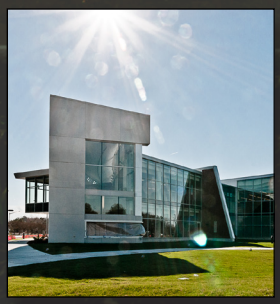
City of Virginia Beach

Resource Management Plan

Executive Summary (Adopted)

FY 2014 - 15



Distinguished Budget Award Presentation

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, 2013. 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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Virginia Beach

Virginia

For the Fiscal Year Beginning

July 1, 2013

Executive Director

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
Monica Dudek ♦ Paul Harris ♦ Lee Hedberg ♦ Stacy Hershberger ♦ Jonathan Hobbs
Beth Kavanaugh ♦ Tonya Martin

Sincerely,

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

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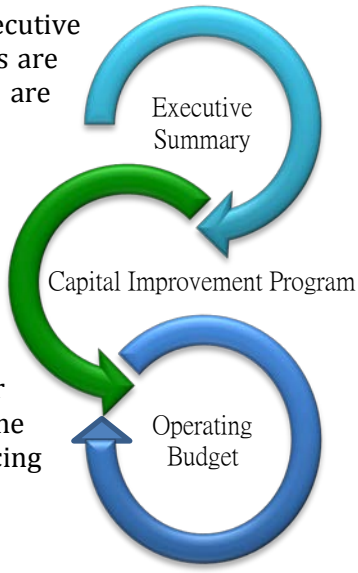
Overview

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. Three volumes are considered and adopted by the City Council as a 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, resource and trends, as well as brief highlights of new or expanded programs or projects. This document is designed to provide the reader with a quick and comprehensive understanding of the financing 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 Development and Tourism, Schools, Parks and Recreation, Water Utilities, Sewer Utilities 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 libraries, at City Hall, and on the Internet at www.vbgov.com/budget.

Virginia Beach City Council

Virginia Beach operates under the Council-Manager form of government. The 11-member City Council is the City's legislative body. Members of Council serve four-year terms and are elected on a staggered basis. Three Council members and the mayor serve "at large" with no district residency requirement. All others are required to live in the districts they represent.

♦ Mayor William D. Sessoms, Jr. ♦ Louis R. Jones, Vice-Mayor, District 4-Bayside
♦ Robert M. Dyer, District 1-Centerville, ♦ Barbara M. Henley, District 7-Princess Anne
♦ Shannon DS Kane, District 3-Rose Hall ♦ Brad Martin, At-Large, ♦ John D. Moss, At-Large
♦ Amelia N. Ross-Hammond, District 2-Kempsville ♦ John E. Uhrin, District 6-Beach
♦ Rosemary C. Wilson, At-Large ♦ James L. Wood, District 5-Lynnhaven

Virginia Beach Vision

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 & Information

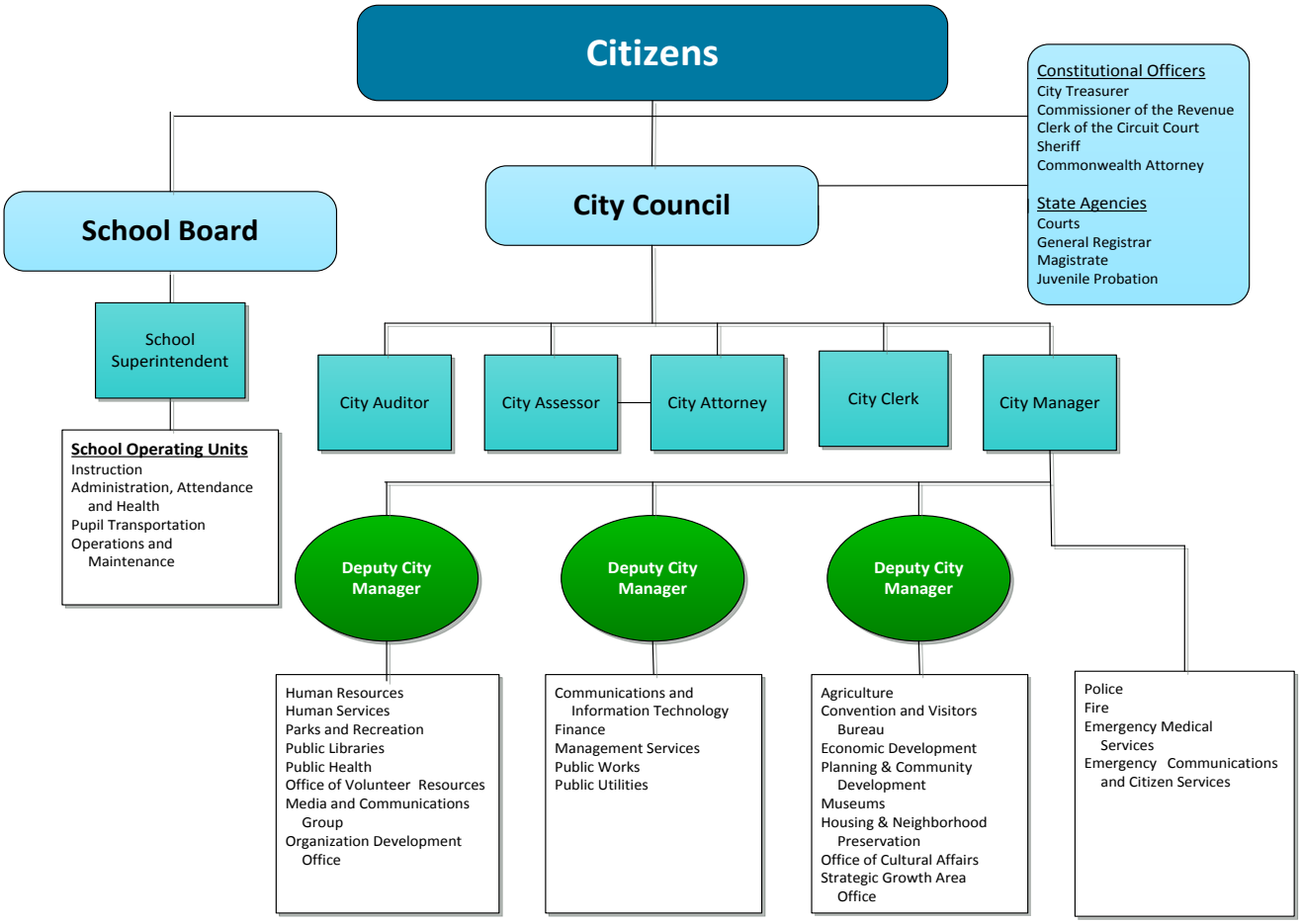
The City of Virginia Beach adopted its first Charter on February 28, 1962; it was ratified by the State Legislation to be effective January 1, 1963, thereby incorporating the City. In its Charter, the City established a Council/Manager form of government. The City Manager acts as Chief Executive Officer. Through his staff, the City Manager implements policies established by Council.

Key Statistics

Total Square Miles of Land: 248.3
Total Square Miles of Water: 58.5
Population Estimate (FY 2014-15): 452,281
Number of Registered Voters (January 2013): 291,188
Number of Homes/Residences (excludes on-base military housing): 174,772

City Council Appointees:

♦ James 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

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WILLIAM D. SESSOMS, JR
MAYOR

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May 6, 2014

Members of City Council

RE: Reconciliation of the FY 2014-15 Operating and Capital Budgets

Dear Council Members:

As in the past we are providing you with a strategy to reconcile the various issues that have been raised by the community through the two public hearings and several town hall meetings, as well as suggestions that you have expressed. Hopefully, this proposal strikes a balance that we can all support.

First, several of you have expressed concerns with staff's recommendation to redirect one of the two cents of the Real Estate tax rate dedicated to roadway construction to other areas of the CIP and the Operating Budget. In working with staff, we understand their concerns over the sustainability of services to the community, but feel that it is Council's desire that the one cent be returned to roadway funding. To accomplish this without totally disrupting the Operating Budget, we would suggest a one year strategy of using additional fund balance in the amount of $4.4 million which is equal to one cent (net of the line of duty funding) to support roadway construction specifically to fund Princess Anne Road – Phase VII. Staff will modify the Ordinance to reflect the two cents remaining in roadway construction. Staff will make necessary adjustments in the FY 2016 Operating Budget to accommodate this dedication. Please note that this will again have the effect of unfunding the coastal section of the CIP in the out years. Between now and next budget cycle, we need to provide staff guidance on how to fund this essential program.

Also, we believe that you would support the establishment of a committee to review and provide recommendations on the City's Tax Relief for the Elderly program. The Commissioner of the Revenue recommended this strategy based on his oversight of the program, and several members of the Mayor's Commission on Aging supported this strategy. Ms. Henley has offered to serve as liaison to this committee. We would request that the City Manager ask Budget and Management Services along with staff from the Commissioner's Office to work with Ms. Henley and this committee to complete the program review and bring forward a set of recommendations.

Our recommended changes to the Operating Budget and CIP are detailed on the attached tables, but we want to highlight some of the significant changes below.

♦ In the Operating Budget:

1. The recent Bond Sale saved the General Fund over $1 million. Staff is recommending that a large portion of the savings be used to establish a reserve for the School System assuming that when the State passes a budget Virginia Beach Schools will receive additional funding and that under the Revenue Sharing Formula our match would increase. Both the House and Senate Budgets provide additional funding to education. The recommendation for the reserve is $725,000 to provide our required match. The School Board would decide on the best use of any additional funding, City or State, but it is our hope that they can use some of the additional funding to match the three percent total salary adjustment programmed for city employees.

2. Our hard working city and school employees have expressed concern over the affordability of health care premiums in 2015, we would recommend directing the Benefits Executive Committee to use the savings related to the employee's portion of the GASB45 liability in health care, or $920,000, to reduce the premiums paid by employees in the upcoming plan year.

3. The Proposed Budget contains $1.45 million to begin to address horizontal salary compression. While no additional funding is provided at this time, we are recommending that we address compression by phasing in the adjustments beginning in this budget and again over the next two. By providing adjustments of $100 per year of employment up to 7 years through FY 2017, employees in compressed titles could receive up to an additional $2,100.

4. Additional funding is proposed to Fire ($145,826) and EMS ($161,791) for additional staffing to be hired January 1, 2015. This funding would provide four firefighters to increase staffing at the Centerville Fire Station and four EMS supervisors to enhance supervision of the paid and volunteer staff. Full year costs for these eight positions would double for the full FY 2016 Budget. We would also suggest that staff work to devise a long term strategy to address police staffing and deployment and present this strategy with next year's Budget.

♦ In the Capital Budget:

1. We are suggesting that we use the $4.4 million in Fund Balance, $0.7 million from closed projects, $5 million in State Revenue Sharing funds and an additional $9.4 million in bonds to fully fund Princess Anne Road Phase VII ($14.2 million), the Adam Thoroughgood House Visitor's Center ($2 million), and match the additional state funding for the BRAC project (again contingent upon a final state budget). Funding is provided to start preliminary design work on Sandbridge/Nimmo Road (from Sandpiper to approximately 1 mile west) and to return funding for design of Princess Anne Road Phase VIIA (from Sandbridge/Upton Drive intersection to Indian River Road).

2. In addition, we would recommend using $1.3 million per year in Tourism Investment Program funds over the next two years, to replace the oceanfront bus fleet with trolleys. This not only would improve the ridership experience at the oceanfront, but would help HRT address the "state of good repair" concerns raised in the State's proposal on light rail funding since the

current oceanfront buses are among the newest in HRT's fleet. This proposed expenditure also leverages available federal funds for fifty-five percent of the cost to acquire the new trolley fleet.

3. Finally, based on our discussions with Public Works on April 29th concerning the Eastern Shore Drive Drainage – Phase I project (#7-151), we recommend moving $3 million from that project to a new project "City-wide Sea Level Rise/Recurrent Flooding Analysis" (#7-030) to provide a macro analysis of the four city watersheds to determine vulnerable areas throughout the watersheds and possible responses. The first phase of this new project will focus on the Lynnhaven Watershed. The transfer will leave sufficient funding in Eastern Shore Drive Drainage ($13,139,356) to complete design and preliminary site acquisition for phases IA, IB, and II of the southern discharge alternative.

For a complete list of all recommended adjustments please see the attached lists.

We want to thank the public who came out to the various town hall meetings and public hearings to offer their comments on the FY 2014-15 Operating Budget and CIP as well as staff for their time to provide answers to our various questions. If you have any questions, please let us know.

Sincerely,

William D. Sessoms, Jr.
Mayor

Louis R. Jones
Vice Mayor

WDS/crw

Attachments (2)

FY 2014-15 Operating Budget Reconciliation:

	Revenues	Expense
Increase funding for CASA from $10,000 to $30,000		$ 20,000
Provide funding to STOP		$ 25,000
Provide funding to VA Symphony		$ 25,000
Increase funding for the Arts and Humanities Commission from $428,624 to $500,000		$ 71,376
Historic Preservation Marker Grant		$ 10,000
Increase funding for TBA Training Program from $50,000 to $63,000		$ 13,000
Reduce funding to Mass Transit (based on HRT's current request)		$ (181,913)
Reduce funding for Debt Service due to recent bond sale		$ (1,078,541)
Reduced transfer to Housing and Neighborhood Preservation due to increase Federal Funds		$ (26,834)
Reduce the General Fund Reserve for Contingencies		$ (284,705)
True-up of School Funding Formula based on State Budget		$ 725,000
4 EMS Supervisors (starts Jan 1)		$ 161,791
4 Firefighters for Centerville Station (starts Jan 1)		$ 145,826
Increase pay-go transfer to CIP for Heritage Building Maintenance		$ 125,000
Sandbridge Road Maintenance Funding		$ 250,000
Gills Cove (6.3 cents)	$ 12,143	$ 12,143
Adjustments to Housing and Neighborhood Preservation for Federal Revenue increase:		
CDBG	$ (19,279)	$ (19,279)
HOME - $81,551	$ 81,551	$ 81,551
Emergency Shelter Grant (ESG)	$ 26,834	$ 26,834
Housing Opportunities for People with AIDS (HOPWA)	$ 99,241	$ 99,241
Section 8 (147 Fund)	$ 367,048	$ 367,048
Total:	$ 567,538	$ 567,538

Capital Improvement Program Reconciliation:

Projects	Capital Budget 2015	Year 2 2016
Adam Thoroughgood Education Center Construction (#3-019)	$ 2,000,000	$ -
Heritage Building Maintenance (#3-103)	$ 125,000	$ -
Trolley Conversion	$ 1,300,000	$ 1,300,000
From close out projects	$ (678,343)	$ -
BRAC Project (#9-060)	$ 5,000,000	$ -
Sandbridge Road/Nimmo VIIa (preliminary design only)	$ 600,000	$ -
Princess Anne Road - Phase VII (#2-195)	$ 14,158,827	$ -
Princess Anne Road - Phase VIIa (#2-033)	$ 250,000	$ -
Eastern Shore Drive Drainage - Phase I (#7-151)	$ (3,000,000)	$ -
Citywide Sea Level Rise/Recurrent Flooding Analysis	$ 3,000,000	$ -
Gills Cove Neighborhood Dredging (#8-016)	$ -	$ 61,000
Total Projects:	$ 22,755,484	$ 1,361,000
Funding Sources		
Additional State Funding for BRAC	$ 2,500,000	$ -
State Revenue Sharing Funding for PA VII	$ 5,000,000	$ -
TIP Fund	$ 1,300,000	$ 1,300,000
SSD Gills Cove Funding		$ 24,286
Gills Cove City Contribution/Loan	$ -	$ 36,714
Pay-as-you-go funding from Operating Budget	$ 125,000	$ -
Fund Balance (equals 1 cent for roads) takes FB to 9.7%	$ 4,396,503	$ -
Additional Bonds	$ 9,433,981	$ -
Total Funding Sources:	$ 22,755,484	$ 1,361,000
	$ -	$ -

NOTES:

Changes since the Proposed Budget

Proposed Changes that are dependent upon a State Budget

City of Virginia Beach

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March 25, 2014

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

Subject: FY 2014-15 Proposed Resource Management Plan

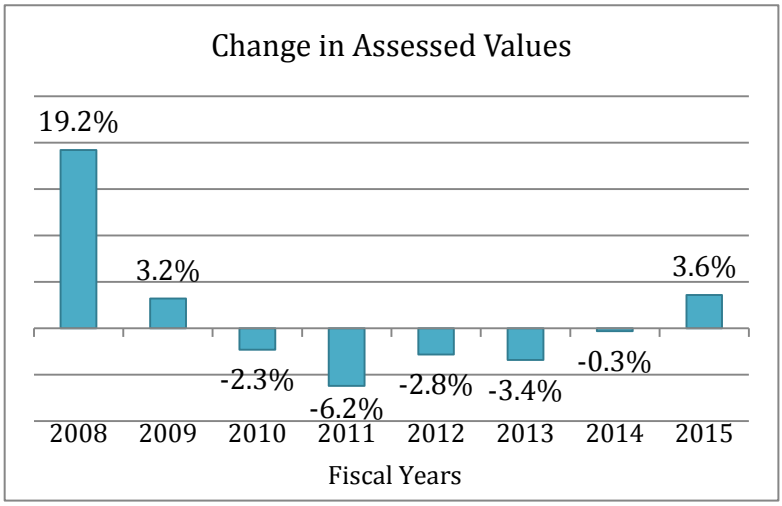
Dear Mayor and Council Members:

After five straight years of declining real estate assessments, the bleeding has stopped. Last month, City Assessor Jerry Banagan delivered good news: Assessments will actually *rise* 3.6 percent on July 1.

This is no small matter. Virginia Beach's single largest revenue source is the real estate tax. It accounts for about one-quarter of all the City's revenue. When real estate assessments drop – as they have every year since 2010 – our revenue drops. This has directly affected our ability to deliver services to our citizens.

Virginia Beach has been fortunate. We managed our way through tough economic times. Other cities were not so lucky. Some drastically cut services. A few declared bankruptcy. We were able to maintain our services at acceptable levels and promote the City's economic development.

As a result, Virginia Beach is in an excellent position to capitalize on the nation's gradual economic recovery. Our infrastructure is strong and we have laid the groundwork for new projects that will bring jobs and businesses. This would not have been possible without the firm, conservative, fiscal management of our City Council and city staff.



Now we can focus on City Council's top priorities, with confidence that our revenues are growing, not slipping. It gives me great pleasure to present this FY 2014-15 budget – the most optimistic budget we have seen in several years.

Spending

Overall, this proposed budget is larger than the current budget by $49.2 million, or roughly 2.76 percent. That increase is roughly in line with the rise in inflation.

More important, the new revenue from rising real estate assessments, combined with a proposed increase in the personal property tax rate, will allow us to fund new initiatives that will be very beneficial to Virginia Beach residents – and to avoid some service cuts that would have been painful.

Cuts Avoided

In November, we planned for the worst. At that time, we estimated a combined budget gap for City and Schools of $27 million. To close that gap, I asked all city departments to recommend cuts in personnel and other expenses, should they be necessary.

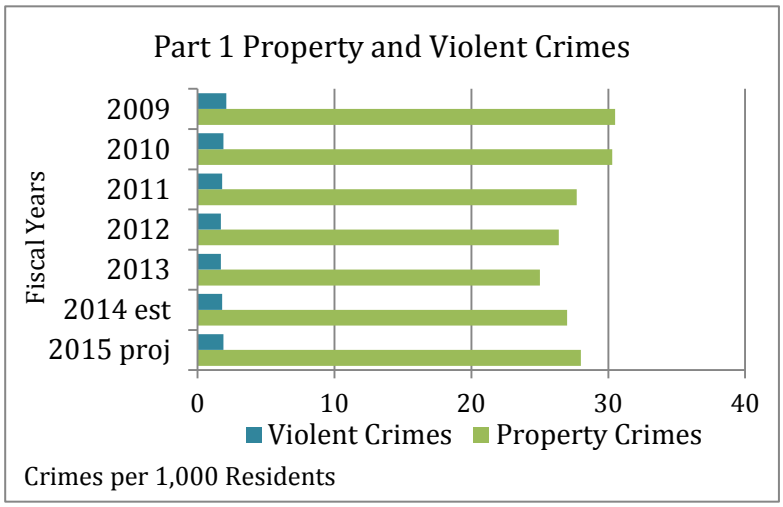
I am pleased to say that these reductions are not necessary. By redirecting one cent of the two cents that was dedicated to the capital program (the other remains in the CIP), and the additional revenues from the improved assessments, we were able to avoid many of the cuts that departments had initially identified. We were able to do this without impacting our roadway capital program through the use of over $20 million in additional State funds and debt in the out years. The cuts that this allowed us to avoid include:

- 13 firefighters
- 7 police officers in the Crime Prevention Unit
- A victim-witness caseworker in the Commonwealth's Attorney's Office
- Dental and maternity programs for low-income residents
- An early literacy outreach program
- A program and one position to help families avoid homelessness

As Police Chief James Cervera likes to say about preventing crime, sometimes success is measured by what *doesn't* happen. In this case, service cuts that *won't* happen are a very important part of this budget – and very good news for all residents.

New Initiatives-Making a Safe City Even Safer

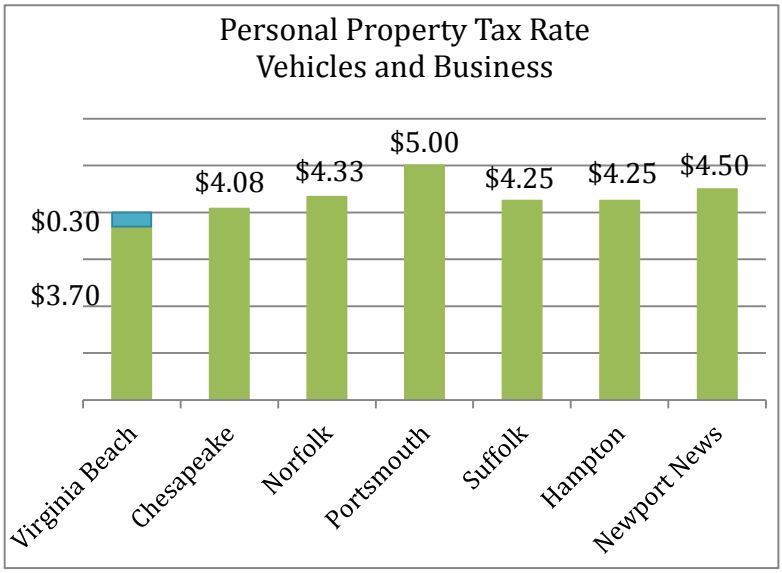
It is not enough, of course, to avoid bad things. Our goal is to always be proactive in improving the lives of our citizens, to improve the delivery of services, and to raise the standard of living and quality of life in Virginia Beach.



This proposed budget contains several new initiatives to make Virginia Beach safer. We are already the safest city of our size in the nation. Among all 18 American cities with populations of 350,000 to 500,000 – a list that includes Tampa, Raleigh, Minneapolis, Tulsa, Cleveland and Atlanta – Virginia Beach has *by far* the lowest rate of violent crime. In fact, the next-safest city, Mesa, Arizona, has a violent crime rate double Virginia Beach's. Our crime rate is at a 50-year low and it has continued to

drop every year. The last time we had a crime rate this low was 1964 – the year after Virginia Beach was created!

That's great, but we cannot rest on our laurels. Therefore, this budget proposes a 30-cent increase in the personal property tax rate to fund new public safety initiatives. This recommendation would raise $4.9 million per year. Even with that increase, Virginia Beach ***would still have the lowest personal property tax rate*** among the seven large cities of Hampton Roads.



The new money would fund:

- A three-year program to install 88 cameras at the Oceanfront, to increase public safety there.
- Replace fire radios in fire masks.
- New equipment to help save the lives of heart attack victims.
- Replacement of the master control system in the Correction Center.
- 4 additional employees at the 911 call center.

If City Council prefers, this new initiative could instead be funded by a 1-cent increase in the real estate tax rate rather than the 30-cent increase in the personal property tax rate.

Also in this budget is funding for a new Blackwater Fire and Rescue Station – to open early next year – and the conversion of the old Thalia Fire Station into a base for an ambulance and EMS field supervisors.

New Initiatives-Human Services

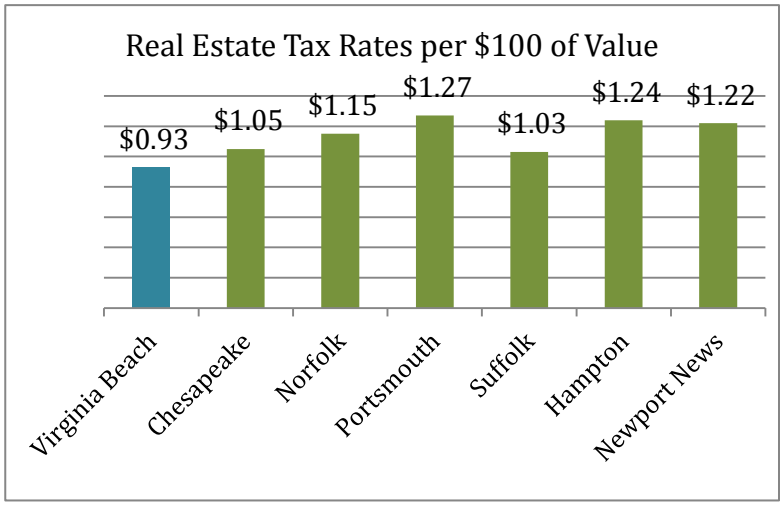
This budget also includes funding for 21 new positions in Human Services. While the Virginia Beach economy continues to grow, we know there are thousands of families and children who still need our help.

Evidence of this need abounds. For example, about 36,000 Virginia Beach residents receive SNAP benefits, formerly known as food stamps – a number that refuses to decline, even as our nation slowly recovers from the recession. There is also, as you know, unprecedented attention this year to mental health services.

These 21 new Human Services positions will be partly funded by the State, in addition to city resources. The positions include:

- 9 positions for juvenile detention alternative placement (100% of costs reimbursed by the State).
- 6 positions for a floating team to address increases in benefit case loads.
- 4 positions for child welfare.

Revenues



As previously noted, revenues are finally looking up. Our biggest revenue source, the real estate tax, is on the rise after an unprecedented five straight down years. As you know, Virginia Beach has the lowest real estate tax rate in Hampton Roads. This budget proposes ***no change*** in this tax rate. It would remain 93-cents per $100 of assessed value. No other city has a rate under $1, and some are quite a bit higher.

Also, as previously noted, this budget recommends a 30-cent increase in the personal property tax rate. That would bring the tax rate to $4.00 per $100 of value. Our rate would still be the lowest of all seven large cities in Hampton Roads. The new revenue would be dedicated to critical public safety projects.

Utility Rates-Sewer and Storm Water

This budget proposes a small increase in the city storm water fee. As you may recall, the State has mandated that the City take over storm water permitting, inspections, and monitoring, especially any system that discharges to the Chesapeake Bay, from the State Department of Environmental Quality. To accomplish this new workload, the budget includes seven new positions in Planning and nine in Storm Water. This mandate allowed the city to increase development fees slightly to cover anticipated costs; however these increases only generated $305,000 to cover a $1.8 million dollar mandate. To cover the remainder, we are recommending a 1.7-cent increase per ERU. Since each home is one ERU, this will result in an additional 52-cent per month increase to a typical homeowners bill.

This budget also includes the fourth and final year of increases in sanitary sewer rates to address the Federal Consent Decree. This will result in an additional $3.05 per month increase to a typical homeowner's bill.

Water rates are proposed to remain unchanged.

Other Fees

We also recommend raising some smaller user fees. This is consistent with our philosophy that users who benefit from certain services should help pay for them. For example, we recommend small increases for:

- Metered parking and resident parking permits and penalties at the Oceanfront to help pay for parking programs and enforcement.
- Various Planning fees are increasing to recoup costs associated with the State Storm Water Mandate.
- Recreation program costs are increasing to keep pace with rising costs for the programs and classes.

Conservative Fiscal Planning

This budget reflects our conservative policies in several ways.

First, we are proud to note that this year the City will not use money from fund balances, or savings accounts, to pay for operations. In recent years, we were forced to do this as revenues from the State, Federal government and real estate taxes dropped. It is not a healthy thing to do, and it is not sustainable. Fortunately, this year it is not necessary. (We do note, however, that Schools are proposing to use $16 million from its reserves – excess money from the previous year – to help balance its budget for FY 2014-15. This is a modest figure that will, they hope, not be necessary in future years.)

Second, my management team conducted a top-to-bottom review of the City's entire six-year Capital Improvement Program. We re-examined every construction project to ensure it is absolutely necessary, with the aim of reducing or eliminating those that are not. This was a huge undertaking. In the end, we scaled back or eliminated 11 projects, that are delayed or are not as crucial as we thought they were several years ago when they were initially planned.

This will reduce our borrowing – a very good thing for our bond rating. This also will create additional debt capacity for future projects, if needed, including some large projects that loom on the horizon, including the proposed Oceanfront arena, light rail, and the proposed entertainment complex at the old Dome site.

Employees

This winter was one of the worst in recent memory. It was cold, snowy, and miserable. Time and again we called on our employees to leave the warmth and comfort of their homes to serve our citizens. They responded marvelously. They always do.

This budget recommends 207.91 new positions, many of them to meet mandates in Human Services, Schools and Storm Water Management. It also recommends cutting 144.5 positions. Therefore, we are proposing a net gain of 63.41 positions.

The budget includes $112 million in employer contribution for health insurance, basically the same level as the current year, based on the guidance you and the School Board provided to staff at your joint meeting on March 4th. This is based on a City and School's cost share of 77% with employees and retirees (non-Medicaid eligible) contributing the remaining 23%. This strategy incorporates the following plan design changes:

- We will have three plan choices:
  - Point of Service (POS) plan with a deductible of $500/$1,500.
  - Plus PPO with a deductible of $1,000/$2,000.
  - PPO with a deductible of $1,500/$3,000. The amount paid by employees for the PPO will be much less than current plans, but they will have a higher deductible.

- The employer's contribution for all plans is based on the PPO Plan.

- We will not allow spouses with access to another employer group health plan that meets the affordability and minimum standards as set in the ACA on to the City and School health insurance plan.

- We will provide a one-time contribution of $500 to a Health Savings Account to current employees who choose the PPO plan.

- Employees who choose not to participate in the vbWellness*for*Life program will be charged an additional $500 for health insurance coverage.

For the City, we had anticipated a $4 million increase in our employer costs based on the current health insurance program. The proposed changes in the health care program allowed us to redirect this savings to recommend a small pay raise for all city employees. Under this budget, city employees would receive a total pay increase of 3 percent. The first 1.34 percent would be on July 1st to cover mandatory employee contributions to the VRS retirement fund and the resulting higher taxes. The second 1.66 percent would come on October 1st as a general raise (both of these raises would be effective on the pay period preceding their start date.) School employees would receive a similar pay increase of 2.79 percent using the additional revenues provided through the City/School Revenue Sharing Formula. In addition, the lowest paid full-time city staff will be increased to ensure that all full-time city positions make at least $10.13 per hour.

I am keenly aware that our dedicated City and School employees have gone several years with small pay raises or no raises at all. Unfortunately, this is true of all government employees nationwide, and most private sector employees, too. I wish we could do more. In the future, as the economy improves, this may be possible.

Finally, this budget addresses the issue of salary compression for both City and School employees. Because we have not had merit raises for several years, many employees with several years' experience find themselves earning the same salaries as newly hired employees. That is not optimal. This budget includes $1.45 million to supplement the pay of approximately 3,000 City employees and a similar amount to address School compression issues.

Conclusion

Virginia Beach is in better financial shape today than we have been in several years. The economy is slowly turning around. We are adding jobs and new businesses. Our unemployment rate is the lowest in the region. Tax revenues are up. Real estate values are finally moving higher. The resort industry had a record-breaking summer in 2013 – after a record-breaking year in 2012.

It is true that the military – Virginia Beach's largest industry – is in a state of flux. The Secretary of Defense has proposed shrinking our armed forces, and we do not know how this will affect the city and region. We also face a possible round of base closings nationwide and the possibility that some Navy ships and personnel will move from the East Coast to the West Coast.

Still, I am optimistic about Virginia Beach's future. The City Council has laid the groundwork for great changes. Town Center is thriving and growing. We have plans for eight strategic growth areas where new homes and businesses will be concentrated. Transportation money for new roads and, perhaps, light rail is finally coming from Richmond. And who knows? This may be the year Virginia Beach gets an entertainment and sports arena at the Oceanfront.

This budget maintains Virginia Beach's high quality of life and improves on it in several important ways. It is not perfect – no budget ever is – but it lays out a strong path for Virginia Beach's future success that is consistent with the vision identified by City Council.

With Pride in Our City,

James K. Spore
City Manager

Schedule of Workshops & Public Hearings

Date/Time	Event	Location
Tuesday March 25, 2014	Presentation: The Proposed FY 2014-15 Operating Budget and Capital Improvement Program is Presented to City Council	City Council Chambers 6:00 p.m.
Tuesday April 1, 2014	Council Workshop: ♦ Economic Vitality ♦ Safe Community	Council Conference Room
Tuesday April 8, 2014	Council Workshop: ♦ Quality Physical Environment	Council Conference Room
Tuesday April 15, 2014	Council Workshop: ♦ Quality Physical Environment (Continued) ♦ Cultural and Recreational Opportunities ♦ Family and Youth Opportunities	Council Conference Room
Tuesday April 22, 2014	Council Workshop: ♦ Quality Education and Lifelong Learning ♦ Quality Organization	Council Conference Room
	Public Hearing	City Council Chambers 6:00 p.m.
Tuesday April 30, 2014	Council Workshop: ♦ Quality Organization (Continued)	Council Conference Room
Thursday May 1, 2014	Public Hearing	Kempsville High School 6:00 p.m.
Tuesday May 6, 2014	Council Workshop: ♦ Reconciliation	Council Conference Room
Tuesday May 13, 2014	Vote On: The FY 2014-15 Operating Budget and Capital Improvement Program	City Council Chambers 6:00 p.m .

Understanding the Budget Process

Month	Residents	City Council & School Board	City Administration
JULY			*Leadership Budget Meetings* Management leadership budget planning meetings begin.
AUGUST			
SEPTEMBER			*Budget Kickoff* City leadership meets to understand issues facing the City for the upcoming budget process.
OCTOBER			
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.
DECEMBER			*Proposed Budget Development* Management Services works with the City Managers Office and departments to begin developing the Proposed Budget that fits with the City Council goals set in their retreat.
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		*Modernization Committee Meeting* Modernization committee members meet to discuss the Schools Modernization Program.	
MARCH			
APRIL		*School Board Budget Adoption* School Board members make final decisions and adopt the Virginia Beach City Public Schools Budget.	*Presentation of the Proposed Budget* The City Manager presents the Proposed Budget to City Council.
	Budget Public Hearings Members of the public are welcome to comment on the Proposed Budget and offer suggestions to City Council.	*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* Management Services and other City staff respond to inquiries from City Council regarding the Proposed Budget.
MAY			
JUNE		*Final Budget Adoption* City Council makes final decisions and adopts the official City of Virginia Beach budget.	*Adopted Budget* Management Services produces the Adopted Budget and begins to develop budget guidelines for the next fiscal year.

Operating Budget

Operating Budget

This section provides a brief overview of the major issues driving both revenues and expenditures in the Operating Budget. The most important development in this year's budget is real estate assessments are growing after an unprecedented five consecutive years of decline. Congress has removed some uncertainty with the passage of a debt ceiling extension. The effects of Federal Sequestration are waning, and Congress has reduced many of the consequential impacts on the defense budget. All of which bode well for continued growth in consumer revenues.

Unfortunately, however, the growth in revenues is insufficient to fully meet anticipated growth in expenditures. The primary expenditure drivers are increases in:

- Retirement and health care costs.
- State mandates for Stormwater Utility and Human Services as well as increases in demand for services.
- Public Safety Capital Improvement Program initiatives.
- Compensation for employees.
- Inflation and increases in demand for services.

Economic Overview

While the national economy has grown below historical norms, locally many of our economic indicators have been improving.

Consumer Spending: The number one driver of the economy nationally is consumer spending which makes up roughly 70% of the economy. The City's consumer revenues are performing well since the recession, at or close to their long term averages. With the accelerating growth in internet sales, and global competition, the long-term average increases for General Sales may not be achievable. Through FY 2012-13, Hotel sales were performing at their long-term average. So far through FY 2013-14, however, the weather, budget uncertainty, and sequestration (subsequent decrease in Federal employee travel) have stunted growth this year. The weather is random or cyclical; Congress has limited some of the most severe impacts of sequestration, but a permanent reduction in defense expenditures would represent a structural impact to our tourism industry.

Annual Average Growth Rates in Consumer Revenues

Tax	Recovery	Recession	Long-Term Average
General Sales	3.1%	-4.0%	3.9%
Meal	4.4%	0.4%	5.0%
Hotel	4.8%	-1.3%	4.8%
BPOL	5.1%	-4.5%	5.1%

Employment: When looking at employment nationally, the data are mixed. The unemployment rate has been steadily declining, but economists believe a decline in the labor force participation rate rather than strong growth in employment serves as a significant reason for the decline. That is not the case here. The growth in the City's labor force is outpacing the growth in our population, which is not the case nationally as shown in the following table.

Annual Growth Rates Labor Force, Employment, & Population 2010-2013

	Virginia Beach	National
Labor Force	0.98%	0.32%
Employment	1.43%	1.15%
Population	0.88%	0.79%

Sources: Bureau of Labor Statistics, Census Bureau, Weldon Cooper Center for Public Service

Locally, because employment has been steadily increasing, the City's unemployment rate has receded from the recessionary high of 7.1% in January 2010 to 4.7% in December 2013. This represents the lowest rate achieved in December since 2008. Initial unemployment claims have decreased by an annualized monthly rate of 10% since their peak in July 2010, and January marked the seventh double-digit decrease in the last twelve months.

Housing: The greatest evidence of an improvement in the local economy is the housing market where assessments are up for the first time after five consecutive years of decline. Through 2013, building permits are up 88% above their recessionary levels, and represent 80% of their pre-recession average. Foreclosures have fallen 36% since their recessionary peak, but still remain 24% above their pre-housing bubble levels.

Looking forward for the entire year, economists at Old Dominion University released their 2014 economic forecast for Hampton Roads. The table below shows the actual performance for 2013 and projected improvement in performance for many economic variables for 2014.

Old Dominion University
2013 Actual and 2014 Forecast for Hampton Roads

	2013	2014
Real Gross Regional Product*	1.7%	2.2%
Civilian Employment	2.0%	1.5%
Unemployment Rate	5.9%	5.3%
Taxable Sales	2.9%	3.6%
Hotel Revenue	-1.3%	2.4%
Housing Permit Value	15.7%	7.9%

*long-term historical average is 3.1%

Connection to Envision 2040

An important aspect of budget development is citizen engagement and achievement towards City Council goals. The practice of citizen engagement was used in the development of this year's Resource Management Plan via 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 nearly 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 major role. When thinking about the FY 2014-15 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 base 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.

Envision 2040 identified six vision elements that describe how Virginia Beach will look in 2040. Within the FY 2014-15 Operating Budget, there are a number of new initiatives, as well as the expansion of several existing initiatives, related to the vision elements outlined in Envision Virginia Beach 2040. The following is the description for each of these vision elements as well as a sampling of programs or initiatives related to each vision element.

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.

- The Parks and Recreation Department will be upgrading their existing registration system to allow customers to manage their accounts as well as complete registration, book a facility, and perform payment transactions online via any mobile device (laptop, tablet, smart phone, etc.).
- Public Works and Parks and Recreation continue to focus on the expansion of trails, multi-use paths, and bikeways.
- Increased funding for public transit.
- The development of a Municipal Area Network (MAN).
- Continued funding for the second phase of the mobile applications project.
- Construction of an educational center at the Adam Thoroughgood House.
- Funding to widen Princess Anne Road – Phase VII and begin design work for improvements to Sandbridge Road/Nimmo VIIa.

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 in preparing citizens to be successful throughout their life.

- The Schools have included two new literacy programs in the budget. The first program provides funding to send three hundred kindergarten through second grade teachers to receive extensive professional development in instructional strategies for effectively teaching struggling readers. The second is a summer reading program that will serve the 12 neediest, non-Title I schools (students from Title I schools, 40% of students come from low income households, already have specialized reading programs).
- Early literacy programs conducted by the Libraries.
- The GrowSmart program in Economic Development.
- Expansion of the Parks and Recreation Department's Out of School Time (OST) program to five additional sites.
- Various workforce development initiatives in Economic Development.
- Program in Human Services to provide a highly structured, disciplined residential program for juvenile offenders committed to the Department of Juvenile Justice (DJJ). The program will focus on strengthening the offenders' competency levels through education, job readiness, life, and social skills.

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.

- Increased funding to support homeless initiatives is included in the Housing and Neighborhood Preservation Budget.
- The Housing Resource Center Project.
- The continuation of various citizen engagement initiatives.
- Continued support for the Minority Business Council.

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.

- Funding to Landscape Services for the development of an Urban Forestry Management Program.
- Continued funding for the acquisition, development, and maintenance of open space.
- Continued funding for the operation and maintenance of numerous parks throughout the city.
- Funding for mandated storm water management programs to improve water quality.
- Funding for the wetlands mitigation bank included in the CIP.
- Additional funding in support of Lynnhaven River Now.
- Funding to analyze the impact of sea-level rise and areas of recurrent flooding.

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.

- Funding for the replacement of the Kempsville Recreation Center.
- Funding to support the operations and maintenance of community recreation centers and parks throughout the community.
- Funding for historic homes.
- Funding to the Sandler Center for Performing Arts.
- Museums, through funding provided by the Aquarium Foundation, will be providing staff for aspects of the new Aerial Adventure Park.

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.

- Funding for the creation of an Innovation/Incubator Center. This Center will offer various business-oriented services to foster development of new businesses.
- Funding for various marketing programs to bring conventions and tourists to the City.

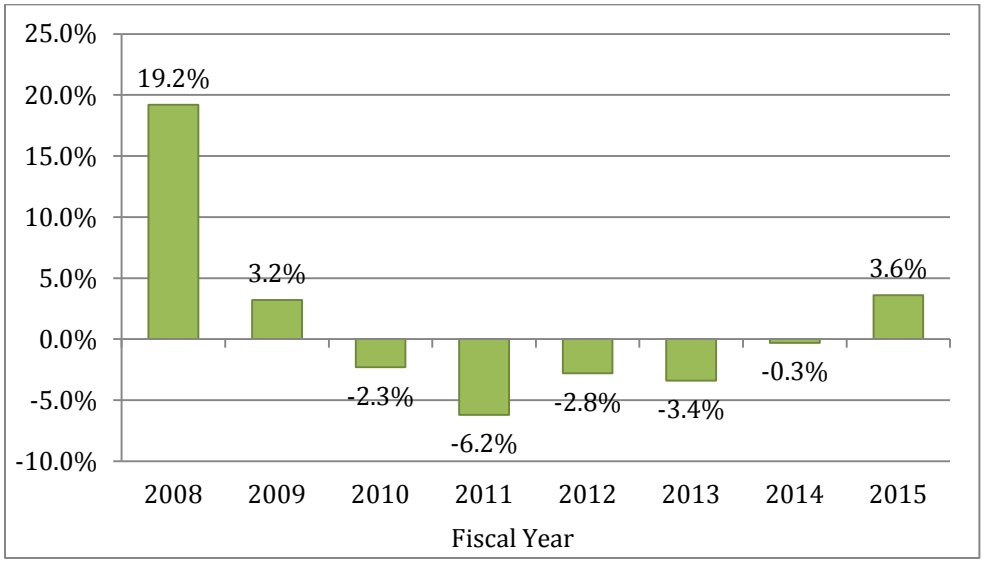
- Business recruitment and retention initiatives through Economic Development.
- Continued funding and aggressive pursuit of roadway and mobility improvements.

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, revenues are growing by 2.8% in the FY 2014-15 budget, which represents the strongest year since FY 2007-08. Real estate assessments returning to positive territory is the most encouraging news. Assessments had previously declined by a total of $8 billion dollars from FY 2009-10 through FY 2013-14. The chart below illustrates the growth prior to the real estate bust, the five consecutive years of depreciation, and the return to growth for FY 2014-15.

Total Change in Real Estate Assessed Value



Real Estate tax bills are influenced by changes in assessment (typically appreciation, but more recently depreciation) and changes in tax rates (raising and lowering). The average annual change in real estate tax bills reflects both of these influences. The average annual increase in real estate tax bills from FY 2003-04 through FY 2014-15 has been 1.94%. Comparisons over time for Virginia Beach are important, but so are relative comparisons to neighboring cities. Staff began surveying local cities in FY 2004-05, which coincides with the beginning of unprecedented appreciation followed by unprecedented depreciation (FY 2003-04 serves as the base for measuring change since FY 2004-05). The data in the next table indicates the annual average increase in real estate property owners' tax bills has been only 1.77% in the City over the last ten years, which represents the lowest increase among the largest cities in our region. The average annual increase for the other cities was 4.04%.

Average Annual Increase in Property (all types) Tax Bills
from FY 2004 through FY 2014

Virginia Beach	**1.77%**
Chesapeake	2.00%
Norfolk	3.55%
Newport News	3.97%
Hampton	4.53%
Suffolk	5.00%
Portsmouth	5.20%
Average Excluding Virginia Beach	**4.04%**

This modest annual increase in tax bills was achieved by City Council lowering the tax rate from $1.22 to 89-cents during the period of robust appreciation.

Collectively, the data illustrates that annual increases in the real estate tax burden, on average, has been consistently modest over long periods of time and in relative comparisons.

The growth in real estate values was broad based. The average value of all major classifications of property: residential; commercial/industrial; and apartments increased. The average for all value-ranges of properties increased except those under $150,000 (which comprise 18% of total properties). During the worst year of depreciation (FY 2010-11), 88.2% of all properties decreased in value; that percentage has fallen to 23.6% for FY 2014-15. The number of sales increased 14%, another sign of the housing recovery. Lastly, economists from Old Dominion University also point to improvement in fundamentals that support real estate.

Although the growth represents especially good news, the Real Estate Assessor cautions that it may not represent the beginning of a sustained upward trend. Foreclosures still represent 20% of total sales (40% for townhomes), and nearly a quarter of all properties still decreased in value. It is possible that growth could hover at less than 5% for several more years.

The following table illustrates where the City allocated the increase in Real Estate Tax revenues:

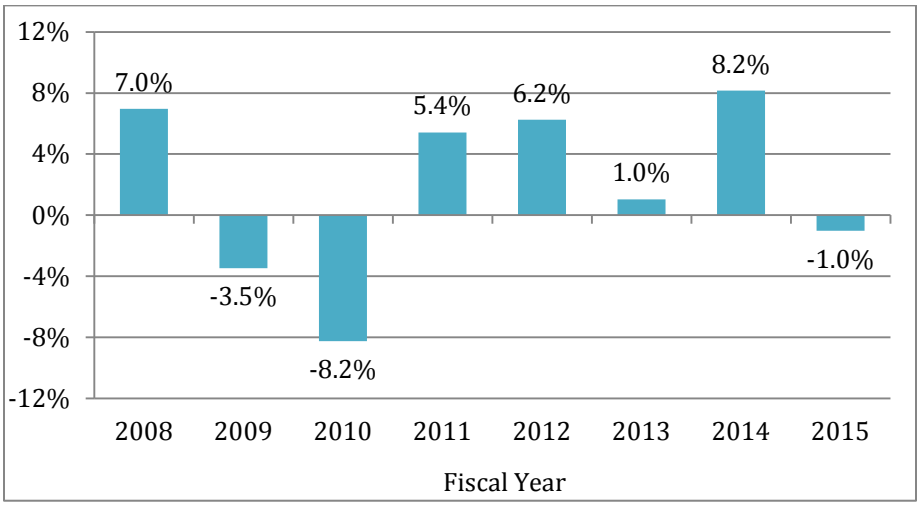
Change in Real Estate Revenue: FY 2013-14 to FY 2014-15

	FY 2013-14	**FY 2014-15**	**Difference**
City Operations	$217,704,335	$224,978,397	$7,274,062
Schools	$207,118,268	$215,907,608	$8,789,340
Parks and Recreation	$18,899,332	$19,617,550	$718,218
Sandbridge Special Service District	$591,675	$628,909	$37,234
Agriculture Reserve Program	$4,311,817	$4,474,353	$162,536
Sandbridge TIF District	$7,410,157	$8,139,025	$728,868
Central Business District TIF District	$5,208,136	$5,367,921	$159,785
Town Center Special Service District	$1,480,463	$1,548,564	$68,101
Dredging Special Service Districts	$139,490	$382,648	$243,158
Total	**$462,863,673**	**$481,044,975**	**$18,181,302**

The overall increase in revenue derived from real estate is $18.2 million of which approximately $3 million is related to the growth from new construction over the FY 2013-14. As the table illustrates, the majority of the revenue increase, $10.9 million of the $18.2 went to City Council dedications. The $7.3 million allocated to City Operations was used to maintain current services, provide local funding where required to meet State mandates such as in Human Services and the line of duty payment to VRS.

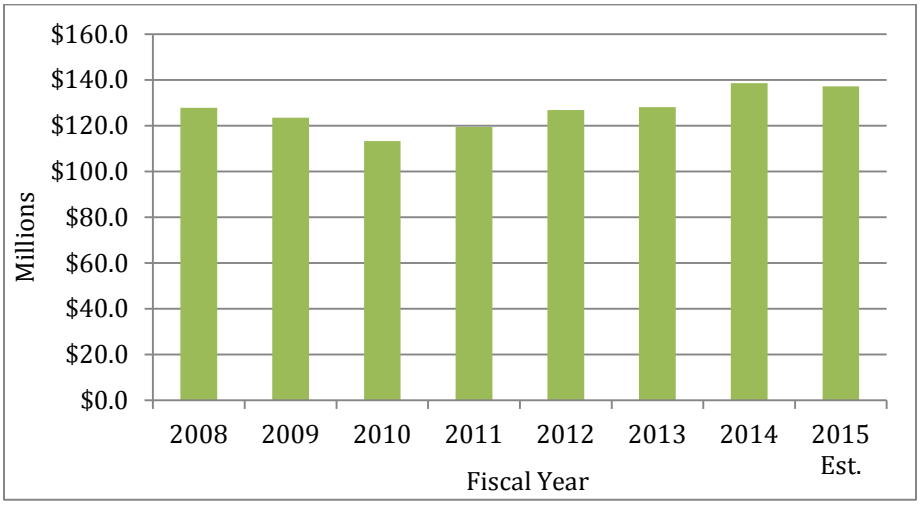
Personal property taxes have always been highly sensitive to economic cycles, and the next graph illustrates this through the pre-recession growth, the trough, and recovery. During the depth of the recession, new car registrations plunged 49% from their pre-recession peak. New car sales have grown 36% since the recession and used car prices are holding their values above historic norms (primarily because lower car sales during the recession has now limited the supply of used cars from that time period). However, the budget estimate for FY 2013-14 has proven to be overly optimistic. Fortunately, other revenues are on a pace to perform above the budgeted levels in FY 2013-14 so that the shortfall in personal property will be mitigated.

Change in Personal Property Tax Revenue
FY 2007-08 through FY 2014-15



The budget includes a 30-cent increase in the personal property tax rate for automobiles and business property. This rate increase will be dedicated to fund public safety projects and staffing that are listed in the expenditure section of this document. It is important to note that the City's new rate still represents the lowest among the major cities in the region. The average personal property tax bill on vehicles would increase by $52 as a result of the new tax rate.

Personal Property Tax Collections
FY 2007-08 to FY 2014-15



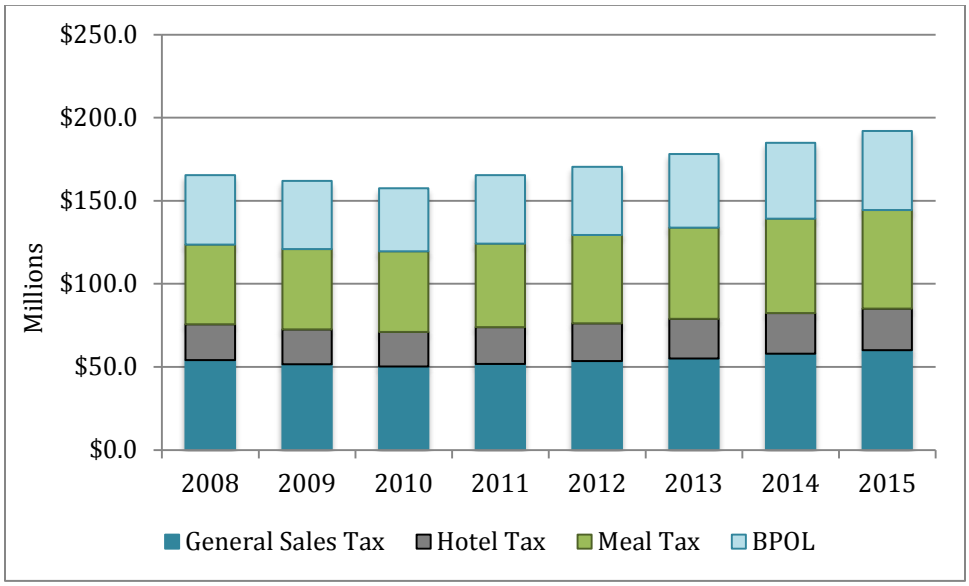
The major consumer revenues (General Sales, Business Professional Occupancy License tax, Meal, and Hotel taxes), which are sensitive to the economy, are performing modestly well, but below their long-term historic norms. As the next graph illustrates, these revenues dipped during the recession period of 2009 and 2010, but have recovered more quickly than the real estate tax has exiting the recession. Consumer confidence continues to grow, and the City should begin to reap the gains from Amazon's decision to remit sales taxes on purchases in Virginia. Staff estimated this impact at $700,000 annually.

Business License revenues have recovered since the recession. An interesting phenomenon occurred during the recession, however. Over a two-year period, the number of business licenses issued actually increased during the recession (1.5%) while the gross revenue declined (-8.9%). This could be attributable to people who lost their job during the recession opening their own businesses and City Council's policy to exempt new businesses from paying business personal property taxes for the first two years.

Historically, the meal tax revenue has been one of the most consistent performers regardless of underlying economic fundamentals, and it consistently has out-performed General Sales tax. Through five previous national recessions (some of which did not impact our area), the lowest annual growth rate achieved was 1.6%. This immunity ended for this recession. Annual growth rates for FY 2008-09 and FY 2009-10 failed to breach 1% (0.5% and 0.3% respectively); however, the growth never trended negative. This paralleled the national experience. According to a Zagat Survey, Americans dined out an average of 3.3 times a week before the recession and dropping only slightly (3.1) during the downturn. Modest growth, however, has resumed with this revenue growing at an average of 4.4% since the recession ended.

Admissions taxes are not performing well, but these are highly variable and highly dependent on the particular movie releases and amphitheater season. Admission from movie and amphitheater sales typically generates between 51% and 57% of total admission taxes. From FY 2008-09 through FY 2012-13, the annual average change in local movie sales has declined by 0.3%, but the range has been from 7.2% to -3.9%. The amphitheater season is highly dependent on touring acts and, in some cases, the weather. For the last five years, amphitheater sales have grown by an average rate of 0.5%, but the range spans from 36% to -17%.

General Sales Tax, Business Professional Occupancy License, Hotel Tax, and Meal Tax



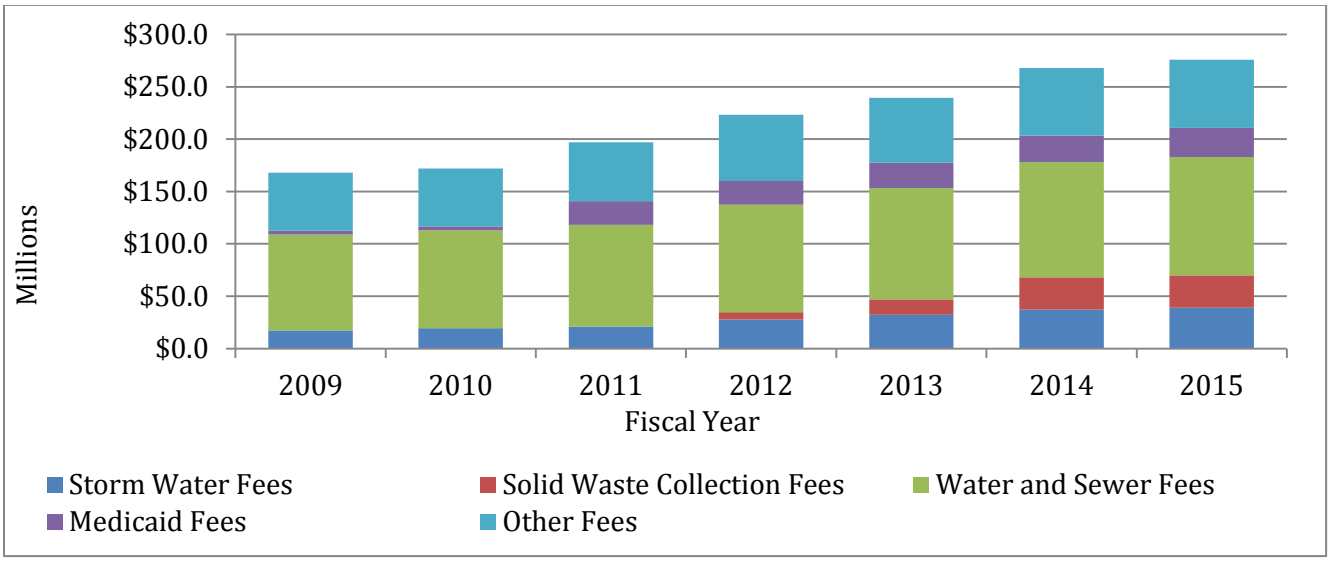
Other local taxes included in the FY 2014-15 Operating Budget reflect mostly positive performance. Cable Franchise taxes, Deeds, Automobile Licenses, Cigarette taxes, and Utility taxes are growing. The latter is barely positive because the Virginia Telecommunication Tax (about half of the total utility tax) is still declining. In January 2007, the State replaced all local telecommunication and cell phone taxes with a uniform 5% tax. To eliminate the various rate structures imposed by over 100 local governments, telecommunication industries intensely lobbied for this change. From a local government perspective, there were concerns about achieving revenue neutrality (a legislative promise). However, many local governments were experiencing a decline in the telecommunication revenues due to the trend of consumers canceling landline service and relying strictly on mobile service. Since its inception, the telecommunication tax has not maintained revenue neutrality, but it is impossible to know what growth would have occurred under the previous tax structure. The local revenue that is not performing well is Bank Net Capital taxes (franchise tax on the net capital of banks).

A charge for services represents a broad range of revenues that offset the cost of delivering services and programs. 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 more of the costs of these programs as illustrated in the next graph. Charges for services helped offset the five consecutive years of declining real estate assessments. A complete listing of fee increases can be found in the *Appendix* section of this document.

- Stormwater Utility Rate: The Storm Water Utility Enterprise Fund proposes a 1.7¢ increase per ERU to support nine positions and equipment necessary to address additional permitting, inspection, and mitigation efforts required to meet new Storm Water regulatory requirements. One Engineer IV, one Engineer III and two Construction Inspector III (4 positions) have been added to Engineering Project Management. One Engineer II, one Engineering Technician III, one Engineering Technician II, one Construction inspector III and one Construction Inspector II (5 positions) have been added to Storm Water Operations.

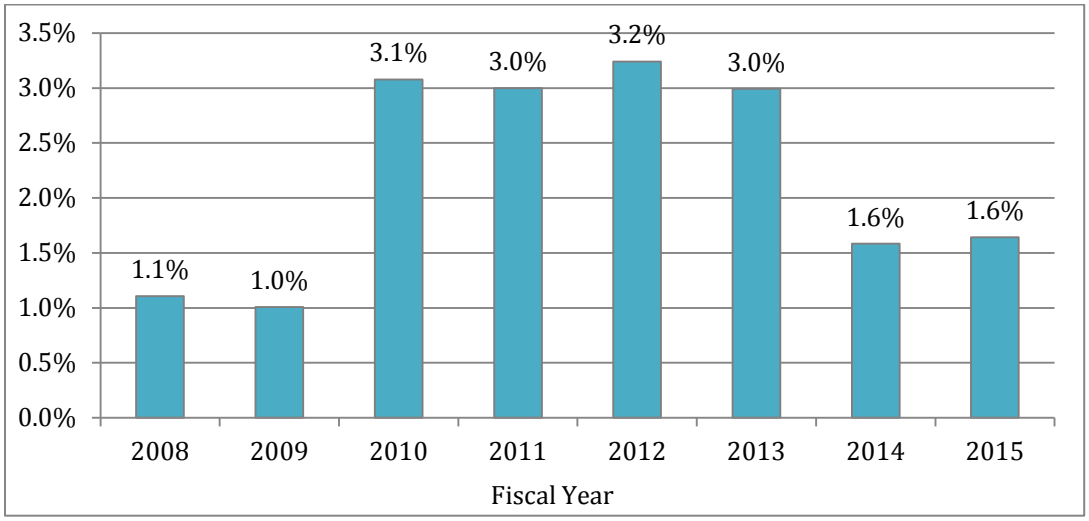
- Water and Sewer: FY 2014-15 represents the last year of a four-year phase in of rate increases for water and sewer. The average monthly increase for a household that consumes 5,000 gallons is $3.05.

Charges for Services FY 2010-11 to FY 2014-15



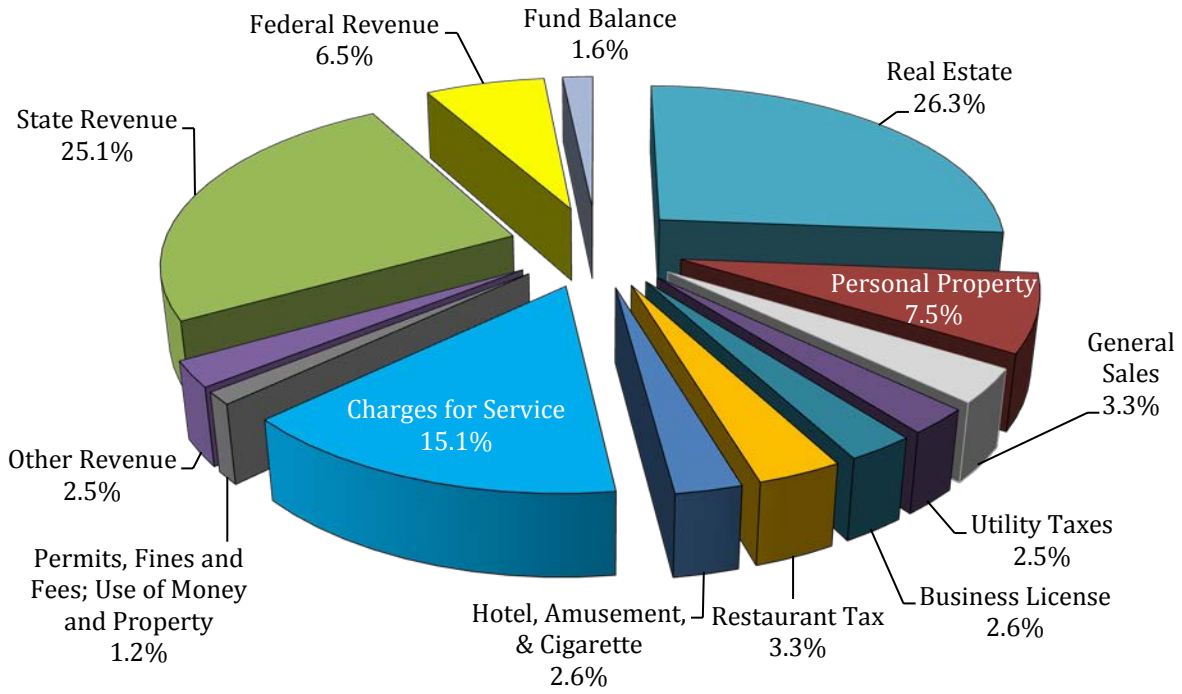
Another positive budget change associated with the economic recovery, is the City has begun to minimize the use of fund balance from the previous year to balance the current year's Operating Budget. The use of fund balance for certain one-time costs is common in even normal economic climates or for dedicated funds in which the use is anticipated as part of a financing strategy. Prior to the recession, the use of General Fund fund balance to balance the Operating Budget has been non-existent for the City. For a four-year period the City use of fund balance equated to greater than 3% of total revenues to mitigate the impacts of the recession. That percentage has declined to 1.6% for last year and FY 2014-15. The following graph shows the decline in the use of fund balance in FY 2014-15 as compared to previous years. Of the $30 million in fund balance appropriated for FY 2014-15, the Schools portion is $25.6 million and $4.5 million is appropriated for planned use for City Council dedications and future capital commitments.

Total Fund Balance Use as a Percentage of Total Revenue



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

FY 2014-15 Operating Budget Total Estimated Revenues



Real estate revenues are the City's single largest revenue source and comprise 26.3% 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 (15.1%) of revenues is Charges for Service, which is comprised of many fees charged to offset the cost of municipal services. These services include water and sewer rates, 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.

The City also receives funding from the State and Federal governments to support certain programs and services. In FY 2014-15, State revenue is expected to grow by 2.8%, while Federal revenue (assuming no further impact from sequestration) is expected to grow by 0.2%. Staff will be monitoring these program specific Federal revenues closely and will notify City Council of possible programmatic impacts.

The City allocates funding to Schools via a revenue sharing formula. The 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 2014-15, the City is contributing $366.9 million in revenue according to the revenue sharing formula (the policy and actual calculation are in the *Appendix* of the Operating Budget document).

For City and Schools combined, revenues for the upcoming fiscal year are projected to increase 2.8% compared to the Adjusted FY 2013-14 Operating Budget. As seen on the next table, of the $1,830.5 billion

budget, $969.8 million is allocated to support City programs and $860.6 million is used to support School programs.

City and School Revenue Summary

	FY 2013-14 Adjusted Budget [1]	FY 2014-15 City Budget	FY 2014-15 Schools Budget	FY 2014-15 Total City & Schools Budget	Percent Change
Real Estate [2]	$ 462,863,673	$ 461,158,963	**$ 19,886,012**	$ 481,044,975	3.9%
Personal Property	138,576,713	137,161,976	-	137,161,976	-1.0%
General Sales	57,987,462	60,016,191	-	60,016,191	3.5%
Utility Tax	25,123,967	25,150,998	-	25,150,998	0.1%
VA Telecommunications	19,694,924	19,744,161	-	19,744,161	0.2%
Business License	42,791,543	47,600,886	-	47,600,886	11.2%
Cable Franchise	7,031,293	7,400,000	-	7,400,000	5.2%
Restaurant Tax	58,140,927	59,622,821	-	59,622,821	2.5%
Amusement Tax	5,941,774	5,836,125	-	5,836,125	-1.8%
Hotel Room Tax	28,057,856	27,872,312	-	27,872,312	-0.7%
Cigarette Tax	13,042,050	13,083,160	-	13,083,160	0.3%
Revenue Sharing Formula		-370,131,412	**370,131,412**	-	0.0%
General Fund Balance	3,116,978	0	**2,000,000**	2,000,000	-35.8%
Other Fund Balance	25,077,977	4,474,328	23,559,588	28,033,916	11.8%
Utility Fees	149536876	154,677,502	-	154,677,502	3.4%
Other Revenue	145,740,319	125,660,422	24,984,260	150,644,682	3.4%
Waste Collection Fee	31,098,000	31,098,000	-	31,098,000	0.0%
State Revenue	447,317,980	116,646,144	343,138,406	459,784,550	2.8%
Federal Revenue	119,511,750	42,772,311	76,922,539	119,694,850	0.2%
Total Operating Budget	$ 1,780,652,062	$ 969,844,888	$ 860,622,217	$ 1,830,467,105	2.80%

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

The Schools receive four of the six cents real estate tax rate increase that was adopted by City Council in FY 2012-13. For FY 2014-15, this dedication equates to $19,886,012. The Schools also redirected $2 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 due to the increase in the solid waste fee in the FY 2013-14 real estate tax rate ($3,218,551).

For FY 2014-15, the City is providing $392 million from all sources local funding (shown in **Bold** on the table above), or 45.3% of the $860.6 million in the FY 2014-15 School Operating Budget. This amount exceeds the minimum required by the State Standards of Quality by $219 million. In addition, $725,000 is being held in a reserve to address the true-up of the School funding formula based on the State budget being finalized (As of the printing of this document, the State budget for FY 2014-15 has yet to be adopted).

Impacts on Taxpayers

Virginia Beach strikes a good balance between imposing taxes and delivering high quality services. The City imposes the lowest overall tax burden among all the major cities in Hampton Roads while arguably providing the best services in the area: schools that produce high test scores; full service recreation centers; and the lowest crime rate in the area. The table below illustrates that the City generally imposes relatively low taxes on a typical household.

Comparison of Annual Tax Impact for Virginia Beach from FY 2008-09 to FY 2014-15

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Adopted 2014-15
Real Estate Tax [1]	$2,308.66	$2,201.86	$2,110.19	$2,054.12	$2,089.05	$2,001.36	$2,054.37
Personal Property Tax [2]	208.62	163.65	160.99	190.72	231.70	241.60	293.44
Electricity Utility Tax	36.00	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	36.00
Va Telecommunications Tax	70.68	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	36.00
Restaurant Tax	275.00	263.03	263.03	263.03	263.03	263.03	263.03
Admissions Tax	25.69	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	50.00
Storm Water Utility Fee	73.37	80.67	87.97	115.34	133.59	151.84	158.05
Residential Refuse Fee	None	None	None	60.00	120.00	256.32	256.32
Water & Sewer	509.52	529.69	552.00	582.96	615.84	650.64	687.24
Total Tax Impact	**$3,629.53**	**$3,473.83**	**$3,428.55**	**$3,520.54**	**$3,707.58**	**$3,819.16**	**$3,966.81**
Annual Change	**$0.00**	**($155.70)**	**($45.28)**	**$92.00**	**$187.03**	**$111.58**	**$147.65**
Cumulative Change in Tax Impact		**($155.70)**	**($200.98)**	**($108.99)**	**$78.05**	**$189.63**	**$337.28**

1) Real estate taxes computed based on a median home value

2) Personal property tax computed based on average vehicle value for two vehicles. The calculation also accounts for the portion of the tax that is paid by the State through the Personal Property Tax Relief Act (PPTRA)

For only the second time in the last six years, real estate taxes for a typical homeowner will increase by about $53 in FY 2014-15; the overall tax burden on the household of four will increase by $147.65 or $12.30 per month.

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 2014-15 for Virginia Beach and Other Hampton Roads Cities Selected Taxes/Fees

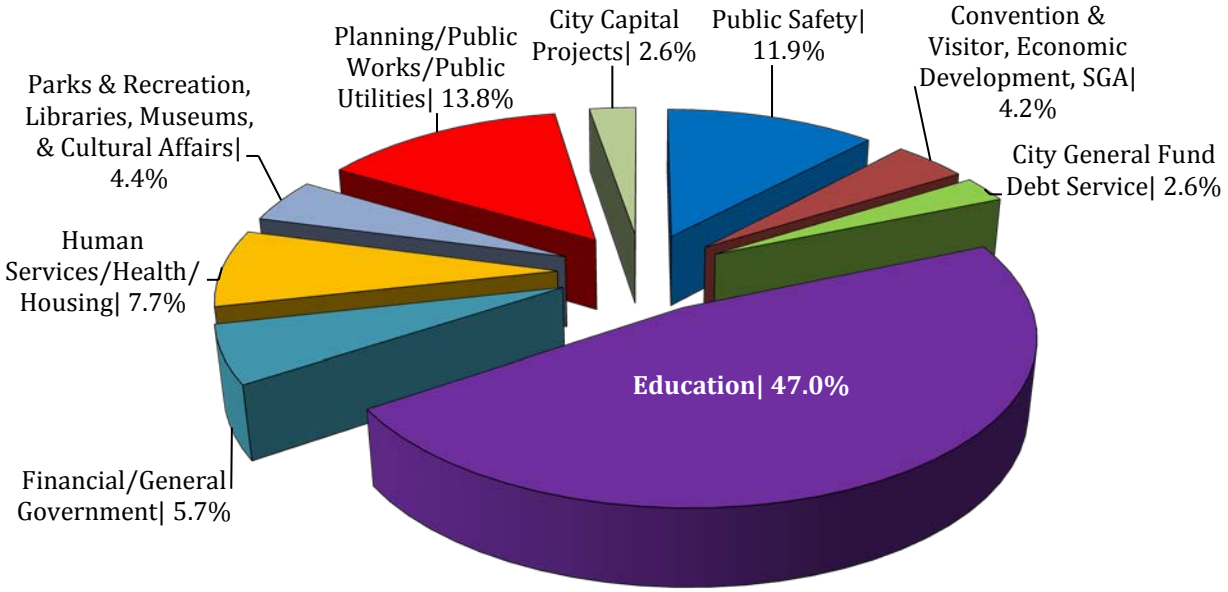
	Virginia Beach	Chesa-peake	Norfolk	Ports-mouth	Suffolk	Hampton	Newport News
In dollar amounts:							
Real Estate (per $100 /A.V.)	**0.93**	1.05	1.15	1.27	1.03	1.24	1.22
Personal Property (Vehicles & Business)	**4.00**	4.08	4.33	5.00	4.25	4.50	4.50
Personal Property (Machinery & Tools)*	**-**	0.64	1.70	1.50	0.63	1.23	1.25
Automobile License	**25.00**	23.00	26.00	32.00	26.00	35.00	26.00
Cigarette (per pack)	**0.70**	0.50	0.80	0.90	0.50	0.80	0.85
Solid Waste Fee	**21.36**	-	28.01	33.36	16.50	18.42	29.25
In percent:							
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. City Council directed staff to eliminate this tax; however, the Code of Virginia requires that localities assess and levy all classifications of personal property. With an adopted 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.

Expenditures

Expenditures for the FY 2014-15 Operating Budget total $1,830.5 billion. The graph below illustrates the breakdown of the budget by major service areas. As the graph shows, 47% of the budget is spent on education and the next largest amount goes to Planning, Public Works and Public Utilities at 13.8%, with public safety receiving the third highest percentage at 11.9%.

FY 2014-15 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.

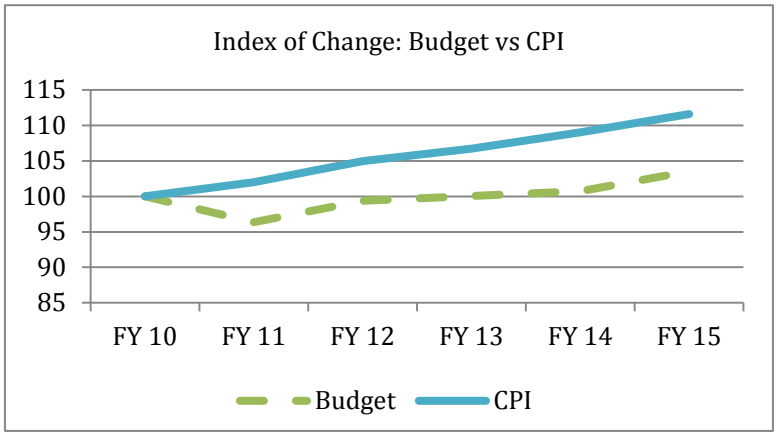
City and School Expenditures by Expenditure Type

	FY 2013-14 Total City & Schools Adjusted Budget	**FY 2014-15** City Budget	Schools Budget	Total City & Schools Adopted Budget	% Change	$ Change
Personnel	803,482,000	342,808,808	474,351,569	817,160,377	1.7%	13,678,377
Fringe Benefits	299,357,945	133,785,346	181,296,514	315,081,860	5.3%	15,723,915
Operating Expenses	443,340,413	293,172,298	156,253,942	449,426,240	1.4%	6,085,827
Capital Outlay	14,712,906	10,308,368	3,212,967	13,521,335	-8.1%	(1,191,571)
Debt Service	153,342,327	118,314,184	45,507,225	163,821,409	6.8%	10,479,082
Pay-As-You-Go	51,599,569	48,075,641	-	48,075,641	-6.8%	(3,523,928)
Reserves	14,816,902	23,380,243	-	23,380,243	57.8%	8,563,341
Total	**1,780,652,062**	**969,844,888**	**860,622,217**	**1,830,467,105**	**2.80%**	**49,815,043**

Note: The City's "Personnel" figure includes the 1% required VRS salary increase and a 0.34% general increase, with an additional 1.66% general increase in a "Reserve" account. The Schools entire 2.79% salary increase is included in "Personnel".

As illustrated by the table, the overall budget is increasing 2.8% or $49.8 million consisting of a combination of increases and decreases in the various expenditure categories. Of the total Operating Budget, the City portion is increasing $28.7 million or 3.0% and the Schools portion is increasing $21.1 million or 2.5%. For changes in expenditures by department, see the *Expenditure Summary* and *Personnel Summary* in the *Appendix* section of this document. More detailed explanations of these changes can be found in the Departmental sections of the FY 2014-15 Operating Budget as well as the Schools FY 2014-15 Operating Budget.

The growth in the budget has been quite modest over the last five years, growing less than the Consumer Price Index (CPI) in four of the last five years. Cumulatively, the annual average change in the budget has been 0.7% compared to 2.2% in the CPI. The annual change in both the budget and CPI is illustrated in the accompanying index of change graph. This graph measures the cumulative change in the Budget and CPI from FY 2009-10, which represents a base of 100, through FY 2014-15.



Major Changes

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 FY 2014-15, there are several mandated programs that are impacting the budget.

Storm Water Mandate

The State's Virginia Storm Water Management Program (VSMP) will require localities to verify and submit a variety of project data related to private developments. To address this mandate, the City will add 17 new positions and increase various planning and storm water fees. For the Planning Department, they will have to track permit or project modifications, transfers of project ownership, permit maintenance, and termination. They will also be required to enforce compliance of more stringent and complicated engineering storm water design criteria (Runoff Reduction Method) during plan review, issue the VSMP Authority Permit and coordination with State-issued Construction General Permit (CGP), perform Storm Water Pollution Prevention Plan (SWPPP) inspections, including detailed lengthy storm water, erosion and sediment control and pollution prevention inspections, tracking and enforcement, and the tracking and reporting of modifications and annual maintenance of active permits.

While the Planning Department's activities will be primarily geared to private development projects, the Public Works Department will be responsible for City projects requiring compliance with these new storm water regulations. The department will be responsible for monitoring of requirements for discharge rate, volume and water quality, which are more numerous and stricter, performing storm water master planning for the entire City that includes enhancements to the quality and quantity of services, providing additional inspection requirements, including increased frequency in the Chesapeake Bay Watershed, additional activities to be inspected, and expanded requirements for documenting deficiencies and corrective actions.

All of these tasks are beyond the traditional inspector's responsibilities related to contract administration, quality assurance of improvements, verification of invoices, and day-to-day record keeping. The Department will also have requirements for increased permitting, documentation, e-permitting, inspection, and recordkeeping for nearly all storm water maintenance activities performed.

In addition to Public Works and Planning, Public Utilities will be required to create, submit, and track permits for compliance with VSMP permit requirements for all departmental construction activities and update permit information daily for design approval, inspection, and enforcement activities.

Human Services

The Human Services Department also has a number of new initiatives in the FY 2014-15 budget. While several of these programs have revenue associated with them, they still impact the overall Operating Budget.

The Operating Budget includes a new program through the Juvenile Justice Block Grant. The grant will provide funding for staffing and operations for a short-term (three months to one year) detention program for males between the ages of 16 and 20 years old. The Department of Juvenile Justice (DJJ) will enter into a memorandum of agreement with local detention centers to secure a highly structured, disciplined, residential program for juvenile offenders committed to the DJJ. The program will focus on strengthening the offenders' competency levels through education, job readiness, life, and social skills. The Virginia Beach Juvenile Detention Center will provide 10 beds for the program.

As of April 1, 2014, the State Department of Social Service is transferring all FAMIS (Family Access to Medical Insurance Security) cases to localities along with funding. This will transition 3,600 cases from the State to the Department of Human Services. The FY 2014-15 budget contains 6 new FTEs and associated costs to administer the program. Due to the transfer of the (FAMIS) caseload to the City, additional State revenue will be provided.

Public Safety

Public safety has long been a top priority of the City of Virginia Beach. Due to the emphasis placed on the safety of our residents and those who visit our City, we have been and continue to be one of the safest Cities in America for our size. While revenues are slowly beginning to improve after the recession, efforts are focused on maintaining services. It is, and will remain, difficult to address the backlog of public safety needs for equipment and staffing without additional resources.

In FY 2014-15, a personal property tax rate increase of 30-cents is included in the Operating Budget to provide additional capacity to address this backlog. The revenue generated from this increase in the personal property tax will be dedicated to fund a number of public safety initiatives that will improve the safety of our community as well as the first responders who serve it.

The items being funded from this dedication are:

- $7.4 million is included in the CIP for the Police Oceanfront Camera project. 88 new cameras will be installed at the oceanfront to allow the Police Department an enhanced presence in the area without adding additional patrol officers. Approximately $500,000 is included in the operating budget for staff and other necessary operating costs. This project will be accomplished in three phases.

- $4.9 million is included in the CIP over the next two years for the purchase of an in-mask radio communication system for firefighters. Operating expenditures of $300,000 annually for staff and annual maintenance contracts will be funded through the dedication.

- Funding is included in the Emergency Communications and Citizen Services (ECCS) budget for four new positions including one Administrative Technician, one Senior Operations Supervisor, and two Operations Supervisors.

- Funding is included in the EMS operating budget for the purchase of Lucas devices and power stretchers. Lucas devices provide higher quality and uninterrupted chest compressions to cardiac patients. Replacing manual lift stretchers with power lift stretchers will reduce risk for back and other injuries, which were increasing for paramedics.

- $3.9 million is included for the establishment of a Public Safety Equipment Replacement fund in the CIP. For years, each of the public safety agencies has lacked sufficient funding to replace large equipment on a life-cycle basis. This has created additional maintenance and upkeep costs as well as situations in which replacement parts can be expensive and difficult to locate due to the age of the equipment. A task force will be established to identify needs and prioritize the use of this funding.

- Additional items to be funded from this dedication in future fiscal years include an upgrade to the Correctional Center Master Control Center (included in the CIP) and funding for the relocation and expansion of the Fire Department's Resource Management Division.

Technology Strategic Plan

Two positions have been added in the Communications and Information Technology Department for the creation of a Business Relationship Management (BRM) role. This staff will proactively engage with City departments to learn their business issues and work collaboratively in planning, designing, deploying, and enhancing information. An additional position has been included to begin the second phase of the City's mobile application initiative to provide City agencies and residents more citizen-centric services as well as functions to support a mobile workforce.

Schools

After several years of staffing reductions in the School System, the FY 2014-15 Operating Budget includes 10,209.02 FTES, which is a net increase of 18.1 FTE's from FY 2013-14. This increase in positions is due to FTE's being added for several new programs and initiatives.

The Schools added (63.30) positions for Instruction, for the following programs:

- Increases in enrollment (estimated at 106 students).
- Addition of five eligible schools for the K-3 Initiative, which lowers class sizes.
- 0.5 part-time Reading Specialists will be added to 13 middle schools (excluding only Kemps Landing Magnet and the Renaissance Academy, which have lower class sizes than at the traditional middle schools). A summer reading program will serve the 12 neediest, non-Title I schools. These initiatives will replace the 22.4 positions lost due to the elimination of Project X-CD.

In Operations and Maintenance, eight custodial positions were added to support the new Kellam High School, which is an approximately 50% larger facility than the original Kellam. Federal grants lost 79 positions due to a loss of Federal funding in No Child Left Behind (NCLB) and Individuals with Disabilities Education Act (IDEA). The Schools will continue to work within the parameters of the grants to provide the same high-quality educational experience for students despite the fact that there will be less staff. In the Other Special Funds category, 24.8 positions were added to serve the additional students enrolled in Green Run Collegiate Charter School.

Personnel and Fringe Benefits

These costs account for 61.9% of the total budget and are increasing substantially. Included in the budget is an overall pay increase of 3% for City employees and 2.79% for School employees. These increases will be divided into two phases. Phase I will be a 1.34% increase on July 1st for City and School employees. Phase II will be a 1.45% increase on September 1st for School employees and 1.66% on October 1st for City employees. Both City raises would be effective on the pay period preceding their start date. In addition, the hourly rate of the lowest paid full-time staff will be increased ensuring that any full-time position makes at least $10.13 per hour. This will affect roughly 20 current employees and cost less than $25,000.

By providing a general increase, it allows all employees, part-time and full-time, to receive a pay increase, which is significant given the relatively small increases that have been provided over the last few years. The general increase further serves to enhance the City's standing in the market since it increases the pay range minimums and maximums. Some studies, such as World at Work and the Society for Human Resource Management (SHRM), show that many organizations anticipate providing comparable or slightly higher pay increases in the upcoming year as compared to the prior year. The City provided a similar 3% increase in FY 2013-14.

The City Council and School Board are phasing in the State mandated 5% Virginia Retirement System (VRS) costs from the City and Schools to full-time employees over five years. To offset the required contribution

of 1% of their salary to their own retirement, the City and Schools were required to provide a 1% salary increase. This transition continues in FY 2014-15, with employees now contributing 3% of their salary to their own retirement, further reducing the retirement costs to the City and Schools. This process will continue until FY 2016-17 when employee contributions reach the required mandate of 5%.

Providing the third year of VRS increases moves us closer to pay alignment with those surrounding cities that have completed their VRS increases (or will complete the increases in the upcoming fiscal year). By moving the City's pay ranges as part of the mandated VRS increase, it also helps with market competitiveness when comparing our pay ranges with those cities that have adjusted their pay scales as a result of the VRS increases.

Even with the transition of a portion of retirement costs from the City and School's to the employees, retirement costs are increasing in the budget by $6.1 million. This increase in costs is due to the rate increase imposed by the State for FY 2014-15. The pension plan for City employees and especially for teachers is underfunded, which will necessitate the State raising these rates. The rate for the City went from 20.68% to 21.35% and 11.66% to 14.5% for Schools. A majority of the cost increase is on the School side, as VRS rates had been artificially low during the recession to free up State funding for education. Over the next few years, rates will necessarily need to be increased in order to make the teacher pension fund actuarially sound.

Also included within the City's Budget is a $1.45 million reserve to address salary compression, with additional phasing to occur over the next two years. Due to the lack of available funding to grant merit increases over the past six years, a number of employees who have been with the City and in their position for this period of time are compensated at the same level as a new employee in the same position. This funding is intended to address some of the compression that has been created over the past six years. The School Budget also includes approximately $1.1 million to address pay inequities in the Schools unified pay scale. These funds will be allocated to address pay for bus drivers, and various personnel in food service, clerical, trades, and for teacher assistants.

The budget includes $112 million in employer contribution for health insurance, basically the same level as FY 2013-14, based on guidance from City Council and the School Board. The City and School's cost share is 78% with employees and retirees (non-Medicare eligible) contributing the remaining 22%. This strategy incorporates the following plan design changes:

- Participants will have three plan choices a POS plan with a deductible of $500/$1,500; a Plus PPO with a deductible of $1,000/$2,000; and a PPO with a deductible of $1,500/$3,000. The amount paid by employees for the PPO will be much less than current plans, but they will have a higher deductible.

- The employer's contribution for all plans is based on the PPO Plan.

- Spouses with access to another employer group health plan that meet the affordability and minimum standards set in the ACA will not be allowed on to the City and School health insurance plans.

- A one-time contribution of $500 to a Health Savings Account will be provided to current employees who choose the PPO plan.

- Employees who choose not to participate in the vbWellness*for*Life program will be charged an additional $500 for health insurance coverage.

The City had anticipated a $4 million increase in employer costs based on the current health insurance program. These changes allowed the City to redirect this funding and recommend a small pay raise for all city employees.

Other Initiatives

- The Fire Department is adding four additional firefighter positions to increase staffing on one piece of apparatus per shift in the Centerville area of the City. The department is also adding Code Inspectors (2 FTE's) in the Fire Marshal's Office to increase the ratio of occupancies receiving an annual fire code inspection. The Code Inspector positions are completely offset by additional revenue.

- An additional four Captains (4.0 FTE's) will be added to the Emergency Medical Services department (bringing the total to eight field Captains to provide two Captains per day, per shift). This increase will reduce excessive supervisory span of control, improve and address safety issues, ensure that the appropriate medical care decisions are being made in the field, and provide proper incident command.

- Aerial Adventure Park – staff will provide ticketing for the Aerial Ropes Course at the Aquarium admissions counters. These positions are fully funded by the Aquarium Foundation (5 FTE's).

Operating Expenditures

Operating expenditures are the most diverse category of expenditures within the Operating Budget. In FY 2014-15, this category will increase approximately $6.1 million or 1.4% from the adjusted FY 2013-14 budget and will make up 24.6% of all expenditures. The expenditures in this category range from office supplies to cleaning services, to the telephone and electrical bills. Some of the major cost drivers in this category for FY 2014-15 include landscaping services for new facilities and roadways, additional funding for pavement maintenance, rental assistance through the Federal Section 8 program, vehicle maintenance, and risk management charges.

The FY 2014-15 Operating Budget also includes additional funding to the City's Risk Management Fund. The City and Schools are increasing funding by over $2.3 million for their Risk Management Internal Service Funds and an additional $1 million from the fund balance of the General Fund.

Capital Outlay

Spending on Capital outlay will decline by $1.2 million or 8.1% in FY 2014-15. Due to the large nature of these expenditures, some of the expenses in this category do not occur on an annual basis, while others such as vehicle replacements and computer replacements do. Overall, capital outlay makes up the smallest portion of the total Operating Budget at 0.7%.

Pay-As-You-Go Capital Financing

After increasing in FY 2013-14, the amount of pay-as-you-go capital financing to the Capital Improvement Program is declining $3.5 million or 8.1% in FY 2014-15. Pay-as-you-go capital financing is being reduced in the storm water program by approximately $4.5 million, while it is increasing in the general fund due to the dedicated increase of the personal property tax for enhanced public safety equipment and programs. For the sixth consecutive year, the Schools will not be able to move any resources to finance capital projects in FY 2014-15. This expenditure category makes up 2.6% of the total budget.

Debt Service and Reserves

These two expenditure categories make up 10.2% of the FY 2014-15 Operating Budget. The FY 2014-15 Debt Service budget totals $163.8 million, which represents a 6.8% increase from the previous year. In FY 2012-13, the City chose not to have a bond sale, which kept debt service in FY 2013-14 somewhat artificially low. This decision helped preserve services; however, as a result, there is a large increase in FY 2014-15 for Debt Service.

Reserves are growing by 57.8% 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). 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 2014-15 Operating Budget includes/continues the following sustainability and efficiency efforts:

- The Police Department has renegotiated two contracts under which they will operate in FY 2014-15. The PhotoRed red light camera contract was renegotiated saving $140,000 for FY 2014-15 so was the lease of the police firing range saving $30,228 for FY 2014-15 and $1.9 million over the next 10 years.

- EMS is attempting to focus their responses and transports for emergency situations. The department receives numerous calls for non-emergency transport, which can be provided by private agencies. The Department has increased screening of calls by the EMS Shift Commander in order to shift these transports to private ambulance services leaving EMS resources for emergency situations.

- Libraries eliminated 5.5 positions in this year's budget: 4 positions as a result of the installation/implementation of project 3-622 - Automated Materials and Handling at the Central Library and five braches (Libraries eliminated a total of 9 positions as a result of this technology over two years); and 1.5 as a result of staffing efficiencies at the Joint Use Library. The City is the first in the area to install automated materials handling technology.

- 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 20,408 volunteers that contributed 1.4 million hours of volunteer service valued at nearly $20.7 million. This was equivalent to 682 FTEs.

- 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. In the coming year, staff will be participating in a survey providing input to the Committee on possible initiatives.

- The combined efforts of departments and teams resulted in 251 quality and productivity initiatives being completed in 2013, as reported in the *2013 Striving for Excellence Report*, resulting in service enhancements through improved customer service and increased productivity, process improvements, and technology improvements. These initiatives saved $2.3 million, avoided costs of $2.8 million, generated new revenues totaling $286,417, realized grants totaling $1.5 million, and generated donations of $417,694.

Despite the improving economy and some 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* portion of the Introduction section of both the CIP and the Operating Budget documents.

Capital Improvement Program

Capital Improvement Program

The Capital Improvement Program (CIP) identifies the funding needed for construction of City facilities, replacement and 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 2014-15 through FY 2019-20, although only the first year, the Capital Budget, is actually appropriated. The remaining years are for planning purposes.

Overview

As the table below shows, the six year program totals over $1 billion dollars with major investments being made in schools, roadways and utilities.

Summary of Projects Estimates

Project Type	Capital Budget Year 1 FY 2014-15	Remaining Years of the Capital Program Years 2 through 6	Programmed 6 Year Funding
Schools	$ 34,566,000	$ 184,955,000	$ 219,521,000
Roadways	80,586,932	81,875,496	162,462,428
Buildings	20,326,684	93,554,918	113,881,602
Parks and Recreation	24,587,750	60,789,772	85,377,522
Utilities	58,514,582	276,280,136	334,794,718
Coastal	11,125,047	43,250,917	54,375,964
Economic and Tourism Development	29,071,581	28,895,124	57,966,705
Communications and Information Technology	22,179,017	25,576,866	47,755,883
Total Capital Improvement Program	**$ 280,957,593**	**$ 795,178,229**	**$ 1,076,135,822**

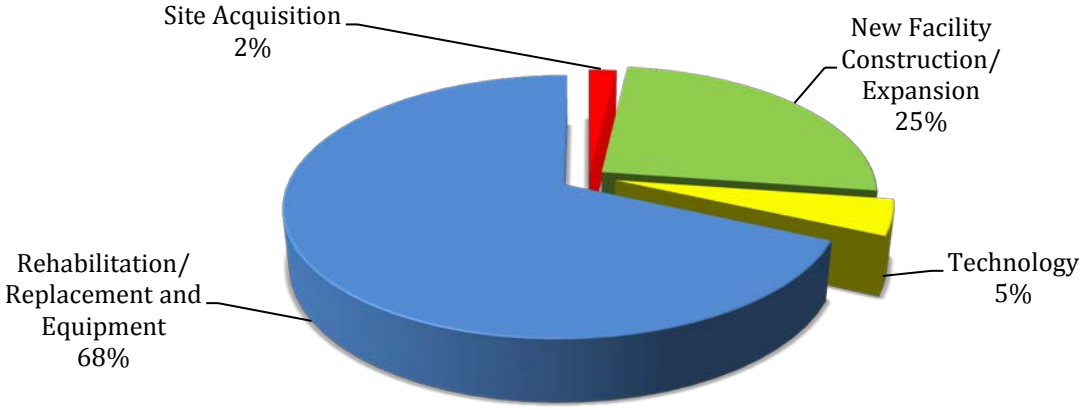
The CIP is a reflection of the City's long-term strategies. Decisions made when developing the CIP are based on strategic planning that must strike a balance between **What must be done? What can we afford to do? How can we accomplish what needs to be done?**

What Must Be Done?

1) The City must meet State and Federal mandates. Examples include projects in utilities sections to address the Environmental Protection Agency (EPA) and Virginia Department of Environmental Quality (DEQ) Consent order requirements (additional information found within Water and Sewer section) and to improve the quality of drainage water before it enters major basins such as the Elizabeth River or Chesapeake Bay (see the Storm Water section of the CIP for specific projects). The CIP also includes the replacement of the Voter Registrar's voting machines. The electronic voting equipment currently used by the City no longer meets State code requirements. Existing equipment was grandfathered into law; however, the purchase of new or replacement machines must meet the new state standards.

2) Maintenance of the City's current infrastructure, equipment and buildings. In accordance with the City's Sustainability Plan goal to ensure that the City of Virginia Beach is "utilizing quality infrastructure," and City Council Policy for the "Maintenance and Repair of Aging City Infrastructure" (see *Appendix* of the FY 2014-15 Operating Budget), the Adopted CIP includes projects that will rehabilitate/renew/replace existing infrastructure. These projects are found throughout the CIP and include buildings, roadways and equipment. To address aging public safety equipment, an increase of 30 cents in the Personal Property Tax Rate is included in the FY 2014-15 Operating Budget. Projects include replacing the master control system at the Correction Center, replacing the camera system at the oceanfront, and replacing the in-mask radio system for the Fire Department. (for more information on these projects see the Safe Community Section of the CIP). The School System is continuing to modernize or replace its older buildings to meet the needs of 21st century education. Maintaining School and City owned facilities and equipment is essential to the long term viability of the City as it acts as a base from which all future growth builds.

The following pie chart displays the continuing efforts on maintaining the City's infrastructure:



3) Invest in the future growth of the City. The City cannot single-handedly grow the local economy; however, the City can generate an environment that incentivizes investments in our City by the private sector. The Adopted FY 2014-15 CIP continues to enhance the environment within the City of Virginia Beach through additional investments in economic and tourism related projects, navigable waterways, schools, utilities, and roadways.

What Can We Afford To Do?

Means of Financing

Type of Financing	Capital Budget Year 1 FY 2014-15	Remaining Years of the Capital Program Years 2 through 6	Programmed 6 Year Funding
Pay-As-You-Go	$ 48,075,641	$ 265,973,375	$ 314,049,016
General Fund Balance	21,678,524	55,597,908	77,276,432
Other Fund Balance/Retained Earnings	15,320,672	23,512,143	38,832,815
Bonds and Lease Purchases	141,275,659	407,497,239	548,772,898
State and Federal Funds	40,299,118	37,579,319	77,878,437
Other Sources	14,307,979	5,018,245	19,326,224
Total Financing 6-Year Period	**$ 280,957,593**	**$ 795,178,229**	**$ 1,076,135,822**

* $ 4,396,503 General Fund fund balance related to 1 cent of Roadways dedication funding.

As the table illustrates, the majority or 51% of the funding for the six year program is various debt sources such as bonds and lease purchase. The next largest source is the City's Operating Budget in the form of pay-as-you-go financing. Pay-as-you-go financing provides 29% of the total CIP six year program. This includes City Council dedications for specific projects such as recreation center replacements, open space acquisitions, as well as transfer of current revenues to minimize the City's use of debt. The strategy of financing the CIP has always been to use debt as the final option once all other sources have been exhausted to minimize the impact on future residents. Even with this strategy, debt is necessary to accomplish major projects such as schools and roads, similarly to the strategy of incurring a mortgage to purchase a home.

The two main types of debt that are used in the CIP are Charter Bonds, which are general obligation bonds funded by the full, faith and credit of the City, and Public Facility Bonds, which are an appropriation-based bond. The strategy of this CIP has been to utilize Charter Bonds first since general obligation bonds generally enjoy a lower interest rate and cost the City less over time. If necessary to meet the needs of the City and only once all Charter Bonds have been used, then and only then are Public Facility Bonds used unless linked to a specific dedicated revenue stream, such as public private partnerships. These bonds trade at a slightly higher interest rate. In the Adopted CIP, $49.5 million in Public Facility Bonds are used in only the first two years of the CIP.

The Adopted CIP reserves a large amount debt capacity in the out years while meeting current infrastructure maintenance and replacement needs. In order to hold debt capacity in the out years, every project in the existing CIP was scrutinized and reviewed. As a result, some projects were reduced or eliminated. The following table summarizes the changes:

Change	Project			Amount
Reduced	2-045	Pacific Avenue Improvements- Phase I	$	(2,670,000)
Reduced	2-156	Laskin Road- Phase I	$	(1,000,000)
Reduced	2-401	Greenwich Road Crossover & Cleveland Street Improvements	$	(4,534,750)
RBNF	2-041	Dam Neck Road- Phase I	$	(1,451,522)
RBNF	2-413	Dam Neck Road- Phase II	$	(1,500,000)
RBNF	2-034	South Independence Boulevard/Silverleaf Drive Intersection Improvements	$	(650,000)
RBNF	9-095	Arctic Avenue Parking Facility	$	(19,499,500)
Deleted	9-505	Cleveland Street- Phase I	$	(5,977,656)
Deleted	9-504	Parliament- Greenwich Connector	$	(3,183,240)
Reduced	7-029 & 7-151	Eastern Shore Drive Drainage- Phases I and II	$	(37,000,000)
		Total Reduction of Projects Listed Above:	**$**	**(77,466,668)**

Note: RBNF – Requested But Not Funded

The reasons these projects were requested but not funded, deleted or reduced are varied. For example, the Arctic Avenue Parking Facility was requested but not funded until resort area projects like the Dome Site are approved and finalized. Pacific Avenue was reduced to reflect a change in scope. The Eastern Shore Drive Drainage projects were reduced until design alternatives can be established with $3 million used to fund a project called Citywide Seal Level Rise/Recurrent Flooding Analysis. Once the analysis is complete, City Council can review the alternatives and finalize the scope of the project. The effort was to free up and reserve capacity to meet the needs of future projects such as major roadways or public/private partnership opportunities such as light rail, arena, headquarters hotel and the Dome Site. Final decisions have not been

made on these large projects; however, a great deal of planning will be necessary to bring these projects to fruition if desired by the public and City Council.

One of the biggest shifts in financing the Adopted FY 2014-15 CIP is the increase in Virginia Department of Transportation (VDOT) funding for roadways. Over the six-year programmed period, VDOT will provide the City an additional $25 million in State revenue. Regional projects are receiving significant funding and several city roads are high priorities on the region's list. This State funding allowed the City to reallocate local funding to meet current project needs.

Through all of the aforementioned changes, the Adopted FY 2014-15 CIP addresses many critical projects including: rehabilitating/modernizing and replacing schools, increasing roadway capacity, replacing recreation centers, repairing and renovating City buildings and fire stations, enhancing the Historic Kempsville district, purchasing a new voting system, investing in technological systems that will help the City support citizen's demands of the future as well as establishing steady funding sources to dredge navigable waterways.

How Can We Accomplish What Needs To Be Done?

The CIP is divided into the same seven business areas as the Operating Budget: Economic Vitality, Safe Community, Quality Physical Environment, Cultural and Recreational Opportunities, Quality Education and Lifelong Learning, Family and Youth Opportunities, and Quality Organization. Within the sections are the functional areas of utilities, roadways, buildings, coastal, technology, parks and schools.

Utilities Section

The CIP utilities section includes water, sewer and storm water. These three sections combined represent 31% of the total programmed expenditures.

- City Council 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, (excluding the combined utilities) representing 20% of all programmed funding and $220 million over the next six years for the replacement, renovation and maintenance of existing facilities. The Schools section provides funding for key projects, including:

- Replacement of Thoroughgood Elementary School
- Consolidation of Old Donation Center/Kemps Landing Magnet School
- Modernization of John B. Dey Elementary School
- Replacement of Princess Anne Middle School

Roadways Section

Roadways represent 15% of the programmed six year CIP funding. Roadway funding for FY 2014-15 increased by over $45 million when compared to what was programmed for FY 2014-15 in last year's CIP document. The increase in roadways funding is mainly attributable to the influx of State funding and City Council's direction to reinstate projects like Princess Anne Phase VII.

- Notable projects starting construction in FY 2014-15:
  - Cavalier Drive
  - Greenwich Road Crossover & Cleveland Street Improvements
  - Indian River Road/Providence Road Intersection Improvements
  - Indian River Road/Kempsville Road Intersection Improvements
  - Landstown Road Improvements
  - Pacific Avenue Improvements-Phase I
  - Holland Road-Phase VI
  - London Bridge

Buildings Section

Building funding for FY 2014-15 increased by $6.4 million when compared to what was programmed for FY 2014-15 in last year's CIP document.

- Addition of $1.3 million for the replacement of the Voter Registrar's Voting Equipment.
- 47% of the buildings section projects are for the capital maintenance of existing infrastructure, including HVAC systems, roofs, elevators, fire protection and alarm systems, other renovation and repairs, replacing fire apparatus, and improving the Fire Training Center.
- An additional $2.6 million is programmed over the six-year CIP period for the capital maintenance and repair of fire facilities.
- Increase in the Personal Property tax provided additional revenue to fund the public safety equipment replacement project and the replacement of the Correctional Center Master Control Center at a total cost of $11.3 million.
- Full funding of $2.2 million for the construction of an Adam Thoroughgood House Visitor Center.
- The Buildings section addresses important long standing building needs including:
  - Replacement of the Fourth Police Precinct
  - Replacement of the Blackwater Fire and Rescue Station

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 14th Street	Not funded – partial 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	Completed
7	Replace Town Center Fire and Rescue Station (Thalia)	Completed
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

Parks and Recreation Section

The Parks and Recreation section for FY 2014-15 increases by $2.4 million when compared to what was programmed for FY 2014-15 in last year's CIP document. For FY 2014-15, 83% 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, and increased slightly due to the increase in real estate assessments. Several projects are receiving additional funding from the General Fund beyond the normal Parks and Recreation dedicated taxes 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 many 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.

- Support for the Parks infrastructure renewal and replacement, renovation and repairs of the Sportsplex/Field Hockey National Training Center and the implementation of Bikeways & Trail repairs/renovations.

- The replacement of Kempsville Recreation Center at a total estimated project cost of $32.3 million.

Coastal Section

Coastal funding for FY 2014-15 decreased slightly by $500,000 when compared to what was programmed in last year's CIP document; however, years 2 through 6 of the Coastal Section increased.

- The Coastal Section continues the neighborhood dredging program. New to this year's CIP is the inclusion of the Chesopeian Colony Neighborhood, Gills Cove and Harbour Point Neighborhood dredging projects.

- 87% of this section is for the replenishment, maintenance, and rehabilitation of existing coastal projects related to the Sandbridge district, Rudee Inlet and the Lynnhaven River. It is important to note that there is no funding within the six year program to provide sand replenishment activities at either the oceanfront or the Chesapeake Bay beaches. The City's Beaches and Waterways Commission is reviewing funding strategies and will make a recommendation to the City Council in the future.

- Additional funding restores $8.4 million in the six-year period for maintenance dredging of the Lynnhaven Inlet and Rudee Inlet.

Economic Vitality

Funding for the Economic Vitality business area for FY 2014-15 increased by $4.9 million when compared to what was programmed for FY 2014-15 in last year's CIP document.

- The Economic and Tourism Development section continues to focus on the Oceana BRAC Interfacility Traffic Area Conformity project and the strategic growth area program.

- Three new projects to this section are:
  - A project to provide $1 million for the study of issues surrounding extension of light rail into Virginia Beach. The City has received three public/private partnership proposals in addition to the efforts of the Hampton Roads Transit Authority (HRT) to provide this extension. This project provides funding to address legal, financial, and engineering issues that may arise during the City's review.
  - A project to purchase the site and public parking garage at 25th Street, for $7.65 million which is the result of a public-private partnership.
  - A CIP project to purchase vintage open air trolleys to operating the bus routes at the Oceanfront.

- As previously mentioned, major changes in this section include the removal of the Artic Avenue Parking Facility, Parliament-Greenwich Connector and the Cleveland Street development projects.

Communication and Information Technology (ComIT)

ComIT funding for FY 2014-15 increased by $7.7 million when compared to what was programmed for FY 2014-15 in last year's CIP document.

- Some new projects to this section include the purchase and implementation of a Metropolitan Area Network and the purchase and implementation of an enterprise scheduling and timekeeping system. These projects are funded at a cost of $6.0 million over the six-year period.

- An increase in the Personal Property tax provided additional revenue to fund the purchase and implementation of Police Department oceanfront cameras as well as the replacement of fire radio in-mask communication equipment for the Fire Department. These projects are funded at a cost of $12.2 million over the six-year period. Without the deletion of other capital projects or the increase in personal property revenue, these projects cannot be funded.

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.

Past performance measurement initiatives typically ended the process with performance measures being limited to output measures (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 actual 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 goals 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.

To date, the Library Department, Department of Museums, Public Works Department, Emergency Communications and Citizen Services, and Housing and Neighborhood Preservation have completed the POMP process with Fire, Emergency Medical Services and Agriculture scheduled to complete the process by the Summer of 2014.

Economic Vitality

The **desired outcome** for this business area is that Virginia Beach is a place where all citizens and businesses can prosper. We need 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 per capita 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.

Economic Vitality Community Indicators

The indicators associated with this business area represent a current reality with mixed results for the most recent year available, which varies by indicator. The most significant indicator in terms of the municipal budget is the improvement in real estate assessments for 2015 (please see the footnote for these figures). After five consecutive years of decline, residential assessments are increasing in FY 2014-2015. The unemployment rate in the City also improved for the third consecutive year. While there is some debate at the national level about the factors driving the decline in the unemployment rate, locally, employment is growing and that is the driving force behind the reduction in the unemployment rate. In terms of income, median household income declined in 2012, while per capita income for the same period grew by 2.9%. The economic impact of agriculture followed a recent trend by declining in 2013 after experiencing growth the prior year.

	2007	2008	2009	2010	2011	2012	2013
Income of People Moving into Virginia Beach as a Percentage of the Income of People Moving Out	96.2%	92.9%	100.1%	96.5%	99.5%	Data NA	Data NA
Change in Assessed Value of Residential Real Estate[1]	22.2%	20.7%	2.3%	-4.0%	-5.8%	-3.3%	-5.7%
Change in Assessed Value of Commercial/Industrial Real Estate	9.8%	11.0%	6.1%	5.2%	0.2%	0.9%	1.4%
Median Household Income	$61,462	$65,776	$59,298	$64,212	$64,614	$61,626	Data NA
Per Capita Income	$45,530	$46,766	$45,613	$46,266	$48,513	$49,898	Data NA
Average Monthly Unemployment Rate [2]	2.7%	3.7%	6.1%	6.4%	6.0%	5.6%	5.2%
Percent of the Labor Force in the Armed Forces	7.3%	9.1%	7.3%	5.0%	5.9%	5.9%	Data NA
Economic Impact of Agriculture (in millions)	$102.7	$139.1	$119.1	$122.1	$120.6	$124.5	$119.3
Tourists Who are Repeat Visitors	79.3%	78.7%	77.0%	75.2%	72.5%	74.7%	73.7%
Commercial Real Estate as a Percent of Total Assessments	14.3%	13.0%	13.7%	15.0%	15.4%	15.7%	16.4%
Direct Tax Revenue Generated from Tourism (in millions)	$74.2	$76.7	$76.7	$76.5	$80.1	$83.7	Data NA

[1] This data does not show the assessment decline experienced in 2014 which was -2.3% and 1.9% increase in 2015.
[2] Includes preliminary data for the month of December 2013

Economic Vitality Community Indicator Comparison

The City's average monthly unemployment rate of 5.2% for 2013 was significantly lower than the other Cities in Hampton Roads. Chesapeake had the second lowest rate, which was three tenths of a percent higher for the year, while two 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 continues to exceed Chesapeake's (second highest) per capita income by over $4,000. In 2012, Virginia Beach had the second highest rate of residents employed in the military behind only Norfolk.

	Year	Virginia Beach	Chesa-peake	Norfolk	Ports-mouth	Suffolk	Hampton	Newport News
Average Monthly Unemployment Rate	CY 2013	**5.2%**	5.5%	7.0%	7.4%	6.0%	6.9%	6.5%
Per Capita Income	CY 2012	**$49,898**	$44,681	$38,844	$39,346	$41,344	$42,141	$36,923
Labor Force in the Armed Forces	CY 2012	**5.9%**	3.7%	11.8%	2.3%	2.5%	3.7%	5.7%

Economic Vitality Key Business Area Performance Measures

	Actual		Estimated	Projected
Indicator	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
Existing Target Industries Expanded	32	29	35	37
New Target Industries Located	15	25	20	22
Number of Acres in the ARP	8,906.4	9,223.6	9,823.6	10,124
Formerly Homeless Persons Accessing Permanent Housing	8	13	65	65
Homes Improved or Provided Rehab/Emergency Repair	38	42	37	46
Year Round Hotel Occupancy Rate	61.0%	60.0%	60.0%	58.0%

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.

Family and Youth Opportunities Community Indicators

For the most recent year available, the performance of a majority of the indicators in this business area declined. On the positive side, the rate of teenage (15 to 17 years of age) pregnancy continues to decline, while the cases of child abuse and neglect remained at 3.3 per 1,000 children, which is the lowest rate since the City began reporting this indicator.

Of concern, are increases in the poverty rate for individuals and a 3.1% increase in the rate of poverty for children. Tied to the poverty rate is the continued growth of the percentage of public school students eligible to receive free or reduced cost lunch. While the rate of growth slowed in fiscal year 2012-2013, the number of residents on the Supplemental Nutrition Assistance Program (SNAP) increased for the sixth straight year. Rental housing affordability also continues to be an issue for City residents. In 2012, the percentage of renters expending in excess of 30% of household income remained over 50% for the third consecutive year.

	2007	2008	2009	2010	2011	2012	2013
Teen Pregnancy Rate (Age 15 to 17)	21.2	24.4	21.1	17.9	14.5	13.1	Data NA
Low Birth Weight Babies as a Percent of Total Births	8.5%	8.0%	6.9%	7.9%	8.2%	8.5%	Data NA
Average Monthly Residents Receiving Supplemental Nutrition Assistance Program (SNAP) Benefits	16,363	17,350	20,289	27,156	31,163	34,467	35,378
Percent of Individuals Living in Poverty	6.4%	6.5%	6.4%	7.5%	8.6%	8.8%	Data NA
Percent of Children Living in Poverty	10.0%	9.5%	9.6%	10.5%	12.4%	15.5%	Data NA
Percent of the Elderly Living in Poverty	5.4%	4.4%	4.9%	5.0%	5.1%	4.9%	Data NA
Cases of Child Abuse per 1,000 Children	5.9	4.5	5.0	5.1	4.1	3.3	3.3
Infant Mortality Rate	7.4	5.8	5.5	7.0	6.9	6.1	Data NA
Students Eligible to Receive Free or Reduced Lunch	30.8%	27.2%	29.1%	31.1%	30.5%	32.7%	32.9%
Renters Whose Housing Expenses Exceed 30% of Household Income	47.8%	48.3%	49.5%	53.5%	54.9%	55.2%	Data NA

Family and Youth Opportunities Community Indicator Comparison

For calendar year 2012, the City of Virginia Beach had the lowest teen pregnancy rate, the lowest percentage of low birth weight babies, and the lowest infant mortality rate in Hampton Roads. Virginia Beach also had the lowest percentage of individuals living in poverty in 2012 and was the only City in Hampton Roads with a rate of less than 10%.

	Year	Virginia Beach	Chesa-peake	Norfolk	Ports-mouth	Suffolk	Hampton	Newport News
Teen Pregnancy Rate	CY 2012	**13.1**	13.2	38.0	27.5	17.6	25.8	29.1
Low Birth Weight Babies as a Percent of Total Births	CY 2012	**8.5%**	9.4%	11.2%	10.8%	8.9%	9.8%	9.4%
Infant Mortality Rate	CY 2012	**6.1**	6.8	13.5	9.8	12.0	11.0	13.4
Percent of Individuals Living in Poverty	CY 2012	**8.8%**	10.7%	21.2%	19.2%	10.8%	17.1%	16.1%

Family and Youth Opportunities Key Business Area Performance Measures

	Actual		Estimated	Projected
Indicator	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
Hours of Mental Health and Substance Abuse Education Provided to Inmates and Offenders	53,304	86,232	87,500	87,500
Child Protective Services Complaints Investigated	1,643	1,615	1,620	1,620
Children Receiving Dental Services	1,221	1,203	1,400	1,400
Total Unduplicated Immunization Patients	3,188	3,287	3,738	3,500
Restaurants Inspected Annually	4,826	5,606	4,500	4,500

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. Everything we do in designing, building and maintaining a quality physical environment is done through the lens of our new *Community Plan for a Sustainable Future* and strives to realize the community vision set forth in the *Envision Virginia Beach 2040 Report*. 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.

Quality Physical Environment Community Indicators

Open space acreage within the City remained above 16 acres per 1,000 residents for the fourth consecutive year. The percentage of the City's residential waste stream that was recycled grew to 37.4% aided by the yard waste mulching and composting program. The City also experienced substantial improvement in citizen satisfaction with the flow of traffic in the City. While this figure is only slightly greater than 50% of respondents, it is a significant increase from the findings of the last citizen satisfaction survey. The percentage of the City's street system meeting the minimum physical condition rating remained at 82% for the second consecutive year; however, the percentage of roads in the two lowest grades for transportation efficiency ticked up slightly to 20%. This means that one-fifth of the City's roadway infrastructure is outside of the acceptable range for providing an efficient means of transportation. Also related to transportation, commute times for City increased slightly in 2012, while for the fourth consecutive year, less than 1% of residents reported using public transportation to commute to work.

	2007	2008	2009	2010	2011	2012	2013
Open Space Acreage Per 1,000 Population	15.54	14.85	15.85	16.10	16.68	16.49	16.49
Percent of Residential Waste Stream Recycled[2]	33.0%	17.0%	17.0%	17.0%	34.0%	36.9%	37.4%
Percent of Street System Meeting Minimum Physical Condition Rating	74.0%	73.0%	74.5%	76.0%	79.0%	82.0%	82.0%
Percent of Roads in the Two Lowest Grades for Transportation Efficiency[3]	21.6%	21.6%	21.6%	20.3%	20.2%	19.9%	20.0%
Citizen Satisfaction with the City's Appearance	95.6%	Data NA[1]	94.0%	Data NA[1]	94.0%	Data NA[1]	92.3%
Citizen Satisfaction with the Flow of Traffic in Virginia Beach	36.0%	Data NA[1]	39.6%	Data NA[1]	40.2%	Data NA[1]	51.6%
Average Commute Time (in minutes)	23.0	22.5	22.9	23.4	22.4	22.6	Data NA
Commute to Work Using Public Transportation	0.7%	1.4%	0.5%	0.8%	0.9%	0.6%	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
[3] The methodology for calculating this figure has changed for 2013. Previously, the percent calculated was based on centerline miles of roads. The figure is now calculated using lane miles of roads. All prior year data has been amended to reflect this change.

Quality Physical Environment Community Indicator Comparison

For 2012, the City of Virginia Beach improved to the second shortest commute time in Hampton Roads. Unfortunately, this was not a result of an improved average commute time for Virginia Beach, instead the commute times in the other Cities simply got longer. In terms of public transportation to commute to work, Virginia Beach ranked last in 2012.

	Year	Virginia Beach	Chesa-peake	Norfolk	Ports-mouth	Suffolk	Hampton	Newport News
Average Commute Time (in minutes)	CY 2012	22.6	25.3	22.7	24.9	28.2	22.5	22.8
Commute to Work Using Public Transportation	CY 2012	0.6%	1.1%	4.5%	3.0%	1.0%	2.7%	3.7%

Quality Physical Environment Key Business Area Performance Measures

	Actual		Estimated	Projected
Indicator	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
Waste Collection Complaints Per 10,000 Customers	411	400	400	400
Roadway Resurfacing Cycle (in years)	25.0	28.0	26.0	22.0
Completed Storm Water Maintenance Work Orders	6,507	6,140	6,000	6,000
Linear Feet of Sanitary Sewer Inspected via Closed Circuit TV	201,506	144,987	242,400	250,000
Sanitary Sewer Main Cleaned (in millions of feet)	0.9	0.8	0.9	0.9
Water Main Breaks per 1,000 Miles	115	130	130	130
Sanitary Sewer Overflows Reported Per 100 Miles of Main	1.7	0.6	1.6	1.6
Water Meters Replaced	6,648	6,674	8,500	9,000
Zoning Inspections Performed	44,697	42,006	47,436	47,436

Cultural and Recreational Opportunities

Cultural and Recreational Opportunities are critical to City Council's vision of a Community for a Lifetime that provides great places to have fun, learn and grow in a beautiful, natural setting. Cultural and recreational experiences that are authentic, interactive, accessible, and memorable inspire citizens and guests alike to lead healthy, culturally stimulating, sustainable lives.

As a cultural, scientific, historic and tourism hub for the Mid-Atlantic, 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.

In order to determine what our customers want, we continually engage citizens and guests and communicate with them about the availability of cultural and recreational opportunities. Changes in demographics and service delivery prompt us to offer affordable and diverse experiences. By harnessing all available resources, both private and public, our citizens and visitors experience cultural and recreational opportunities befitting a city identified as a leader in the preservation of history, culture and natural resources.

Cultural and Recreational Opportunities Community Indicators

After a small decline in 2012, there was a significant increase in the number of residents receiving free or reduced cost access to City recreational programs and facilities in 2013. The City continued to add to its inventory of on street bike facilities. The increase of 31.5 miles was due to change in how roads are

restriped in order to increase the number of these facilities, added width to Shore Drive for paved shoulders, and the discovery of previously undocumented facilities.

	2007	2008	2009	2010	2011	2012	2013
Percent of Population with City Recreation Facility Membership	9.7%	9.5%	9.7%	10.9%	10.5%	10.0%	Data NA
Residents Receiving Access at a Reduced Cost to City Recreational Programs and Facilities	512	606	573	706	1,370	1,231	1,864
Miles of City Multi-Use Trails	60.4	61.1	61.8	73.7	74.7	74.7	74.7
City Roadway Miles with On Road Bikeways[1]	9.65	9.65	9.65	21.99	25.40	28.80	60.30

[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

	Actual		Estimated	Projected
Indicator	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
Digital Theater Attendance	84,275	87,405	100,000	100,000
Visitors to the Aquarium	601,584	620,948	620,000	625,000
Event Days at the Sandler Center	965	392	375	375
Average Mowing Frequency for Divided Highways	23.2	24.1	23.6	21.0
Citizen Satisfaction with Parks	93.6%	94.8%	94.8%	94.0%
Park Visits (in thousands)	2,781	2,787	2,800	2,750
Citizen Satisfaction with Recreation Centers, Classes, and Programs	93.5%	96.2%	96.2%	95.0%
Recreation Center Memberships	40,103	48,941	52,221	52,221

Quality Education and Lifelong Learning

The **desired outcome** for this business area is as 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 post-secondary and vocational opportunities. Our cutting-edge 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.

Quality Education and Lifelong Learning Community Indicators

With education continuing to be a top priority of the City, the graduation rate improved for the fifth straight year in 2013. The dropout rate also improved falling below five percent for the first time using the State's new methodology for counting dropouts. In 2012, the percentage of residents over the age of 25 with graduate degrees and the percentage of residents with undergraduate degrees declined. After seven consecutive years of decline, the percentage of children entering kindergarten lacking basic reading skills remained at 9.3% in 2013.

	2007	2008	2009	2010	2011	2012	2013
High School Graduation Rate	Data NA[1]	84.2%	85.3%	85.5%	86.7%	86.8%	88.0%
Residents Over the Age of 25 Who Have a Graduate or Professional Degree	11.0%	10.6%	10.0%	10.9%	11.9%	11.3%	Data NA
Residents Over the Age of 25 Who Have an Undergraduate Degree	32.4%	30.9%	31.1%	31.6%	33.3%	32.6%	Data NA
Percentage of Public Schools that are Fully Accredited	100.0%	100.0%	98.2%	100.0%	100.0%	98.8%	97.5%
Kindergarten Children Needing Reading Remediation	13.0%	12.0%	11.5%	10.8%	10.0%	9.3.%	9.3%
Dropout Rate – Grades 9 through 12	Data NA[1]	5.5%	6.1%	6.8%	6.3%	5.9%	4.9%

[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 2013 school year, but despite a decrease of 1.0% in the dropout rate, moved from the third lowest to the fourth lowest dropout rate in Hampton Roads. The City also maintained its rank for the fourth straight year with the highest percentage of residents over the age of 25 with an undergraduate college degree and the percentage with a graduate or professional degree.

	Year	Virginia Beach	Chesa-peake	Norfolk	Ports-mouth	Suffolk	Hampton	Newport News
High School Graduation Rate	SY 2013	88.0%	92.0%	77.9%	80.9%	87.2%	85.5%	85.2%
Dropout Rate - Grades 9 through 12	SY 2013	4.9%	3.8%	10.1%	10.4%	8.1%	3.8%	4.4%
Residents Over the Age of 25 Who Have a Graduate or Professional Degree	CY 2012	11.3%	8.9%	10.6%	6.8%	8.8%	7.8%	9.1%
Residents Over the Age of 25 Who Have an Undergraduate Degree	CY 2012	32.6%	28.6%	26.2%	19.3%	23.3%	20.6%	25.1%

Quality Education and Lifelong Learning Key Business Area Performance Measures

	Actual		Estimated	Projected
Indicator	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
Library Program Attendance	35,000	36,087	38,000	40,000
Library Materials Circulated (in thousands)	3,614	3,574	3,581	3,590
Summer Reading Challenge Program Attendance	23,833	26,315	25,000	25,000
Library Virtual Visitation (in thousands)	1,741.9	1,741.9	1,750	1,750
Percentage of Students Receiving Special Education Services	10.6%	10.2%	Data NA	Data NA
Percentage of Students in the Gifted Program	11.8%	11.7%	Data NA	Data NA
Ratio of Students to Instructional Computers	1.4 to 1	1.3 to 1	Data NA	Data NA

Safe Community

This **desired outcome** for this business area is that health and safety are the foundations of individual and community well-being. Safety involves both being safe and feeling safe, in all aspects of life. A safe and healthy community provides all citizens with multiple opportunities to achieve their goals.

Our community feels safe from threats to its health, safety, and well-being because of the extensive network of available resources and an engaged citizenry. A healthy and safe community begins with an open and ongoing dialogue among government, its members, citizens, and strategic partners. The community is engaged in partnerships which promote, enhance, and support sustainable resources for prevention, education and opportunities related to its health and safety. We are a resilient community.

Safe Community - Community Indicators

Virginia Beach continues to be the safest City of its size in the country. The violent crime rate remained at 1.7 crimes per 1,000 residents for the second consecutive year, while the property crime rate declined for the fourth straight year in 2013. Although it declined in 2013, still more than 9 out of 10 residents surveyed agreed with the statement “my neighborhood is a safe place to live”. The number of juvenile arrests as a percentage of all arrests remained at 8.3% in 2013. In terms of the perception of safety in the City’s public schools, the perception of safety improved among 5th graders and 8th graders, while the perception among 12th graders declined.

	2007	2008	2009	2010	2011	2012	2013
5th Graders Perception of Safety in Public Schools	92.8%	93.5%	94.2%	Data NA[1]	92.8%	Data NA[1]	94.7%
8th Graders Perception of Safety in Public Schools	67.1%	68.7%	66.0%	Data NA[1]	70.2%	Data NA[1]	74.9%
12th Graders Perception of Safety in Public Schools	87.4%	82.1%	82.2%	Data NA[1]	83.6%	Data NA[1]	82.2%
Violent Crime Rate[3]	2.5	2.4	2.1	1.9	1.8	1.7	1.7
Property Crime Rate[3]	30.4	29.2	30.9	30.4	27.7	26.5	25.0
Residents Who Believe Their Neighborhood is Safe	92.8%	Data NA[2]	93.6%	Data NA[2]	92.0%	Data NA[2]	90.7%
Number of Structural Fires	470	471	486	463	425	450	416
Number of Juvenile Arrests	4,393	4,191	3,205	2,812	2,651	2,123	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 2013, Virginia Beach had the lowest crime rates in Hampton Roads. The City had the third highest percentage of juvenile arrests when compared to all arrests.

	Year	Virginia Beach	Chesa-peake	Norfolk	Ports-mouth	Suffolk	Hampton	Newport News
Violent Crime Rate[3]	CY 2013	**1.5**	3.2	5.6	6.0	2.9	2.1	4.3
Property Crime Rate[3]	CY 2013	**25.3**	27.0	44.0	55.8	29.8	32.5	30.8
Juvenile Arrests as a Percentage of Total Arrests	CY 2013	**8.3%**	3.6%	6.5%	5.5%	2.3%	13.6%	8.6%

[3]The Property Crime Rate and the Violent Crime Rate for the City of Virginia Beach shown in the first table on this page are calculated by the Virginia Beach Police Department, while the table comparing crime rates across jurisdictions is compiled by the Virginia State Police and published in *Crime in Virginia.* The discrepancies between these figures are due to the manner in which crimes are counted by these two sources. The Police Department uses the Uniform Crime Reporting format while the State reports in an Incident Based Reporting format. While UCR reports the most serious crime occurring during an incident, IBR counts all crimes occurring during the event. For example, if a Murder and Rape occurred on the same victim during the same "event", both would count towards IBR, while UCR only the murder would be counted.

Safe Community Key Business Area Performance Measures

	Actual		Estimated	Projected
Indicator	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
Arson Cases Cleared	40.0%	50.0%	40.0%	40.0%
Conviction Rate for Domestic Violence	89.0%	88.0%	88.0%	88.0%
Conviction Rate for Violent Felonies	94.0%	91.0%	91.0%	91.0%
911 Calls Received	240,558	222,526	230,000	230,000
Priority 1 EMS Calls Processed in Under 2 Minutes	83.2%	81.5%	83.0%	83.0%
Sudden Cardiac Arrest Survival Rate	47.0%	36.0%	25.0%	25.0%
Clearance Rate - Violent Crime	66.3%	74.5%	67.0%	67.0%
Average Police Response Time to Emergency Calls (in minutes)	6.5	6.5	6.6	6.6

Quality Organization

The **desired outcome** for this business area is as a quality service provider and employer, the City of Virginia Beach delivers cost-effective services. We take an enterprise approach to our work, 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, enhancing the City of Virginia Beach's role as an innovator and leader 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. We expect and foster an atmosphere of personal accountability at all levels that sends a clear message of responsibility, productivity, and purpose to our community and the members of our organization.

Quality Organization Community Indicators

Average real estate taxes as a percentage of median household income remained at 3.3% in 2012. Residents reporting that they are satisfied with City services improved to 93.8% remaining above 90% with the most recent Citizen Satisfaction Survey conducted in late 2013. The value of volunteer services also grew for the fifth consecutive year.

	2007	2008	2009	2010	2011	2012	2013
Average Real Estate Taxes as a Percentage of Median Household Income	3.3%	3.4%	3.9%	3.4%	3.3%	3.3%	Data NA
Percent of Citizens Who are Satisfied with City Services	93.4%	Data NA[1]	91.4%	Data NA[1]	91.0%	Data NA[1]	93.8%
Value of Volunteer Service (in millions)	$14.5	$13.2	$18.6	$19.0	$19.2	$19.8	$20.7
Voter Turnout Rate	17.1%	70.2%	36.0%	42.0%	17.7%	74.5%	Data NA

[1] Based on responses to Citizen Satisfaction Survey conducted biennially.

Quality Organization Key Business Area Performance Measures

	Actual		Estimated	Projected
Indicator	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
Effective Rate of All Legal Services per Hour	$103	$112	$112	$112
Hours of Direct Audit Services Provided	7,206	7,326	7,326	7,326
Yield on City Investments	0.3%	0.2%	0.3%	0.3%
Business Licenses Assessed	30,390	28,898	30,000	30,500
Voter Registration Adds or Changes Made	51,766	27,450	27,500	27,500
Qualified Applicants Recruited and Hired within 60 Days	64.0%	76.0%	80.0%	80.0%
Variation Between Revenue Estimates and Actual	1.0%	0.2%	1.0%	2.0%

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

	2007	2008	2009	2010	2011	2012	2013
Operating Expenditures Per Capita	$3,029	$3,130	$3,187	$3,111	$3,073	$3,104	$3,100
Per Capita Operating Expenditures as a % of Per Capita Income[1]	6.7%	6.7%	7.0%	6.7%	6.3%	6.2%	Data NA
Bond Rating - Standard and Poor's	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Bond Rating - Fitch	AA+	AA+	AA+	AAA	AAA	AAA	AAA
Bond Rating - Moody's	Aa1	Aa1	Aa1	Aaa	Aaa	Aaa	Aaa
Fund Balance as a % of Revenue	12.9%	10.1%	11.2%	8.9%	10.5%	11.8%	10.5%
Percentage of Capital Program Funded by Cash	55.5%	59.6%	62.1%	61.2%	56.6%	51.6%	51.6%
Turnover Rate (Excluding Retirements and Deaths)	4.02%	4.54%	4.54%	4.24%	4.09%	4.46%	4.50%
Work Days Lost per Worker's Compensation Claim	1.5	1.7	1.9	1.8	2.2	2.0	Data NA
Workers Compensation Claims per 1,000 FTE's	205.10	173.17	165.98	170.31	172.51	194.35	161.38
Liability Claims per 1,000 Population Served	1.54	1.33	0.97	0.95	0.83	0.54	0.46
Vacancy Rate	Data NA	Data NA	4.0%	4.0%	4.0%	5.0%	4.4%
Employees Retained after 2 Years	Data NA	Data NA	87.0%	90.0%	85.0%	78.0%	93.0%
Average Salary (excluding benefits)	Data NA	Data NA	$48,079	$47,310	$48,165	$48,577	$49,444
Average Tenure of City Employees (in years)	Data NA	Data NA	14.0	11.0	12.0	13.0	12.0
FTE's per 1,000 Population Served	15.9	16.0	16.0	15.9	15.4	15.3	15.4
Citizen Satisfaction with the Courtesy of City Employees	94.2%	Data NA	90.4%	Data NA	91.3%	Data NA	92.1%

[1]Per Capita Income for prior years has been revised causing a revision to some previously reported figures.

Organizational Indicators Comparison

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 2012 (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 (tied with Chesapeake) for the fewest employees per 1,000 residents.

	Year	Virginia Beach	Chesa-peake	Norfolk	Ports-mouth	Suffolk	Hampton	Newport News
Operating Expenditures Per Capita (Excludes Enterprise Activities)	FY 2013	**$3,100**	$3,134	$3,361	$3,561	$3,333	$3,570	$3,435
Operating Expenditures Per Capita as a % of Per Capita Income	FY 2012	**6.2%**	7.4%	8.6%	8.9%	7.9%	8.8%	9.4%
Bond Rating - Standard and Poor's	FY 2013	**AAA**	AA+	AA	AA	AA+	AA+	Aa2
Bond Rating - Fitch	FY 2013	**AAA**	AAA	AA+	AA	AA+	AA+	Data NA
Bond Rating - Moody's	FY 2013	**AAA**	Aa1	Aa2	Aa2	Aa2	Aa1	Aa1
Fund Balance as a % of Revenue [1]	FY 2014	**10.4%**	7.6%	6.6%	Data NA	24.5%	12.5%	10.1%
Percentage of Capital Program Funded by Cash	FY 2014	**44.5%**	67.9%	11.0%	24.3%	36.4%	70.4%	31.8%
FTE's per 1,000 Population Served	FY 2013	**15.4**	15.4	16.2	Data NA	14.0	13.5	18.3

[1] This figure represents the June 30, 2013 General Fund – fund balance as a percentage of total City revenue for July 1, 2013 (FY 2013-14).

Appendix

Appendix

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:

Financial Strategy

Internal Process	Internal financial controls including use of City provided equipment will be reviewed annually to ensure adequacy with accepted account 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.
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.
Budgetary Practices	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.
	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 funding according to State law.
	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 needed to prevent draconian service cuts.
	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.
	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.
	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).
	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 Dillon Rule 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.

Estimated General Fund Balance

The City's fund balance projection for June 30, 2014 indicated that the City will have approximately 9.64% of Undesignated Fund Balance as compared to projected FY 2014-15 revenues. The City's policy is 8-12% of next year's revenues.

Beginning Fund Balance at July 1, 2013 (CAFR)		**$ 173,323,617**
Add: Revenues		
FY 2013-14 General Fund Revenues-Revised Estimate	$ 979,358,653	
Surplus from Sandbridge TIF	7,000,000	986,358,653
Total Fund Balance and Revenues		**$ 1,159,682,270**
Less: Anticipated FY 2013-14 Expenditures:		
Operating Expenditures	$ 544,830,446	
School Operations*	401,403,698	
Other Transfers*	65,891,431	
Arrears Accrual	5,700,000	1,017,825,574
Total Projected Fund Balance at June 30, 2014		$ 141,856,696
Less: Anticipated Uses of Fund Balance:		
Loans, Advances, and Inventory	$ 7,761,644	
Encumbrances	7,700,000	
General Fund Use for Future Programs	1,892,701	
Contributions for Risk Management	1,000,000	
FY 2014-15 Capital Budget	26,075,027	44,429,372
Total Estimated Undesignated Fund Balance at June 30, 2014		**$ 97,427,324**

Calculation of Undesignated General Fund Balance Reserve

Projected FY 2014-15 General Fund Revenues**	**$ 1,010,458,390**
Undesignated Fund Balance as a percentage of FY 2014-15 Revenues	**9.64%**

Notes:
** Reflects full transfer of budgeted amounts*
*** Net of Fund Balance Usage*

Changes in Undesignated Fund Balances

	General	Special Revenues	Schools	Enterprise and Utilities	Capital Projects	Internal Services	Total All Funds
Estimated Undesignated Fund Balances at June 30, 2014	97,427,324	41,435,299	4,490,313	112,754,530	-	(1,166,306)	254,941,160
Add: Estimated Reserved Fund Balances at June 30, 2014	44,429,372	19,431,959	37,953,334	19,935,546	-	-	121,750,211
Total Estimated Fund Balances at June 30, 2014	**141,856,696**	**60,867,258**	**42,443,647**	**132,690,076**	**-**	**(1,166,306)**	**376,691,371**
Add: Estimated FY 2014-15 Revenues	1,047,772,142	180,474,709	853,064,629	204,359,589	51,599,569	194,825,370	2,532,096,008
Less: Estimated FY 2014-15 Expenditures including Fund Balance Use for CIP	1,044,489,341	188,923,206	876,624,217	213,309,589	51,599,569	198,958,330	2,573,904,252
Total Estimated Fund Balances at June 30, 2015	**145,139,497**	**52,418,761**	**18,884,059**	**123,740,076**	**-**	**(5,299,266)**	**334,883,127**
Less: Estimated Reserved Fund Balances at June 30, 2015	32,337,880	19,426,959	15,290,826	19,935,546	-	-	86,991,211
Total Estimated Undesignated Fund Balances at June 30, 2015	**112,801,617**	**32,991,802**	**3,593,233**	**103,804,530**	**-**	**(5,299,266)**	**247,891,916**
Change in Undesignated Fund Balances	**15,374,293**	**(8,443,497)**	**(897,080)**	**(8,950,000)**	**-**	**(4,132,960)**	**(7,049,244)**

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 for Gift Funds are incorporated in the respective department 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 equipment. Some of the net assets are reserved to fund either capital projects or future debt payments.

Revenue Summary

	FY 2013 Actual	FY 2014 Adjusted Budget	FY 2015 Adopted Budget	% Change
Revenue Source Summary				
Revenue from Local Sources				
General Property Taxes				
Real Estate	475,904,871	462,863,673	481,044,975	3.93
Personal Property	128,006,413	138,576,713	137,161,976	-1.02
Total General Property Taxes	603,911,284	601,440,386	618,206,951	2.79
Other Local Taxes				
General Sales Tax	54,978,531	57,987,462	60,016,191	3.50
Utility Tax	44,623,292	44,818,891	44,895,159	0.17
Business License	44,224,356	42,791,543	47,600,886	11.24
Automobile License	9,437,635	9,419,062	9,627,331	2.21
Cigarette Tax	11,953,020	13,042,050	13,083,160	0.32
Amusement Tax	5,484,974	5,941,774	5,836,125	-1.78
Hotel Room Tax	27,227,769	28,057,856	27,872,312	-0.66
Restaurant Meal Tax	55,122,465	58,140,927	59,622,821	2.55
Other Taxes	17,078,056	17,005,932	17,617,261	3.59
Total Other Local Taxes	270,130,097	277,205,497	286,171,246	3.23
Other Local Revenue				
Permits, Privilege Fees, and Regulatory Licenses	4,768,824	5,070,146	5,316,340	4.86
From the Use of Money and Property	9,173,008	9,083,962	9,343,912	2.86
Charges for Services	240,014,332	267,959,899	275,937,431	2.98
Miscellaneous Revenue	18,719,355	15,244,508	16,095,569	5.58
Fines and Forfeitures	6,888,757	6,787,884	7,626,205	12.35
Total Other Local Revenue	279,564,276	304,146,399	314,319,457	3.34
Revenue from the Commonwealth				
State Shared Sales Tax	68,889,270	70,522,688	70,065,298	-0.65
Other Sources from the Commonwealth	361,282,368	376,795,292	389,719,252	3.43
Total Revenue from the Commonwealth	430,171,638	447,317,980	459,784,550	2.79
Revenue from the Federal Government	114,089,216	119,511,750	119,694,850	0.15
Non-Revenue Receipts	6,437,893	2,835,095	2,256,135	-20.42
Total Revenues	1,704,304,403	1,752,457,107	1,800,433,189	2.74
Fund Reserves Summary				
Specific Fund Reserves	200,000	28,194,955	30,033,916	6.52
Total Fund Reserves	200,000	28,194,955	30,033,916	6.52
TOTAL FINANCING REQUIRED	1,704,504,403	1,780,652,062	1,830,467,105	2.80

Allocation of Local Revenues

Real Estate * $481,032.832 (Rate = 93¢ per $100 of value)		
Recreation Centers $17,280,944 (3.476¢)	Agricultural Reserve Program $4,474,353 (0.9¢)	Outdoor Initiative $2,336,606 (0.47¢)
Sandbridge TIF $8,139,025	Town Center TIF $5,367,921	City Operations & CIP $9,943,006 (2¢)
Sandbridge SSD $628,909 (additional rate of 6¢)	Town Center SSD $1,528,564 (additional rate of 45¢)	School Operations & CIP $19,886,012 (4¢)

Dredging Special Service Districts – Real Estate Rates				
Bayville Creek SSD $51,749 (additional rate of 36.3¢)	Harbour Point SSD $15,450 (additional rate of 7.9¢)	Chesopeian Colony SSD $211,391 (additional rate of 29.13¢)	Old Donation Creek SSD $66,335 (additional rate of 18.4¢)	Shadowlawn Area SSD $25,088 (additional rate of 15.9¢)
Gills Cove SSD $12,143 (additional rate of 6.3¢)				

Personal Property * $137,161,976 (Rate = $4.00 per $100 of value)
Public Safety Initiative $4,917,500 (additional rate of 30.0¢)

Restaurant Meals * $59,622,821 (local rate = 5.5%)		
Tourism Investment Program $11,458,180 (1.06%)	Open Space $4,756,226 (0.44%)	Tourism Advertising Program $5,404,802 (0.5%)

Hotels * $27,872,312 (local rate = 8% plus $1 per room night)			
Tourism Advertising Program $5,235,473 (1% plus $1 per room night)	Tourism Investment Program $15,321,383 (5%)	Central Business District TIF $500,000	Sandbridge SSD $798,013 (6%)

Other Revenue Dedications		
Amusement $5,836,125 (local rate = 5% & 10%)	**Cigarette *** $13,083,160 (local rate = 70¢ per pack)	
Tourism Investment Program $5,836,125 (100%)	Economic Development Investment Program $2,990,437 (16¢)	Tourism Investment Program $934,511 (5¢)

Other Non-Dedicated Local Revenues			
City Tax on Deeds * $7,759,009	Automobile License * $9,627,331 ($25 vehicles under 4,000 pounds)	Bank Net Capital * $2,378,252	Wills * $80,000
General Sales * $60,016,191	Utility Taxes * $44,895,159	Cable Franchise * $7,400,000	Business License * $47,600,886

*These revenues are included in the School Revenue Sharing Formula net of dedicated amounts. For information on the School Formula see the Appendix Section of the Operating Budget.

Summary of Fee & Tax Adjustments

Department	Title	Current Fee	Adopted Fee	Notes
Various	Personal Property Tax	$3.70	$4.00	To fund Public Safety Initiative
Agriculture	Farmer's Market Covered Space Rental Fee	$35	$40	
Agriculture	Farmer's Market Uncovered Space Rental Fee	$25	$30	
Fire Department	Fire Inspection Fee	$25	$50	Re-inspection fee will now be charged for the second re-inspection rather than the third.
Parks and Recreation	Kindergarten After School	$125	$135	
Parks and Recreation	Kindergarten Afternoon	$170	$180	
Parks and Recreation	Kindergarten Morning	$125	$135	
Parks and Recreation	Preschool All Day	$280	$300	
Parks and Recreation	Preschool Afternoon	$170	$180	
Parks and Recreation	Preschool Morning	$125	$135	
Parks and Recreation	Early Childhood Summer All Day	$140	$150	
Parks and Recreation	Early Childhood Summer Morning	$75	$80	
Parks and Recreation	Early Childhood Summer Afternoon	$75	$80	
Parks and Recreation	Early Childhood Summer Special	$75	$85	
Parks and Recreation	Out-of-School Time (OST) Registration Fee	$25	$30	
Parks and Recreation	Recreation Operations	$20	$25	
Parks and Recreation	OST School-Based Late Fees	$10	$15	
Parks and Recreation	OST Recreation Center Based Late Fees	$10	$15	
Parks and Recreation	Lifeguard Re-certification	$45	$100	
Parks and Recreation	Junior Lifeguard Instruction	$30	$50	
Parks and Recreation	All Aquatic Leagues	$100	$125	
Parks and Recreation	1 Class Pass – Fitness	$4	$5	
Parks and Recreation	30 Day Unlimited Pass - Fitness	$30	$32	
Parks and Recreation	90 Day Unlimited Pass - Fitness	$81	$84	
Parks and Recreation	Recreation Center Membership – Adult – Annual	$81	$83	
Parks and Recreation	Recreation Center Membership – Adult – Month	$11	$12	
Parks and Recreation	Recreation Center Membership – Senior – Annual	$65	$67	
Parks and Recreation	Recreation Center Membership – Senior – Month	$9	$10	
Parks and Recreation	Recreation Center Membership – Youth – Annual	$32	$34	

Department	Title	Current Fee	Adopted Fee	Notes
Parks and Recreation	Recreation Center Membership – Non-Resident – Annual	$317	$325	
Parks and Recreation	Recreation Center Membership – Non-Resident – Month	$31	$32	
Parks and Recreation	Recreation Center Membership – Youth Day Pass	$5	$6	
Parks and Recreation	Mini/Small Shelter – Full Day	$30	$35	
Parks and Recreation	Medium Shelter – Full day	$60	$70	
Parks and Recreation	Large Shelter – Half Day	$60	$70	
Parks and Recreation	Large Shelter – Full Day	$120	$140	
Parks and Recreation	Field Lighting – Adult Leagues	N/A	$10/Hour	
Parks and Recreation	Field Rental – Princess Anne Athletic Complex	N/A	$15/Hour	
Parks and Recreation	Field Rental – City View Park	N/A	$20/Hour	
Parks and Recreation	Field Rental – Outlying Field	N/A	$40/Hour	
Parks and Recreation	OST – Before School Expansion	N/A	$55/Session	
Parks and Recreation	Certification for Fitness Programs	N/A	Varied	
Planning	Construction Plan Review	For residential subdivisions of 6 or more lot plats or for any nonresidential subdivisions: $252 + $84 per 100 linear feet of roadway	Area of proposed land disturbance 2500 SF-1 acre: $900. 1-5 ac: $1,000. 5-10 ac: $1,333. 10-50 ac: $2,847. 50-100 ac: $5,877. 100+ ac: $7,560.	Related to Stormwater Mandate (details are included in budget ordinances)
Planning	Site Plan Review	2+ residences: $1,014+$30/unit after 5 units. Nonresidential: $1,356+$102/acre. Duplex: $560. Single-family unit not in Ches Bay Pres Area: $75. Single-family units, additions, & other residential structures in CBPA: $280 or $135 for abbr. review. Land Mgt Plan: $250. Plan changes: $168/sheet.	Single-family unit: $75. Two single-family units on same lot: $330. Duplex: $330. All other site development: 2500 SF-1 acre: $900. 1-5 ac: $1,000. 5-10 ac: $1,333. 10-50 ac: $2,847. 50-100 ac: $5,877. 100+ ac: $7,560.	Related to Stormwater Mandate (details are included in budget ordinances)

Department	Title	Current Fee	Adopted Fee	Notes
Planning	Stormwater Review Fees	New Fees	CBPA Land-Disturbing Activity 2,500 SF-1 acre: Single family: $205 Duplex: $205 Others: $600 Construction Activity/Land Clearing <1 ac: Single family: $205 Duplex: $205 Others: $600. 1-5 ac: $1,944. 5-10 ac: $2,448. 10-50 ac: $3,240. 50-100 ac: $4,392. 100+ ac: $6,912	Related to Stormwater Mandate (details are included in budget ordinances)
Planning	Fees for modification or transfer of registration statements for the General Permit for Discharges of Stormwater from Construction Activities	New Fees	Construction Activity/Land Clearing <1 ac: $20. 1-5 ac: $200. 5-10 ac: $250. 10-50 ac: $300. 50-100 ac: $450. 100+ ac: $700.	Related to Stormwater Mandate (details are included in budget ordinances)
Planning	Stormwater Permit Maintenance Fees	New Fees	CBPA Land-Disturbing Activity 2,500 SF-1 ac: $50. Construction Activity/Land Clearing <1 ac: $50. 1-5 ac: $400. 5-10 ac: $500. 10-50 ac: $650. 50-100 ac: $900. 100+ ac: $1,400.	Related to Stormwater Mandate (details are included in budget ordinances)

Department	Title	Current Fee	Adopted Fee	Notes
Public Utilities	Sanitary Sewer Charge	$27.76/month	$30.81/month	4th year of a previously approved 4-year stepped increase
Public Works	Stormwater Equivalent Residential Unit	$0.416	$0.433	Related to Stormwater Mandate
Strategic Growth Area	Resident Discount Fee (Residential Parking Permit Program for public parking after 5:00 P.M.)	$2.00	$3.00	
Strategic Growth Area	On-Street Parking Meter Rate (after 5:00 P.M.)	$1.50 per hour	$2.00 per hour	
Strategic Growth Area	Residential Parking Permit Fines	$35.00	$70.00	

Expenditure Summary

Department Name	FY 2013 Actual	FY 2014 Adjusted Budget	FY 2015 Adopted Budget	% Change
Agriculture	4,132,980	5,104,117	5,289,896	3.64
Budget and Management Services	1,595,912	1,538,768	1,639,851	6.57
City Attorney	3,697,536	4,044,794	4,084,871	0.99
City Auditor	628,605	663,127	688,272	3.79
City Clerk	723,543	570,691	582,372	2.05
City Manager	2,539,252	2,794,735	2,825,204	1.09
City Real Estate Assessor	2,997,183	3,235,743	3,232,118	-0.11
City Treasurer	5,124,747	5,468,256	5,572,935	1.91
Commissioner of the Revenue	4,111,394	4,098,122	4,198,633	2.45
Commonwealth's Attorney	7,880,311	8,369,814	8,704,627	4.00
Communications and Information Technology	22,410,814	22,650,563	23,072,926	1.86
Convention and Visitors Bureau	44,587,821	44,905,830	44,278,823	-1.40
Courts and Courts' Support	6,244,718	6,224,968	6,484,797	4.17
Cultural Affairs	1,408,449	2,321,263	2,350,422	1.26
Debt Service	45,741,032	45,083,433	48,274,437	7.08
Economic Development	9,341,047	10,208,299	12,728,309	24.69
Emergency Communications and Citizen Services	8,585,774	10,636,796	10,325,988	-2.92
Emergency Medical Services	8,501,571	9,090,441	9,592,994	5.53
Finance	4,759,922	5,105,735	5,148,564	0.84
Fire	45,434,098	47,188,565	47,754,765	1.20
Future C.I.P. Commitments	0	6,893,992	7,000,000	1.54
General Registrar	1,581,147	1,352,411	1,378,780	1.95
Health	2,866,303	3,131,935	3,202,360	2.25
Housing and Neighborhood Preservation	26,682,149	25,418,375	26,832,497	5.56
Human Resources	3,774,942	4,177,462	4,318,769	3.38
Human Services	101,856,370	109,308,926	111,330,511	1.85
Library	15,977,671	18,008,422	17,901,512	-0.59
Municipal Council	575,026	533,110	530,887	-0.42
Museums	8,997,258	11,572,910	11,357,390	-1.86
Non-Departmental	31,486,191	33,795,034	34,849,014	3.12
Parks and Recreation	42,823,108	46,944,671	49,623,727	5.71
Pay-As-You-Go Capital Projects	45,655,285	51,599,569	48,075,641	-6.83
Planning	9,319,011	9,838,639	10,340,971	5.11
Police	91,029,358	94,222,691	95,739,358	1.61
Public Education	801,847,556	839,478,929	860,622,217	2.52
Public Utilities	77,925,791	99,737,728	102,428,022	2.70
Public Works	119,827,989	129,297,537	138,940,030	7.46
Reserve for Contingencies	0	2,840,494	5,530,142	94.69
Sheriff and Corrections	38,894,602	39,719,492	39,856,062	0.34
Strategic Growth Area	11,568,139	13,475,675	13,778,411	2.25
TOTAL EXPENDITURES	1,663,134,605	1,780,652,062	1,830,467,105	2.80

Personnel Summary

Department Name	FY 2013 Actual	FY 2014 Adjusted Budget	FY 2015 Adopted Budget	% Change
Agriculture	12.00	12.00	12.00	0.00
Budget and Management Services	15.00	14.00	15.00	7.14
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	19.50	19.50	20.50	5.13
City Real Estate Assessor	34.30	34.30	34.29	-0.03
City Treasurer	71.83	75.83	76.83	1.32
Commissioner of the Revenue	62.93	63.93	64.93	1.56
Commonwealth's Attorney	85.25	86.25	86.70	0.52
Communications and Information Technology	178.50	180.50	183.50	1.66
Convention and Visitors Bureau	113.52	110.52	106.71	-3.45
Courts and Courts' Support	75.00	75.00	75.00	0.00
Cultural Affairs	3.00	3.00	3.00	0.00
Economic Development	18.00	18.00	18.00	0.00
Emergency Communications and Citizen Services	122.75	127.75	131.75	3.13
Emergency Medical Services	65.30	69.30	73.30	5.77
Finance	56.00	57.00	57.00	0.00
Fire	479.71	479.71	485.71	1.25
General Registrar	12.03	12.03	11.86	-1.41
Health	9.13	9.13	9.08	-0.55
Housing and Neighborhood Preservation	64.00	63.00	62.00	-1.59
Human Resources	47.00	47.00	47.00	0.00
Human Services	1,069.40	1,081.41	1,103.16	2.01
Library	265.50	260.00	255.00	-1.92
Municipal Council	11.00	11.00	11.00	0.00
Museums	155.47	155.85	160.97	3.29
Parks and Recreation	846.89	843.93	838.06	-0.70
Planning	108.00	109.00	116.00	6.42
Police	1,007.36	1,009.36	1,015.76	0.63
Public Utilities	411.00	412.00	415.00	0.73
Public Works	890.38	890.38	893.88	0.39
Sheriff and Corrections	524.44	525.44	525.44	0.00
Strategic Growth Area	17.00	17.00	18.00	5.88
Total City Positions	6,902.80	6,924.73	6,978.04	0.77
Education	10,324.52	10,190.92	10,209.02	0.18
Totals				
Total City Full Time Positions	6,268.00	6,280.00	6,328.00	0.76
Total City Part Time Positions	623.80	633.73	639.04	0.84
Total City Council Members	11.00	11.00	11.00	0.00
Total School Positions	10,324.52	10,190.92	10,209.02	0.18
Total Positions	**17,227.32**	**17,115.65**	**17,187.06**	**0.42**

Additions & Reductions of City Positions

The chart below indicates the overall change in City positions (both additions and reductions) in FY 2014-15. The first column represents the FTE changes that occurred from the adoption of the original FY 2013-14 to the Adjusted FY 2013-14 budget. The second column represents the FTE changes that will occur as a result of the Adopted FY 2014-15 budget. The third column represents the net departmental change.

Department	FTE Changes Between Adopted FY 2013-14 Budget and Adjusted FY 2013-14 Budget	# FTE	FTE Changes Between Adjusted FY 2013-14 Budget and Adopted FY 2014-15 Budget	# FTE	Total Department FTE Variance
Budget and Management Services			♦ Management and Budget Analyst I	1.00	1.00
City Manager			♦ Organizational Development Coordinator	1.00	1.00
City Real Estate Assessor			♦ Clerk Typist I	(.01)	(.01)
City Treasurer	♦ Account Clerk I ♦ Account Clerk II	3.00 2.00	♦ Account Clerk II	1.00	1.00
Commissioner of the Revenue	♦ Account Clerk I	1.00	♦ Account Clerk I	1.00	1.00
Commonwealth's Attorney			♦ Legal Investigator	0.45	0.45
Communications and Information Technology			♦ Administrative Assistant ♦ Systems Analyst II ♦ Systems Engineer III	(1.00) 2.00 2.00	3.00
Convention and Visitors Bureau			♦ Account Clerk II ♦ Custodial Worker II ♦ Groundskeeper I ♦ Van Driver ♦ Event Coordinator ♦ Operations Specialist I ♦ Usher/Ticket Taker ♦ Ticket Seller	0.02 (4.31) 0.25 0.01 0.02 (0.53) 0.70 0.03	(3.81)
Emergency Communications and Citizen Services			♦ Administrative Technician ♦ 911-Operations Supervisor ♦ 911-Senior Operations Supervisor	1.00 2.00 1.00	4.00
Emergency Medical Services			♦ Supervisor	4.00	4.00
Finance	♦ Payroll Supervisor	1.00			
Fire			♦ Code Inspector II ♦ Firefighters	2.00 4.00	2.00 4.00
General Registrar			♦ Assistant Registrar I	(0.17)	(0.17)
Health			♦ Nurse II	(0.05)	(0.05)
Housing and Neighborhood			♦ Code Inspector II	(1.00)	(1.00)

Department	FTE Changes Between Adopted FY 2013-14 Budget and Adjusted FY 2013-14 Budget	# FTE	FTE Changes Between Adjusted FY 2013-14 Budget and Adopted FY 2014-15 Budget	# FTE	Total Department FTE Variance
Preservation					
Human Services			♦ Eligibility Worker I ♦ Eligibility Worker Supervisor ♦ Family Services Specialist I ♦ Human Services Supervisor I ♦ Juvenile Detention Counselor ♦ MH/MR Clinician II ♦ MH/MR Clinician III	5.00 1.00 4.00 2.00 7.75 1.00 1.00	21.75
Library			♦ Clerk I ♦ Distribution Clerk II ♦ Library Information Specialist II ♦ Library Information Specialist III ♦ Library Supervisor ♦ Library Technician	(2.00) (1.00) (1.00) 0.50 (1.00) (0.5)	(5.00)
Museums			♦ Development Specialist ♦ Operations Assistant I ♦ Operations Assistant II ♦ Operations Assistant III ♦ Production Technician II	1.00 0.12 3.50 1.50 (1.00)	5.12
Parks and Recreation			♦ Activity Center Assistant Leader ♦ Activity Center Leader ♦ Facility Customer Assistant ♦ Groundskeeper I ♦ Parks and Recreation Aide I ♦ Parks and Recreation Aide II ♦ Parks and Recreation Aide III ♦ Parks and Recreation Aide IV ♦ Parks and Recreation Supervisor	1.13 1.13 (0.85) 1.00 (3.53) (1.70) (1.75) (0.30) (1.00)	(5.87)
Planning	♦ Planner I	1.00	♦ Administrative Specialist II ♦ Construction Inspector I ♦ Engineer I ♦ Engineer III ♦ Planning Aide I	1.00 3.00 1.00 1.00 1.00	7.00
Police			♦ Public Safety Investigator	6.40	6.40

Department	FTE Changes Between Adopted FY 2013-14 Budget and Adjusted FY 2013-14 Budget	# FTE	FTE Changes Between Adjusted FY 2013-14 Budget and Adopted FY 2014-15 Budget	# FTE	Total Department FTE Variance
Public Utilities			♦ Account Clerk III (moved from Public Works)	1.00	3.00
			♦ Engineering Technician I	2.00	
Public Works			♦ Administrative Technician	(0.50)	3.50
			♦ Account Clerk III (moved to Public Utilities)	(1.00)	
			♦ Construction Inspector II	1.00	
			♦ Construction Inspector III	3.00	
			♦ Engineer II	1.00	
			♦ Engineer III	1.00	
			♦ Engineer IV	1.00	
			♦ Engineering Technician II	1.00	
			♦ Engineering Technician III	1.00	
			♦ Waste Management Operator I	(2.00)	
			♦ Waste Management Operator II	(1.00)	
			♦ Waste Management Operator IV	(1.00)	
Sheriff and Corrections	♦ Storekeeper I	1.00			
Strategic Growth Area			♦ General Supervisor	1.00	1.00
	Total Net City Positions	**9.00**		**53.31**	**53.31**

Additions & Reductions of School Positions

	FY 2010/11 Budget	FY 2011/12 Amended	FY 2012/13 Budget	FY 2013/14 Budget	FY 2014/15 Proposed	Variance
Instruction						
Elementary Classroom	2,109.90	2,065.4	2,115.1	2,084.6	2,162.9	78.30
Senior High Classroom	1,074.40	1,007.6	1,022.2	982.6	978.8	(3.80)
Technical and Career Education	271.20	254.9	225.4	211.4	216.3	4.90
Gifted Ed. and Academy Programs	156.00	156.0	156.0	156.0	157.0	1.00
Special Education	1,180.00	1,178.0	1,178.0	1,178.0	1,178.0	-
General Adult Education	22.00	22.00	20.00	20.0	20.0	-
Alternative Education - Renaissance Academy	83.80	96.6	96.60	96.6	93.6	(3.00)
Student Activities	29.50	30.5	30.50	30.5	30.5	-
Office of the Principal - Elementary	343.00	343.0	337.0	336.0	336.0	-
Office of the Principal - High School	128.50	127.5	124.0	122.0	127.0	5.00
Principal - Technical and Career Education	7.00	7.00	7.00	7.0	7.0	-
Guidance Services	212.40	215.4	209.4	209.6	206.6	(3.00)
Social Work Services	31.25	31.2	31.00	31.0	31.0	-
Media and Communications	15.00	15.0	15.00	15.0	15.0	-
Teaching and Learning Support	56.00	57.0	51.00	51.0	47.0	(4.00)
Instructional Center for Teacher Leadership	-	7.00	8.00	8.0	8.0	-
Special Education Support	30.00	32.0	32.00	32.0	32.0	-
Gifted Ed. and Academy Programs Support	19.00	19.0	19.50	20.0	20.0	-
Media Services Support	200.50	199.5	200.5	196.5	196.5	-
Planning, Innovation, and Accountability	17.00	19.0	19.00	19.0	19.0	-
Middle School Classroom	768.60	746.4	761.4	740.7	745.6	4.90
Remedial Education	102.50	104.5	104.5	106.5	85.5	(21.00)
Office of the Principal - Middle School	117.00	115.0	115.0	112.0	112.0	-
Homebound Services	1.00	1.00	1.00	1.0	1.0	-
Office of the Principal - Tech. and Career Ed. Support	9.40	8.40	8.60	9.0	9.0	-
Student Leadership	7.00	7.00	7.00	7.0	9.0	2.00
Psychological Services	38.00	38.0	38.00	38.0	38.0	-
Audiological Se vices	4.00	4.00	4.00	4.0	4.0	-
School Administration	9.00	9.00	8.00	8.0	10.0	2.00
Alternative Education	22.00	15.0	15.00	15.0	15.0	-
Instruction Total	**7,064.95**	**6,931.9**	**6,959.7**	**6,848.1**	**6,911.4**	**63.30**
Board, Legal, and Governmental Services	13.00	13.0	12.00	12.0	12.0	-
Superintendent	7.00	7.00	7.00	7.0	8.5	1.50
Budget and Finance	43.00	43.0	43.00	43.0	43.0	-
Human Resources	44.50	47.3	47.30	47.3	47.3	-
Internal Audit	4.00	4.00	4.00	4.0	4.0	-
Purchasing Services	13.00	13.0	13.00	13.0	13.0	-
Center for Teacher Leadership	16.80	8.00	6.00	6.0	5.5	(0.50)
Benefits	15.00	15.0	15.50	15.5	16.5	1.00
Health Services	131.00	131.0	131.0	131.0	131.0	-
Administration, Attendance, & Health Total	**287.30**	**281.3**	**278.8**	**278.8**	**280.8**	**2.00**
Management	26.00	26.0	27.00	27.0	27.0	-
Vehicle Operation	354.69	354.6	354.6	354.6	354.6	-
Vehicle Operation - Special Education	122.56	122.5	122.5	122.5	122.5	-
Vehicle Maintenance	57.00	57.0	56.00	56.0	56.0	-
Monitoring Services	106.88	106.8	106.8	106.8	106.8	-
Pupil Transportation Total	**667.13**	**667.1**	**667.1**	**667.1**	**667.1**	-
Facilities Planning and Construction	6.00	6.00	6.00	6.0	6.0	-
School Plant	197.00	197.0	197.0	197.0	197.0	-
Supply Services	23.50	23.5	23.50	23.5	23.5	-
Custodial Services	726.00	726.0	709.0	709.0	717.0	8.00
Safety and Loss Control	197.00	197.0	197.0	197.0	198.0	1.00
Vehicle Services	4.00	4.00	4.00	4.0	4.0	-
Telecommunications	3.00	3.00	3.00	3.0	3.0	-
Operations and Maintenance Total	**1,156.50**	**1,156.5**	**1,139.5**	**1,139.5**	**1,148.5**	**9.00**
Instructional Technology	-	-	-	110.0	110.0	-
Technology	-	-	-	7.0	6.0	(1.00)
Technology Maintenance	-	-	-	71.0	72.0	1.00
Technology Total	**-**	**-**	**-**	**188.0**	**188.0**	**-**
Operating Budget Total	**9,175.88**	**9,036.8**	**9,045.1**	**9,121.5**	**9,195.8**	**74.30**
State Grants	12.00	13.0	14.00	14.0	14.0	-
Federal Grants	639.00	646.5	574.5	549.5	470.5	(79.00)
Food Services Fund	492.89	492.8	492.8	492.8	490.8	(2.00)
Risk Management Fund	5.00	5.00	5.00	5.0	5.0	-
Health Insurance Fund	4.50	4.50	6.50	6.5	6.5	-
Technology Category	186.00	187.0	187.0	-	-	-
Textbook Fund	1.50	1.50	1.50	1.5	1.5	-
Green Run Collegiate Charter School	-	-	-	-	24.8	24.80
Categorical Grants and Other Funds Total	**1,340.89**	**1,350.3**	**1,281.3**	**1,069.3**	**1,013.1**	**(56.20)**
All Funds Total	**10,516.77**	**10,387.2**	**10,326.5**	**10,190.**	**10,209.0**	**18.10**

Demographic Information

The table below highlights available information from the last three decennial censuses for Virginia Beach as well as the Census's 2012 American Community Survey (for certain demographic information no longer included in the decennial):

Demographic Characteristic		1980	1990	2000	2012
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%	23.2%
	<65	4.5%	5.9%	8.4%	11.3%
	Peak Earning Years (Age 35-54)	23.1%	24.9%	30.5%	27.3%
	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%	68.0%
	Black/African American	10%	13.9%	19%	19.3%
	American Indian/Alaskan	0.2%	0.4%	0.4%	0.2%
	Asian/Hawaiian/Pacific	2.5%	4.3%	5%	6.5%
	Other Race	0.7%	0.9%	1.5%	1.4%
	Two or More Races*	-	-	2.7%	4.6%
	Hispanic**	2%	3.1%	4.2%	7.2%
Households:					
	Family Household	79.2%	75.4%	71.8%	67.6%
	Married Couple Family	66.6%	62.9%	55.7%	48.4%
	Female Householder	10.3%	9.5%	12.4%	15.8%
	Non-Family Household	20.9%	24.6%	28.2%	32.4%
	Households with Children >18	-	44.8%	42.1%	33.9%
	Housing Occupancy: Owner	64.2%	62.5%	65.6%	61.9%
	Housing Occupancy: Renter	35.8%	37.5%	34.4%	38.1%
	Average Household Size	2.97	2.82	2.7	2.64
	Average Family Size	3.35	3.21	3.21	3.21
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%	32.6%
	Married	61%	58.4%	57.1%	48.3%
	Separated	3%	5.4%	3.2%	2.7%
	Widowed	4%	4%	4.7%	4.9%
	Divorced	5.5%	7.6%	9.5%	11.4%
Median Household Income:		$20,203	$36,271	$48,705	$61,626
Median Family Income:		$21,809	$39,112	$53,242	$74,133
Per Capital Income:		$10,836	$20,652	$30,633	$49,898
Poverty:					
	Persons	8.9%	5.9%	6.5%	8.8%
	Families	7.7%	4.3%	5.1%	7.7%

Demographic Characteristic		1980	1990	2000	2012
	Children >18	13%	7.6%	8.6%	15.5%
	<65	10.3%	8%	4.7%	4.9%
	Female Householder	38.9%	20.2%	18.9%	23.1%
	Female Householder with Children	45.8%	26.5%	23.1%	31.9%
Housing Expenses:					
	Owner Expenses Exceeding 30% of Income	26.3%	30.7%	27.4%	33.6%
	Renter Expenses Exceeding 30% of Income	37.8%	39%	37.9%	55.2%
	Percent of Homeowners Mortgage Free	11.1%	11.4%	13.9%	19.6%
Education Attainment:					
	High School Graduate	80%	88%	90.4%	93.1%
	College Graduate	22.4%	25.5%	28.1%	32.6%
Labor Force:					
	Civilian Labor Force Population Rate	58.3%	62.5%	63.2%	64.4%
	Civilian Female Participation Rate	54.6%	63.5%	62.9%	60.6%
	Percent of Labor Force in Armed Forces	18.2%	18.6%	13.3%	5.9%
	Percent Unemployed	5.3%	4.7%	4.1%	7.1%
Percent Who Drive Alone:		67.5%	78.4%	82%	81.8%
Percent Who Car Pool:		21.2%	12%	10.8%	9.1%
Percent Who Use Public Transportation:		1.7%	0.8%	0.7%	0.6%
Percent Who Work at Home:		1.1%	3.3%	2.8%	4.8%
Mean Travel Time: (in minutes)		21.9	22.7	23.9	22.6

* New category in 2000
** Can be of any race
Totals may not equal 100% due to rounding
Source: Census Bureau