

City of Virginia Beach
Resource Management Plan
Executive Summary (Adopted)

FY 2015-16



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, 2014. 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.



Acknowledgments

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; the Media and Communications Group who assisted with budget communications and city photographer Craig McClure for his cover photo taken at 27th Street.

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 ♦ Jason Beasley ♦ Kaitlyn Bennett ♦ David Bradley ♦ Kevin Chatellier ♦ Jacqueline Conley
Monica Dudek ♦ Crystal Featherston ♦ Paul Harris ♦ Stacy Hershberger ♦ Jonathan Hobbs
Beth Kavanaugh ♦ Tonya Martin ♦ ShaDonna Mayfield*

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 an integrated whole.

Executive Summary

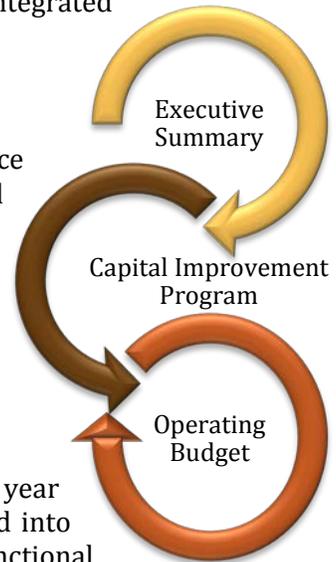
This volume provides a comprehensive overview of the policies, both service and fiscal, which guide the development and implementation of the annual operating budget, the capital budget, and the five planning years of the capital improvement program. It includes a forecast of expenses, resources and trends, as well as brief highlights of 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 City 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
 - ◆ Benjamin Davenport, At-Large ◆ Robert M. Dyer, District 1-Centerville
- ◆ Barbara M. Henley, District 7-Princess Anne ◆ Shannon DS Kane, District 3-Rose Hall
 - ◆ 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

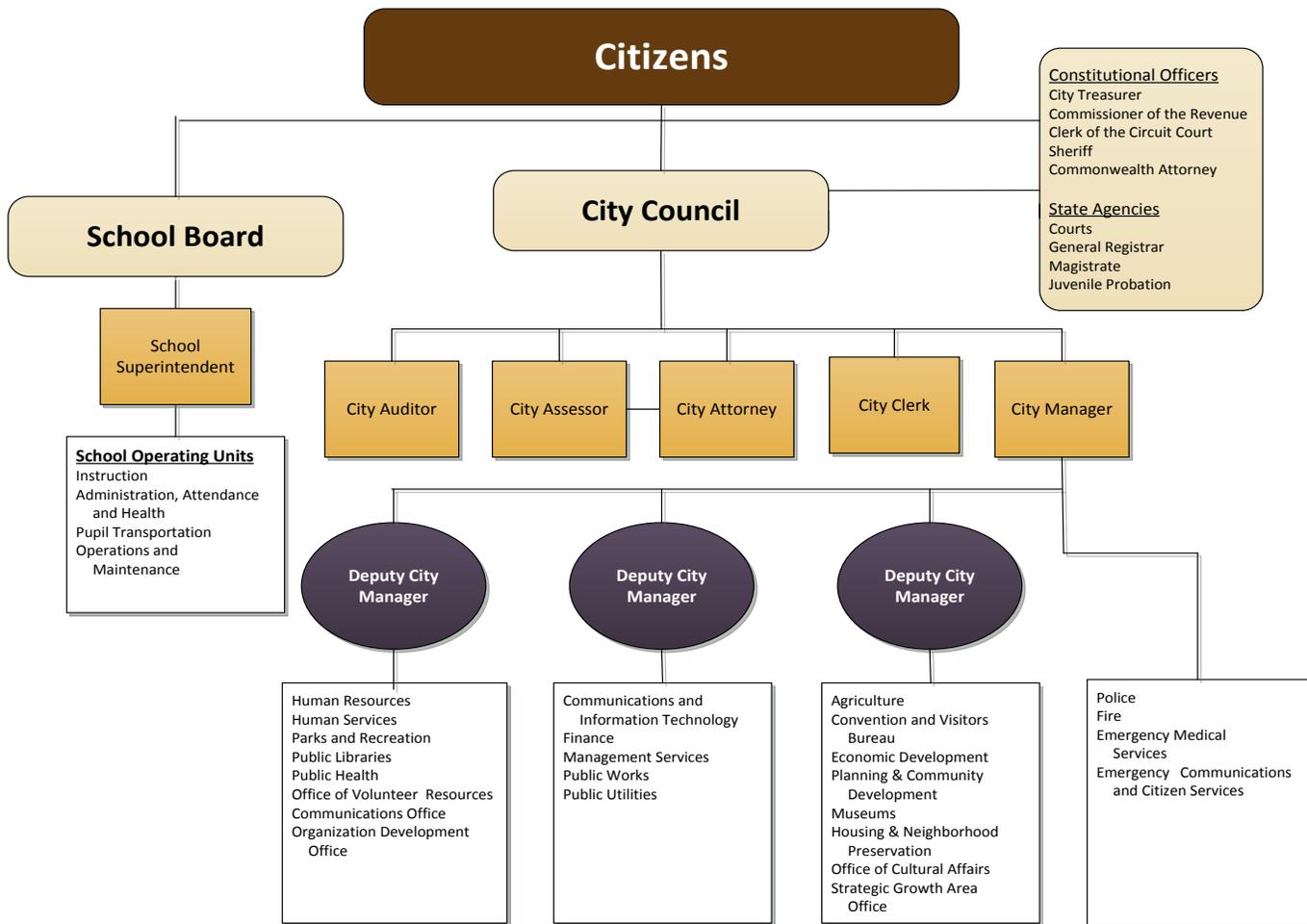
The City of Virginia Beach adopted its first Charter on February 28, 1962; it was ratified by the State Legislation to be effective January 1, 1963, thereby incorporating the City. In its Charter, the City established a Council/Manager form of government. The City Manager acts as Chief Executive Officer. 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 2015-16): 454,247
 Number of Registered Voters (January 2014): 290,260
 Number of Homes/Residences (excludes on-base military housing): 176,084

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 5, 2015

Members of City Council

Subject: Reconciliation of the FY 2015-16 Operating Budget and Capital Improvement Program

Dear City Council Members:

After lengthy discussions with you and listening to the public input at the various public meetings, town halls, public hearings and via email, we would like to recommend adopting the Operating Budget and CIP with the following adjustments:

1. For our dedicated City and School employees, we suggest increasing the proposed pay increase from 3% to 4%.
 - a. The required VRS increase and its tax offset of 1.34% would remain on July 1st. We will need to delay the proposed 1.66% increase from July 1 to October 1st and increase the amount to 2.66% for a total of 4%. The delay frees up some existing funding, but the City and Schools identified an additional \$4.5 million, through a combination of reductions to various accounts, reduced debt service costs resulting from the recent bond sale, and additional revenue due to better than expected collections. This strategy requires reducing the City's portion of the 6 cents tax increase by 0.31 cents (from 2.2 cents to 1.89 cents) and increasing the schools portion by the same amount (from 2.0 cents to 2.31 cents). The city's loss of revenue will be offset by reductions in our debt service costs and health care budget.
 - b. We would be remiss if we did not point out that delaying the increase until October 1st will result in rollover costs into FY 2017 of approximately \$6 million for City and Schools, which is not addressed in the shifting of the salary increase.

2. Delay the implementation of the proposed \$1 per room night charge from November 1st to January 1, 2016. This will reduce the funding to the Tourism Investment Program (TIP) by \$214,566 but will not impact the Arena Infrastructure Projects (19th Street Infrastructure Improvements, the Arena Infrastructure Development-On Site, and the Arena Infrastructure-Off Site).
3. As you will recall, from our briefing on the Arena related infrastructure projects, a switch of funding in the CIP between the two projects is recommended, which better aligns the funding with the scope of work but does not increase the overall cost of the projects.
4. Funding for the EMS Department is recommended to increase by \$225,815. This will provide an additional 1.7 FTEs to enhance lifeguards at Sandbridge Beach; two additional zone cars; and matching funds of \$75,000 to the Rescue Foundation to ensure we continue to attract and retain qualified volunteers.
5. Provide \$5,000 to the Green Ribbon Committee for their proposed awards program.
6. Provide Children's Hospital of the Kings Daughters (CHKD) \$100,000 for their building fund at the Princess Anne Complex.
7. Provide an additional \$500,000 to fund the Bio-Medical Initiative, bringing this funding up to a total of \$1 million in FY 2016.
8. Fund \$77,424 for one additional Auditor position in the City Auditor's Office, based on the recommendations of the Audit Committee, to address increasing workloads.
9. Add one position and \$103,033 to the Aquarium's FY 2016 Operating Budget based on the Ordinance the City Council approved on April 7, 2015 to provide this position through the end of FY 2016. This position is fully funded by the Aquarium Foundation.
10. Also for the Aquarium, add \$1.1 million to the Marsh Pavilion Enhancements Project (3-028) to provide for the design of phases four and five. Funding would be from Public Facility Bonds and a \$250,000 reduction from Aquarium Building Systems and Facility Infrastructure Project (3-146).

The details for the funding sources and the adjustments are identified on the first attachment. Project sheets showing the final funding for the Arena Infrastructure Projects are also attached.

On the issue of Light Rail, we have a public hearing tonight to receive community input and are scheduled to select a Locally Preferred Alternative (LPA) on May 12th, which will be on our agenda prior to the vote on the Operating Budget and CIP.

May 5, 2015

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In discussing the proposed changes, we have notified staff that they may need to be prepared to make adjustments to the ordinances based on our LPA decision. For now, no adjustments are recommended pending that guidance. We also suggest that before any advanced production order is placed for rail vehicles, that a separate vote be taken by City Council to authorize this action.

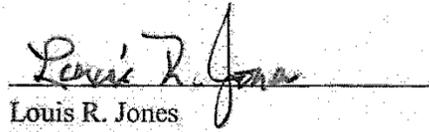
Finally, with the reallocation of a portion of the ARP dedication supporting the realization of Light Rail, we should establish an annual review process to assess potential revenue adjustments should future ARP demands increase.

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 2015-16 Operating Budget and CIP as well as staff for their efforts to provide answers to our various questions. If you have any questions, please contact us directly.

Sincerely,



William D. Sessoms, Jr.
Mayor



Louis R. Jones
Vice Mayor

Attachments (2)

Reconciliation Items

City Operating Budget

Revenue:	
Telecommunications (City Share)	473,410
Delay \$1 per night room tax to January 1 (TIP Fund)	(214,556)
Aquarium Revenue (approved Ordinance)	103,033
Subtotal	<u>361,887</u>
Appropriations:	
Aquarium Foundation position (approved Ordinance)	103,033
Green Ribbon Award Program	5,000
CHKD Building Fund	100,000
Bio-Medical	500,000
2 EMS zone cars & garage charges	85,000
EMS Recruitment	75,000
Sandbridge Lifeguards and Supervisor (1.75 FTEs)	65,816
Internal Auditor (1 FTE)	77,424
2.66 General Increase on Oct 1. for 4% Total Pay Increase	1,259,835
Reduction in TIP Fund Reserve for Contingencies	(214,556)
Health Care	(1,450,000)
Debt Service Savings	(1,600,000)
Reduction in General Fund Reserve for Contingencies	(242,075)
Increased Transfer to Schools	1,597,410
Subtotal	<u>361,887</u>

Schools Operating Fund

Revenue:	
Schools Share of Telecommunications	226,590
Increase transfer to Schools	1,597,410
Subtotal	<u>1,824,000</u>
Appropriations:	
2.66 General Increase on Oct 1. for 4% Total Pay Increase	2,750,000
Debt Service Savings	(226,000)
Reductions to various accounts	(700,000)
Subtotal	<u>1,824,000</u>

Capital Improvement Program

	<u>Year 1</u>	<u>Year 2</u>
Revenue:		
Public Facility bonds (Marsh Pavilion phase 4 and 5 conceptual)	850,000	
Public Facility bonds (Arena)	(3,966,000)	3,966,000
Subtotal	<u>(3,116,000)</u>	<u>3,966,000</u>
Appropriations:		
3-028 Aquarium Marsh Pavilion Enhancements	1,100,000	
3-146 Aquarium Building Systems and Facility Infrastructure	(250,000)	
9-017 Arena Infrastructure Development - Off Site	2,185,000	3,966,000
9-015 Arena Infrastructure Site Improvements - On Site	(6,151,000)	0
Subtotal	<u>(3,116,000)</u>	<u>3,966,000</u>



City of Virginia Beach

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March 24, 2015

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

Subject: FY 2015-16 Proposed Resource Management Plan

Dear Mayor and Council Members:

This is a watershed year for Virginia Beach. This is a watershed budget for our city government.

That sounds like hyperbole, but it's not. This is the year when a lot of very big things will come together for Virginia Beach. This is the year when City Council will make some very big decisions on some very big projects – projects that can change Virginia Beach for decades to come.

And this is the year when we will take bold steps to bring those projects to reality.

I know what you're thinking. Every day, somebody somewhere trumpets *this thing* or *that thing* as the latest, greatest, most important thing in a generation. It's easy to grow weary and cynical.

But 2015 really is a year of major decisions for Virginia Beach. This is the year we will decide:

- ◆ Whether to allow a private company to build a major arena at the Oceanfront.
- ◆ Whether to bring light rail transit to our Town Center.
- ◆ Whether to lay the foundation for a new biomedical complex in Princess Anne Commons.

Each of these decisions carries risks. But each also carries the potential for huge rewards. Each decision could fundamentally diversify our city's economy – creating new jobs, new industries, and new funding sources for services that our citizens demand.

Yes, we face many familiar budget issues. Retirement and health care costs are rising rapidly. Real estate tax revenues cannot keep up. Our outstanding city employees have had small raises – or no raises – for seven straight years. State and federal revenues are declining.

We will address those issues, of course. But more importantly, we cannot let this moment pass without taking bold action for the long-term. We cannot settle for just-enough. Our decisions today can move the city to a more sustainable future.

And so this budget is special. This is not an ordinary year, and this is not an ordinary budget.

The New Budget Reality: The State is Crushing its Cities

First, let's look at where we are today. It's not promising.

Our population exploded in the 1970s and '80s, but its growth is almost flat today. Yet the demand for services – measured by things like police and fire calls, library circulation, family support cases, and more – keeps growing. In fact, the demand for services is growing over 70% faster than the population.

Meanwhile, our rate of revenue growth has been declining for 35 years. In the 1980s, city revenues grew almost 14% a year. That dropped to 9% a year in the '90s, then 5% a year in the '00s. Since 2010, our city revenues have actually *declined* an average of one-tenth of 1 percent a year.

Translation: Each year our citizens demand more services than revenue growth can support.

Why are we struggling to keep pace? The recession, of course, is one reason – but possibly not the biggest. As property values fell from 2010 to 2014, our revenues dropped. We dealt with that by budget cuts, use of fund balance, and increased efficiency.

We did not expect the relationship between the state and the city to fundamentally change – but it has. In recent years, Richmond has severely cut funding to cities in many areas. For example, we used to receive \$25 million a year in state road funding. We now get none – *nothing*. We used to get \$364 million a year in school funding. We now get \$322 million – a cut of \$42 million. In all, we now get ***\$77 million less*** in state funding every year than we used to. The federal government has also been reducing funding for programs like schools and housing assistance.

At the same time, Richmond has forced cities to pick up some state expenses. For example, Virginia Beach pays \$10 million in health and retiree costs for state constitutional officers and their employees. We pay \$1.8 million for storm water costs required by the state. We pay \$1.2 million for police line-of-duty death benefits. This worthy program was initiated by the state and used to be a state expense. The total of new expenses required of us by the state is \$13 million a year.

So we get \$77.8 million less from the state – and we're required to spend \$13.3 million more – ***a huge difference of \$91 million a year!***

The state is crushing local government financially. If we had that extra \$91 million a year, this would be a very different budget. There would be no talk of staff cuts, increased class size, or tax increases. But this is the hand we were dealt. This affects everything we do, every service we provide. It is a major, unseen factor framing this budget.

The Big Picture

Now, let's talk about the big picture. Where do we choose to go from here – in 2016 and beyond?

We know families are hurting. The recession was not kind to families or governments. Just as revenues are down for our city, they are down for families, too. Median household income is *down* since 2010. That's not compared to inflation – it is simply *down*, lower than it was in 2010. Inflation, even at a modest 2% a year, just makes it worse.

Fortunately, **the tax burden on a typical family is lower in Virginia Beach than it is anywhere else in Hampton Roads.** Virginia Beach has the lowest real estate tax rate and the lowest personal property tax rate in the region. That's a huge positive. It means our citizens get to keep more of their income than residents in Norfolk, Chesapeake, Portsmouth, Suffolk, Hampton, and Newport News.

Let's look at it another way.

- ◆ Virginia Beach – by a wide margin spends the least as a percentage of per capita income. Our expenditures per person are only 6.1% of per capita income. Chesapeake is a full percent higher.
- ◆ Virginia Beach – also has low real estate taxes as a percentage of median household income, only 3.3% when we compare the proposed budget to median household income. Tied with Chesapeake and Newport News.

One way to keep taxes low is to cut services and unfortunately we are doing that as well. 242 positions are being eliminated from this budget, many in the School division. This results in the third increase in class size for our students through the recession. We have improved efficiency by \$39 million over the last ten years, \$6.6 million just last year and we rely heavily on volunteers to save on staff costs. But after six years of recession, the city and schools may have reached bone.

The other way to keep taxes low on homeowners is to bring new jobs and businesses to Virginia Beach. In fact, that's the best way to keep our city's economy strong. We do everything we can to encourage small businesses to start and grow here, and we work hard to attract out-of-town businesses to come here.

For years, homeowners complained that they paid a very high share of the city's real estate taxes. They said – accurately – that homes made up 85% of Virginia Beach's assessed property. They said the city should do more to increase the number of businesses that pay taxes and support city services.

They were right – and that's exactly what we've been doing. Today, businesses account for 16.9% of our real estate, and the percentage has grown every year since 2008.

So *this* is The Big Picture. This is where our budget emphasis should be in the next 10 to 20 years. We must grow the number of businesses and economic activity in Virginia Beach. In the long run, *this* is what will relieve budget pressures on families – by creating new jobs and resultant prosperity for our families and new revenue sources for our city services.

That’s precisely what this budget seeks to do.

A Push for New Businesses

This budget, for the first time, contains funding for three major economic development projects that we have talked about for years. Each one will bring new businesses and jobs to Virginia Beach – strengthening our city for decades to come.

Let’s talk about each of them:

The Arena

A private company has proposed to build a \$200 million arena at the resort. It would be privately financed, built, owned, maintained, and operated. The city would contribute \$52.6 million for infrastructure – parking, water, sewers, drainage, and lighting – plus another \$26 million for improvements to nearby roads.

This is a game-changer for the resort. One of our top goals is to create a year-round resort, and this project would go a long way toward making that a reality. The arena’s final development documents should be ready for consideration later this spring.

Funding for the arena itself would come entirely from the private sector, which would take all the debt and operating risk. City funding for infrastructure would come from a special fund – the Tourism Investment Program – that exists to support large resort projects like the Boardwalk/Seawall and the Convention Center. Money for the fund comes from taxes on voluntary activities: cigarettes, amusements, participatory sports, hotel stays, and meals. There also would be an additional \$1 a night hotel tax that would expire in five years.

No money for the arena would come from real estate taxes. No money would come from the General Fund, which pays for everyday services such as teachers, police, firefighters, roads, and libraries.

Light Rail

We have been talking about light rail for 30 years. This is the year of decision – and a vote could come this spring.

This is a transportation project, of course – but it also is a catalyst for economic development. Just about every city that has built light rail has seen new offices, shops, restaurants, condos and apartments spring up along the line, especially around stations.

Recently, CNN Money featured Minneapolis-St. Paul as one of its Most Innovative Cities. The story began: “Big projects often divide cities. But Minneapolis' light rail line is creating jobs and driving development in underserved areas.” The sub-headline says, “The right way to renew a city.”

That is precisely what we would expect in Virginia Beach.

Extending light rail from Newtown Road to Town Center is estimated to cost \$310 million, with half of that -- \$155 million – coming from the state. We would expand the bus network throughout Virginia Beach for \$3.6 million, and we would build a shared-use walking-biking path alongside light rail for an estimated \$17.6 million.

We would fund our half through the use of debt, just as we all do for our home. The annual debt service payment (mortgage if you like) would come through redirection of current dedications and through funding coming from the operating budget.

Yes, light rail is expensive. But it is a critical investment in the future that eventually will connect six of our Strategic Growth Areas. An investment in more jobs and new tax revenues, which will pay for more city services. In Minneapolis-St. Paul, more than \$2.5 billion in private investment has been announced along the new Green Line since engineering began five years ago.

The Biomedical Center at Princess Anne Commons

This is a top priority for City Council and the region – with good reason.

Today, Virginia Beach’s economic stool rests largely on three legs: the military, tourism, and agriculture. We need to diversify. As Mayor Sessoms said in his recent State of the City address, “It’s time for us, Coastal Virginia, to emerge as the capital of healthcare innovation in Virginia.”

To help that effort, this budget includes \$500,000 that, when combined with \$500,000 from the state, will initiate our effort that will begin plans to create the newest and most promising industry for Virginia Beach’s and the region’s future.

The City Council also will consider transferring 155 acres of city-owned property on Princess Anne Road to the Development Authority. This will allow us to move forward in the planning and development of a new bio-related business park, so we can provide researchers and businesses a place to grow.

Just as Silicon Valley and the Research Triangle are known for their scientific advancements and businesses, we hope to create a thriving health-care complex dedicated to advancing research and development in diabetes, cardiovascular disease, neuroscience, and traumatic brain injury. This will complement recent investments in Princess Anne Commons by Sentara Healthcare, Lifenet Health, Bon Secours, Children’s Hospital of The King’s Daughters, and Operation Smile.

Together, these three projects – the arena, light rail, and the biomedical complex – hold the potential to radically improve Virginia Beach’s economy for many years to come. This budget is our down payment.

Taxes

Finally, let's talk about how we pay for this desired future.

This budget includes a handful of tax increases to maintain city services, quality schools, raise employee pay and, as discussed above, improve Virginia Beach's economy.

- ◆ *Real estate:* Virginia Beach has the lowest real estate tax in Hampton Roads. This budget proposes raising the rate 6 cents – from 93 cents to 99 cents per \$100 of assessed value. *This would still be the lowest real estate tax rate in the region.* This would provide roughly half the funding requested by the School Board allowing both city and school employees to receive a 3% pay increase with 1% dedicated to required Virginia Retirement System (VRS) mandates and help close the \$42 million deficit in the school's and city's budget identified in the Five Year Forecast.
- ◆ *Cigarette tax:* Would increase 5 cents per pack to fund our biomedical initiative.
- ◆ *Automobile Licenses:* Would go from \$25 to \$30 to help fund transportation alternatives.

No one likes taxes, but they are necessary if we want to avoid elimination of core services and achieve our goals. Virginia Beach has a lean city government. Our overall tax burden on citizens is comparatively low. As noted above, we spend less as a percentage of per capita income than any city in Hampton Roads. But revenues are dropping and citizen demand for services is rising. With state revenues falling, we cannot provide the same services without a modest increase in some taxes to compensate for those reductions.

Conclusion

Virginia Beach is a unique, beautiful city. No other major city in America can compare to our natural beauty – our 35 miles of beaches, the Atlantic Ocean, Chesapeake Bay, the unspoiled Back Bay, numerous rivers, lakes, bays, and coves.

Our lifestyle and city services are second to none. Our outstanding public schools, low crime rate, wonderful parks system, seven recreation centers, and 10 public libraries are world class.

We must be doing something right – 96 percent of all residents agree that “Virginia Beach is a good place to live.” It certainly is. As Mayor Sessoms likes to say, we are indeed the greatest city in the world. With this budget, I propose to maintain that distinction.

With Pride in Our City,



James K. Spore
City Manager

Schedule of Workshops & Public Hearings

Date/Time	Event	Location
Tuesday March 24, 2015	Presentation: The Proposed City Manager's FY 2015-16 Operating Budget and Capital Improvement Program is Presented to City Council	City Council Chambers 6:00 p.m.
Tuesday April 7, 2015	Council Workshop: ◆ Constitutional Officers ◆ Economic Vitality (with CIP)	Council Conference Room
Tuesday April 14, 2015	Council Workshop: ◆ Quality Education & Lifelong Learning (with CIP) ◆ Safe Community	Council Conference Room
Tuesday April 21, 2015	Council Workshop: ◆ Quality Physical Environment (with CIP) ◆ Family & Youth Opportunities	Council Conference Room
Thursday April 23, 2015	Public Hearing	Green Run H.S. 6:00 p.m.
Tuesday April 28, 2015	Council Workshop: ◆ Cultural & Recreational Opportunities (with CIP) ◆ Quality Organization (with CIP)	Council Conference Room
	Public Hearing	City Council Chambers
Tuesday May 5, 2015	Reconciliation Workshop	Council Conference Room
Tuesday May 12, 2015	Vote On: The FY 2015-16 Operating Budget and Capital Improvement Program	City Council Chambers 6:00 p.m.

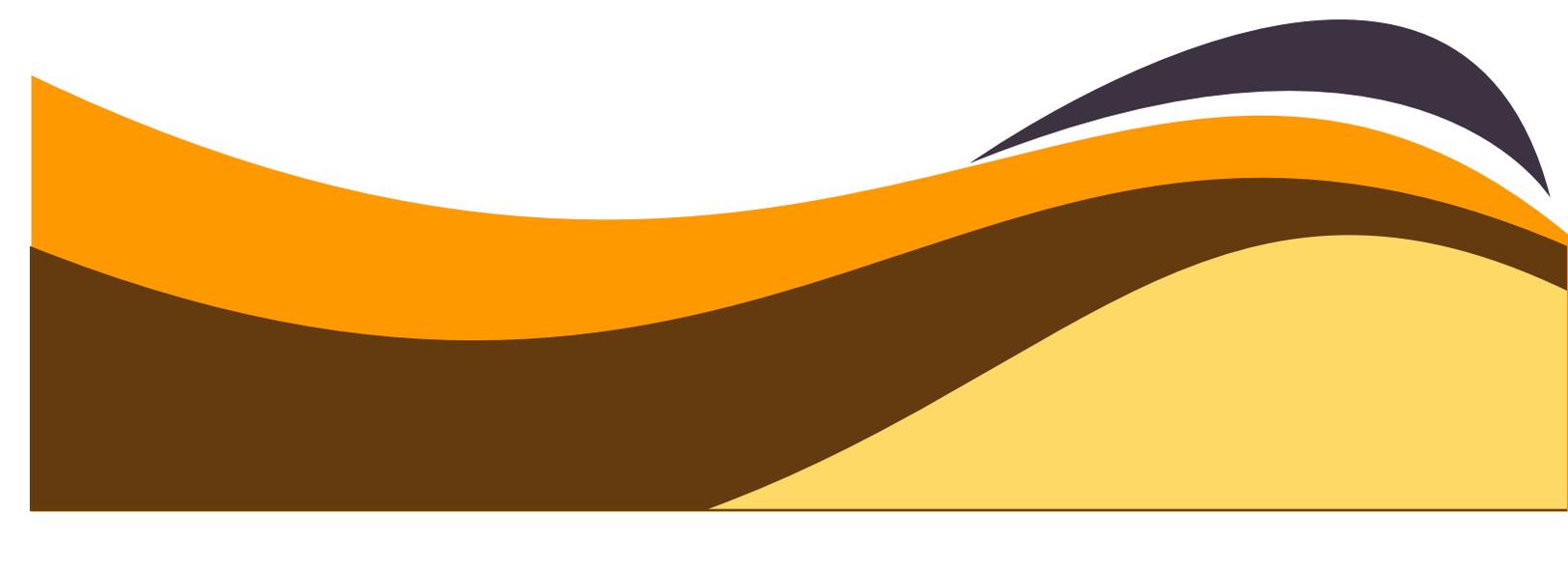
Note: If additional meeting times are necessary, a meeting will be called on Thursday, April 16 and Thursday, April 30, 2015.

Understanding the Budget Process

Month	Residents	City Council & School Board	City Administration
JULY			<i>Leadership Budget Meetings</i> Management leadership budget planning meetings begin.
AUGUST			
SEPTEMBER			<i>Budget Kickoff</i> City leadership meets to understand issues facing the city for the upcoming budget process.
OCTOBER			
NOVEMBER		<i>City/Schools Five Year Forecast</i> 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.	<i>Economic Forum</i> Local City Managers and Budget Directors meet with regional economists to discuss local and national situations affecting our region's economy.
DECEMBER			<i>Proposed Budget Development</i> Management Services works with the City Manager's Office and departments to begin developing the Proposed Budget that fits with the City Council goals set in their retreat.
JANUARY		<i>City Council Retreat</i> All City Council members meet to discuss long range strategies.	<i>CIP Caucus Meeting</i> CIP caucus members meet to hear from CIP sections on current and proposed projects.
FEBRUARY		<i>Modernization Committee Meeting</i> Modernization committee members meet to discuss the Schools Modernization Program.	
MARCH			<i>Presentation of the Proposed Budget</i>
APRIL		<i>School Board Budget Adoption</i> School Board members make final decisions and adopt the Virginia Beach City Public Schools Budget.	<i>The City Manager presents the Proposed Budget to City Council.</i>
MAY	<i>Budget Public Hearings</i> Members of the public are welcome to comment on the Proposed Budget and offer suggestions to City Council.	<i>City Council Workshops</i> 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.	<i>Budget Inquiries</i> Management Services and other city staff respond to inquiries from City Council and the public regarding the Proposed Budget.
JUNE		<i>Final Budget Adoption</i> City Council makes final decisions and adopts the official City of Virginia Beach budget.	<i>Adopted Budget</i> Management Services produces the Adopted Budget and begins to develop budget guidelines for the next fiscal year.

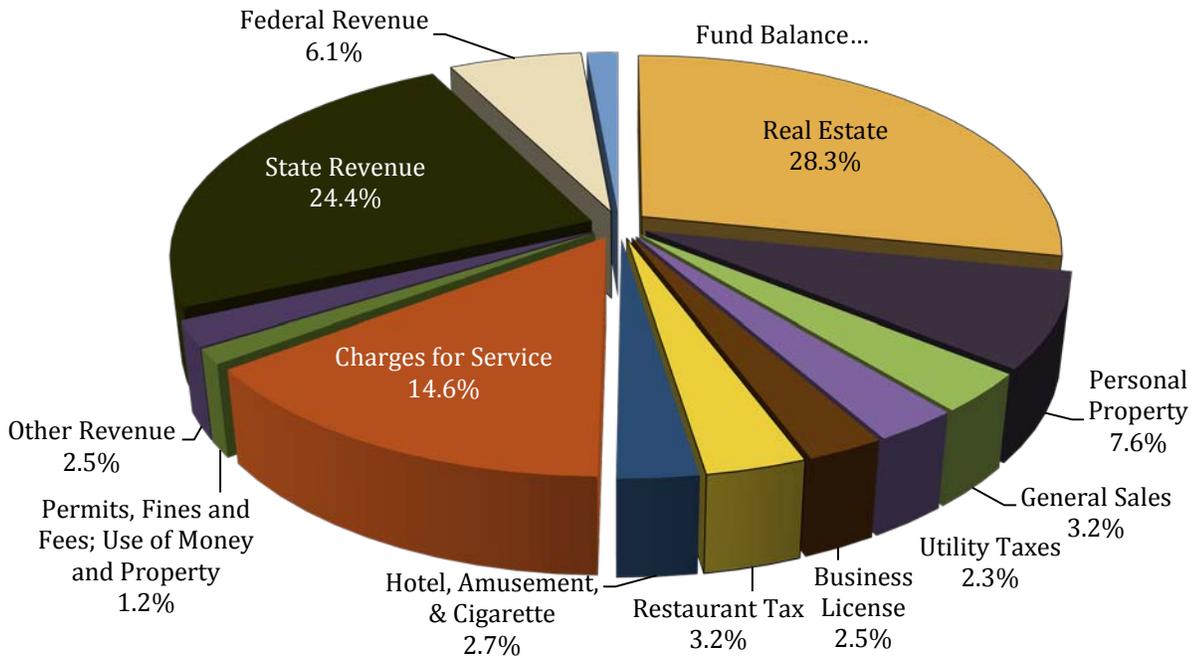


Resource Management Plan Summary

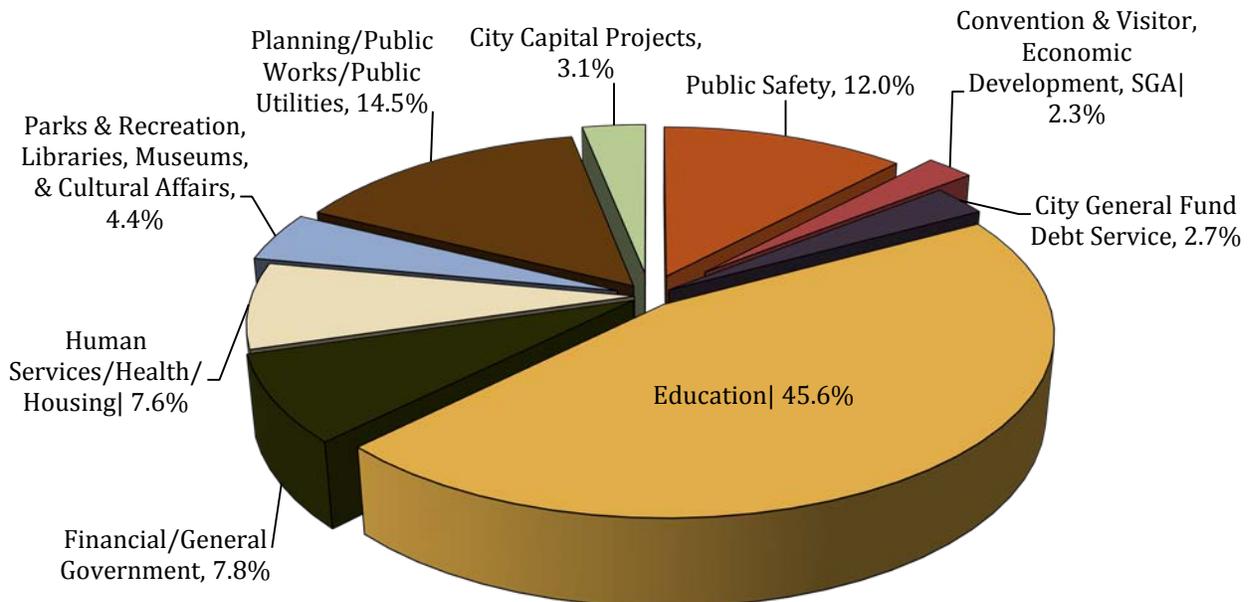


Where it Comes From and Where it Goes

FY 2015-16 Operating Budget Total Estimated Revenues



FY 2015-16 Operating Budget Total Expenditures

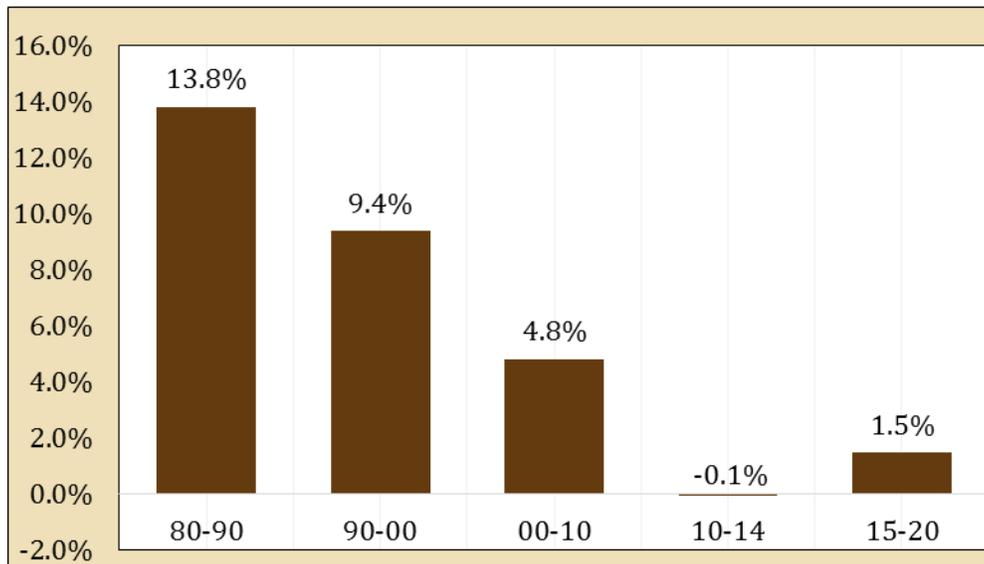


Current Environment

On March 10, 2015 the City Manager briefed City Council regarding some of the challenges that are facing Virginia Beach. The discussion focused on long term trends in city revenues, rising costs, and the impacts on residents.

As the graph below illustrates, growth in city revenue (excluding enterprise funds and fund balance) has been declining since 1980. In the 1980s, the city was growing rapidly and municipal revenues were increasing by double digits each year. A part of that growth carried over into the next decade, but it is clear that increases due to rapid growth were slowing. Late into the 1980s and early in the 1990s, several voter referendums, which added 16.7 cents to the real estate tax, were approved to support schools, road maintenance, and the construction and maintenance of city recreation centers.

Average Annual Revenue Growth Rates



In recent years, the annual growth rates have been impacted by the recession and the slow economic recovery. Going forward it is expected that the lack of growth in revenues, without rate adjustments or significant economic growth, will make it extremely difficult to maintain the depth of services currently offered to the community.

As revenue growth has declined, both the city and school system have worked to improve efficiencies, have reduced staff, and relied heavily on fund balance to try and preserve services. Since 1980, the budget has remained flat when adjusted for inflation and population, until the last several years, where it has declined.

A central component of the city's revenue decline since 2000 has been the change in the relationship between the state, federal, and local governments. This is a shift that is not unique to Virginia Beach or even Virginia but has happened across the country. As both the state and federal government have seen reduced revenues, they have shifted the cost burden for programs/mandates to localities. Programs such as "No Child Left Behind", improving storm water quality, and the "line of duty" program have transferred from being run and funded by federal and state agencies, to localities.

For Virginia Beach, the state eliminated sharing revenues such as ABC and Wine sale profits and substantially cut funding for education. In addition, the state shifted the responsibility for programs started and traditionally run by the state to the city. Programs such as line of duty payments to injured public safety officers, indigent burials, and fringe benefits for the employees of constitutional officers have all been given to the city to administer and fund. This coupled with the loss of state revenues has compounded the revenue shortfall by \$91 million each year. These reductions by the state required the City Council to increase the real estate tax rate by four cents for education and two cents for transportation/line of duty in FY 2012-13 until the state restores funding to these critical programs. Because the state has not increased funding, these rate increases are maintained in the operating budget.

This year's budgeted revenue is highlighted in the table below. As can be seen, state and federal revenue again declines by \$9.3 million or roughly two cents on the real estate tax rate.

	FY 2014-15 Adjusted Budget ¹	FY 2015-16 City Budget	FY 2015-16 Schools Budget	FY 2015-16 Total City & Schools Budget	Percent Change
Real Estate ²	\$481,041,656	\$495,950,037	\$32,340,300	\$528,290,337	9.8%
Personal Property	137,161,976	143,202,520	-	143,202,520	4.4%
General Sales	60,016,191	59,780,905	-	59,780,905	-0.4%
Utility Tax	25,150,998	25,579,267	-	25,579,267	1.7%
VA Telecommunications	19,744,161	18,225,052	-	18,225,052	-7.7%
Business License	47,600,886	46,842,468	-	46,842,468	-1.6%
Cable Franchise	7,400,000	8,146,171	-	8,146,171	10.1%
Restaurant Tax	59,622,821	60,768,863	-	60,768,863	1.9%
Amusement Tax	5,836,125	6,443,446	-	6,443,446	10.4%
Hotel Room Tax	27,870,331	29,860,146	-	29,860,146	7.1%
Cigarette Tax	13,083,160	12,474,084	-	12,474,084	-4.7%
Revenue Sharing Formula		-370,934,859	370,934,859	-	0.0%
General Fund Balance	3,116,978	5,166,556	-	5,166,556	65.8%
Other Fund Balance	26,916,938	5,739,743	15,742,465	21,482,208	-20.2%
Utility Fees	154,677,502	155,255,632	-	155,255,632	0.4%
Other Revenue	150,695,393	123,493,392	25,135,824	148,629,216	-1.4%
Waste Collection Fee	31,098,000	30,886,560	-	30,886,560	-0.7%
State Revenue	460,794,524	119,323,219	338,347,425	457,670,644	-0.7%
Federal Revenue	119,695,425	42,701,671	70,824,306	113,525,977	-5.2%
Total Operating Budget	\$1,831,523,065	\$1,018,904,873	\$853,325,179	\$1,872,230,052	2.2%

¹The adjusted budget includes all ordinances adopted by City Council ² 6.31 cents of the real estate tax rate dedicated to education

Note: \$642,448 transfer to CIP from within the City-School Revenue Sharing Formula

The majority of this loss is in state revenues that support education. To help maintain the quality of educational programs that the community requires, the city is again forced to step in and replace these revenues with local funds beyond the minimum match required by the state's Standards of Quality. The city's commitment to education over this required match is now \$234.5 million or 239.9% more than mandatory. These local funds, in addition to maintaining school programs, will provide funding for teacher pay increases, address pay concerns within the unified pay scale, and will replace the use of school reversion funds for on-going expenses with \$4 million in ongoing revenue.

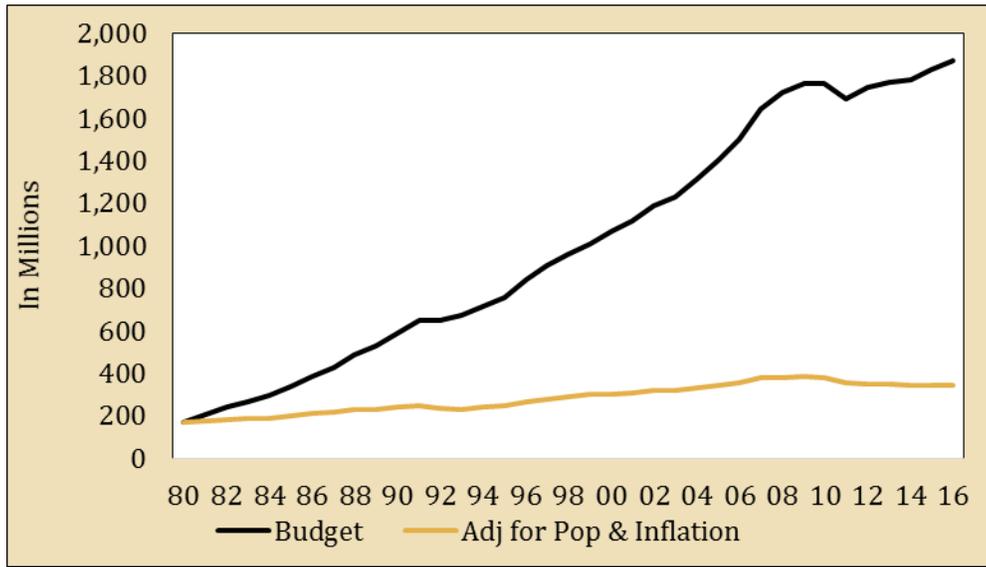
Change in Real Estate Revenue
FY 2014-15 to FY 2015-16

	FY 2014-15	FY 2015-16	Difference
City Operations	\$ 223,482,553	\$ 254,582,997	\$ 31,100,444
Schools	217,430,452	232,211,633	14,781,181
Parks and Recreation	19,617,550	20,218,575	601,025
Sandbridge Special Service District	628,909	669,999	41,090
Agriculture Reserve Program	4,474,353	2,869,337	(1,605,016)
Sandbridge TIF District	8,139,025	8,960,059	821,034
Central Business District TIF District	5,367,921	6,377,444	1,009,523
Town Center Special Service District	1,548,564	1,800,494	251,930
Dredging Special Service Districts	382,648	599,799	217,151
Total	\$ 481,071,975	\$ 528,290,337	\$ 47,218,362

Real estate tax assessments are increasing by 2.9%. This combined with a six-cent rate increase is generating \$47.3 million in additional revenue to support city and school programming along with capital projects. The table above identifies how this additional revenue is distributed to the various City Council dedications. The \$30.7 million generated by the six-cent increase is to be dedicated to schools, various capital projects, and to support city programs. The remaining \$16.6 million in assessment growth is distributed to the various dedications such as recreation centers and the tax increment financing and special service districts. Without the rate increase, neither the city nor schools could provide any pay increase or maintain current services.

City revenues are also declining as the community struggles to recover from the recession. There are decreases in several revenues including General Sales tax, Utility taxes, and Business Licenses. In order to maintain community services and address projects that are critical to the city's future economic health and expansion, this budget includes several recommendations for tax rate increases. Adopted is a six-cent increase in the Real Estate tax; an additional five cents per pack on the cigarette tax; a five-dollar increase in the vehicle license fee; and an increase of \$1 per hotel room night beginning January 1, 2016 and lasting through December 2020. Despite these rate increases, the budget includes 239.08 fewer positions when compared to the previous year.

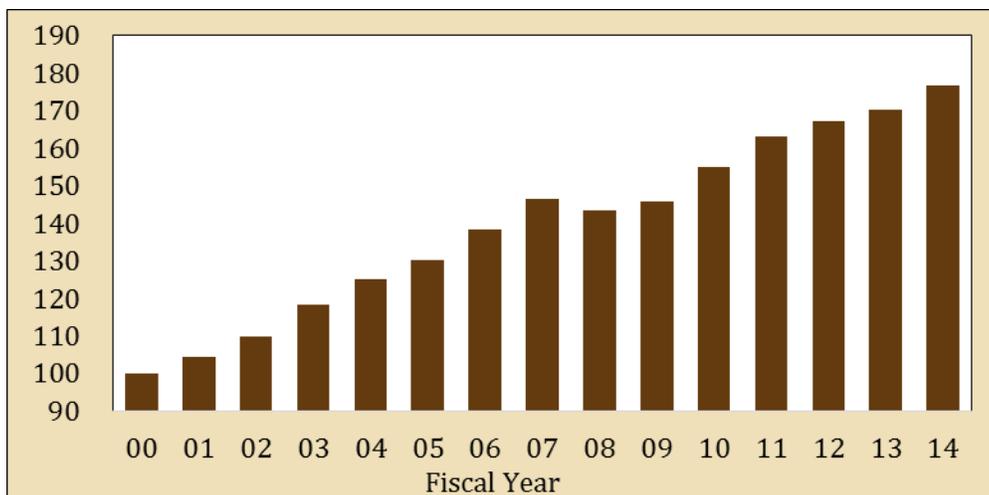
Operating Budget



Overall the Operating Budget increases by 2.2% or \$40.7 million, but is level when adjusted for inflation and population. As the graph on the Operating Budget illustrates, since 1980, the budget has remained relatively flat when adjusted for these factors and has actually declined since the recession in real terms. Since 1980, the budget has increased by a compound annual growth rate of 7%, but actual growth (net of inflation and population) has only been 1.8% annually.

The city and school system have addressed increased mandates which have required additional staff (i.e. lower class size and storm water) and have opened new and expanded facilities such as Kellam High School, the Animal Care and Adoption Center, the Joint Use Library, the Juvenile Detention Center, Biznet Village (care facility for intellectually disabled adults), the Nimmo Fire Station, the Convention Center; and ultimately Williams Farm Recreation Center, which will require additional staff once the replacements of Bow Creek and Kempsville Recreation Centers are complete. All of these facilities, combined with other various programmatic expansions, have added nearly 600 new staff to the budget while staffing levels were being reduced in other areas.

Demand for Services



Even as the city and school system are seeing reduced support from the state and federal governments due to the recession, citizens' demand for services increased dramatically, in part due to the impact of the economic downturn on families. If demand grew equally with population, the index above would remain at 100 instead of increasing to over 170. As the chart illustrates, the current demand for city services is growing about 77% above population growth since 2000. **It takes funding to meet this demand.**

Trying to maintain quality schools and the municipal services desired by the community has meant relying on the city and school fund balances, which is not a sustainable long term strategy. It has also meant adjusting fees and tax rates to provide adequate resources. As noted above, this budget includes several rate adjustments, but these adjustments are not done lightly. As the next table shows, since the recession, household income growth has decreased. While household income has risen from \$20,203 in 1980 to \$62,855 in 2013, in real terms, income growth has slowed and, when adjusted for inflation, is declining.

Annual Average Income Growth Rates

	80-90	90-00	00-10	10-13
Median Household Income	6.3%	2.7%	2.8%	-0.7%
Adjusted for Inflation	1.5%	-0.1%	0.4%	-2.9%

The choice becomes to reduce or eliminate services, or to try to replace lost revenues. Unfortunately, efficiency efforts alone, while reducing costs, are insufficient to cover rising costs. In November 2014, both the city and schools reported, as a part of the Five Year Forecast briefing to City Council and the School Board members, that expenditures were anticipated to exceed revenues (without rate increases) by \$42 million. Revenue growth at 2%, is simply not at a level necessary to cover rising costs for either system. City services such as schools, public safety, and road maintenance are needed and desired by citizens. The strategy of balancing the budget solely on reduced services has never proven popular; citizens would not tolerate the magnitude of service reductions necessary to balance the budget through cuts alone. Both the city and schools constantly reevaluate programs in terms of need and cost, and both reduce staff (the largest cost driver for any service oriented entity) and try to be as efficient as possible.

The Operating Budget reduces services and increases rates to support remaining services. As the next table illustrates, Virginia Beach has the lowest expenditures as measured on a per person basis, 6.1% as opposed to the other Hampton Roads communities. The real estate taxes paid to the city, measured as a percentage of median household income, is also the lowest in the region.

Relative Measures of Tax Burden

	Per Capita Expenditures as a % of Per Capita Income	Real Estate Taxes as a % of Median Household Income
Virginia Beach	6.1%	3.1%
Chesapeake	7.2%	3.3%
Norfolk	8.6%	3.5%
Portsmouth	9.1%	3.5%
Suffolk	8.1%	3.9%
Hampton	8.3%	3.9%
Newport News	9.1%	3.3%

Source: Bureau of Economic Analysis and the American Community Survey

To prepare for the future we will need to make strategic investments that will improve the opportunities to attract new residents and encourage new job growth. There have been several initiatives to accomplish this, not least among them is the work of the City Council Process Improvement Steering Committee. Their current efforts to identify and remove barriers to doing business in the city will continue to encourage job growth. The next section of this report will examine some projects and programs that seek to do just that.

Transformational Projects

This year's Operating Budget and Capital Improvement Program contain efforts to move the community towards its 2040 vision; a community with multi-modal transportation systems, a major tourist and entertainment mecca, and a regional leader in bio-medical employment and research. Discussed in greater detail below are projects that are intended to move the community in that direction. It is sometimes critical that we invest today, even if it is hard, and the return is many years away. If we do not get started we can never reach our goal.

Arena

Virginia Beach is underserved in the sports and entertainment markets because it lacks a venue that can accommodate major events. The state of Virginia has no large, modern arena other than the John Paul Jones Arena at The University of Virginia in Charlottesville. Norfolk, Hampton, and Richmond have older, smaller arenas and the newest arena in the region, the Ted Constant Convocation Center, only seats 9,100. None of these venues can support the type of concerts, sporting events, and conferences that come to other cities of our size. An arena could attract national sporting and entertainment events which would be particularly beneficial in the off-season.

The capital budget includes city funding for infrastructure improvements to support the construction of a new arena at the oceanfront. The private developer will finance the entire cost of the \$200 million arena. As with any large development project, there are infrastructure modifications that the city is responsible for in order to support this development. The city will be installing infrastructure outside of the arena such as street, parking, and utility improvements. The CIP includes three projects:

- ◆ CIP 9-100 "19th Street Infrastructure Improvements"
- ◆ CIP 9-015 "Arena Infrastructure Site Improvements-On Site"
- ◆ CIP 9-017 "Arena Infrastructure Development-Off Site"

These projects total \$ 78.5 million and will be funded through existing revenues in the city's Tourism Investment Program (TIP) Fund, which includes taxes on cigarettes, amusement, participatory sports, hotels, and meals. The budget also includes an additional \$1 per night hotel tax which includes a sunset provision after five years, to help fund this infrastructure.

TIP Fund Summary of Projection Revenues and Expenditures
(Including Arena public infrastructure)

The construction of the arena and the infrastructure to support it will aid the city in its goal of being a first-class year-round resort for residents, businesses, and visitors.

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Fund Balance(June 2015)	\$ 1.11					
Current Revenues	\$ 36.80	\$ 37.90	\$ 39.09	\$ 40.32	\$ 41.60	\$ 42.81
Current Expenditures	\$ 36.80	\$ 33.50	\$ 33.74	\$ 33.79	\$ 32.87	\$ 31.66
Debt Service on Arena	\$ -	\$ 2.50	\$ 4.80	\$ 4.97	\$ 6.70	\$ 8.84
Arena Related Expenditures	\$ -	\$ 3.40	\$ 3.50	\$ 3.62	\$ 3.74	\$ 3.86
Total Expenditures	\$ 36.80	\$ 39.40	\$ 42.04	\$ 42.38	\$ 43.31	\$ 44.36
Cumulative Balance	\$ 1.11	\$ (1.50)	\$ (2.95)	\$ (2.06)	\$ (1.71)	\$ (1.55)
Addition of \$1 per room night	0.744	2.11	2.11	2.11	2.11	1.37
Cumulative Balance with \$1 per room night	\$ 1.85	\$ 2.46	\$ 1.62	\$ 1.67	\$ 2.07	\$ 1.89

Multi-Modal Transportation System

The other major watershed projects provide funding for transportation alternatives to enhance the livability of the city and its neighborhoods. This will be accomplished by improving mobility and transportation/transit system efficiency and intermodal connectivity; thus, reducing the rate of traffic congestion and air pollution when coordinated with supporting land use planning in the eight Strategic Growth Areas. These projects will also, over the long term, enhance the economic vitality of the Strategic Growth along the transit route.

It is anticipated that City Council will choose a locally preferred alternative for light rail this spring, and this design-build project would be completed by July 2019. The first project, CIP 2-092 “Virginia Beach Transit Extension” will extend “The Tide,” approximately 3 miles from its terminus at the Newtown Station/Norfolk-Virginia Beach city line, east to the Town Center/Constitution Drive area. This project is a continuation of the “Transit Corridor Development” project included in the FY 2014-15 CIP to fund costs associated with the feasibility analysis related to extending light rail to the city.

Integral to the extension of the light rail is project 2-093 “Buses for Virginia Beach Transit Extension.” This project will add 12 Hampton Roads Transit (HRT) buses to support the extension project and enhance public transportation throughout the city by expanding both hours of operation and developing feeder routes to light rail stations.

The final multi-modal project included in the CIP is project 2-108 “Light Rail Corridor Shared-Use Path.” This project funds a 3-mile shared use pedestrian and bicycle path running alongside the light rail corridor. The shared use path will provide an upgrade to a gravel road that would run along the transit extension by providing a pedestrian and cyclist-friendly path along the entire three-mile extension. This will improve the overall experience, access, and the potential for development along the route. It is anticipated that the

extension of light rail into Virginia Beach will spur development along the line, particularly around the stations.

While transit oriented development is expected, it has not been used to fund this first extension. The option to establish tax increment financing districts around each station prior to the operation of the rail line to capture the impact of this development, which can be used to support future rail extensions should be considered.

Of the total cost for the Light Rail extension and the shared use path, the city and state will cost share at 50%/50%. For the additional feeder buses, HRT will use a grant providing \$8.4 million or 68% of the cost and the city will provide \$3.6 million or 32% of the cost (for additional information, please see the Quality Physical Environment section of the CIP).

To partially offset the city’s portion of these projects, the dedication of the restaurant meal tax to the Open Space Program is being reduced from 0.44% to 0.22% and the dedication to the Agricultural Reserve Program is being reduced from 0.9 cent on the real estate tax to 0.56 cents. In addition to the changes to the existing dedications, a portion of the city’s funding is being dedicated to the Multi-Modal Transportation fund to support these transformative transportation projects.

With the reduction in the dedicated funding, the Open Space Program will need to slow planned acquisitions and park development activities. Some previously planned projects may need to be scaled back or delayed until adequate funding is available through the remaining dedication. Similarly, the Agriculture Reserve Program will need to scale back its goal of acquiring development rights on 300 acres of property to 150 acres a year.

Transit Funding
(Shown in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Debt Service	-	-	\$5.97	\$12.17	\$12.17	\$12.17
Operations	-	-	-	\$3.5	\$7.2	\$7.4
Total Expenses	-	-	\$5.97	\$15.67	\$19.37	\$19.57
ARP redirection	\$1.74	\$1.79	\$1.83	\$1.87	\$1.92	\$1.96
Open Space redirection	\$2.42	\$2.47	\$2.52	\$2.57	\$2.62	\$2.68
Tax support	\$10.76	\$11.03	\$11.30	\$11.58	\$11.87	\$12.10
Total Revenues:	\$14.92	\$15.29	\$15.65	\$16.02	\$16.41	\$16.74
Revenues less Expenses	\$14.92	\$15.29	\$9.68	\$0.35	(\$2.96)	(\$2.83)
Cumulative Balance		\$30.21	\$39.89	\$40.24	\$37.28	\$34.45

Ending Homelessness

The capital budget also includes an additional \$7.2 million in funding to construct the Housing Resource Center (project 3-503). In order to maximize the services provided and the operation of the Center, the size of the facility has been increased from what was included in last year's budget, from 43,000 square feet to 62,000 square feet. This will allow for an increased number of flexible housing units in the facility and more than 11,000 square feet of city office space. This office space will provide offices for Human Services staff, currently located in rented space, who will serve both participants of the Resource Center and the community as a whole.

With these additions, the Housing Resource Center will provide a comprehensive set of services that will centralize and enhance the community's efforts to end homelessness. The Center will provide shelter and services to homeless persons and those at risk of becoming homeless. The facility will include showers, a laundry area, lockers, kitchen space, office space for the provision of services by faith, non-profit and city providers, a health clinic, 29 efficiency apartments, interior courtyard(s), and will serve both individuals and families. It will include a central intake and assessment function that will be critical to achieving the goals of the Strategic Plan to End Homelessness.

Bio-Medical Task Force

In support of the city's Bio-Medical Task Force, \$1 million is included in Economic Development's operating budget to begin implementation of the task force's recommendations. The task force recommended the creation of a Virginia Impact Grant that offers small awards to start-up medical companies for a variety of uses (i.e. business plan analysis, market analysis, and product development). Other suggestions include helping a newly established regional organization secure funding to support the recruitment of at least two star research hires, and establishing a public-private organization that will lead efforts to secure the funding and support needed to grow the region's life science and biomedical cluster.

ViBe Creative District

The businesses in the 17th Street area of the city have come together in a grassroots initiative to transform an underutilized area of the Oceanfront into a vibrant creative district. The mission of the ViBe Creative District is to promote, support and expand the creative industries to drive the city's economy, grow jobs and enhance our quality of life. Funding totaling \$100,000 is provided in the FY 2015-16 Operating Budget for the district. This includes \$50,000 for branding and promotion costs and \$50,000 for the micro-grant program.

Debt Financing

Many will wonder how the city can propose doing so much when, as discussed earlier in this document, the city's revenues are down and demand for municipal services are up. Just as when families buy a home and generally take out a mortgage, the city is proposing to use debt to finance several of the transformational projects. The key is ensuring that the city can afford to make its mortgage payment (debt service). Just as families have a FICO score that indicates that they have good credit and can make the payments on the loan, the city has its bond rating, currently AAA by all three rating agencies (we are among very few cities that have this highest rating).

In preparation for the budget, the City Manager and staff met with the three rating agencies in November 2014 and requested credit evaluations from each on the impact on the city's bond rating if several transformational projects were implemented, including light rail and the arena. Key assumptions during these discussions included arena infrastructure costs (estimated at \$78.5 million), the possibility of the city issuing debt for the arena building, the city's light rail cost (estimated at \$155 million), and other economic development projects (Town Center Phase VI, Headquarters Hotel, Dome Site, etc. - estimated at \$102 million). On December 2, 2014, the Director of Finance briefed City Council on these discussions as well as each agency's report.

Seven scenarios were discussed with various combinations of the assumptions above included in each scenario. The FY 2015-16 Resource Management Plan most closely resembles Scenario 6: arena infrastructure costs at \$78.5 million and the city's light rail cost at \$155 million. The city's existing debt polices are as follows:

- ◆ Annual debt as a percent of general government expenditures (10% or under)
- ◆ Net debt per capita (not exceed \$2,800)
- ◆ Percentage of net debt to assessed value (3.5% or under)
- ◆ Percentage of net debt per capita to per capita income (6.5% or under)

In the FY 2015-16 Resource Management Plan, the city remains within its debt polices for 1) debt as a percent of general government expenditures; 3) net debt to assessed value; and 4) net debt per capita to per capita income. The city exceeds its debt policy for only bullet 2, debt per capita.

Included in the Adopted Resource Management Plan is the recommendation to increase the net debt per capita policy to \$3,000. A 2011 analysis of triple-A bond rated cities with populations between 250,000 to 500,000, the most recent report available, indicated that these cities had an average debt per capita of \$3,430 and a median debt per capita of \$3,160. Based on the current CIP, which includes debt required for the arena, light rail, and other projects, the net debt per capita would increase to \$2,849 in FY 2018-19.

Credit evaluations provided by the rating agencies generally were favorable, but there is concern that the rating on the city's general obligation bonds and/or its appropriation-backed debt could be negatively impacted from taking on both the arena and light rail projects. There is unlikely to be immediate action based on the policy change, but the rating agencies will monitor actual results. All three agencies indicated that the actual rating would depend on the business terms and other risk factors for the arena. In addition, at least one agency has indicated it could consider the arena debt to be overlapping debt of the city, depending on the final business terms.

Keeping the Lights On

Citizens will now have broad access to the city’s revenue and appropriations at the line-item level through the city’s “OpenVB” initiative (available on the city’s web site www.vbgov.com/budget). Funding in OpenVB will be displayed at the “Total Budget” level. The total budget reflects all funds, including internal service funds (i.e. City Garage and Risk Management), which allows citizens to see both revenue and appropriation line-item information for every program/service in the city.

It is important to note that the city’s Operating Budget is usually reported at the “Net Budget” level. The net budget removes internal service funds and interfund transfers. Internal service funds revenue are also included in departmental operating budgets as an internal charge and interfund transfers are a payment and/or dedication from one fund to another, which requires both to be netted against the total budget to remove duplicative appropriations/revenue. The table displays this information for the FY 2015-16 Operating Budget.

Total Budget	\$2,598,792,679
Less:	
Internal Service Funds	198,066,313
Interfund Transfers	528,496,314
Net Budget	\$1,872,230,052

The Capital Improvement Program includes appropriations to date, the Capital Budget (year 1) with years 2 – 6 included for planning purposes. Since capital projects usually require several years to complete, funding associated with the Capital Improvement Program does not close-out annually, and planning over a six-year horizon ensures that projects are planned appropriately, both from a physical and fiscal perspective. The FY 2015-16 through FY 2020-21 (including Appropriations to Date) totals \$2.7 billion. Only year 1 (the Capital Budget) is appropriated. The combined total appropriations in the Adopted FY 2015-16 Operating Budget and Capital Budget are shown in the table.

Net Budget	\$1,872,230,052
Capital Budget	\$312,964,930
Less:	
Pay-As-You-Go	58,085,199
Combined Budget	\$2,127,109,783

Similar to the discussion above concerning internal service funds and interfund transfers, pay-as-you-go funding (current revenue that pays for capital projects) must be netted from the Net Budget and Capital Budget or that funding would be duplicated. In total, the combined FY 2015-16 Combined Budget (Operating and Capital) included in the City Manager’s Resource Management Plan is \$2,127,109,783.

The Operating Budget and Capital Improvement Program together address City Council and community priorities. They begin the funding for projects critical to the future of the city, and support needed services and maintain community assets. The next table identifies funding for the major project categories.

The Adopted CIP includes the major projects, as well as other projects to improve the road network, rehabilitate recreation centers, construct parks, modernize schools, and more. The School System will receive \$36.5 million in FY 2015-16 funding to modernize and renovate schools and will receive more than

\$220 million over the entire six year program. Similarly, roadways will receive \$52 million in funding next year to construct critical roads such as Rosemont Road Phase V, and nearly \$474 million over the six year program. School funding is primarily through the use of debt, while roadways use a combination of debt and state roadway funding. For more information on projects and financing, please refer to the complete Capital Improvement Program document on vb.gov/budget.

Project Type	Remaining Years of the		
	Capital Budget Year 1 FY 2015-16	Capital Program Years 2 through 6	Programmed 6 Year Funding
Schools	\$36,533,448	\$186,955,000	\$223,488,448
Roadways	52,089,546	421,760,790	473,850,336
Buildings	52,448,119	84,463,203	136,911,322
Parks and Recreation	21,123,492	33,781,640	54,905,132
Utilities	63,583,771	311,447,070	375,030,841
Coastal	12,705,079	51,800,525	64,505,604
Economic and Tourism Development	61,032,259	50,076,151	111,108,410
Communications and Information Technology	13,449,216	42,786,417	56,235,633
Total Capital Improvement Program	\$312,964,930	\$1,183,070,796	\$1,496,035,726

The six year program also focuses on basic maintenance needs. Additional funding is included to address rehabilitation, replacement, and renewal needs at the Virginia Aquarium, historic homes, city buildings as well as computer networks and radio infrastructure. Citizens will also begin seeing better shelter and accessibility at bus stops with project 2-094 "Bus Stop Infrastructure and Accessibility Improvements". Citizens' service requests will be better coordinated among city agencies through project 3-690 "CIT – Enterprise Customer Relationship Management System". Public safety also continues to be a focus as evidenced by projects like 3-678 "CIT – Fire Mobile Radio Repeaters", which creates increased communication capability during emergency situations.

As shown in the table below, the Operating Budget is expected to increase by 2.2%, which is level with inflation. The city's adopted operating budget is \$1,872,230,052. When inflation is factored in, the budget is slightly less than the FY 2014-15 Adjusted Budget.

	FY 2014-15 Total		FY 2015-16 Total			
	City & Schools Adjusted Budget	FY 2015-16 City Budget	FY 2015-16 Schools Budget	City & Schools Budget	% Change	\$ Change
Personnel	822,412,622	353,042,471	485,764,693	838,807,164	2.0%	16,394,542
Fringe Benefits	312,612,787	132,449,572	172,961,391	305,410,963	-2.3%	(7,201,824)
Operating Expenses	450,413,974	299,487,038	145,484,835	444,971,873	-1.2%	(5,442,101)
Capital Outlay	13,806,278	12,042,427	3,889,751	15,932,178	15.4%	2,125,900
Debt Service	163,821,409	119,729,969	45,224,509	164,954,478	0.7%	1,133,069
Pay-As-You-Go	48,075,641	58,085,199	-	58,085,199	20.8%	10,009,558
Reserves	20,380,354	44,068,197	-	44,068,197	116.2%	23,687,843
Total	1,831,523,065	1,018,904,873	853,325,179	1,872,230,052	2.2%	40,706,987

Note: The City's "Personnel" figure includes the 1% required VRS salary increase and a 0.34% general increase, with 2.66% in a "Reserve" account. The Schools entire 4% salary increase is included in "Personnel".

The increase in the operating budget includes funding for services critical to the community such as public safety, education, libraries, parks and road maintenance. It also includes a pay increase for teachers and city employees; not the 5% requested by the School Board, but 4% with 1% covering the mandated VRS

contribution by employees and .34% offsetting employee tax impacts. The remaining 2.66% pay increase will go into effect with the October 1, 2015 pay cycle. While this budget contains 239.08 fewer employees, it maintains core services, pays debt service and advances important programs.

Expenditures are always looked at in the light of sustainability. The traditional definition of sustainability calls for policies and strategies that meet society's present needs without compromising the ability of future generations to meet their own. The city is continuing efforts to reduce our environmental impact and to improve our efficiency. Some of these initiatives have been the creation of the Sustainability Plan Measurement work group which has set out to develop metrics that will help guide the community in a direction that promotes efficiency and sustainability.

The city continues to place an emphasis on building sustainable facilities such as the Joint-Use Library, which is LEED Gold certified for energy efficiency. The city's Environment and Sustainability Office is also coordinating efforts with local organizations such as the Back Bay Restoration Foundation and the Chesapeake Bay Foundation to help preserve our natural beauty and promote a healthy, sustainable, environment.

Another aspect of sustainability is to provide a system of government that enhances efficiency to maximize the resources of the organization while also delivering excellent services to citizens. The mission of the Virginia Beach city government is to enhance the economic, educational, social, and physical quality of the community, and to provide sustainable municipal services valued by its citizens.

One way to measure this effort is through the annual Striving for Excellence Report. In 2014, the city realized \$6.6 million in savings while avoiding another \$3.8 million in costs. The city has been tracking savings through this report for 21 years. Over the last 10 years, savings have totaled \$38.8 million with an additional \$32 million in costs avoided. Combined, this has helped to keep the various tax rates low. Also contributing is the city's aggressive use of volunteers to provide services to the community. In 2014, the hours contributed by volunteers saved the city's taxpayers nearly \$19 million, and over the last ten years over \$176 million has been saved.

As each annual budget is developed, departments and the organization as a whole look for ways to reduce costs and find savings without impacting services. The next few paragraphs will highlight some of the savings that are achieved in this year's budget.

Fuel Savings

Based on the current market and future projections, fuel is not anticipated to return to \$3 per gallon within the next fiscal year. In order to utilize resources as efficiently as possible, the city has reduced the fuel budget by \$2.0 million and redirected the savings to maintain other services. Should this trend not continue and the fuel market sees sharp increases, it might be necessary to seek additional appropriation authority from City Council in order to maintain operations.

Tax Relief

Since the 1970's, the city has offered eligible residents (qualified seniors and permanently disabled individuals) real estate tax relief options in the form of deferment, freeze or exemption. The state controlled the limits set on this program until 2011. The City of Virginia Beach continued to offer these programs. In 2005, the city agreed to increase the income threshold every year by the amount of increase in real estate assessments.

Since 2004, the enrollment and cost of this program has increased significantly and after years of steady decline in home values, FY 2014-15 marks the first year the city will see an increase in the average value of single family homes. In December 2014, City Council established a citizen task force to review the program and make recommendations. The City Council adopted the task force’s recommendations in March 2015 and adjusted the maximum income threshold for 100% exemption to the level it would have been had the income levels decreased when the value of homes decreased during the recession. The remaining levels were adjusted upward by \$3,000. This trues up the program and puts it on a path that will minimize the impact to current participants and ensure the city remains fiscally sustainable. The task force recommended that this program’s thresholds be adopted annually by the City Council and that every three years a citizen task force review the program. These adjustments should reduce the cost of this program by \$2.7 million.

The following table outlines the programs changes:

Exemption Program

Current Income Thresholds	FY 2015-16 Income Thresholds	Tax Exemption
\$0.00 - \$48,009.00	\$0 - \$38,668	100%
\$48,009.01 - \$52,188.00	\$38,668.01 - \$41,668	80%
\$52,188.01 - \$56,367.00	\$41,668.01 - \$44,668	60%
\$56,367.01 - \$60,546.00	\$44,668.01 - \$47,668	40%
\$60,546.01 - \$64,675.00	\$47,668.01 - \$50,668	20%
Freeze \$0 - \$68,293	\$0 - \$68,293	
Deferral \$0 - \$68,293	No Longer Offered	

Compensation

As was previously mentioned, the budget includes a 4% salary increase for all city and school employees. Like many organizations, the number of employees who are eligible to retire from the city and schools will continue to grow over the next few years. It is estimated that each day 10,000 Americans reach the age of 65, and this trend is expected to continue until 2030 as more members of the “Baby Boom” generation reach retirement age and look to begin their next phase of life. The retirement of long-term employees causes a loss of institutional knowledge that at times can be difficult to replace in the short term. In June 2016 (assuming the current workforce remained intact), 11.5% of the city’s workforce will be eligible to retire.

This trend is just one of the many reasons that it is so important to make investments in our most valuable resource, our employees. As long tenured employees begin to retire, the city must retain the next generation of leaders. The city must provide the resources that allow employees to grow and seek professional development opportunities. For that reason, this budget includes funding to reinstitute the employee tuition reimbursement program.

This salary increase includes 1.34% (mandatory 1% with 0.34% to offset the tax impact) effective on July 1, 2015 for year four of the five-year state-mandated conversion of VRS retirement costs from the city to employees. In FY 2016-17, the final 1% will be shifted from the city to employees and the full transition of 5% of VRS costs to employees will be complete and they would have received the 5% offsetting salary increase. The budget also includes an additional 2.66% (effective with the October 1, 2015 pay cycle)

general salary increase for all city and school employees. While providing a merit increase for employees in FY 2015-16 is desirable, adequate funding to provide such an increase is not available.

In last year's budget, the city began a three-year initiative to address salary compression. The FY 2015-16 operating budget includes funding to implement the second year of this initiative. Due to the lack of available funding to grant merit increases over the past seven years, employees who were hired by the city and remained in their positions during that period of time are being compensated at the same level as new employees. This funding is intended to further address some of the salary compression that has occurred over this period of time. The School budget also includes \$2 million to address pay inequity in its unified salary scale. This funding will be allocated to address pay for non-teaching positions such as bus drivers, personnel in food services, clerical, trades, and teaching assistants.

Overall, the city and schools are increasing employer contribution for health insurance by 6%. This will allow the city to maintain the philosophy that City Council adopted last year and will provide additional funding to help offset some of the increased cost of health insurance so that these costs are not completely passed on to the employee. In order to mitigate some of the rising costs of health insurance, minor plan modifications are being made and employee deductibles will increase. This also continues to reduce the subsidy provided to retirees. This strategy is being used to promote consumerism in health care decisions by employees in an effort to reduce overall health insurance costs, or at least slow the rate of growth in these costs.

Changes to the Sheriff's Department

Due to budget constraints, the Drug Abuse Resistance Education (D.A.R.E.) program has been eliminated along with 11 associated FTEs. The D.A.R.E program began in 1983 as a drug control strategy between law enforcement agencies and school districts and was adopted by the Virginia Beach Sheriff's Department in 1993. Students who enter the program sign a pledge not to use drugs or join gangs and are taught about the dangers of recreational drug use in an interactive in-school curriculum. According to the Department of Justice, participation in D.A.R.E provides no significant long term reduction in substance abuse.

State funding for the Sheriff's Department continues to be inadequate. The State Compensation Board does not provide sufficient funding for the necessary number of positions nor the salary amount necessary to maintain these positions. As with the majority of localities, the city supplements the salaries provided by the Compensation Board, resulting in a city supplement totaling \$13.2 million for state-authorized positions in the Sheriff's Department. The city also provides funding for services within the Correctional Facility including \$5.3 million just for the new medical contract. The Sheriff's Department also provides city programs including Centralized Booking, which are 100% city funded. With the combined state and city programs, the city provides a total of \$20.1 million to support the operation of the Sheriff's Department, which is an increase of \$4.5 million over the previous fiscal year.

Beach Replenishment

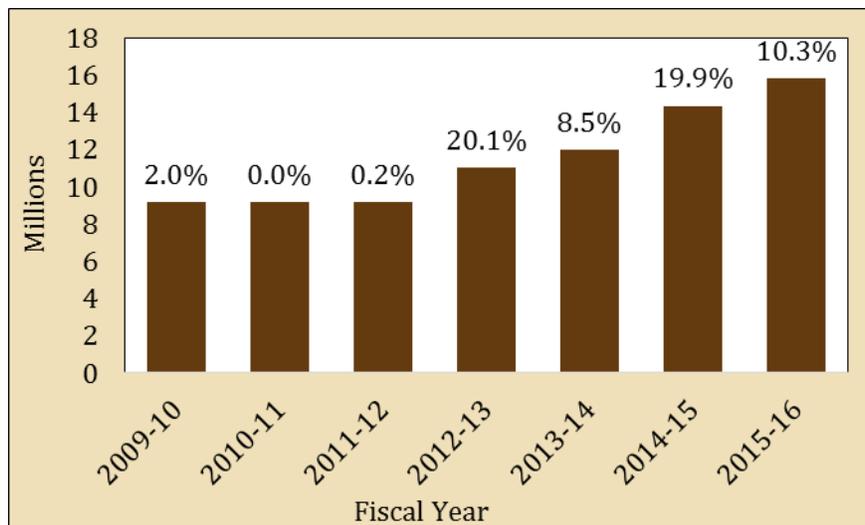
There has been no funding strategy to replenish the sand for the resort area beach since 2013, which was the first full replenishment of the beach in ten years. There are benefits to building up sand on a beach other than for maintaining visitation to the resort. Widening the beaches (the five-mile resort strip spans 300 feet and Sandbridge about 125 feet) has the ability to protect the resort businesses and neighboring infrastructure from hurricanes.

While the city recognizes the necessity of beach replenishment, there is currently no funding plan in place, with the exception of the Sandbridge area beach, through the SSD. The federal government funded nearly two-thirds of the sand replenishment project in 2002, however federal participation in future replenishment projects is uncertain. In coming years, the city needs to look towards creating a dedicated revenue source similar to that of the Sandbridge SSD that will ensure funding availability to replenish the resort area beaches.

Risk Management

Risk management charges for FY 2015-16 total \$15.8 million. The graph illustrates the total annual cost and the annual percentage increase in risk management charges. Risk management remained relatively flat from FY 2009-10 to FY 2011-12 to reduce the impact on departments during the recession, but began increasing at a much faster rate in FY 2012-13. Overall, risk management charges have increased 72.7% during this period of time. These increases are an effort to reduce the unfunded liability in the risk management fund. The city has been actively working to address this issue both through the budget and initiatives promoting workplace safety.

Risk Management Charges



Technology

The 2015-16 Operating Budget and CIP continue to address the Master Technology Plan as adopted by the Department of Communications and Information Technology (ComIT). Included in the budget are two new positions that were recommended by the consultant that assisted with developing and writing the Technology Plan. These positions will work towards the goal of transforming ComIT into an organization committed to being proactive in delivering a dynamic and evolving set of core services and innovative technologies that customers demand. CIP projects included in this budget will address the technological needs of not only individual departments but the city as a whole.

Storm Water Enhancements

The Storm Water Enterprise fund is using a different CIP financing strategy beginning in FY 2015-16. Historically, Storm Water has relied more on the use of pay-go and fund balance in programming the six-year CIP. With the increased demands related to Storm Water mandates, there is a need to accelerate projects. Doing so results in the Storm Water section using more bonds over the next six-year period, when compared to what was previously programmed. This benefits the Storm Water fund in two ways: 1) Increases Storm Water's CIP \$7 million each year over the six-year period 2) Diverts the use of cash from the CIP and allows it to remain within the operating fund mitigating the need for a rate increase in the near future.

Through this change, Storm Water is in a better position to address the existing backlog of lake dredging projects with more than \$25 million being programmed over the next six years in project 7-415 "Lake Management II". This funding strategy, coupled with the addition of three positions in the Storm Water fund, is anticipated to reduce the existing backlog by a minimum of four to five lakes per year.

Also included within the storm water budget are an additional seven positions and equipment, including four street sweepers. These positions and equipment are for the first year of a three-year plan to expand the street sweeping program. The overall plan is to incrementally add an additional 10 FTEs and 10 vehicles to bolster the street sweeping program. Based on City Council's direction on March 10, staff is pursuing the option of contracting out this service. Once the results of this RFP are known, adjustments can be made to this staffing if necessary.

Non-arterial roadways in the Lynnhaven watershed are currently swept on an 18-month cycle. This initiative will better enable Storm Water to be proactive in addressing state mandates. Accelerating the street sweeping cycle to once every 60 to 90 days, in targeted areas, will reduce the volume of sediment and run off pollutants entering watersheds. There is no rate increase associated with this initiative.

OpenVB



The city has always strived to provide citizens an open and inclusive government promoting data sharing and transparency. The city is making available an open data platform enabling citizens to review, compare, download, visualize and analyze budget data. This tool makes it easier for citizens to get what they need in a simple to use and understandable platform. Budgetexpenditure.vbgov.com connects citizens directly to the current operating and capital improvement program's budgeted appropriations at the same level city staff sees them, the account object level. Users are able to access capital projects via the interactive map available on the site with detailed project descriptions and see what projects are currently happening via City Council districts.

Similarly, budgetrevenue.vbgov.com, shows anticipated revenues that provide the funding to keep the city's programs operating.

Lastly, we will be presenting the online budget documents this year via "Flip Book" instead of the typical PDF format. This visual 3-Dimensional multimedia experience has eliminated the requirement of continuous scrolling to move through the document. Users can relish "flipping" their way through a digital publication effortlessly. For downloading purposes, the PDF version will also be available at www.vbgov.com/budget.

Conclusion

The Operating Budget and CIP provide the resources needed to keep supporting families in need, keep the city's infrastructure maintained, provide a quality education, and begin funding projects that will have meaning for generations to come. They do require additional taxes to do all of this, and the shifting of existing funds from traditional programs to higher priorities, they maintain the services that citizens value: quality public schools, public safety, beautiful parks, 10 public libraries, and seven recreation centers (3 of them less than 5 years old).

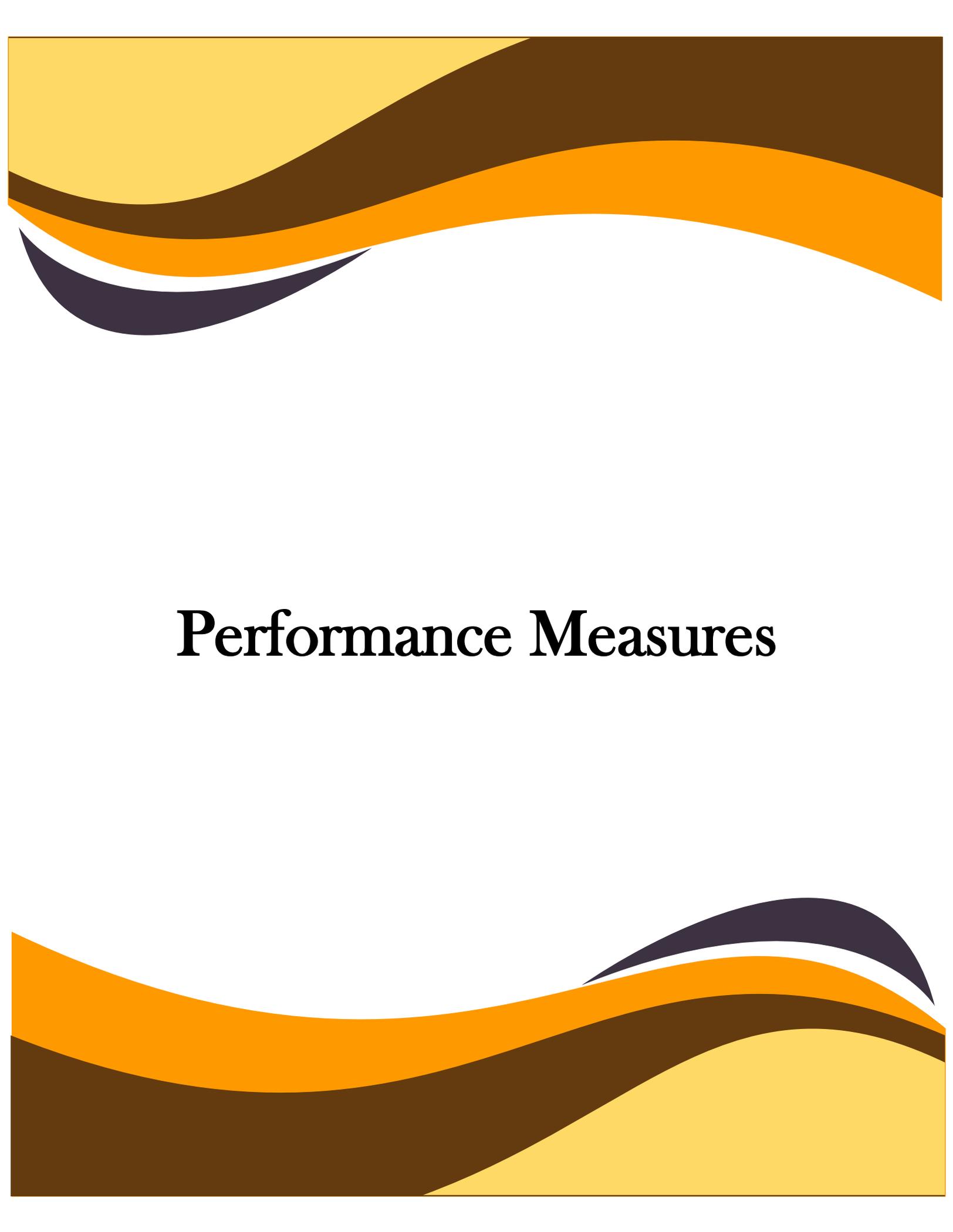
It does this by raising taxes, yes, but in part these are needed to offset state and federal revenue losses, to invest in the community's future, and to maintain what we value today. This increase in taxes will affect families differently depending upon their individual circumstances. Do they have smokers? Do they have cars? Do they own a home or rent? The table below attempts to illustrate the impact city taxes have on families. It is not perfect, but by using a consistent methodology, you can gain a sense of how families in the city have been affected by rate changes since 2008.

Typical Family Tax Impact

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Adopted 2015-16
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	\$2,230.47
Personal Property Tax ²	208.62	163.65	160.99	190.72	231.70	238.29	291.67	310.57
Electricity Utility Tax	36.00	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	36.00
Va Telecommunications Tax	70.68	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	36.00
Restaurant Tax	275.00	263.03	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	25.69
Vehicle License Decal	50.00	50.00	50.00	50.00	50.00	50.00	50.00	60.00
Storm Water Utility Fee	73.37	80.67	87.97	115.34	133.59	151.84	158.05	158.05
Residential Refuse Fee	None	None	None	60.00	120.00	256.32	256.32	256.32
Water & Sewer	509.52	529.69	552.00	582.96	615.84	650.64	687.24	687.24
Total Tax Impact	\$3,629.53	\$3,473.83	\$3,428.55	\$3,520.54	\$3,707.58	\$3,815.85	\$3,965.05	4,170.05
Annual Change	\$0.00	(\$155.70)	(\$45.28)	\$92.00	\$187.03	\$108.27	\$149.20	\$205.00

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 paid by the State through the Personal Property Tax Relief Act (PPTRA) portion of the tax.



Performance Measures

Performance Measures

Evaluating the performance of any organization is increasingly essential, 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 and a comparison of selected community indicators with other regional cities are provided. Departmental performance metrics are included with each department's budget in the Operating Budget document.

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, and the City's Organizational Development Office. Staff from each of these departments met with departments 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). The goal 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.

In FY 2015-16 the city will begin participating in a national benchmarking program sponsored through the International City Manager's Association. This effort will allow the city to compare key performance measures with cities of similar size and identify "best practice" communities. Efforts will be made to determine what city processes need to change to achieve similar results for Virginia Beach.

Economic Vitality

The **desired outcome** for this business area is that Virginia Beach is a place where all citizens and businesses can prosper. We are able to create our own future because we are less dependent than ever before on the state and federal governments. We attract, retain, and grow high-caliber companies offering good salaries to employ our young adults and attract creative youth from other markets, and this talented workforce lives and thrives in our city. There are rich opportunities for people of all ages to participate in our vitality. New and existing businesses benefit from a well-trained, diverse, and available workforce, even as those businesses' needs continually change. We have realized more than ever, the value of our small businesses and have become a leader in the new business growth and development of minority-owned firms.

As an early leader in strategic partnerships, Science, Technology, Engineering, and Mathematics (STEM) and entrepreneurship innovation opportunities between Schools, Economic Development, and our institutes of higher education have yielded young students choosing to stay in our City because of the high quality of life we continue to enjoy.

Economic Vitality Community Indicators

	2008	2009	2010	2011	2012	2013	2014
Income of People Moving into Virginia Beach as a Percentage of the Income of People Moving Out	92.9%	100.1%	96.5%	99.5%	Data NA	Data NA	Data NA
Change in Assessed Value of Residential Real Estate ¹	20.7%	2.3%	-4.0%	-5.8%	-3.3%	-5.7%	-2.3%
Change in Assessed Value of Commercial/Industrial Real Estate	11.0%	6.1%	5.2%	0.2%	0.9%	1.4%	-1.2%
Median Household Income	\$65,776	\$59,298	\$64,212	\$64,614	\$61,626	\$62,855	Data NA
Per Capita Income	\$46,896	\$45,749	\$46,429	\$48,706	\$50,651	\$50,662	Data NA
Average Monthly Unemployment Rate ²	3.7%	6.1%	6.4%	6.0%	5.6%	5.2%	4.9%
Percent of the Labor Force in the Armed Forces	9.1%	7.3%	5.0%	5.9%	5.9%	5.4%	Data NA
Economic Impact of Agriculture (in millions)	\$139.1	\$119.1	\$122.1	\$120.6	\$124.5	\$119.3	\$120.1
Tourists Who are Repeat Visitors	78.7%	77.0%	75.2%	72.5%	74.7%	73.7%	Data NA
Commercial Real Estate as a Percent of Total Assessments	13.0%	13.7%	15.0%	15.4%	15.7%	16.4%	16.6%

¹ This data does not reflect the assessment growth experienced in 2015 and 2016, which was 1.9% and 1.8% respectively.

² Includes preliminary data for the month of December 2014

The most significant indicator in terms of the municipal budget is the continued growth in real estate assessments for 2016 (please see the footnote for this figure). After five consecutive years of decline, residential assessments are increasing for a second consecutive year. The unemployment rate in the City also improved for the fourth 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 and per capita income both grew in 2013. The economic impact of agriculture continued its trend by increasing in 2014 after experiencing a decline in 2013.

Economic Vitality Community Indicator Comparison

The City's average monthly unemployment rate of 4.9% for 2014 was significantly lower than most of the other Cities in Hampton Roads. Chesapeake had the second lowest rate, which was two tenths of a percent higher for the year, while only three cities experienced an average monthly rate of less than 6% for the year (Virginia Beach, Chesapeake, and Suffolk). 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 \$6,000. In 2013, Virginia Beach had the second highest rate of residents employed in the military behind only Norfolk.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
Average Monthly Unemployment Rate	CY 2014	4.9%	5.1%	6.6%	6.8%	5.8%	6.4%	6.3%
Per Capita Income	CY 2013	\$50,662	\$44,562	\$39,009	\$39,047	\$41,749	\$42,958	\$37,862
Labor Force in the Armed Forces	CY 2013	5.4%	3.4%	11.9%	3.0%	1.8%	3.6%	4.8%

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, 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

	2008	2009	2010	2011	2012	2013	2014
Teen Pregnancy Rate (Age 15 to 17)	24.4	21.1	17.9	14.5	13.1	Data NA	Data NA
Low Birth Weight Babies as a Percent of Total Births	8.0%	6.9%	7.9%	8.2%	8.5%	7.2%	Data NA
Average Monthly Residents Receiving Supplemental Nutrition Assistance Program (SNAP) Benefits	17,350	20,289	27,156	31,163	34,467	35,378	36,104
Percent of Individuals Living in Poverty	6.5%	6.4%	7.5%	8.6%	8.8%	8.8%	Data NA
Percent of Children Living in Poverty	9.5%	9.6%	10.5%	12.4%	15.5%	13.0%	Data NA
Percent of the Elderly Living in Poverty	4.4%	4.9%	5.0%	5.1%	4.9%	7.2%	Data NA
Cases of Child Abuse per 1,000 Children	4.5	5.0	5.1	4.1	3.3	3.3	Data NA
Infant Mortality Rate	5.8	5.5	7.0	6.9	6.1	5.7	Data NA
Students Eligible to Receive Free or Reduced Lunch	27.2%	29.1%	31.1%	30.5%	32.7%	32.9%	36.2%
Renters Whose Housing Expenses Exceed 30% of Household Income	48.3%	49.5%	53.5%	54.9%	55.2%	53.1%	Data NA

For the most recent year available, the performance of the indicators in this business area were mixed. The rate of teenage (15 to 17 years of age) pregnancy continues to decline, while the infant mortality rate and the number of low birth weight babies as a percentage of total births both fell to their lowest level since 2009. 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. Poverty rate for children also declined, but remains over 10%. The percentage of renters whose housing expenses exceed 30% of their income also fell, but remains over 50%.

Family and Youth Opportunities Community Indicator Comparison

For the most recent year in which data is available for each indicator below, the City of Virginia Beach had the lowest rate on several of the key indicators.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	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 2013	7.2%	8.1%	10.7%	12.4%	9.0%	9.6%	9.0%
Infant Mortality Rate	CY 2013	5.7	6.5	14.0	11.6	12.8	9.9	7.7
Percent of Individuals Living in Poverty	CY 2013	8.8%	9.3%	22.4%	21.3%	9.5%	15.7%	17.6%

Quality Physical Environment

The **desired outcome** for this business area is that we strive to continually improve the quality of our beautiful city for a thriving and sustainable future. All public and private development respects the natural environment, recognizes the importance of economic, social and sustainability factors and employs design features that achieve higher levels of energy efficiency. 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. 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 fifth consecutive year. The percentage of the City's residential waste stream that was recycled declined, but was still at nearly 40%. The percentage of the City's street system meeting the minimum physical condition rating declined to 81% in 2014. Also related to transportation, commute times for City increased in 2013 as did the percentage of the population reporting commuting to work using public transportation (although that figure remains below 1%).

	2008	2009	2010	2011	2012	2013	2014
Open Space Acreage Per 1,000 Population	14.85	15.85	16.10	16.68	16.49	16.49	16.41
Percent of Residential Waste Stream Recycled ²	17.0%	17.0%	17.0%	34.0%	41.2%	39.9%	Data NA
Percent of Street System Meeting Minimum Physical Condition Rating	73.0%	74.5%	76.0%	79.0%	82.0%	82.0%	81.0%
Percent of Roads in the Two Lowest Grades for Transportation Efficiency	21.6%	21.6%	20.3%	20.2%	19.9%	20.0%	Data NA
Citizen Satisfaction with the City's Appearance	Data NA ¹	94.0%	Data NA ¹	94.0%	Data NA ¹	92.3%	Data NA ¹
Citizen Satisfaction with the Flow of Traffic in Virginia Beach	Data NA ¹	39.6%	Data NA ¹	40.2%	Data NA ¹	51.6%	Data NA ¹
Average Commute Time (in minutes)	22.5	22.9	23.4	22.4	22.6	23.6	Data NA
Commute to Work Using Public Transportation	1.4%	0.5%	0.8%	0.9%	0.6%	0.9%	Data NA

¹ Based on responses to Citizen Satisfaction Survey conducted biennially

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

Quality Physical Environment Community Indicator Comparison

For 2013, the commute time for Virginia Beach residents rose to 23.6 minutes and dropped the City from the second best commute time to the fourth fastest commute time. In terms of using public transportation to commute to work, Virginia Beach, which ranked last in 2012, ranked fifth of seven in 2013 .

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
Average Commute Time (in minutes)	CY 2013	23.6	24.8	21.0	25.7	26.5	22.5	23.4
Commute to Work Using Public Transportation	CY 2013	0.9%	0.6%	4.0%	2.5%	0.1%	1.5%	4.0%

Cultural and Recreational Opportunities

The desired outcome of this business area is that through the utilization of both private and public resources, Virginia Beach preserves and enhances the historic, cultural, recreational opportunities and natural amenities to provide citizens and visitors with a unique experience in the Region.

We continually engage with the public to connect programs with current and future community needs and implement new modes of communication with the community. We value our cultural heritage; preserving historic buildings and sites, maintaining archives and creating a community that considers preservation as part of redevelopment.

Cultural and Recreational Opportunities Community Indicators

The number of residents receiving free or reduced cost access to City recreational programs and facilities continued to grow in 2014. The City also continued to add to its inventory of on street bike facilities in 2014.

	2008	2009	2010	2011	2012	2013	2014
Percent of Population with City Recreation Facility Membership	9.5%	9.7%	10.9%	10.5%	10.0%	Data NA	Data NA
Residents Receiving Access at a Reduced Cost to City Recreational Programs and Facilities	606	573	706	1,370	1,231	1,864	1,960
Miles of Multi-Use Trails	61.1	61.8	73.7	74.7	74.7	74.7	81.6
City Roadway Miles with On Road Bikeways ¹	9.65	9.65	21.99	25.40	28.80	60.30	68.0

¹This 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 Recreational Opportunities.

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 sixth straight year in 2014. The dropout rate also improved, remaining below 5%. The educational attainment of residents in the City also continues to improve with an increase in both the percentage of residents over the age of 25 with a graduate degree and the percentage with an undergraduate degree increasing in 2013. After remaining flat in 2013 after seven consecutive years of decline, the percentage of children entering kindergarten requiring reading remediation reduced to 9.1% in 2014.

	2008	2009	2010	2011	2012	2013	2014
High School Graduation Rate ¹	84.2%	85.3%	85.5%	86.7%	86.8%	88.0%	88.5%
Residents Over the Age of 25 Who Have a Graduate or Professional Degree	10.6%	10.0%	10.9%	11.9%	11.3%	11.9%	Data NA
Residents Over the Age of 25 Who Have an Undergraduate Degree	30.9%	31.1%	31.6%	33.3%	32.6%	34.7%	Data NA
Percentage of Public Schools that are Fully Accredited	100.0%	98.2%	100.0%	100.0%	98.8%	97.5%	84.1%
Kindergarten Children Needing Reading Remediation	12.0%	11.5%	10.8%	10.0%	9.3%	9.3%	9.1%
Dropout Rate - Grades 9 through 12	5.5%	6.1%	6.8%	6.3%	5.9%	4.9%	4.8%

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 2014 school year, but despite another decrease in the dropout rate, Virginia Beach maintained its rank from 2013 with the fourth lowest dropout rate in Hampton Roads. The City also maintained its rank for the fifth 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 in 2013.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
High School Graduation Rate	SY 2014	88.5%	92.9%	78.9%	85.1%	86.4%	83.9%	88.0%
Dropout Rate - Grades 9 through 12	SY 2014	4.8%	2.9%	8.0%	6.4%	8.8%	4.7%	2.6%
Residents Over the Age of 25 Who Have a Graduate or Professional Degree	CY 2013	11.9%	10.7%	9.7%	7.3%	10.7%	7.1%	9.3%
Residents Over the Age of 25 Who Have an Undergraduate Degree	CY 2013	34.7%	28.5%	26.1%	21.0%	28.1%	22.2%	23.7%

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 1.5 crimes per 1,000 residents, while the property crime rate declined for the fifth straight year in 2014. 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 continued to decline in 2013.

	2008	2009	2010	2011	2012	2013	2014
5th Graders Perception of Safety in Public Schools	93.5%	94.2%	Data NA ¹	92.8%	Data NA ¹	94.7%	Data NA ¹
8th Graders Perception of Safety in Public Schools	68.7%	66.0%	Data NA ¹	70.2%	Data NA ¹	74.9%	Data NA ¹
12th Graders Perception of Safety in Public Schools	82.1%	82.2%	Data NA ¹	83.6%	Data NA ¹	82.2%	Data NA ¹
Violent Crime Rate ³	2.4	2.1	1.9	1.8	1.7	1.5	1.5
Property Crime Rate ³	29.2	30.9	30.4	27.9	26.5	25.3	21.7
Residents Who Believe Their Neighborhood is Safe	Data NA ²	93.6%	Data NA ²	92.0%	Data NA ²	90.7%	Data NA ²
Number of Structural Fires	471	486	463	425	450	416	381
Number of Juvenile Arrests	4,191	3,205	2,812	2,651	2,123	1,980	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 total arrests made.

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	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%

³The 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.

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 a business 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.

Quality Organization Community Indicators

Average real estate taxes as a percentage of median household income remained at 3.3% for the third consecutive year in 2013. 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. After five consecutive years of growth, the value of volunteer services to the City declined in 2014..

	2008	2009	2010	2011	2012	2013	2014
Average Real Estate Taxes as a Percentage of Median Household Income	3.4%	3.9%	3.4%	3.3%	3.3%	3.3%	Data NA
Percent of Citizens Who are Satisfied with City Services	Data NA ¹	91.4%	Data NA ¹	91.0%	Data NA ¹	93.8%	Data NA ¹
Value of Volunteer Service (in millions)	\$13.2	\$18.6	\$19.0	\$19.2	\$19.8	\$20.7	\$18.6
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.

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

	2008	2009	2010	2011	2012	2013	2014
Operating Expenditures Per Capita	\$3,130	\$3,187	\$3,111	\$3,073	\$3,104	\$3,100	\$3,114
Per Capita Operating Expenditures as a % of Per Capita Income ¹	6.7%	7.0%	6.7%	6.3%	6.1%	6.1%	Data NA
Bond Rating - Standard and Poor's	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Bond Rating - Fitch	AA+	AA+	AAA	AAA	AAA	AAA	AAA
Bond Rating - Moody's	Aa1	Aa1	Aaa	Aaa	Aaa	Aa1	Aaa
Fund Balance as a % of Revenue	10.1%	11.2%	8.9%	10.5%	11.8%	10.5%	10.4%
Percentage of Capital Program Funded by Cash	59.6%	62.1%	61.2%	56.6%	51.6%	51.6%	44.5%
Turnover Rate (Excluding Retirements and Deaths)	4.54%	4.54%	4.24%	4.09%	4.46%	4.50%	4.90%
Work Hours Lost per Worker's Compensation Claim ²	Data NA	Data NA	Data NA	17.8	15.8	28.8	22.2
Workers Compensation Claims per 1,000 FTE's	173.17	165.98	170.31	172.51	194.35	161.38	162.60
Liability Claims per 1,000 Population Served	1.33	0.97	0.95	0.83	0.54	0.46	1.04
Employee Vacancy Rate	Data NA	4.0%	4.0%	4.0%	5.0%	4.4%	5.1%
Employees Retained after 2 Years	Data NA	87.0%	90.0%	85.0%	78.0%	93.0%	86.8%
Average Salary (excluding benefits)	Data NA	\$48,079	\$47,310	\$48,165	\$48,577	\$49,444	\$50,298
Average Tenure of City Employees (in years)	Data NA	14.0	11.0	12.0	13.0	12.0	12.0
FTE's per 1,000 Population Served	16.0	16.0	15.9	15.4	15.3	15.4	15.3
Citizen Satisfaction with the Courtesy of City Employees	Data NA	90.4%	Data NA	91.3%	Data NA	92.1%	Data NA

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

²This metric has been revised from "work days" to "work hours" lost. Due to the variance in the number of hours included in a work day based on job function, this metric is considered more accurate.

Organizational Indicators Comparison

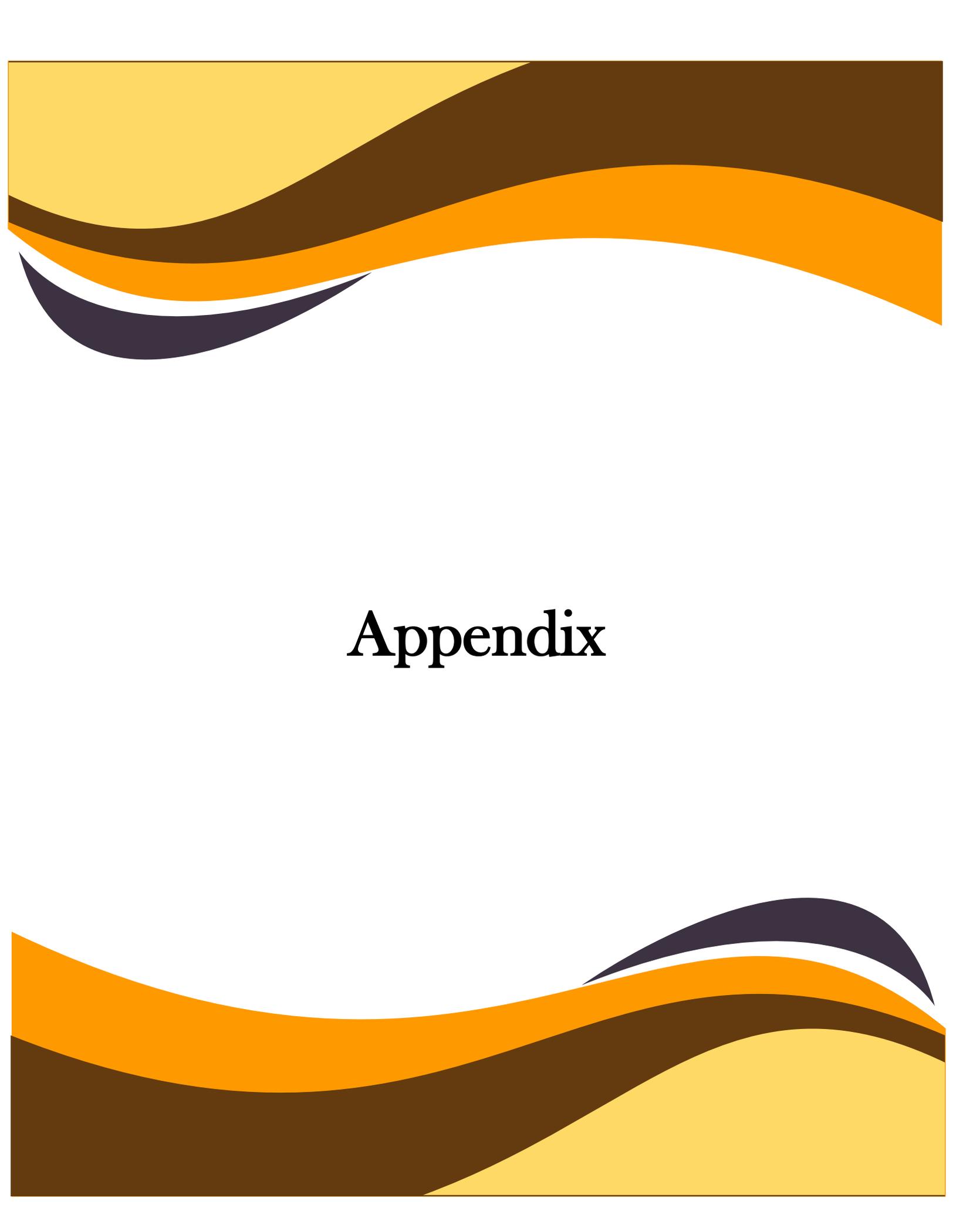
The most significant indicator when comparing the City of Virginia Beach to the other cities in Hampton Roads is the bond rating. Virginia Beach remains the only City in Hampton Roads to achieve the highest rating from all three rating agencies. The City also maintained its position having the lowest 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 2013 (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 again for 2014.

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

	Year	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
Operating Expenditures Per Capita (Excludes Enterprise Activities)	FY 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 2013	6.1%	7.0%	8.6%	9.1%	8.0%	8.3%	9.1%
Bond Rating - Standard and Poor's	FY 2014	AAA	AAA	AA+	AA	AA+	AA+	AA
Bond Rating - Fitch	FY 2014	AAA	AAA	AA+	AA	AA+	AA+	Data NA
Bond Rating - Moody's	FY 2014	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 2014	15.3	15.3	16.0	17.9	14.7	13.6	18.2

¹This figure represents the June 30, 2014 General Fund – fund balance as a percentage of total City revenue for July 1, 2014 (FY 2014-15).



Appendix

Appendix

Virginia Beach has a strong financial system. This system is based on sound strategies that guide the financial activities of the government and ensures it continues to be transparent to the public. 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

Open Government Initiative	<p>The City is committed to financial transparency. The implementation of a new open government initiative is a major step in creating a culture of transparency, participation, and collaboration in government operations.</p> <p>This will open new lines of communication and cooperation between the City and the public.</p> <p>This will increase public access to data and information online in a more user friendly and interactive way that will promote accountability and more informed public participation.</p>
Internal Process	<p>Internal financial controls including use of City provided equipment will be reviewed annually to ensure adequacy with accepted account procedures.</p> <p>Financial records and statements will be transparent and open to the public for review via posting to the City's internet website, vbgov.com.</p> <p>Purchases and contracts will be made on a competitive basis to ensure best prices while maintaining quality and diversity.</p> <p>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.</p>
Capital Improvement Program Practices	<p>Capital requirements will be linked to the adopted Comprehensive Plan and identified over a six year period to allow adequate financial planning.</p> <p>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.</p> <ul style="list-style-type: none">◆ 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. <p>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.</p>
Budgetary Practices	<p>Tax and fee levels will be recommended to sustain critical services to the community while being conscious of the impact on the taxpayers.</p> <ul style="list-style-type: none">◆ Diversity of revenue sources will be maintained to the extent allowed under the Dillon Rule to ensure economic stability of City services. <p>Equity among differing taxpayer classes (commercial, homeowner, industrial and non-homeowners) shall be maintained to the extent possible under the law.</p>

Budgetary Practices

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

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

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

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

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

Employees of the City and School system will receive adequate compensation, commensurate with their expected duties and comparable job titles.

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.

Estimated General Fund Balance

The City's fund balance projection for June 30, 2015 indicated that the City will have approximately 9.40% of Undesignated Fund Balance as compared to projected FY 2015-16 revenues. The City's policy is 8-12% of next year's revenues.

Projection of General Fund Balance At June 30, 2015

Beginning Fund Balance at July 1, 2014 (CAFR)		\$154,493,856
Add: Revenues		
FY 2014-15 General Fund Revenues-Revised Estimate	\$1,006,726,213	
Surplus from Sandbridge TIF	<u>7,000,000</u>	<u>1,013,726,213</u>
Total Fund Balance and Revenues		\$1,168,220,069
Less: Anticipated FY 2014-15 Expenditures:		
Operating Expenditures	\$556,863,416	
School Operations*	406,532,167	
Other Transfers*	65,614,528	
Contribution to Risk Management Fund	2,639,476	
Sheriff Operating Support	<u>3,031,000</u>	<u>1,034,680,587</u>
Total Projected Fund Balance at June 30, 2015		\$133,539,482
Less: Anticipated Uses of Fund Balance:		
Loans, Advances, and Inventory	\$7,038,912	
Encumbrances and Carryforwards	10,100,000	
SPSA	5,166,556	
FY 2015-16 Capital Budget	<u>15,983,534</u>	<u>38,289,002</u>
Total Estimated Undesignated Fund Balance at June 30, 2015		\$95,250,480

Calculation of Undesignated General Fund Balance Reserve

Projected FY 2015-16 General Fund Revenues**	<u>\$1,042,325,495</u>
Undesignated Fund Balance as a percentage of FY 2015-16 Revenues	<u>9.14%</u>

Notes:

* Reflects full transfer of budgeted amounts

** Net of Fund Balance Usage

Changes in Undesignated Fund Balance

	General	Special Revenues	Schools	Enterprise and Utilities	Capital Projects	Internal Services	Total All Funds
Estimated Undesignated Fund Balances at June 30, 2015	95,250,480	39,256,603	3,790,425	143,844,084	-	(3,435,973)	278,705,619
Add: Estimated Reserved Fund Balances at June 30, 2015	38,289,002	21,298,590	36,661,710	83,922,656	-	-	180,171,958
Total Estimated Fund Balances at June 30, 2015	133,539,482	60,555,193	40,452,135	227,766,740	-	(3,435,973)	458,877,577
Add: Estimated FY 2015-16 Revenues	1,042,325,495	219,185,105	845,882,032	208,419,262	58,085,199	196,489,353	2,570,386,446
Less: Estimated FY 2015-16 Expenditures including Fund Balance Use for CIP	1,047,492,051	227,922,045	861,624,497	205,115,643	58,085,199	198,066,313	2,598,305,748
Total Estimated Fund Balances at June 30, 2016	128,372,926	51,818,253	24,709,670	231,070,359	-	(5,012,933)	430,958,275
Less: Estimated Reserved Fund Balances at June 30, 2016	32,770,405	30,600,748	2,316,385	142,843,463	-	(5,012,933)	203,518,068
Total Estimated Undesignated Fund Balances at June 30, 2016	95,602,521	21,217,505	22,393,285	88,226,896	-	-	227,440,207
Change in Undesignated Fund Balances	352,041	(18,039,098)	18,602,860	(55,617,188)	-	3,435,973	(51,265,412)

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 equipments. Some of the net assets are reserved to fund either capital projects or future debt payments.

Revenue Summary

	FY 2014 Actual	FY 2015 Adjusted Budget	FY 2016 Adopted Budget	% Change
Revenue Source Summary				
Revenue from Local Sources				
General Property Taxes				
Real Estate	464,330,892	481,041,656	528,290,337	9.82
Personal Property	131,549,470	137,161,976	143,202,520	4.40
Total General Property Taxes	595,880,362	618,203,632	671,492,857	8.62
Other Local Taxes				
General Sales Tax	56,431,418	60,016,191	59,780,905	-0.39
Utility Tax	44,050,182	44,895,159	43,804,319	-2.43
Business License	44,028,186	47,600,886	46,842,468	-1.59
Automobile License	9,346,971	9,627,331	11,459,845	19.03
Cigarette Tax	11,693,536	13,083,160	12,474,084	-4.66
Amusement Tax	6,030,302	5,836,125	6,443,446	10.41
Hotel Room Tax	27,404,925	27,870,331	29,860,146	7.14
Restaurant Meal Tax	56,857,819	59,622,821	60,768,863	1.92
Other Taxes	16,399,766	17,617,261	17,453,648	-0.93
Total Other Local Taxes	272,243,105	286,169,265	288,887,724	0.95
Other Local Revenue				
Permits, Privilege Fees, and Regulatory Licenses	5,165,877	5,316,340	5,716,026	7.52
From the Use of Money and Property	9,135,524	9,343,912	9,562,312	2.34
Charges for Services	262,845,475	275,986,161	272,560,460	-1.24
Miscellaneous Revenue	15,723,288	16,097,550	16,239,828	0.88
Fines and Forfeitures	7,019,569	7,626,205	7,860,800	3.08
Total Other Local Revenue	299,889,733	314,370,168	311,939,426	-0.77
Revenue from the Commonwealth				
State Shared Sales Tax	75,219,433	70,065,298	71,783,907	2.45
Other Sources from the Commonwealth	365,831,012	390,729,226	385,886,737	-1.24
Total Revenue from the Commonwealth	441,050,445	460,794,524	457,670,644	-0.68
Revenue from the Federal Government				
Non-Revenue Receipts	104,808,893	119,695,425	113,525,977	-5.15
Total Revenues	1,720,491,437	1,801,489,149	1,845,581,288	2.45
Fund Reserves Summary				
Specific Fund Reserves	776,160	30,033,916	26,648,764	-11.27
Total Fund Reserves	776,160	30,033,916	26,648,764	-11.27
TOTAL FINANCING REQUIRED	1,721,267,597	1,831,523,065	1,872,230,052	2.22

Allocation of Local Revenues

Real Estate * \$528,290,337 (Rate = 99¢ per \$100 of value)		
Recreation Centers \$17,810,382 (3.476¢)	Agricultural Reserve Program \$2,869,337 (0.56¢)	Outdoor Initiative \$2,408,193 (0.47¢)
Sandbridge TIF \$8,960,059	Town Center TIF \$6,377,444	Multi-Modal Transportation \$21,212,594 (4.14¢)
Sandbridge SSD \$666,699 (additional rate of 6¢)	Town Center SSD \$1,800,494 (additional rate of 45¢)	School Operations & CIP \$32,340,300 (6.31¢)

Dredging Special Service Districts – Real Estate Rates				
Bayville Creek SSD \$54,946 (additional rate of 36.3¢)	Harbour Point SSD \$15,564 (additional rate of 7.9¢)	Chesapeake Colony SSD \$200,504 (additional rate of 29.13¢)	Old Donation Creek SSD \$66,751 (additional rate of 18.4¢)	Shadowlawn Area SSD \$27,075 (additional rate of 15.9¢)
Gills Cove SSD \$13,113 (additional rate of 6.3¢)	Hurds Cove SSD \$221,846 (additional rate of 6.3¢)			

Personal Property * \$143,202,520 (Rate = \$4.00 per \$100 of value)
Public Safety Initiative \$9,981,764 (additional rate of 30.0¢)

Restaurant Meals * \$60,768,863 (local rate = 5.5%)			
Tourism Investment Program \$11,682,908 (1.06%)	Open Space \$2,424,755 (0.22%)	Multi-Modal Transportation \$2,424,755 (0.22%)	Tourism Advertising Program \$5,510,806 (0.5%)

Hotels * \$30,074,702 (local rate = 8% plus \$1 per room night)			
Tourism Advertising Program \$5,390,974 (1% plus \$1 per room night)	Tourism Investment Program (TIP) \$16,842,715 (5% plus \$1 per room night starting January 1, 2016; includes \$2,400,674 to be transferred to Sandbridge SSD)	Central Business District TIF \$500,000	Sandbridge SSD \$798,013 (6%) (does not reflect \$2,400,674 to be transferred in from TIP)

Other Revenue Dedications				
Amusement \$6,443,446 (local rate = 5% & 10%)	Cigarette * \$12,474,084 (local rate = 75¢ per pack)			Automobile * \$11,459,845 (\$30 vehicles under 4,000 pounds)
Tourism Investment Program \$6,443,446 (100%)	Economic Development Investment Program \$2,661,138 (16¢)	Tourism Investment Program \$831,606 (5¢)	City Operations/ Economic Development Biomedical \$831,606 (5¢)	Multi-Modal Transportation \$1,925,000 (\$5)

Other Non-Dedicated Local Revenues			
City Tax on Deeds * \$6,878,623	Bank Net Capital * \$2,348,972	Wills * \$79,882	
General Sales * \$59,780,905	Utility Taxes * \$43,104,319	Cable Franchise * \$8,146,171	Business License * \$46,842,468

*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
Various	Real Estate Tax	\$0.93/assessed \$100	\$0.99/assessed \$100
Various	Cigarette Tax	\$0.70/pack	\$0.75/pack
Various	Vehicle Registration	\$25/vehicle	\$30/vehicle
Parks and Recreation	Recreation Center Membership-Annual Adult Resident	\$83	\$86
Parks and Recreation	Recreation Center Membership-Annual Adult Non-Resident	\$325	\$328
Parks and Recreation	Recreation Center Membership-Annual Senior Resident	\$67	\$69
Parks and Recreation	Senior Center Forever Young Transportation Fee	\$0.50	\$1.50
Parks and Recreation	Learn to Swim (Pre-School/School-Age/Adult) 1 Participant/Session	\$30	\$32
Parks and Recreation	Learn to Swim (All Ages) 1 Participant/6 Sessions	\$167	\$169
Parks and Recreation	Learn to Swim (All Ages) 2-3 Participants/Session	\$28	\$30
Parks and Recreation	Learn to Swim (All Ages) 2-3 Participants/6 Sessions	\$149	\$151
Parks and Recreation	Champions After School Fee	\$275	\$295
Parks and Recreation	Therapeutic Recreation Learn-To-Swim Lessons	\$55	\$57
Parks and Recreation	Out-of-School Time (OST) KidzQuest Before School Program Fee	\$55	\$58
Parks and Recreation	Munden Point Park Boat Launch Fee	\$7	\$8
Parks and Recreation	Munden Point Park Kayak Rental Fee	\$10	\$12
Parks and Recreation	Little Island Park Fishing Pier Admission Fee	\$7	\$8
Parks and Recreation	Lynnhaven Municipal Marina Boat Slip Rental Fee	\$185	\$195
Parks and Recreation	Skate Park System Pass-Annual-Youth Resident	N/A	\$20
Parks and Recreation	Skate Park System Pass-Annual-Youth Non- Resident	N/A	\$40
Parks and Recreation	Skate Park System Pass-Annual-Adult Resident	N/A	\$30
Parks and Recreation	Skate Park System Pass-Annual-Adult Non-Resident	N/A	\$50
Parks and Recreation	Skate Park System Pass-Day-Youth	N/A	\$3
Parks and Recreation	Skate Park System Pass-Day-Adult	N/A	\$5
Parks and Recreation	Skate Park System Replacement Pass	N/A	\$5
Parks and Recreation	Private/Business Rental of Group Practice Area- Club Soccer	N/A	\$100
Parks and Recreation	Private/Business Rental of Group Practice Area- Dodge/Kick Ball	N/A	\$75
Parks and Recreation	Private/Business Rental of Group Practice Area-Other/Misc.	N/A	\$100

Department	Title	Current Fee	Adopted Fee
Parks and Recreation	Private/Business Park Use Permit-Commercial Classes	N/A	\$500
Parks and Recreation	Private/Business Park Use Permit-Private Instruction	N/A	\$250
Parks and Recreation	Youth Recreation Center Sports Camps	N/A	\$125
Planning	Stop Work Orders	\$150	\$250
Planning	Temporary Electrical Power	\$50	\$75
Planning	Building Board of Appeals	\$100	\$250
Planning	Re-Inspection Fees	\$50	\$75
Planning	Certificate of Occupancy Fee	\$50	\$75
Public Utilities	Meter Fees for 5/8 and 3/4 Tap-Tap and Meter	\$285	\$493
Public Utilities	Meter Fees for 5/8 and 3/4 Tap-Meter Only	\$155	\$363
Public Utilities	Meter Fees for One inch Tap- Tap and Meter	\$370	\$579
Public Utilities	Meter Fees for One inch Tap- Meter Only	\$240	\$449
Strategic Growth Area	Residential Parking Permit Program – Employee Parking	\$25/year	\$20/month

Expenditure Summary

Department Name	FY 2014 Actual	FY 2015 Adjusted Budget	FY 2016 Adopted Budget	% Change
Agriculture	3,224,562	5,293,302	4,148,493	-21.63
Budget and Management Services	1,481,262	1,645,509	1,555,363	-5.48
City Attorney	3,913,804	4,117,006	4,012,759	-2.53
City Auditor	673,945	693,243	761,283	9.81
City Clerk	618,288	584,213	581,904	-0.40
City Manager	2,528,002	2,840,876	3,859,405	35.85
City Real Estate Assessor	3,064,076	3,246,864	3,197,870	-1.51
City Treasurer	5,445,064	5,595,116	5,691,889	1.73
Commissioner of the Revenue	4,205,613	4,218,472	4,350,535	3.13
Commonwealth's Attorney	8,189,761	8,749,651	8,595,227	-1.76
Communications and Information Technology	22,121,446	23,170,888	21,685,494	-6.41
Convention and Visitors Bureau	19,670,958	20,072,135	20,346,700	1.37
Courts and Courts' Support	6,213,030	6,485,252	6,666,438	2.79
Cultural Affairs	2,288,462	2,351,969	2,380,508	1.21
Debt Service	44,503,190	48,274,437	49,682,686	2.92
Economic Development	2,895,250	3,070,947	3,819,484	24.37
Emergency Communications and Citizen Services	9,163,152	10,499,097	10,518,719	0.19
Emergency Medical Services	9,500,960	9,633,634	10,045,027	4.27
Finance	4,652,469	5,172,503	4,754,675	-8.08
Fire	47,774,262	48,013,805	48,786,383	1.61
Future C.I.P. Commitments	7,000,000	7,000,000	8,000,000	14.29
General Registrar	1,172,060	1,380,987	1,392,477	0.83
Health	3,113,772	3,204,597	3,186,061	-0.58
Housing and Neighborhood Preservation	26,169,614	26,859,073	27,468,113	2.27
Human Resources	4,105,478	4,330,967	4,308,158	-0.53
Human Services	103,306,084	112,673,691	112,578,869	-0.08
Library	17,122,346	17,979,774	18,204,209	1.25
Municipal Council	566,595	526,441	526,441	0.00
Museums	10,232,307	11,390,017	12,018,528	5.52
Non-Departmental	63,961,064	68,753,290	70,855,335	3.06
Parks and Recreation	46,103,915	49,751,436	50,112,452	0.73
Pay-As-You-Go Capital Projects	76,416,753	48,075,641	58,085,199	20.82
Planning	9,304,374	10,394,224	10,498,428	1.00
Police	95,248,238	96,188,611	96,941,334	0.78
Public Education	791,138,798	860,622,217	853,325,179	-0.85
Public Utilities	75,125,785	102,428,022	103,751,647	1.29
Public Works	119,732,399	139,126,497	156,390,339	12.41
Reserve for Contingencies	0	3,485,464	10,122,913	190.43
Sheriff and Corrections	40,746,942	39,851,471	43,022,137	7.96
Strategic Growth Area	13,097,712	13,771,726	16,001,391	16.19
TOTAL EXPENDITURES	1,705,791,792	1,831,523,065	1,872,230,052	2.22

Personnel Summary

Department Name	FY 2014 Actual	FY 2015 Adjusted Budget	FY 2016 Adopted Budget	% Change
Agriculture	12.00	12.00	12.00	0.00
Budget and Management Services	18.00	15.00	15.00	0.00
City Attorney	39.61	39.61	39.61	0.00
City Auditor	6.00	6.00	7.00	16.67
City Clerk	6.00	6.00	6.00	0.00
City Manager	19.50	20.50	34.00	65.85
City Real Estate Assessor	34.30	34.29	34.27	-0.06
City Treasurer	81.83	76.83	74.60	-2.90
Commissioner of the Revenue	64.93	64.93	64.93	0.00
Commonwealth's Attorney	86.25	86.70	87.43	0.84
Communications and Information Technology	181.50	183.50	168.00	-8.45
Convention and Visitors Bureau	110.52	106.71	106.28	-0.40
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	127.75	131.75	131.75	0.00
Emergency Medical Services	69.30	73.30	75.05	2.39
Finance	58.00	57.00	57.00	0.00
Fire	479.71	485.71	485.71	0.00
General Registrar	12.03	11.86	11.86	0.00
Health	9.13	9.08	9.08	0.00
Housing and Neighborhood Preservation	63.00	62.00	61.00	-1.61
Human Resources	47.00	47.00	47.00	0.00
Human Services	1,081.41	1,115.16	1,091.91	-2.08
Library	260.00	255.00	253.50	-0.59
Municipal Council	11.00	11.00	11.00	0.00
Museums	155.85	160.97	164.47	2.17
Parks and Recreation	843.93	838.06	830.13	-0.95
Planning	110.00	116.00	115.50	-0.43
Police	1,009.36	1,015.76	1,015.76	0.00
Public Utilities	412.00	415.00	417.00	0.48
Public Works	890.38	893.88	903.88	1.12
Sheriff and Corrections	526.44	525.44	514.44	-2.09
Strategic Growth Area	17.00	18.00	20.00	11.11
Total City Positions	6,939.73	6,990.04	6,961.16	-0.41
Education	10,190.92	10,220.02	10,009.82	-2.06
Totals				
Total City Full Time Positions	6,293.00	6,340.00	6,318.02	-0.38
Total City Part Time Positions	635.73	639.04	632.14	-0.77
Total City Council Members	11.00	11.00	11.00	0.00
Total School Positions	10,190.92	10,220.02	10,009.82	-2.06
Total Positions	17,130.65	17,210.06	16,970.98	-1.39

Additions & Reductions of City Positions

The chart below indicates the overall change in City positions (both additions and reductions) in FY 2015-16. The first column represents the FTE changes that occurred from the adoption of the original FY 2014-15 to the Adjusted FY 2014-15 budget. The second column represents the FTE changes that will occur as a result of the Adopted FY 2015-16 budget. The third column represents the net departmental change.

Department	FTE Changes Between Adopted FY 2014-15 and Adjusted FY 2014-15 Budget		FTE Changes Between Adjusted FY 2014-15 Budget and Adopted FY 2015-16 Budget		Total Department FTE Variance
		# FTE		# FTE	
City Auditor			◆ Auditor I	1.00	1.00
City Manager			◆ Multimedia Distribution Specialist	1.00	13.5
			◆ Graphic Designer	1.00	
			◆ Television Engineer	1.00	
			◆ Multimedia Communications Specialist I	3.00	
			◆ Multimedia Communications Specialist II	2.00	
			◆ Administrative Technician	1.00	
			◆ Multimedia Services Coordinator	1.00	
			◆ Media and Communications Coordinator III	3.00	
			◆ Multimedia Graphics Designer	0.50	
City Real Estate Assessor			◆ Clerk Typist I	(0.02)	(0.02)
City Treasurer			◆ Account Clerk I	(0.23)	(2.23)
			◆ Account Clerk II	(2.00)	
Commonwealth's Attorney			◆ Legal Investigator	0.73	0.73
Communications & Information Technology			◆ Oracle Database Engineer III	1.00	(15.5)
			◆ Business Analyst	1.00	
			◆ Systems Analyst	(2.00)	
			◆ Multimedia Distribution Specialist	(1.00)	
			◆ Graphic Designer	(1.00)	
			◆ Television Engineer	(1.00)	
			◆ Multimedia Communications Specialist I	(4.00)	
			◆ Graphic Designer	(0.50)	

Department	FTE Changes Between Adopted FY 2014-15 and Adjusted FY 2014-15 Budget		FTE Changes Between Adjusted FY 2014-15 Budget and Adopted FY 2015-16 Budget		Total Department FTE Variance
		# FTE		# FTE	
Communications and Information Technology Cont.			◆ Multimedia Communications Specialist II	(1.00)	
			◆ Media Communications Coordinator III	(2.00)	
			◆ Multimedia Communications Supervisor	(1.00)	
			◆ Electronics Operations Technician	(1.00)	
			◆ Microcomputer Systems Analyst	(1.00)	
Convention & Visitors Bureau			◆ Custodial Worker I	(1.00)	(0.43)
			◆ Maintenance Worker Groundskeeper I	1.00	
			◆ Administrative Analyst	(1.00)	
			◆ Business Application Specialist II	1.00	
			◆ Account Clerk II	(0.22)	
			◆ Event Coordinator	(0.33)	
			◆ Usher Ticket Taker Ticket Seller	(0.46) (0.08)	
Emergency Medical Services			◆ Beach Lifeguard	0.79	1.75
			◆ Beach Lifeguard Supervisor	0.96	
Housing and Neighborhood Preservation			◆ Housing Programs Coordinator	(1.00)	(1.00)
			◆ Housing Specialist III	(1.00)	
			◆ Eligibly Worker Supervisor	1.00	
Human Services	◆ MH/MR Supervisor II	1.00	◆ Clerk Typist II	(1.00)	(23.25)
	◆ Staff Psychiatrist	1.00	◆ Administrative Assistant	(1.00)	
	◆ MH/MR Clinician IV	2.00	◆ Food Services Assistant	(1.00)	
	◆ Administrative Assistant	1.00	◆ Child Care Worker	(2.00)	
	◆ Behavior Specialist I	1.00	◆ Behavior Specialist I	(2.00)	
	◆ MH/MR Clinician III	6.00	◆ MH/MR Clinician II	(4.50)	
			◆ MH/MR Clinician III	(3.00)	
			◆ MR/MR Clinician IV	(1.00)	
			◆ Service Delivery Coordinator	(1.00)	
			◆ Pendleton Child Service Administrator	(1.00)	
			◆ Food Service Assistant	(0.75)	
			◆ Teacher II	(3.00)	

Department	FTE Changes Between Adopted FY 2014-15 and Adjusted FY 2014-15 Budget	# FTE	FTE Changes Between Adjusted FY 2014-15 Budget and Adopted FY 2015-16 Budget	# FTE	Total Department FTE Variance
Library			◆ Office Assistant I	.50	(1.50)
			◆ Clerk I	(1.00)	
			◆ Library Information Specialist	(1.00)	
Museums			◆ Assistant Development Specialist	1.00	3.50
			◆ Operations Assistant I	1.50	
			◆ Ticket Seller	1.00	
Parks & Recreation			◆ Account Clerk	1.00	(7.93)
			◆ Administrative Technician	(1.00)	
			◆ Aquatics Fitness Instructor	1.03	
			◆ Clerk Cashier	(2.00)	
			◆ Fitness Instructor	(0.62)	
			◆ Facility Customer Assistant	(1.77)	
			◆ Recreation Specialist	2.00	
			◆ Recreation Support Assistant	(1.00)	
			◆ Recreation Class Instructor	(0.30)	
			◆ Park and Recreation Aide	(5.94)	
			◆ Store Keeper I	1.00	
			◆ Park Assistant	1.00	
			◆ Personal Trainer	0.07	
			◆ Motor Equipment Operator	(2.00)	
Planning			◆ Planner I	0.50	(0.50)
			◆ Planning Aide I	(1.00)	
Public Utilities			◆ Maintenance Engineer II/Electrical	1.00	2.00
			◆ Electrician I	1.00	
Public Works			◆ Waste Management Operator	(2.00)	10.00
			◆ Operations Superintendent	1.00	
			◆ Motor Equipment Operator	5.00	
			◆ Engineering Tech	1.00	
			◆ Engineering Aide	1.00	
			◆ Construction Inspector	2.00	
			◆ Engineer	2.00	
Sheriff and Corrections			◆ Deputy Sheriff (State)	(10.00)	(11.00)
			◆ Deputy Sheriff /Lieutenant (State)	(1.00)	

Department	FTE Changes Between Adopted FY 2014-15 and Adjusted FY 2014-15 Budget	# FTE	FTE Changes Between Adjusted FY 2014-15 Budget and Adopted FY 2015-16 Budget	# FTE	Total Department FTE Variance
Strategic Growth Area			<ul style="list-style-type: none"> ◆ Business Application Specialist I ◆ Parking Operations Manager 	1.00 1.00	2.00
Total Net City Positions		12.00			(28.88)

Additions & Reductions of School Positions

	FY 2011/12 <u>Amended</u>	FY 2012/13 <u>Budget</u>	FY 2013/14 <u>Budget</u>	FY 2014/15 <u>Budget</u>	FY 2015/16 <u>Proposed</u>	Variance
Elementary Classroom	2,065.40	2,115.10	2,084.60	2,162.90	2,049.90	(113.00)
Senior High Classroom	1,007.60	1,022.20	982.60	985.80	926.60	(59.20)
Technical and Career Education	254.90	225.40	211.45	216.35	216.35	-
Gifted Ed. and Academy Programs	156.00	156.00	156.00	157.00	157.50	0.50
Special Education	1,178.00	1,178.00	1,178.00	1,178.00	1,178.00	-
General Adult Education	22.00	20.00	20.00	20.00	20.00	-
Alternative Education - Renaissance Academy	96.60	96.60	96.60	93.60	91.60	(2.00)
Student Activities	30.50	30.50	30.50	30.50	30.50	-
Office of the Principal - Elementary	343.00	337.00	336.00	336.00	332.00	(4.00)
Office of the Principal - High School	127.50	124.00	122.00	127.00	125.00	(2.00)
Principal - Technical and Career Education	7.00	7.00	7.00	7.00	7.00	-
Guidance Services	215.40	209.40	209.60	206.60	205.20	(1.40)
Social Work Services	31.25	31.00	31.00	31.00	31.00	-
Media and Communications	15.00	15.00	15.00	15.00	15.00	-
Teaching and Learning Support	57.00	51.00	51.00	47.00	47.00	-
Instructional Center for Teacher Leadership	7.00	8.00	8.00	8.00	8.00	-
Special Education Support	32.00	32.00	32.00	32.00	32.00	-
Gifted Ed. and Academy Programs Support	19.00	19.50	20.00	20.00	20.00	-
Media Services Support	199.50	200.50	196.50	196.50	197.50	1.00
Planning, Innovation, and Accountability	19.00	19.00	19.00	19.00	18.00	(1.00)
Middle School Classroom	746.40	761.40	740.75	753.65	722.05	(31.60)
Remedial Education	104.50	104.50	106.50	70.50	73.00	2.50
Office of the Principal - Middle School	115.00	115.00	112.00	112.00	115.00	3.00
Homebound Services	1.00	1.00	1.00	1.00	1.00	-
Office of the Principal - Tech. and Career Ed. Support	8.40	8.60	9.00	9.00	9.00	-
Student Leadership	7.00	7.00	7.00	9.00	9.00	-
Psychological Services	38.00	38.00	38.00	38.00	38.00	-
Audiological Services	4.00	4.00	4.00	4.00	4.00	-
School Administration	9.00	8.00	8.00	10.00	11.00	1.00
Alternative Education	15.00	15.00	15.00	15.00	16.00	1.00
Instruction Total	6,931.95	6,959.70	6,848.10	6,911.40	6,706.20	(205.20)
Board, Legal, and Governmental Services	13.00	12.00	12.00	12.00	12.00	-
Superintendent	7.00	7.00	7.00	8.50	6.50	(2.00)
Budget and Finance	43.00	43.00	43.00	43.00	42.00	(1.00)
Human Resources	47.30	47.30	47.30	47.30	46.30	(1.00)
Internal Audit	4.00	4.00	4.00	4.00	4.00	-
Purchasing Services	13.00	13.00	13.00	13.00	13.00	-
Center for Teacher Leadership	8.00	6.00	6.00	5.50	5.50	-
Benefits	15.00	15.50	15.50	16.50	16.50	-
Health Services	131.00	131.00	131.00	131.00	132.00	1.00
Administration, Attendance, & Health Total	281.30	278.80	278.80	280.80	277.80	(3.00)
Management	26.00	27.00	27.00	27.00	27.00	-
Vehicle Operation	354.69	354.69	354.69	354.69	354.69	-
Vehicle Operation - Special Education	122.56	122.56	122.56	122.56	122.56	-
Vehicle Maintenance	57.00	56.00	56.00	56.00	56.00	-
Monitoring Services	106.88	106.88	106.88	106.88	106.88	-
Pupil Transportation Total	667.13	667.13	667.13	667.13	667.13	-
Facilities Planning and Construction	6.00	6.00	6.00	6.00	6.00	-
School Plant	197.00	197.00	197.00	197.00	196.00	(1.00)
Distribution Services	23.50	23.50	23.50	23.50	22.50	(1.00)
Custodial Services	726.00	709.00	716.00	728.00	728.00	-
Safety and Loss Control	197.00	197.00	197.00	198.00	198.00	-
Vehicle Services	4.00	4.00	4.00	4.00	4.00	-
Telecommunications	3.00	3.00	3.00	3.00	3.00	-
Operations and Maintenance Total	1,156.50	1,139.50	1,146.50	1,159.50	1,157.50	(2.00)
Instructional Technology	-	-	110.00	110.00	111.00	1.00
Technology	-	-	7.00	6.00	6.00	-
Technology Maintenance	-	-	71.00	72.00	71.00	(1.00)
Technology^b Total	-	-	188.00	188.00	188.00	-
Operating Budget Total^a	9,036.88	9,045.13	9,128.53	9,206.83	8,996.63	(210.20)
State Grants	13.00	14.00	14.00	14.00	13.00	(1.00)
Federal Grants	646.50	574.50	549.50	470.50	464.50	(6.00)
Local Grants	-	-	-	-	1.00	1.00
Food Services Fund	492.89	492.89	492.89	490.89	490.89	-
Risk Management Fund	5.00	5.00	5.00	5.00	5.00	-
Health Insurance Fund	4.50	6.50	6.50	6.50	6.50	-
Technology Category ^b	187.00	187.00	-	-	-	-
Textbook Fund	1.50	1.50	1.50	1.50	1.50	-
Green Run Collegiate Charter School	-	-	-	24.80	30.80	6.00
Categorical Grants and Other Funds Total	1,350.39	1,281.39	1,069.39	1,013.19	1,013.19	-
All Funds Total	10,387.27	10,326.52	10,197.92	10,220.02	10,009.82	(210.20)

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

Demographic Information

The table below highlights available information from the last three decennial censuses for Virginia Beach as well as the Census's 2013 American Community Survey (which includes some demographic information no longer included in the decennial):

Demographic Characteristic	1980	1990	2000	2013
Sex:				
Male	50.8%	50.8%	49.5%	49.2%
Female	49.2%	49.2%	50.5%	50.8%
Age:				
Under 18	30.7%	28.0%	27.5%	23.1%
65 and Over	4.5%	5.9%	8.4%	11.8%
Peak Earning Years (Age 35-54)	23.1%	24.9%	30.5%	26.9%
Median Age	26.9	28.9	32.7	35.0
Dependency Population (under18 & 65 and over)	35.2%	33.9%	35.9%	34.9%
Race:				
White	86.5%	80.5%	71.4%	68.4%
Black/African American	10%	13.9%	19%	18.9%
American Indian/Alaskan	0.2%	0.4%	0.4%	0.3%
Asian/Hawaiian/Pacific	2.5%	4.3%	5%	6.8%
Other Race	0.7%	0.9%	1.5%	1.1%
Two or More Races*	-	-	2.7%	4.5%
Hispanic**	2%	3.1%	4.2%	7.5%
Households:				
Family Household	79.2%	75.4%	71.8%	68.9%
Married Couple Family	66.6%	62.9%	55.7%	49.7%
Female Householder	10.3%	9.5%	12.4%	14.6%
Non-Family Household	20.9%	24.6%	28.2%	31.1%
Households with Children under 18	-	44.8%	42.1%	34.8%
Housing Occupancy: Owner	64.2%	62.5%	65.6%	62.8%
Housing Occupancy: Renter	35.8%	37.5%	34.4%	37.2%
Average Household Size	2.97	2.82	2.70	2.65
Average Family Size	3.35	3.21	3.21	3.16
Health Insurance:				
% with Health Insurance Coverage	NA	NA	NA	88.4%
Marital Status:				
Single, Never Married	26.5%	24.7%	25.5%	31.9%
Married	61%	58.4%	57.1%	48.7%
Separated	3%	5.4%	3.2%	2.9%
Widowed	4%	4%	4.7%	4.8%
Divorced	5.5%	7.6%	9.5%	11.6%
Median Household Income:				
	\$20,203	\$36,271	\$48,705	\$62,855
Median Family Income:				
	\$21,809	\$39,112	\$53,242	\$74,621
Per Capital Income:				
	\$10,836	\$20,652	\$30,633	\$49,898

Demographic Characteristic	1980	1990	2000	2013
Poverty:				
Persons	8.9%	5.9%	6.5%	8.8%
Families	7.7%	4.3%	5.1%	6.1%
Children under18	13%	7.6%	8.6%	13.0%
65 and over	10.3%	8%	4.7%	7.2%
Female Householder	38.9%	20.2%	18.9%	17.9%
Female Householder with Children	45.8%	26.5%	23.1%	24.5%
Housing Expenses:				
Owner Expenses Exceeding 30% of Income	26.3%	30.7%	27.4%	31.4%
Renter Expenses Exceeding 30% of Income	37.8%	39%	37.9%	53.1%
Percent of Homeowners Mortgage Free	11.1%	11.4%	13.9%	22.5%
Education Attainment:				
High School Graduate	80%	88%	90.4%	94.8%
College Graduate	22.4%	25.5%	28.1%	34.7%
Labor Force:				
Civilian Labor Force Population Rate	58.3%	62.5%	63.2%	65.7%
Civilian Female Participation Rate	54.6%	63.5%	62.9%	62.2%
Percent of Labor Force in Armed Forces	18.2%	18.6%	13.3%	5.4%
Percent Unemployed	5.3%	4.7%	4.1%	4.1%
Percent Who Drive Alone:	67.5%	78.4%	82%	81.3%
Percent Who Car Pool:	21.2%	12%	10.8%	8.6%
Percent Who Use Public Transportation:	1.7%	0.8%	0.7%	0.9%
Percent Who Work at Home:	1.1%	3.3%	2.8%	4.7%
Mean Travel Time: (in minutes)	21.9	22.7	23.9	23.6

* New category in 2000

** Can be of any race

Totals may not equal 100% due to rounding

Source: Census Bureau

Revenue Summary

	FY 2014 Actual	FY 2015 Adjusted Budget	FY 2016 Adopted Budget	% Change
Revenue Source Summary				
Revenue from Local Sources				
General Property Taxes				
Real Estate	464,330,892	481,041,656	528,290,337	9.82
Personal Property	131,549,470	137,161,976	143,202,520	4.40
Total General Property Taxes	595,880,362	618,203,632	671,492,857	8.62
Other Local Taxes				
General Sales Tax	56,431,418	60,016,191	59,780,905	-0.39
Utility Tax	44,050,182	44,895,159	43,804,319	-2.43
Business License	44,028,186	47,600,886	46,842,468	-1.59
Automobile License	9,346,971	9,627,331	11,459,845	19.03
Cigarette Tax	11,693,536	13,083,160	12,474,084	-4.66
Amusement Tax	6,030,302	5,836,125	6,443,446	10.41
Hotel Room Tax	27,404,925	27,870,331	29,860,146	7.14
Restaurant Meal Tax	56,857,819	59,622,821	60,768,863	1.92
Other Taxes	16,399,766	17,617,261	17,453,648	-0.93
Total Other Local Taxes	272,243,105	286,169,265	288,887,724	0.95
Other Local Revenue				
Permits, Privilege Fees, and Regulatory Licenses	5,165,877	5,316,340	5,716,026	7.52
From the Use of Money and Property	9,135,524	9,343,912	9,562,312	2.34
Charges for Services	262,845,475	275,986,161	272,560,460	-1.24
Miscellaneous Revenue	15,723,288	16,097,550	16,239,828	0.88
Fines and Forfeitures	7,019,569	7,626,205	7,860,800	3.08
Total Other Local Revenue	299,889,733	314,370,168	311,939,426	-0.77
Revenue from the Commonwealth				
State Shared Sales Tax	75,219,433	70,065,298	71,783,907	2.45
Other Sources from the Commonwealth	365,831,012	390,729,226	385,886,737	-1.24
Total Revenue from the Commonwealth	441,050,445	460,794,524	457,670,644	-0.68
Revenue from the Federal Government				
Non-Revenue Receipts	104,808,893	119,695,425	113,525,977	-5.15
Total Revenues	1,720,491,437	1,801,489,149	1,845,581,288	2.45
Fund Reserves Summary				
Specific Fund Reserves	776,160	30,033,916	26,648,764	-11.27
Total Fund Reserves	776,160	30,033,916	26,648,764	-11.27
TOTAL FINANCING REQUIRED	1,721,267,597	1,831,523,065	1,872,230,052	2.22

Expenditure Summary

Department Name	FY 2014 Actual	FY 2015 Adjusted Budget	FY 2016 Adopted Budget	% Change
Agriculture	3,224,562	5,293,302	4,148,493	-21.63
Budget and Management Services	1,481,262	1,645,509	1,555,363	-5.48
City Attorney	3,913,804	4,117,006	4,012,759	-2.53
City Auditor	673,945	693,243	761,283	9.81
City Clerk	618,288	584,213	581,904	-0.40
City Manager	2,528,002	2,840,876	3,859,405	35.85
City Real Estate Assessor	3,064,076	3,246,864	3,197,870	-1.51
City Treasurer	5,445,064	5,595,116	5,691,889	1.73
Commissioner of the Revenue	4,205,613	4,218,472	4,350,535	3.13
Commonwealth's Attorney	8,189,761	8,749,651	8,595,227	-1.76
Communications and Information Technology	22,121,446	23,170,888	21,685,494	-6.41
Convention and Visitors Bureau	19,670,958	20,072,135	20,346,700	1.37
Courts and Courts' Support	6,213,030	6,485,252	6,666,438	2.79
Cultural Affairs	2,288,462	2,351,969	2,380,508	1.21
Debt Service	44,503,190	48,274,437	49,682,686	2.92
Economic Development	2,895,250	3,070,947	3,819,484	24.37
Emergency Communications and Citizen Services	9,163,152	10,499,097	10,518,719	0.19
Emergency Medical Services	9,500,960	9,633,634	10,045,027	4.27
Finance	4,652,469	5,172,503	4,754,675	-8.08
Fire	47,774,262	48,013,805	48,786,383	1.61
Future C.I.P. Commitments	7,000,000	7,000,000	8,000,000	14.29
General Registrar	1,172,060	1,380,987	1,392,477	0.83
Health	3,113,772	3,204,597	3,186,061	-0.58
Housing and Neighborhood Preservation	26,169,614	26,859,073	27,468,113	2.27
Human Resources	4,105,478	4,330,967	4,308,158	-0.53
Human Services	103,306,084	112,673,691	112,578,869	-0.08
Library	17,122,346	17,979,774	18,204,209	1.25
Municipal Council	566,595	526,441	526,441	0.00
Museums	10,232,307	11,390,017	12,018,528	5.52
Non-Departmental	63,961,064	68,753,290	70,855,335	3.06
Parks and Recreation	46,103,915	49,751,436	50,112,452	0.73
Pay-As-You-Go Capital Projects	76,416,753	48,075,641	58,085,199	20.82
Planning	9,304,374	10,394,224	10,498,428	1.00
Police	95,248,238	96,188,611	96,941,334	0.78
Public Education	791,138,798	860,622,217	853,325,179	-0.85
Public Utilities	75,125,785	102,428,022	103,751,647	1.29
Public Works	119,732,399	139,126,497	156,390,339	12.41
Reserve for Contingencies	0	3,485,464	10,122,913	190.43
Sheriff and Corrections	40,746,942	39,851,471	43,022,137	7.96
Strategic Growth Area	13,097,712	13,771,726	16,001,391	16.19
TOTAL EXPENDITURES	1,705,791,792	1,831,523,065	1,872,230,052	2.22

Personnel Summary

Department Name	FY 2014 Actual	FY 2015 Adjusted Budget	FY 2016 Adopted Budget	% Change
Agriculture	12.00	12.00	12.00	0.00
Budget and Management Services	18.00	15.00	15.00	0.00
City Attorney	39.61	39.61	39.61	0.00
City Auditor	6.00	6.00	7.00	16.67
City Clerk	6.00	6.00	6.00	0.00
City Manager	19.50	20.50	34.00	65.85
City Real Estate Assessor	34.30	34.29	34.27	-0.06
City Treasurer	81.83	76.83	74.60	-2.90
Commissioner of the Revenue	64.93	64.93	64.93	0.00
Commonwealth's Attorney	86.25	86.70	87.43	0.84
Communications and Information Technology	181.50	183.50	168.00	-8.45
Convention and Visitors Bureau	110.52	106.71	106.28	-0.40
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	127.75	131.75	131.75	0.00
Emergency Medical Services	69.30	73.30	75.05	2.39
Finance	58.00	57.00	57.00	0.00
Fire	479.71	485.71	485.71	0.00
General Registrar	12.03	11.86	11.86	0.00
Health	9.13	9.08	9.08	0.00
Housing and Neighborhood Preservation	63.00	62.00	61.00	-1.61
Human Resources	47.00	47.00	47.00	0.00
Human Services	1,081.41	1,115.16	1,091.91	-2.08
Library	260.00	255.00	253.50	-0.59
Municipal Council	11.00	11.00	11.00	0.00
Museums	155.85	160.97	164.47	2.17
Parks and Recreation	843.93	838.06	830.13	-0.95
Planning	110.00	116.00	115.50	-0.43
Police	1,009.36	1,015.76	1,015.76	0.00
Public Utilities	412.00	415.00	417.00	0.48
Public Works	890.38	893.88	903.88	1.12
Sheriff and Corrections	526.44	525.44	514.44	-2.09
Strategic Growth Area	17.00	18.00	20.00	11.11
Total City Positions	6,939.73	6,990.04	6,961.16	-0.41
Education	10,190.92	10,220.02	10,009.82	-2.06
Totals				
Total City Full Time Positions	6,293.00	6,340.00	6,318.02	-0.38
Total City Part Time Positions	635.73	639.04	632.14	-0.77
Total City Council Members	11.00	11.00	11.00	0.00
Total School Positions	10,190.92	10,220.02	10,009.82	-2.06
Total Positions	17,130.65	17,210.06	16,970.98	-1.39