate future health insurance costs and improve employee productivity as healthier employees tend to have lower health care costs and lower absenteeism rates. Other strategies being considered are modifications to the coverage offered by the plan and higher deductibles.

Operating Expenditures

Operating expenditures are the most diverse category of expenditures within the Operating Budget. In FY 2013-14, this category will decline 0.3% from the adjusted FY 2012-13 budget and will make up 24.8% of all expenditures. The expenditures in this category range from office supplies to cleaning services, to the telephone bill. Some of the major cost drivers in this expenditure category for FY 2013-14 include fuel, vehicle maintenance, risk management, and contractual services.

The FY 2013-14 Operating Budget includes an additional \$862,000 for fuel for vehicles and equipment. The use of fuel has remained relatively consistent over the past several years as the City has focused on more fuel efficiencies; however, the cost of fuel has increased.

The City also increased the amount of funding for vehicle maintenance. Unlike fuel, where consumption has remained relatively consistent, the reliance on the City Garage to work on the City's fleet of vehicles and equipment has grown over the past several years. Due to the reduction in the City's budget for vehicle replacement, the City's fleet aged during the recession. This increase in the age of the fleet necessitated more costly vehicle repairs. The price of parts has also increased over the past several years, putting even more strain on the City Garage's budget.

The FY 2013-14 Operating Budget continues the initiative begun in the FY 2011-12 Operating Budget to close the gap in funding the City's Risk Management Fund which should cover 70% to 100% of its actuarial estimate within five years (by FY 2015-16) with a goal of 75%. For FY 2013-14, the City and Schools are increasing funding by over \$900,000 for their Risk Management Internal Service Funds. The percentage of accrued liabilities funded can vary depending on the actual claims experience. The additional amount provided to the Risk Management Fund since FY 2011-12 is approximately \$5 million. With these increases in funding, the City's Risk Management Fund is estimated to be at approximately 50% of actuarial requirements at the close of FY 2012-13.

Coupled with these cost increases, there were also some savings achieved. The Schools reduced operating budget expenditures by over \$2 million through an across the board reduction of 5%.

The City will also be saving over \$1 million in FY 2013-14 related to its contract with the Southeastern Public Service Authority (SPSA). Historically, the City has paid the full tipping fee to SPSA and SPSA has reimbursed the City for the difference between the current rate and the City's contract amount of \$65 per

ton. These payments were based on an estimate of the tonnage of solid waste being disposed. Based on several years of decline, the tonnage has been recalculated resulting in these savings.

Capital Outlay

After several years of deferring maintenance and limiting the replacement of vehicles and other large equipment, the City will increase its investment in capital items by 12.8% (\$2 million) in FY 2013-14. Overall, capital outlay makes up 1% of the total Operating Budget. The majority of this increased investment will be for computer replacement, vehicle replacement including solid waste collection vehicles, and a new digital projector for the IMAX Theater at the Aquarium.

Pay-As-You-Go Capital Financing

Similar to deferring capital expenditures, the City and Schools have reduced the amount of pay-as-you-go capital financing to the Capital Improvement Program over the past several years as resources have dwindled. While the Schools will be unable to move any resources to finance capital projects in FY 2013-14, the City has increased their funding by over \$5.9 million or 13%. A significant portion of this increase is composed of revenue from sewer rate increases to fund capital projects necessary to ensure compliance with the regional consent decree; an increase in the storm water fee to fund capital projects to address the significant backlog of maintenance and severe flooding problems in some neighborhoods; an increase in the cigarette tax which is dedicated to economic development initiatives; and the two cent dedication of the real estate tax for roadway projects. This expenditure category makes up 2.9% of the total budget.

Debt Service and Reserves

These two expenditure categories make up 9.8% of the FY 2013-14 Operating Budget. Debt service costs are declining by 1.6% from the FY 2012-13 Adjusted Budget with an additional \$2.8 million in reduced costs from the Spring 2013 bond sale which allowed the City Council to increase the proposed pay increase for City and School employees among other reconciliation items. Reserves are growing by over 46.8% from last year. A significant portion of this growth is for compensation increases for City employees (which are held in a reserve until the fiscal year begins and then distributed to departments) and the reserve that has been established to deal with the possible impacts of Federal Sequestration. The compensation reserves that have been established by the City and the Schools that were previously discussed also contribute to the rate of growth in this expenditure category. See the *Non-Departmental* section of the Operating Budget for additional information on the various reserves.

Sustainability and Efficiency Efforts

While the Budget adds new positions and programs based on City Council priorities, there is an on-going commitment to provide quality services in the most productive, efficient, and cost effective way possible. The FY 2013-14 Operating Budget includes/continues the following sustainability and efficiency efforts:

- ◆ The BRAC project is now strategically selling properties which allowed for a \$4.3 million return to the budget to support programs and services while maintaining the City's \$7.5 million annual commitment.
- ◆ The City continues to rely heavily on volunteers to increase the capacity of the government to offer services that may not otherwise be provided. For FY 2012-13, there were 18,902 volunteers that contributed \$1.4 million of volunteer service valued at nearly \$20 million. This was equivalent to 660 FTEs and a real estate tax rate savings of 4.7¢ per \$100 of assessed value.
- ◆ The City continues to work with the Hampton Roads Partnership on a project to share services among the cities of Chesapeake, Norfolk, and Virginia Beach to regionally reduce the cost of providing services.
- ◆ The City remains fully engaged with City Council's Process Improvement Steering Committee to rethink City processes to improve efficiencies, reduce costs where possible, and improve communications within the organization and between the City and its customers.
- ◆ The combined efforts of departments and teams resulted in 177 quality and productivity initiatives being completed in 2012, as reported in the *2012 Striving for Excellence Report*, resulting in service enhancements through improved customer service and increased productivity, process improvements, and technology improvements. These initiatives saved \$68,998, avoided costs of \$846,700, generated new revenues totaling \$1,170,102, realized grants totaling \$2,696,640, and generated donations of \$560,750.
- ◆ Reduced 4 FTE's in the Waste Management Division as a result of identifying route efficiencies saving \$148,000 per year.
- ◆ Modified the overtime and standby policies to change standby pay and overtime pay for a cost savings of \$1.5 million. The adjustment to standby pay is estimated to save the City \$1.2 million due to focusing on paying employees, primarily those exempt from overtime, for the time they actually are called out.

The table on the next page summarizes the current "standby" and "on-call" policies for Virginia Beach and the other cities in Hampton Roads.



City	Counts Toward Overtime	Rate	Comments
Virginia Beach	Yes	One hour of pay for every four hours of standby. Once called to perform emergency work, employees are paid hour for hour, including reasonable travel time.	Payments provided at the straight rate unless otherwise entitled to overtime. Exempt employees are eligible.
Chesapeake	No	Two hours pay at regular rate for total on-call period, four hours pay at regular rate for total on-call period on Saturday, Sunday, and Holidays.	Only non-exempt are eligible; but not all non-exempt are eligible.
Norfolk	No	\$112 for each full weekly period of assigned on-call duty. \$137 for each full weekly period of assigned on call duty, if any holiday occurs within that week. \$16 for each full day of on-call duty. \$40 for any holiday.	Paid lump sum rather than a percent of hourly rate. Employees paid in only one on call status. Only non-exempt employees are eligible.
Suffolk ¹	Yes and No	Two hours at regular pay rate for total on-call period.	Exempt eligible with approval of HR Director and City Manager.
Portsmouth	No	\$1,080 annual allowance.	Only non-exempt eligible. Public safety not eligible.
Hampton	Yes	Pay at the regular rate for all on-call hours.	Seldom used.
Newport News	No	Rate varies according to situation.	City Manager determines rate. Exempt employees are eligible

¹ Suffolk has two designations for on-call pay, "restricted" and "non-restricted". Only in "restricted" status does on-call pay count towards overtime. Exempt employees are also eligible in the "restricted" status.

The changes to the standby policy are outlined below:

Non - Exempt	Exempt
◆ Provide one hour of pay for every eight hours on standby.	◆ Eliminate standby pay for exempt employees.
◆ Pay one and a half times the employee's hourly rate for each hour the employee is called out.	◆ Pay one and a half times the employee's hourly rate for each hour the employee is called out.
◆ Response time shall begin when the employee is notified by the appropriate alerting personnel and end thirty (30) minutes after the emergency work is completed.	◆ Response time shall begin when the employee is notified by the appropriate alerting personnel and end thirty (30) minutes after the emergency work is completed.
◆ Time paid for standby (one for eight) and time responding to the emergency site does not count as hours worked for the purpose of calculating overtime.	

The major change in the standby policy is to reduce standby pay for non-exempt employees from one hour of pay for every four hours on standby to paying one hour for every eight hours. Standby pay for exempt employees had been one hour of pay for every four hours on standby and is being eliminated.

The City's overtime policy is also being modified to bring it more in line with other area cities by eliminating sick leave and other non-discretionary time from the calculation of hours worked for the purpose of overtime.

The next table illustrates the City’s new leave calculation policy and the policies of the other cities in Hampton Roads.

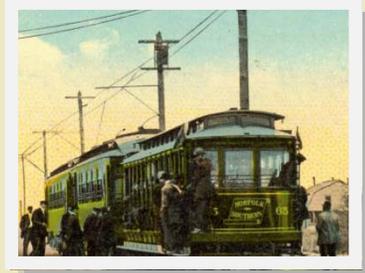
City	Leave Included in Calculation Toward Overtime	Practice
Virginia Beach	No	Holiday Only
Chesapeake	No	Holiday Only
Norfolk	No	Paid time off is not required by the Fair Labor Standards Act or State law and is not counted as hours worked.
Suffolk	No	Paid time off is not required by the Fair Labor Standards Act or State law and is not counted as hours worked.
Portsmouth	No	Paid time off is not required by the Fair Labor Standards Act or State law and is not counted as hours worked.
Hampton	No	Paid time off is not required by the Fair Labor Standards Act or State law and is not counted as hours worked.
Newport News	Yes	All leave is counted in the calculation of overtime.

Note: State law dictates that leave counts towards the computation of overtime for designated Public Safety positions.

CAPITAL IMPROVEMENT PROGRAM



50 YEARS OF
*Living the
Life*
VIRGINIA BEACH



Capital Improvement Program

The Capital Improvement Program (CIP) identifies the funding needed for construction of City facilities, modernization of schools, replacement of utility infrastructure, acquisition of major pieces of equipment and computer systems, construction of roadways, infrastructure maintenance, and economic development projects. This program covers the years from FY 2013-14 through FY 2018-19, although only the first year, the Capital Budget, is actually appropriated. The remaining years are for planning purposes.

Below are tables displaying the overall CIP project cost estimates and means of financing summaries, excluding the appropriations to date, for the six year period beginning in FY 2013-14.

Summary of Projects Estimates

Project Type	Capital Budget Year 1 FY 2013-14	Remaining Years of the Capital Program Years 2 through 6	Programmed 6 Year Funding
Schools	\$ 35,274,022	\$ 180,955,000	\$ 216,229,022
Roadways	81,739,177	111,595,322	193,334,499
Buildings	19,521,771	84,204,056	103,725,827
Parks and Recreation	10,567,821	72,730,343	83,298,164
Utilities	66,462,480	356,563,202	423,025,682
Coastal	17,287,612	38,466,074	55,753,686
Economic and Tourism Development	32,258,472	52,284,437	84,542,909
Communications and Information Technology	11,838,931	26,184,964	38,023,895
Total Capital Improvement Program	\$ 274,950,286	\$ 922,983,398	\$1,197,933,684

Means of Financing

Type of Financing	Capital Budget Year 1 FY 2013-14	Remaining Years of the Capital Program Years 2 through 6	Programmed 6 Year Funding
Pay-As-You-Go	\$ 51,599,569	\$ 290,699,346	\$ 342,298,915
General Fund Undesignated Fund Balance	22,233,023	58,355,563	80,588,586
Other Fund Balance/Retained Earnings	8,073,589	28,640,118	36,713,707
State and Federal Funds	29,530,049	16,627,851	46,157,900
Bonds and Lease Purchases	152,468,045	521,051,884	673,519,929
Other Sources	11,046,011	7,608,636	18,654,647
Total Financing 6-Year Period	\$ 274,950,286	\$ 922,983,398	\$ 1,197,933,684

To be defined as a capital project, a project must fulfill the following requirements:

- ◆ Have a minimum established cost of \$250,000 or be of such a significant nature as to prevent it from being funded in the Operating Budget.
- ◆ Be a major expenditure for construction, purchase of land and existing structures, or technology improvements.

Where We Are.....

The recession is over; however, slow growth in the economy is still playing a limiting factor in the City's CIP. Adjusting to issues caused by the recession will take time and a plan of action. The Adopted FY 2013-14 CIP strikes a balance between beginning to restore pay-as-you-go funding to pre-recessionary levels, addressing backlogged projects, and maintaining existing services in the Operating Budget. Next is a table that compares year 2 of the Adopted FY 2012-13 CIP to year 1 of the Adopted FY 2013-14:

Type of Financing	Adopted FY 2012-13 Year 2 (FY 14) Funding	Adopted FY 2013-14 Year 1 Funding	Change
Pay-As-You-Go	\$ 58,913,946	\$ 51,599,569	(\$7,314,377)
General Fund Undesignated Fund Balance	7,000,000	22,233,023	15,233,023
Other Fund Balance/Retained Earnings	5,000,000	8,073,589	3,073,589
State and Federal Funds	24,944,000	29,530,049	4,586,049
Bonds and Lease Purchases	119,074,301	152,468,045	33,393,744
Other Sources	689,305	11,046,011	10,356,706
Total CIP Year 1 Financing	\$ 215,621,552	\$ 274,950,286	\$59,328,734

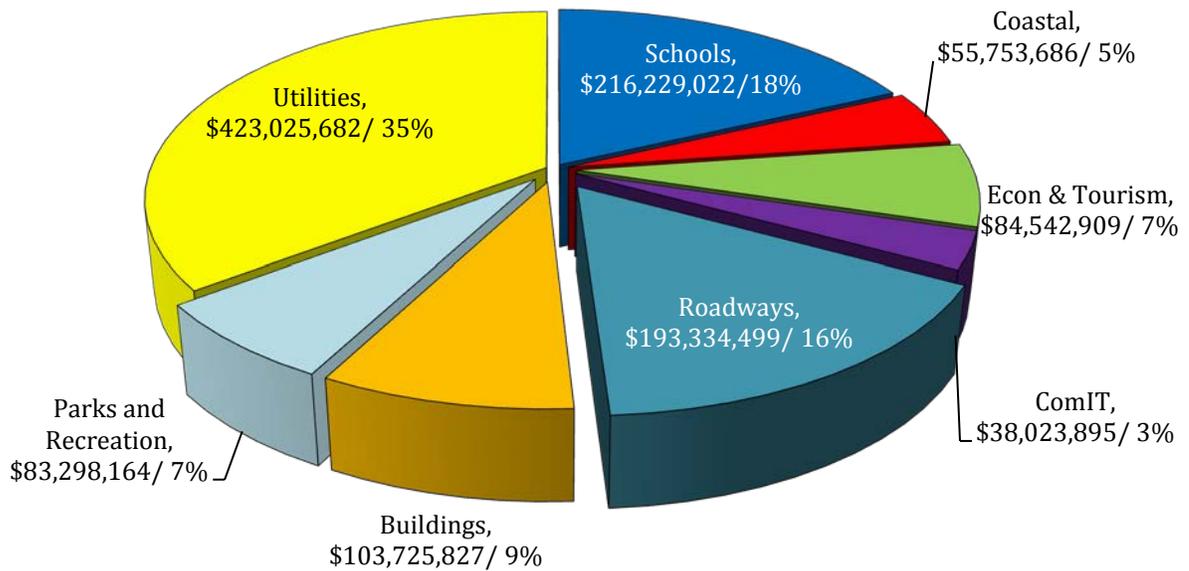
Year one of the Adopted FY 2013-14 CIP is 19% financed by the use of pay-as-you-go. This is a slight decrease from the planned use of pay-as-you-go originally programmed for FY 2013-14 as summarized in the FY 2012-13 Adopted CIP. This decrease is largely attributable to reduced pay-as-you-go use by the storm water utility fund to fund a higher amount of debt and address the backlog of flooding and maintenance projects. The pay-as-you-go from dedicated sources and from the general fund remained relatively flat in FY 2013-14 and, in most cases; they gradually increase over the programmed six year period. Until pay-as-you-go is restored through growth in the economy, fund balance is being utilized to fund critical projects in the beginning years of the CIP. Gradually the use of fund balance is reduced as pay-as-you-go increases. This is evidenced best when viewing the non-dedicated general fund contribution to the CIP from each of these two sources.

Source	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund and Schools						
Pay-as-you-go*	\$4,433,687	\$5,205,484	\$7,205,484	\$7,405,484	\$8,205,484	\$9,705,484
General Fund- fund balance*	\$22,233,023	\$17,223,440	\$13,737,312	\$9,464,937	\$9,464,937	\$8,464,937

*Non-dedicated sources exclude pay-as-you-go contributions such as the two cents roadways dedication, cigarette tax, etc. For details on all sources of pay-as-you-go funding, please see page 1-4 of the CIP.

The intent to restore pay-as-you-go to the pre-recessionary levels would be more difficult without the recent City Council decision dedicating two cents of the real estate tax to roadways. This increase added over \$8 million in pay-as-you-go each year of the CIP. Included in the Adopted FY 2013-14 City Budget is the recommendation to increase the cigarette tax to support economic development projects.

Capital Improvement Budget All Six Years of Funding



The chart above reflects the Adopted FY 2013-14 CIP six year program by section. Over the next six years, the City will spend approximately \$1.2 billion on its capital construction and maintenance needs. The total FY 2013-14 CIP, over the six year programmed period, increases by about \$22 million or 2% when compared to the total FY 2012-13 six year CIP. The overall increase is mostly attributable to the addition of new projects such as Pacific Avenue Improvements, Artic Avenue Parking Facility, Fire Station Alerting, the Housing Resource Center and the addition of roadway projects funded through the two cents real estate tax dedication.

Utilities Section

The CIP utilities section includes water, sewer and storm water. These three sections combined represent 35% of the total programmed expenditures.

- ◆ Included in the CIP is the City Council approved increase in the Equivalent Resident Unit (ERU) rate by a total of 17.5 cents phased-in over a three year period beginning in FY 2011-12. FY 2013-14 is the final year of implementation. The ERU increase provided funding to address the significant backlogs in the areas of flood control, water quality, operations and maintenance costs, as well as the funding of the Eastern Shore Drive project (formerly Cape Henry Beach Drainage) and College Park/Level Green Drainage Improvements.
- ◆ City Council also increased the monthly sewer charge over a four year period beginning in the FY 2011-12 CIP to focus on compliance with the regional consent order issued to the Hampton Roads region by the Environmental Protection Agency and the Virginia Department of Environmental Quality.

Schools Section

The Schools section is the largest section after sewer utilities representing 18% of all programmed funding over the next six years. The Schools section CIP includes over \$68 million over the next six years for the renovation and maintenance of existing facilities. The Schools section includes funding for:

- ◆ Replacement of Kellam High School (scheduled to open in spring 2014).
- ◆ Consolidation of Old Donation Center/Kemps Landing Magnet School.
- ◆ Modernization of John B. Dey Elementary School.

Roadways Section

Roadways represent 16% of the programmed six year CIP funding. Roadway funding for FY 2013-14 increased by \$22.5 million when compared to what was programmed for FY 2013-14 in last year's document.

- ◆ The increase in roadways funding is mainly attributable to the two cents of real estate tax (less line of duty cost) dedicated by City Council to roadways projects. This will also address the "maintenance of effort" requirement of the Governor's Transportation Bill and better position the City to receive State funding for roadway projects.
- ◆ Notable projects starting construction in FY 2013-14:
 - ◆ Lesner Bridge Replacement
 - ◆ Indian River Road/Kempsville Road Intersection Improvements
 - ◆ Shore Drive Corridor Improvements-Phase III (Vista Circle to Croix Drive)
 - ◆ Seaboard Road (Princess Anne Road to Nimmo Parkway)
 - ◆ Lynnhaven Parkway-Phase XI (Centerville to Indian River)



Buildings Section

Building funding for FY 2013-14 increased by \$8.8 million when compared to what was programmed for FY 2013-14 in last year's document.

- ◆ Addition of \$9.6 million for the Marsh Pavilion Enhancement project that will implement the beginning phases of the City Council approved Aquarium & Owls Creek Masterplan.

- ◆ 50% of the buildings section projects are for the maintenance of existing infrastructure, including maintenance of HVAC systems, general building maintenance, renovation and repairs, replacing fire apparatus, and improving the fire training center.
- ◆ An additional \$1 million provided in year one of the CIP is included to address backlogged maintenance needs. An estimated \$11 million in maintenance and rehabilitation backlog costs over the six year CIP still remains even after this funding.
- ◆ The Buildings section addresses important long standing building needs including:
 - ◆ Replacement of the Fourth Police Precinct
 - ◆ Virginia Aquarium Marine Animal Care Center
 - ◆ The completion of the Blackwater Fire and Rescue Station
 - ◆ Design of the Adam Thoroughgood House Visitor Center
 - ◆ Housing Resource Center (formally known as Lighthouse Multi-Service Center)

Parks and Recreation Section

The Parks and Recreation section for FY 2013-14 increases by \$200,000 when compared to what was programmed for FY 2013-14 in last year's document. Of this amount, 67% of project resources are being allocated to facility maintenance, renovations, and repairs. The two dedicated funding sources for the Parks and Recreation CIP, outdoor initiative and the dedicated recreation center tax, are predicated on real estate tax revenue, which continues to decline slightly due to the continuing decrease in assessments. A number of projects are receiving additional funding from the general fund beyond the normal Parks and Recreation dedicated taxes and funding streams including:

- ◆ Replacement of the Parks and Recreation administrative offices on Lynnhaven Parkway. This project has been a top priority replacement project in the City for several years and will relocate existing staff to a new facility within the City. The existing facility is 70 years old and was initially used to house troops at the Nike missile base. This facility has depreciated beyond repair and beyond its useful life.
- ◆ Parks infrastructure renewal and replacement.
- ◆ The Thalia Greenway project in the Town Center Strategic Growth Area takes advantage of the natural amenities associated with Thalia Creek and adds to existing private sector investment.
- ◆ The replacement Kempsville Recreation Center. A total of 28 FTE's needed for opening the Williams Farm Recreation Center can be deferred until FY 2015-16 while the Kempsville Recreation Center is being renovated.

Coastal Section

Coastal funding for FY 2013-14 increased by \$7.7 million when compared to what was programmed for FY 2013-14 in last year's document.

- ◆ The coastal section continues the neighborhood dredging program. New to this year's CIP is the inclusion of the Shadowlawn Area Dredging project.



- ◆ 72% of this section is for the replenishment, maintenance, and rehabilitation of existing coastal projects.
- ◆ The Beaches and Waterways Commission has been asked by City Council to identify funding strategies for the City's beaches.
- ◆ New to the coastal section and funded to begin construction in FY 2013-14 is the Eastern Branch of the Lynnhaven River Dredging project.
- ◆ The City Manager proposed reinstating the personal property tax on pleasure craft to support dredging of the navigable channels within the City. City Council did not authorize the reinstatement of this tax and as a result this revenue is not programmed within the Coastal Section. Current funding available within these projects will enable the City to conduct dredging operations for another year; however, the City will need to develop a sustainable alternative strategy to continue to provide this service. The long term availability of federal funding to continue the cost-participation agreements with the United States Army Corps of Engineers in the inlets will need to be considered as part of the funding plan.



Economic Vitality

Funding for the Economic Vitality business area for FY 2013-14 increased by \$11 million when compared to what was programmed for FY 2013-14 in last year's document.

- ◆ The economic vitality section continues to focus on the Oceana BRAC Interfacility Traffic Area Conformity project and the strategic growth area program.
- ◆ Additional funding was added to address maintenance and parking needs for the Oceanfront area.
- ◆ New in the FY 2013-14 CIP is the 19th Street and Arctic Avenue Parking Facility, which is needed to address parking demands in the resort area.
- ◆ The five cent increase in the cigarette tax will benefit the Economic Development Investment Program with additional pay-as-you-go funding over the programmed six year period.

Communication and Information Technology (ComIT)

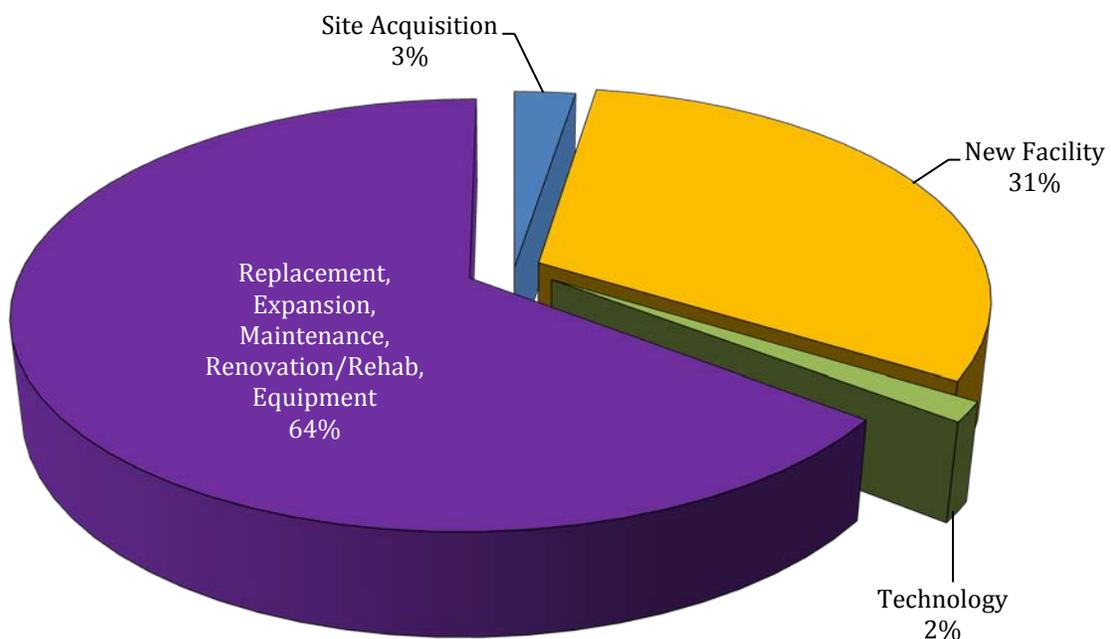
ComIT funding for FY 2013-14 increased by \$4.3 million when compared to what was programmed for FY 2013-14 in last year's document.

- ◆ The ComIT section remains focused on addressing maintenance needs of existing infrastructure. Almost 60% of the six year funding for this section is programmed for this purpose and is directed to safe community projects.

- ◆ In recent years, the City has tried maintaining a consistent stream of funding to the ComIT section to address infrastructure maintenance backlogs. After the increased efforts, this section's infrastructure maintenance backlogs are down to \$21.4 million.
- ◆ Some new projects to this section include the Fire Station Alerting Project and the Bi-weekly Payroll project. The Fire Station Alerting Project is anticipated to have a significant impact on emergency response times by the Fire Department. The Bi-weekly Payroll system is anticipated for FY 2014-15 to reduce staff time necessary in making manual adjustments required through the current system.

As displayed in the next chart, the Adopted FY 2013-14 CIP over the next six year period places heavy emphasis in the maintenance, renovation, rehabilitation, and replacement of existing infrastructure, facilities, and equipment.

CIP Funding By Project Type



As the City's infrastructure ages, consistent with City Council policy, continued emphasis will be placed on maintaining existing infrastructure. Due to the extensive backlog of building projects, a major initiative to rank all of the building needs was initiated several years ago. This effort resulted in a "Top 13" list of building needs. Below is a summary of these projects and the status of funding. Most of these projects are now fully funded.

Original "Top 13" Facility Replacement Priority List

Priority	Project	Status as of FY 2013-14 CIP
1	Replace Animal Care and Adoption Center and K-9 Unit	Completed
2	Replace Parks and Recreation Citywide Programs Office (currently located on Lynnhaven Parkway)	Funded for construction
3	Relocate Resort Maintenance Compound away from 14 th Street	Not funded - financing strategy is to swap City owned property for a building and equipment shelter
4	Replace Fire/Large Vehicle Repair Shop at Leroy Drive	Completed
5	Replace Euclid Yard Buildings	Not funded
6	Relocate EMS Administration building and Treasurer's beach branch	EMS portion complete – Treasurer's not funded
7	Replace Town Center Fire and Rescue Station (Thalia)	Funded for construction (estimated completion date September 2013)
8	Replace Police Special Operations /Evidence Storage /Forensics Complex at Leroy Drive	Completed
9	Replace Parks and Recreation Landscape Services /Park Construction Facilities (currently located on Lynnhaven Parkway)	Not funded – funding for construction planned to come from swapping the City owned property for a new building
10	Replace Chesapeake Beach Fire and Rescue Station	Completed
11	Replace Police Fourth Precinct	Funded for construction
12	Replace Public Works /Highway Modular Buildings at Dam Neck	Not funded
13	Replace Blackwater Fire and Rescue Station	Funded for construction

A significant amount of progress has been made in addressing the needs of the "Top 13" facility replacement list. The prioritization of needs allowed the City to channel resources during the recession to complete several of these much needed projects.



PERFORMANCE MEASURES



Performance Measures

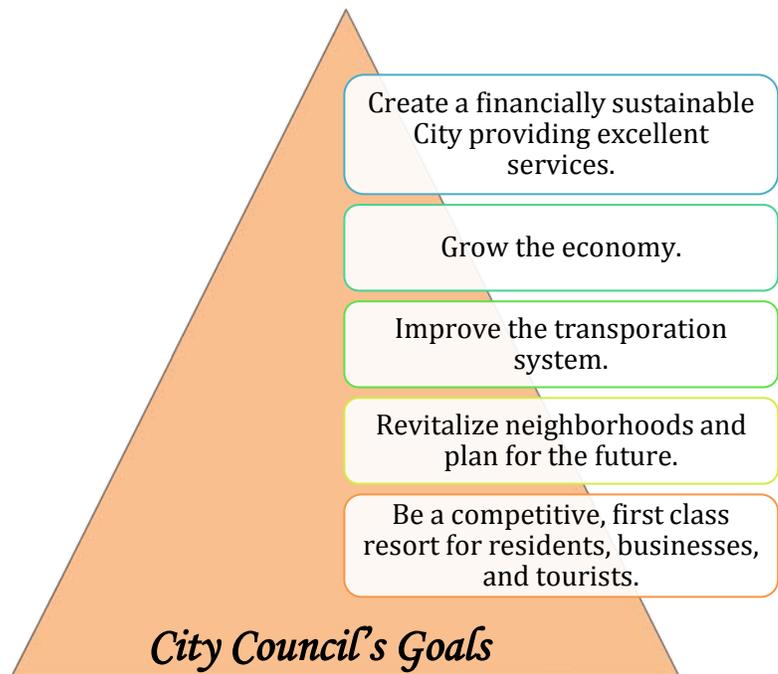
Evaluating the performance of any organization has intuitive appeal, and performance measurement has long been a staple of the public and private sectors. There are many ways to measure or evaluate the performance of a local government, and Virginia Beach has been proactive and thorough in its efforts to measure and monitor the performance of our government since 1972.



The City uses three types of measures in order to track the City’s performance. *Community Indicators*, the broadest type, are measures that assess the overall condition of the City. These measures are influenced by not only the City of Virginia Beach, but also the State and Federal government, non-profit organizations and private service providers. Community indicators can, and often do, impact organizational and performance measures. *Organizational Measures* are used to assess performance at the organizational level. These measures are used to gauge the overall “health” of the municipal government. Departmental Performance Measures provide detail about the delivery and results of a specific City program or service.

For comparative purposes, the City tracks each of the three types of performance data annually. The data is used to monitor and evaluate the progress of the community, the organization, and each program and service as conditions change. Due to the broad scope of community indicators, they can reflect trends and issues beyond the influence or control of a local government. In these cases, the indicators convey educational information about the quality of life and trends in our City. It can also highlight areas requiring City effort. The City also uses each of the three types of measures to compare service levels and costs with other communities when comparable data are available. Monitoring performance data is also crucial in determining progress in achieving the goals set by City Council. The City Council’s goals are shown in the graph to the right.

City programs are grouped into common “business areas” which relate to one or more of these goals. For example, the departments supporting economic vitality work to “grow the economy”, while the departments supporting quality physical environment work to “improve transportation systems” and other programs. These business areas are designed to foster a closer working relationship within the City organization, while focusing efforts on attainment of the City Council’s goals.



For each business area, community indicators, a comparison of selected community indicators with other regional cities, and key departmental performance measures related to the business area are provided.

Please note that with the continued release of new census data for each City, performance data from previous years may have changed. The Department of Budget and Management Services updates all of the indicators that we track in which population is part of the equation and many reporting agencies will also update their figures to include the most up to date population figures.

Performance Measurement Initiatives

In an effort to strive for continuous improvement and greater accountability to the citizens of Virginia Beach, in 2011 the City began an initiative to enhance departmental performance measurement. The Performance Outcome Measurement Pilot (POMP) project was a partnership among the Department of Budget and Management Services, the Parks and Recreation Department, and the City's Organizational Development Office. Staff from each of these departments met to develop a framework for the pilot program to test with departments in an effort to enhance the City's performance measurement program.

Once the framework was developed, the City's Management Leadership Team (MLT) selected three departments (Public Works, Museums, and Libraries) to participate in the program. Each department established a small working group that met regularly for approximately six months. During this time, these work groups focused on developing and revising the departmental goals to better align with each department's vision and mission. The revision of these goals was focused on programmatic areas within each department. Once these program areas were identified and goal statements were developed, each team worked through a process guided by a model to identify inputs and outputs for each goal statement.

With past initiatives related to performance measurement, this is typically where the process ended and performance measures were limited to outputs (product or service produced by program), efficiency measures (cost per output, output per worker, or output per cost of output/program), and service/quality measures (satisfaction with, accuracy of, timeliness of program/service). With the POMP process, departments were challenged to begin building capacity to measure the impacts (i.e., outcomes) of their programs and services on their customer base. The goals of the POMP program are for departments to (a) change the way they look at measurement and evaluation within the context of their day-to-day operations and activities, (b) revise their goal statements to make them more measureable (and to connect them more logically and seamlessly with the department's mission and vision), and (c) to develop a set of measures that will allow them to determine the impact that their services have on their customers.

At this point, the Library Department and the Department of Museums have completed the POMP process. Both are now in the process of developing data collection methodologies for some of their new measures. Because of the need for data collection tools and methods associated with these new measures, significant changes in the performance measures for these departments may not be evident in this year's document; however, each department's performance measures will demonstrate significant changes over the next several years.

In 2012, three additional departmental teams were established to begin the POMP process – Public Works/Storm Water Utility, Housing and Neighborhood Preservation, and Emergency Communications and Citizen Services. It is anticipated that the work of these team will be completed by the summer of 2013.

Economic Vitality

The desired outcome for this business area is that Virginia Beach is a place where all citizens and businesses can prosper. We are able to create our own future because we are less dependent than ever before on the State and Federal governments. The economy is strong; our median household income exceeds the national average, and incomes continue to rise. The economy is growing; visitors come from around the world throughout the year to enjoy our beautiful natural environment and our man-made hospitality amenities. The economy is vibrant; private companies want to be here, and they enable young talent to live and thrive in our City. The economy is sustainable; it provides rich opportunities for people of all ages to participate in our vitality. The economy is flexible; new and existing businesses benefit from a well-trained, diverse and available workforce, even as those businesses' needs continually change. We take the long view. We are proud of the quality of our infrastructure; we invest in new infrastructure when needed and keep our existing infrastructure well-maintained. We maximize that investment by developing our land so that it preserves our quality of life and serves the needs of generations to come. Development is sensitive to the environment, enabling us to attract green businesses. This sensitivity is valued highly by our citizens, the business community, and visitors. This business area is supported by the departments of Convention and Visitor Bureau, Economic Development, Agriculture, Housing and Neighborhood Preservation, and the Strategic Growth Area Office.

Economic Vitality Community Indicators

After experiencing declines in 2010 and 2011, several measures within this business area rebounded as the regional economy improved. The tourism industry bounced back as repeat tourism climbed for 2012 and direct tax revenue generated grew in 2011. After declining in 2011, the total economic impact of agriculture also improved in 2012. The average monthly unemployment rate for 2012 declined four-tenths of a percent and was below 6% for the year for the first time since 2008. After a significant rebound in 2010, median household income grew modestly in 2011, and remained below the City's high mark reached in 2008. Per capita income grew 4.1% from 2010 to 2011, based on the revised figure for 2010 from the Bureau of Economic Analysis.

	2006	2007	2008	2009	2010	2011	2012
Income of People Moving into Virginia Beach as a Percentage of the Income of People Moving Out	94.1%	96.2%	92.9%	100.1%	98.1%	Data NA	Data NA
Change in Assessed Value of Residential Real Estate ¹	21.7%	22.2%	20.7%	2.3%	-4.0%	-5.8%	-3.3%
Change in Assessed Value of Commercial/Industrial Real Estate	11.6%	9.8%	11.0%	6.1%	5.2%	0.2%	0.9%
Median Household Income	\$61,333	\$61,462	\$65,776	\$59,298	\$64,212	\$64,614	Data NA
Per Capita Income	\$42,229	\$44,369	\$45,787	\$43,766	\$44,965	\$46,799	Data NA
Average Monthly Unemployment Rate ²	2.9%	2.7%	3.7%	6.1%	6.4%	6.0%	5.6%
Percent of the Labor Force in the Armed Forces	8.9%	7.3%	9.1%	7.3%	5.0%	5.9%	Data NA
Economic Impact of Agriculture (in millions)	\$87.7	\$102.7	\$139.1	\$119.1	\$122.1	\$120.6	\$124.5
Tourists Who are Repeat Visitors	80.9%	79.3%	78.7%	77.0%	75.2%	72.5%	74.7%
Commercial Real Estate as a Percent of Total Assessments	15.6%	14.3%	13.0%	13.7%	15.0%	15.4%	15.7%
Direct Tax Revenue Generated from Tourism (in millions)	\$70.7	\$74.2	\$76.7	\$76.7	\$76.5	\$80.1	Data NA

¹ This data does not show the assessment decline experienced in 2013 which was -5.7% and -2.3% in 2014.

Economic Vitality Community Indicator Comparison

The City's average monthly unemployment rate of 5.6% for 2012 was significantly lower than the other Cities in Hampton Roads. Chesapeake had the second lowest rate, which was almost a half a percent higher for the year, while four cities experienced an average monthly rate of 7% or higher. The City of Virginia Beach also maintained the highest per capita income in Hampton Roads and exceeded Chesapeake's (second highest) per capita income by over \$4,000. In 2011, Virginia Beach had the second highest rate of residents employed in the military behind only Norfolk.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
Average Monthly Unemployment Rate	CY 2012	5.6%	6.0%	7.9%	8.3%	6.8%	7.8%	7.2%
Per Capita Income	CY 2011	\$46,799	\$42,504	\$36,873	\$37,583	\$39,279	\$40,001	\$34,752
Labor Force in the Armed Forces	CY 2011	5.0%	2.8%	11.0%	2.7%	2.9%	4.1%	4.4%

Economic Vitality Key Business Area Performance Measures

Indicator	Actual		Estimated	Projected
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Existing Target Industries Expanded	46	32	39	41
New Target Industries Located	17	15	16	18
Number of Acres in the ARP	8,818	8,906	9,106	9,400
Graffiti Cases	130	72	80	80
Homes Improved or Provided Rehab/Emergency Repair	40	38	42	37
Year Round Hotel Occupancy Rate	60%	61%	60%	60%

Family and Youth Opportunities

The desired outcome for this business area is that all citizens have opportunities to achieve their life goals in a community that values personal achievement and supportive relationships, in an environment that promotes a high quality of life. Citizens take responsibility for their own lives and join in community efforts to help others and sustain the community in all its aspects. Resources are available to help meet their needs throughout life. The departments of Human Services and Health support this business area.

Family and Youth Opportunities Community Indicators

For the most recent year available, only three indicators in this business area showed improvement. The rate of teenage (15 to 17 years of age) pregnancy declined for the fourth consecutive year, while the cases of child abuse and neglect and the infant mortality rate both declined in 2011 after increasing the previous year.

While three indicators showed improvement, the performance of the other indicators within this business area worsened. The two most significant occurred in the percentage of students eligible to receive free and reduced cost lunches and the average monthly residents receiving Supplemental Nutrition Assistance Program (SNAP) benefits. The poverty rates for all age cohorts that the City reports also grew in 2011, with the highest rate of growth occurring in the percentage of children living in poverty. Continuing a trend of getting worse was also the percentage of renters who spend in excess of 30% of their household income on

rent. The recession and the slow recovery have placed additional service demands on the City's Health Department, Human Services, and housing assistance programs.

	2006	2007	2008	2009	2010	2011	2012
Teen Pregnancy Rate	22.0	21.2	24.4	21.1	17.9	14.5	Data NA
Low Birth Weight Babies as a Percent of Total Births	8.4%	8.5%	8.0%	6.9%	7.9%	8.2%	Data NA
Average Monthly Residents Receiving Supplemental Nutrition Assistance Program (SNAP) Benefits	16,757	16,363	17,350	20,289	27,156	31,163	34,467
Percent of Individuals Living in Poverty	7.2%	6.4%	6.5%	6.4%	7.5%	8.6%	Data NA
Percent of Children Living in Poverty	10.0%	10.0%	9.5%	9.6%	10.5%	12.4%	Data NA
Percent of the Elderly Living in Poverty	2.6%	5.4%	4.4%	4.9%	5.0%	5.1%	Data NA
Cases of Child Abuse per 1,000 Children	8.5	5.9	4.5	5.0	5.1	4.1	Data NA
Infant Mortality Rate	10.4	7.4	5.8	5.5	7.0	6.9	Data NA
Students Eligible to Receive Free or Reduced Lunch	26.4%	30.8%	27.2%	29.1%	31.1%	30.5%	39.2%
Renters Whose Housing Expenses Exceed 30% of Household Income	47.8%	47.8%	48.3%	49.5%	53.5%	54.9%	Data NA

Family and Youth Opportunities Community Indicator Comparison

For calendar year 2011, the City of Virginia Beach and the City of Suffolk had the lowest teen pregnancy rate. Virginia Beach also had the second lowest percentage of low birth weight babies as a percentage of total births and the second lowest infant mortality rate in Hampton Roads. Virginia Beach and Chesapeake also had the lowest percentage of individuals living in poverty in 2011.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
Teen Pregnancy Rate	CY 2011	14.5	16.3	32.3	41.2	14.5	24.8	26.3
Low Birth Weight Babies as a Percent of Total Births	CY 2011	8.2%	8.4%	10.1%	12.2%	7.8%	8.8%	8.8%
Infant Mortality Rate	CY 2011	6.9	5.8	8.3	14.6	7.2	12.1	9.8
Percent of Individuals Living in Poverty	CY 2011	8.6%	8.6%	18.8%	17.2%	11.3%	15.6%	14.9%

Family and Youth Opportunities Key Business Area Performance Measures

Indicator	Actual		Estimated	Projected
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Hours of Mental Health and Substance Abuse Education Provided to Inmates and Offenders	46,997	53,304	90,240	90,240
Child Protective Services Complaints Investigated	1,520	1,643	1,655	1,670
Children Receiving Dental Services	1,324	1,221	1,400	1,400
Cost per Contact with Senior Services Patients	\$11	\$10	\$12	\$12
Cost per Restaurant Inspection	\$4	\$5	\$5	\$5

Quality Physical Environment

The desired outcome for this business area is that we strive to continually improve the quality of our beautiful City for a thriving and sustainable future. All public and private development respects the natural environment, recognizes the importance of economic, social, and sustainability factors and employs design features that achieve higher levels of energy efficiency. We value the beauty of our natural waterways, beaches, and marshes and continue to improve the water quality with a citywide approach. Our natural environment is sustained and enhanced for the recreational, cultural, and educational enjoyment of our citizens and visitors. We provide multiple effective and efficient mobility options for our citizens and balance the transportation needs of people, goods, and services with other outcomes such as environmental sustainability, connectivity, aesthetics, and the creation of quality public spaces. We implement well-coordinated plans and programs to reduce local and regional transportation demand. Our neighborhoods are stable and free of blight and the City's investment in infrastructure is preserved through adequate funding and proper maintenance. Our citizens are proud of our safe, clean and attractive neighborhoods that foster a strong sense of community and provide a range of housing opportunities for all citizens. The departments of Planning and Community Development, Public Works, and Public Utilities support this business area.

Quality Physical Environment Community Indicators

The percentage of the City's residential waste stream that was recycled grew to 36.9% aided by the yard waste mulching and composting program. The City also experienced improvement in one of its roadway indicators as the percentage of the City's street system meeting the minimum physical condition rating increased to 82%; however, the percentage of roads in the two lowest grades for transportation efficiency grew to 18.4%. This means that more of our roadway infrastructure is outside of the acceptable range for providing an efficient means of transportation. Also related to transportation, commute times for City declined after two consecutive years of growth, and for the third consecutive year, more residents reported using public transportation.

	2006	2007	2008	2009	2010	2011	2012
Open Space Acreage Per 1,000 Population	14.14	15.54	14.85	15.85	16.10	16.68	16.49
Percent of Residential Waste Stream Recycled ²	32.0%	33.0%	17.0%	17.0%	17.0%	34.0%	36.9%
Percent of Street System Meeting Minimum Physical Condition Rating	79.0%	74.0%	73.0%	74.5%	76.0%	79.0%	82.0%
Percent of Roads in the Two Lowest Grades for Transportation Efficiency	18.0%	18.2%	18.8%	18.8%	18.4%	17.9%	18.4%
Citizen Satisfaction with the City's Appearance	Data NA ¹	95.6%	Data NA ¹	94.0%	Data NA ¹	94.0%	Data NA ¹
Citizen Satisfaction with the Flow of Traffic in Virginia Beach	Data NA ¹	36.0%	Data NA ¹	39.6%	Data NA ¹	40.2%	Data NA ¹
Average Commute Time (in minutes)	22.2	23.0	22.5	22.9	23.4	22.4	Data NA
Commute to Work Using Public Transportation	0.9%	0.7%	1.4%	0.5%	0.8%	0.9%	Data NA

¹ Based on responses to Citizen Satisfaction Survey conducted biennially

² Decrease beginning in 2008 is due to the closure of the mulching facility

Quality Physical Environment Community Indicator Comparison

For 2011, the City of Virginia Beach maintained its rank of fourth (out of seven) in Hampton Roads with an average commute time of 22.4 minutes. The City also maintained its position in terms of the percent of residents using public transportation, ranking ahead of only Suffolk.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
Average Commute Time (in minutes)	CY 2011	22.4	23.4	21.9	23.9	28.3	21.4	22.0
Commute to Work Using Public Transportation	CY 2011	0.9%	1.1%	4.2%	1.5%	0.5%	3.9%	3.0%

Quality Physical Environment Key Business Area Performance Measures

Indicator	Actual		Estimated	Projected
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Waste Collections Made to Residential Customers (in millions)	6.5	6.5	6.5	6.5
Roadway Resurfacing Cycle (in years)	18.0	24.0	28.0	22.0
Completed Storm Water Maintenance Work Orders	5,071	6,721	6,000	6,000
Linear Feet of Sanitary Sewer Inspected via Closed Circuit TV	284,770	201,506	242,400	242,400
Sanitary Sewer Main Cleaned (in millions of feet)	0.8	0.9	0.9	0.9
Water Main Breaks per 1,000 Miles	149	115	120	120
Sanitary Sewer Overflows Reported Per 100 Miles of Main	0.8	1.7	2.1	2.1
Water Meters Replaced	7,107	6,648	8,843	9,846
Zoning Inspections Performed	40,513	40,479	44,697	52,032

Cultural and Recreational Opportunities

Cultural and recreational opportunities are critical to City Council's vision of a community that provides great places to have fun, learn, and grow in a beautiful, natural setting. Cultural and recreational experiences that are authentic, interactive, and memorable inspire citizens and guests alike to lead healthy, culturally stimulating, sustainable lives. Our desired outcome is to be a cultural, scientific and historic hub for the Mid-Atlantic, as we add to the quality of life of our citizens. We create an environment that nurtures creative expression and cultural diversity. Our community is a model for green living in all aspects of our activities, inspiring environmental conservation. Citizens enjoy healthy, active lifestyles through the use of our parks, recreation centers, and open spaces. We are a destination point for genealogy research and local history as well as a nationally known center of excellence for marine science. An appreciation for the preservation of historic buildings and sites creates a community that considers preservation first before redevelopment and rehabilitation. The departments of Museums, Parks and Recreation, and the Cultural Affairs Office support this business area.

Cultural and Recreational Opportunities Community Indicators

In 2012, the percentage of the City's population with a membership to a City recreation center declined for the second straight year. After last year's significant increase in the number of residents receiving free or reduced cost access to City recreational programs and facilities, there was a slight decline in free and reduced cost access. The City continued to add to its inventory of on street bike facilities.

	2006	2007	2008	2009	2010	2011	2012
Percent of Population with City Recreation Facility Membership	9.9%	9.7%	9.5%	9.7%	10.9%	10.5%	10.0%
Residents Receiving Access at a Reduced Cost to City Recreational Programs and Facilities	560	512	606	573	706	1,370	1,231
Miles of City Multi-Use Trails	57.4	60.4	61.1	61.8	73.7	74.7	74.7
City Roadway Miles with On Road Bikeways ¹	9.65	9.65	9.65	9.65	21.99	25.40	28.80

¹ This total includes paved shoulders as well as delineated bike lanes.

Cultural and Recreational Opportunities Community Indicator Comparison

Due to insufficient comparable data, there is no Community Indicator Comparison for Cultural and Recreation Opportunities.

Cultural and Recreational Opportunities Key Business Area Performance Measures

Indicator	Actual		Estimated	Projected
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Digital Theater Attendance	100,124	84,275	100,000	125,000
Visitors to the Aquarium	620,590	601,584	610,000	658,000
Event Days at the Sandler Center	404	965	408	408
Average Mowing Frequency for Divided Highways	25.2	23.2	22.0	20.5
Citizen Satisfaction with Parks	94.0%	94.0%	94.0%	94.0%
Park Visits (in thousands)	2,454	2,781	2,800	2,850
Citizen Satisfaction with Recreation Centers, Classes, and Programs	94.0%	94.0%	95.0%	95.0%
Recreation Center Memberships	46,752	44,941	58,000	60,000

Quality Education and Lifelong Learning

The desired outcome for this business area is a diverse community of lifelong learners; we promote the importance of education and ensure access to educational and personal development opportunities for all citizens. Our children enter school healthy and developmentally prepared to succeed as 21st century learners and graduate on-time. Our high school graduates are productive and engaged citizens who make informed decisions about their numerous quality postsecondary and vocational opportunities. Our cutting-edge learning centers including libraries, museums, and other cultural and recreational resources provide many informal and lifelong learning options, easily accessible to citizens of all ages and abilities, as well as to the tourists and visitors we attract. All of our citizens are literate and civically engaged and understand that lifelong learning is essential to democracy, self-sufficiency, and environmental sustainability. Our

workforce maintains high levels of vocational and professional achievement, contributing to our global competitiveness in business, as well as to our community's low crime rates, economic vitality and exceptional quality of life. This business area is supported by the Schools and Library Department.

Quality Education and Lifelong Learning Community Indicators

With education continuing to be a top priority of the City, the graduation rate improved for the fourth straight year in 2012. The dropout rate also improved falling below six percent for the first time since 2008. In 2011, the percentage of residents over the age of 25 with graduate degrees grew for the second straight year, while the percentage of residents with undergraduate degrees grew for the third straight year. The City also experienced its seventh straight year of decline in the percentage of children entering kindergarten lacking basic reading skills.

	2006	2007	2008	2009	2010	2011	2012
High School Graduation Rate	Data NA ¹	Data NA ¹	84.2%	85.3%	85.5%	86.7%	86.8%
Residents Over the Age of 25 Who Have a Graduate or Professional Degree	11.0%	11.0%	10.6%	10.0%	10.9%	11.9%	Data NA
Residents Over the Age of 25 Who Have an Undergraduate Degree	31.0%	32.4%	30.9%	31.1%	31.6%	33.3%	Data NA
Percentage of Public Schools that are Fully Accredited	100.0%	100.0%	100.0%	98.2%	100.0%	100.0%	98.8%
Kindergarten Children Needing Reading Remediation	13.8%	13.0%	12.0%	11.5%	11.2%	10.0%	9.3%
Dropout Rate – Grades 9 through 12	Data NA ¹	Data NA ¹	5.5%	6.1%	6.8%	6.3%	5.9%

¹ In order to more accurately calculate graduation rates, the State has developed the "Virginia On-Time Graduation Rate". The graduating class of 2008 is the first high school cohort for which there are four years of longitudinal data. The records of students who entered the ninth-grade for the first time in 2004 were linked to their records four years later to determine their graduation or completion status and calculate the 2008 Virginia On-Time Graduation Rate for school divisions. Along with the graduation rate, the dropout rate for these students was also calculated. This represents a different methodology for calculating the dropout rate similar to the new methodology for calculating the graduation rate. Therefore this data differs from previous reports of this data.

Quality Education and Lifelong Learning Community Indicator Comparison

Virginia Beach maintained the second highest graduation rate for the 2012 school year and the third lowest dropout rate in Hampton Roads. The City also maintained its rank for the third straight year with the highest percentage of residents over the age of 25 with an undergraduate college degree. The City also had the second highest percentage of residents over the age of 25 with a graduate or professional degree for the third year in a row.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
High School Graduation Rate	SY 2012	86.8%	91.2%	77.0%	80.8%	84.1%	84.4%	82.9%
Dropout Rate - Grades 9 through 12	SY 2012	5.9%	4.4%	10.7%	11.7%	9.7%	5.2%	6.1%
Residents Over the Age of 25 Who Have a Graduate or Professional Degree	CY 2011	11.9%	12.0%	9.8%	7.6%	8.8%	9.4%	7.8%
Residents Over the Age of 25 Who Have an Undergraduate Degree	CY 2011	33.3%	28.5%	25.0%	20.2%	26.9%	22.7%	22.8%

Quality Education and Lifelong Learning Key Business Area Performance Measures

Indicator	Actual		Estimated	Projected
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Library Program Attendance	51,544	51,262	52,000	52,500
Library Materials Circulated (in thousands)	3,636	3,614	3,900	3,950
New Registered Customers	33,772	31,946	31,904	33,000
Library Virtual Visitation (in thousands)	1,673	2,749	2,750	2,800
Percentage of Students Receiving Special Education Services	10.9%	10.6%	Data NA	Data NA
Percentage of Students in the Gifted Program	12.0%	11.8%	Data NA	Data NA
Ratio of Students to Instructional Computers	1.5 to 1	1.4 to 1	Data NA	Data NA

Safe Community

This desired outcome for this business area is that our community feels safe from threats to its health, safety, and well-being because of the extensive network of available resources. A healthy and safe community begins with an open and ongoing dialogue among government, its members, citizens, and strategic partners. Public safety and health services collaborate with community partners to meet the challenges of a diverse community by promoting, enhancing, and supporting sustainable education, resources, and opportunities related to physical, emotional, and mental health services. We are prepared to respond, mitigate, and recover from man-made, natural disasters, and public health emergencies. This business area includes Police, Fire, Emergency Medical Services, Courts and Court Support, Emergency Communications and Citizen Services, the Commonwealth’s Attorney’s Office, and Sheriff and Corrections.

Safe Community - Community Indicators

Virginia Beach continues to be the safest City of its size in the country. The violent crime rate declined for the sixth consecutive year and the property crime rate also fell for the third straight year in 2012. The number of juvenile arrests declined for the fifth straight year in 2011. In terms of the perception of safety in the City’s public schools, the perception of safety fell among 5th grade students, while the perception for 8th and 12th graders improved.

	2006	2007	2008	2009	2010	2011	2012
5th Graders Perception of Safety in Public Schools	83.2%	92.8%	93.5%	94.2%	Data NA ¹	92.8%	Data NA ¹
8th Graders Perception of Safety in Public Schools	50.8%	67.1%	68.7%	66.0%	Data NA ¹	70.2%	Data NA ¹
12th Graders Perception of Safety in Public Schools	68.9%	87.4%	82.1%	82.2%	Data NA ¹	83.6%	Data NA ¹
Violent Crime Rate	2.9	2.5	2.4	2.1	1.9	1.8	1.7
Property Crime Rate	30.0	30.4	29.2	30.9	30.4	27.7	26.5
Residents Who Believe Their Neighborhood is Safe	Data NA ²	92.8%	Data NA ²	93.6%	Data NA ²	92.0%	Data NA ²
Number of Structural Fires	455	470	471	486	463	425	450
Number of Juvenile Arrests	4,558	4,393	4,191	3,205	2,812	2,651	Data NA

¹ The Virginia Beach City Public Schools has begun conducting this survey biennially and the survey was not conducted during the 2010 school year. Prior to 2006-07, students in grades 4, 7, and 11 rated their level of agreement on a five-point scale to the item "I feel safe and secure at School." The percentages reported in the table reflect the percentage of students Agreeing or Strongly Agreeing to the item. Beginning in 2006-07, students in grades 5, 8, and 12 rated their level of agreement on a four-point scale to the item, "This School provides a safe and orderly place for students to learn." The percentages reported in the table reflect the percentage of students Agreeing or Strongly Agreeing.

² Based on responses to Citizen Satisfaction Survey conducted biennially.

Safe Community - Community Indicator Comparison

For 2012, Virginia Beach and Suffolk shared the lowest property crime rate, while Virginia Beach had the lowest violent crime rate in Hampton Roads. The City again had the fourth highest percentage of juvenile arrests when compared to all arrests.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
Violent Crime Rate	CY 2012	1.7	3.7	5.4	4.8	3.1	2.3	4.1
Property Crime Rate	CY 2012	26.5	28.2	46.0	50.3	26.5	34.1	32.0
Juvenile Arrests as a Percentage of Total Arrests	CY 2012	8.3%	3.8%	8.6%	4.6%	3.2%	11.5%	9.4%

Safe Community Key Business Area Performance Measures

Indicator	Actual		Estimated	Projected
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Arson Cases Cleared	37%	40%	40%	40%
Conviction Rate for Domestic Violence	87%	89%	89%	89%
Conviction Rate for Violent Felonies	96%	94%	94%	94%
911 Calls Received	230,300	240,558	240,000	240,000
Priority 1 EMS Calls Processed in Under 2 Minutes	86.4%	83.2%	83.0%	83.0%
Time that 9 Ambulances are Continuously Staffed	91.0%	100%	100%	100%
Clearance Rate - Violent Crime	62.8%	65.2%	63.0%	63.0%
Average Police Response Time to Emergency Calls (in minutes)	6.7	6.5	6.6	6.6

Quality Organization

The desired outcome for this business area is as a quality service provider and employer, we deliver cost-effective services and facilitate opportunities and desired outcomes that are important to our community and members of the organization. We take an enterprise approach in our public administration, optimizing and aligning all of our resources to achieve maximum sustainability. We value our members and employ individuals who are the best in their respective fields, as well as innovators and leaders in local government. We build and strengthen relationships of trust and understanding through openness, transparency, and effective internal and external communication – ensuring citizens and members are well informed, and have ongoing opportunities to contribute to decision-making. Our values and ethics are lived and demonstrated in everything we do by expecting and fostering an atmosphere of personal accountability, at all levels, that sends a clear message of responsibility, productivity, and moral purpose. The quality organization business area is supported by the Municipal Council, City Clerk, City Manager, City Attorney, Finance, Human Resources, City Treasurer (elected official), Commissioner of the Revenue (elected official), City Real Estate Assessor, General Registrar, Budget and Management Services, Communications and Information Technology and the City Auditor’s Office.

Quality Organization Community Indicators

Average real estate taxes as a percentage of median household income declined for the second straight year in 2011. This is due to the continued decline in the average home value as well as a small increase in median household income in 2011. The percentage of residents who report that they are satisfied with City services remained above 90% with the most recent Citizen Satisfaction Survey conducted in late 2011. The value of volunteer services also grew for the fourth consecutive year.

	2006	2007	2008	2009	2010	2011	2012
Average Real Estate Taxes as a Percentage of Median Household Income	2.7%	3.3%	3.4%	3.9%	3.4%	3.3%	Data NA
Percent of Citizens Who are Satisfied with City Services	Data NA ¹	93.4%	Data NA ¹	91.4%	Data NA ¹	91.0%	Data NA ¹
Value of Volunteer Service (in millions)	\$14.1	\$14.5	\$13.2	\$18.6	\$19.0	\$19.2	\$19.8
Voter Turnout Rate	47.3%	17.1%	70.2%	36.0%	42.0%	17.7%	74.5%

¹ Based on responses to Citizen Satisfaction Survey conducted biennially.

Quality Organization Community Indicator Comparison

While almost three out of every four active registered voters in Virginia Beach voted in the 2012 presidential election, Virginia Beach had the lowest voter turnout rate in Hampton Roads. The City of Norfolk had the highest turnout rate.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
Voter Turnout Rate	Nov. 2012	74.5%	81.4%	84.6%	82.3%	81.5%	82.2%	78.1%

Quality Organization Key Business Area Performance Measures

Indicator	Actual		Estimated	Projected
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Effective Rate of All Legal Services per Hour	\$99	\$103	\$103	\$103
Hours of Direct Audit Services Provided	7,206	7,326	7,326	7,326
Yield on City Investments	0.4%	0.3%	0.3%	0.3%
Business Licenses Assessed	30,390	32,458	33,432	33,432
Voter Registration Adds or Changes Made	26,594	51,766	30,000	27,500
Qualified Applicants Recruited and Hired within 60 Days	64.0%	60.0%	60.0%	60.0%
Variation Between Revenue Estimates and Actual	0.2%	0.6%	0.8%	0.8%

Organizational Indicators

In addition to community indicators, which track the progress of the overall community, and departmental performance measures, which track the performance of a particular program or service, organizational indicators track the performance of the City government. These indicators cover areas like financial management, the City’s workforce, and sustainability. These indicators are not specific to one particular program or service but indicate the level of performance organization wide.

Organizational Indicators

The City’s financial indicators continue to perform well in spite of the economy:

- ◆ The City of Virginia Beach maintained its AAA bond rating from all three rating agencies for the third straight year; however, Moody’s “negative outlook” designation that was assigned to Virginia Beach’s AAA rating over a year ago remains due to the region’s close ties to the Federal government, which was also assigned a negative outlook by Moody’s.
- ◆ In FY 2011-12, the City’s operating expenditures per capita grew for the first time since FY 2008-09.
- ◆ In FY 2011-12, the undesignated general fund balance grew to 11.8% of FY 2012-13’s General Fund revenues. In FY 2013-14, the proposed budget reduces the percentage of undesignated fund balance to 9.58% of FY 2013-14’s General Fund revenues by the end of June 2013.
- ◆ Due to the reallocation of funding for operating expenditures, the City reduced its cash commitment to the capital improvement program for the third consecutive year in FY 2011-12; however, it remained above 50% of the total program.

In terms of the City’s workforce:

- ◆ The turnover rate increased to 4.46% in 2012, which was the first increase in the rate since 2008
- ◆ The percentage of employees retained after two years declined for the second straight year falling from 85% to 78%.
- ◆ The City continues to retain many long term employees as the average tenure of City employees increased to 13 years.
- ◆ City employees also saw their average salary increase by 0.9% to \$48,577 in 2012.
- ◆ The City’s workforce per 1,000 residents declined for the third straight year.

- ◆ In 2011 (the last time the Citizen Satisfaction Survey was conducted), the percent of residents reporting satisfaction with the courtesy of City employees grew to 91.3%.

Workplace Safety:

- ◆ Worker's compensation claims per 1,000 employees increased for the third straight year.
- ◆ The number of workdays lost declined to two days per workers compensation claim.
- ◆ The City experienced its fifth straight year of decline in the number of liability claims per 1,000 residents.

	2006	2007	2008	2009	2010	2011	2012
Operating Expenditures Per Capita	\$2,728	\$3,029	\$3,130	\$3,187	\$3,111	\$3,073	\$3,104
Per Capita Operating Expenditures as a % of Per Capita Income	6.5%	6.8%	6.8%	7.3%	6.9%	6.6%	Data NA
Bond Rating - Standard and Poor's	AA+	AAA	AAA	AAA	AAA	AAA	AAA
Bond Rating - Fitch	AA+	AA+	AA+	AA+	AAA	AAA	AAA
Bond Rating - Moody's	Aa1	Aa1	Aa1	Aa1	AAA	AAA	AAA
Fund Balance as a % of Revenue	11.2%	12.9%	10.1%	11.2%	8.9%	10.5%	11.8%
Percentage of Capital Program Funded by Cash	53.3%	55.5%	59.6%	62.1%	61.2%	56.6%	51.6%
Turnover Rate (Excluding Retirements and Deaths)	4.25%	4.02%	4.54%	4.54%	4.24%	4.09%	4.46%
Work Days Lost per Worker's Compensation Claim	1.6	1.5	1.7	1.9	1.8	2.2	2.0
Workers Compensation Claims per 1,000 FTE's	202.43	205.10	173.17	165.98	170.31	172.51	194.35
Liability Claims per 1,000 Population Served	1.43	1.53	1.33	0.97	0.95	0.83	0.54
Vacancy Rate	Data NA	Data NA	Data NA	4.0%	4.0%	4.0%	5.0%
Employees Retained after 2 Years	Data NA	Data NA	Data NA	87.0%	90.0%	85.0%	78.0%
Average Salary (excluding benefits)	Data NA	Data NA	Data NA	\$48,079	\$47,310	\$48,165	\$48,577
Average Tenure of City Employees (in years)	Data NA	Data NA	Data NA	14.0	11.0	12.0	13.0
FTE's per 1,000 Population Served	15.7	15.9	16.0	16.0	15.9	15.4	15.3
Citizen Satisfaction with the Courtesy of City Employees	Data NA	94.2%	Data NA	90.4%	Data NA	91.3%	Data NA

Organizational Indicators Comparison

Organizational indicators also allow the City to compare its performance with the other cities in Hampton Roads.

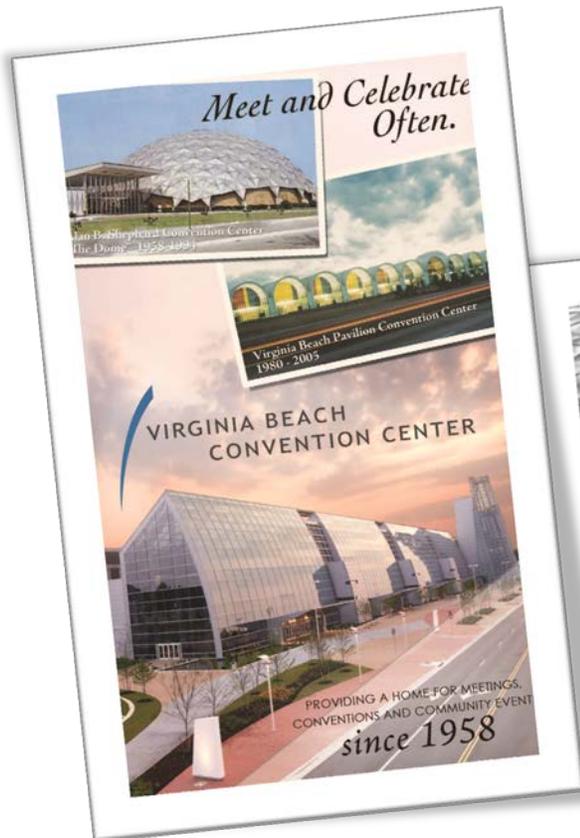
The most significant indicator when comparing the City of Virginia Beach to the other cities in Hampton Roads is the bond rating. Virginia Beach is the only City in Hampton Roads to achieve the highest rating from all three rating agencies. The City also maintained its position having the lowest operating expenditures (excluding enterprise activities) per capita in Hampton Roads. The City also had the lowest operating expenditures per capita as a percentage of per capita income for 2011 (most recent per capita income figure available).

Of the three most populous cities in Hampton Roads (Virginia Beach, Norfolk, and Chesapeake), Virginia Beach had the highest general fund balance as a percentage of the following fiscal year's revenue. The City also had the highest proportion of its capital program funded by cash when comparing the same cities.

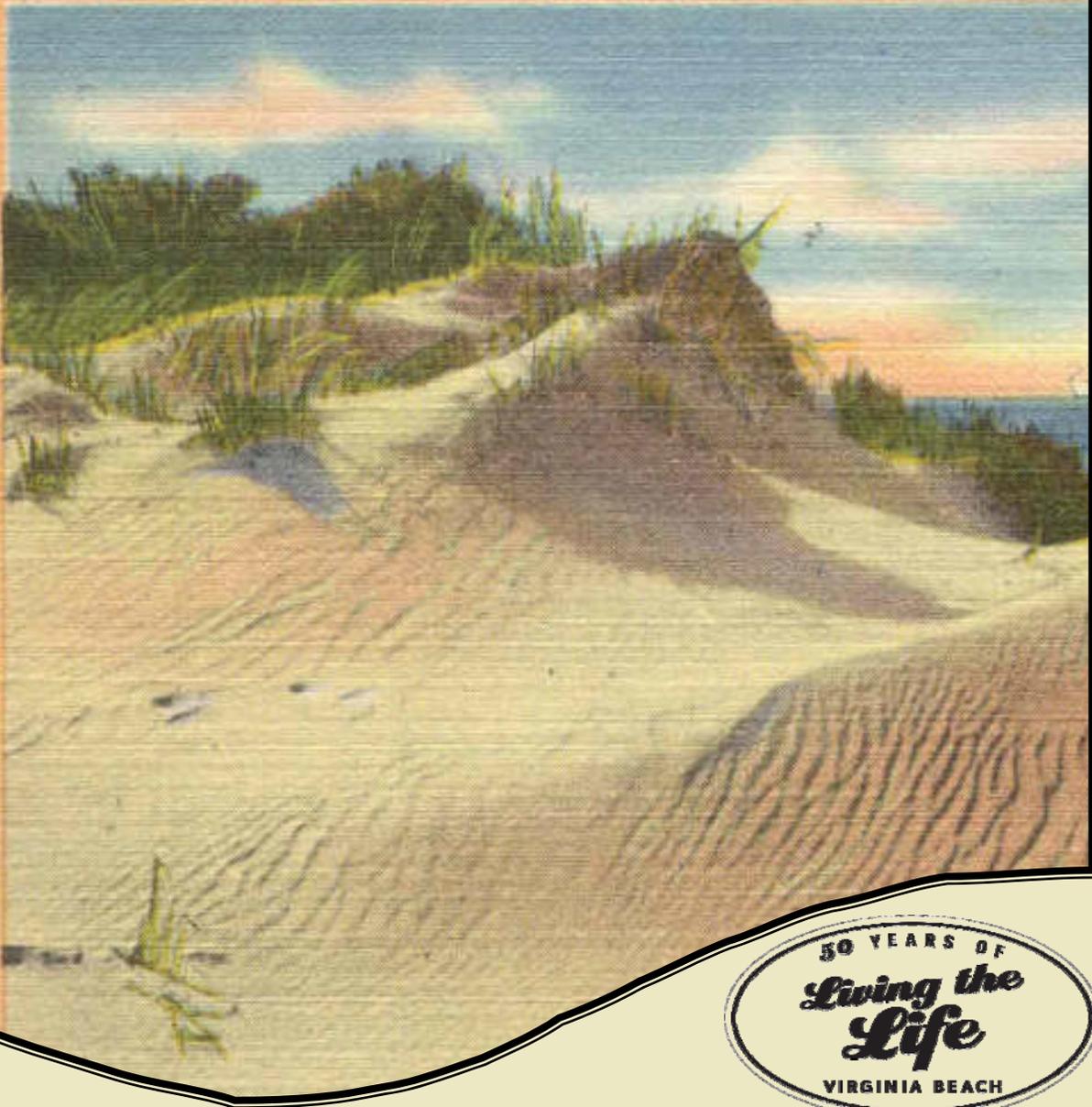
The City continues to rank behind only Hampton and Suffolk for the fewest employees per 1,000 residents.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
Operating Expenditures Per Capita (Excludes Enterprise Activities)	FY 2012	\$3,104	\$3,300	\$3,348	\$3,512	\$3,269	\$3,703	\$3,485
Operating Expenditures Per Capita as a % of Per Capita Income	FY 2011	6.6%	7.5%	9.1%	9.6%	8.4%	8.8%	9.9%
Bond Rating - Standard and Poor's	FY 2012	AAA	AA+	AA	AA	AA+	AA+	Aa2
Bond Rating - Fitch	FY 2012	AAA	AAA	AA+	AA	AA+	AA+	Data NA
Bond Rating - Moody's	FY 2012	AAA	Aa1	Aa2	Aa2	Aa2	Aa1	Aa1
Fund Balance as a % of Revenue ¹	FY 2013	10.5%	6.4%	6.8%	24.0%	21.2%	11.9%	10.0%
Percentage of Capital Program Funded by Cash	FY 2013	51.6%	25.5%	10.2%	33.7%	16.0%	59.2%	40.9%
FTE's per 1,000 Population Served	FY 2012	15.3	15.6	16.6	20.0	14.5	13.3	18.3

¹This figure represents the June 30, 2012 General Fund – fund balance as a percentage of total City revenue for July 1, 2012 (FY 2012-13).



Sand Dunes, Virginia Beach, Va.



APPENDICES



Financial Strategy

Virginia Beach has a strong financial system. This system is based on sound strategies that guide the financial activities of the government. These strategies provide guidance in both good economic times and bad. They are forward looking with the intent to sustain the community and the organization into the future. They are as follows:

Internal Process

Internal financial controls including use of City provided equipment will be reviewed annually to ensure adequacy with accepted accounting procedures.

Financial records and statements will be transparent and open to the public for review via posting to the City's internet website, vbgov.com.

Purchases and contracts will be made on a competitive basis to ensure best prices while maintaining quality and diversity.

The City will use an accrual basis for accounting for revenues and expenditures. This accounting will be annually reviewed by an independent outside auditor as required by State law.

Capital Improvement Program Practices

Capital requirements will be linked to the adopted Comprehensive Plan and identified over a six year period to allow adequate financial planning.

Infrastructure maintenance is a critical service provided to the community and therefore will be a primary focus of the City's Operating Budget and Capital Improvement Program.

Existing resources will go first to the maintenance of existing infrastructure. New projects will require new revenues to support construction, operations and long-term maintenance needs.

Fund capital projects first using pay-as-you-go strategy (current local, State or Federal revenues and available City fund balance) and only then look to debt financing strategies.

The asset life of any project financed by debt will exceed the repayment period of the bonds.

*Budgetary
Practices*

Ensure the City maintains adequate funding to address emergency needs; assure the City's bond holders that funding is available to make bond payments; and to address unforeseen needs. To accomplish this, the City maintains:

A general fund balance between 8-12% of the following years revenues,
An annual reserve (Reserve for Contingencies) backed by current revenues not to exceed one-half of one percent of the total general fund.

Provide services desired by the community and authorized by City Council at the minimum funding level necessary to accomplish the program's goals.

As a way to meet this requirement, full-time permanent positions must be authorized by the City Council. The City Manager may establish part-time or temporary positions to meet specific requirements.

Transfers or increases of appropriations over \$100,000 require City Council authorization.

Employees of the City and School System will receive adequate compensation, commensurate with their expected duties and comparable job titles and in sync with the economic condition of the City.

Health care will be provided with an employer contribution determined by the City Council and School Board. Employees will pay the difference between that contribution and the premium amount.

Employees are required to participate in the Virginia Retirement System and the City and School System provides the employee funding according to State law. State law requires that employees contribute 5% of their salary to retirement and that the City and School System provide an offsetting pay raise. The City Council and School Board have decided to phase this in over five years beginning in FY 2012-13.

Positions may be added or deleted based on service requirements or budgetary constraints, but the City and School System will work with employees to transition to remaining jobs.

Balance the Operating Budget on current revenues only using previous year's balances for one-time purchases either in the Operating Budget or in the Capital Improvement Program, except in times of economic downturn where use of fund balances are temporarily needed to prevent draconian service cuts in the best long term interest and well-being of the City.

City Council dedicated revenues will be reviewed annually as a part of the Operating Budget process and adjustments will be recommended maintaining that revenues are in line with long-term program goals. Various revenues were increased by City Council to meet specific goals and are each separately monitored by staff.

*Budgetary
Practices*

Leverage private dollars with local resources to encourage development and job creation that meets the City's long term goal of fiscal sustainability for the community.

Where possible, redirect new revenues generated by the project to meet public infrastructure demands of the project (Tax Increment Financing or Special Service Districts).

Use funding set up in the Economic Development Incentive Program to incentivize expansion of existing businesses or to attract new businesses to encourage job growth in the community.

Where possible, programs should rely primarily on user fees and annually review those fees to ensure program costs are recouped.

Tax and fee levels will be recommended to sustain critical services to the community while being conscious of the impact on the taxpayers.

Diversity of revenue sources will be maintained to the extent allowed under the State law to ensure economic stability of City services.

Equity among differing taxpayer classes (commercial, homeowner, industrial and non-homeowners) shall be maintained to the extent possible under the law.

Ensure that Federal and State funding is provided according to the funding program's requirements.

Reductions in State or Federal funding to a specific program will not automatically be replaced with City funding and therefore may necessitate decrease in services (City Council's Non-Supplanting Policy.)

Estimated General Fund Balance

The City's fund balance projection at June 30, 2013 indicates that the City will have approximately 9.66% of Undesignated Fund Balance as compared to FY 2013-14 revenues. The City's policy is 8-12% of next year's revenues.

Beginning Fund Balance at July 1, 2012 (CAFR)		\$ 178,767,585
Add: Revenues		
FY 2012-13 General Fund Revenues-Revised Estimate	\$ 969,793,739	
Surplus from Sandbridge TIF	<u>7,350,000</u>	<u>977,143,739</u>
Total Fund Balance and Revenues		\$ <u>1,155,911,324</u>
Less: Anticipated FY 2012-13 Expenditures:		
Operating Expenditures	\$ 532,866,987	
School Operations *	404,989,906	
Other Transfers	<u>68,879,301</u>	<u>1,006,736,194</u>
Total Projected Fund Balance at June 30, 2013		\$ <u>149,175,130</u>
Less: Anticipated Uses of Fund Balance:		
Loans, Advances, and Inventory	\$ 5,332,524	
Encumbrances	8,700,000	
General Fund Use for Future Programs	5,119,173	
For School Operations***	3,116,978	
Designated for Sequestration	9,864,000	
FY 2013-14 Capital Budget	<u>22,233,022</u>	<u>54,365,697</u>
Total Estimated Undesignated Fund Balance at June 30, 2013		\$ 94,809,433

Calculation of Undesignated General Fund Balance Reserve

Projected FY 2013-14 General Fund Revenues**	\$ 981,904,255
Undesignated Fund Balance as a percentage of FY 2013-14 Revenues	9.66%

Notes:

* Reflects full transfer amount but some reversion for Schools is anticipated and included in this number

**Net of Fund Balance Usage

*** Reflects the decision of the School Board to transfer the majority of the Sandbridge TIF surplus from their CIP to the School Operating Budget to support an increase in pay raises for School employees.

Changes in Undesignated Fund Balance

	General	Special Revenues	Schools	Enterprise and Utilities	Capital Projects	Internal Services	Total All Funds
Estimated Undesignated Fund Balances at June 30, 2013	94,809,433	36,960,049	3,220,560	118,598,728	-	15,569,048	269,157,818
Add: Estimated Reserved Fund Balances at June 30, 2013	54,365,697	27,292,746	28,000,427	19,565,354	-	-	129,224,224
Total Estimated Fund Balances at June 30, 2013	149,175,130	64,252,795	31,220,987	138,164,082	-	15,569,048	398,382,042
Add: Estimated FY 2013-14 Revenues	981,904,255	217,340,651	857,412,110	158,872,453	51,599,569	185,339,796	2,452,468,834
Less: Estimated FY 2013-14 Expenditures and Interfund Transfers	985,021,233	222,343,262	878,648,189	168,872,453	51,599,569	187,744,853	2,494,229,559
Total Estimated Fund Balances at June 30, 2014	146,058,152	59,250,184	9,984,908	128,164,082	-	13,163,991	356,621,317
Less: Estimated Reserved Fund Balances at June 30, 2014	49,356,115	26,511,116	7,728,627	19,565,354	-	-	103,161,212
Total Estimated Undesignated Fund Balances at June 30, 2014	96,702,037	32,739,068	2,256,281	108,598,728	-	13,163,991	253,460,105
Change in Undesignated Fund Balances	1,892,604	(4,220,981)	(964,279)	(10,000,000)	-	(2,405,057)	(15,697,713)

Notes:

- (1) Reserved Fund Balances are used to provide funding for future obligations, such as loans, advances, encumbrances, and "pay-as-you-go" funding for the Capital Improvement Program.
- (2) The amounts shown do not include Gift Funds.
- (3) The "Total All Funds" includes Interfund transfers and excludes the use of fund balance in estimated revenues.
- (4) The fund balance (i.e., net assets) for Enterprise and Utilities funds are exclusive of property, plant, and equipments. Some of the net assets are reserved to fund either capital projects or future debt payments.

Summary of Purpose and Fund Balance Policy

(for funds in the Operating Budget)

All fund balances must be appropriated by City Council prior to expenditure.

Fund Title	Purpose	Fund Balance Policy
General Fund	This fund accounts for all of the City's financial resources, except those required to be accounted for in another fund. Fund balances can be used to address unanticipated expenditures and emergencies.	To maintain an undesignated fund balance of 8% to 12% of the following year's projected revenues, with City Council's goal at 10%. This level equates to approximately one month of operating expenses.
Law Library Fund	This fund accounts for the revenues raised through \$4 per civil court case and expenditures of providing legal information and research.	Fund balance should be sufficient to cover emergency and unanticipated conditions.
DEA Seized Property Special Revenue Fund	This fund accounts for the City's share of Federal revenues derived from any Federal agency where money or assets are seized. If other State or local agencies are involved, those entities also get a portion of the funds, along with the Commonwealth's Attorney if they are involved in the case. All State seizures are divided with the Commonwealth's Attorney receiving 25% and the Police Department receiving 75%. All real estate seized is split 50/50 between the Commonwealth's Attorney and the Police Department.	The fund balance remains in the fund until a determination is made on how to use it to combat crime. Use of funds must be in compliance with Federal and State regulations.
Waste Management Special Revenue Fund	This fund accounts for the annual operating expenses for the waste related functions including: recycling activities, waste collection, and disposal at the landfill. This fund will account for the revenues from the monthly waste management fee instituted in FY 2011-12 to help fund waste management functions.	Fund balance will be used for replacement of capital and infrastructure needs.
Federal Section Eight Program	This fund accounts for funds received from the Federal Department of Housing and Urban Development to provide rental assistance to low and moderate income families. A separate fund is required by the Federal government.	The use of fund balance is for rental assistance.
Sheriff's Department Special Revenue Fund	This fund accounts for the cost of the care and custody of persons placed in the Virginia Beach Correctional Center by the courts and for the operation of the Sheriff's Department, as established by City Council.	The fund balance serves as a means of financing one-time expenses and addresses unanticipated shortfalls in State funding.
Parks and Recreation Special Revenue Fund	This fund accounts for revenues raised through Parks and Recreation programs and for the General Fund support of these programs including the dedication of a portion of the real estate taxes to support and maintain the City's	The fund balance serves as a means of financing one-time expenses.

Fund Title	Purpose	Fund Balance Policy
Tourism Investment Program Fund	recreation centers. This fund accounts for revenues streams to fund tourism related capital projects and expenditures for oceanfront programs and events, maintenance, operating costs, and debt service of tourism-related projects, as established by City Council. In FY 2011-12 the Tourism Growth Investment Fund and the Major Projects funds were combined to streamline accounting processes and meet the obligations of both programs long-term.	The level of fund balance is based on long-term projections of revenues and expenditures, which do not grow in a linear manner, to debt service on the projects approved by City Council.
Sandbridge Special Service District Fund	This fund accounts for the revenues raised by the additional real estate tax (6 cents), hotel tax, and other Sandbridge related revenue. These revenues are transferred to the CIP account associated with beach and shoreline restoration and maintenance within the Sandbridge district, as established by City Council and as agreed to by the residents.	The level of fund balance in both the Sandbridge SSD and the Sandbridge TIF, along with the balance in the Sandbridge capital project is to provide sufficient funding for two sand replenishments in the Sandbridge area.
Agriculture Reserve Program Special Revenue Fund	This fund accounts for revenue and expenses to promote and encourage the preservation of farmland in the rural southern portion of the City, in which agricultural use is predominate. This is a voluntary purchase of development rights rather than regulatory, as established by City Council.	Along with long-term revenue projections, the level of fund balance should be sufficient to pay for future interest costs of U.S. Treasury Securities (strips) and the maturing interest on each agreement.
Tourism Advertising Program Special Revenue Fund	This fund accounts for revenues and expenses related to tourism advertising. Revenue is generated by a charge per hotel room night and a portion of the meal tax as established by City Council. There is a City Council appointed committee that oversees the use of these funds.	The intent of this fund is to use revenues for advertising and operation of the Visitor Information Center. A minimal fund balance is maintained and is reappropriated to meet the objectives of the fund, including maintenance and repair of the Visitor Information Center.
Sandbridge Tax Increment Financing Special Revenue Fund	This fund accounts for the incremental growth in real estate tax revenues within the district. These incremental revenues are generated by assessment growth beyond the base year. These funds are used to support beach and shoreline restoration in the Sandbridge district as established by City Council.	The level of fund balance in both the Sandbridge SSD and the Sandbridge TIF, along with the balance in the Sandbridge capital project is to be sufficient to provide funding for two sand replenishments in the Sandbridge area.
Central Business District South Tax Increment Financing Special Revenue Fund	This fund accounts for incremental growth in real estate tax revenues and debt service on funding of public parking and other public improvements in this business district.	The level of fund balance is maintained to meet planned construction and debt service costs for improvements in this district approved by City Council.
Open Space Special Revenue Fund	This fund accounts for the acquisition and preservation of land in the City of Virginia Beach.	The level of fund balance is based on long-term projections of revenues and expenditures to fund open space acquisition as planned in the Virginia Beach Outdoors Plan.
Town Center Special Service District Special Revenue Fund	This fund was established to provide for the maintenance of public parking	The level of fund balance is maintained to fund unanticipated needs for the

Fund Title	Purpose	Fund Balance Policy
	facilities and other public infrastructure in conjunction with realizing a long-term City Council goal of developing a town center which is supported by revenues from an additional real estate tax rate (45 cents) applied to each property owner in the district.	operation and capital maintenance of the parking garage and other public infrastructure within the boundaries of this district.
Grants Consolidated Special Revenue Fund	This fund accounts for certain Commonwealth of Virginia and Federal grants (with matching local funds, if required).	The fund balance amount is a result of grant funds, which are dedicated for specific uses.
Housing and Neighborhood Preservation Special Revenue Fund	This fund accounts for the combined activities of the Federal Community Development Block Grant (CDBG), Federal Housing Assistance Grant, and community development loan and programs.	The level of fund balance is maintained to support the administration of both capital improvement projects in specified neighborhoods and various other housing programs.
Emergency FEMA Special Revenue Fund	This fund accounts for receipts from the Federal Emergency Management Agency (FEMA), and for the cost of providing urban search and rescue services in support of disaster declarations as well as reimbursements to the City for the cost of local disasters.	The level of fund balance is subject to final audit by the Inspector General and must be available to reimburse FEMA for non-approved reimbursements. After final audit, any remaining balance can be used for other purposes.
Wetlands Board Mitigation Special Revenue Fund	This fund accounts for fines assessed for the destruction of wetlands. These may then be appropriated for the purchase of land and re-creation of wetlands.	The level of fund balance remains for the restoration then re-creation of wetlands as opportunities arise.
Water and Sewer Enterprise Fund	This fund accounts for all revenues and expenditures related to the construction and operation of fixed assets and infrastructure within the City's water and sewer enterprise fund.	The level of fund balance for this fund will retain working capital equal to 80-100% of one year's operating expenses, and debt service coverage of its water and sewer revenue bonds at not less than 1.5 times, and on a combined basis (i.e. total debt), including water and sewer general obligation bonds, at no less than 1.2 times.
Parking Enterprise Fund	This fund accounts for revenues and expenditures related to the operation and maintenance of the oceanfront parking system, including funding for the Resort Management Office.	The fund balance policy is to maintain a fund balance equal to 10% of revenues in order to address maintenance issues that may arise.
Storm Water Enterprise Fund	This fund accounts for revenues and expenditures related to operations and infrastructure improvements to the storm water utility system. Revenues are generated from a separate storm water fee paid by the property owners.	The level of fund balance is maintained at three to six months of one year's operating expenditures. The Master Bond Resolution requires debt service coverage of 115% of the sum of the maximum annual debt service and the maximum annual prior parity bond debt service for storm water related bonds.
Old Donation Creek Area Dredging Special Services District Fund	This fund supports the special service district in the Old Donation Creek area, which was established by City Council on September 13, 2011. Additional real estate taxes are assessed on residents of this special service district and collected to provide neighborhood channel dredging of creeks and rivers.	The level of fund balance is maintained to provide for dredging activities in the special service district.

Fund Title	Purpose	Fund Balance Policy
Bayville Creek Neighborhood Dredging Special Services District Fund	This fund supports the special service district in the Bayville Creek area, which was established by City Council on March 27, 2012. Additional real estate taxes are assessed on residents of this district and collected to provide neighborhood channel dredging of creeks and rivers.	The level of fund balance is maintained to provide for dredging activities in the special service district.
Shadowlawn Area Dredging Special Services District Fund	This fund supports the special service district in the Shadowlawn area, which was established by City Council on March 12, 2013. Additional real estate taxes are assessed on residents of this district and collected to provide neighborhood channel dredging of creeks and rivers.	The level of fund balance is maintained to provide for dredging activities in the special service district.
School Reserve Special Revenue Fund	This City fund accounts for funds held at the request of the School Board and agreed to by City Council to better position the School system to respond to unexpected fiscal events.	The fund balance is limited to 2% of the previous year's School Operating Budget. Use of the funds requires approval by two-thirds of the School Board and appropriation by City Council.
School Equipment Replacement Special Revenue Fund	This fund accounts for the financing (i.e. local government) and acquisition of various replacement equipment for the School system.	All remaining local public funds, at the end of the fiscal year, will revert to the City's General Fund as required by State law and may be appropriated by City Council for any purpose including School needs as requested by the School Board.
School Instructional Technology Fund	This fund was established by the City Council with the adoption of the FY 1999-00 budget to hold funds provided by the City. In FY 2001-02 the City ceased to provide these funds; rather, Schools were allowed to earn interest on non-capital project related fund balances.	All remaining local public funds, at the end of the fiscal year, will revert to the City's General Fund as required by State law and may be appropriated by City Council for any purpose including School needs as requested by the School Board.
School Vending Operations Fund	This fund accounts for the receipts (long-term exclusive contract with a vending company) relating to the bottled drinks vending operations of the School division and expenditures (including School-level allocations).	All remaining local public funds, at the end of the fiscal year, will revert to the City's General Fund as required by State law and may be appropriated by City Council for any purpose including School needs as requested by the School Board.
School Communication Tower Technology Fund	This fund accounts for the rent receipts (long-term contracts with telecommunication companies) relating to the communication towers constructed on School Board property and technology related expenditures.	All remaining local public funds, at the end of the fiscal year, will revert to the City's General Fund as required by State law and may be appropriated by City Council for any purpose including School needs as requested by the School Board.
School Cafeteria Fund	This fund accounts for the revenues (e.g., Commonwealth of Virginia, Federal government and student fees) and expenditures associated with the food services operations of the School division.	All remaining local public funds, at the end of the fiscal year, will revert to the City's General Fund as required by State law and may be appropriated by City Council for any purpose including School needs as requested by the School Board.
School Operating Fund	This is the general operating fund of the School Board which is used to account for all of the financial resources, except	All remaining local public funds, at the end of the fiscal year, will revert to the City's General Fund as required by State

Fund Title	Purpose	Fund Balance Policy
	those required to be accounted for in another fund.	law and may be appropriated by City Council for any purpose including School needs as requested by the School Board.
School Grants Fund	This fund accounts for certain private, Commonwealth of Virginia, and Federal grants (with matching local funds, if required).	The fund balance amount is a result of grant funds, which are dedicated for specific uses. Grants within this fund remain active until the completion of the grant and do not require appropriation unless transferred for another purpose with the permission of the granting agency and approved by the School Board.
School Textbook Fund	This fund accounts for the financing and acquisition of textbooks and related materials used in the School division.	The fund balance will be used for the aforementioned fund purpose as approved by the School Board and appropriated by City Council. All local public funds, remaining at the end of the fiscal year, will revert to the City's General Fund as required by State law and may be re-appropriated by City Council for any purpose including School needs as requested by the School Board.
School Athletic Special Revenue Fund	This fund accounts for revenues (e.g., general public and student gate receipts) and expenditures associated with the middle and high school athletic program.	All remaining local public funds, at the end of the fiscal year, will revert to the City's General Fund as required by State law and may be appropriated by City Council for any purpose including School needs as requested by the School Board.
School Risk Management Fund	This fund provides for the insurance and administration need of the School Board.	A fund balance (i.e. net assets) level is maintained to ensure that the unreserved net assets at the end of each fiscal year is not less than zero.
City/School Health Insurance Internal Service Fund	This fund provides for health insurance and the administration thereof for the School Board and City employees and for the annual GASB 45 payment. Revenue to this fund includes the employee premium and the employer contribution from both the City and School system.	A fund balance (i.e. net assets) level is maintained to ensure that the unreserved net assets at the end of each fiscal year is not less than zero. A balance may also accumulate for future health care needs.
City Garage Internal Service Fund	This fund accounts for all revenues and expenditures related to vehicle repairs, parts, and related services to City departments. Departmental charges are the source of revenues for this fund.	A fund balance (i.e. net assets) level is maintained to ensure that the unreserved net assets at the end of each fiscal year is not less than zero. A balance may also accumulate for planned future improvements.
Fuels Internal Service Fund	This fund accounts for all revenues and expenditures related to vehicle fuels for City departments. Departmental charges are the source of revenues for this fund.	A fund balance (i.e. net assets) level is maintained to ensure that the unreserved net assets at the end of each fiscal year is not less than zero. A balance may also accumulate for planned future improvements.
City Risk Management Internal Service Fund	This fund provides a means of accounting for the City's self-insurance program, claims handling, and risk identification. Cost of this coverage is	A fund balance (i.e. net assets) level is maintained with a goal of funding 75% of the fund's actuarial estimate.

Fund Title	Purpose	Fund Balance Policy
School Site Landscaping Internal Service Fund	<p>charged to various City agencies based on experience.</p> <p>This fund is operated by the Parks and Recreation Department to provide landscaping services for the various School sites.</p>	<p>A fund balance (i.e. net assets) level is maintained to ensure that the unreserved net assets at the end of each fiscal year is not less than zero. A balance may also accumulate for planned future improvements.</p>
Telecommunications Internal Service Fund	<p>This fund accounts for the operation and maintenance of the City's telephone system. Costs are allocated to other City departments and agencies on a cost reimbursement basis.</p>	<p>A fund balance (i.e. net assets) level is maintained to ensure that the unreserved net assets at the end of each fiscal year is not less than zero. A balance may also accumulate for planned future improvements.</p>
Subscriptions Internal Service Fund	<p>This fund accounts for the collection and support of specific service agreements between customer departments and Communications and Information Technology. These specific agreements relate to specialized applications, services, and/or hardware associated with the customer department, not enterprise needs.</p>	<p>A fund balance (i.e. net assets) level is maintained to ensure that the unreserved net assets at the end of each fiscal year is not less than zero. A balance may also accumulate for planned future improvements.</p>
Capital Projects Internal Service Fund	<p>This fund accounts for positions associated with certain capital projects. These positions are currently in Communications and Information Technology, Finance, Economic Development and Public Works.</p>	<p>Charges of exact expenditures are allocated to respective CIP projects; therefore, no fund balances are accrued.</p>

City and School Fund Balance ⁽¹⁾

Fund Title	Reserved or		Total		Use(3)	Use in FY 13 & FY 14	Undesignated June 30, 2013
	Designated(2)	Undesignated	June 30, 2012				
Governmental Funds							
002 General Fund (4)	\$ 74,806,434	\$ 103,961,151	\$ 178,767,585		U/D	\$ 54,365,697	\$ 94,809,433
130 Law Library	-	333,296	333,296		U	15,000	318,296
142 DEA Seized Property	200,000	3,404,372	3,604,372		U/D	400,000	3,204,372
144 Waste Management Special Revenue	-	-	-			-	-
147 Federal Section Eight Program	1,603,644	-	1,603,644		D	332,220	-
149 Sheriff's Department	-	3,594,497	3,594,497		U	2,989,659	604,838
151 Parks and Recreation	-	13,295,604	13,295,604		U	1,345,705	11,949,899
152 Tourism Investment Program	-	5,749,967	5,749,967		U	2,650,633	3,099,334
157 Sandbridge Special Service District	642,001	631,522	1,273,523		D	1,273,523	-
161 Agriculture Reserve Program	9,107,970	-	9,107,970			-	-
163 Tourism Advertising Program	-	1,541,761	1,541,761			-	1,541,761
165 Lynnhaven Mall TIF	-	125,699	125,699			-	125,699
166 Sandbridge Tax Increment Financing	-	8,873,393	8,873,393		U	368,641	8,504,752
169 Central Business District South TIF	-	2,102,382	2,102,382		U	566,929	1,535,453
172 Open Space	-	1,605,043	1,605,043		U	1,069,042	536,001
174 Town Center Special Tax District	-	1,629,573	1,629,573		U	584,429	1,045,144
180 Community Development Special Revenue	-	78,076	78,076			-	78,076
181 CD Loan and Grant	3,090,598	-	3,090,598			-	-
182 Federal Housing Assistance	3,522,253	-	3,522,253			-	-
183 Grants Consolidated	2,735,848	-	2,735,848			-	-
184 Housing and Neighborhood Preservation	6,586,507	-	6,586,507			-	-
189 Emergency FEMA	196,516	-	196,516			-	-
190 Wetlands Board Mitigation	-	195,440	195,440			-	195,440
310 Old Donation Creek Area Dredging SSD	-	-	-			-	-
311 Bayville Creek Neighborhood Dredging SSD	-	-	-			-	-
312 Shadowlawn Area Dredging SSD	-	-	-			-	-
Total Governmental Funds	\$ 102,491,771	\$ 147,121,776	\$ 249,613,547			\$ 65,961,478	\$ 127,548,498
Enterprise Funds							
241 Water and Sewer (Restricted)	\$ 18,613,642	\$ 91,363,464	\$ 109,977,106		U	\$ 11,088,296	\$ 80,275,168
253 Parking	-	2,552,544	2,552,544			-	-
255 Storm Water (Restricted)	2,040,008	24,682,720	26,722,728			-	24,682,720
Total Enterprise Funds	\$ 20,653,650	\$ 118,598,728	\$ 139,252,378			\$ 11,088,296	\$ 104,957,888
School Funds							
098 School Reserve Special Revenue	\$ 25,233,730	\$ -	\$ 25,233,730		D	\$ 25,000,000	\$ -
107 School Equipment Replacement	-	1,810,166	1,810,166		U	1,356,384	453,782
109 School Vending Operations	-	307,508	307,508		U	170,497	137,011
112 School Communication Tower Technology	-	2,482,499	2,482,499		U	680,000	1,802,499
114 School Cafeteria	5,348,092	-	5,348,092		D	758,700	-
115 School Operating	11,984,171	-	11,984,171		D	11,984,171	-
116 School Grants	1,205,050	-	1,205,050			-	-
117 School Textbooks	17,964,543	-	17,964,543		D	17,056,865	-
119 School Athletic Special Revenue	1,003,845	-	1,003,845		D	210,000	-
614 School Risk Management	-	969,295	969,295			-	969,295
615 School Health Insurance (City & School)	-	18,410,915	18,410,915			-	18,410,915
Total School Funds	\$ 62,739,431	\$ 23,980,383	\$ 86,719,814			\$ 57,216,617	\$ 21,773,502
Internal Service Funds							
604 Print Shop	\$ -	\$ 237,312	\$ 237,312			\$ -	\$ 237,312
606 City Garage	-	2,497,067	2,497,067		U	681,380	1,815,687
607 Risk Management	-	(12,505,425)	(12,505,425)			-	(12,505,425)
610 Capital Projects	-	-	-			-	-
613 School Site Landscaping	-	392,835	392,835			-	392,835
620 Telecommunications	-	2,124,025	2,124,025		U	792,040	1,331,985
621 Subscriptions	-	4,688,927	4,688,927		U	2,044,609	2,644,318
Total Internal Service Funds	\$ -	\$ (2,565,259)	\$ (2,565,259)			\$ 3,518,029	\$ (6,083,288)
GRAND TOTAL	\$ 185,884,852	\$ 287,135,628	\$ 473,020,480			\$ 137,784,420	\$ 248,196,600

Notes:

1. Fund Balances are as of June 30, 2012.
2. Reserved or Designated amounts are for encumbrances, loans, special projects, future programs, capital projects, or debt service.
3. "D" indicates use of designated and "U" undesignated funds.
4. See Estimated General Fund Balance for a projection as of June 30, 2013

Revenue Summary

City of Virginia Beach, Virginia Revenue Summary

	FY 2012 Actual	FY 2013 Adjusted Budget	FY 2014 Adopted Budget	% Change
<u>Revenue Source Summary</u>				
Revenue from Local Sources				
General Property Taxes				
Real Estate	461,254,077	474,312,812	462,869,265	-2.41
Personal Property	126,814,050	132,412,895	138,576,713	4.65
Total General Property Taxes	588,068,127	606,725,707	601,445,978	-0.87
Other Local Taxes				
General Sales Tax	53,375,318	54,098,252	57,987,462	7.19
Utility Tax	45,254,169	44,979,473	44,818,891	-0.36
Business License	41,129,895	42,423,932	42,791,543	0.87
Automobile License	8,970,535	9,627,435	9,419,062	-2.16
Cigarette Tax	12,182,212	12,153,510	13,042,050	7.31
Amusement Tax	5,472,204	5,800,563	5,941,774	2.43
Hotel Room Tax	26,110,604	26,608,521	28,049,035	5.41
Restaurant Meal Tax	53,254,314	55,155,356	58,140,927	5.41
Other Taxes	15,862,838	16,690,556	17,005,932	1.89
Total Other Local Taxes	261,612,089	267,537,598	277,196,676	3.61
Other Local Revenue				
Permits, Privilege Fees, and Regulatory Licenses	4,314,123	4,741,943	5,070,146	6.92
From the Use of Money and Property	9,828,120	8,983,942	9,083,962	1.11
Charges for Services	211,037,754	239,567,913	267,996,809	11.87
Miscellaneous Revenue	15,170,327	14,935,899	15,298,080	2.42
Fines and Forfeitures	6,679,352	6,819,373	6,505,400	-4.60
Total Other Local Revenue	247,029,676	275,049,070	303,954,397	10.51
Revenue from the Commonwealth				
State Shared Sales Tax	72,266,667	69,064,589	70,650,075	2.30
Other Sources from the Commonwealth	354,122,078	373,295,006	376,585,782	0.88
Total Revenue from the Commonwealth	426,388,745	442,359,595	447,235,857	1.10
Revenue from the Federal Government				
Non-Revenue Receipts	128,146,060	121,395,820	119,510,106	-1.55
	5,679,720	2,835,095	2,835,095	0.00
Total Revenues	1,656,924,417	1,715,902,885	1,752,178,109	2.11
<u>Fund Reserves Summary</u>				
Specific Fund Reserves	0	52,903,829	28,194,955	-46.71
Total Fund Reserves	0	52,903,829	28,194,955	-46.71
TOTAL FINANCING REQUIRED	1,656,924,417	1,768,806,714	1,780,373,064	0.65

Dedication of Local Revenues

Real Estate*	
\$462,869,265 (Rate = 93¢)	
Sandbridge TIF \$7,410,157	Old Donation Creek Dredging SSD \$65,651 (Additional rate of 18.4¢)
Town Center SSD \$1,480,463 (Additional rate of 45¢)	Bayville Creek Dredging SSD \$48,751 (Additional rate of 36.3¢)
Outdoor Initiative \$2,251,727 (0.47¢)	Shadowlawn Area Dredging SSD \$25,088 (Additional rate of 15.9¢)
Agriculture Reserve Program \$4,311,817 (0.9¢)	Recreation Centers \$16,653,196 (3.476¢)
Sandbridge SSD \$591,675 (Additional rate of 6¢)	Town Center TIF \$5,208,136
Dedicated to Road Construction/ Line of Duty Program \$9,581,817 (2¢)	Dedicated to Schools \$19,163,362 (4¢)

Hotel	
\$28,049,035 (Local rate = 8% plus \$1 per room night)	
Tourism Advertising Program \$5,259,938 (1% plus \$1 per room night)	Tourism Investment Program \$15,443,711 (5%)
Central Business TIF \$500,000	Sandbridge SSD \$779,012

Personal Property
\$138,576,713 (Rate = \$3.70)

General Sales
\$57,987,462

Utility Taxes
\$44,818,891

Business License
\$42,791,543

Cable Franchise
\$7,031,293

Cigarette
\$13,042,050 (Local rate = 70¢ per pack)
Economic Development Investment Program \$3,061,994 (16¢)
Tourism Investment Program \$932,081 (5¢)

Amusement
\$5,941,774 (Local rate = 10%)
Tourism Investment Program \$5,941,774 (100%)

Restaurant Meals		
\$58,140,927 (Local rate = 5.5%)		
Tourism Investment Program \$11,172,579 (1.06%)	Open Space \$4,637,674 (0.44%)	Tourism Advertising Program \$5,270,084 (0.5%)

General Fund			
City Tax on Deeds \$7,294,639	Automobile Licenses \$9,419,062	Bank Net Capital \$2,600,000	Wills \$80,000

* Note: Under the new Revenue Sharing Formula the School System receives 32.37% of the non-dedicated revenues after the City has met the Required Standard of Quality (SOQ) match to State funding.

Summary of Adopted Fee and Tax Adjustments

Department	Fee	Current Fee	Adopted Fee	Notes
Various	Real Estate Tax	95¢ per \$100 assessed value	93¢ per \$100 assessed value	Reduced to partially offset the Waste Management Fee increase
Various	Cigarette Tax	65¢ per pack	70¢ per pack	4¢ to EDIP; 1¢ to General Fund
Sandbridge Special Service District	Transient Occupancy Tax	2.5%	1.5%	Reduced to offset increase imposed by the State
Agriculture	Agricultural Education Tours	\$5 per person	\$7 per person	Last date of increase unknown, but has not increased in at least 5 years
Emergency Medical Services	Patient Care Report Copy Fee	\$10	\$25	Last date of increase unknown
Parks and Recreation	Rec Center After School Program	\$123	\$130	Last Changed FY 2011-12
Parks and Recreation	Rec Center Summer/Spring Break Camps – School Age	\$130	\$135	Last Changed FY 2011-12
Parks and Recreation	Rec Center Summer Camps – Middle School	\$140	\$145	Last Changed FY 2011-12
Parks and Recreation	Rec Center – Personal Training*	\$40	\$45	New
Parks and Recreation	Out-Of-School-Time – School Based	\$84	\$86	Last Changed FY 2011-12
Parks and Recreation	Therapeutic Recreation – Outdoor Challenge Series	\$79	\$85	Last Changed FY 2011-12
Parks and Recreation	Aquatics – Private Swim Lessons – Learn to Swim	\$25	\$30	Last Changed FY 2010-11
Parks and Recreation	Aquatics – Private Swim Lessons – Specialized	\$30	\$35	Last Changed FY 2010-11
Parks and Recreation	Athletics – Adult Leagues – Softball Practice	N/A	\$25	New
Parks and Recreation	Athletics – Adult Leagues – Grapefruit Softball	N/A	\$250	New
Parks and Recreation	Athletics – Adult Leagues – Spring/Fall Softball	\$500	\$550	Last Changed FY 2008-09
Parks and Recreation	Athletics – Adult Leagues – Men’s Basketball	\$675	\$700	Last Changed FY 2008-09
Parks and Recreation	Athletics – Adult Leagues – Men’s Sunday Basketball	\$400	\$450	Last Changed FY 2008-09
Parks and Recreation	Athletics – Adult Leagues – Men’s Church Basketball	\$475	\$500	Last Changed FY 2008-09
Parks and Recreation	Athletics – Adult Leagues - Co-Ed Volleyball	\$400	\$450	Last Changed FY 2008-09
Parks and Recreation	Athletics – Adult Leagues - Co-Ed Sand Football	\$675	\$700	Last Changed FY 2008-09

Department	Fee	Current Fee	Adopted Fee	Notes
Parks and Recreation	Athletics – Youth Leagues - Youth Volleyball	\$100	\$125	Last Changed FY 2008-09
Parks and Recreation	Athletics – Youth Leagues - Youth Girl’s Fast Pitch Softball	\$300	\$325	Last Changed FY 2010-11
Parks and Recreation	Athletics – Youth Leagues - Youth Tackle Football	\$200	\$225	Last Changed FY 2010-11
Parks and Recreation	Athletics – Youth Leagues - Youth Basketball	\$100	\$125	Last Changed FY 2010-11
Parks and Recreation	Parks and Natural Areas – Bleacher Rental	\$125	\$200	Last Changed FY 2009-10
Parks and Recreation	Parks and Natural Areas – Wedding Rental and Permit	\$300	\$400	Last Changed FY 2009-10
Parks and Recreation	Parks and Natural Areas – Showmobile Rental	\$325	\$400	Last Changed FY 2009-10
Planning	Use Permit	\$800 (\$150 for non-profit) Modifications: \$200	\$900 + \$20/acre over 5 acres (\$200 for non-profit) Modifications: \$500 Cost of public notice is added to each submittal	Last Changed FY 2003-04
Planning	Rezoning	\$900 + \$10/acre over 100 acres	No Proffers: \$900 + \$10/acre over 25 acres With Proffers (Conditional): \$1,200 + \$20/acre over 25 acres Modifications: \$500 Cost of public notice is added to each submittal	Last Changed FY 2003-04
Planning	Street Closure	\$250	\$250 + cost of public notice	Only adds cost of public notice
Planning	Subdivision Variance	\$525	\$650 + cost of public notice	Last Changed FY 2003-04
Planning	Nonconforming Use	\$125	\$500 + cost of public notice	Prior to FY 1990
Planning	Chesapeake Bay Board Review	\$250	\$300 + cost of public notice	Last Changed FY 2004-05
Planning	Wetlands Board Review	\$200 + notice cost	\$300 + cost of public notice	Last Changed FY 1989-90
Planning	Coastal Primary Sand Dune	\$200 + notice cost	\$300 + cost of public notice	Last Changed FY 2004-05
Planning	Board of Zoning Appeals	\$200 (residential) \$300 (non-residential)	\$250 (residential) + cost of public notice \$500 (non-residential) + cost of public notice	Last Changed FY 2001-02
Planning	Residential Plan Review	Not currently charged	\$75	New
Planning	Commercial Plan Review	\$100	\$150	Last Changed FY 1995-96
Planning	Fire Plan Review	Not currently	\$75	New

Department	Fee	Current Fee	Adopted Fee	Notes
Planning	Five-Year Elevator Inspections	\$100	\$300	Last Changed FY 1995-96
Public Utilities	Sanitary Sewer Charge	\$24.86/month	\$27.76/month	Last Changed FY 2012-13
Public Works	Waste Management Fee	\$10/month	\$21.36/per month	Last Changed January 2011
Public Works	Storm Water Equivalent Residential Unit (ERU)	\$0.366/ERU	\$0.416/ERU	Last Changed FY 2012-13
Strategic Growth Area	Sporting Events, Parades or other events using Major thoroughfare in resort area only. This includes events in which participants receive money pledges from personal sponsors.	\$250	\$400	Last Changed FY 2010-11
Strategic Growth Area	Sporting Event, Parade, Other Event using Major thoroughfare within and outside Resort Area	\$500	\$600	Last Changed FY 2010-11
Strategic Growth Area	Outdoor event occurring more than 3 days in a calendar year that charges a fee to participate (i.e. Volleyball Leagues/Tournaments). No road closure or city services required.	\$300/week	\$400/week	Last Changed FY 2010-11
Strategic Growth Area/Police	Special Events Cost Recovery-Security	Not currently charged	Police Officers: \$30/hr. Police Vehicles: \$18/hr.	Proposed to start Jan. 1, 2014
Strategic Growth Area/Public Works	Special Events Cost Recovery-Traffic Control	Not currently charged	Street Closures: \$27/hr. per person Equipment: \$500/day Crossing Guards: \$20/hr.	Proposed to start Jan. 1, 2014
Strategic Growth Area/Emergency Medical Services	Special Events Cost Recovery-Emergency Medical Services	Not currently charged	EMS Crew Standby: \$68/hr.	Proposed to start Jan. 1, 2014
Strategic Growth Area/Emergency Medical Services	Special Events Cost Recovery-Emergency Medical Services	Not currently charged	EMS Crew Standby: \$68/hr.	Proposed to start Jan. 1, 2014
Strategic Growth Area/Fire	Special Events Cost Recovery-Fire Services	Not currently charged	Fire Fighters: \$68/hr.	Proposed to start Jan. 1, 2014
Strategic Growth Area/Fire	Special Events Cost Recovery-Fire Services	Not currently charged	Fire Fighters Standby: \$68/hr. Fire Apparatus Staging: \$90 to \$150/hr.	Proposed to start Jan. 1, 2014
Strategic Growth Area/Fire	Special Events Cost Recovery-Fire Services	Not currently charged	Fire Fighters Standby: \$68/hr.	Proposed to start Jan. 1, 2014
Strategic Growth Area/Fire	Special Events Cost Recovery-Fire Inspections	Not currently charged	Fire Dept. Inspections: \$40/vendor	Proposed to start Jan. 1, 2014
Strategic Growth	Special Events Cost	Not currently	Health Dept.	Proposed to start

Department	Fee	Current Fee	Adopted Fee	Notes
Area/Health	Recovery-Health Dept. Inspections	charged	Inspections: \$40 per/vendor	Jan. 1, 2014
Strategic Growth Area/Public Works	Special Events Cost Recovery-Utility Connections & Utilization	Not currently charged	Utility Connections & Utilization: \$45/vendor	Proposed to start Jan. 1, 2014
Strategic Growth Area/Public Works	Special Events Cost Recovery-Site Work	Not currently charged	Sand Fence: \$2/linear foot Street Sweeping: \$75/hr. Trash Removal: \$40/can Equipment: \$50/hr.	Proposed to start Jan. 1, 2014
Strategic Growth Area/Public Works	Special Events Cost Recovery-Staff Services	Not currently charged	Supervision: \$25/hr. Electrician Stand-By: \$35/hr.	Proposed to start Jan. 1, 2014

*The fee listed for Parks and Recreation – recreation center personal training, captures only the charge for an individual attending one session. The Department also offers group sessions and multiple session packages at various rates.

Expenditure Summary

City of Virginia Beach, Virginia Expenditure Summary

Department Name	FY 2012 Actual	FY 2013 Adjusted Budget	FY 2014 Adopted Budget	% Change
Agriculture	3,137,250	5,092,648	5,095,830	0.06
Budget and Management Services	1,473,092	1,511,425	1,520,668	0.61
City Attorney	3,640,491	3,817,883	3,995,079	4.64
City Auditor	608,659	623,351	654,945	5.07
City Clerk	560,710	574,443	564,215	-1.78
City Manager	2,536,210	2,654,207	2,762,829	4.09
City Real Estate Assessor	2,944,867	3,116,484	3,193,533	2.47
City Treasurer	5,004,922	5,097,637	5,110,433	0.25
Commissioner of the Revenue	3,857,502	4,099,610	4,042,415	-1.40
Commonwealth's Attorney	7,428,111	8,021,929	8,226,165	2.55
Communications and Information Technology	20,951,418	22,832,443	23,457,648	2.74
Convention and Visitors Bureau	43,479,386	45,273,054	44,691,262	-1.29
Courts and Courts' Support	6,613,936	6,438,657	6,172,917	-4.13
Cultural Affairs	2,456,156	2,409,142	2,318,023	-3.78
Debt Service	44,943,782	48,083,117	45,083,433	-6.24
Economic Development	9,272,270	9,728,343	10,169,759	4.54
Emergency Communications and Citizen Services	8,644,226	10,449,840	10,525,863	0.73
Emergency Medical Services	8,144,999	8,097,981	8,925,938	10.22
Finance	4,779,813	4,933,234	5,053,202	2.43
Fire	43,513,589	45,337,944	46,625,241	2.84
Future C.I.P. Commitments	0	7,113,616	6,893,992	-3.09
General Registrar	1,448,271	1,371,332	1,343,936	-2.00
Health	2,926,670	2,989,928	3,126,439	4.57
Housing and Neighborhood Preservation	25,136,615	25,109,060	25,346,069	0.94
Human Resources	3,760,092	4,285,333	4,132,967	-3.56
Human Services	106,334,499	107,666,141	108,405,270	0.69
Library	15,417,599	17,605,083	17,813,616	1.18
Municipal Council	518,042	545,118	533,110	-2.20
Museums	9,405,449	10,010,763	11,483,874	14.72
Non-Departmental	31,634,445	31,244,950	32,819,325	5.04
Parks and Recreation	40,684,809	48,426,525	46,571,051	-3.83
Pay-As-You-Go Capital Projects	69,693,889	45,655,285	51,599,569	13.02
Planning	9,346,619	9,748,997	9,710,010	-0.40
Police	87,418,859	92,064,178	93,209,258	1.24
Public Education	803,302,218	847,516,620	839,478,929	-0.95
Public Utilities	75,482,295	96,797,738	99,737,728	3.04
Public Works	112,543,228	127,607,064	129,115,689	1.18
Reserve for Contingencies	0	3,137,072	8,147,551	159.72
Sheriff and Corrections	36,587,025	39,336,165	39,252,773	-0.21
Strategic Growth Area	10,731,200	12,382,374	13,462,510	8.72
TOTAL EXPENDITURES	1,666,363,213	1,768,806,714	1,780,373,064	0.65

Personnel Summary

City of Virginia Beach, Virginia Personnel Summary

Department Name	FY 2012 Actual	FY 2013 Adjusted Budget	FY 2014 Adopted Budget	% Change
Agriculture	12.00	12.00	12.00	0.00
Budget and Management Services	15.00	15.00	14.00	-6.67
City Attorney	39.61	39.61	39.61	0.00
City Auditor	6.00	6.00	6.00	0.00
City Clerk	6.00	6.00	6.00	0.00
City Manager	20.50	19.50	19.50	0.00
City Real Estate Assessor	34.30	34.30	34.30	0.00
City Treasurer	72.83	71.83	70.83	-1.39
Commissioner of the Revenue	60.93	62.93	62.93	0.00
Commonwealth's Attorney	85.25	85.25	86.25	1.17
Communications and Information Technology	183.50	178.50	180.50	1.12
Convention and Visitors Bureau	113.52	113.52	110.52	-2.64
Courts and Courts' Support	75.00	75.00	75.00	0.00
Cultural Affairs	3.00	3.00	3.00	0.00
Economic Development	16.00	18.00	18.00	0.00
Emergency Communications and Citizen Services	123.50	122.75	127.75	4.07
Emergency Medical Services	63.95	65.30	69.30	6.13
Finance	55.00	56.00	56.00	0.00
Fire	466.71	479.71	479.71	0.00
General Registrar	12.03	12.03	12.03	0.00
Health	10.75	9.13	9.13	0.00
Housing and Neighborhood Preservation	66.00	64.00	63.00	-1.56
Human Resources	47.00	47.00	47.00	0.00
Human Services	1,066.40	1,069.40	1,081.41	1.12
Library	227.50	265.50	260.00	-2.07
Municipal Council	11.00	11.00	11.00	0.00
Museums	148.47	155.47	155.85	0.24
Parks and Recreation	843.38	846.89	843.93	-0.35
Planning	108.00	108.00	108.00	0.00
Police	1,006.66	1,007.36	1,009.36	0.20
Public Utilities	412.00	411.00	412.00	0.24
Public Works	883.38	890.38	890.38	0.00
Sheriff and Corrections	519.61	524.44	524.44	0.00
Strategic Growth Area	17.00	17.00	17.00	0.00
Total City Positions	6,831.78	6,902.80	6,915.73	0.19
Education	10,387.27	10,326.52	10,190.92	-1.31
Totals				
Total City Full Time Positions	6,207.00	6,268.00	6,273.00	0.08
Total City Part Time Positions	613.78	623.80	631.73	1.27
Total City Council Members	11.00	11.00	11.00	0.00
Total School Positions	10,387.27	10,326.52	10,190.92	-1.31
Total Positions	17,219.05	17,229.32	17,106.65	-0.71

Summary of City Positions by Department

From FY 2008-09 through FY 2013-14

	Adopted Budget FY 2009-10 FTE	Adopted Budget FY 2010-11 FTE	Adopted Budget FY 2011-12 FTE	Adopted Budget FY 2012-13 FTE	Adjusted Budget FY 2012-13 FTE	Adopted Budget FY 2013-14 FTE	Change in FTEs from Adjusted FY 2013 to FY 2014	Change in FTEs from FY 2010 to FY 2014
Agriculture	13.00	12.00	12.00	12.00	12.00	12.00	0.00	(1.00)
Budget and Management Services	20.00	15.00	15.00	15.00	15.00	14.00	(1.00)	(6.00)
Capital Projects	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
City Attorney	43.00	40.35	39.61	39.61	39.61	39.61	0.00	(3.39)
City Auditor	6.00	6.00	6.00	6.00	6.00	6.00	0.00	0.00
City Clerk	7.00	6.00	6.00	6.00	6.00	6.00	0.00	(1.00)
City Manager	26.20	23.00	20.50	19.50	19.50	19.50	0.00	(6.70)
City Real Estate Assessor	38.35	34.30	34.30	36.30	34.30	34.30	0.00	(4.05)
City Treasurer	76.68	72.23	72.83	71.83	71.83	70.83	(1.00)	(5.85)
Commissioner of the Revenue	64.05	57.93	60.93	60.93	62.93	62.93	0.00	(1.12)
Commonwealth's Attorney	91.40	87.40	85.25	85.25	85.25	86.25	1.00	(5.15)
Communications and Information								
Technology	187.80	179.80	183.50	178.50	178.50	180.50	2.00	(7.30)
Convention and Visitor Bureau	130.91	113.52	113.52	113.52	113.52	110.52	(3.00)	(20.39)
Courts and Courts' Support	76.00	76.00	75.00	75.00	75.00	75.00	0.00	(1.00)
Cultural Affairs	3.00	3.00	3.00	3.00	3.00	3.00	0.00	0.00
Debt Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Economic Development	16.00	15.00	16.00	16.00	18.00	18.00	0.00	2.00
Emergency Communications and								
Citizen Services	127.00	122.00	123.50	122.75	122.75	127.75	5.00	0.75
Emergency Medical Services	56.50	62.55	63.95	65.30	65.30	69.30	4.00	12.80
Finance	58.00	54.00	55.00	56.00	56.00	56.00	0.00	(2.00)
Fire	467.84	466.71	466.71	478.71	479.71	479.71	0.00	11.87
Future C.I.P. Commitments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
General Registrar	12.03	12.03	12.03	12.03	12.03	12.03	0.00	0.00
Health	11.07	10.75	10.75	9.13	9.13	9.13	0.00	(1.94)
Housing and Neighborhood								
Preservation	68.00	67.00	66.00	64.00	64.00	63.00	(1.00)	(5.00)
Human Resources	53.13	47.00	47.00	47.00	47.00	47.00	0.00	(6.13)
Human Services	1,073.91	1,045.68	1,066.40	1,061.40	1,069.40	1,081.41	12.01	7.50
Library	260.85	227.50	227.50	265.50	265.50	260.00	(5.50)	(0.85)
Municipal Council	11.00	11.00	11.00	11.00	11.00	11.00	0.00	0.00
Museums	151.43	151.45	148.47	155.47	155.47	155.85	0.38	4.42
Non-Departmental	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Parks and Recreation	872.16	855.37	843.38	846.89	846.89	843.93	(2.96)	(28.23)
Planning	123.00	113.00	110.00	108.00	108.00	108.00	0.00	(15.00)
Police	1,005.86	995.66	1,006.66	1,007.36	1,007.36	1,009.36	2.00	3.50
Public Education	10,391.87	10,476.27	10,387.27	10,326.02	10,326.52	10,190.92	(135.60)	(200.95)
Public Utilities	404.50	404.50	412.00	411.00	411.00	412.00	1.00	7.50
Public Works	871.38	866.38	883.38	890.38	890.38	890.38	0.00	19.00
Reserve for Contingencies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sheriff and Corrections	524.37	524.37	519.61	516.44	524.44	524.44	0.00	0.07
Strategic Growth Area	2.00	15.00	15.00	17.00	17.00	17.00	0.00	15.00
Total	17,345.29	17,269.75	17,219.05	17,209.82	17,229.32	17,106.65	(122.67)	(238.64)

Additions and Reductions of City Positions

The chart below indicates the overall change in City positions (both additions and reductions) in the adopted FY 2013-14 budget. The first column represents the FTE changes that occurred from the adoption of the original FY 2012-13 to the Adjusted FY 2012-13 Budget. The second column represents the FTE changes that will occur as a result of the adopted FY 2013-14 Budget. The third column represents the net departmental change.

<i>Department</i>	<i>FTE Changes Between Adopted FY 2012-13 Budget and Adjusted FY 2012-13 Budget</i>		<i>FTE Changes Between Adjusted FY2012-13 Budget and Adopted FY 2013-14 Budget</i>		<i>Total Department FTE Variance</i>
		<i># FTE</i>		<i># FTE</i>	
Budget and Management Services			◆ Executive Assistant II	(1.00)	(1.00)
City Real Estate Assessor	◆ Account Clerk I	(2.00)			
City Treasurer			◆ Account Clerk II	(1.00)	(1.00)
Commissioner of the Revenue	◆ Revenue Agent I	2.00			
Commonwealth Attorney's			◆ Clerk II	1.00	1.00
Communications and Information Technology			◆ Computer Operator II	(2.00)	2.00
			◆ Systems Analyst III	2.00	
			◆ Systems Engineer III	2.00	
Convention and Visitors Bureau			◆ Custodial Worker I	(2.00)	(3.00)
			◆ Custodial Worker II	(1.00)	
Economic Development	◆ Business Development Representative I	1.00			
	◆ Business Development Representative II	1.00			
Emergency Communications and Citizen Services			◆ 911 Senior Operations Supervisor I	1.00	5.00
			◆ Operations Supervisor	1.00	
			◆ Public Safety Emergency Telecommunicator I	3.00	
Emergency Medical Services			◆ Business Application Specialist I	1.00	4.00
			◆ Paramedic	2.00	
			◆ Payroll Technician I	1.00	
Fire	◆ Fire Battalion Officer	1.00			
Housing and Neighborhood Preservation			◆ Housing Specialist I	(1.00)	(1.00)
Human Services	◆ Pretrial Probation Officer I	1.00	◆ Eligibility Worker I	4.00	12.01
	◆ Social Worker I	7.00	◆ Eligibility Worker Supervisor	1.00	
			◆ MH/MR Assistant	3.00	
			◆ MH/MR Clinician I	1.00	
			◆ MH/MR Clinician II	3.00	
			◆ Nurse I	(0.99)	
			◆ Social Worker I	1.00	
Library			◆ Librarian II	(2.00)	(5.50)
			◆ Library Coordinator	(1.00)	
			◆ Library Information Specialist II	(0.50)	
			◆ Library Information Specialist III	1.00	

<i>Department</i>	<i>FTE Changes Between Adopted FY 2012-13 Budget and Adjusted FY 2012-13 Budget</i>	<i># FTE</i>	<i>FTE Changes Between Adjusted FY2012-13 Budget and Adopted FY 2013-14 Budget</i>	<i># FTE</i>	<i>Total Department FTE Variance</i>
			◆ Library Supervisor	2.00	
			◆ Library Technician	(5.00)	
Museums			◆ Administrative Assistant	(1.00)	0.38
			◆ Administrative Technician	1.00	
			◆ Exhibits Technician III	3.00	
			◆ Museum Sales Clerk I	(2.00)	
			◆ Museum Special Projects Coordinator	1.00	
			◆ Operations Assistant I	0.48	
			◆ Operations Assistant III	(0.12)	
			◆ Senior Curator	(1.00)	
			◆ Support Specialist II	(0.50)	
			◆ Visitor Assistant I	(0.48)	
Parks and Recreation			◆ Activity Center Assistant Leader	(0.36)	(2.96)
			◆ Activity Center Leader	1.06	
			◆ Aquatics/Fitness Instructor	1.00	
			◆ Parks and Recreation Aide	(3.65)	
			◆ Recreation Class Instructor	(0.01)	
			◆ Recreation Specialist II	(1.00)	
Planning	◆ Planner III	(1.00)			
	◆ Transportation Planning Coordinator	(1.00)			
Police			◆ Animal Caretaker	0.50	2.00
			◆ Exhibits Technician I	0.50	
			◆ Public Safety Data Services Assistant	1.00	
Public Utilities			◆ Code Inspector I	1.00	1.00
Public Works			◆ Engineer III	5.00	0.00
			◆ Storekeeper II	(1.00)	
			◆ Waste Management Operator I	(2.00)	
			◆ Waste Management Operator II	(2.00)	
Sheriff and Corrections	◆ Deputy Sheriff (State)	8.00			
Strategic Growth Area	◆ Planner III	1.00			
	◆ Transportation Planning Coordinator	1.00			
Total Net City Positions		19.00		12.93	12.93

Additions and Reductions of School Positions

Position review is part of the budget process and adjustments are subject to School Board approval. The chart below reflects the overall changes in the number of positions within the major budget category and the categorical grants and other funds. Total allocated positions are projected to decrease by a net total of 135.6 from the adopted FY 2012-13 budget. The reduction in positions reflects enrollment decline and class-size adjustments.

	FY 2009/10 Amended	FY 2010/11 Budget	FY 2011/12 Amended	FY 2012/13 Budget	FY 2013/14 Adopted	Variance
Instruction						
50100 Elementary Classroom	2,107.90	2,109.90	2,065.40	2,115.10	2,084.60	(30.50)
50200 Senior High Classroom	1,074.40	1,074.40	1,007.60	1,022.20	982.60	(39.60)
50300 Technical and Career Education	271.20	271.20	254.90	225.40	211.45	(13.95)
50400 Gifted Ed. and Academy Programs	156.00	156.00	156.00	156.00	156.00	-
50500 Special Education	1,180.00	1,180.00	1,178.00	1,178.00	1,178.00	-
50700 General Adult Education	24.00	22.00	22.00	20.00	20.00	-
50800 Alternative Education - Renaissance Academy	83.80	83.80	96.60	96.60	96.60	-
50900 Student Activities	29.50	29.50	30.50	30.50	30.50	-
51000 Office of the Principal - Elementary	349.00	343.00	343.00	337.00	336.00	(1.00)
51100 Office of the Principal - High School	127.50	128.50	127.50	124.00	122.00	(2.00)
51200 Principal - Technical and Career Education	7.00	7.00	7.00	7.00	7.00	-
51300 Guidance Services	214.60	212.40	215.40	209.40	209.60	0.20
51400 Social Work Services	31.25	31.25	31.25	31.00	31.00	-
51500 Media and Communications	15.00	15.00	15.00	15.00	15.00	-
51700 Instructional Support	57.00	56.00	57.00	51.00	51.00	-
51710 Instructional Center for Teacher Leadership	-	-	7.00	8.00	8.00	-
51800 Special Education Support	30.00	30.00	32.00	32.00	32.00	-
51900 Gifted Ed. and Academy Programs Support	19.00	19.00	19.00	19.50	20.00	0.50
52000 Media Services Support	201.50	200.50	199.50	200.50	196.50	(4.00)
52100 Educational Leadership and Assessment	17.00	17.00	19.00	19.00	19.00	-
52200 Middle School Classroom	778.00	768.60	746.40	761.40	740.75	(20.65)
52300 Remedial Education	74.50	102.50	104.50	104.50	106.50	2.00
52400 Office of the Principal - Middle School	117.00	117.00	115.00	115.00	112.00	(3.00)
52500 Homebound Services	1.00	1.00	1.00	1.00	1.00	-
52600 Office of the Principal - Tech. and Career Ed. Support	9.40	9.40	8.40	8.60	9.00	0.40
52700 Student Leadership	7.00	7.00	7.00	7.00	7.00	-
52800 Psychological Services	38.00	38.00	38.00	38.00	38.00	-
52900 Audiological Services	4.00	4.00	4.00	4.00	4.00	-
53100 School Administration	9.00	9.00	9.00	8.00	8.00	-
53200 Alternative Education	49.00	22.00	15.00	15.00	15.00	-
Instruction Total	7,082.55	7,064.95	6,931.95	6,959.70	6,848.10	(111.60)
Administration, Attendance, & Health Services						
54100 Board, Legal, and Governmental Services	13.00	13.00	13.00	12.00	12.00	-
54200 Superintendent	8.00	7.00	7.00	7.00	7.00	-
54300 Budget and Finance	43.00	43.00	43.00	43.00	43.00	-
54400 Human Resources	44.50	44.50	47.30	47.30	47.30	-
54500 Internal Audit	4.00	4.00	4.00	4.00	4.00	-
54600 Purchasing Services	13.00	13.00	13.00	13.00	13.00	-
54700 Center for Teacher Leadership	15.80	16.80	8.00	6.00	6.00	-
55000 Benefits	15.00	15.00	15.00	15.50	15.50	-
55200 Health Services	132.00	131.00	131.00	131.00	131.00	-
Administration, Attendance, & Health Total	288.30	287.30	281.30	278.80	278.80	-
Vehicle Operation						
56100 Management	26.00	26.00	26.00	27.00	27.00	-
56200 Vehicle Operation	354.69	354.69	354.69	354.69	354.69	-
56250 Vehicle Operation - Special Education	122.56	122.56	122.56	122.56	122.56	-
56300 Vehicle Maintenance	57.00	57.00	57.00	56.00	56.00	-
56400 Monitoring Services	106.88	106.88	106.88	106.88	106.88	-
Pupil Transportation Total	667.13	667.13	667.13	667.13	667.13	-
Facilities Planning and Construction						
57100 Facilities Planning and Construction	6.00	6.00	6.00	6.00	6.00	-
57200 School Plant	197.00	197.00	197.00	197.00	197.00	-
57300 Supply Services	23.50	23.50	23.50	23.50	23.50	-
57500 Custodial Services	732.00	726.00	726.00	709.00	709.00	-
58100 Safety and Loss Control	198.00	197.00	197.00	197.00	197.00	-
58200 Vehicle Services	4.00	4.00	4.00	4.00	4.00	-
58300 Telecommunications	3.00	3.00	3.00	3.00	3.00	-
Operations and Maintenance Total	1,163.50	1,156.50	1,156.50	1,139.50	1,139.50	-
Technology						
61600 Instructional Technology	-	-	-	-	110.00	110.00
64900 Technology	-	-	-	-	7.00	7.00
68400 Technology Maintenance	-	-	-	-	71.00	71.00
Technology Total	-	-	-	-	188.00	188.00
Operating Budget Total^a	9,201.48	9,175.88	9,036.88	9,045.13	9,121.53	76.40
State Grants						
State Grants	15.00	12.00	13.00	14.00	14.00	-
Federal Grants	483.50	639.00	646.50	574.50	549.50	(25.00)
Food Services Fund	492.89	492.89	492.89	492.89	492.89	-
Risk Management Fund	5.00	5.00	5.00	5.00	5.00	-
Health Insurance Fund	4.50	4.50	4.50	6.50	6.50	-
Technology Category ^b	189.00	186.00	187.00	187.00	-	(187.00)
Textbook Fund	1.50	1.50	1.50	1.50	1.50	-
Categorical Grants and Other Funds Total	1,191.39	1,340.89	1,350.39	1,281.39	1,069.39	(212.00)
All Funds Total	10,392.87	10,516.77	10,387.27	10,326.52	10,190.92	(135.60)

^a An elimination of 6 to 10 positions is not reflected in the totals above, as they are to be determined at the end of this fiscal year.

^b Effective FY 2013/14, the Technology (fund 106) Category will be located in the Operating fund.

Demographic Information

The table below highlights available information from the last three decennial censuses for Virginia Beach as well as the Census's 2011 American Community Survey (for certain demographic information no longer included in the decennial):

Demographic Characteristic		1980	1990	2000	2011
Sex:					
	Male	50.8%	50.8%	49.5%	49.1%
	Female	49.2%	49.2%	50.5%	50.9%
Age:					
	>18	30.7%	28.0%	27.5%	22.6%
	<65	4.5%	5.9%	8.4%	10.9%
	Peak Earning Years (Age 35-54)	23.1%	24.9%	30.5%	27.7%
	Median Age	26.9	28.9	32.7	34.9
	Dependency Population (>18 and <65)	35.2%	33.9%	35.9%	34.5%
Race:					
	White	86.5%	80.5%	71.4%	68.4%
	Black/African American	10%	13.9%	19%	19.6%
	American Indian/Alaskan	0.2%	0.4%	0.4%	0.4%
	Asian/Hawaiian/Pacific	2.5%	4.3%	5%	6.7%
	Other Race	0.7%	0.9%	1.5%	0.2%
	Two or More Races*	-	-	2.7%	3.7%
	Hispanic**	2%	3.1%	4.2%	7%
Households:					
	Family Household	79.2%	75.4%	71.8%	68.8%
	Married Couple Family	66.6%	62.9%	55.7%	51.3%
	Female Householder	10.3%	9.5%	12.4%	13.8%
	Non-Family Household	20.9%	24.6%	28.2%	31.2%
	Households with Children >18	-	44.8%	42.1%	36%
	Housing Occupancy: Owner	64.2%	62.5%	65.6%	65%
	Housing Occupancy: Renter	35.8%	37.5%	34.4%	35%
	Average Household Size	2.97	2.82	2.7	2.66
	Average Family Size	3.35	3.21	3.21	3.17
Migration:					
	% who lived in Virginia Beach 5 Years Ago	56%	59.9%	70.1%	-
Marital Status:					
	Single, Never Married	26.5%	24.7%	25.5%	31%
	Married	61%	58.4%	57.1%	50.7%
	Separated	3%	5.4%	3.2%	2.4%
	Widowed	4%	4%	4.7%	4.5%
	Divorced	5.5%	7.6%	9.5%	11.3%
Median Household Income:		\$20,203	\$36,271	\$48,705	\$64,614
Median Family Income:		\$21,809	\$39,112	\$53,242	\$74,341

Demographic Characteristic	1980	1990	2000	2011
Poverty:				
Persons	8.9%	5.9%	6.5%	8.6%
Families	7.7%	4.3%	5.1%	7.2%
Children >18	13%	7.6%	8.6%	12.4%
<65	10.3%	8%	4.7%	5.1%
Female Householder	38.9%	20.2%	18.9%	22.4%
Female Householder with Children	45.8%	26.5%	23.1%	26.8%
Housing Expenses:				
Owner Expenses Exceeding 30% of Income	26.3%	30.7%	27.4%	35.3%
Renter Expenses Exceeding 30% of Income	37.8%	39%	37.9%	54.9%
Percent of Homeowners Mortgage Free	11.1%	11.4%	13.9%	17.9%
Education Attainment:				
High School Graduate	80%	88%	90.4%	93.9%
College Graduate	22.4%	25.5%	28.1%	33.3%
Labor Force:				
Civilian Labor Force Population Rate	58.3%	62.5%	63.2%	65%
Civilian Female Participation Rate	54.6%	63.5%	62.9%	61.9%
Percent of Labor Force in Armed Forces	18.2%	18.6%	13.3%	5.9%
Percent Unemployed	5.3%	4.7%	4.1%	6.3%
Percent Who Drive Alone:				
	67.5%	78.4%	82%	82.6%
Percent Who Car Pool:				
	21.2%	12%	10.8%	7.4%
Percent Who Use Public Transportation:				
	1.7%	0.8%	0.7%	0.9%
Percent Who Work at Home:				
	1.1%	3.3%	2.8%	4.7%
Mean Travel Time: (in minutes)				
	21.9	22.7	23.9	22.4
* New category in 2000				
** Can be of any race				
Totals may not equal 100% due to rounding				
Source: Census Bureau				

Sequestration



City of Virginia Beach

OFFICE OF THE CITY MANAGER
(757) 385-4242
FAX (757) 427-5626
TTY: 711

VBgov.com
MUNICIPAL CENTER
BUILDING 1
2401 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23456-9001

February 28, 2013

The Honorable William D. Sessoms, Jr., Mayor
Members of City Council

Subject: Response for Dealing with Federal Sequestration and
Possible Federal Government Shutdown

Dear Mayor and Council Members:

As I write this letter, we are one day from Federal Sequestration taking effect and four weeks from a potential Federal Government shutdown at the end of March. While each of you has expressed concerns about the impact of potential Federal cuts, we are still not receiving indications from the federal agencies on specific cuts. Rather information is trickling out, predominately from the Department of Defense.

What we do know is that most of the impacts from federal program cuts, particularly the economic impacts, will take a while to work into our revenue streams and should protect us at least through the current fiscal year and into the first quarter of the next. Real Estate Taxes, our largest single revenue, would only be impacted for next fiscal year if a substantial rise in delinquencies or a significant reduction in new construction occurred. Importantly, the number of delinquencies did not substantially increase during the depths of the recession though this latest blow may push some margin of homeowners into delinquency.

We also know that the conservative nature of our budgeting and financial practices will provide us some cushion within each fiscal year for impacts to the Hampton Roads economy. Our biggest concerns are the potential impacts to residents, who rely on services funded through the federal government. In some such cases these services such as, SNAP and TANF are specifically excluded from possible cuts. Medicaid is excluded with the exception of a 2% reduction in payments to providers. Likewise the military cannot reduce military personnel or their salaries, though as we are seeing in the media the Department of Defense is advising military contractors and civilians to plan for 22 days of furloughs between April and the end of September, roughly one day per week.

Most frustrating is that the Federal Government's inaction on dealing with their budget is putting the nation's slow economic recovery in jeopardy, if only through continuing to shake consumer confidence. While we must be vigilant, I do not recommend we take draconian steps earlier than necessary. We must, to the extent possible, continue to move forward to achieve the goals set by the City Council for our community. In some respects our efforts to diversify the local economy are needed even more, not less, in the face of Congress' and the Administration's serial inability to put national spending and the budget on a responsible and sustainable course.

The Honorable William D. Sessoms, Jr., Mayor
Members of City Council
Subject: Response for Dealing with Federal Sequestration and
Possible Federal Government Shutdown
Date: February 28, 2013
Page 2

Therefore, this is our plan for the next several months to guide the City organization through this period of uncertainty:

1. **Monitor our economy and revenue impacts.** I have asked Management Services to revive a monthly economic report that they did several years ago to monitor our local economy. This report monitors what are considered leading indicators of our economy such as sales tax and new unemployment claims. It will help us anticipate possible changes to the economy and our revenue streams.
2. **Identify direct impacts to services as quickly as possible.** This is currently proving the most difficult in that most federal agencies are not providing definitive guidance on the impact to programs. For example, we suspect, given some talking points from the administration, that HUD will restrict funding to the City's Section 8 Housing Program, which provides rental assistance to 1,900 Virginia Beach families. How soon we have a definitive answer and how soon the agency provides guidance on how to handle the reduction within program restrictions will determine the ultimate number of families impacted. As with most of the programs, the sooner we have guidance, the more options we have to mitigate the impact to those in the program. Using the Section 8 program as an example of how early notification helps, if we know now we can take steps to reduce the potential loss of rent support to only 170 families as oppose to finding out in August which would result in a shorter time to adjust and potentially impact 270 families. As impacts are identified we will notify City Council and identify possible options to mitigate any impact.
3. **Have in place a series of progressive steps to control expenses.** Obviously, we are working on the FY 2014 Operating Budget and Capital Improvement Program, and we are developing it without consideration of unknown potential federal revenue losses. While that may seem naive, we do not want to take permanent actions that will affect our community and organization until we have a definitive need to do so. For example, some policy experts predict that sequestration will occur but within a month or so Congress will adopt a more viable solution. However, if sequestration happens and drags into the next fiscal year we would:

On July 1st:

- a. Reserve the first 1% of undesignated fund balance beyond the 8% minimum required by our current policy of the FY 2014 General Fund Revenue estimate or roughly \$9.8 million as a reserve against sequestration impacts.
- b. Freeze all new positions included in the FY 2014 Operating Budget. These positions are expanding existing services or increasing staffing to meet rising mandates and program demands. This freeze would remain in place until we were comfortable that the impacts of sequestration had stabilized then we would evaluate them for need in the "new normal."
- c. Freeze all training and travel that was not mandated or required for certifications.
- d. Freeze or significantly curtail all contracts including contracted manpower, vehicle replacement, new construction projects, and road maintenance, among others.
- e. Delay for six months any planned pay increases (with the exception of the required VRS pay adjustments) or promotions until we can determine the impacts of sequestration actions on our revenues.

The Honorable William D. Sessoms, Jr., Mayor
Members of City Council
Subject: Response for Dealing with Federal Sequestration and
Possible Federal Government Shutdown
Date: February 28, 2013
Page 3

If by the end of September the economy is declining and the Federal Government has still failed to resolve sequestration or the federal budget, then we would:

- f. Freeze all non-sworn positions. Exemptions from the freeze would be individually reviewed and authorized by the City Manager.
- g. Require Departments to cut discretionary spending by 5% for the remainder of the fiscal year.
- h. Notify the Public Schools System of the City's declining revenues under the Revenue Sharing Formula, and request they take steps to mitigate spending to recognize the declining revenues.
- i. Notify Regional Agencies and Grant Agencies that receive city funding that we are reducing their funding by 5%.

If by the end of December 2013 we are still struggling then we would consider:

- j. Furloughing all city employees with 3 unpaid days sometime in the next six months. The resultant expenditure reduction would total \$3.9 million.
- k. Look at the potential for layoffs, if the earlier steps have not offset the decreases in revenues we might be experiencing.

As a local government, we cannot hope to make up significant losses in direct revenues to programs, especially not when the overall economy could be reducing our local revenue capacity. This is the reason the City Council in 2001 adopted a policy of not supplanting losses in federal (or other) revenues. This policy does allow the City to provide funding, if approved by City Council, to mitigate or soften the worst of the impacts of revenue loss. As program impacts through sequestration become more defined, we will want to discuss the impact to citizens and what if anything we are capable of doing to assist given all other factors.

Hopefully Congress and the White House will resolve sequestration and their budget differences before any of the above steps are necessary. But if the worst happens these are the main strategies to address the unfortunate impacts.

Sincerely,



James K. Spore
City Manager

JKS/CRW/kc

CC: Dr. Merrill, Superintendent of Virginia Beach Public Schools
Management Leadership Team
Department Directors