

Adopted Executive Summary

Fiscal Year 2020-21

City of Virginia Beach Resource Management Plan



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DISTINGUISHED BUDGET AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the **City of Virginia Beach, Virginia** for its annual budget for the fiscal year beginning **July 1, 2019**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, financial plan, operations guide, and communications device.

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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Virginia Beach
Virginia**

For the Fiscal Year Beginning

July 1, 2019

Christopher P. Morill

Executive Director

ACKNOWLEDGEMENTS

The Department of Budget and Management Services expresses its gratitude to every department for their thoughtful submission of budgetary needs. A special thank you goes to the Acting City Manager and Deputy City Managers who spent many hours sorting through a variety of complex issues. As with any proposed budget, our objective is to meet the goals as defined by City Council, and we appreciate their vision for our City's future. The reader will notice the Executive Summary, Operating Budget, and Capital Improvement Program link City services, programs, and projects to City Council's goals.

Finally, we want to express our sincere appreciation to the staff of the Department of Budget and Management Services. Their dedication, professionalism, competence, and positive attitudes are unsurpassed:

Jacqueline Conley, Michael Evans, Alex Gottschalk,
Kaitlyn James, Beth Kavanaugh, Crystal Skinner,
Jesse Stephenson, Brandi Swansen, Adrienne Stadler

Sincerely,



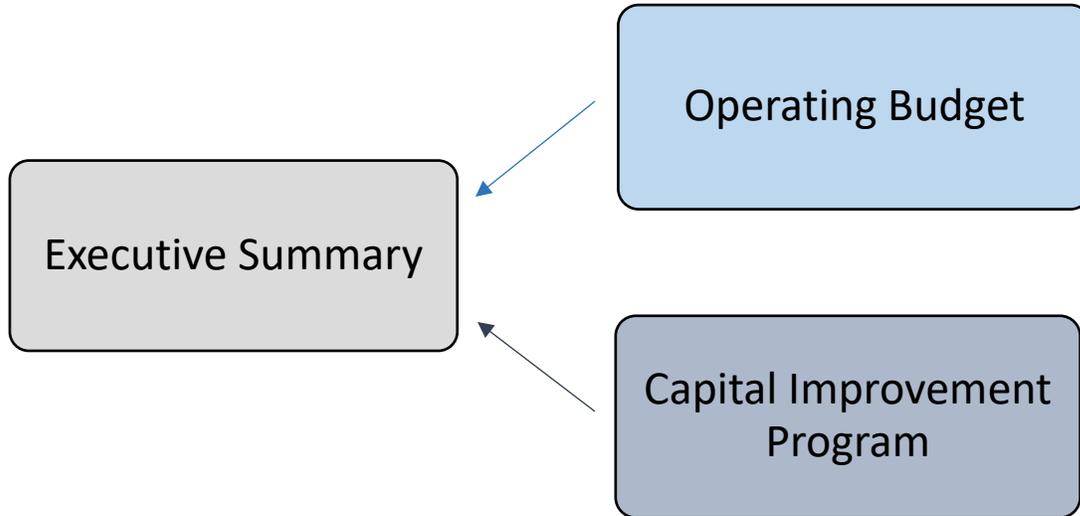
Kevin M. Chatellier, Acting Co-Director
Budget and Management Services



Jonathan L. Hobbs, Acting Co-Director
Budget and Management Services

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 projection 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.

Operating Budget

This volume provides detailed information on the City's anticipated spending needs for the upcoming fiscal year, beginning July 1st and ending June 30th. It provides detailed discussions of revenues and appropriations for each department.

Capital Improvement

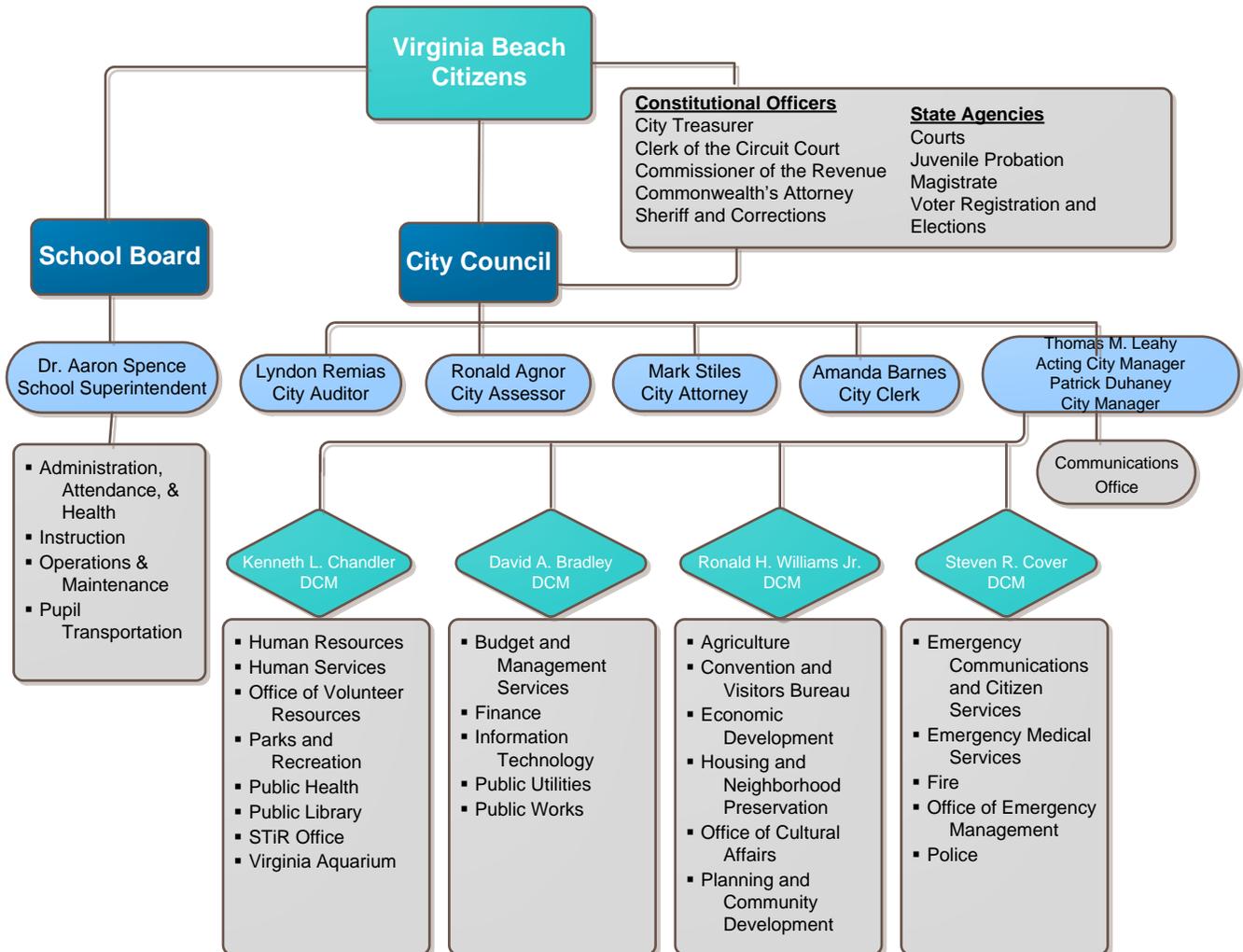
Program (CIP)

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 functional areas: Roadways, Buildings and Assets, Coastal, Economic and Tourism Development, Schools, Parks and Recreation, Water Utilities, Sewer Utilities, Storm Water Utilities, and Information Technology. Within each functional area, each project page includes a brief description of the project, a financing plan, and a location map, if applicable.

CITY ORGANIZATION & INFORMATION

The City of Virginia Beach was chartered as a municipal corporation by the General Assembly of Virginia on January 1, 1963. The City operates under a Council-Manager form of government. The 11-member City Council is the City's legislative body. The City Manager is appointed by Council and acts as Chief Executive Officer and, through City staff, the City Manager implements policies established by Council.

Virginia Beach has 258.7 square miles of land and 51.3 square miles of water. As of FY 2019-20, there was a population of 452,643 residents, of which 302,515 are registered voters. Per the City Real Estate Assessor, the estimated number of residences in the City for FY 2020-21 is 182,128.



CITY COUNCIL

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 other members are required to live in the district they represent.

Robert M. “Bobby” Dyer, Mayor

James L. Wood, Vice-Mayor, District 5-Lynnhaven

Jessica P. Abbott, District 2-Kempsville

Michael F. Berlucchi, District 3-Rose Hall

Barbara M. Henley, District 7-Princess Anne

Louis R. Jones, District 4-Bayside

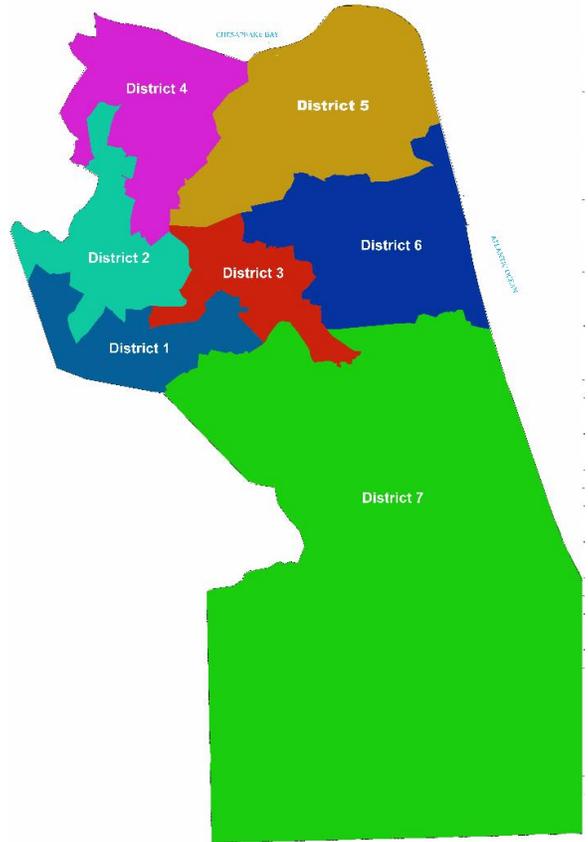
John D. Moss, At-Large

Aaron R. Rouse, At-Large

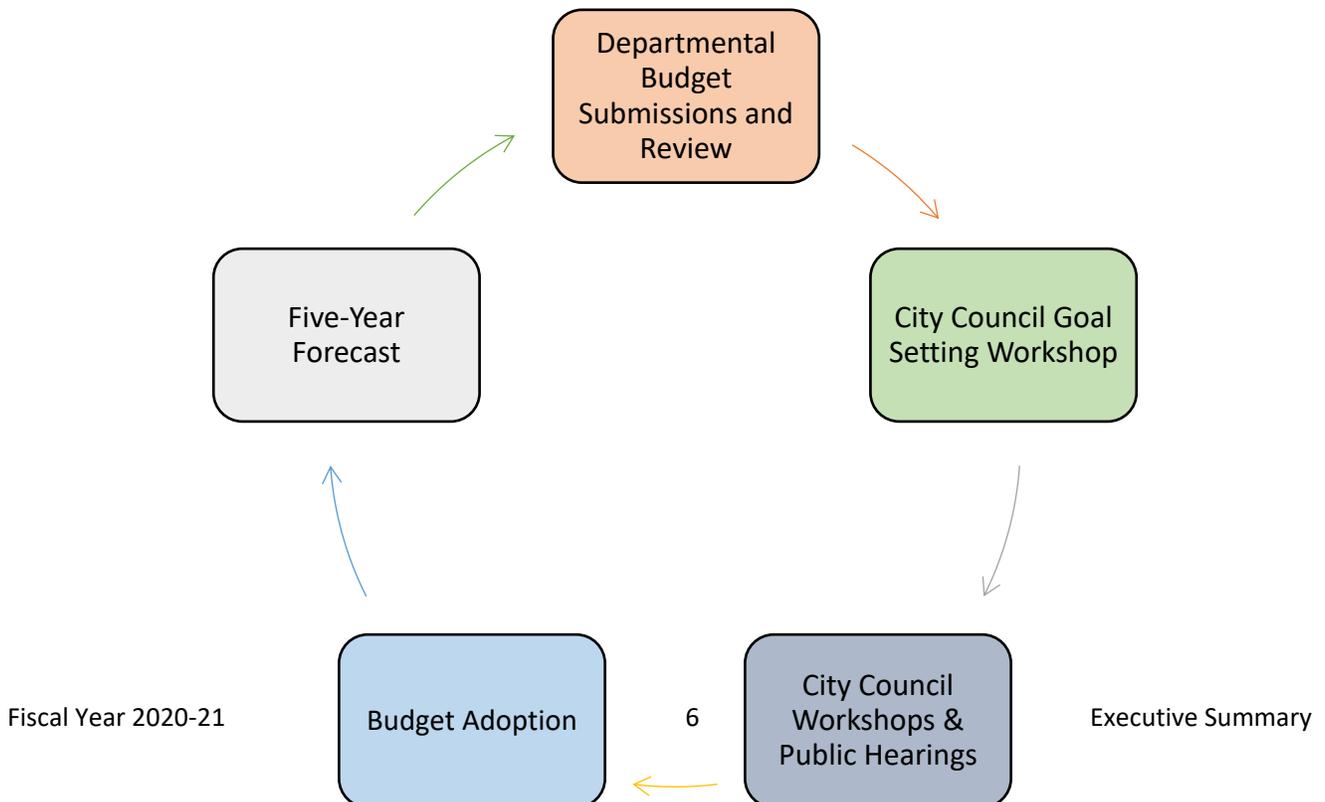
Guy K. Tower, District 6-Beach

Rosemary C. Wilson, At-Large

Sabrina D. Wooten, District 1-Centerville



The City Charter requires the City Council to adopt an annual budget. Virginia Beach’s fiscal year spans from July 1st to June 30th, with a year-round budget planning process which includes:





ROBERT M. "BOBBY" DYER
MAYOR

City of Virginia Beach

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May 7, 2020

Members of City Council

Subject: FY 2020-21 Operating Budget and CIP Reconciliation

Dear City Council Members:

On March 24, 2020, the Acting City Manager presented his original Proposed FY 2020-21 Operating Budget and Capital Improvement Program (CIP). Due to the economic impacts of COVID-19 on our City, the City Manager provided a Revised FY 2020-21 Operating Budget and CIP on April 10, 2020. The Revised Budget outlined reductions associated with decreases in tax revenue as a result of the COVID-19 pandemic and returned services to FY 2019-20 levels. These reductions are highlighted in green on Attachment A.

Last Tuesday, we provided additional proposals for reconciliation of the Proposed Budget and CIP. The letter provided on Tuesday incorporated some of the concerns addressed at the previous budget workshop and included tax relief for businesses and citizens as well as an additional strategy to meet revenue shortfalls in FY 2020-21, if revenue is not meeting estimates. As previously discussed, two tax/fee relief programs have already been addressed in the letter below - see items 4 (personal property tax relief for volunteer Emergency Medical Services and volunteer fire personnel) and 11 (assistance monthly City Services Bill).

Since Tuesday's meeting, two additional changes are recommended to be incorporated in the FY 2020-21 Operating Budget and CIP. The first includes the suspension of the previously approved 3.5¢ increase in the Stormwater Equivalent Residential Unit (ERU) rate to be effective on July 1, 2020. This increase was year two of a six-year planned rate increase of 3.5¢ per year to address critical stormwater needs. As a result of the one-year suspension of this ERU plan, the rate increase will now be reinstated in FY 2025-26. This results in a decline of \$3,140,041 in revenue, which will be offset by position reductions supported by the General Fund (through a negative reserve); thereby, creating capacity for a pay-as-you-go transfer to the Stormwater CIP. Based on average salary and benefits, the total position reductions will be approximately 45 positions. The City Manager is directed to send a summary of the actual position reductions to City Council by July. In years two through five of the Stormwater CIP, the following projects will be reduced by these approximate amounts: 7-415 "Lake Management II" by \$1.6 million, CIP# 7-416 "SW Infrastructure Rehabilitation & Improvements II" by \$750,000, and CIP# 7-023 "Primary System Infrastructure Improvements II" \$750,000. Since years two through five are

for planning purposes, additional refinement may occur before next year's Operating Budget and CIP review.

The second modification is the restoration of local funding to Virginia Beach City Public Schools (VBCPS). As a result of the COVID-19 pandemic and declining revenues, VBCPS's share of local revenues via the City School Revenue Sharing Formula declined. Of the original reduction, \$7,766,223 is restored with \$7,266,223 allocated to CIP #1-182 "Renovations and Replacements – Various III" and \$500,000 to CIP #1-107 "Princess Anne High School Replacement". This increase in pay-as-you-go funding to the Schools CIP is offset with a negative reserve of vacancy savings in the General Fund resulting from the hiring freeze.

At the same time we vote for the Budget and CIP next week, we recommend that City Council consider a \$3 million tax relief plan to take effect within the current fiscal year (FY 2019-20): \$2 million for providing both real estate and personal property tax relief for citizens in need and \$1 million to provide additional business tax relief through the Small Business Emergency Assistance Program implemented by the Virginia Beach Development Authority (VBDA). Supporting these tax relief initiatives will be the appropriation of fund balance from the Parks and Recreation Special Revenue Fund.

As we begin the new fiscal year with economic uncertainty, it is critical that the City Manager and staff provide monthly financial updates on revenues and expenditures. The Revised FY 2020-21 Operating Budget has created a great deal of flexibility; however, it is possible that additional City Council action could be required should revenues decline below current estimates. To provide extra flexibility and preserve the City's cash position during these uncertain times, it is recommended that appropriations within the following Capital Improvement Projects (CIP) be placed in a reserve entitled "COVID-19 Revenue Shortfall Stabilization." This reserve totals \$21.8 million and can only be utilized after City Council approval. If FY 2020-21 revenue is meeting estimates after quarterly reviews, funding can be returned to the CIP projects listed below with City Council approval. If revenue is not meeting estimates, the reserve can be used to offset revenue shortfalls. The following is the list of projects totaling \$21.8 million:

- CIP # 8-025 "Beach Replenishment II" (\$2,550,000)
- CIP # 3-718 "Police Radio Encryption" (\$3,302,428) Partial ATD
- CIP # 2-094 "Bus Stop Infrastructure and Accessibility Improvements" (\$648,969) Partial ATD
- CIP # 2-414 "Shipps Corner Road Improvements" (\$2,100,000) ATD
- CIP # 2-047 "Upton Drive Extended and Dam Neck Stations Imp." (\$1,286,780) ATD
- CIP #3-153 "Various Site Acquisitions III" (\$343,644)
- CIP #3-132 "Heritage Building Maintenance II" (\$575,000)
- CIP #4-300 "Community Recreation Centers Repairs and Renovations III" (\$1,000,000)
- CIP #4-301 "Parks and Special Use Facilities Development/Reno" (\$950,000)
- CIP #3-703 "PD – Special Investigations Video Storage" (\$400,000)
- CIP #2-056 "Pleasure House Road Street Imp. – Phase I" (\$150,000)
- CIP #2-057 "Pleasure House Road Street Imp. – Phase II" (\$357,376)
- CIP #9-006 "Winston-Salem Avenue Improvements" (\$7,565,191) ATD
- CIP #3-184 "Virginia Aquarium Monument Signs" (\$600,000) ATD

When combined with the total anticipated salary vacancy savings from the position freeze (which we recommend continuing into FY 2020-21) and fully funding full-time salaries (not budgeting for attrition), a minimum of \$10 million of vacancy savings (compared to previous years) should be available to offset potential revenue shortfalls. Between these two initiatives, over \$30 million should be available to offset revenue shortfalls if the economy does not improve.

Please note we also recommend placing CIP # 3-174 “Operations Facilities Renovations” (\$30,000,000) in a reserve until City Council approves the release of funds. This project is anticipated to be funded by bonds and the resulting debt service will impact the budget beyond FY 2020-21. While this project (renovations of buildings 1, 2 and 11) is important in the aftermath of the 5/31 tragedy, we believe the City should not initially expend these funds to ensure that our cash flow is sufficient pending improvement of the economy.

We also recommend that the City Manager continue limiting expenditures to essential services only as we begin the new fiscal year.

As noted on page 22 of the April 10 letter, the City Manager’s Revised Budget provided a balancing strategy for most funds; however, additional analysis was required to determine the best strategy for balancing both the Tourism Investment Program (TIP) and the Tourism Advertising Program (TAP) Funds. These funds are projected to have their original FY 2020-21 revenue estimates reduced by a combined \$16 million. Balancing these funds through expenditure reductions alone would result in almost a complete elimination of current services provided through the TIP Fund (programs such as beach maintenance, trash collection, beach events, etc.) and a reduction of 25% in TAP Fund advertising and marketing efforts.

As the economy begins to reopen, TIP and TAP programs and services will be essential to the recovery of the local tourism industry. For that reason, it is recommended that the primary balancing strategy of the TIP and the TAP funds include the use of \$14.8 million of fund balance from the TIP Fund. Of this use, \$9.8 million will be appropriated within the TIP Fund and \$5 million will be transferred to the TAP Fund. Additional funding within the TAP Fund will allow the City to not only maintain current services but also enhance marketing and advertising efforts across the City. The enhanced marketing and advertising campaign plan will occur in two phases. The first phase includes an additional \$2 million between now and July 1 with City Council action anticipated in May. The second phase will include an additional \$1.6 million appropriated on July 1 as a part of the FY 2020-21 Operating Budget. The projected fund balance of the TIP Fund at year end FY 2020-21 is \$1.7 million, or 4% of the following year’s revenue estimate. This results in an overall increase to the net budget change as reflected in the April 10 presentation. These recommendations are highlighted in blue on Attachment A.

Also noted within both the letter (page 22) and presentation, additional refinements were needed as a result of department specific revenue reductions. These reductions resulted in the additional elimination of nearly 24 FTEs and are highlighted orange on Attachment A. In total, the City Manager’s Revised FY 2020-21 Operating Budget includes a net reduction of 58.02 FTEs when compared to the FY 2019-20 Operating Budget.

The modification of FY 2020-21 revenue estimates resulted in the reduction of \$20.4 million in local revenue shared with Schools. On page 22 of the April 10th letter as a part of the process moving forward, it was noted that City staff was continuing to work with School staff to modify the Schools FY 2020-21 Operating Budget accordingly. On April 28, the School Board reduced approximately \$28 million in their FY 2020-21 Operating Budget. In order to incorporate the budget amendment adopted by the Virginia Beach School Board, the following adjustments were necessary:

- 1) Reduce the transfer from the City's General Fund by \$20,372,434 and reduce estimated revenue from the Commonwealth by \$6,926,614. These reductions in revenue are offset with the elimination of the following appropriations:
 - a. \$19,532,825 originally approved for a 0.5% experience step increase and 3.0% cost of living adjustment (COLA).
 - b. Elimination of 69.55 FTEs and \$4,492,077 in related salaries and operating supplies.
 - c. \$2,774,146 in other operating cost within the School Operating Fund.
 - d. \$500,000 transfer to the Schools' Capital Improvement Program.

- 2) Reduce School's CIP Project # 1-107 "Princess Anne High School Replacement" by \$26 million over the six-year CIP period. This results in a corresponding reduction in the School's CIP means of pay-as-you-go financings in year 2 by \$1 million and by \$1.5 million each of the remaining years 3 through 6. Also reduced is the School's use of fund balance from the School Reserve Special Revenue Fund in the CIP by \$3.6 million in year 2, \$3.7 million in year 3, \$3.8 million in year 4, \$3.9 million in year 5 and \$4 million in year 6.

The City Manager's Revised FY 2020-21 Operating Budget retained several proposals that should help in hiring and retaining our valued workforce, including:

- Increasing the Hybrid Employee Paid Time Off (PTO) accrual of an additional 1.5 days per year and expanding the maximum allowable carryover by six days.
- Expansion of the City's Maternity/Paternity leave program from three to six weeks.

After listening to public input at the public hearings and via email as well as discussions with City Council members, it is recommended that the City Manager's Revised FY 2020-21 Operating Budget and CIP, as reflected on Attachment A, be adopted with the following adjustments:

- 1) Reinstatement of the originally proposed initiatives to implement recommendations of the 2018 Disparity Study. This increases the Department of Finance's budget by \$366,541 including one additional position.

- 2) Reinstatement of the following compensation initiatives previously approved by City Council:
 - a. Year 2 Public Safety Workforce Development

b. Year 2 phase-in of moving supervisors to their pay range mid-point

Through these initiatives, the City will continue to address critical compensation needs and continue to build off previous efforts to address compression across the City. A compensation reserve of \$1,188,714 in the General Fund is established to address these initiatives.

- 3) Elimination of the 2% planned increase in City employee health insurance premium rates scheduled to take place on January 1, 2021. City employee premium rates will remain at the same level as 2020 health insurance premium rates. The Schools also eliminated their 2% planned increase. Since both the City and Schools will be eliminating pay increases, we believe this will help reduce the financial impacts to City and School employees with no pay increases planned for FY 2020-21. The total impact to the Health Insurance Fund is approximately \$630,000. The 3% employer increase remains in both the Schools and City budget.
- 4) Provide personal property tax relief for volunteer Emergency Medical Services and volunteer fire personnel. To provide this tax relief, qualifying personal property will be taxed at a lowered rate of one millionth of one cent (\$.000001) on each one hundred dollars (\$100) of assessed valuation. This reduction will result in the projected loss of \$60,000 in personal property tax revenue.
- 5) Reinstatement of the originally proposed funding increases of \$7,000 to the Atlantic Wildfowl Heritage Museum and \$15,000 to the Virginia Beach Surf and Rescue Museum.
- 6) Move the \$135,000 Museum of Contemporary Arts (MOCA) education grant from the Department of Cultural Affairs to Non-Departmental Organization Grants. This will provide additional transparency in the future budgeting of this grant initiative.
- 7) Even during these tough economic times, it is critical to address the safety and security of our employees and citizens. We recommend beginning the implementation of the Hillard Heintze recommendations including the centralization of Human Resources and establishing a Security Office as follows:
 - a. Four Human Resource positions to begin the phased centralization of Human Resource functions. This increases the department's operating budget by \$397,373.
 - b. One Security Office position to begin conducting facility security assessment needs. This increases the Office of Emergency Management's operating budget by \$64,504.Starting these two initiatives in FY 2020-21 will allow staff to determine the type and amount of resources necessary to further implement the recommendations. If revenues are performing favorably based on a mid-year review by staff, additional consideration will be given to funding more of these recommendations in FY 2020-21.
- 8) Increase funding contribution to the African American Cultural Center by \$50,000.

- 9) Based on updated fuel cost projections, additional savings are likely to occur in FY 2020-21 due to lower fuel prices. General Fund budgeted fuel cost are reduced by \$299,132.
- 10) Increase General Fund VDOT Roadway Maintenance funding by \$1,850,000. The FY 2020-21 Commonwealth of Virginia's Budget reflects a 3.7% increase for Financial Aid for City Road Maintenance resulting in the estimated increase of funding. Virginia Beach's portion of this revenue source has historically been 13% of the state's budget. Estimating this additional revenue to the Department of Public Works creates capacity to redirect other local revenue sources to fund the previously identified General Fund initiatives.
- 11) The Department of Public Utilities is developing a program to assist individuals recently unemployed due to the COVID-19 pandemic with their monthly City Services Bill (water, sewer, stormwater and waste management fees). Working with the Department of Human Services and Information Technology, Public Utilities is developing criteria and the appropriate technology platform for participation in the program with an implementation goal of July 1, 2020. The fee relief program totals \$4 million and will be in place until funding is exhausted. Once all program details have been finalized, information will be shared with City Council and our citizens prior to implementation. Funding for this one-time program consists of \$2.4 million from the Fund Balance of the Water and Sewer Fund and \$1.6 million from the Fund Balance of the General Fund. Until a final implementation plan is developed, these appropriations will be placed into a dedicated reserve for future allocation which could include the transfer of appropriations between funds.
- 12) Provide \$2 million to CIP project 4-059 "Southern Rivers Watershed Site Acquisition Program" in year one of the CIP. This is a new project in the FY 2020-21 CIP. This project is one of the strategies to reduce the impact of flooding in the southern part of our city. This appropriation will be supported through the use of Fund Balance from the General Fund.

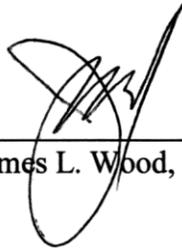
Some City Council members have requested reestablishment of part or all of the 2.5% pay increases originally included in the City Manager's Proposed Budget. Before implementing compensation increases or other items, we recommend reviewing FY 2020-21 revenue estimates in January 2021 after the accounting records are finalized for revenue collection through December 31, 2020. At that point, we should have a better understanding of the financial impacts of the COVID-19 pandemic on our local economy as well as any federal/state financial support that may be provided. Please note if revenue decreases beyond estimates additional City Council action might be required to adjust the budget accordingly.

The details for the funding sources and City Council adjustments provided above are reflected on Attachment B.

We want to thank the public who participated in public hearings to offer their comments on the FY 2020-21 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,


Robert "Bobby" M. Dyer, Mayor


James L. Wood, Vice Mayor

Attachments
Attachment A
Attachment B

Attachment A: City Manager's Revised FY 2020-21 Operating Budget and CIP

Operating Budget Changes:				Revenue	Appropriations	FTE
Fund	Department	Description				
1	General	Real Estate		\$ (7,240,507)	-	-
2	General	Personal Property		\$ (11,283,871)	-	-
3	General	General Sales		\$ (6,431,248)	-	-
4	General	Business Licenses		\$ (5,143,283)	-	-
5	General	Bank Net Capital Tax		\$ (406,121)	-	-
6	General	City Tax on Deeds		\$ (802,043)	-	-
7	General	Hotel		\$ (2,577,421)	-	-
8	General	Restaurant		\$ (10,038,792)	-	-
9	General	Interest on Bank Deposits		\$ (1,847,163)	-	-
10	General	Recordation Fee		\$ (1,985,167)	-	-
11	General	Eliminate an existing but vacant Account Clerk			(38,660)	(1.00)
12	General	Eliminate an existing Executive Assistant			(70,107)	(1.00)
13	General	Unfund increased part time executive assistants			(33,479)	(0.80)
14	General	COVID-19 Revenue Loss- Reduction of professional development, training, Sports Center overflow parking contract and Hampton Roads Sports		(342,592)	(342,592)	-
15	General	Unfund creation of a part-time position that was new in the original proposed budget			(23,261)	(0.63)
16	General	Restore 30 hours of contracted manpower that was eliminated in the original proposed budget			21,690	-
17	General	Remove Court Salary Supplements from the General District and JDR Courts that was approved in FY			(120,414)	-
18	General	Unfund creation of an Account Clerk III			(49,680)	(1.00)
19	General	Unfund creation of an Event Coordinator			(56,533)	(1.00)
20	General	Remove the revenue that would be generated by the Event Coordinator		(23,181)	-	-
21	General	Restore contracted manpower that was eliminated in the original proposed budget			55,641	-
22	General	Revert funding to the Virginia Beach Surf and Rescue Museum to FY 2020 levels			(15,000)	-
23	General	Revert funding to the Atlantic Wildfowl Heritage Museum to FY 2020 levels			(7,000)	-
24	General	Eliminate two existing but vacant Master PSET positions			(134,790)	(2.00)
25	General	Unfund the creation of 4 positions related to the recommendations of the Hillard Heintze Report (Fa			(1,000,000)	(4.00)
26	General	Unfund expansion of Sandbridge Life Guard coverage for the months of May, September, and Octob			(49,999)	(1.75)
27	General	Eliminate two existing but unfilled paramedics intended for Burton Station			(117,296)	(2.00)
28	General	Unfund the creation of a new financial specialist			(64,504)	(1.00)
29	General	Unfund an annual disparity study that would follow up on evaluation of the			(366,541)	(1.00)
30	General	Unfund 15 existing but unfilled firefighters intended for Burton Station			(1,060,692)	(15.00)
31	General	Unfund creation of a Code Enforcement position			(45,642)	(1.00)
32	General	Restore contracted manpower that was eliminated in the original proposed budget			44,902	-
33	General	Unfund creation of an Administrative Specialist for homeless services			(69,309)	(1.00)
34	General	Unfund the creation of 15 positions related to the recommendations of the Hillard Heintze Report (C			(1,490,147)	(15.00)
35	General	Unfund a market salary survey			(200,000)	-
36	General	Eliminate an existing but vacant HR Analyst			(71,645)	(1.00)
37	General	Eliminate expansion of Automatic External Defibrillator replacements			(20,000)	-
38	General	Eliminate expansion of vaccine administration for employees			(35,000)	-

Attachment A: City Manager's Revised FY 2020-21 Operating Budget and CIP

Operating Budget Changes:		Department	Description	Revenue	Appropriations	FTE
Fund						
39	General	Human Resources	Eliminate Phase II renovations for Building 19 HR Training Room		(54,464)	-
40	General	Human Resources	Unfund the creation of a registered nurse		(80,658)	(1.00)
41	General	Human Services	Unfund the creation of two FSSI positions in the Child Welfare Division that are partially reimbursed by the Virginia Department of Social Services	(92,306)	(142,010)	(2.00)
42	General	Human Services	Unfund the creation of two dedicated positions for the Mobile Co-Responder Team		(186,516)	(2.00)
43	General	Information Technology	Unfund creation of a mail services clerk		(38,660)	(1.00)
44	General	Information Technology	Restore contracted manpower that were eliminated in the original proposed budget		23,200	-
45	General	Information Technology	Unfund creation of a Timekeeping Systems Analyst		(209,622)	(2.00)
46	General	Library	Unfund creation of a new library assistant supervisor at the Oceanfront Library		(68,280)	(1.00)
47	General	Library	COVID-19 Revenue Loss- Reduction of professional development and training	(53,321)	(53,321)	-
48	General	Non-Department	Reduce or eliminate Regional Grants for Virginia Arts Festival, STOP, HR Pride, Eggleston, and African		(246,300)	-
49	General	Non-Department	Reduce the General Fund Vehicle Replacement budget by \$1 million		(1,000,000)	-
50	General	Parks and Recreation	Eliminate contractual landscape increases related to the completion of new capital projects		(48,608)	-
51	General	Parks and Recreation	Eliminate expansion of the Urban Forestry Management Program		(50,000)	-
52	General	Planning	Unfund a dedicated planner position for Short Term Rentals		(72,416)	(1.00)
53	General	Planning	Unfund an additional customer service desk planning technician		(55,451)	(1.00)
54	General	Planning	Unfund three additional inspectors for Short Term Rentals		(181,017)	(3.00)
			Reduce the HRT Budget from the budget that was included in the original proposed budget			
55	General	Planning	according to a regionally agreed upon solution to compensate for City revenue		(1,994,172)	-
56	General	Police	Eliminate an additional 8 existing but vacant police officer recruits		(479,648)	(8.00)
57	General	Public Works	Unfund the creation of a 5 member BMP Maintenance Crew		(269,322)	(5.00)
58	General	Public Works	Unfund the creation of 2 Water Quality Engineers		(235,662)	(2.00)
59	General	Public Works	Unfund the purchase of an asset management software system		(150,000)	-
60	General	Public Works	Unfund the General Fund contribution towards the purchase of a horizontal grinder		(200,000)	-
61	General	Real Estate Assessor	Unfund creation of a new Real Estate Appraiser		(65,886)	(1.00)
62	General	Virginia Aquarium	Unfund 3 new FTEs that were to create programming for the re-opened Marsh Pavilion		(223,804)	(3.00)
63	General	Virginia Aquarium	Eliminate purchase of a forklift for the Darden Marine Animal Center		(27,000)	-
64	General	Virginia Aquarium	Restore Virginia Aquarium Marketing to its previous levels		(50,000)	-
65	General	Virginia Aquarium	COVID-19 Revenue Loss- Reduction of 6.55 FTEs and cease operation of the 3D	(877,003)	(877,003)	(6.55)
66	General	Reserves	Eliminate Salary Increases that were included in the original proposed budget		(5,000,000)	-
67	General	Reserves	Eliminate the Engineer Recruitment and Retention Program		(667,230)	-
68	General	Reserves	Eliminate enhanced Courtroom audiovisual equipment to display body camera footage		(215,000)	-
69	General	Reserves	Eliminate new participation in the Public Safety Workforce Development Program and for the Sheriff		(2,861,829)	-
70	General	Reserves	Unfund recommendations of the Hillard Heintze Report (Emergency Training / Exercises)		(200,000)	-
71	General	Reserves	Unfund recommendations of the Hillard Heintze Report (Public Safety Building Access)		(150,000)	-
72	General	Reserves	Unfund recommendations of the Hillard Heintze Report (Employee Training)		(200,000)	-
73	General	General Fund Transfers	Reduction of transfer to Schools as a result of COVID-19 revenue reductions		(20,398,009)	-
74	General	General Fund Transfers	Reduce Transfer to Sheriff Special Revenue Fund		(134,688)	-

Attachment A: City Manager's Revised FY 2020-21 Operating Budget and CIP

Operating Budget Changes:					
Fund	Department	Description	Revenue	Appropriations	FTE
75	General	General Fund Transfers		(500,000)	
		Reduce pay-as-you-go to CIP for 2-184 (Roadways)			
76	General	General Fund Transfers		(1,400,000)	
		Reduce pay-as-you-go to CIP for 3-135 (Buildings)			
77	General	General Fund Transfers		(300,000)	
		Reduce pay-as-you-go to CIP for 3-166 (Buildings)			
78	General	General Fund Transfers		(2,220,585)	
		Reduce pay-as-you-go to CIP for 3-183 (Buildings)			
79	General	General Fund Transfers		(1,000,000)	
		Reduce pay-as-you-go to CIP for 3-697 (IT)			
80	General	General Fund Transfers		(1,000,000)	
		Reduce pay-as-you-go to CIP for 9-063 (Econ and Tourism)			
81	General	General Fund Transfers		(500,000)	
		Reduce pay-as-you-go to CIP for 9-081 (Econ and Tourism)			
Total General Fund Changes			(49,144,019)	(49,144,019)	(89.73)
82	School Fund	School Fund			
		Reduce City Manager's Reserve	\$ (25,575)		
83	School Fund	School Fund		(25,575)	
		Reduce Transfer from the City General Fund			
84	School Fund	School Fund		(20,372,434)	
		Reduce Transfer from the City General Fund			
85	School Fund	School Fund		(6,926,614)	
		Reduce Revenue from the Commonwealth			
86	School Fund	School Fund		(19,532,825)	
		Reduce Step Increase and Compensation Increase			
87	School Fund	School Fund		(4,492,077)	(69.55)
		Reduce Salaries, Fringes, Operating Cost and 69.55 FTEs			
88	School Fund	School Fund		(2,774,146)	
		Reduce Operating Cost			
89	School Fund	School Transfer		(500,000)	
		Reduce Transfer to School CIP			
90	School Capital Project Fund	School Capital Project Fund			
		Reduce Pay-as-you-go			
91	School Capital Project Fund	School Pay-as-you-go		(500,000)	
		Reduce CIP Project #1-107 Princess Anne High School Replacement			
Total School Changes			(27,824,623)	(27,824,623)	(69.55)
92	Sheriff SRF	Sheriff SRF		(134,688)	
		Reduce Revenue from a reduction in the General Fund Transfer			
93	Sheriff SRF	Sheriff SRF		(134,688)	(3.68)
		Unfund PT Positions			
Total Sheriff Special Revenue Fund Changes			(134,688)	(134,688)	(3.68)
94	P&R	P&R Fund		(209,990)	
		Reduce P&R Real Estate Dedication			
95	P&R	P&R Fund			
		Reduce P&R Reserves and Operating Account			
96	P&R	P&R Fund		(1,451,152)	(17.42)
		COVID-19 Revenue Loss- Reduction of 17.42 FTEs, professional development, tr			
Total P&R Special Revenue Fund Changes			(1,661,142)	(1,661,142)	(17.42)
97	TIP	TIP Fund		(297,469)	(4.00)
		Defund creation of 4 new positions and their related equipment for PW Beach			
98	TIP	TIP Fund		(305,403)	(3.00)
		Defund creation of 3 new positions and their related equipment for a CVB			
99	TIP	TIP Fund		(1,432,048)	
		Reduce Reserve			
100	TIP	TIP Fund		(300,000)	
		Reduce TIP Transfer to CIP			
101	TIP	TIP Fund		(200,000)	
		Reduce Capital Replacement (Grinder)			
102	TIP	TIP Fund		5,000,000	
		Transfer to TAP Fund for Marketing			
103	TIP	TIP Fund		(3,518,225)	
		Amusement			
104	TIP	TIP Fund		(5,847,827)	
		Hotel			

Attachment A: City Manager's Revised FY 2020-21 Operating Budget and CIP

Operating Budget Changes:		Department	Description	Revenue	Appropriations	FTE
105	TIP	TIP Fund	Restaurant	(3,017,606)		
106	TIP	TIP Fund	Increase use of Fund Balance	14,848,738		
Total TIP Fund Changes				2,465,080	2,465,080	(7.00)
107	Sandbridge SSD	Sandbridge SSD	Hotel Tax	(1,993,419)		
108	Sandbridge SSD	Sandbridge SSD	Reduce pay-as-you-go to CIP for 8-026 (Coastal)	(1,993,419)	(1,993,419)	
Total Sandbridge SSD Fund Changes				(1,993,419)	(1,993,419)	
109	ARP	ARP	Real Estate Revenue	(54,371)		
110	ARP	ARP	Reduce Reserves		(2,655)	
111	ARP	ARP	Reduce Treasury Strip Purchase		(51,716)	
Total ARP Special Revenue Fund Changes				(54,371)	(54,371)	
112	TAP	TAP	Transfer from TIP Fund for Marketing	5,000,000		
113	TAP	TAP	Hotel	(2,211,352)		
114	TAP	TAP	Restaurant	(1,423,400)		
115	TAP	TAP	Reduce Compensation Reserve for elimination of Salary Increases		(32,297)	
116	TAP	TAP	Reduce Convention Center Marketing		(169,101)	
117	TAP	TAP	Increase Marketing and Advertising efforts in response to COVID-19	\$ 1,566,646		
Total TAP Fund Changes				1,365,248	1,365,248	
118	Open Space	Open Space	Restaurant	(1,252,591)		
119	Open Space	Open Space	Reduce pay-as-you-go to CIP for 4-306 (P&R)	(1,252,591)	(1,252,591)	
Total Open Space Fund Changes				(1,252,591)	(1,252,591)	
120	Capital Projects Fund	General Fund Pay-go	Reduce 540 Revenue (CIP 2-184) (Roadways)	(500,000)	(500,000)	
121	Capital Projects Fund	General Fund Pay-go	Reduce 540 Revenue (CIP 3-135) (Buildings)	(1,400,000)	(1,400,000)	
122	Capital Projects Fund	General Fund Pay-go	Reduce 540 Revenue (CIP 3-166) (Buildings)	(300,000)	(300,000)	
123	Capital Projects Fund	General Fund Pay-go	Reduce 540 Revenue (CIP 3-183) (Buildings)	(2,220,585)	(2,220,585)	
124	Capital Projects Fund	General Fund Pay-go	Reduce 540 Revenue (CIP 3-697) (IT)	(1,000,000)	(1,000,000)	
125	Capital Projects Fund	General Fund Pay-go	Reduce 540 Revenue (CIP 9-063) (Econ and Tourism)	(1,000,000)	(1,000,000)	
126	Capital Projects Fund	General Fund Pay-go	Reduce 540 Revenue (CIP for 9-081) (Econ and Tourism)	(500,000)	(500,000)	
127	Capital Projects Fund	TIP Pay-go	Reduce 540 Revenue from TIP Transfer for 9-073 (E&T)	(300,000)	(300,000)	
128	Capital Projects Fund	Sandbridge SSD Pay-go	Reduce 540 revenue (CIP 8-026) (Coastal)	(1,993,419)	(1,993,419)	
129	Capital Projects Fund	Open Space Pay-go	Reduce 540 revenue (CIP 4-306) (P&R)	(1,252,591)	(1,252,591)	
Total Pay-go Reductions to Capital Project Fund				(10,466,595)	(10,466,595)	
Total Gross Budget Changes				(88,701,120)	(88,701,120)	(187.38)

Other Capital Project Changes: Attachment A: City Manager's Revised FY 2020-21 Operating Budget and CIP

Line Item	Source	Section	Project	Appropriations to Date (ATD)						
				FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	
130	Schools Pay-go Years 2-6	Schools CIP	1-107 "Princess Anne High School Replacement"	-	(1,000,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
131	Schools Reserve SRF Fund Balance	Schools CIP	1-107 "Princess Anne High School Replacement"	-	(3,600,000)	(3,700,000)	(3,800,000)	(3,900,000)	(4,000,000)	(4,000,000)
132	GF Fund Balance	Buildings and Assets	3-047 "Landfill #2 Phase I Capping"	-	-	-	-	-	-	-
133	GF Fund Balance	Buildings and Assets	3-047 "Landfill #2 Phase I Capping"	(6,242,000)	-	-	-	-	-	-
134	GF Pay-go	Buildings and Assets	3-135 "Fire Apparatus IV"	-	6,242,000	-	-	-	-	-
135	ATD	Buildings and Assets	3-174 "Operations Facilities Renovations"	-	1,400,000	-	-	-	-	-
136	PFRB	Buildings and Assets	3-174 "Operations Facilities Renovations"	(10,000,000)	-	-	-	-	-	-
137	Commonwealth	Roadways	2-501 "Nimmo Parkway Phase II-A"	10,000,000	-	-	-	-	-	-
138	Commonwealth	Roadways	2-088 "West Neck Road Phase IV"	(4,000,000)	-	-	-	-	-	-
139	ATD	Roadways	2-501 "Nimmo Parkway Phase II-A"	(6,000,000)	-	-	-	-	-	-
140	ATD	Roadways	2-088 "West Neck Road Phase IV"	-	-	-	-	-	-	-
141	Fund Balance	Parks & Recreation	4-059 "Southern Rivers Watershed Site Acquisition Program"	(5,222,694)	-	-	-	-	-	-
Total CIP Appropriation Changes:				-	3,042,000	(5,200,000)	(5,300,000)	(5,400,000)	(5,500,000)	(5,500,000)



City of Virginia Beach

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April 10, 2020

The Honorable Robert M. Dyer, Mayor
Members of City Council

Subject: Revised Resource Management Plan

Dear Mayor and Council Members:

Due to the economic impacts of COVID-19 on our City, I present this Revised FY 2020-21 Operating Budget and FY 2020-21 through FY 2025-26 Capital Improvement Plan budget in brief.

Just over two short weeks ago, staff presented the Proposed Resource Management Plan. At that time, we acknowledged that the budget as presented may no longer be viable as the impacts of COVID-19 were beginning to be felt in our community, the Commonwealth and throughout the nation. It is now clear that we must modify the budget that was proposed as economic conditions have become more uncertain.

Developing the proposed budget required a complex balancing of needs and services. This revised budget requires us to make difficult choices amid an extremely uncertain economic period. Most economic downturns develop over a course of months, or sometimes even years; however, this downturn has occurred in just over one month.

The economic expansion we were experiencing as we crafted the proposed budget allowed us to address several City Council priorities, as revenues, especially consumer-driven revenues, were estimated to grow in FY 2020-21 and beyond. Now we are faced with the reality that some of our citizens are losing their jobs and no longer have the means to pay their bills. This reality requires us to reduce many of the resources that made the proposed budget possible.

We must also use caution when reducing the budget and thus impacting our programs, as many of our residents will rely more heavily on City services to get through this uncertain time. We are already seeing evidence of the increased demands in some areas.

The budget in brief for the Revised FY 2020-21 Operating Budget and FY 2020-21 through FY 2025-26 Capital Improvement Plan is detailed below. We used the following overarching principles to develop this plan:

Maintain Current Level of Service with the Least Amount of Community/Service Disruption

While I believe all of the new initiatives included in the Proposed Budget and CIP were important to accomplishing City Council’s goals and moving our community forward, we must focus on our current services and programs until we can fully understand the depth and length of the economic shock resulting from the COVID-19 pandemic. Nearly all new positions and initiatives included in the FY 2020-21 Proposed Budget have been eliminated from this revised plan.

The results of a fall 2019 survey of our residents indicated a very high level of citizen satisfaction with most of our programs and services. Our goal is to maintain our current level of service and be in a position to restore and move forward with some of these new initiatives in FY 2020-21 if the economy improves, or in FY 2021-22.

Ensure Flexibility

We have positioned the Revised FY 2020-21 Budget and CIP to be flexible during this uncertain economic period. If revenues return to normal during FY 2020-21, City Council will be in a position to amend the budget by appropriating the higher than estimated revenue and fund some of the programs and services that are proposed for elimination.

This revision recommends not using attrition savings (lapsed salary savings) to balance the budget for the upcoming year. This will position the City to be able to continue to provide services in the event the economy worsens beyond our projections and/or we have an active hurricane season. In the aftermath of Hurricane Matthew, City Council appropriated \$8.7 million in fund balance from the General Fund. Without the availability of this funding from lapsed salary savings, this emergency funding may not have been possible without adversely impacting the City’s fund balance policy of 8% to 12%.

We believe the decisions we are making, which include the hiring freeze, eliminating the use of vacancy savings to balance the budget, and delaying non-essential expenditures, will position the revised budget to remain flexible for the uncertain economic times ahead.

Revised Revenue Estimates

On Tuesday April 7, City Council approved the elimination of penalties and interest for all late payments of real estate taxes and personal property taxes through August 1, 2020. Council also approved a two-month meal tax “holiday” for May and June reducing the City’s meal tax rate from 5.5% to 0% for those two months. Council also suspended late payment and penalties due in April, May, and June for meal taxes, admissions taxes and hotel taxes. These adjustments to penalties and interest, along with the meal tax holiday, should provide taxpayers a level of flexibility and relief.

Projecting revenue is an inexact science during stable economic times. The COVID-19 impacts on the overall economy are unknown. For the purposes of this revised budget, however, we have assumed that economic activity will return to near “normal” levels in December 2020. The following table illustrates the assumptions utilized in preparing our revised revenue estimates.

Revised Monthly Collections as Percentage of Originally Proposed

	July	Aug	Sept	Oct	Nov	Dec
Sales	75%	80%	85%	90%	95%	100%
Hotel	50%	60%	70%	80%	90%	100%
Meals	25%	80%	85%	90%	95%	100%

This reduction in anticipated collections, along with the tax holiday and waiver of penalties and interest, result in decreased estimates for each of our consumer driven revenues. Specifically, we are estimating a loss of \$15.7 million (21.3%) in meal tax revenue, \$12.6 million (31.7%) in hotel taxes, \$6.4 million (9.2%) in general sales tax, and \$3.5 million (48.7%) in admissions taxes.

In addition to our consumer driven revenues, we are also reducing estimates for real estate and personal property tax revenue. While assessments are growing for the upcoming fiscal year in both categories, we likely will not achieve the consistent historical collection rates on which the revenue estimates in the City Manager’s Proposed Budget were based. When compared to the proposed budget, we are estimating a loss of \$7.5 million in real estate tax revenue (1.2%) and an additional loss of \$11.3 million (6.7%) in personal property tax revenue.

We are also reducing our business license revenue (BPOL) estimates by \$5.1 million (10.0%). These estimates are based on business income and is due in March of each year.

The table below illustrates total revenue by source for the Proposed Budget compared to the revised estimate for FY 2020-21.

Revenue by Source

	Original Proposed FY 21	Revised FY 21	Difference	Percent Change
Real Estate	\$626,961,518	\$619,456,651	(\$7,504,867)	-1.2%
Personal Property	169,497,601	158,213,730	(11,283,871)	-6.7%
General Sales	69,591,147	63,159,899	(6,431,248)	-9.2%
BPOL	51,432,832	46,289,549	(5,143,283)	-10.0%
Hotel	39,817,872	27,187,850	(12,630,022)	-31.7%
Restaurant Meals	73,877,745	58,145,358	(15,732,387)	-21.3%
Amusement	7,223,932	3,705,707	(3,518,225)	-48.7%
Bank Net Capital	4,061,214	3,655,093	(406,121)	-10.0%
Tax on Deeds	8,020,428	7,218,385	(802,043)	-10.0%
State Revenue	540,285,581	540,285,581	-	0.0%
Federal Revenue	123,642,100	123,642,100	-	0.0%
All Other	431,199,831	427,354,283	(3,845,548)	-0.9%
Total	\$2,145,611,801	\$2,078,314,186	(\$67,297,615)	-3.1%
Compared to FY 20	64,999,074	(2,298,541)		

In total, revenue is being revised to \$2.08 billion. This represents a \$67.3 million decrease from the proposed budget and a \$2.3 million decrease from the FY 2019-20 Adjusted Operating Budget.

While overall revenue is estimated to decline by \$67.3 million compared to the proposed budget, this decrease will be spread over several funds, as illustrated by the following table. The City’s General Fund is estimated to decrease by \$47.8 million, and a portion of this loss will be shared with the Schools’ Operating Fund.

Other funds experiencing a decrease in revenue based on the revised estimates include the Tourism Investment Program (TIP) Fund which is being impacted by decreases in the meals tax (receives a dedication of 1.06% of the 5.5% rate) the hotel tax (receives a dedication of 5% of the 8% percentage portion of the hotel tax as well as \$1 of the \$2 per room night tax), and the amusement tax (receives a dedication of 100% of all amusement tax revenue). In total, the TIP fund is estimated to decrease by \$12.4 million as compared to the proposed budget.

Revenue Adjustments by Fund

	Original Proposed FY 21	Revised FY 21	Difference	Percent Change
General Fund	737,070,021	709,699,196	(27,370,825)	-3.7%
Schools	458,949,640	438,551,631	(20,398,009)	-4.4%
TIP Fund	41,943,213	29,559,555	(12,383,658)	-29.5%
TAP Fund	13,276,751	9,642,000	(3,634,751)	-27.4%
Sandbridge SSD	478,031	478,031	-	0.0%
Sandbridge SSD Pay-Go	4,576,341	2,582,922	(1,993,419)	-43.6%
Open Space Fund	3,398,220	2,145,629	(1,252,591)	-36.9%
ARP Fund	5,187,624	5,133,253	(54,371)	-1.0%
Parks & Rec Fund	43,627,805	43,417,814	(209,991)	-0.5%
All Other	837,104,155	837,104,155	-	0.0%
Total	2,145,611,801	2,078,314,186	(67,297,615)	-3.1%
Compared to FY 20	64,999,074	(2,298,541)		

The Tourism Advertising Program (TAP) Fund is also being impacted by revised revenue estimates for the meals tax and hotel taxes. The Fund, which receives dedications from both revenue sources is estimated to decrease by \$3.6 million when compared to the proposed budget.

In addition, dedications to the Agricultural Reserve Program (ARP), Open Space Program, the Parks & Recreation Special Revenue Fund, and the Sandbridge Special Service District (SSD) Fund are experiencing declines in estimated revenue as compared to the Proposed Budget. A complete list of revenue dedications can be found on page 75 of the original Proposed Executive Summary.

This revised budget does not include any major tax increases and maintains tax and fee adjustments shown on p. 76 of the original Proposed Executive Summary which include: the ERU rate increase of 3.5¢ daily previously approved by City Council to address recurrent flooding, a 2¢ reduction in the Sandbridge Special Service District rate, and annual increases in recreation center fees.

For FY 2020-21, City Council and the School Board approved a revised revenue sharing policy and formula to allocate local tax revenue between the two entities. The following table illustrates the revenue to be allocated to the Schools based on the proposed budget as well as the new

allocation based on revised revenue estimates. As the table illustrates, the Schools will receive \$20.4 million less in local revenue.

City and School Revenue Sharing Formula

General Fund, Non-Dedicated Local Taxes:	Original Proposed FY 2020-21	Revised FY 2020-21	Difference
Real Estate	\$ 588,229,612	\$ 580,989,106	(\$7,240,506)
Personal Property	169,497,601	158,213,730	(11,283,871)
General Sales	69,591,147	63,159,899	(6,431,248)
Utility Taxes	25,426,434	25,426,434	-
Virginia Telecommunications	20,334,449	20,334,449	-
Business License	51,432,832	46,289,549	(5,143,283)
Cigarette	9,043,505	9,043,505	-
Hotel Room	8,377,389	5,799,968	(2,577,421)
Restaurant Meals	47,067,656	37,028,864	(10,038,792)
Automobile License	11,578,052	11,578,052	-
Bank Net Capital	4,061,214	3,655,093	(406,121)
City Tax on Deeds	8,020,428	7,218,385	(802,043)
City Tax on Wills	100,070	100,070	-
Total Non-Dedicated Local Taxes	\$1,012,760,390	\$ 968,837,104	(\$43,923,286)
Less Outdoor Initiative Dedication	(2,826,128)	(2,797,735)	28,393
Less: EDIP Dedication	(2,067,087)	(2,067,087)	-
Less: Stormwater Dedication	(15,032,595)	(14,881,568)	151,027
Less: City Council Priorities	(11,124,120)	(11,012,360)	111,760
Total Local Taxes Net Dedications	\$ 981,710,460	\$938,078,354	(\$43,632,106)
Formula %	46.75%	46.75%	-
Revenue Sharing Formula Revenues	\$458,949,640	\$438,551,631	(\$20,398,009)

The table below illustrates the revised budget for both City and Schools and shows the percent change from the adopted FY 2019-20 operating budget to the revised FY 2020-21 operating budget. While the Schools' budget is now estimated to increase by 2% despite a loss of \$20.4 million in local revenue through the revenue sharing formula, this could fluctuate depending on changes in revenue from federal and state sources.

Revised FY 2020-21 Budget by Entity

	FY 2019-20 Adjusted	FY 2020-21 Original Proposed	FY 2020-21 Revised	Percent Change Adopted to Revised
City	\$1,142,426,239	\$1,168,507,440	\$1,121,607,834	(1.8%)
Schools	938,186,488	977,104,361	956,706,352	2.0%
Total	\$2,080,612,727	\$2,145,611,801	\$2,078,314,186	(0.1%)

Revised Appropriations

With these revenue losses, an equal amount of appropriations must be reduced or replaced by an alternative funding source in order to maintain a balanced budget. The revised budget includes several adjustments to budgeted appropriations proposed in the City Manager's FY 2020-21 Resource Management Plan. This includes targeted reductions of existing positions, delays in some existing programs, as well as the elimination or delay of new initiatives and programs presented in the proposed budget. Several of the existing appropriations being reduced in this revised budget were presented by City departments during the development of the original proposed budget.

The following sections provide a description of each change to the proposed budget and the impact they will have on City services and programs.

Appropriation Changes and Impacts to Current Services

Firefighter Positions for the New Burton Station Fire/EMS Station

Amount: \$1,060,692

FTE: 15.0

Proposed Budget Reference: N/A

Burton Station Fire and EMS Station was funded in the CIP to address an underserved area of the City. The elimination of these positions, combined with the delayed construction of the facility, will maintain current service in the Burton Station area. These positions were funded in FY 2019-20 in order to have a fully trained unit to staff the newly constructed facility. As the construction of the fire station is delayed one year, the budgeted positions to staff the station are also delayed, as well as the fire vehicle apparatus.

Paramedic Positions for the New Burton Station Fire/EMS Station

Amount: \$180,195

FTE: 2.0

Proposed Budget Reference: Operating Budget Page 149

Burton Station Fire and EMS Station was funded in the CIP to address an underserved area of the City. The elimination of these positions, combined with the delayed construction of the facility, will maintain current service in the Burton Station area. Ambulance staffing will remain at current levels citywide. As the construction of the station is delayed one year, the budgeted positions to staff the station are also delayed.

Police Officers Positions

Amount: \$479,648

FTE: 8.0

Proposed Budget Reference: N/A

The elimination of these vacant positions will have minimal impact on the current services provided by the Police Department, as in recent years the department has struggled to fill all police officer vacancies. However, this reduction in FTEs will eliminate some of the year-end personnel

savings that falls to General Fund fund balance and used to finance the CIP and maintain an adequate level of fund balance in the event of emergencies and revenue shortfalls.

Call Taker Positions

Amount: \$134,790

FTE: 2.0

Proposed Budget Reference: N/A

These positions are responsible for receiving, processing and relaying requests for Police, Fire and Emergency Medical Services. This reduction in funding will eliminate two vacant positions from the department and will eliminate the department's ability to be fully staffed. Lack of staffing results in increased queue times as well as slower dispatch and ultimately public safety response times.

City Manager's Office Executive Assistant

Amount: \$70,107

FTE: 1.0

Proposed Budget Reference: N/A

The reduction of one executive assistant to the City Manager's Office will reduce administrative support to the Management Leadership Team and City Council.

Budget and Management Services' Account Clerk

Amount: \$38,660

FTE: 1.0

Proposed Budget Reference: N/A

The loss of this vacant FTE will reduce the administrative support to the Department of Budget and Management Services which could reduce response times to internal city departments.

Human Resources Staffing and Compensation Analyst Position

Amount: \$71,645

FTE: 1.0

Proposed Budget Reference: N/A

The loss of the Staffing and Compensation analyst will add additional workloads to existing Staffing and Compensation Division staff who would assume the duties associated with posting and processing of job openings. This will result in delays for processing bonus requests, administrative increase requests, classification determinations and administration of temporary service contracts and reduce turnaround times for advancing and closing job vacancies.

General Fund Vehicle Replacement

Amount: \$1,000,000

FTE: 0.0

Proposed Budget Reference: Operating Budget Page 221

The General Fund Vehicle Replacement Program is consistently funded at approximately \$5 million. As new vehicles have been added to the fleet, this amount has remained constant for the

last six fiscal years, when it was reduced by nearly \$1 million in FY 2014-15. Between 2015 and 2018, 102 vehicles (excluding generators) were added to the City's fleet. Vehicles are typically replaced every 10 years depending on mileage, condition, and purpose. Reduced funding to the vehicle replacement program will decrease the amount of equipment that can be replaced in a given fiscal year, putting additional strain on the city's fleet. In FY 2018-19, approximately 162 vehicles were replaced.

Appropriation Changes in the Proposed CIP

Funding Eliminated in Year 1

CIP 9-063 17th Street Improvements

Amount: \$1,000,000

FTE: 0.0

Proposed Budget Reference: CIP Page 356

Reduced funding will lessen the City's ability to improve 17th Street from Cypress Avenue to Birdneck Road. Upgrades include the undergrounding of overhead utilities, traffic safety improvements, better bicycle and pedestrian accommodations, utility and stormwater upgrades, and aesthetic improvements such as street trees and pedestrian lights.

CIP- 9-081 SGA Projects

Amount: \$500,000

FTE: 0.0

Proposed Budget Reference: CIP Page 377

Decreased funding to this project will result in reduced implementation of SGA area initiatives including RASAP updates.

CIP 3-697 City Software Upgrade

Amount: \$1,000,000

FTE: 0.0

Proposed Budget Reference: CIP Page 15

Decreased funding will reduce Information Technology's ability to update various City software systems to modernized cloud-based systems for increased service delivery. While this project is being reduced by \$1.0 million, \$1.5 million is still being appropriated in Year 1 of the CIP. This will require Information Technology to reprioritize the systems to be replaced or upgraded based on the revised level of funding.

CIP 2-184 Rural Road Recurring Flooding

Amount: \$500,000

FTE: 0.0

Proposed Budget Reference: CIP Page 90

Decreased funding in the first year of the CIP will reduce the ability of Public Works to raise road segments and intersections within the rural areas of the city to minimize impacts from recurring

flooding and address sea level rise. Without sustained funding, many roadways in the southern area of the city will continue to flood and impact residents and public safety response to that part of the city. Programmed funding in years two through six remains in place as proposed in the CIP.

Delayed until FY 2021-22

CIP 3-047 Landfill Phase I Capping

Amount: \$6,242,000

FTE: 0.0

Proposed Budget Reference: CIP Page 132

The Landfill's solid waste permit allows Landfill Phase #1 cell to be filled until 12/31/20 and capping the cell to begin within 6 months (by July 1, 2021). The capping project is under design and has all the necessary permits. This funding is moved to FY 2021-22 to ensure the Landfill will not be out of compliance.

CIP- 3-135 Fire Apparatus

Amount: \$1,400,000

FTE: 0.0

Proposed Budget Reference: CIP Page 123

Because of the delay of construction for the Burton Station Fire and EMS station, the funding for replacement Fire Apparatus is not needed in FY 2020-21. This funding was scheduled to be used to replace a heavy-duty rescue truck, a tiller, and a hazmat truck and trailer. The apparatus for this station has already been purchased and will be used in the City's fleet until Burton Station is completed.

New Operating Budget Initiatives Deferred Beyond FY 2020-21

Security Division

Amount: \$1,000,000

FTE: 4.0

Proposed Budget Reference: Executive Summary Page 23

The proposed budget added four FTEs and funding for operating costs in order to establish a Facility Security Division within the Office of Emergency Management. This division would prioritize and address facility security issues including improved physical security, employee and public safety training and education, and overall management of security at City facilities. Without this funding, the City will be unable to implement this portion of the Hillard Heintze recommendations in FY 2020-21, and security will be handled consistent with current practice.

Public Safety Building Access

Amount: \$150,000

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 23

In response to Hillard Heintze recommendations, additional resources were included in the FY 2020-21 proposed budget for "breach kits." These kits would aid VBPD personnel in accessing

secured areas of all City facilities immediately during a critical incident and assist SWAT and other first responders in forcing entry into critical areas.

Emergency Training/Exercises

Amount: \$200,000

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 23

Additional resources were included in the FY 2020-21 proposed budget to hold more robust public safety incident response exercises. Without this funding, the City will be unable to conduct more frequent emergency exercises beyond what is included in the budget of the Office of Emergency Management.

New Positions to Centralize Human Resources

Amount: \$1,490,147

FTE: 15.0

Proposed Budget Reference: Executive Summary Page 23

The proposed budget provided funding for an additional 15 FTEs to serve in human resource capacities within major city departments, as recommended by Hilliard Heintze. These liaisons were proposed to work directly in their assigned departments but report to the Director of Human Resources in order to centralize the City’s HR functions, and ensure that all departments have consistently implemented the same policies and procedures. These additional positions would also have established a threat assessment team to centralize workplace violence prevention within the Department of Human Resources and provide training to managers and supervisors to understand and detect early warning behaviors. Without these additional staff members, HR will not have the capacity to expand and centralize its functions across city departments.

Employee Training

Amount: \$200,000

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 22

In response to the Hilliard Heintze recommendations, the proposed budget included \$200,000 for employee training. Without this funding the City will be unable to increase employee training for crisis response, behavioral health, and other areas identified in the report.

Disparity Study Implementation and Payroll Financial Specialist

Amount: \$366,541

FTE: 1.0

Proposed Budget Reference: Executive Summary Page 14 and 60

The elimination of this funding will suspend the implementation of the 2018 disparity study. This funding was intended for the annual disparity study to benchmark the City’s progress toward increased SWaM support, the implementation of the Social Impact Measurement Model (SIMM), and a full-time financial specialist position dedicated to the SWaM initiative. Existing City staff will continue to focus on implementation of the recommendations of this initiative.

New CIP Initiatives Deferred or Eliminated

CIP- 3-166 Facilities Access Systems

Amount: \$300,000

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 23-24

The proposed budget included an additional \$300,000 to this CIP project for a total yearly project cost of \$425,000. This reduced funding will impact the number of door locks, cameras, and other safety features that can be installed in city facilities.

CIP- 3-183 City Security Enhancements

Amount: \$2,220,585

FTE: 0.0

Proposed Budget Page Reference: Executive Summary Page 23

Without this funding, the new City Security Enhancement project will not be established in FY 2020-21. This project would have enabled a working group to identify and prioritize City assets and personnel to be protected, identify threats to those assets and personnel, assess the likelihood of threats to those assets and personnel, assess the risk of loss associated with each asset and determine appropriate measures to be taken to mitigate the threats, reduce the likelihood and reduce the risks. This CIP funding would also be used for the planning, design, construction, purchase, or implementation of identified security measures, features, and possible building alterations. Without additional funding, the CIP and Operating budget will have to absorb the costs of any necessary security upgrades or they will have to be delayed.

CIP 4-059 Southern Rivers Watershed Site Acquisition Program

Amount: \$5,222,694

FTE: 0.0

Proposed Budget Reference: CIP Page 189

The elimination of this project will prohibit Parks and Recreation from acquiring property in the southern rivers watershed which would help alleviate flooding in the southern part of the city due to rain and tidal events.

New Operating Budget Initiatives Eliminated

Occupational Health and Safety Vaccine Cost Increase, Defibrillator Replacement, and RN

Amount: \$135,658

FTE: 1.0

Proposed Budget Reference: Operating Budget Page 184-185

In the past two years, Occupational Health and Safety has seen an increase in cases requiring ongoing case management and processing of FMLA and ADA paperwork. Without the addition of the RN position, Occupational Health will continue to have a heavy caseload. In addition, vaccinations are the largest medical supply cost and are required to comply with OSHA and CDC

standards and guidelines. In recent years the cost to provide vaccines has significantly increased due to the amount of vaccines needed and increased pricing from drug manufactures. The reduction of the funding for AEDs eliminates the ability for the City to replace approximately 14 AEDs in publicly owned buildings. The City will continue to explore funding options to ensure the health and safety of employees and the public.

Building 19 Training Room Renovations

Amount: \$54,464

FTE: 0.0

Proposed Budget Reference: Operating Budget Page 184

This funding would have enabled Human Resources to finish upgrades to the Building 19 training room. This would allow for increased functionality of the space to be used for meetings, including the annual meetings between City Council and the School Board.

Market Salary Survey

Amount: \$200,000

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 15

The City has not conducted a market salary survey since 2011. Without this funding, Human Resources will be unable to ensure the salaries offered by the City remain competitive with other public entities.

Library Assistant Supervisor Position

Amount: \$68,280

FTE: 1.0

Proposed Budget Reference: Operating Budget Page 208

Without the addition of a new Library assistant supervisor, the current management capacity will be retained at the Oceanfront Area Library. This position was intended to enhance both managerial roles and customer service by assisting with the career online high school program, outreach efforts, and on-going literacy programs for all ages.

Water Quality Engineers and BMP Maintenance Crew

Amount: \$504,984

FTE: 7.0

Proposed Budget Reference: Executive Summary Page 54-55

Current staffing levels within the Water Quality division are insufficient to fully implement the mandatory compliance requirements of the MS4 stormwater permit. The proposed budget included two new engineers to support the Stormwater Quality monitoring program and management of water quality improvement projects, Stormwater Pollution Prevention Training Program, the City Facility Good Housekeeping Program, and the administration of the Virginia Stormwater Management Program (VSMP) and Virginia Erosion and Sediment Control Program (VESCP) for Public Works Engineering Capital Improvement Projects. Without these positions, the current workload of the engineering staff will remain. In addition, the elimination of the

proposed BMP maintenance crew will keep current maintenance cycles of the City's stormwater BMPs which need to be maintained in a timelier manner to improve water quality.

Short-Term Rental Program Support

Amount: \$253,433

FTE: 4.0

Proposed Budget Reference: Executive Summary Page 56

Four additional positions were included in the proposed budget to streamline the short-term rental application process. Without these positions, Planning and Community Development will not have dedicated staff for the program which could lead to application delays and long response times for inspection of properties and citizen complaints.

Planning Technician

Amount: \$55,451

FTE: 1.0

Proposed Budget Reference: Operating Budget Page 241

The additional planning technician position was added to the proposed budget to provide additional administrative support to enhance customer service. Without this position, the same level of customer service will be maintained within the Department of Planning and Community Development.

Expanded Lifeguard Service at Sandbridge

Amount: \$49,999

FTE: 1.75

Proposed Budget Reference: Executive Summary Page 57

This funding and additional part-time staffing would have provided lifeguard coverage in the shoulder season months at Sandbridge, to mirror that of the resort beach. Without the funding, lifeguard coverage will remain unchanged and will not be provided in the months of May, September, and October. Fire, EMS and other responders will respond to emergencies as they occur.

Courtroom Audio Visual Upgrades

Amount: \$215,000

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 66

The sound systems in the courtrooms in the Virginia Beach Circuit Court were installed when the Courthouse was originally constructed in 1994. Due to the age of the sound system, it is becoming increasingly difficult to find parts for and repair the system. This can greatly limit the usability of a courtroom when repairs are needed, as repairs can take between three and five months. In addition, this funding was intended to improve AV systems in the courtrooms for use with body worn camera footage. Without this dedicated funding, replacement of the sound systems and upgrades to AV for body worn camera footage will either be delayed or canceled which could lead to backlogs in court cases should courtrooms be unavailable for use.

Enhanced Marketing, New Forklift and Positions for Re-opening of the Marsh Pavilion

Amount: \$300,804

FTE: 3.0

Proposed Budget Reference: Operating Budget Page 70-71 Executive Summary Page 66

The Marsh Pavilion is scheduled to reopen in May 2021 and the FY 2020-21 proposed Operating Budget provided the department with funding for enhanced marketing to promote the new exhibits, a forklift for the facility, and three positions for new programming. The reduction of funding will prohibit the department from expanding marketing efforts in an effort to promote the Aquarium to tourists which could impact projected visits and therefore departmental revenue. Without the additional staff, the Aquarium will have to reallocate existing staff in order to expand programming in the newly remodeled facility.

Mobile Co-Responder Team (MCRT)

Amount: \$186,516

FTE: 2.0

Proposed Budget Reference: Executive Summary Page 61

The intent of the MCRT is to provide specialized responses to help deescalate tense situations involving citizens in crisis for whom non-traditional law enforcement response may be best suited. As part of this response, representatives of Human Services accompany Police to the scene of a call. In its first year, the MCRT responded to 722 calls. Of these, over 40% ended with referral to health or human services while only 10 total (1.4%) resulted in an arrest. Currently, Human Services uses staff, as available, from its Emergency Services Unit to join police officers at designated times. Without the addition of these two positions, the department will be unable to respond to more incidents and will be unable to have follow-up visits that will ensure some of the City's most vulnerable citizens are able to access the services that were recommended to them at the time of an initial MCRT response.

CPS Case Workers

Amount: \$49,704

FTE: 2.0

Proposed Budget Reference: Operating Budget Page 193

Currently, there are 20 family services case workers in the Department of Human Services. Without the addition of these two positions, the caseload per specialists will remain at an average of 16.15 instead of being reduced to 14.68.

Urban Forestry and Landscape Maintenance for New Facilities

Amount: \$98,608

FTE: 0.0

Proposed Budget Reference: Operating Budget Page 230 and Executive Summary Page 67

This additional funding provided Parks and Recreation the ability to ensure newly completed capital projects had contractual landscape services. These new areas include the 4th Police Precinct, Witchduck Road Phase II, BioPark Roadway, Price Street BMP, and Princess Anne Road Phase VII. In addition, the proposed budget enhanced the City's Urban Forestry Management Program. The goal of the Urban Forestry Management Program is to maintain neighborhood street

tree pruning as well as roadway street tree plantings throughout the city. Preventative tree maintenance is essential to a healthy urban forestry. Trees that are cyclically maintained in neighborhoods generally live longer and provide physical, environmental, economic, and health benefits.

Contracted Manpower in Circuit Court Judges Office to Part-Time FTE

Amount: \$1,571

FTE: 0.6

Proposed Budget Reference: Operating Budget Page 126

This long-time contracted manpower position was initially proposed to become a part-time City Position and reduce the hours from 30 to 29 per week.

Reduction of General Fund Transfer and New Part Time Positions for Sheriff

Amount: \$134,688

FTE: 2.68

Proposed Budget Reference: Operating Budget Page 283

Without an additional General Fund transfer to the Sheriff's Special Revenue fund, the Sheriff's Office will have to absorb the increased cost of the VRS employer contribution rate, reducing the department's capacity for other personnel expenditures such as overtime. In addition, the Sheriff's Office was proposed to receive additional 2.68 FTEs for an attorney, clerk positions, and a media and communications coordinator.

Positions for Timekeeping and Mail Clerk

Amount: \$225,082

FTE: 3.0

Proposed Budget Reference: Operating Budget Page 273

The FY 2020-21 budget included funding for two new positions to support the upcoming deployment of the enterprise timekeeping and scheduling system. Currently, the City does not have a centralized system to track time and attendance and many departments still rely on physical time sheets. Without a timekeeping system, it is possible for employees to over or under-report their hours because it is very difficult to manually validate every claim. Without these two positions to be subject matter experts on the system before it goes live in February of 2021, the rollout of the system may be delayed. In addition, the reduction of the FTE for the mailroom will result in IT continuing the use of a long-term full-time contractual position which can result in higher turnover and decreased efficiency of the service.

Payroll Financial Specialist

Amount: \$64,504

FTE: 1.0

Proposed Budget Reference: Executive Summary Page 51

The elimination of the newly established payroll specialist will maintain the current workload in the department. The division has faced an increased workload in recent years since short- and long-term disability, retirements, and maternity claims have all increased. Hybrid employees require additional records and service from Payroll compared to their Virginia Retirement System (VRS)

Plan 1 and 2 counterparts and the hybrid-exclusive, short- and long-term disability program also requires much more paperwork than the division is currently equipped to handle. Over the past year and a half, the number of Hybrid Plan employees has increased by 73%, while health and maternity claims have increased nearly 50% over the past three years.

Homeless Services Administrative Specialist and Convert Contracted Code Enforcement Position to Full-Time

Amount: \$70,049

FTE: 2.0

Proposed Budget Reference: Executive Summary Page 60

The addition of a Homeless Services Administrative Specialist was intended to provide analytical and reporting support to ensure that the funding for homeless service programs is being used as effectively as possible to have the greatest possible impact on the community. Decreasing the level of homelessness in the city is a high City Council priority. The elimination of the conversion of a contractual employee to fulltime code inspector will result in the department continuing to struggle to fill the position with qualified personnel which will reduce response times to citizen complaints.

New Marketing Position and Additional Funding for Atlantic Wildfowl and Lifesaving Museum

Amount: \$21,711

FTE: 2.0

Proposed Budget Reference: Executive Summary Page 47

The Cultural Affairs' proposed FY 2020-21 budget included a new event coordinator position intended to be responsible for marketing the City's historic properties for special event rentals. Without this position, the city will continue to underutilize these spaces for event rentals and not receive more revenue as a result. This addition proposed eliminating a contracted position and replacing it with a full-time position. By eliminating the position, the contracted manpower will have to be restored to the department. In addition, the City will not increase the support to the Atlantic Wildfowl Museum or the Lifesaving Museum which could negatively impact the operations of these nonprofits.

General Fund Portion of Grinder for Landfill

Amount: \$200,00

FTE: 1.0

Proposed Budget Reference: Operating Budget Page 273

In order to increase efficiency and safety of employees, the Landfill requires the purchase of a new grinder for mulching of yard debris. This mulch is used on City property and as such, the General Fund, Waste Management Fund, and TIP were going to split the cost of the purchase. Without General Fund support, the Waste Management Fund will assume a larger share of the cost and will have to reprioritize their vehicle replacement list for FY 2020-21 or use a greater amount of fund balance to support the purchase.

Asset Management Software Implementation

Amount: \$150,000

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 66

Public Works Facilities Management has begun using a new asset management software to replace their 20-year old system and various manual processes. This funding would have provided the department funding to hire outside contractual services to assess each city owned facility and capture extensive data elements of each. Without this funding, the department will be unable to fully utilize the new functionality of this software.

Commissioner of the Revenue Part Time Administrative Support

Amount: \$33,479

FTE: 0.8

Proposed Budget Reference: Operating Budget Page 105

Without this funding, the Commissioner of the Revenue will not have funding for the office's part time executive assistants which will decrease the administrative support for the department.

Real Estate Assessor New Appraiser Position

Amount: \$65,886

FTE: 1.0

Proposed Budget Reference: Executive Summary Page 55

Without the addition of this position, the Office of the Real Estate Assessor will still not meet the International Association of Assessing Officers (IAAO) standard of canvassing each taxable property in the City no less than every six years. Currently the department has 22 appraisers responsible for assessing 158,586 taxable parcels across the City, meaning that each appraiser assessed an average of over 7,200 parcels each year. The number of taxable parcels is expected to climb to 159,086 in FY 2020-21, which will increase the workload of existing staff.

Contributions to Regional Organizations

Amount: \$246,300

FTE: 0.0

Proposed Budget Reference: Operating Budget Page 218

The proposed budget included funding for new regional organization grants including \$15,000 for Hampton Roads Pride, \$25,000 for Eggleston, and \$150,000 for the African American Cultural Center. The funding for these new organizations has been eliminated from the revised budget. In addition, some contributions to organizations that previously received funding have been reduced to the current year amounts. These reductions include \$50,000 to the Virginia Arts Festival and \$6,300 to STOP Inc.

All Compensation Increases and Programs Eliminated

Public Safety Workforce Development Program and Sheriff’s Pay Parity

Amount: \$2,861,829

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 19

This reduction in funding will eliminate both the workforce development program for the Police, Fire, and Emergency Medical Services department and the Virginia Beach Sheriff’s Office as well as the Sheriff’s pay parity program. The workforce development program allowed police officers, firefighters, Sheriff’s deputies, and paramedics to receive a 5% salary increase after their first three years with the City, a 10% salary increase after six years with the City, and a 5% salary increase after nine years with the City assuming the completion of certain career development milestones. The Sheriff’s pay parity initiative is a four-year phase in of salary increases to align the Sheriff’s Office salaries with that of comparable positions in the Police Department.

Supervisor Midpoint Program

Amount: Undetermined

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 18

The proposed budget continued the implementation of the three-year phase-in of moving all City supervisory positions to the midpoint of their salary ranges. The revised budget eliminated this program which will impact the City’s ability to reduce vertical salary compression.

State Clerk Salary Supplements

Amount: \$120,414

FTE: 0.0

Proposed Budget Reference: N/A (This was a new initiative in FY 2019-20 Adopted Budget)

This funding provided state employees a supplement intended to retain clerks in the General District and Juvenile and Domestic Relations courts. Without this funding, the City will no longer supplement the pay of these employees and the courts will continue to face recruitment and retention issues.

Engineer Recruitment and Retention Program

Amount: \$667,230

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 19

This funding was intended to provide all City engineers and architects a 5% pay raise, additional training to assist in reaching the PE (Professional Engineer) level and hiring bonuses. Without this funding, the current inability for departments to hire and retain qualified engineers will persist as Virginia Beach salaries for engineers’ lags both the private sector and other public entities.

2.5% Merit Increase

Amount: \$10,000,000

FTE: 0.0

Proposed Budget Reference: Executive Summary Page 18

A \$5 million reserve was established in the Proposed Operating Budget to fund a 2.5% merit salary increase for all City employees. The elimination of this reserve will result in no merit pay increases for City employees in FY 2020-21 which could impact retention. Please note that the other half of the 2.5% merit increase was covered by attrition savings which the revised budget proposes to eliminate.

Other Known Revenue Changes

Reduction in State Revenue for Roadways

Amount: \$10,000,000

Proposed Budget Reference: CIP Pages 76 and 104

The revised budget eliminates the \$10 million grant provided by the Commonwealth for CIP 2-088 West Neck Parkway Phase IV and CIP 2-501 Nimmo Parkway Phase II-A. This grant allowed previously appropriated funds within these two projects to be transferred to CIP 3-174 Operations Facilities Renovations for renovations of Buildings 1, 2, and 11. With this change in revenue, additional PFRBs have been programmed in the CIP to offset the loss. This will result in additional debt service payments in future years.

Reduction in Recordation Tax and offset with Reduction in HRT Contribution

Amount: \$1,994,172

Proposed Budget Reference: Operating Budget Page 241

Since 1993, the Commonwealth of Virginia has distributed part of the recordation tax on transfers of property to cities and counties. In this year's session of the General Assembly, legislators opted to reduce the amount to distribute to localities and decided to use the remaining portion available exclusively to provide dedicated funding for mass transit in the Hampton Roads Transit service area.

As this exchange of funds was unexpected, HRT has agreed to reduce the FY 2020-21 local contributions by the amount of recordation tax revenue that was lost by each city. However, it depends upon all cities in the HRT service area adopting a resolution to change the HRT funding allocation formula. If this does not happen, we will still lose the recordation tax, and not realize any reduction in HRT payments.

This reduction will be achieved by funding existing MAX commuter service routes with the new dedicated revenue streams and reallocating the federal and state money currently used to support MAX routes to reduce the cost of each cities' regular bus routes. This swap will make local governments whole while also not impacting the mass transit services. This solution is for one year only; further future use of the dedicated revenues will be determined in the upcoming Transit Strategic Plan.

Total Changes in FTEs

The FY 2020-21 Proposed Operating Budget added a total of 59.81 FTEs when compared to the Adjusted FY 2019-20 budget. This revised budget eliminates most of those additional positions as well as 33.2 existing FTEs for a total reduction of 92.83 positions when comparing the revised budget to the proposed. The following table illustrates changes in FTEs from the proposed to the revised budget by department for all funds.

Proposed to Revised FTE Changes

Department	Proposed FY 2020-21	Revised FY 2020-21	Difference
Agriculture	9.00	9.00	0.00
Budget and Management Services	14.00	13.00	(1.00)
City Attorney	43.61	43.61	0.00
City Auditor	8.00	8.00	0.00
City Clerk	6.00	6.00	0.00
City Manager's Office	20.00	19.00	(1.00)
City Real Estate Assessor	36.00	35.00	(1.00)
City Treasurer	77.60	77.60	0.00
Commissioner of the Revenue	65.73	64.93	(0.80)
Commonwealth's Attorney	103.83	103.83	0.00
Communications Office	20.50	20.50	0.00
Convention and Visitors Bureau	123.28	120.28	(3.00)
Courts and Courts' Support	74.63	74.03	(0.60)
Cultural Affairs	14.50	12.50	(2.00)
Economic Development	21.00	21.00	0.00
Emergency Communications and Citizen Services	137.75	135.75	(2.00)
Emergency Medical Services	99.30	95.55	(3.75)
Finance	63.00	61.00	(2.00)
Fire	541.23	526.23	(15.00)
Health	7.38	7.38	0.00
Housing and Neighborhood Preservation	82.00	80.00	(2.00)
Human Resources	70.00	53.00	(17.00)
Human Services	1192.70	1188.70	(4.00)
Information Technology	196.00	193.00	(3.00)
Library	253.50	252.50	(1.00)
Municipal Council	11.00	11.00	0.00
Office of Emergency Management	11.00	7.00	(4.00)
Parks and Recreation	887.53	887.53	0.00
Planning and Community Development	146.00	141.00	(5.00)
Police	1059.86	1051.86	(8.00)
Public Utilities	415.00	415.00	0.00
Public Works	961.88	950.88	(11.00)
Sheriff's Office	539.50	536.82	(2.68)
Strategy, Transparency, Innovation & Resiliency Office	6.00	6.00	0.00
Virginia Aquarium	140.50	137.50	(3.00)
Voter Registration & Elections	12.00	12.00	0.00
Total	7470.81	7377.98	(92.83)
Compared to FY 20	59.81	(33.02)	

Impact on Other Funds

Due to the dedication of various revenues by City Council, a number of funds have been impacted and require a decrease of appropriations or an increase in another revenue source in order to remain

balanced. The following table highlights the amount of appropriation reductions required based on the revised budget.

In the TIP Fund, three positions associated with the new Sports Center and four positions to enhance beach maintenance are being deferred. Fund reserves for future use in the CIP are also being reduced. In addition to these appropriation strategies, fund balance from the TIP fund will likely be utilized to balance the fund. In the event that fund balance from the TIP Fund is appropriated in order to make up a portion of the revenue loss generated by declining meal, hotel, and admission taxes the amount of appropriation change reflected in the table below would be modified. In order to balance the TAP Fund, marketing and advertising contracts will be reduced.

Change in Appropriations from Proposed to Revised

	Original Proposed FY 21	Revised FY 21	Difference
TIP Fund	\$41,943,213	\$29,559,555	(12,383,658)
TAP Fund	\$13,276,751	\$9,642,000	(3,634,751)
Sandbridge SSD	\$5,054,372	\$3,060,953	(1,993,419)
Open Space Fund	\$3,398,220	\$2,145,629	(1,252,591)
ARP Fund	\$5,187,624	\$5,133,253	(54,371)
Parks & Rec Fund	\$43,627,805	\$43,417,814	(\$209,991)

In the Sandbridge SSD Fund and the Open Space Fund, transfers to the CIP will be reduced, thus reducing CIP 8-026 “Sandbridge Beach Restoration III” and CIP 4-306 “Open Space and Park Infrastructure Development and Maintenance II” respectively. In the ARP and the Parks & Recreation Special Revenue Funds, budgeted reserves will be reduced to balance both funds.

The following table summarizes appropriation changes from the Adjusted FY 2019-20 Operating Budget to the Revised FY 2020-21 Operating Budget. Though the City’s budget is decreasing by \$20.8 million, enterprise funds will increase in total by \$4.3 million. The increase in appropriations for the enterprise funds is primarily driven by the previously approved 3.5¢ stormwater fee increase. The increase in appropriations to the Schools is attributable to increased state revenue. In total, the net budget is reduced by \$2.3 million. The Revised City Budget is decreasing by 1.8% while the Schools’ budget is increasing by 2.0%, for a combined reduction of 0.1% from FY 2019-20.

Change in Appropriations from FY 20 Adjusted to Revised FY 21

	Adjusted FY 20	Revised Proposed FY 21	Difference	% Change
City General Fund	\$738,976,655	\$727,832,304	(\$11,144,351)	-1.50%
City Other Funds	\$180,456,497	\$166,503,366	(13,953,131)	-7.70%
City Enterprise Funds	\$222,993,087	\$227,272,164	4,279,077	1.90%
Total City	\$1,142,426,239	\$1,121,607,834	(20,818,405)	-1.80%
Total Schools	\$938,186,488	\$956,706,352	18,519,864	2.00%
Combined	\$2,080,612,727	\$2,078,314,186	(\$2,298,541)	-0.10%

Impact on Schools

As discussed earlier, the Schools will be losing \$20.4 million in local revenue when compared to the FY 2020-21 City Manager's Proposed Budget based on the newly adopted revenue sharing formula. We have provided this revised estimate to the Schools and will be working with them over the next few weeks to better understand the impact of this loss and their plan to mitigate this decrease in local revenue. We have asked the Schools to provide their reconciled budget at the April 28 City Council meeting.

Revised General Fund – Fund Balance

The proposed FY 2020-21 Budget estimated the FY 2019-20-year end unassigned fund balance at \$126.4 million or 10.30% of FY 2020-21 revenues. It is the City's policy to remain within 8% to 12% to ensure adequate coverage in case of emergency or economic downturn. The revisions to the proposed budget and the reduction in estimated revenue within the current year have changed the estimated fund balance at June 30, 2020 to \$99.7 million, or 8.45%. A copy of the fund balance calculation is included on the next page.

Process Moving Forward

While we have made our best effort to analyze the data available to us and develop this Revised Budget, further discussion and possible refinement of the impact on various funds may be necessary. We also will be reviewing departmental revenue, especially those that receive a large portion of their revenue from user fees such as Parks & Recreation, Public Utilities, Public Works, Libraries, the Virginia Aquarium, and the Convention and Visitors Bureau. This review may result in the need to make additional modifications to the items identified in this revised budget.

City Council asked that we review and consider the feasibility of appropriating funding on a quarterly basis. While we will continue to review the merits of this approach, we recognize there are a number of complicating factors if this approach were to be implemented. The most significant of these concerns is how this approach would be implemented for many City contracts funded in the operating budget. State law requires that a full appropriation be in place before a contract can be signed and this could delay all contracts until the 4th quarter of the year when the full appropriation would be in place. Schools may also have complications implementing such an approach as many of their staff (teachers) are on yearlong contracts. We also assume that the CIP would be exempted from this approach.

As we discussed when presenting the City Manager's Proposed Budget on March 24, staff will closely monitor revenue collections on a monthly basis. If revenue collections require adjustments in appropriations, staff will provide City Council with recommendations necessary to realign appropriations with realized revenue.

Projection of General Fund Balance

At June 30, 2020

Beginning Fund Balance at July 1, 2019 (CAFR)*	\$211,828,049
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Add: Revenues		
FY 2019-20 General Fund Revenues-Revised Estimate	\$1,121,122,637	
Surplus from Sandbridge TIF	<u>13,722,694</u>	<u>1,134,845,331</u>

Total Fund Balance and Revenues	\$1,346,673,380
--	------------------------

Less: Anticipated FY 2019-20 Expenditures:		
Operating Expenditures	\$646,439,536	
Attrition	\$5,140,801	
School Operations**	445,386,937	
Other Transfers**	<u>98,650,453</u>	<u>1,195,617,727</u>

Total Projected Fund Balance at June 30, 2020	\$151,055,653
--	----------------------

Less: Anticipated Uses of Fund Balance:		
Loans, Advances, and Inventory	\$10,934,636	
Encumbrances and Carryforwards	10,000,000	
Aquarium Parking Lease	2,270,795	
Human Services	250,000	
Community Services Board	2,901,470	
Aquarium Marsh Pavilion	134,661	
School Operating Budget	409,000	
FY 2020-21 Capital Budget	24,457,715	
Attrition	<u>0</u>	<u>51,358,277</u>

Total Estimated Unassigned Fund Balance at June 30, 2020	\$99,697,376
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Calculation of Unassigned General Fund Balance

Projected FY 2020-21 General Fund Revenues***	\$1,179,411,634
Unassigned Fund Balance as a percentage of FY 2020-21 Revenues	8.45%

Notes:

*The total General Fund balance reported in the FY2019 CAFR was \$230,579,796. This included \$17,299,308 for the School Reserve Fund and \$1,452,439 in Trust and Gift funds that are reported with the General Fund in the CAFR but not included in the number above.

** Reflects full transfer of budgeted amounts

*** Net of Fund Balance Usage

Conclusion

Over the past two weeks, staff has worked diligently to prepare this revised budget due to the economic changes caused by the rapidly evolving COVID-19 pandemic. While we have revised this budget based on our best professional estimates after reviewing literature from a multitude of sources, it is unknown how long and how deep the economic impacts may last.

While there are many important initiatives this revised budget removes from what was proposed just a few short weeks ago, maintaining our current levels of service, as best as we can, is critical to helping our community through this unprecedented time. It is also essential that we maintain budgetary flexibility based on the uncertain economic conditions.

I look forward to discussing this revised plan with you in the coming weeks.

Respectfully,



Thomas M. Leahy, P.E.
Acting City Manager



City of Virginia Beach

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BUILDING 1, ROOM 234
2401 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23456-9001

March 24, 2020

The Honorable Robert M, Dyer, Mayor
Members of City Council

Dear Mayor Dyer and Members of Council:

It is my privilege to present this FY 2020-21 Recommended Operating Budget and FY 2020-21 through FY 2025-26 Capital Improvement Plan. It was crafted after painstaking reviews of each department's services and each section of the Capital Improvement Plan (CIP). It considers the host of local, state, and national trends impacting municipal service delivery and the financial realities we face.

As a result, I believe you will find it to be fiscally responsible and responsive to the evolving needs of our city as a whole and the City organization. It directs substantial resources to the City Council's top priorities of Sea Level Rise/Stormwater, Education, Public Safety, Transportation, Economic Development and Affordable Housing and moves us forward in addressing the City Council's 10 Goals:

1. Grow the Local Economy
2. Create a Financially Sustainable City Providing Excellent Services
3. Improve the Transportation System
4. Revitalize Neighborhoods and Plan for the Future
5. Be a Competitive First-Class Resort for Residents, Businesses, and Tourists
6. Be the Safest City in Virginia
7. We Are an Inclusive Community That Is Welcoming and Empowers All
8. Our Community Has World Class Schools and Educational Programs
9. Data and Technology is Used to Enhance Community Livability, Prosperity, and Sustainability
10. City Assets and Infrastructure Are Well Maintained and Meet Community Expectations

Developing budgets requires a complex balancing of needs and services. Some of the needs are long-term, like addressing aging infrastructure, while others emerged more recently, like the organizational needs outlined in the Hillard Heintze report. At the same time, maintaining the high quality of daily services our citizens have told us they value, as illustrated by the results of the 2019 Citizen Satisfaction Survey, remains the backbone of this recommended budget.

When we started the planning process, we asked departments to submit budgets that reflected funding at 98% of the revised FY 2019-20 baseline and each rose to that challenge. This initial step put us in a strong position to zero in on critical needs. As the financial picture became clearer, we were able to not only restore the majority of initial cuts but meet a number of other priority obligations, including adding \$5.5 million to address recommendations from the Hillard Heintze report and enhancing funding for projects designed to meet our infrastructure needs in the areas of stormwater, recurrent flooding and sea level rise as well as transportation, communication, technology public safety and facilities maintenance.

The Sandbridge Tax Increment Financing (TIF) district was established in 1998 to provide a back-up means of financing sand replenishment operations for Sandbridge Beach if funding from the Sandbridge Special Service District (SSD) was insufficient to meet the desired replenishment cycle. Due to the maintenance of the beach and the level of investment the City has made in the area, most notably the provision of sanitary sewer infrastructure, real estate assessments in the district have risen 540% since the district was created.

Careful analysis has determined that the SSD generates sufficient revenue for beach replenishment on a five-year cycle, including funding for an emergency push, if needed. By dissolving the TIF, the funding that had been directed to sand replenishment and declared surplus for use in the CIP can now be returned to the General Fund and used in the Operating Budget. Based on future projections of the Special Service District, I am also recommending that the Sandbridge real estate special tax rate be reduced from six to four cents.

I am pleased to present this FY 2020-21 budget without an increase in the real estate tax rate. It does include a 1.85¢ dedication of the real estate tax, associated with eliminating the Sandbridge TIF, for emerging City Council priorities and the fee increase of 3.5¢ per day in the stormwater Equivalent Residential Unit (ERU) City Council previously approved. There are also typical user fee annual adjustments like membership fees to City recreation centers. Taken together, this budget reflects our unwavering commitment to ensuring the city is competitive and viable.

The Executive Summary and full documentation for the FY 2020-21 Recommended Operating Budget and FY 2020-21 through FY 2025-26 Capital Improvement Plan provide the details. Below are some key elements:

Stormwater, Recurrent Flooding, and Sea Level Rise – In response to the City Council’s request to increase resourcing and our efforts to combat the impacts of recurrent flooding and sea level rise, we previously created a 15-year capital improvement program plan that generates over \$1.3 billion

and will significantly increase our operations and maintenance effort as well as construct numerous recurrent flooding preventative projects. For example, we have added \$6 million to the cave-in repair program, \$1 million to clean roadside ditches, funding for a new five-person crew for BMP operations and maintenance and \$7.4 million for dredging of the Western Branch of the Lynnhaven River.

Public Safety – Virginia Beach continues to have one of the lowest crime rates of any large city in America, despite the fact that we have fewer officers per capita than most cities our size. This budget continues efforts undertaken in the past two budgets to add police officers to the streets by including a proposal to reclassify eight vacant sworn positions to civilian positions. Existing sworn staff, currently fulfilling administrative duties, will be reassigned to field duties, while these newly-hired civilians will fulfill the administrative duties. It continues the workforce development program in the Police and Fire departments as well as the Sheriff’s Office and EMS. The second year of the four-year phase-in of pay parity for the Sheriff’s Office is also included.

Transportation – While I am recommending delaying a number of projects by a few years to create the capacity necessary to fund the unanticipated 5/31-related projects and the renovations to building 1, 2 and 11, the Roadways section of the CIP includes \$256.9 million for a variety of projects. This is second in funding only to Stormwater, which has a six-year CIP of \$415.3 million.

Technology – This budget includes funding to expand high-speed Internet access throughout the city, add security access systems to City facilities, replace aging software and network infrastructure as well as increase data security.

Schools – Through use of the revised City and School revenue sharing formula, local funding provided to Virginia Beach City Public Schools (VBCPS) is \$459 million. This exceeds the State’s Standards of Quality (SOQ) minimum local funding requirement by \$259 million. In FY 2020-21, largely in part to City Council’s commitment toward education, the VBCPS will complete the implementation of full-day kindergarten at all 55 elementary schools.

Growing the Economy – We are on the cusp of creating the year-round destination needed to make significant progress in maximizing our resort offerings as the preferred coastal city on the East Coast. This budget includes Tourism Investment Program (TIP) Fund-supported projects identified in the Resort Area Strategic Action Plan (RASAP), including a mobility study and a central management entity.

I am recommending establishing a new SWAM Office, dedicating \$300,000 for contractual services, and adding a new position to implement the 12 recommendations from the disparity study the City Council approved to promote entrepreneurship, small business start-ups, Small, Women- and Minority Owned (SWaM) business contracting through sheltered bidding, small business information forums and accountability for meeting our subcontractor minority participation goals.

Other Recommendations – The five areas noted above are only part of the array of services provided to the residents and visitors to Virginia Beach. A few examples of additional initiatives include:

- In **Human Services**, we are including funding and additional positions to enhance operations within the Department’s Child Welfare Unit and the Mobile Co-Responder Team (MCRT).
- In **Planning**, we are adding zoning inspectors and a planning technician to assist customers and improve service delivery and timeliness of our response, including the new focus on enforcing the City’s short-term rental ordinances.
- In **Parks and Recreation**, we are including funding to properly maintain the landscaping at new facilities, funding to provide healthy snacks to all 2,300 participants in the Out of School Time after school programs, and funding for a mobile fitness van that will be accessible to all members of the community, as the vehicle will travel to parks, schools and community events throughout the year. Notably, we are also incorporating stormwater features into park development design concepts.
- In **Human Resources**, as part of the recommendations from the Hilliard-Heintz study, the budget includes 15 new FTEs as well as a possible reorganization of positions from their current departments to Human Resources.

Improving Employee Safety and Resourcing Recovery Efforts

The budget includes \$5.5 million to implement a number of recommendations presented in the Hillard Heintze report, including funding a new security office, enhancing security, training and centralizing Human Resources, as noted above.

The CIP includes funding for security upgrades to be completed at City owned facilities following a systematic risk-based approach to security measure implementation. These upgrades will be determined and prioritized based on the recommendations from risk assessments conducted throughout city facilities. These assessments will be conducted with the assistance of the Department of Homeland Security and other experts in the field of threat and hazard identification and vulnerabilities.

Employee Pay and Benefits

Recruiting and retaining outstanding employees is one of the most important things we do. As the economy has continued to improve and job markets have become increasingly competitive, the City and Schools must commit to funding salaries that both attract new employees and appropriately recognizes current employees’ meritorious work. This budget includes a 2.5% compensation increase for City employees (Virginia Beach City Public Schools has included 3.5% increases for personnel). We also anticipate a 2% increase to employee health insurance premiums while including a 3% increase to the City’s portion.

We are programming the use of \$5 million in salary savings generated by position vacancies (attrition savings) to assist in delivering this much deserved pay raise. I am also recommending an

enhancement to the City's paid time off accrual and increasing maternity and paternity leave from the current three weeks to six.

FY 2020-21 through FY 2025- 26 Capital Improvement Plan

To address the emergent needs to fund renovations to buildings 1, 2 and 11, this budget proposes delays to several projects in the out-years of the plan. Delaying several projects freed up \$29 million of existing CIP funding capacity which was redirected to CIP 3-174, "Operations Facilities Renovations" for this purpose. This enables us to fully fund this need with the addition of \$40 million in Public Facility Revenue Bonds in year two of the CIP.

However, we were also able to add other projects that will have significant positive impacts on our community, including \$7.2 million for improvements to Pungo Ferry Road, \$4 million to address critical deficiencies in the Sportsplex/Field Hockey National Training Center and several projects totaling \$6.5 million that are related to the Resort Area Strategic Action Plan (RASAP).

Conclusion

Taken together, this carefully constructed \$2.14 billion budget delivers on our continuing commitment to ensure Virginia Beach has the best schools, library system and roads as well as the lowest crime rate, high-quality recreation centers, and the most parks of any city in Hampton Roads. It maintains the quality of everyday city services our citizens and businesses expect while providing the resourcing and staff support necessary to implement thoughtful and reasonable solutions to some of our most intractable issues.

While I have developed greater appreciation for the size and complexity of the City organization over the past seven months as acting city manager, I have developed even greater appreciation and admiration for the City workforce. The men and women who serve this city every day, often under extremely challenging conditions, are the real reason we continue to accomplish so much good work on behalf of the citizens of our community. It has been my distinct honor to work alongside them, not just during the last few months, but throughout my 40-year career.

I look forward to discussing this with you in the coming weeks.

Respectfully,



Thomas M. Leahy, P.E.
Acting City Manager

SCHEDULE OF WORKSHOPS & PUBLIC HEARINGS

March 24	Budget Presentation to Council	Virtual Meeting
	Council Workshop	Virtual Meeting
March 31	Council Workshop	Virtual Meeting
April 14	Revised Budget Presentation	Virtual Meeting
April 22	Public Hearing	Virtual Meeting
April 28	Public Hearing	Virtual Meeting/ City Council Chambers
April 30	Council Workshop	Virtual Meeting/ City Council Chambers
May 5	Reconciliation Workshop	Virtual Meeting/ City Council Chambers
May 7	Reconciliation Workshop	Virtual Meeting/ City Council Chambers
May 12	Council Votes on Budget	City Council Chambers

MAJOR HIGHLIGHTS OF THE FY 2020-21 RESOURCE MANAGEMENT PLAN

The following section provides an overview of the major priorities within the FY 2020-21 Resource Management Plan. Additional information about most of these items can be found within the Appropriation and Council Goals section of this document, within the Operating Budget document, or within the Capital Improvement Program (CIP) document.

COVID-19 Adaptation and Response

When the Proposed FY 2020-21 Resource Management Plan was presented to City Council on March 24, 2020, the City had just begun to feel the effects of COVID-19. For that reason, City Council directed City staff to reformulate the originally proposed budget to incorporate anticipated impacts of the virus and subsequent stay-at-home orders issued by the Governor, on the local economy. Based on this direction staff prepared a revised budget, which was presented to City Council on April 14. The revised budget eliminated nearly all the new programs, positions, and services included in the City Manager's originally proposed budget. The adopted FY 2020-21 budget seeks to maintain current services and ensure flexibility moving forward through uncertain economic times.

The adopted budget reduces 52.02 FTEs from the Amended FY 2019-20 budget and reduces or delays several programmed CIP projects to ensure adequate financial capacity for current services. In order to relieve some level of burden on taxpayers, the Adopted FY 2020-21 Operating Budget also includes a variety of tax relief programs and suspended the previously adopted Stormwater 3.5¢ ERU daily rate increase. Because the ERU rate increase was suspended but stormwater remains a top priority, City Council opted to transfer \$3.1 million from the General Fund to the Stormwater CIP. This transfer will ensure Stormwater CIP projects remain on schedule in FY 2020-21; however, the General Fund will need to reduce approximately 45 additional FTEs by July of 2020. This will bring the total position reduction to 97.02 FTEs when compared to the Adjusted FY 2019-20 Operating Budget.

Recovering from the 5/31 Tragedy

The City of Virginia Beach experienced a horrific tragedy on May 31, 2019, and is still recovering from the emotional, physical, and financial impacts of the event. The Adopted Operating Budget provides funding for several projects and programs to help the City recover from the event, as well as resources to implement recommendations made as a result of the independent investigation conducted by Hillard Heintze. These recommendations are categorized within the following areas: human resources, public safety, and facility security.

The Department of Human Resources will begin the phased centralization of the department's operations with the establishment of four new positions. It is envisioned that ultimately there will be eleven additional positions added across the city within the next several fiscal years to fully implement the human resource recommendations of the independent investigation. These positions will help ensure that all City departments have consistently implemented the same policies and procedures. The Office of Emergency Management will also receive one Public Safety Analyst position, which will assist in facility security assessments. This division is expected to grow to five FTEs within the coming fiscal years to improve physical security, employee and public safety training and education, and overall management of security at City facilities.

Maintaining Citywide Assets and Infrastructure

As an aging city, one of City Council's major priorities is to maintain currently owned assets and infrastructure. The FY 2020-21 Budget provides resources to enhance operations, maintenance, and capital maintenance efforts throughout the City.

Stormwater - Flood Control

The FY 2020-21 Budget continues to address City Council's priority of mitigating the effects of sea level rise and recurrent neighborhood flooding. The six-year stormwater program totals over \$415 million and remains the largest section of the CIP. Roughly 58% of the six-year Stormwater CIP is to address flooding issues across the City and to begin addressing impacts of sea level rise.

Maintaining City - Owned Facilities and Assets

Adequate maintenance of City assets mitigates the potential for costly future replacement projects. During financially stressed times, municipalities often defer maintenance to address critical needs. As a result of the event on May 31, 2019, the City of Virginia Beach is faced with the emergent need to fund the renovation of municipal Buildings 1, 2, and 11. The FY 2020-21 CIP addresses this unanticipated need without reducing programmed maintenance funding in years one through six of the CIP. In fact, additional resources are provided for renovations to the Correctional Center and the Police Department's Creeds Training Center in the planning years of the CIP.

Resourcing City Council Programs and Initiatives

Implementation of the Disparity Study Recommendations

In 2010, the City of Virginia Beach established an aspirational goal of 10% for minority-owned business participation in City contracts. Since that time, this goal has been updated to 12.5%. In 2018, the City conducted a disparity study to better understand whether barriers or discrimination based on race, ethnicity, gender, or military-related disability affected the participation of businesses in City contracts or procurements, regardless of whether those businesses were, or could be, Small, Women, and Minority-Owned (SWaM) businesses. There were 12 recommendations within the study for the City of Virginia Beach to implement in order to better meet set goals. The FY 2020-21 Operating Budget realigns existing personnel and provides additional staffing and resources to begin implementation of all 12 recommendations. More information can be found at www.vbgov.com.

Recruitment and Retention

More than ever, hiring and retaining qualified staff is a critical component of service provision and project delivery. As of February 2020, the City has 830 employees eligible for full retirement, indicating that in the coming years, recruitment will remain a high priority. Without adequate staffing levels, the City and Schools would be unable to provide the high level of service expected by residents. While the City was unable to provide the originally proposed merit-based pay increases due to the COVID-19 response, the budget does include several new initiatives to help recruit and retain a well-qualified staff. Should revenue estimates exceed the adopted amounts, it is possible that a pay increase could be adopted by City Council at a later date.

First, the City's Maternity Leave policy has been increased from three weeks of paid leave to six weeks of paid leave for both the birthing and non-birthing parents, as well as for adoptive parents. The budget also includes funding for the second phase of the Public Safety Workforce Development and Supervisory Pay initiatives. This will allow the City to continue to address critical compensation needs and continue to build off previous efforts to address compression.

Finally, the City has eliminated the planned 2% increase in employee health insurance premium rates, which was scheduled to take place on January 1, 2021.

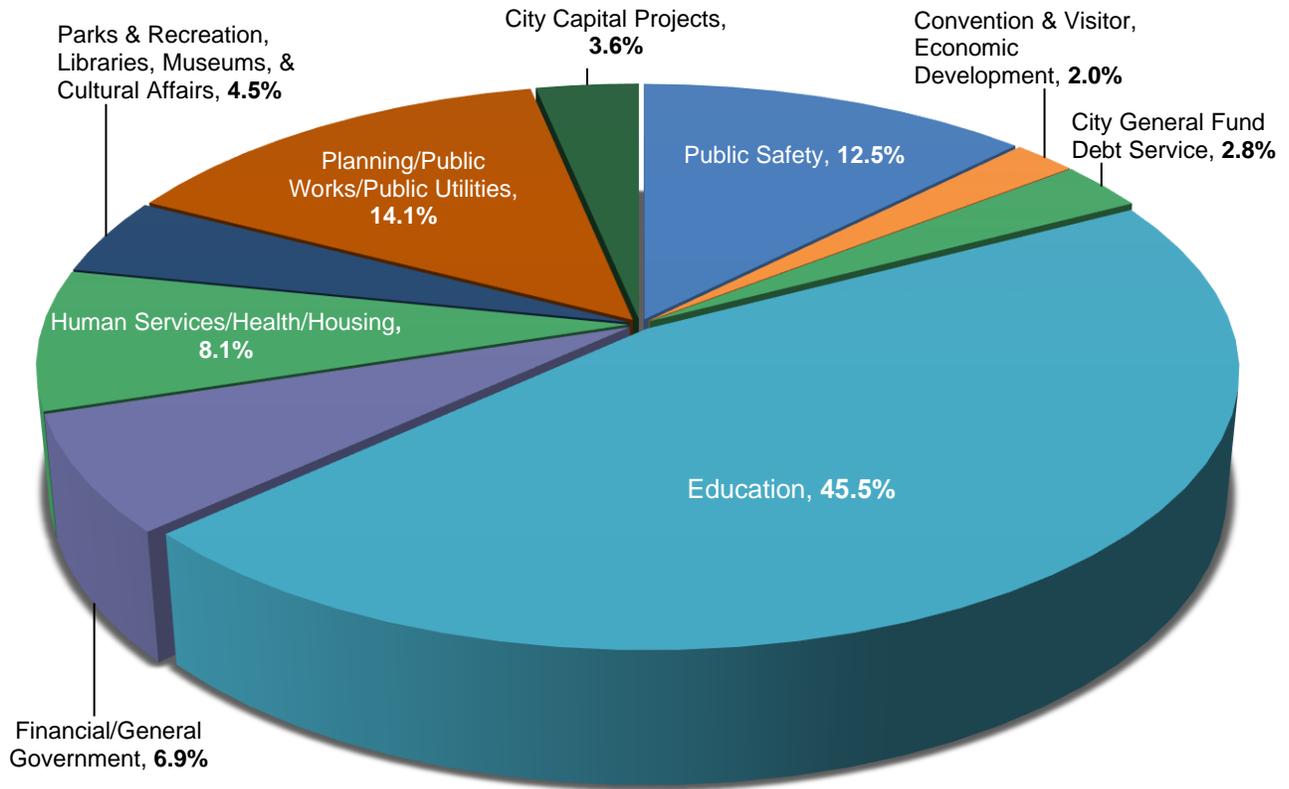
Education

City Council continues to place public education as a top funding priority. In preparation for the FY 2020-21 Operating Budget, City and School staff collaborated on a revised revenue sharing formula that ensures both the City and the School system will share the benefits of economic growth and enables the two bodies to have more reliable, readily available information earlier in the budget development process. This new formula, adopted by both bodies in November 2019, provides a simplified method of revenue sharing compared with previous formulas. After the exclusion of various dedications, the remaining General Fund local tax revenue is divided, with Schools receiving 46.75% and the City retaining 53.25%.

Because the City revised initial FY 2020-21 revenue estimates based on expected revenue decline from the impacts of COVID-19, the City's contribution to the Schools, through the revenue sharing formula, decreased by \$20.4 million from the initially proposed budget. In an effort to offset this loss, City Council opted to provide the Schools an additional \$7.8 million beyond the amount required by the formula. This additional funding was used to support two Capital Improvement Projects, \$7,266,223 to CIP #1-182 "Renovations and Replacements – Various III" and \$500,000 to CIP #1-107 "Princess Anne High School Replacement." In FY 2020-21, the City continues to provide more local funding than required by the State's Standards of Quality (SOQ) by approximately \$248.5 million.

In the FY 2020-21 Operating Budget, Schools will complete the implementation of full-day kindergarten at all 55 elementary schools.

APPROPRIATIONS



FY 2020-21 Operating Budget Total Estimated Appropriations

The Adopted FY 2020-21 Net Operating Budget totals \$2,086,059,932, which is an increase of 0.26% from the FY 2019-20 Adjusted Budget. Overall, the City’s Operating Budget is reduced by 1.2 % and the Schools’ Operating Budget is growing by 2.1%. As the pie chart above illustrates, the largest portion of resources is dedicated to the City Council priorities of education (45.5%), infrastructure-related departments (14.1%), and public safety (12.5%).

The City’s Operating Budget of \$2.1 billion is expressed in terms of the “net budget.” The calculation of the net budget involves eliminating the duplication of funding between interfund transfers and the City’s internal service funds. Transfer of revenues, such as those from the City’s Operating Budget to the School’s Operating Budget, and internal service fund charges, such as City Garage charges, would be duplicated if not deducted. This is reflected in the following calculation.



Operating Budget by Appropriation Category

	FY 2019-20 Total City & Schools Adjusted Budget	FY 2020-21 City Budget	FY 2020-21 Schools Budget	FY 2020-21 Total City & Schools Budget	% Change	\$ Change
<i>Personnel*</i>	944,538,378	406,166,141	530,997,625	937,163,766	-0.78%	-7,374,612
<i>Fringe Benefits*</i>	342,244,790	146,025,328	207,456,824	353,482,152	3.28%	11,237,362
<i>Operating Expenses</i>	487,529,536	337,353,720	155,361,020	492,714,740	1.06%	5,185,204
<i>Capital Outlay</i>	30,036,859	22,910,408	8,090,352	31,000,760	3.21%	963,901
<i>Debt Service</i>	168,463,343	134,008,622	47,873,917	181,882,539	7.97%	13,419,196
<i>Pay-As-You-Go**</i>	80,080,187	67,816,431	7,766,223	75,582,654	-5.62%	-4,497,533
<i>Reserves</i>	27,719,634	14,233,321	-	14,233,321	-48.65%	-13,486,313
Total	\$2,080,612,727	1,128,513,971	\$957,545,961	\$2,086,059,932	0.26%	\$5,447,205

**Includes savings from position freeze and position reductions within the City's Budget*

*** Amount in Schools' budget reflects the City's pay-as-you-go contribution to year one of the CIP beyond the requirements of the Revenue Sharing Formula. This funding is not programmed in the out years of the CIP.*

The table above provides a high-level overview of each major appropriation category for both the City and the Schools. When comparing expenditure categories in the table between FY 2019-20 Adjusted and the Adopted FY 2020-21 Budgets, the largest percentage of growth occurs in "Fringe Benefits" (3.28%) and "Debt Service" (7.97%).

Growth in fringe benefit costs is largely attributable to a change in Virginia Beach's Virginia Retirement System (VRS) rate. VRS is primarily funded through employer and employee contributions, as well as investment returns. Every two years – to align with the Commonwealth of Virginia's budget cycle – VRS recalculates its employer contribution rate. This recalculation is based on actuarial reports and an analysis of historical investment returns. Based on historical investment returns, a lower rate of return is anticipated, resulting in the need for increased contributions from localities across the state.

For the City of Virginia Beach, this resulted in a rate increase of 1.75%, which is calculated based upon the salary costs of each full-time employee. While the City's employer contribution was 14.54% for FY 2018-19 and FY 2019-20, the rate for FY 2020-21 and FY 2021-22 is increasing to 16.29%. The fiscal impact to the City's General Fund as a result of this increase is over \$5 million. For Virginia Beach Schools, the rate changed from 15.68% to 16.62%. This results in an increase of \$4.5 million to the VRS employer contribution in FY 2020-21, for the Schools.

The growth of \$13.4 million, or 8% in debt service, is attributable to the \$91 million General Obligation (GO) bond sale that occurred in the Fall of 2019 and the projected \$186.7 million (excluding refunding) Public Facility Revenue Bond (PFRB) sale, planned for June of 2020. Both of these bond sales result in additional debt service payments for both City (\$9.4 million) and Schools (\$4.1 million) in FY 2020-21.

The reduction in salaries shown on the table is the result of the elimination of approximately 97 City FTEs, as well as a half year hiring freeze for City positions. The Adopted Budget included a \$10.9 million negative salary reserve (reflected in the personnel line of the table). It is estimated that this will be offset by the hiring freeze as well as the elimination of approximately 45 FTEs. At the time of adoption, these positions were in the process of being identified by City staff, and a full accounting of the number of positions will be presented to City Council in July 2020. The total amount that is required to be reduced is \$3,140,041, and the total estimated reduction of 45 FTEs is based on the

average city employee's total compensation. It is anticipated that the majority of these eliminated positions will be vacant.

The reduction in budgeted reserves is largely attributable to the dissolving of the Sandbridge Tax Increment Financing (TIF) District. In FY 2019-20, \$8.5 million was budgeted in a reserve within the Sandbridge TIF. Beginning in FY 2020-21, the Sandbridge TIF will be dissolved, and there will no longer be a budgeted reserve. In addition, the Tourism Investment Program's budgeted reserves have decreased by over \$7.5 million, to account for the fund's increase in debt service costs and reduced revenue estimates.

Compensation, Benefits, Recruitment, and Retention

Remaining competitive in the job market is critical to recruiting a diverse pool of applicants. The FY 2020-21 Operating Budget provides both resources to compensate the existing workforce, as well as several new initiatives intended to position the City as a workplace of choice for prospective employees.

Recruitment, Retention, and Initiatives to Fill Vacancies

Both City and Schools are struggling to attract qualified talent to fill vacancies, as well as retain current employees. Schools are finding it difficult to hire and retain teachers. Similarly, the City is finding it difficult in the competitive job market to attract and retain qualified staff across various fields of expertise. These fields of expertise range from public safety professionals like police officers to professionals like engineers. The FY 2020-21 Adopted Operating Budget includes resources and several initiatives to address this critical need.

Public Safety Workforce Development - FY 2020-21 will be the second year (third year for the Police Department) of the public safety workforce development program. Contingent upon successful completion of a required professional development plan, the workforce development program allows police officers, firefighters, Sheriff's deputies, and paramedics to receive a 5% salary increase after their first three years with the City, a 10% salary increase after six years with the City, and a 5% salary increase after nine years with the City. While the primary focus of this program is career development and training for the City's first responders, it also allows these personnel the opportunity to move through their pay range earlier in their career, which also helps to alleviate horizontal compression and retain staff.

Despite efforts in recent years to increase the number of sworn police officers, the positions added have ultimately resulted in a higher number of unfilled vacancies. Turnover and vacancies within the Police Department is largely being driven by retirements and the unsuccessful completion of the Police Academy by recruits. The Police Department is converting eight vacant Police Officer Recruit positions to civilian-type positions. Existing sworn staff, currently fulfilling administrative duties, will be reassigned to field duties, while these newly hired civilians will fulfill the administrative duties. This will allow experienced police officers to fulfill traditional law-enforcement duties, rather than administrative tasks. This initiative does not require any additional resources, yet it increases the number of police officers on the streets.

Virginia Beach City Public Schools (VBCPS) - To address recruitment and retention, VBCPS' FY 2020-21 Budget includes \$700,000 of ongoing funding to provide for additional duty supplements for teachers (athletic coaches, department chairs, etc.) and for increases for early commitment signing bonuses. Additionally, VBCPS is in the process of reviewing the placement of all clerical support positions on the unified pay scale. At this time, the anticipated cost associated with this compensation change would be an additional \$1 million.

Employee Benefits

Hybrid VRS employees are typically defined as all employees, with the exception of those eligible for enhanced retirement in hazardous duty positions, who were hired after January 1, 2014. The adopted budget includes an expansion of the monthly amount of paid time off (PTO) accrued by Hybrid VRS employees. It also increases the amount of PTO that can be carried over at the end of the year. The table below summarizes the current policy and the changes:

Service Time in Years	Hours Accrued Monthly		Hours/Days Accrued Annually		Hours/Days Maximum Carryover	
	Current	Adopted	Current	Adopted	Current	Adopted
0 to < 5	11	12	132/16.5	144/18	176/22	224/28
5 to < 10	13	14	156/19.5	168/21	200/25	248/31
10 to < 15	15	16	180/22.5	192/24	224/28	272/34
15+	17	18	204/25.5	216/27	248/31	296/37

The above changes will result in the accrual of an extra 1.5 days per year and expands the maximum allowable carryover by six days per year for all hybrid employees. The adopted updates to the City's leave policy do not have a direct monetary impact on the Operating Budget and will provide an additional benefit to more recently hired employees.

The operating budget also includes the expansion of the City's Maternity/Paternity leave program. The revised program will provide six weeks of paid leave for the birthing and non-birthing parents, as well as adoptive parents. This is an increase of three weeks from the current policy, and Virginia Beach remains the only city in Hampton Roads with a maternity leave program.

In addition, the originally proposed budget included a 2% increase in employee healthcare premiums, which was scheduled to take effect on January 1, 2021. Because the adopted budget does not include funding for a merit-based pay increase for City or School employees, this planned increase has been eliminated for FY 2020-21. Below are the health insurance premium rates for FY 2020-21:

City Employee Premiums FY 2020-21

	POS Basic	POS Standard	POS Premier
Subscriber Only	\$3.66	\$21.60	\$48.69
Subscriber + 1 Child	\$29.76	\$58.82	\$102.70
Subscriber + Children	\$64.40	\$108.22	\$174.38
Subscriber + Spouse	\$119.99	\$161.82	\$224.97
Family	\$159.25	\$217.80	\$306.20

Education

During the 2020-21 school year, VBCPS is adding an additional opportunity for students to its academic programs. The Environmental Studies Program hosted at the Brock Environmental Center will offer high school juniors and seniors an opportunity to expand their understanding of sustainable economics and business innovation, social sustainability, environmental sustainability, and natural resource stewardship. The program will prepare students for post-secondary education and provide pathways for students to investigate careers related to the environment and sustainability.

The FY 2020-21 Capital Improvement Program provides funding for an expansion of Lynnhaven Middle School for the An Achievable Dream Academy (AAD). The original An Achievable Dream Academy was opened at Seatack Elementary School during the 2014-15 school year for kindergarten through the second grade. In the 2018-19 school year, the first class of An Achievable Dream students began middle school. As a result of successful implementation of the AAD Program at Seatack Elementary, it was decided that VBCPS would partner with AAD to expand the AAD Program to middle school students. Lynnhaven Middle School has been identified as the ideal local for the expansion of AAD Academy. In order to accommodate the expansion, a new wing needs to be added to Lynnhaven Middle School. Once completed, Lynnhaven Middle will continue to house middle school students (grades 6-8) who are zoned for Lynnhaven Middle, in addition to students enrolled in the An Achievable Dream Academy (grades 6-12). While the AAD Academy will have a separate entrance, the two schools will share the common areas of the facility such as the cafeteria, library, gymnasium, athletic fields, and tennis courts.

5/31 Recovery Efforts

In the wake of May 31, 2019, many City employees have been relocated to temporary lease spaces across the City. The FY 2020-21 Budget provides funding for additional leases for the departments of Public Works, Public Utilities, Planning, and Information Technology (IT) related to their relocation from Building 2. In addition to lease payments, funding is provided for the build-out of these spaces, as well as the custodial upkeep of the facilities.

To coordinate the recovery efforts between outside agencies and the City, the City has hired a Recovery Manager. The Recovery Manager serves the role of a liaison between the City of Virginia Beach and Sentara in the operation of the VB Strong Center. This position is critical for the planned recovery efforts to assist City employees impacted by the event and in need of additional support.

In July of 2019, City Council acted to establish CIP project 3-174 "Operations Facilities Renewal and Replacement." This project combined the existing partially funded Building 1 and Building 11 renewal projects with the unexpected renovation of Building 2 under one umbrella project to allow for a single contract to begin design work on the three buildings. When the renovations of each of the buildings are completed, Building 2 is expected to be the Police Headquarters and First Precinct, and Buildings 1 and 11 will house several divisions of Public Works, Public Utilities, IT, and Planning. The total project cost is estimated to be \$83 million, with \$4 million previously funded in FY 2019-20. Though this budget fully funds this project, City Council has placed a temporary hold on any additional expenditures related to these renovations until further notice. While this project is important in the aftermath of the 5/31 tragedy, City Council has opted to not initially expend these funds to ensure that cash flow is sufficient pending improvement of the economy.

In order to fund this project, several CIP projects are being delayed, ensuring adequate funding and debt capacity is available for this project. Bonds previously allocated for the delayed projects were redirected toward CIP 3-174 "Operations Facilities Renewal and Replacement." As a result of this effort, only \$50 million of additional bonds were programmed to fully fund this project. As such, reflected in the previous table is the additional projected debt service

anticipated to occur resulting from the \$50 million of additional bonds programmed. More detail about changes in project funding and timelines is available in the CIP section later in this document.

Implementation of Hillard Heintze Report

On March 3, 2020, the City Manager presented the City of Virginia Beach's response to the recommendations provided within the Hillard Heintze report. Outlined within the response was that many of the recommendations in the report already exist within the City's policies and procedures. Some of the recommendations can be implemented with limited resources, but several of the recommendations will require a significant amount of resources to implement. The FY 2020-21 Operating Budget includes funding to implement recommendations within the following areas:

Human Resources - The Human Resource department is receiving four new FTEs to centralize operations, establishing a Threat Assessment Team, implement a case management system, and conduct training throughout the City. In total, \$397,373 is included within the budget to begin to implement these recommendations.

Facility Security - The budget adds funding for one Public Safety Analyst in order to establish a Facility Security Division within the Office of Emergency Management to prioritize and address facility security issues moving forward. This division will assist in improving physical security, employee and public safety training and education, and overall management of security at City facilities. To compliment this new office, CIP 3-183 "City Security Enhancements" is included within the second year of the CIP for the purpose of making structural alterations to existing facilities in need of security improvements. Additional resources are also included within years two through six of the CIP in project 3-166 "Facilities Access Systems" (previously titled Building Security) to enhance and accelerate installation of electronic locks and other components of the centralized facility access management system. Additional information about these specific projects is provided in the CIP document.

Budgeting for Attrition

The FY 2020-21 Operating Budget uses the practice of budgeting for attrition for the third consecutive year. Prior to FY 2018-19, the City of Virginia Beach fully budgeted salaries in the General Fund Operating Budget. In that year, City Council made the decision to use attrition savings to balance the budget without increasing taxes or fees, and since that time, the practice has continued. In FY 2018-19, \$5.3 million was utilized, in FY 2019-20 \$5.1 million, and in the FY 2020-21 Operating Budget \$7.8 million in vacancy savings has been programmed, which will be largely offset by the hiring freeze in effect until at least December 2020.

In addition to the more traditional mechanism of budgeting for attrition, the City also budgets for attrition by using vacancy savings to fund additional overtime and contracted manpower costs needed to backfill workload due to position vacancies and departmental emergencies. In FY 2019, the General Fund expended \$7 million in vacancy savings to cover the use of contracted manpower and overtime above and beyond the amount budgeted for these purposes. The City also uses realized personnel savings in subsequent fiscal years by programming General Fund-Fund Balance to finance the CIP.

REVENUE

Total revenue for the FY 2020-21 Adopted Budget is \$2,086,059,932, a 0.26% increase over the Adjusted FY 2019-20 Budget. Total City revenue for FY 2020-21 is estimated at \$1,128,513,971 while School revenue is estimated at \$957,545,961. This represents a revenue decrease of 1.2 % for the City, while School revenue is growing at 2.1% when compared to the Adjusted FY 2019-20 Budget.

The table below reflects all major revenue streams included in the FY 2020-21 Adopted Operating Budget. A more in-depth discussion of several of the revenues shown in this table is included later in this section.

FY 2020-21 Operating Budget Total Estimated Revenue

	FY 2019-20 Adjusted Budget	FY 2020-21 City Budget	FY 2020-21 School Budget	FY 2020-21 Total City & School Budget	Percent Change
<i>Real Estate</i>	605,709,974	361,257,595	258,199,055	619,456,650	2.27%
<i>Personal Property*</i>	163,497,601	84,188,812	73,964,919	158,153,731	-3.27%
<i>General Sales</i>	66,745,446	33,632,646	29,527,253	63,159,899	-5.37%
<i>Utility Tax</i>	49,578,224	24,367,670	21,393,213	45,760,883	-7.70%
<i>Automobile License</i>	11,652,769	6,165,313	5,412,739	11,578,052	-0.64%
<i>Business License</i>	51,892,052	24,649,185	21,640,364	46,289,549	-10.80%
<i>Restaurant Tax</i>	70,026,667	30,962,402	27,182,954	58,145,356	-16.97%
<i>Amusement Tax</i>	7,019,378	3,705,707	-	3,705,707	-47.21%
<i>Hotel Room Tax</i>	37,944,530	24,476,368	2,711,485	27,187,853	-28.35%
<i>Cigarette Tax</i>	11,179,170	6,427,995	3,261,475	9,689,470	-13.33%
<i>General Fund Balance</i>	6,239,587	4,255,456	409,000	4,664,456	-25.24%
<i>Other Fund Balance</i>	10,709,695	18,690,977	12,926,135	31,617,112	195.22%
<i>Utility Fees</i>	170,697,301	169,900,975	-	169,900,975	-0.47%
<i>Other Revenue</i>	136,907,547	129,419,866	13,158,652	142,578,518	4.14%
<i>Additional Local Revenue</i>	-	-7,766,223	7,766,223	-	0.00%
<i>Waste Collection Fee</i>	36,898,819	37,398,127	-	37,398,127	1.35%
<i>State Revenue</i>	518,043,947	127,265,574	405,865,920	533,131,494	2.91%
<i>Federal Revenue</i>	125,870,020	49,515,526	74,126,574	123,642,100	-1.77%
Total Operating Budget	\$2,080,612,727	\$1,128,513,971	\$957,545,961	\$2,086,059,932	0.26%

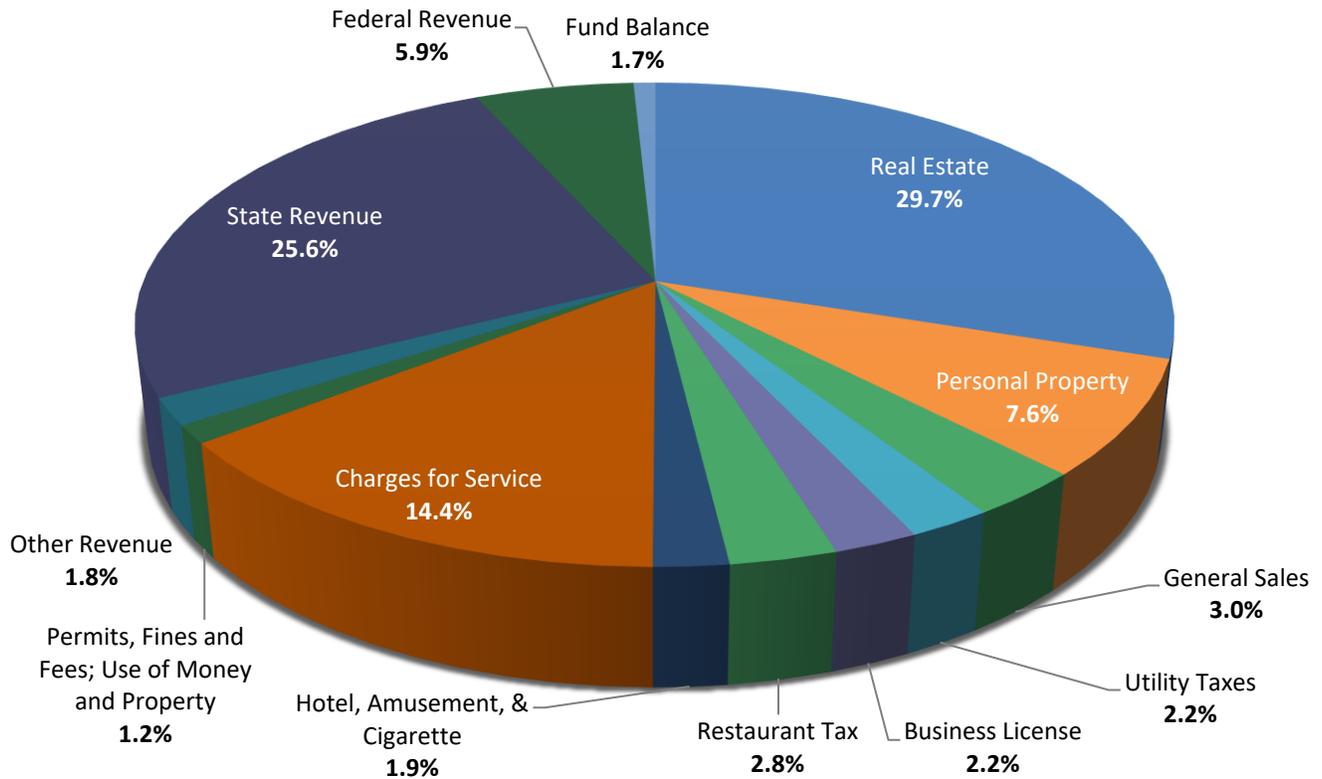
The City/Schools funding formula can be viewed in the Appendix section of the Operating Budget.

**City Council waived the personal property tax for Volunteer Firefighters and EMS, which reduced revenue by an estimated \$60,000.*

This reduction was exempted from the calculation of the Revenue Sharing Formula, thus VBCPS is held harmless.

Prior to the COVID-19 pandemic, the local and regional economies were experiencing steady growth. This is illustrated in part at the local level by the seventh consecutive year of real estate assessment growth. Real estate tax revenue is estimated at \$619,456,650. While this revenue is anticipated to increase based on assessments, real estate revenue estimates take into account an assumed decrease in the collection rate. Growth of this revenue is critical, as real estate taxes account for 29.7% of all revenue to the City; however, the long-term impacts of COVID-19 remain unknown. Revenue from the State and Federal governments account for 25.6% and 5.9% of total revenue, respectively, with most of this revenue supporting Virginia Beach City Public Schools.

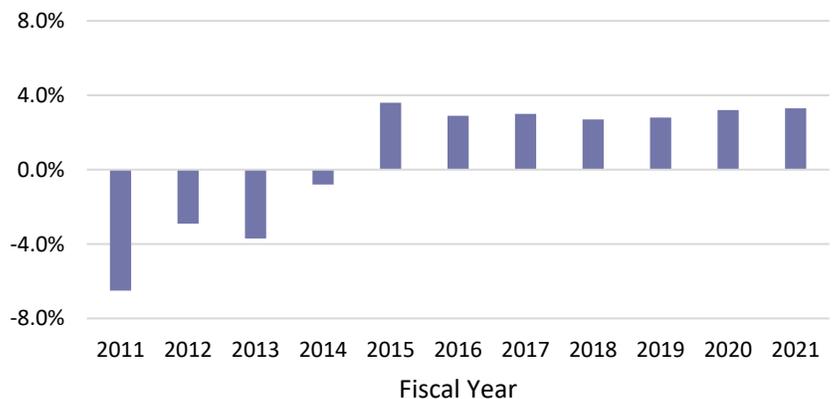
Proportion of Revenue by Type



Real Estate

The real estate tax is the single largest revenue source for the City, generating over a quarter of the City’s total revenue and nearly half (49.0%) of the City’s General Fund revenue. The adopted Operating Budget maintains the current real estate tax rate of \$1.0175 per \$100 of assessed value. The increase in this revenue in FY 2020-21 is due to growth in assessed value of both residential and commercial properties. Residential property assessments are expected to increase by 2.44% in the coming year, while commercial properties are expected

Change in Real Estate Assessments



to increase by 3.25%. In total, real estate assessments are expected to increase 3.3% in FY 2020-21. The largest anticipated increase is for apartment properties, which are expected to see a 12.22% increase in assessed value. This is driven primarily by demand for housing, particularly for luxury apartments, townhouses, and condominiums, which appeal to both younger buyers, as well as older buyers seeking to downsize. However, FY 2020-21 real estate revenue estimates reflect an anticipated decrease in the collection rate as a result of the COVID-19 pandemic.

Most real estate tax revenue supports general government operations, including the Schools; however, City Council has identified several priorities that receive a dedication of the real estate tax. These dedications are 2.5¢ for stormwater, 3.476¢ to Parks and Recreation to support City recreation centers, 0.9¢ to the Agricultural Reserve Program (ARP), 0.47¢ to the Outdoor Initiative Program, and the Adopted Budget includes a new 1.85¢ dedication to the General Fund to support emerging City Council priorities.

In addition to these various dedications of the real estate tax, the City has several Special Service Districts (SSD) with increased real estate tax rates that support enhanced services within specific geographical boundaries. The City also uses Tax Increment Financing (TIF) Districts to fund public improvements in specific geographical areas.

The table below reflects the growth in real estate tax revenue compared to FY 2019-20 and illustrates where that funding is appropriated within the FY 2020-21 budget.

Changes in Real Estate Revenue FY 2019-20 to FY 2020-21

	FY 2019-20	FY 2020-21	Difference
City Operations and CIP	\$288,464,850	294,107,388	5,642,538
Stormwater	14,294,539	14,881,568	587,029
City Council Priorities	-	11,012,360	11,012,360
Schools Operations and CIP	253,301,502	258,199,055	4,897,553
Parks and Recreation	22,562,501	23,489,066	926,565
Sandbridge Special Service District	735,502	519,024	(216,478)
Agriculture Reserve Program	5,146,034	5,357,364	211,330
Sandbridge TIF District	10,411,393	-	(10,411,393)
Central Business District TIF District	8,033,042	8,839,635	806,593
Town Center Special Service District	2,111,141	2,390,683	279,542
Dredging Special Service Districts	649,470	669,508	20,038
Total	\$605,709,974	\$619,465,650	\$13,755,676

The previous table reflects the dissolving of the Sandbridge TIF. Real estate revenues previously dedicated to the TIF are now included in the base of revenues and are no longer earmarked specifically for Sandbridge. The \$216,478 loss in real estate revenue to the Sandbridge SSD is attributable to the reduction in the real estate special service rate from 6¢ per \$100 of valuation to 4¢ per \$100.

Sandbridge TIF and SSD

Of the more significant changes in the allocation of revenue included in the Adopted Budget, are the dissolving of the Sandbridge Tax Increment Financing (TIF) District and the reduction of the real estate special service rate in the Sandbridge Special Service District (SSD).

Prior to 1990, there was no financial strategy at the local, state, or federal level to fund sand replenishments at Sandbridge Beach to combat erosion that threatened damage to public and private infrastructure. At that time, the federal government did not deem Sandbridge beach replenishment as a priority when determining where along the Atlantic coast should be nourished through hurricane-protection projects managed by the Army Corps of Engineers. However, in 1992, the federal government included Sandbridge in its sand nourishment projects to combat against 100-year storms. This authorization required a cost sharing agreement between the City and the federal government. In order to create a dedicated local revenue source, the Sandbridge Special Service District was established in November of 1994.

The Code of Virginia (Section 15.2-2400-2403.4) authorizes localities to establish Special Service Districts, which are intended to provide enhanced services within a predetermined geographic boundary. The Code of Virginia grants localities the authority to impose additional taxes or rates within the SSD to finance these enhanced services. The SSD has an additional real estate tax rate of 6¢ per \$100 of assessed value. In addition to the increased real estate tax rate, the SSD retains \$1 per room night of the total \$2 hotel flat tax, as well as 6.5% of the total 9.5% hotel tax collected within the district. The SSD supports sand replenishment, beach access improvements, and a dedicated three-person beach maintenance crew.

In addition to authorizing SSDs, the Code of Virginia (Section 58.1-3245 – 3245.5) authorizes the use of Tax Increment Financing as a means of financing the cost of public improvements in a defined geographic area. The Sandbridge TIF was established in December 1998 as a means to ensure financial sustainability for sand replenishment of Sandbridge Beach should federal funding for the project not be available and Sandbridge SSD funding be insufficient for total project costs. While the SSD imposes a higher tax rate for enhanced service levels, the property owners in a TIF district pay the same real estate tax rate as any other property owners in the City. The TIF generates funding for the district by isolating all revenue generated from assessment growth beyond the base year. Base year assessments of the Sandbridge TIF were established in FY 1997-98 at \$206 million, and real estate tax revenue generated on this base amount each year continues to support the General Fund.

It is the City's practice to have the estimated cost of two Sandbridge beach replenishments programmed within the six-year Capital Improvement Program. This ensures that funding is available should the need for an emergency replenishment arise. Together, the TIF and SSD provided a sustainable, long-term financial plan for sand replenishment. Any excess TIF-related revenue beyond the amount needed for beach replenishments has historically been declared surplus and reverted to the General Fund at the end of the fiscal year. Since the establishment of the TIF, real estate assessments in the district have grown 540% to \$1.32 billion. This robust growth is attributable in large part to the provision of sanitary sewer infrastructure, as well as the regular sand replenishment cycle and the enhanced beach maintenance crew that is funded through the SSD.

Due to the growth in assessments in the Sandbridge TIF and SSD district, as well as the lodging taxes generated in the district, a portion of the revenue generated in the TIF fund has been declared surplus for each of the past 14 fiscal years.

In FY 2019-20, an audit of the Sandbridge TIF and a financial analysis of the status of the TIF and SSD were conducted. The financial analysis found that the amount of surplus revenue from the TIF has been between \$7 million and \$9 million of the total \$7.3 million to \$10.5 million generated by the TIF. Even with this level of annual surplus, there are

currently two fully funded beach replenishments within the CIP, CIP 8-026 “Sandbridge Beach Replenishment III” and CIP 8-038 “Sandbridge Beach Replenishment IV”. The most recent replenishment will be completed in 2020, under CIP 8-010 “Sandbridge Beach Replenishment II” and the next planned replenishment is expected to occur in 2025.

In FY 2020-21, the total amount of real estate revenue generated from the Sandbridge TIF is estimated at \$11.3 million. After the financial analysis was performed, it has been determined that the Sandbridge SSD can fully fund the necessary number of beach replenishments without the support of the Sandbridge TIF. The Adopted Operating Budget dissolves the Sandbridge TIF and reduces the real estate special service rate in the Sandbridge SSD from 6¢ per \$100 of assessed value to 4¢ per \$100 of assessed value. The Sandbridge SSD lodging-based revenue streams generate enough revenue that reducing the real estate rate is possible without impacting the beach replenishment schedule. A discussion of the impact of dissolving the TIF on the Schools’ budget is provided in the CIP section of this document.

The Sandbridge TIF is the second of the three TIFs established in the City to be dissolved, indicating that they successfully accomplished their original goals; to enhance the economy and quality of life in Virginia Beach. The Lynnhaven TIF was dissolved in FY 2011-12, after successfully spurring private investment around Lynnhaven Mall. The Town Center TIF, established in 1999, remains in place, continuing to support the growth of Town Center.

Personal Property Revenue

Personal property tax revenue is comprised of taxes assessed on various types of property, including automobiles, business personal property, commercial boats, recreational vehicles, mobile homes, and other pleasure and leisure items. Automobiles and business personal property are the largest sources of personal property tax revenue and are taxed at a rate of \$4.00 per \$100 of assessed value. Of this amount, some revenue is allocated to Schools through the revenue sharing formula.

Given the number of variables involved in estimating this revenue, as well as the volatility in its historical performance, this revenue can be difficult to predict; however, personal property tax revenue is expected to decrease 3.3% in FY 2020-21 due to an anticipated decrease in the collection rate as a result of the COVID-19 pandemic. Additional information about the variables and assumptions behind this estimate are provided in the Revenue section of the Operating Budget document.

Virginia Beach’s vehicle personal property revenue collections come from two sources, a fixed amount from the Commonwealth for implementation of the Personal Property Tax Relief Act (PPTRA) and from the citizens of the City through payment of their personal property taxes. The percentage of residents’ personal property tax liability that will be billed annually is determined by calculating the percentage of the eligible tax liability covered by the State reimbursement. The FY 2020-21 Operating Budget includes a State relief percentage of 46.8%, down from 50.1% in FY 2019-20. Accordingly, 53.2% of residents’ personal property tax liability will be billed.

Consumer Driven Revenue

Consumer driven revenues are comprised of sales, hotel, meals, and amusement tax revenues, which are primarily influenced by the economic climate and desirability of Virginia Beach as a tourist destination. New projects and events on the horizon, such as the opening of the Virginia Beach Sports Center which will host year-round sporting events will help to drive these revenues in future peak and shoulder seasons. However, COVID-19 has had an impact on the local tourism industry and related consumer driven revenues.

The FY 2020-21 Adopted Budget assumes economic activity will return to normal by December of 2020. The following table illustrates the projected timeline of economic recovery utilized in preparing revenue estimates.

Revised Monthly Collections as a Percentage of Originally Proposed Revenue

	July	Aug	Sep	Oct	Nov	Dec
<i>Sales</i>	75%	80%	85%	90%	95%	100%
<i>Hotel</i>	50%	60%	70%	80%	90%	100%
<i>Amusement</i>	50%	60%	70%	80%	90%	100%
<i>Meal</i>	25%	80%	85%	90%	95%	100%

In addition to a reduction in anticipated economic activity and collections, City Council implemented tax policies aimed at economic relief for residents that have an impact on revenue. Specifically, City Council implemented a two-month meal tax holiday and waived penalties and interest on tax collections that resulted in a decrease in budgeted consumer driven revenue.

In FY 2020-21, total revenue from these sources is projected to decrease 16.3% as a result of COVID-19 and the associated economic downturn compared to the FY 2019-20 Operating Budget.

Stormwater ERU Fee

The FY 2019-20 Operating Budget authorized a 3.5¢ increase in the daily Stormwater ERU rate annually through FY 2024-25 in order to support an increase in debt service related to stormwater capital improvement projects. However, in an effort to minimize the impact of taxes and fees on households and businesses in the wake of COVID-19, the adopted FY 2020-21 Operating Budget delayed the second year of the rate increase until FY 2021-22. In FY 2020-21, the current ERU rate of 49.3¢ daily will remain in effect. To offset this revenue loss to the Stormwater Enterprise Fund, the General Fund will transfer \$3.1 million to the Stormwater CIP in FY 2020-21. Below are the currently adopted Stormwater ERU rates through FY 2025-26.

FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
49.3¢	49.3¢	52.8¢	56.3¢	59.8¢	63.3¢	66.8¢

Charges for Service

Charges for service are primarily comprised of enterprise fund fee collections (including the stormwater ERU fee discussed above) offsetting the cost of delivering services and programs. In FY 2020-21, there are no increases to the solid waste fee, water service charges, or sewer service charges. However, the Adopted Budget includes several changes to Parks and Recreation fees. These changes include the elimination of day passes and month-to-month memberships. Instead, Parks and Recreation will implement a 30-day pass for residents and non-residents, as well as increasing annual membership fees by \$2 for senior and youth residents and by \$3 for all other memberships. Total revenues generated by charges for service, including the stormwater ERU fee discussed previously, are estimated to be \$299.7 million in FY 2020-21. Aquarium, library, park, and recreation center closures are projected to impact revenue from charges for services. The magnitude of this impact will be somewhat contingent on the reopening timeline as well as capacity restrictions.

State and Federal Revenue

State and federal revenue estimates are based on historical trends, General Assembly budget proposals, gubernatorial recommendations, and congressional action. While these two revenue sources account for approximately 31.4% of total revenue for the City, the majority of all budgeted state and federal revenue provide funding for Virginia Beach City Public Schools (VBCPS), Human Services, and the Department of Housing and Neighborhood Preservation. Overall, state revenue is expected to increase by 2.9%, while federal revenue is expected to decrease by 1.8%.

The initial revenue estimate by VBCPS was based upon the Budget of the Commonwealth of Virginia, as proposed by the governor in December. This estimate was refined in April following the conclusion of the Virginia General Assembly's reconvened session. At the reconvened session, the General Assembly adopted amendments proposed by the governor that removed proposed funding from several programs due to the COVID-19 pandemic. The new VBCPS estimate, adopted through resolution by the School Board in late April and included in this budget document, used a Commonwealth assistance total as calculated by the Virginia Department of Education as the base of its revised estimate. This calculation resulted in a direct distribution of \$397.4 million in funds from the Commonwealth. Although reduced from both the budget proposed by the governor in December as well as the original budget adopted by the General Assembly in March, this distribution is still a significant increase from the Commonwealth's budget amount from FY 2019-20. In addition to the direct distribution, VBCPS also estimates a small amount of additional revenue from non-direct distributions of Commonwealth assistance.

The VBCPS federal revenue estimate declined slightly from its FY 2019-20 budget; however, this reduction was based upon traditional federal funding sources and was independent of any COVID-19 impacts. However, the VBCPS revenue estimate and this budget document does not account for any additional assistance from the federal government that has since been allocated or may be allocated due to COVID-19 relief measures.

Use of Fund Balance

The FY 2020-21 Net Operating Budget uses a total of \$36.3 million in specific fund reserves, commonly referred to as fund balance. As noted above, internal service funds are deducted from the net budget calculation, and thus any use of their fund balance is not included within the Net Operating Budget of \$2,086,059,932. Fund balance results from collecting revenues in greater amounts than expenditures during the fiscal year and is used to fund non-reoccurring expenditures.

In total, the General Fund Operating Budget has programmed \$4.6 million in fund balance for use in FY 2020-21. The largest portion of this amount is \$2.2 million for the first of two payments to the Commonwealth for a long-term lease of the land adjacent to Camp Pendleton on General Booth Boulevard for the purpose of the Virginia Aquarium's auxiliary parking lot. The City will pay the Commonwealth \$2.5 million in both FY 2020-21 and FY 2021-22 for the construction of a new secure gate to the Camp Pendleton State Military Reservation, and in return receive a lease of the land for 50-years with an additional 50-year option. The next major use of fund balance is \$1.6 million to support the City combined service bill relief program to be administered by the Department of Human Services. This program, which totals \$4 million, is also funded by \$2.4 million in fund balance from the Water and Sewer Enterprise Fund.

In FY 2020-21, Virginia Beach City Public Schools have programmed a total use of \$13.3 million in fund balance. \$5.8 million is from the School Reserve Special Revenue Fund to balance their operating fund. The School Reserve Special Revenue Fund was established by City Council to allow the Schools a mechanism to use reversion funds in subsequent years. Reversion funding results from school revenues, including the local transfer, greater than expenditures and from appropriations that were not expended during the fiscal year. State Code prohibits the School Operating Fund from maintaining a fund balance and stipulates that all unused appropriations or over

realized revenues are to revert to the original source. At the request of the School Board this School Reserve Special Revenue Fund was established and each year the Schools, with City Council approval, may appropriate funding to this Fund for future use.

Major uses of fund balance in other funds include the use of \$8.7 million within the health insurance fund to reduce the amount of employee contribution required to implement the health insurance premium increases for both the City and the Schools. The Tourism Investment Program Fund has also programmed the use of \$14.8 million in order to minimize the impact of the loss of consumer driven revenues on the Fund’s services.

Annual Tax and Fee Impact

The following graphics summarize the estimated total impact of the FY 2020-21 Operating Budget on a household in Virginia Beach compared to FY 2019-20. Values and totals in bold reflect changes in tax rates or adjustments in values in this Budget. The bottom-line impact for taxpaying households who own a home valued at the citywide median and own two cars is an additional \$69 annually, or \$5.75 per month. This amount will vary for each individual taxpayer depending on variables such as home value, vehicle value, the number of cars owned, and consumption choices.

2020

Tax or Fee	Value	Annual
<i>Real Estate Tax</i>	\$249,500 (City Median) X \$1.0175 per \$100 of value	\$2,539
<i>Personal Property Tax</i>	\$8,200 (City Car Average) X \$4 X 49.9% Citizen Share X 2	327
<i>Electricity Utility Tax</i>	\$3 per month	36
<i>Gas Utility Tax</i>	\$3 per month	36
<i>Water Utility Tax</i>	\$3 per month	36
<i>Telecomm Tax</i>	5% on \$90 per month phone bill + cable ROW fee + E-911 tax	77
<i>Restaurant Tax</i>	Food Away from Home* (\$3,853) X 5.5%	212
<i>Admissions Tax</i>	Participatory* (\$75 X 5%) + General Admissions* (\$199 X10%)	24
<i>Vehicle License Registration</i>	\$30 per car X 2 Cars	60
<i>Stormwater Utility Fee</i>	49.3 ¢ per day X 365 Days	180
<i>Waste Management Fee</i>	\$25 per month	300
<i>Water & Sewer</i>	Average cost of a 5,000 Gallon household	717
	Water: \$28.91 per month; Sewer \$30.81 per month	
	Total	\$4,544

2021

**Figures come from 2018 BLS Consumer Expenditure Survey for Virginia Beach's median income level.*

Tax or Fee	Value	Annual
<i>Real Estate Tax</i>	\$254,200 (City Median) X \$1.0175 per \$100 of value	\$2,586
<i>Personal Property Tax</i>	\$8,200 (City Car Average) X \$4 X 53.2% Citizen Share X 2	349
<i>Electricity Utility Tax</i>	\$3 per month	36
<i>Gas Utility Tax</i>	\$3 per month	36
<i>Water Utility Tax</i>	\$3 per month	36
<i>Telecomm Tax</i>	5% on \$90 per month phone bill + cable ROW fee + E-911 tax	77
<i>Restaurant Tax</i>	Food Away from Home* (\$3,853) X 5.5%	212
<i>Admissions Tax</i>	Participatory* (\$75 X 5%) + General Admissions* (\$199 X 10%)	24
<i>Vehicle License Registration</i>	\$30 per car X 2 Cars	60
<i>Stormwater Utility Fee</i>	49.3 ¢ per day X 365 Days	180
<i>Waste Management Fee</i>	\$25 per month	300
<i>Water & Sewer</i>	Average cost of a 5,000 Gallon household	717
	Water: \$28.91 per month; Sewer \$30.81 per month	
	Total	\$4,613

Rate Comparisons

Virginia Beach's taxes and fees compare very favorably with other Hampton Roads localities. The following table includes major tax rates and fees that are imposed on residents and visitors and demonstrates that Virginia Beach has among the lowest tax rates in Hampton Roads, while also offering many additional services and programs not provided by surrounding localities.

Selected Local Tax Rates:

Virginia Beach Adopted FY 2020-21 and Other Cities Adopted FY 2020-21

	Virginia Beach	Chesapeake	Norfolk	Portsmouth	Suffolk	Hampton	Newport News
<i>In dollar amounts:</i>							
Real Estate (per \$100 /A.V.)	\$1.0175	\$1.05	\$1.25	\$1.30	\$1.11	\$1.24	\$1.22
Personal Property (Vehicles & Business)	\$4.00	\$4.08	\$4.33	\$5.00	\$4.25	\$4.50	\$4.50
Personal Property (Machinery & Tools) *	-	\$0.64	\$1.70	\$1.50	\$0.63	\$1.23	\$1.25
Automobile License Registration	\$30.00	\$23.00	\$31.00	\$32.00	\$26.00	\$35.00	\$26.00
Cigarette (per pack) **	\$0.75	\$0.65	\$0.95	\$0.95	\$0.75	\$0.85	\$0.85

Solid Waste Fee (per month) **	\$25.00	-	\$27.01	\$29.16	\$25.25^	\$43.88	\$28.47
<i>In percent:</i>							
Meals	5.5%	5.5%	6.5%	7.5%	6.5%	7.5%	7.5%
Admissions	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Hotel	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<p>*In Virginia Beach, the rate is one millionth of one cent, essentially zero. The Code of Virginia requires that localities assess and levy all classifications of personal property. With an adopted rate of one millionth of one cent, the City's Treasurer will not issue a nuisance bill. For the other cities, the effective rate is cited, which is a product of the tax rate multiplied by the assessment percentage. Using Chesapeake as an example, their tax rate is \$3.20, but they only assess 20% of the value, producing an effective tax rate of 0.64 ¢ (\$3.20 X 20%).</p> <p>** Effective July 1, 2021, local government cigarette tax authority in the Commonwealth of Virginia will be capped at the rate set by the local government as of January 1, 2020</p> <p>***Hampton represents average monthly cost of recyclers and non-recyclers. Newport News represents an average for Standard and Medium Container.</p> <p>^ Suffolk's solid waste fee increases to \$25.25 is effective on January 1, 2021. For the rest of 2020, the fee will remain \$21.30 per month.</p>							

In addition to comparing tax and fees with the other Hampton Roads localities, the City also regularly compares its expenditures per capita as a percentage of per capita income with other jurisdictions. As the table below illustrates, Virginia Beach has the lowest expenditures as a percentage of per capita income (6.07%) when compared to the cities of Hampton Roads.

Relative Measure of Burden Per Capita

Locality	Per Capita Expenditures as a % of Per Capita Income
Virginia Beach	6.07%
Chesapeake	7.10%
Hampton	9.04%
Newport News	9.28%
Norfolk	8.47%
Portsmouth	9.54%
Suffolk	7.13%

Sources: Auditor of Public Accounts, Bureau of Economic Analysis, and the Weldon Cooper Center.

In response to the COVID-19 pandemic, the City implemented several programs intended to provide economic relief for citizens and businesses. As of the FY 2020-21 budget adoption on May 12, 2020, the City of Virginia Beach has implemented more relief programs than any other Hampton Roads city. Among the relief programs specifically for citizens, the City has implemented programs to assist residents with real estate and personal property taxes, as well as stormwater, solid waste, and utility fees. A comparison of these programs across Hampton Roads are outlined in the following table:

Hampton Roads COVID-19 Relief Programs for Citizens*

Real Estate Taxes	
Chesapeake	Due Date moved from June 5 to June 30
Hampton	Due date moved from June 5, 2020 to August 1, 2020 for residents able to demonstrate financial loss.
Newport News	Due date moved from June 5, 2020 to August 5, 2020 for residents able to demonstrate hardship.
Norfolk	Deferral of penalties and interest until August 2, 2020
Virginia Beach	Eliminated penalties and interest for all late payments of real estate taxes through Aug. 1, 2020.

Personal Property Taxes	
Chesapeake	Due Date moved from June 5 to June 30
Hampton	Due date moved from June 5, 2020 to August 1, 2020 for residents able to demonstrate financial loss.
Newport News	Due date moved from June 5, 2020 to August 5, 2020 for residents able to demonstrate hardship.
Norfolk	Deferral of penalties and interest until August 2, 2020
Portsmouth	Deferral of penalties and interest until June 30, 2020
Virginia Beach	Eliminated penalties and interest for all late payments of personal property taxes through Aug. 1, 2020.

Stormwater Fees	
Chesapeake	Due Date moved from June 5 to June 30
Virginia Beach	Suspension of planned Stormwater Fee increase.

Utility Fees	
Virginia Beach	Established a \$4 million relief fund for the combined City Services Bill (water, stormwater, sewer, solid waste).

Convenience Fees	
Norfolk	Convenience fees for online payments waived until August 2, 2020
Suffolk	Convenience fees for online payments waived until further notice

* Information was compiled based on publicly available information as of May 12, 2020

The City has also implemented several initiatives to assist businesses, including relief for personal property, restaurant meals, admissions, and hotel occupancy taxes, as well as the development of an Economic Development Investment Program (EDIP) Grant Program for small businesses. A comparison of business economic relief initiatives in Hampton Roads are outlined in the following table:

Hampton Roads COVID-19 Relief Programs for Businesses*

Real Estate Taxes	
Hampton	Due date moved from June 5, 2020 to August 1, 2020 for businesses able to demonstrate financial loss.
Newport News	Due date moved from June 5, 2020 to August 5, 2020 for businesses able to demonstrate hardship.
Norfolk	Deferral of penalty and interest for payments due between March 24, 2020 and August 1, 2020 until August 1, 2020
Virginia Beach	Eliminated penalties and interest for all late payments of real estate taxes through Aug. 1, 2020.

Personal Property Taxes

Hampton	Due date moved from June 5, 2020 to August 1, 2020 for businesses able to demonstrate financial loss.
Newport News	Due date moved from June 5, 2020 to August 5, 2020 for businesses able to demonstrate hardship.
Norfolk	Deferral of penalty and interest for payments due between March 24, 2020 and August 1, 2020 until August 1, 2020
Virginia Beach	Due Date moved from June 5 to August 3.

Restaurant Meals Tax

Norfolk	60-day penalty and interest deferral for April 2020, May 2020, and June 2021
Portsmouth	Deferral of penalties and interest for taxes due between April 20, 2020 and June 20, 2020, until July 20, 2020.
Virginia Beach	Implemented meal tax holiday, reducing the City's meal tax rate from 5.5% to 0% for May and June. 60-day suspension of due date, late payments, and penalties for taxes collected in April, May, and June

Admissions Tax

Norfolk	60-day penalty and interest deferral for April 2020, May 2020, and June 2021
Portsmouth	Deferral of penalties and interest for taxes due between April 20, 2020 and June 20, 2020, until July 20, 2020.
Virginia Beach	60-day suspension of due date, late payments, and penalties for taxes collected in April, May, and June.

Hotel Occupancy Taxes

Norfolk	60-day penalty and interest deferral for April 2020, May 2020, and June 2021
Portsmouth	Deferral of penalties and interest for taxes due between April 20, 2020 and June 20, 2020, until July 20, 2020.
Virginia Beach	60-day suspension of due date, late payments, and penalties for taxes collected in April, May, and June.

Small Business Assistance

Hampton	Establishment of a forgivable loan program for loans up to \$10,000 for Hampton small businesses.
Newport News	Establishment of a Small Business Resiliency Grant program for grants up to \$5,000 for Newport News Small businesses.
Norfolk	Establishment of the Norfolk Business Loan Product for COVID-19 for all Norfolk businesses, with loan amounts from \$10,000-\$35,000 to be paid back in 3-5 years
Virginia Beach	Establishment of a \$2.5 million Economic Development Investment Program (EDIP) Grant Program to assist Virginia Beach small businesses.

* Information was compiled based on publicly available information as of May 12, 2020

CAPITAL IMPROVEMENT PROGRAM (CIP) SUMMARY

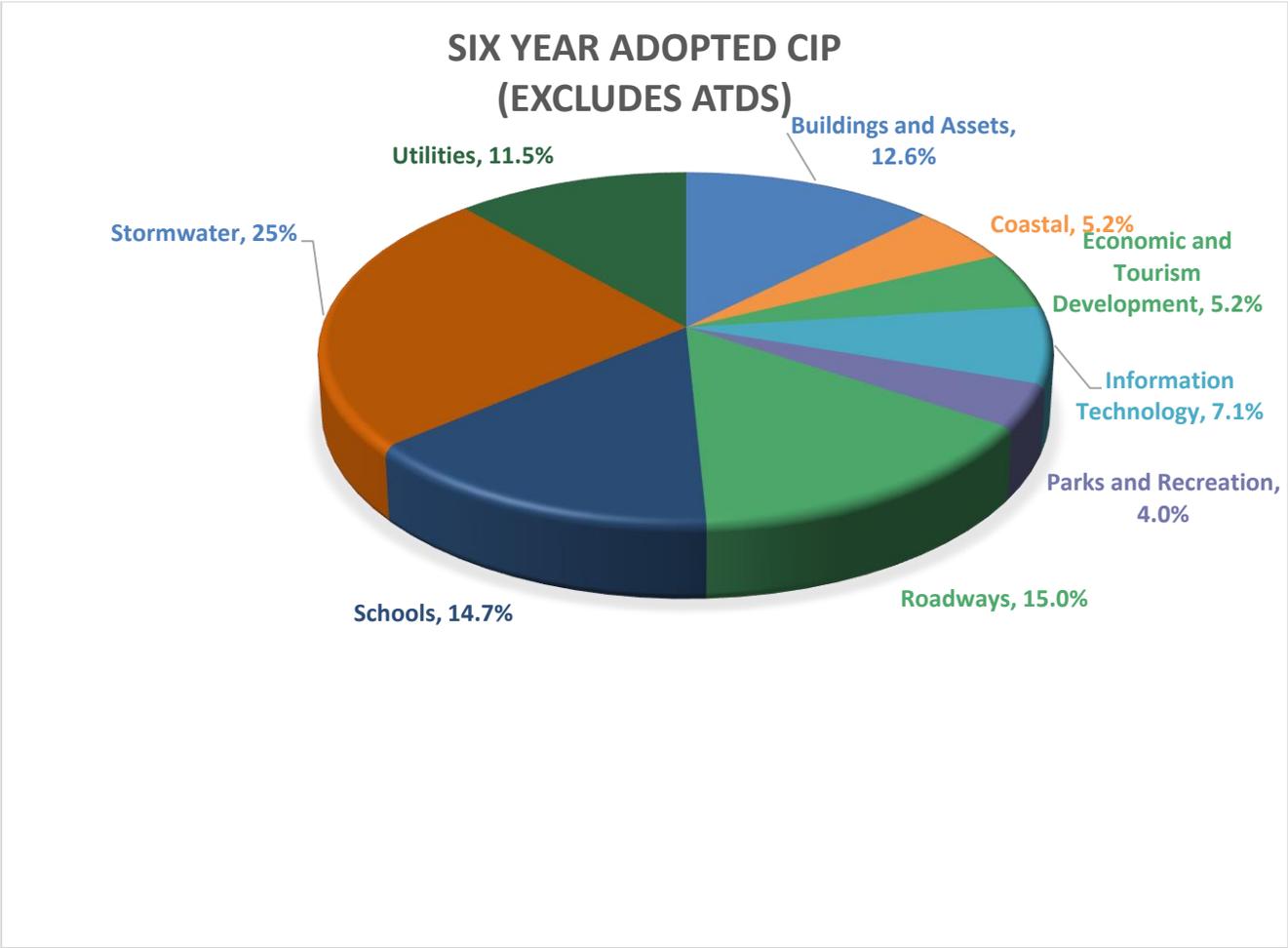
The Capital Improvement Program (CIP) is the City’s six-year plan for the acquisition, construction, maintenance, and improvement of facilities and infrastructure. Continued investment in existing assets as well as the strategic planning of new and replacement assets is key to the success of the City.

The CIP serves as the City’s framework for establishing priorities, planning future funding, and anticipating the impact of large scale projects on the Operating Budget. Budgeting for the CIP includes appropriations to date as well as the first year (Capital Budget) of the six-year capital improvement program. Years two through six are included for planning purposes only, and are not formally adopted as appropriations by City Council. Planning over a six-year period ensures that projects are appropriately estimated. The FY 2020-21 through FY 2025-26 CIP (including appropriations to date) totals over \$3.4 billion. The combined total appropriations for the FY 2020-21 Operating Budget and Capital Budget are shown below.



The combined budget included in the Resource Management Plan for FY 2020-21 is \$2,331,035,437. Just as internal service funds and interfund transfers must be subtracted from the Operating Budget to calculate the Net Budget, pay-as-you-go funding must be reduced from the Capital Budget or the funding would be duplicated. Pay-as-you-go is current revenue allocated to fund capital projects. The following table displays the total programmed funding for each section of the CIP.

CIP Section	Appropriated to Date	FY 2020-21 Capital Program Budgeted Year 1	Remaining Years of Capital Program Budget Years 2-6	Programmed 6 Year Funding
Buildings and Assets	\$ 180,377,814	\$ 46,173,194	\$ 160,319,072	\$ 386,870,080
Coastal	\$ 80,252,785	\$ 7,382,922	\$ 78,595,445	\$ 166,231,152
Economic and Tourism Development	\$ 255,862,997	\$ 30,864,612	\$ 53,927,472	\$ 340,655,081
Information Technology	\$ 77,700,127	\$ 26,215,380	\$ 90,717,183	\$ 194,632,690
Parks and Recreation	\$ 83,662,153	\$ 12,030,515	\$ 54,061,519	\$ 149,754,187
Roadways	\$ 451,227,387	\$ 38,044,485	\$ 208,362,273	\$ 697,634,145
Schools	\$ 221,152,623	\$ 71,157,223	\$ 169,500,000	\$ 461,809,846
Storm Water	\$ 301,440,903	\$ 62,790,313	\$ 339,939,836	\$ 704,171,052
Utilities	\$ 132,566,001	\$ 25,899,515	\$ 163,449,000	\$ 321,914,516
Total	\$ 1,784,242,790	\$ 320,558,159	\$ 1,318,871,800	\$ 3,423,672,749



Buildings and Assets

Following the events of May 31, 2019, there was a need to relocate a significant number of staff members from Building 2 to other locations throughout the City. Staff from Public Utilities, Planning, Public Works, and Information Technology have been relocated to temporary spaces in City-owned facilities or to newly leased spaces as a temporary measure.

While a small amount of funding had been programmed in the FY 2019-20 CIP to renovate Buildings 1 and 11 once the new City Hall was completed, a renovation of Building 2 had not been contemplated as part of the six-year program prior to May 31, 2019. As renovations to Building 2 became imperative as a result of May 31st, City Council approved an \$83 million project to address the renovations of Buildings 1, 2 and 11 in order to consolidate work that was now required to renovate an additional building on the municipal campus. The newly created project, CIP 3-174, "Operations Facilities Renovations," received \$3 million in appropriations to date and \$1 million in fund balance from the General Fund in FY 2019-20 leaving a balance of \$79 million to fully fund this new project.

The six-year CIP includes reprogramming of local funding to address the impacts of the May 31, 2019 event. Approximately \$29 million in funding from several capital projects has been either redirected or delayed to later years in the FY 2021 through FY 2026 six-year Capital Improvement Program to create capacity for the \$79 million needed for renovations of Buildings 1, 2 and 11. The additional funding for these renovations is coming from \$50 million of debt financing. The departments that were once housed in Building 2 are experiencing gaps in service due to a loss of employees, as well as workforce planning issues. The reallocation of funding to CIP 3-174, "Operations Facilities

Renovations,” will ensure that these displaced employees can eventually return to the municipal campus and again be located with other members of their department. However, as part of the FY 2020-21 Adopted Budget, City Council directed staff to not expend further funding from this project until formal notification from Council to ensure that the City’s cash flow is sufficient pending improvement of the economy.

In addition to the renovations to Buildings 1, 2, and 11, this section has a number of new projects in the FY 2021 through FY 2026 CIP. Of particular importance is CIP 3-183 “City Security Enhancements,” which will receive funding in FY 2021-22 to fund improvements to City facilities and grounds based on recommendations from the newly established security division in the Office of Emergency Management as well as security and risk assessments. This section also includes increased funding for a number of projects including CIP 3-166, “Facilities Access Systems,” which is receiving an additional \$300,000 in annual funding in years two through six of the CIP (\$425,000 annually) to improve employee and citizen safety through the purchase and installation of cameras and secure doors in city owned and leased facilities.

Overall, the Buildings and Assets section of the CIP totals \$46.2 million in FY 2020-21 and \$206.5 million over the six-year program (excluding appropriations to date).

Roadways

To create Charter Bond capacity to fund the renovations to Buildings 1, 2, and 11, the Roadways section of the CIP will shift programmed funding from several projects into later years of the six-year plan. In most cases, the shift of these projects will delay the start of construction, and therefore completion, of these projects by a year or two; however, the scope of the projects will not be altered or reduced. For example, CIP Project # 2-153, “Elbow Road Phase II-D” will now have a construction start date of July 2026 rather than its previously anticipated July 2025 start date.

Despite some of the reprogramming of projects within this section, a total of \$350,000 has been added in each year of the CIP to address a trio of Roadways programs: traffic calming, traffic signal rehabilitation, and traffic signal retiming. In addition, one new project, CIP 2-170, “Pungo Ferry Road Improvements,” will be added to the Roadways section. “Pungo Ferry Road Improvements” will begin to receive funds in FY 2024, although at the conclusion of this six-year plan, the project will still have a remaining balance to complete. Year one funding for CIP 2-184, “Rural Road Recurring Flooding, SLR & Resiliency” (\$500,000) was removed in the Adopted Budget, however this program will receive \$500,000 annually beginning in year two of the CIP.

In total, the Roadways section will be appropriated just over \$38 million in FY 2020-21. Over the entire span of this year’s FY 2021-2026 CIP plan, the Roadways section will receive \$246.4 million in programmed allocations.

Schools

The six-year CIP provides \$71.2 million for school projects in FY 2020-21 and a total of \$240.7 million over the six-year CIP . The modernization of John B. Dey Elementary School (CIP 1-035) and the replacement of both Thoroughgood Elementary (CIP 1-043) and Princess Anne Middle (CIP 1-056) schools are scheduled to be completed in FY 2020-21. In FY 2020-21, an additional use of \$15 million in Public Facility Revenue Bonds is allocated for the replacement of Princess Anne High School (CIP 1-107). In addition, funding is provided for the expansion of Lynnhaven Middle School (CIP 1-024) to address the growing needs of An Achievable Dream Academy. \$7.62 million in funding is also added to CIP 1-182, “Renovations and Replacements-Variou III”. This funding is in addition to the amount provided within the City/School Revenue Sharing Formula. Despite these investments, there remains a large number of unfunded school replacement projects. As with many City-owned buildings, the replacement backlog of schools is growing and the average school will be over 100 years old at the time it is replaced.

Historically, the amount of revenue from the Sandbridge TIF that has been declared surplus each year has been split equally between the City and Schools. In FY 2019-20, all remaining funds within the TIF will be declared surplus at the conclusion of the fiscal year, and both the City and Schools have programmed a portion of this funding for use in FY 2020-21. With the TIF being dissolved, this funding will not be available for use in the City or Schools' Operating Budget or CIP beginning in FY 2021-22.

Stormwater

As mentioned in the revenue section of this document, in an attempt to alleviate the burden of taxes and fees on residents and businesses within the City of Virginia Beach, City Council suspended the previously adopted 3.5¢ Stormwater ERU rate increase for FY 2020-21 due to the economic impacts of COVID-19. The rate increases in FY 2021-22 through FY 2024-25 remain intact, and Council approved an additional increase in FY 2025-26. The rate increase in FY 2020-21 would have generated approximately \$3.1 million annually, which was intended to support pay-as-you-go financing within the Stormwater CIP as well as debt service payments (in FY 2022 and beyond) following an anticipated bond sale in the fall of 2020. Because of the Council's top priority of reducing neighborhood flooding and mitigating the effects of sea level rise, this funding was replaced with General Fund pay-as-you-go financing within the first year of the CIP. With support from the General Fund, no projects within the first year of the Stormwater CIP will have to be suspended or delayed despite the ERU revenue loss.

Because only one year of General Fund support was programmed to the Stormwater CIP, years two through five of the CIP are reduced by the \$3.1 million. The projects in being reduced in years two through five are: 7-415 "Lake Management II" by \$1.6 million, 7-416 "SW Infrastructure Rehabilitation & Improvements II" by \$750,000, and 7-023 "Primary System Infrastructure Improvements II" \$750,000. Since years two through six are for planning purposes, and the funding is not appropriated, additional refinement may occur during budget preparation for FY 2021-22.

Despite reductions made to years two through five as a result of the elimination of the FY 2020-21 ERU increase, \$5 million was reallocated in FY 2020-21 and FY 2021-22 to maintenance projects in order to respond to the pressing need to enhance the current capital maintenance schedule. The funding for the increased maintenance was diverted from existing flood control projects; however, there is no major impact to flood control project timelines as a result of this change in funding. Due to this reallocation of funding, the CIP includes several new projects aimed at improved maintenance of the stormwater system: Pinewood Road Culvert Replacement (CIP 7-107), Cave-In Repair Program (CIP 7-083), Roadside Ditch Program (CIP 7-106), and the replacement of the Arctic Avenue Drainage Outfall (CIP 7-103).

The Adopted FY 2020-21 six-year program totals \$402.7 million. The six-year CIP is predicated on the continuation of the 3.5¢ annual increase to the ERU from FY 2021-22 through FY 2025-26. This is in addition to the 2.5¢ real estate dedication, which remains in place within the General Fund.

In order to maximize the use of the ERU rate for Stormwater Capital Improvement Projects, several divisions of Stormwater (Mosquito Control, Street Sweeping, Surface Water Regulatory Compliance and a portion of Operations) were reallocated to the City's General Fund in FY 2019-20. Moving forward, the General Fund will continue to retain a 2.5¢ dedication of the real estate tax to support these operations. This funding model allows for the Stormwater ERU and revenue bonds to be maximized to fully support the Stormwater CIP.

Coastal

Like Roadways, the Coastal section of the CIP reduced and delayed projects to ensure funding capacity was available to address the renovations of Buildings 1, 2, and 11. CIP 8-020 "Bay Beach Restoration," CIP 8-036 "Dredge Operations Rehabilitation," and 8-402 "Replacement for the Rudee Inlet Dredge" were each delayed from years one

and two of the CIP until year three, FY 2022-23. Despite these reductions, the CIP provides \$7.4 million in funding for dredging of the Western Branch of the Lynnhaven River (CIP 8-039). This project is a continuation of previous maintenance dredging that is required every eight to ten years to ensure the City's main waterway remains navigable for boaters. The most recent dredging was completed in 2016, and the next cycle is expected to begin in 2026.

The Coastal Section of the CIP also encompasses the CIP projects for each of the Neighborhood Dredging SSDs. These projects are funded through an additional real estate tax rate in neighborhoods that want the City to dredge channels beyond the City navigatable waterway. In FY 2020-21, a new neighborhood dredging project has been added, CIP 8-037 "Schilling Point Neighborhood Dredging". Initial dredging for this neighborhood is expected to begin in 2021.

In total, the Coastal section will be appropriated \$7.4 million in FY 2020-21 and \$86 million over the course of the six-year program, excluding appropriations to date.

Economic and Tourism Development

Another of City Council's focus areas is growing the local economy. The Economic and Tourism Development CIP includes multiple projects that support the Resort Area Strategic Action Plan, the Sports Center, and continues support to the Economic Development Incentive Program (EDIP), which provides grant funding to economic development initiatives as approved by the Virginia Beach Development Authority.

The FY 2020-21 CIP also includes a \$1.8 million increase in CIP 9-021 "London Bridge Commerce Center Infrastructure Improvements I." This funding will be used to extend the access road to the London Bridge Commerce Center through Navy property to Potters Road since the London Bridge/Potters intersection was determined to be too congested to provide crucial truck access to the park. This bottleneck hindered the development potential of the park, so a solution was developed to increase the access road from Potters to the park by 1,275 linear feet, making these properties more marketable.

The Economic and Tourism Development section of the CIP totals \$30.9 million in FY 2020-21 and \$84.8 million over the course of the six-year program.

Parks and Recreation

The CIP includes \$4 million to address dilapidated conditions at the Sportsplex (CIP 4-080). This funding has been allocated over the six-year program to address structural, mechanical, electrical, and HVAC system issues.

Also included in the Parks and Recreation six-year CIP is \$2 million for a newly developed open space acquisition and conservation program within the Southern Rivers Watershed (CIP 4-059). The Southern Rivers Watershed has been identified as a nature-based solution within the Sea Level Wise Adaptation Strategy. The study finds there is an opportunity for landowners and residents of properties that border Back Bay, North Landing River, and other creeks and tributaries within the Southern Rivers Watershed in order to conserve the natural assets of the waterway through a conservation easement or by voluntarily selling their property to the City. Benefits of this acquisition program will be tax benefits for landowners conserving the land, conservation of habitat, and providing a water sink during flood and storm events.

The Parks and Recreation section totals \$12 million in FY 2020-21 and \$66.1 million over the six-year program.

Information Technology

For FY 2020-21, the Information Technology section of the CIP totals \$26.2 million, while the total six-year program invests a total of \$116.9 million in communications and information technology related projects. In this year's

Adopted CIP, additional funding is programmed for the replacement of the City's Human Capital Management (HCM) System through project 3-716 "Enterprise Resource Planning." While this project had received programmed funding in the FY 2019-20 CIP, additional funding of \$6.3 million was needed to fully fund the project and this funding is now included in the six-year program.

Implementation of the new HCM will bring best business practices for Human Resources functions, including core HR administration tasks, recruiting, onboarding, learning, payroll, and benefits. It will also introduce automation for performance management and incorporate features such as employee self-service, mobility features, and workflow functionality not available with the current system. The HCM system, along with the new financial platform currently being implemented, will create an integrated Enterprise Resource Planning (ERP) system that will provide access to real-time data, allowing for better awareness and decision making to improve both the human resources and financial functions of the City.

Funding is also added in this section for communications infrastructure replacement, primarily for the replacement of public safety communications infrastructure (CIP 3-719), well as network infrastructure replacement (CIP 3-714), which is primarily for the replacement of routers, servers, and other hardware. This increased funding will ensure that these critical components of communication infrastructure are up to date and able to sustain City operations.

Water and Sewer

The Water and Sewer sections of the FY 2020-21 to FY 2025-26 CIP total \$25.9 million in year one, while the six-year program totals \$189.3 million. This is a nearly \$10 million decrease in programmed funding for FY 2020-21, attributable to operational changes and logistical challenges resulting from the impacts of the May 31, 2019 event. A significant portion of funding reduced in FY 2020-21 was reallocated to future years.

In May of FY 2019-20, City Council approved the creation of two new companion Water and Sewer projects, CIP 5-159 and CIP 6-159, "Public Utilities Office Space Acquisition and Improvements," to facilitate the initial lease and build-out of a temporary space for Public Utilities Business and Engineering Divisions, which are currently located throughout the Municipal Center and at the Landstown Complex.

CIP 5-019 "Advanced Water Metering," was added to the six-year program in order to evaluate options for phased integration of advanced water metering systems that will increase meter reading accuracy, billing accuracy, early detection of meter failure, and faster service restoration. New Sewer projects CIP 6-113 "Various HRSD Coordination" and CIP 6-112 "Sanitary Sewer Force Main Rehabilitation" both focus on rehabilitation of the City's existing sanitary sewer infrastructure. However, CIP 6-113 facilitates a partnership between Public Utilities and the Hampton Roads Sanitation District (HRSD), in which HRSD reimburses Public Utilities for a portion of the cost of partner projects where sanitary sewer changes made by HRSD impact the City of Virginia Beach's sanitary sewer system. CIP 6-112 corrects deficient sanitary sewer force mains identified as high risk by replacing or rehabilitating the existing structure. This is an ongoing project that prioritizes replacement and rehabilitation efforts across the City's aging infrastructure in order to mitigate the likelihood of failures and reduce potential impacts to sanitary sewer service.

Impacts of COVID-19 on the FY 2020-21 to FY 2025-26 CIP

In order to create flexibility through this unprecedented economic period, the CIP adopted by City Council identified \$21.8 million in appropriations (either previously appropriated funds or FY 2020-21 appropriations) and established a "COVID-19 Revenue Shortfall Stabilization Reserve" utilizing these appropriations. The reserve ensures flexibility by providing the full appropriation authority for each project but stipulates that the identified amounts can only be expended after City Council approval. If FY 2020-21 revenue is meeting estimates after quarterly reviews, appropriated funding can be released within the CIP projects. If revenue is not meeting estimates, the reserve can be

used to offset revenue shortfalls, which would require City Council to reduce appropriations within the identified projects. The projects and amounts included in this reserve are listed below.

- 8-025 "Beach Replenishment II" \$2,550,000
- 3-718 "Police Radio Encryption" \$3,302,428
- 2-094 "Bus Stop Infrastructure and Accessibility Improvements" \$648,969
- 2-414 "Shipps Corner Road Improvements" \$2,100,000
- 2-047 "Upton Drive Extended and Dam Neck Stations Improvements" \$1,286,780
- 3-153 "Various Site Acquisitions III" \$343,644
- 3-132 "Heritage Building Maintenance II" \$575,000
- 4-300 "Community Recreation Centers Repairs and Renovations III" \$1,000,000
- 4-301 "Parks and Special Use Facilities Development/Renovations" \$950,000
- 3-703 "PD – Special Investigations Video Storage" \$400,000
- 2-056 "Pleasure House Road Street Improvements – Phase I" \$150,000
- 2-057 "Pleasure House Road Street Improvements – Phase II" \$357,376
- 9-006 "Winston-Salem Avenue Improvements" \$7,565,191
- 3-184 "Virginia Aquarium Monument Signs" \$600,000

During the third quarter of FY 2019-20, the City of Virginia Beach implemented purchasing restrictions to maintain adequate cash flow amid uncertain revenue collections caused by COVID-19. Purchases were restricted based on their level of importance:

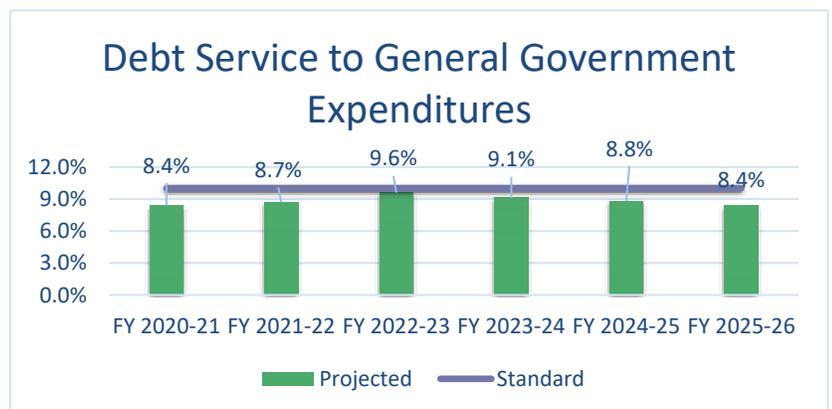
- Level 1- Goods or Services to support the COVID-19 efforts- Highest priority for procurement
- Level 2 - Goods or Services to meet minimum departmental needs or procurement for essential services and support for essential services
- Level 3 - Goods or Services that are not included in Level 1 or Level 2

These restrictions prohibited or delayed the issuance of some contracts for CIP projects that had not yet begun, which will impact the displayed schedule of activities within the CIP document. Each of these schedules will be updated in the FY 2021-2022 CIP document to reflect the impacts of the delays caused by COVID-19.

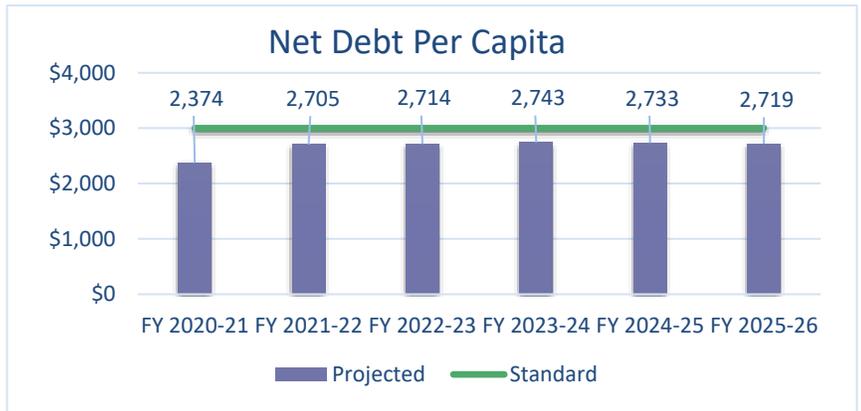
Debt and the CIP

The City authorizes bonds to finance large-scale capital improvement projects. To guide the development of the Operating Budget and CIP, the City uses debt indicators to ensure long-term sustainability and overall best practice management of debt. The four major indicators are: net debt per capita, net debt to per capita income, net debt to assessed value, and debt service to general government expenditures. Using data from the Adopted FY 2020-21 through FY 2025-26 CIP, projections of the two most restrictive of these indicators are shown on the accompanying graphs.

In addition to the debt indicators, the City uses the following general guidelines for debt management.



- Bonds will be the last source of funding considered.
- The City will issue bonds for capital improvements with a cost in excess of \$250,000 or which cannot be financed from current revenues.
- When the City finances capital projects by issuing bonds, it will pay back the debt within a period not to exceed the expected useful life of the projects, generally the City issues debt over a 20-year term for general obligation debt and a 25-year term for revenue bonds.



- Where possible, the City will develop, authorize, and issue revenue, special fee, or other self-supporting instruments instead of general obligation bonds.
- The debt structure of the government will be managed in a manner that results in minimal deviation from the City’s debt indicators.
- The City will maintain good communications regarding its financial conditions and will regularly evaluate its adherence to its debt policies.

Means of Financing the CIP

As the following table illustrates, sources of bonds account for the majority (60%) of financing in the six-year capital improvement program. The two main types of bonds that are used in the general government CIP are Charter Bonds, which are general obligation bonds backed by the full faith and credit of the City and Public Facility Revenue bonds, which are appropriations backed debt. The strategy of financing the CIP has been to use bonds as the final option once all other sources have been exhausted to minimize the impact of debt service costs. However, it is still necessary to use bonds to accomplish major projects, such as the construction of schools and roads. This CIP includes \$173.1 million of debt financing budgeted in FY 2020-21.

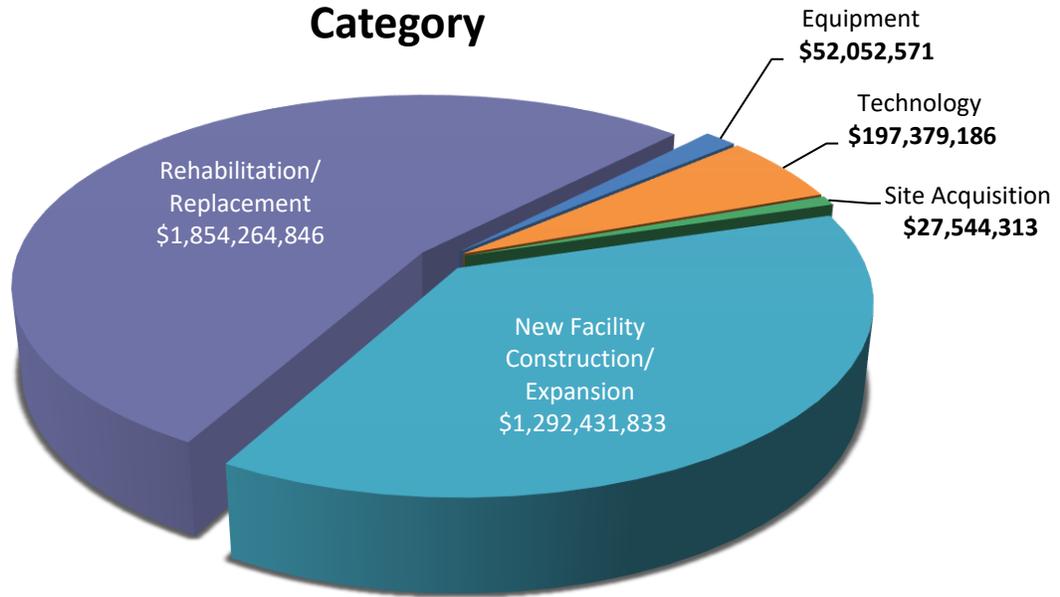
The second largest funding source for the CIP is Pay-As-You-Go financing (pay-go), accounting for 23.6% of the financing for the Capital Budget. Pay-go is cash financing from various funds. Utilizing pay-go ensures the city avoids more costly debt financing. This CIP continues pay-go financing for Council approved real estate dedications for the Outdoor Initiative, Recreation Center maintenance and Special Service Districts.

Funding Source	Year 1 FY 2020-21	Years 2-6 2022-2026	Total 6 Year Programmed
Pay-Go Financing	\$ 75,582,654	\$330,333,234	\$405,915,888
General Fund Fund Balance	\$ 26,457,715	\$59,054,037	\$85,511,752
Other Fund Balance	\$ 22,850,000	\$39,820,000	\$62,670,000
Bonds	\$173,095,688	\$810,190,143	\$983,285,831
State	\$ 10,135,627	\$17,853,162	\$27,988,789
Federal	\$2,071,672	\$52,968,883	\$55,040,555
Other	\$ 10,364,803	\$ 8,652,341	\$19,017,144
Total	\$320,558,159	\$ 1,318,871,800	\$1,639,429,959

CIP Projects by Type

The continued investment in existing assets is a critical component to the City's Capital Improvement Program. Much of the infrastructure in the City of Virginia Beach is over half a century old, and 54% of the total \$3.4 billion CIP is dedicated to address maintenance, rehabilitation, and replacement of aging infrastructure, as illustrated in the following graphic.

Total FY 2020-21 -FY 2025-26 Adopted CIP by Category



Though a large amount of the CIP is dedicated to maintaining existing assets, there remains a significant backlog of maintenance and replacement needs. The current recapitalization rate of city-owned buildings is less than one building a year, for an average replacement schedule of nearly 400 years. Currently, 56 of the 389 City-owned buildings are more than 50 years old. In addition, there is currently a \$1.4 billion backlog in school replacement needs, and with the current funding program, each school building will be an average of 100 years old at the time of replacement. Further, there is approximately \$1.9 billion in unfunded roadway projects, and another \$2 to \$5 billion in sea level rise related stormwater projects.

ALIGNING THE RESOURCE MANAGEMENT PLAN TO CITY COUNCIL'S GOALS

City Council's vision for the City is to create "A Community for a Lifetime." This simple but powerful statement guides the City in all the programs and services provided. In order to make this vision actionable, City Council meets annually to discuss the goals that will bring their vision into reality. These goals are critical to determining the priorities of the Operating Budget and CIP.

For each goal, City staff has identified a series of high-level community indicators that provide insight into how the community is performing. While the City only has varying levels of influence on the performance of these indicators, they can help identify areas where additional resources may be needed.

Included in the next several pages are the community indicators associated with each of these goals and examples of specific initiatives and projects included in the FY 2020-21 Resource Management Plan that will help achieve these goals.



THE “BIG SIX”

Emerging from their February 2020 retreat, City Council reaffirmed their commitment to improving outcomes related to the “Big Six” priority areas. In addition to City Council’s ten goals, Council continues its focus on mitigating the impacts of stormwater and recurrent flooding, ensuring community safety, providing excellent educational opportunities, improving transportation and mobility, growing the local economy, and creating affordable housing opportunities throughout the City.

The Adopted Budget for FY 2020-21 includes funding that targets each of these focus areas. In an effort to demonstrate the alignment of resources allocated in the budget and CIP to these City Council focus areas, the following icons will be displayed highlighting this alignment throughout this section of the Executive Summary.

Stormwater and Recurrent Flooding



Public Safety



Education



Transportation



Grow the Economy



Affordable Housing



I. Grow the Local Economy

A growing economy provides citizens with jobs and opportunities to support their families. It also helps to expand and diversify the tax base, which provides the necessary revenue for the City to provide services and amenities. Economic strength and diversity are also key components of being a resilient community.

While the City has a role in the growth of the economy, there are a multitude of external factors that contribute to the achievement of this goal. The table below includes some of the performance metrics that the City monitors when assessing the local economy.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
Average Monthly Employment	212,145	215,118	215,892	218,514	220,150	218,915	219,722	223,267	225,695	229,321
Average Monthly Unemployment Rate	6.50%	6.10%	5.70%	5.40%	4.90%	4.30%	4.00%	3.50%	2.90%	2.70%
Average Weekly Wage	\$708	\$731	\$759	\$749	\$765	\$783	\$789	\$805	\$823	\$837
Median Household Income	\$64,212	\$64,614	\$61,126	\$62,855	\$68,816	\$67,281	\$71,117	\$72,586	\$77,059	N/A
Residents Satisfied with the Job Opportunities in Virginia Beach	N/A	73.7%	N/A	78.3%	N/A	76.9%	N/A	73.4%	N/A	81.0%
Number of Startups per 100,000 Residents	95.9	90.2	106.6	120.9	120.9	130.1	106.5	93.2	99.5	N/A
Average Monthly Jobs	164,022	162,574	164,585	169,419	171,026	173,655	176,470	178,341	178,196	178,062
Median Single-Family Home Value	N/A	N/A	N/A	\$242,700	\$239,400	\$247,200	\$252,300	\$260,100	\$281,500	\$286,500
Individuals in Poverty	7.50%	8.60%	8.80%	8.80%	8.20%	7.90%	7.90%	8.00%	6.90%	N/A

*Figures represent an average of available data.

Please note with the table above and those on subsequent pages, data is provided when available and the years noted in these tables are calendar years unless specified otherwise.



Sports Center

Construction on the Virginia Beach Sports Center is well underway with a scheduled opening in November of 2020. The 285,000 square foot facility will feature 12 regulation basketball courts that will be convertible to 24 volleyball courts, an articulated track, and multi-purpose flooring options which can support gymnastics, wrestling, cheering, dance, and other sports. The building is located across the street from the Virginia Beach Convention Center.

The Virginia Beach Convention Center was originally designed for high-end conferences and meetings, but the facility has been adapted to meet the demand for an indoor sports venue at the Oceanfront. Not only will the Sports Center be a better suited venue for these types of events, it will also free up the Convention Center to book more traditional events such as trade shows and industry conferences, which are better suited for its amenities. Although the Sports Center has yet to open, there are already three years of bookings in place which will increase visitation and spending at the Oceanfront. The Sports Center is especially important to increasing visitation during the shoulder season since many sports leagues run during the winter months which will drive spending on hotels, restaurants, and entertainment at the Oceanfront.

The total cost to build and furnish the Sports Center was over \$68 million. This budget includes an additional \$420,000 to provide the necessary technology needs for the Sports Center. The Sports Center is owned by the City of Virginia Beach; however, the City has partnered with Eastern Sports Management to handle the daily operations, as well as local programming, league play, and business operations.

This budget also includes staffing and equipment to support the opening of the Sports Center in order to fulfill the City's agreement with Eastern Sports Management. The Sports Center adds approximately 6.7 acres of parking, turf, bedding plants, storm water retention ponds and lighting fixtures that will be maintained by the City's Convention Center grounds crew. In order to maintain the property at expected levels, two Groundskeeper I positions, along with new equipment and supplies have been added to the Convention and Visitors Bureau's Operating Budget. Additionally, a Sports Manager of Events position has been added to the Convention and Visitors Bureau's Operating Budget, to oversee the Sports Marketing division, coordinate events and act as the liaison between the client and venue.



Former Dome Site Redevelopment Progress Continues

On November 19, 2019, City Council approved the development agreement for Atlantic Park on the former Dome site, a 10.35-acre property located between 18th and 20th streets. This development agreement is between the City of Virginia Beach Development Authority and Atlantic Park, Inc., an affiliate of Venture Waves, LLC. One of the partners in the development is entertainer, producer, and Virginia Beach native, Pharrell Williams.

As part of the overall planned development, the City will construct an entertainment venue (CIP 9-053 "Dome Site Entertainment Venue") that can accommodate up to 3,500 people. This venue will be able to host several different events, including live musical performances, comedic acts, sporting events, spoken word events, and speaking engagements. In addition to the entertainment venue, the City will also provide streetscape improvements (CIP 9-050 "Dome Site Streetscapes") and public parking spaces (CIP 9-065 "Dome Site Parking") through the acquisition of 1,935 parking spaces in multiple garages with mixed use development.

All three of these projects will support the estimated \$325 million Atlantic Park project, which will include more than 200,000 square feet of unique retail and restaurant space, 150,000 square feet of office space, 426 residential units, and a Wave Garden Surf Park. Collectively, these attractions will allow Atlantic Park and the Oceanfront area to become a year-round destination for tourists and locals alike, a long-term goal of the City of Virginia Beach.



Funding Included to Implement Several RASAP Recommendations

City Council adopted the Resort Area Strategic Action Plan (RASAP) in December 2008. The plan was designed to affect the future development of the Virginia Beach Oceanfront over a 10-year period. Since its adoption, a great deal of development has occurred in the resort area.

Moving into the next decade, RASAP goals have been redefined to envision and plan for the development of the Oceanfront by 2030. The RASAP 2030 Vision aims to address seven goals through various projects including efforts to address sea level rise and mobility planning. This budget includes multiple projects to support RASAP efforts.



\$200,000 is budgeted in the first year of the CIP for project 9-073, “Resort Mobility Planning.” This funding will be used to fund mobility planning efforts in the Resort Strategic Growth Area. The 2008 RASAP plan recommended traffic and parking management. Additional trolley and shuttle routes were added in 2015; however, since then, the resort area has continued to grow. The updated mobility plan will address traffic flow, transit services, parking, shared-ride services, micro-mobility options, curbside management and active transportation. An extensive public outreach with residents, business, and visitors will be needed to identify priorities and ensure the mobility plan outcomes will generate a net gain for the community.

In addition, CIP 9-081, “Strategic Growth Area Projects,” and CIP 9-074, “Atlantic Avenue Street Improvements,” include funding to advance initiatives established through the RASAP update including sense of arrival/gateway improvements, and streetscape improvements throughout the resort. Funding for many resort area projects comes from the Tourism Investment Program (TIP), which is primarily supported by hotel, amusement, and restaurant taxes, as well as other revenue sources. This dedicated funding stream was established in FY 1993-94 to provide funding for tourism related projects.

II. Maintain a Financially Sustainable City Providing Excellent Services

The City of Virginia Beach provides excellent and varied services to our citizens as evidenced by our excellent school system, public safety response, waterway and beach amenities, well-maintained infrastructure, library system, parks and recreation amenities, and cultural facilities. As each Operating Budget is prepared, staff ensures that services are sustainable.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Pounds of Solid Waste Produced per Capita per Day - FY	2.45	1.83	1.68	1.63	1.58	2.52	2.55	2.18	2.07	2.08
Recycling Rate	39.30%	44.60%	41.20%	39.90%	37.40%	31.70%	34.70%	34.0%	28.5%	18.9%
Water Consumption per Capita (Gallons per Day) - FY	72.5	74.5	68.5	66.9	65.7	64.2	68	69.3	68.4	66.9
Residents Who Agree they Can Conveniently Access City Services	N/A	93.80%	N/A	95.40%	N/A	94.60%	N/A	92.10%	N/A	93.00%
Residents Who "Overall" Are Satisfied with City Services	N/A	91.00%	N/A	93.80%	N/A	94.00%	N/A	90.70%	N/A	90.00%
Resident Satisfaction with the Courtesy of City Employees	N/A	91.30%	N/A	92.10%	N/A	91.00%	N/A	85.80%	N/A	89.00%
City of Virginia Beach Bond Rating (Moody's, Standard & Poor's, Fitch)	AAA									
Operating Expenditures Per Capita	\$4,037	\$3,846	\$3,930	\$3,953	\$3,960	\$4,055	\$4,128	\$4,214	\$4,334	\$4,421
Number of Volunteer Hours (In Millions)	N/A	1.4	1.4	N/A	1.4	1.3	1.2	1.2	1.1	1.1

Implementation of Enterprise Resource Planning System

The City is currently in the final stages of the implementation of a new Enterprise Resource Planning (ERP) system for financials which is scheduled for a staggered rollout through FY 2020-21. The current Oracle E-Business Suite (EBS) is the backbone of all the City's financial and human resources functions; however, EBS is nearly 20 years old and rapidly approaching the end of its useful life as Oracle has announced the impending end of support for the system.

To assist with the implementation and rollout of the new ERP financials system, the City has contracted with an Oracle implementation specialist to ensure a seamless transition from the old system to the new. Several new financial modules are scheduled to go live at the start of the new fiscal year in July 2020 while the budget module will soon follow in October of 2020. Currently, the system is in the testing phase to make sure that all data loaded into the new ERP is accurate and that all functionality needed across the City is available at launch. In addition to the enhanced usability and security that a new, cloud-based financial system will bring compared to the current, 18-year-old system, the new ERP will also streamline existing workflows and automate many manual processes to save the organization time and money.

III. Improve the Transportation System

Improving the transportation system requires improving connectivity, providing alternative modes of transportation, and maintaining the infrastructure that allows citizens to travel to destinations as efficiently as possible.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Citizen Satisfaction with the Flow of Traffic	N/A	40.2%	N/A	51.6%	N/A	50.4%	N/A	40.3%	N/A	41.0%
Percent of Lane Miles in the Two Lowest Grades for Transportation Efficiency – City Roads	20.3%	20.2%	19.9%	20.0%	19.0%	19.6%	19.0%	19.0%	19.0%	18.0%
Street System Meeting the Minimum Physical Condition Rating – City Roads	76%	79%	82%	82%	81%	81%	80%	80%	83%	83%
Bikeability Score	N/A	N/A	N/A	N/A	46	N/A	46	N/A	41	44
Percent of Residents Who Commute Using Alternative Forms of Transportation	17.5%	17.4%	18.2%	18.7%	17.1%	16.3%	19.5%	17.4%	17.8%	N/A
Walkability Score	N/A	N/A	N/A	N/A	31	N/A	33	N/A	33	33
Commute Time (in Minutes)	23.4	22.4	22.6	23.6	23.8	24.1	23.4	23.3	23.7	N/A
Resident Satisfaction with the Planning and Construction of New City Roads	N/A	59.1%	N/A	70.2%	N/A	71.7%	N/A	55.1%	N/A	61.0%



Pungo Ferry Road Improvements

Recurring flooding from rainfall and wind-driven weather events has led to periodic closures of Pungo Ferry Road. Pungo Ferry Road is surrounded by wetlands and is the only east-west connector in the southern part of the City and any closure requires motorists to take a 19-mile detour. The FY 2020-21 through FY 2025-26 Capital Improvement Program includes \$7.2 million in programmed funding to support improvements for this roadway (CIP 2-170).

This project will elevate and widen two miles of Pungo Ferry Road between Blackwater Road and the west side of the Pungo Ferry Road Bridge. Improvements will also be made to the shoulder along Pungo Ferry Road, where the wetland areas can extend up to the edge of the pavement. The City expects that these improvements will minimize flooding on the roadway, thereby reducing the number of road closures and increasing safety.



Increased Funding for Roadway Programs

The FY 2020-21 through FY 2025-26 Capital Improvement Program includes funding for the rehabilitation and retiming of traffic signals across the City. The coastal conditions in the City can take a heavy toll on infrastructure, including traffic signals, making restoration or replacement necessary. The Traffic Signal Rehabilitation project (CIP 2-410) will fund the replacement of deteriorated traffic signal foundations, damaged or deteriorated signal poles and mast arms, traffic signal controllers, and outdated traffic signal interconnections. This project will also allow the City to conduct structural testing on traffic signal poles in the resort area, where the coastal climate can accelerate deterioration.

The City has also increased funding for a Traffic Signal Retiming project (CIP 2-155), which will upgrade the traffic signal systems at 14 major intersections along Indian River Road, to an adaptive traffic signal system. Upgrades will

also be made along other major thoroughfares in the City, including Kempsville, Witchduck, and Newtown Roads, as well as in the Town Center area. It is estimated that these adaptive signal systems will improve travel time for motorists by more than 10 percent, which can equate to a 40 to 60 second reduction in delay per vehicle. This will not only help reduce travel times, but will improve congestion, traffic flow, and air quality in these areas.

In FY 2020-21, and in each subsequent year of the CIP, an additional \$50,000 has been programmed to CIP 2-183, "Traffic Calming," bringing the total yearly appropriations to \$250,000. The Traffic Calming Program is designed to improve the safety of the City's residents on neighborhood streets by installing traffic calming devices such as speed tables. The program is intended to address speeding concerns in residential neighborhoods and the goals of the program is to achieve slower motor vehicle speeds, increase safety for pedestrian and bicyclists, and to reduce cut-through traffic on residential streets. This additional funding will allow for more neighborhoods to be included within the program.



Roadway Projects Nearing Completion

The City is nearing completion on the improvements to the intersection at Indian River Road and Kempsville Road. This intersection accommodates over 100,000 vehicles each day, making it the single most congested intersection in the City. The new intersection maintains all six lanes on both Indian River Road and Kempsville Road; however, improvements have been made in the way motorists make a left turn at the intersection. Using "Indirect Left Turns" and "Displaced Left Turns," the City was able to create a continuous flow intersection that improves traffic flow, overall safety, and intersection capacity. This \$23 million project is expected to be fully completed in July 2020 through project 2-418 "Indian River Road/Kempsville Road Intersection Improvements".

In addition to soon-to-be-completed improvements at the Indian River Road-Kempsville Road intersection, the City has completed another top priority as it relates to traffic needs. Phase two of the construction on Witchduck Road has been completed, providing a six-lane divided roadway from I-264 to Virginia Beach Boulevard. This widened road will better support the 50,000 vehicles that use this stretch of Witchduck Road each day. In addition to improvements to the traffic flow, this project also included aesthetic improvements, such as a wide outside lane for cyclists, new benches, tree wells, and the relocation of aerial utilities to an underground duct bank.

IV. Revitalize Neighborhoods & Plan for the Future

Neighborhoods are where we live, work and play. They need to be safe with proper neighborhood amenities.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residents Reporting That Their Neighborhood is a Safe Place to Live	N/A	92.0%	N/A	90.7%	N/A	90.2%	N/A	86.4%	N/A	96.0%
Resident Satisfaction with the Appearance of Their Neighborhood	N/A	88.0%	N/A	91.3%	N/A	90.4%	N/A	89.9%	N/A	90.0%
Resident Satisfaction with the Overall City Appearance	N/A	94.0%	N/A	92.3%	N/A	91.7%	N/A	96.3%	N/A	92.0%
Resident Satisfaction with City Efforts to Protect Natural Resources, the Environment, and Open Space	N/A	80.2%	N/A	81.3%	N/A	79.1%	N/A	69.9%	N/A	74.0%
Resident Satisfaction with the City's Planning for Residential Development	N/A	64.7%	N/A	72.2%	N/A	71.9%	N/A	57.7%	N/A	68.0%
Percent of City Population with Walkable Park Access	N/A	N/A	62.0%	63.0%	62.6%	56.9%	58.0%	58.0%	60.6%	64.0%
Acres of Parkland per 1,000 Residents	77.6	77.7	57.8	N/A	55.7	55.6	54.9	54.9	54.0	54.0
Overall Real Estate Assessment Average Change	3.46%	5.54%	3.09%	5.29%	2.22%	1.93%	1.94%	2.79%	2.21%	3.3%



Programs to Support Citywide Water Quality

The FY 2021 to FY 2026 Capital Improvement Program provides initial funding for a newly created “Stormwater Green Infrastructure Project” (CIP 7-104). As part of the Comprehensive Sea Level Rise and “Recurrent Flooding Analysis” (CIP 7-030), green infrastructure, has been identified as part of the long-term stormwater resiliency solutions for the City of Virginia Beach. According to the EPA, green infrastructure uses vegetation, soils, and other elements and practices to restore some of the natural processes required to manage water and create healthier urban environments. The benefits of green infrastructure include, but are not limited to: water quality improvements, controlling of erosion, reduction of flood elevations by slowing the flow of tidal impacts, and establishing valuable habitat for water dependent animals. This program will be used for the design, acquisition, and construction of green infrastructure throughout the City. This program will also identify potential grant opportunities and apply for assistance from the state government, federal government, and various not-for-profit agencies.

Additional federal funding for stormwater and sea level rise related projects could become available as the City in partnership with the US Army Corps of Engineers, completes a Comprehensive Coastal Storm Risk Management Study. This study is funded through “USACE Regional Coastal Storm Risk Management Study” (CIP 7-105) and will perform an analysis of various strategies to combat sea level rise and recommend a strategy moving forward. This study is required to receive federal funding for assistance with sea level rise adaptation strategies.



Investments into Stormwater Operations and Maintenance

The FY 2021 CIP redirects a total \$10 million of funding from flood control projects (\$5 million in FY 21 and \$5 million in FY 22) to capital maintenance projects in order to increase the effectiveness of the

existing stormwater system. This includes several new projects aimed at improved operations and maintenance: Pinewood Road Culvert Replacement, Cave-In Repair Program, Roadside Ditch Program, and replacement of the Arctic Avenue drainage outfall. This additional capital maintenance funding will help reduce the eight-month cave in repair backlog to a goal of two months, and the current one-year backlog for roadside ditch cleaning. The roadside ditch program currently has no planned cycle, but long-term sustained funding will achieve a ten-year cycle to clean the City's 550 miles of ditches.



New Stormwater Project to Assist Homeowners

This year's Capital Improvement Program provides funding for a new "Parcel Level Flood Mitigation Program" (CIP 7-119). This project was created in response to City Council's direction in FY 2019-20 to "establish a site acquisition policy and action plan of potential future uses of those properties related to flood mitigation." City departments, to include Public Works, the Office of Emergency Management, and others, will form a taskforce and develop a viable and scalable program to provide property owners with flood mitigation options. This taskforce will work to establish a process for application, review, selection, and implementation of an integrated program in accordance with the recommendations in the Sea Level Wise Adaptation Strategy Report. The program will eliminate or reduce future flood damage to existing structures located in the Community Floodplain, as shown on the FEMA Flood Insurance Rate Maps by offering financial and technical assistance to owners to complement the programs currently in place through the federal government. This program will also assist the City of Virginia Beach with moving up a class in the National Flood Insurance Program's Community Rating System, which would provide an additional five percent discount on flood insurance policies.

V. Be a Competitive, Sustainable, Year-Round Destination for Residents, Businesses, & Tourists

The resort area is a major driver of City revenues and quality of life for both residents and tourists. People from all over the world visit Virginia Beach and enjoy sandy beaches, salty air, and world class amenities. The forward-looking CIP continues to make this City Council goal an on-going reality.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Days with Beach Advisory	13	3	10	4	19	1	1	5	4	3
Citizen Satisfaction with the City's Museums, Aquarium, and Cultural Arts Activities	N/A	94.4%	N/A	95.6%	N/A	96.5%	N/A	96.3%	N/A	93.0%
Overnight Visitation (In Millions)	5.5	5.7	5.9	5.9	6.0	6.4	7.1	10.1	N/A	N/A
Repeat Tourism	75.2%	72.5%	74.7%	73.7%	76.8%	75.6%	75.8%	75.0%	N/A	N/A
Summer Visitor Satisfaction Rating	91.8%	93.3%	94.1%	92.7%	93.7%	92.5%	92.9%	N/A	N/A	N/A
Residents Who are Satisfied with the Public Beaches in the City	N/A	88.2%	N/A	89.1%	N/A	88.3%	N/A	87.5%	N/A	86.0%
Hotel Room Demand (Summer)	N/A	N/A	N/A	N/A	N/A	N/A	775,204	781,741	782,392	783,467
Hotel Room Demand (Shoulder Season)	N/A	N/A	N/A	N/A	N/A	N/A	1,501,526	1,514,105	1,518,728	1,570,656



Something in the Water

The City hosted the inaugural Something in the Water festival in April 2019. It is clear that the 2019 Something in the Water festival was a success and had a positive economic benefit to the City. According to Old Dominion University's 2019 State of the Region Report, one of the most significant impacts was on demand for hotel rooms. When comparing the last weekend in April of 2018 with the last weekend in April of 2019, hotel occupancy in Virginia Beach experienced a 10.4% increase and hotel revenue achieved a 47.8% increase. Due public health concerns and the stay-at-home order issued by the Governor due to COVID-19, the festival scheduled for April 2020 was postponed until April 23- 25, 2021.



Marketing the City following COVID-19

As a result of COVID-19, The City is expecting tourism driven revenue streams to be impacted during FY 2020-21, especially during the early part of the Fiscal Year. The Tourism Investment Program Fund is expected to realize a 27% (\$10.5 million) reduction from the FY 2019-20 budget. To offset these losses, \$14.8 million in TIP Fund Balance will be appropriated to the TIP Fund to ensure current services are maintained despite anticipated revenue reductions. A portion of this amount, \$5 million, will be transferred to the Tourism Advertisement Program (TAP) Fund. This transfer will offset TAP revenue losses, also related to COVID-19, and will provide sufficient appropriations to allow for the TAP to dedicate an additional \$1.6 million to a marketing campaign that will promote the city as a vacation destination across the country. In May of FY 2019-20, the TIP transferred an initial \$2 million to the TAP to begin this enhanced marketing campaign. This campaign aims to ensure the local tourism economy will rebound following the impacts of COVID-19 on the beginning of the tourist season in Virginia Beach.

VI. Be the Safest City in the Nation

Virginia Beach has long been recognized as one of the safest cities of its size in the country and one of the City Council’s top priorities is maintaining this distinction. To make Virginia Beach the safest City in the nation, people, be they residents, guests, or just passing through, must feel safe anywhere, at any time.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Age Adjusted Mortality Rate	690.7	686.9	689.3	691.3	692.8	674.7	675.6	667.6	648.3	N/A
Property Crime Rate	30.4	27.9	26.5	25.3	21.9	22.3	22	19.5	17.6	17.7
Violent Crime Rate	1.9	1.8	1.7	1.5	1.4	1.3	1.4	1.4	1.4	1.4
Infant Mortality Rate	7.0%	6.9%	6.1%	5.7%	4.4%	5.6%	5.1%	4.6%	5.7%	N/A
Low Birth Weight Babies	7.9%	8.2%	8.5%	7.2%	7.6%	8.1%	7.6%	8.5%	8.5%	N/A
Primary Care Physicians per 100,000 Residents	N/A	87.7	87.7	77.0	77.3	77	76	75	75.5	75
Cardiac Arrest Survival Rate	N/A	45%	36%	33%	41%	41%	38%	37%	37%	53%
Fire Deaths Per 100,000	0.2	0.7	0.9	1.1	1.3	0.9	0.9	0.9	0.6	0.4
Virginia Beach is a safe place to live	N/A	94.6%	N/A	94.8%	N/A	94.0%	N/A	88.0%	N/A	96.0%
My Neighborhood is a safe place to live	N/A	92.0%	N/A	90.7%	N/A	90.2%	N/A	89.0%	N/A	96.0%

The Property Crime Rate and the Violent Crime Rate shown are calculated using data compiled by the Virginia State Police and published in *Crime in Virginia*. The State Police reports in an Incident Based Reporting format, while the Virginia Beach Police Department uses the Uniform Crime 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. Data for 2010-2018 are reflected with IBR, but due to unavailability of data from VA State Police, 2019 data is reflected using UCR.



Civilianization of Police Officers

In an effort to maximize the specialized training and skills of existing sworn Virginia Beach police officers, the Police Department has identified administrative and planning positions currently held by sworn officers and has proposed the reclassification of several of these existing positions to civilian positions. The duties and responsibilities currently assigned to these sworn officers do not require specialized training and can be performed by non-sworn personnel. The conversion of these positions will build upon an initiative launched in FY 2019-20 and will include administrative officers at each police precinct, special events planners, and one of the two police public affairs officers. In FY 2020-21, the Police Department will reclassify eight vacant positions to civilian administrative and planning positions and these civilians will replace the sworn police officers currently in these functions. This will allow the existing sworn officers to be reassigned elsewhere in the department and enable them to perform duties that align with their law enforcement training and experience. The exchange will enhance the City’s ability to provide a safe community and deliver quality police services. The positions to be hired include four administrative technicians, two public safety planners, a media and communications coordinator, and an accountant.



Correctional Center Upgrades

The Virginia Beach Correctional Center is the largest jail in Virginia, with an average daily population of approximately 1,400 inmates. Those housed at the Correctional Center include inmates awaiting trial, those serving misdemeanor sentences of one year or less, or those awaiting transfer to the Virginia Department of Corrections. While at the Correctional Center, the Sheriff’s Office provides inmates with meals, medical and mental

health care, visitation, education services, rehabilitative programs, and work opportunities. In order to ensure the Sheriff's Office is able to provide the proper care and security for all inmates, various improvements to the facility are needed.

The original facility was constructed in 1979, with expansions completed in 1994 and 2005. The City has programmed \$1 million with project 3-070 Corrections Center Renewal and Replacement in the FY 2020-21 through FY 2025-26 Capital Improvement Program to address the rehabilitation and renewal projects needed throughout the Corrections Center. These projects include much needed infrastructure and security upgrades, such as upgrades to plumbing, gas, and electrical systems, as well as improvements to the visitation area.



Creeds Training Center

In 2009, the Virginia Beach Police Department opened the Law Enforcement Training Facility in Creeds. This facility was developed to provide the City's law enforcement officers with specialized training in tactical driving. When constructed, the facility included a defensive driving track, a skid pad, and an administration building with classrooms. Later phases included buildings constructed using metal shipping containers, in which police could conduct simulation training exercises. These facilities were constructed on runways and parking aprons used for military aircraft during World War II. Due to its age, the original concrete has started to delaminate and crumble, posing a significant risk for injury to officers.

The FY 2020-21 through FY 2025-26 Capital Improvement Program includes \$250,000 in programmed funding to study the Police Department's needs at the Creeds Training Center through project 3-182 Creeds Training Center Renovations. This study will make maintenance and recapitalization recommendations to preserve essential training and to improve site safety. The maintenance of operations at this facility is essential, as approximately 800 Virginia Beach Police Department students receive law enforcement training at this facility each year. The Police Department also conducts joint training with thousands of other students from other municipalities, as well as state and federal agencies.

VII. Be an Inclusive Community that is Welcoming and Empowers All

Virginia Beach strives to be a city in which all its residents feel welcome and empowered to engage in their community. To this end, the City is working to bolster the range of services offered to residents to ensure that all their various needs are met while engaging with the public to build awareness and ensure the equitable access to all City services and programs.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Homeless Population	517	428	440	456	440	419	389	349	243	260
Poverty Rate - Children	10.5%	12.4%	15.5%	13.0%	11.5%	11.9%	10.8%	10.6%	9.2%	N/A
Poverty Rate - Elderly	5.0%	5.1%	4.9%	7.2%	6.6%	3.5%	5.1%	5.6%	4.2%	N/A
Poverty Rate -Individuals	7.5%	8.6%	8.8%	8.8%	8.2%	7.9%	7.9%	8.0%	6.9%	N/A
Residents who are Satisfied with City Services for Needy or Homeless Families	N/A	72%	N/A	75%	N/A	73%	N/A	55%	N/A	60%
Residents Who are Satisfied with City mental health and intellectual disability Services	N/A	83%	N/A	79%	N/A	81%	N/A	69%	N/A	68%
Renters Paying in Excess of 30% of Median Household Income for Housing Expenses	53.5%	54.9%	55.2%	53.1%	52.5%	54.5%	49.7%	51.5%	49.3%	N/A
Homeowners Paying in Excess of 30% of Median Household Income for Housing Expenses	37.8%	35.3%	33.6%	31.4%	28.9%	29.3%	33.2%	34.1%	29.4%	N/A
Human Rights Campaign Municipal Equality Index (Max Score: 100)	N/A	N/A	17	32	47	31	47	54	50	77



Small, Women, and Minority (SWaM) Owned Business Office

Increasing the City's support of SWaM businesses has been a longstanding priority of City Council and the FY 2020-21 budget addresses this with the creation of a SWaM Office. The office will be a division of the Department of Finance and will focus on increasing local support of SWaM businesses by analyzing the City's current expenditures from minority owned businesses, breaking down barriers to entry for minority firms to work with the City, and identifying the market sectors with the most potential for increased SWaM spending. The office will have nearly \$400,000 in appropriations in FY 2020-21, which includes funding for the annual disparity study to benchmark the City's progress toward increased SWaM support, the implementation of the Social Impact Measurement Model (SIMM), and a full-time financial specialist position dedicated to the SWaM initiative. With these additional resources, the City will be able to begin implementation of all 12 recommendations from the 2018 Disparity Study.

COVID-19 Utility Relief

In order to support homeowners in the wake of the financial impacts of COVID-19, City Council established a \$4 million program to assist with the City Combined Services Bill for water, sewer, solid waste, and stormwater utility fees. This program will expand upon the existing Water Assistance Program administered by the Department of Human Services. The Departments of Human Services, Information Technology, and Public Utilities are developing criteria and the appropriate technology platform for participation in the program, which is estimated to be implemented by July 1, 2021. \$2.4 million in funding for the program comes from the Water and Sewer Enterprise Fund's fund balance, as well as fund balance from the General Fund in the amount of \$1.6 million. The program is

one of several programs implemented by the City to ease financial burdens on families in situations of underemployment and unemployment as a result of COVID-19. In FY 2019-20 the City also established a \$2 million personal property and real estate tax relief program and allowed for late payments on taxes and fees without penalty.

Personal Property and Real Estate Tax Relief

In addition to the COVID-19 utility relief, City Council implemented a \$2 million personal property and real estate tax relief program. As a result of Governor Northam's Executive Order 53 that ordered the temporary closure of many businesses, certain portions of the local economy came to a halt. This resulted in numerous layoffs and financial hardships throughout the community, and this program is aimed at alleviating financial hardship on families within the city. This program went into effect in FY 2019-20 after adoption by Council on May 12, 2020 and will be implemented by the Department of Human Services.

The program seeks to provide relief aid in the form of a per household stimulus reimbursement for paid residential real estate and personal property taxes for the assessment period due date of June 5, 2020. Program access and approval is based on an application process with approved disbursement of any allocations on a lottery basis. This one-time appropriation of 2 million dollars, provides local stimulus relief to as many as 4,500 households, or as few as 2,000 dual benefit recipient households, impacted by the COVID-19 pandemic in the City of Virginia Beach.

VIII. Have World Class Schools and Educational Programs

The City is renewing its commitment to provide the highest quality education to children while creating numerous opportunities for lifelong learning and growth for residents of all ages. To achieve this goal, the City is collaborating with the school division to ensure students are prepared for success, while also working throughout the community to provide a broad range of cultural activities for all residents.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
High School Dropout Rate	6.8%	6.2%	5.6%	4.7%	4.8%	5.3%	4.7%	4.5%	3.8%	3.0%
On-time High School Graduation Rate	85.5%	86.8%	86.9%	88.0%	88.5%	89.8%	91.3%	91.9%	93.4%	93.9%
Percent of Children Reading at Grade Level by 3rd Grade	N/A	N/A	73%	74%	73%	75%	76.8%	76.2%	75.8%	74.2%
Percent of Children Whose PALS-K Scores Meet or Exceed Kindergarten Readiness Levels	89.2%	90.0%	90.7%	90.7%	90.9%	90.3%	88.7%	89.0%	88.0%	88.0%
Percent of High School Graduates with an Advanced Diploma	54.0%	56.0%	56.0%	57.0%	56.0%	58.0%	57.3%	56.6%	56.7%	55.9%
Resident Satisfaction with the City's Public School System	N/A	86%	N/A	88%	N/A	86%	N/A	84%	N/A	82%
Percent of High Schools that are Blue Star Certified	N/A	N/A	N/A	8.1%	81.8%	90.9%	90.9%	83.3%	75.0%	90.9%
Residents Age 25 or Older with a Bachelor's Degree	31.6%	33.3%	32.6%	34.7%	34.7%	32.8%	35.0%	35.3%	37.7%	N/A
Residents Age 25 or Older with a Graduate or Professional Degree	10.9%	11.9%	11.3%	11.9%	11.9%	11.1%	12.3%	13.1%	14.4%	N/A
Residents Age 25 or Older with a High School Diploma or Equivalent	93.1%	93.9%	93.1%	94.8%	92.7%	93.0%	93.4%	93.6%	94.3%	N/A
Residents Age 25 or Older Without a High School Diploma or Equivalent	6.9%	6.1%	6.9%	5.2%	7.3%	7.0%	6.6%	6.4%	5.8%	N/A
Percent of Virginia Beach preschool centers receiving early literacy story times and deposit collections through outreach library service	N/A	N/A	N/A	N/A	25.0%	36.0%	38.0%	57.0%	57%	61.3%
Percent of youth with library cards	N/A	36.0%	37.7%	85.2%						
Number of VA Quality Rated preschool centers	N/A	30	39	34						



Library Modernization Continues

The second phase of library renovations is expected to be completed within FY 2020-21. These renovations will expand and enhance children's areas, story time areas, special services areas, tween areas, teen areas, study rooms, and public computer use areas at Great Neck, Oceanfront, Pungo-Blackwater, and the Windsor Woods Libraries. Additionally, the Library continues to expand upon technology training and hands on experience using 3-D printers, robotics classes, coding for all ages, and soon will introduce programming for drones and digital media station. In FY 2020-21 the Libraries will also partner with Information Technology to update and modernize their integrated library system which will ensure the Libraries' primary software system meets all functional and security expectations while also providing for the increase in capabilities provided by newer software. The FY 2020-21 Operating Budget also provides funding for one additional FTE within the Public Library system. This position will expand outreach and literacy programs at the Oceanfront Library.



Libraries and Schools Partner to Increase Student Access to Library Resources

Beginning in the summer of 2019, Virginia Beach City Public Schools and the Virginia Beach Public Library partnered to provide year-round digital public library access to all 67,000 K-12 students. VBCPS and VBPL's partnership to provide public library access to all VBCPS students is the latest in a long line of successful partnerships that maximize learning opportunities and resources for Virginia Beach children. Other collaborations include the Summer Reading Challenge and the Fifth Grade Battle of the Books. In addition, VBPL staff members provide outreach to Title I and other school sites, bringing library programs and activities to students who might not otherwise be able to visit the library. The student library account partnership stems from the Urban Libraries Council's "Leaders Library Card Challenge," a national effort to ensure that every child enrolled in school has access to the valuable learning resources available at public libraries.



Investments in Public Education

The FY 2020-21 Capital Improvement Program provides funding for an expansion of Lynnhaven Middle School for the An Achievable Dream Academy (AAD). The original An Achievable Dream Academy was opened at Seatack Elementary School during the 2014-15 school year for kindergarten through the second grade. In the 2018-19 school year, the first class of An Achievable Dream students began sixth grade at Lynnhaven Middle School. As a result of successful implementation of the AAD Program at Seatack Elementary it was decided that VBCPS would partner with AAD to expand the AAD Program to grades 7-12.

A new wing at Lynnhaven Middle School is necessary to accommodate the expansion of the program. Once completed, Lynnhaven Middle will continue to house middle school students (grades 6-8) who are zoned for Lynnhaven Middle as well as students enrolled in the An Achievable Dream Academy (grades 6-12). While the AAD Academy will have a separate entrance, the two schools will share the common areas of the facility such as the cafeteria, library, gymnasium, athletic fields, and tennis courts.

In addition, City Council provided Virginia Beach City Public Schools with an additional \$7.8 million beyond the requirements of the revenue sharing formula adopted in November 2019. This additional funding will be used to support CIP 1-107 "Princess Anne High School Replacement" and CIP 1-182 "Various Renovations and Replacements."

IX. Leverage Data and Technology to Enhance Community Livability, Prosperity, and Sustainability

One of the most important ways to ensure continued growth for the City is to foster technological innovation and create a globally competitive, network infrastructure. To attract the best companies to stimulate the local economy and provide high paying jobs, the City must provide the best quality broadband services and become a leader in data driven decision making and transparency.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Percent of Households with a Broadband Internet Connection	N/A	N/A	N/A	84.2%	83.7%	84.8%	89.6%	90.9%	87.8%	N/A
Resident Satisfaction with the Opportunity to Share Ideas or Opinions Before the City Makes Important Decisions	N/A	62%	N/A	70%	N/A	68%	N/A	63%	N/A	70%
Residents voting in Elections for Local Office	44.7%	17.7%	74.5%	37.0%	30.9%	23.0%	66.0%	43.0%	56.0%	39.0%
Resident Satisfaction with the Level of Communication the City has with them	N/A	73%	N/A	75%	N/A	75%	N/A	70%	N/A	76%

Presidential Election

The next Presidential Election will occur on November 3, 2020. Voter Registration and Elections is anticipating voter turnout for the 2020 election to exceed that of the 2016 Presidential Election. This elevated turnout would be due to legislation expected to be signed into law by Governor Northam that would allow for no-excuse, absentee voting for 45 days leading up to an election and would establish Election Day as a State holiday. Both of these pieces of legislation have the potential to expand access to voting and would impact the workload of the Voter Registration and Elections Office. In addition to the presidential election, five of the eleven Council members are up for re-election in November of 2020, including the Mayor. Also, the City is considering a bond referendum to be held at the same time, indicating the possibility of major voter turnout in the upcoming election cycle

Because of the new laws, the City expects to see a significant increase in absentee voting. The number of registered voters is also expected to increase, from the 302,515 the City currently has, to 315,000 when the election occurs in November 2020. In order to accommodate these additional voters, the City has allocated \$451,480 to cover the anticipated cost of the Presidential Election. These funds will help support increased personnel costs associated with both temporary and permanent existing staff. Staff will be responsible for assisting voters prior to Election Day via the City's call center, and on Election Day at the City's polling locations. They will also be responsible for processing absentee ballots as they are received.

Human Capital Management System Now Fully Funded

In addition to the new financial system, which will go live in FY 2020-21, the CIP provides \$13.9 million in funding for the replacement of the City's enterprise resource planning (ERP) system for human capital management (HCM). This new HCM system will vastly improve and modernize Human Resource functions across the City including recruiting, onboarding, payroll, performance evaluations, etc. The modernized software will eliminate numerous manual processes and integrate several systems into one unified software, which will improve the efficiency and effectiveness of Human Resources. Both the ERP Financial and Human Resource systems will be integrated and improve overall efficiencies.

X. Modernize City Assets and Infrastructure

Protecting the City’s natural resources and infrastructure is one of the most important goals of the organization. To ensure that these assets continue to provide the services required by residents, the City strives to enhance and plan for the future needs of its roads, stormwater systems, buildings, and water resources.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Percent of Drinking Water Tests Meeting or Exceeding Federal Standards	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Acres of Protected Farmland per 1,000 Residents	18.1	18.5	20.0	19.8	20.5	20.4	20.4	20.5	21.4	21.6	21.8
Public Open Space per 1,000 Residents	15.9	16.1	16.7	16.5	16.5	16.4	15.6	15.6	15.6	15.6	15.6
Residents Satisfied with the Condition of the Streets in their Neighborhood	81%	N/A	78%	N/A	81%	N/A	81%	N/A	76%	N/A	78%
Resident Satisfaction with the Maintenance of Existing City Roads and Bridges	63%	N/A	61%	N/A	69%	N/A	71%	N/A	66%	N/A	68%

Modernization of Public Works Technology Systems

Maintaining city owned property is a critical component of the mission of the Department of Public Works. Long-term maintenance reduces cost of service and prevents the need for costly replacement projects. In addition to the number of maintenance CIP projects for City buildings and infrastructure, the Department of Public Works maintains City buildings on a day to day basis. In partnership with Information Technology, the Department has purchased a replacement system to the 20-year-old asset management software. This new system has replaced several manual processes and allows for a comprehensive database of all aspects of City-owned facilities that currently did not exist within the City.



Marsh Pavilion Grand Reopening

The Owls Creek Marsh Pavilion at the Virginia Aquarium closed for renovations in January 2019 and remained closed throughout FY 2019-20. The Marsh Pavilion is now nearing completion and is expected to reopen to the public in May 2021, over Memorial Day weekend. This newly renovated and expanded facility will be rebranded as the South Building and will house the Aquarium’s Veterinary Care Center and the Darden Marine Animal Care Center. Renovations to the existing facility will include new exhibit areas, including an area where Aquarium guests can observe the Aquarium’s husbandry and medical staff as they care for animals in the new Veterinary Care Center. There will also be an exhibit area where guests can role-play as scientists and help sick or injured animals. Outside of the new facility, there will also be enhancements to the outdoor trail, including a new theater.



Stormwater Green Infrastructure

The FY 2020-21 through FY 2025-26 CIP has incorporated “Green Infrastructure” into the City’s strategy to combat future sea level rise. As part of the Comprehensive Sea Level Rise and Recurrent Flooding Analysis (CIP 7-030), green infrastructure, sometimes called natural and nature-based features, has been identified as part of the long-term stormwater resiliency solutions for the City. A newly established CIP 7-104 “Stormwater Green Infrastructure” will be used for the design, acquisition, and construction of green infrastructure throughout the City. Multiple non-profit organizations and federal/state departments could provide grant assistance for installation of green infrastructure. This program will identify potential grant opportunities and apply for assistance when green infrastructure locations are identified that meet the requirements for the grants.

TRANSPARENCY INITIATIVES CONTINUE

Connecting citizens to resources that link the Resource Management Plan to City Council goals is critical to citizen engagement in funding decisions. Transparency allows citizens to have open dialogue with their elected officials at levels unprecedented in previous years. Below are five initiatives that Virginia Beach operates in order to promote transparency and civic engagement.

Open Budget

The most detailed information about the City's Resource Management Plan is available on the Open Budget portal. Open Budget provides access to the City's Budget information at the same detail level used by City staff. Citizens are able to access information about specific revenue and appropriation categories in summary or line-item form. It is important to note that this software reports the City's Operating Budget at the gross budget level, which means that certain expenditures and revenues will be counted multiple times across the various funds and projects.

Resource Link:

https://analyzer.vbgov.com/public/dashboard/b8e582e7-02f9-4fe9-acd7-74f2c8e6c431?fiscal_year=2020

Open Performance Initiative

The Open Performance portal was created to provide access to performance metrics organized by City Council goals. The measure included are key performance indicators that can be used to track the City's progress in meeting those goals. Community outcome and departmental performance metrics are included in the Open Performance dashboard to illustrate how well the City is accomplishing its objectives.

Resource Link:

<https://opencity.vbgov.com/open-performance/>

Balancing Act and Taxpayer Receipt

In an effort to increase transparency and more effectively communicate the City's budgetary decisions to citizens, the City's Budget and Management Services Department implemented two interactive tools, Balancing Act and Taxpayer Receipt. These web-based applications allow residents to directly engage in the budget process and learn about factors that impact funding decisions of a major City.

Balancing Act allows anyone to create their own budget by allocating funds to programs and services that matter most to them while learning about the tradeoffs inherent in all budgetary decisions. Using the Adopted City Budget as a baseline, residents can create and submit their own vision of what the City's funding priorities should be. Taxpayer Receipt enhances residents' investment in their local government by providing a department level breakdown of all the programs and services that their local taxes support. By answering a few simple questions, the application can personalize the receipt to each citizen's level of taxation, giving citizens a tangible outcome for their tax dollars.

These tools aim to raise the level of citizen engagement in the budget process by exposing them to the delicate and complex funding decisions of City leadership and giving them a platform to express their own vision of how the City should allocate its limited resources.

Resource Links:

<http://virginiabeachva.abalancingact.com>

<http://virginiabeachva.abalancingact.com/taxreceipt>

Open Data

In 2016, the City Manager appointed a multi-agency board to develop policies requiring departments to identify and collect relevant data in a usable format. Use of data analysis to identify inefficiencies and improve processes is an expectation of 21st Century governments. The Open Data initiative is intended to facilitate and promote the use of

data to efficiently provide city services and communicate with citizens. City staff use collected data to conduct analysis, look for potential problems, improve processes, evaluate various methods of service delivery, and create business opportunities. In addition, the same data is available on the Open Data platform for citizens to view and use to conduct analysis. Open Data allows citizens to find data about their City government without having to file cumbersome Freedom of Information Act requests. They may also find new ways to use City data to start businesses, write mobile applications, and help identify other opportunities for the City to improve.

Resource Link:

<https://data.vbgov.com>

Open GIS

In conjunction with the City's Open Data portal, Virginia Beach has an online Open GIS portal that serves as an informative dashboard and a mapping and spatial analysis tool. With the Open GIS portal, citizens are able to map information related to administrative boundaries, demographics, City parks and recreational resources, residential and commercial properties, public safety, planning and community development, transportation, public utilities, and elevation. The purpose of this resource is to provide information on City resources available to citizens and give geographic context to the impact of capital projects, particularly those related to transportation and flood mitigation.

Resource Link:

<https://gis.data.vbgov.com/>

Economic Indicator Report

In FY 2018-19, the Department of Budget and Management Services released a digital Economic Indicator Report that provides a synthesized overview of national, regional, and local economic trends. The purpose of this report is to educate and engage citizens in economic processes that impact the region. Information provided by the Economic Indicator Report helps citizens understand the data and policies the City monitors in order to make strategic decisions related to the Resource Management Plan as well as monitor the economy for future downturns.

Resource Link:

<https://www.vbgov.com/government/departments/budget-office-management-services/Pages/economic-indicator-report.aspx>

FINANCIAL STRATEGY

Virginia Beach has a strong financial system. This system is based on sound strategies that guide the financial activities of the government and ensure it continues to be transparent to the public. These strategies provide guidance regardless of the economic climate. They are forward looking with the intent to sustain the community and the organization into the future.

City/School Revenue Sharing Formula

The City/School Revenue Sharing Formula expired on June 30, 2018. In July 2018, the City Manager recommended an extension to the existing funding formula through June 30, 2019 and subsequently, local revenue for FY 2019-20 was allocated according to the same policy.

During the fall of 2019, a working group with both City and School staff was established to make recommendations on revisions to the revenue sharing formula before the FY 2020-21 budget process.

The City Manager and Superintendent met to define specific guidelines that would be used to review revenue sharing formula options that were developed by the working group. The criteria used are as follows:

- Ensure information is available early in the budget process
- Facilitate long-term planning
- Simplify the current formula
- Share growth in the tax base
- Fairness and equity for both City and Schools

City and School staff developed three alternatives. Each alternative was reviewed utilizing the formula guidelines. Based on compatibility with the criteria, the use of a straight revenue sharing formula emerged as the best option for both the City and Schools. The straight revenue sharing formula is calculated as follows:

- The base from which the computation derives includes all local, non-dedicated, General Fund tax revenues consistent with the current formula.
- Multiply the sum of all of these revenues 46.75%.
- The result is the City's contribution to Schools.

Based on the Policy adopted by City Council and the School Board, the City/School Revenue Sharing Formula will remain in effect until June 30, 2024, at which time it will be reviewed and considered for reauthorization.

Internal Process

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

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

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

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

Capital Improvement Program Practices

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

- Infrastructure maintenance is a critical service provided to the community and therefore will be a primary focus of the City's Operating Budget and Capital Improvement Program.
- Existing resources will first go to the maintenance of existing infrastructure.
- New projects will require new revenues to support construction, operations, and long-term maintenance needs.
- Fund capital projects using a pay-as-you-go strategy first (current funding strategy is local revenues first, followed by state or federal revenues and finally available City fund balance) and only then look to debt financing strategies.

Budgetary Practices

Taxes and fees will be recommended to sustain critical services to the community while being conscious of the impact on the taxpayers.

- Diversity of revenue sources will be maintained to the extent allowed under the Dillon Rule to ensure economic stability of City services.
- Equity among differing taxpayer classes (commercial, homeowner, industrial and non-homeowners) shall be maintained to the extent possible under the law.

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 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.

Provides 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 in a given year.

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

Employees of the City and Schools 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. Eligible employees will pay the difference between that contribution and the premium amount.

Eligible employees are required to participate in the Virginia Retirement System and the City and School system provides funding according to state law. All full-time employees are required to contribute 5% of their annual salary toward their retirement account; in accordance with VRS retirement provisions. This is handled through a pre-tax payroll deduction.

Positions may be added or removed based on service requirements or budgetary constraints, but the City and School system will work with employees to transition those whose positions were removed to available positions.

Balance the Operating Budget with 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 when the use of fund balance is needed to prevent drastic service cuts.

City Council dedicated revenues will be reviewed annually as a part of the Operating Budget process and adjustments will be recommended to ensure that revenues are in line with long-term program goals. Revenues that were increased by City Council to meet specific goals are 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 the expansion of existing businesses or to attract new businesses in order to encourage job growth in the community.

ESTIMATED GENERAL FUND BALANCE

Projection of General Fund Balance At June 30, 2020

Beginning Fund Balance at July 1, 2019 (CAFR)*	\$211,828,049
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Add: Revenues

FY 2019-20 General Fund Revenues-Revised Estimate	\$1,121,122,637	
Surplus from Sandbridge TIF	13,722,694	1,134,845,331

Total Fund Balance and Revenues	\$1,346,673,380
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Less: Anticipated FY 2019-20 Expenditures:

Operating Expenditures	\$646,439,536	
Attrition	\$5,140,801	
School Operations**	445,386,937	
Other Transfers**	98,650,453	1,195,617,727

Total Projected Fund Balance at June 30, 2020	\$151,055,653
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Less: Anticipated Uses of Fund Balance:

Loans, Advances, and Inventory	\$10,774,473	
Encumbrances and Carryforwards	10,000,000	
Aquarium Parking Lease	2,270,795	
Human Services	250,000	
Community Services Board	2,901,470	
Aquarium Marsh Pavilion	134,661	
School Operating Budget	409,000	
FY 2020-21 Capital Budget	26,457,715	
COVID-19 Utility Assistance Program	1,600,000	54,798,114

Total Estimated Unassigned Fund Balance at June 30, 2020	96,257,539
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Calculation of Unassigned General Fund Balance

Projected FY 2020-21 General Fund Revenues***	\$1,179,826,449
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Unassigned Fund Balance as a percentage of FY 2020-21 Revenues	8.16%
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Notes:

There is a reservation of \$21.8 million of projects in the CIP. Should FY 2020-21 revenue estimates not meet expectations, the amount of cash up to \$21.8 million in the CIP will be reduced along with appropriations to maintain acceptable fund balance within the City's General Fund.

**The total General Fund balance reported in the FY2019 CAFR was \$230,579,796. This included \$17,299,308 for the*

*** Reflects full transfer of budgeted amounts*

**** Net of Fund Balance Usage*

CHANGES IN UNASSIGNED FUND BALANCE

	General	Special Revenue	Schools	Enterprise	Internal Services	Capital Projects
Total Estimated Fund						
Balances at June 30, 2020	\$ 151,055,653	\$65,956,054	\$37,774,655	\$231,327,363	\$46,523,799	\$261,775,432
Add: Estimated FY 2020-21 Revenues	1,179,826,449	204,135,572	956,030,472	225,693,350	213,356,039	75,582,654
Less: Estimated FY 2020-21 Expenditures including Fund Balance Use	1,186,729,648	217,766,618	967,905,607	257,709,597	229,296,188	75,582,654
Total Estimated Fund						
Balances at June 30, 2021	144,152,454	52,325,008	25,899,520	199,311,116	30,583,650	261,775,432
Estimated Restricted Fund Balance at June 30, 2021	13,675,943	11,199,850	3,780,021	21,372,865	-	-
Estimated Assigned/Committed Fund Balance at June 30, 2021	35,753,915	41,125,158	22,119,499	177,938,251	30,583,650	261,775,432
Estimated Unassigned Fund						
Balance at June 30, 2021	94,722,596	-	-	-	-	-
Change in Total Fund						
Balances	(6,903,199)	(13,631,046)	(11,875,135)	(32,016,247)	(15,940,149)	-

Notes:

- (1) General Fund Restricted Fund Balances include Nonspendable fund balance (inventory, prepaid items, long term portion of loan receivable/advances) and resources subject to externally enforceable legal restrictions (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- (2) Enterprise Fund Restricted Net Position is associated with debt service payments
- (3) Assigned/Committed fund balances are fund balances that are intended for a specific purpose through Council ordinance or City Manager planned use
- (4) The Net Position for Enterprise funds are exclusive of Net Investment in Capital Assets
- (5) Capital Projects funding does not lapse with the end of fiscal years. Fund balance does not have to be appropriated for spending in the next fiscal year

REVENUE SUMMARY

	FY 2019 Actual	FY 2020 Adjusted Budget	FY 2021 Adopted Budget	% Change
<u>Revenue Source Summary</u>				
Revenue from Local Sources				
General Property Taxes				
Real Estate	586,407,785	605,709,974	619,456,650	2.27
Personal Property	159,441,951	163,497,601	158,153,731	-3.27
Total General Property Taxes	745,849,736	769,207,575	777,610,381	1.09
Other Local Taxes				
General Sales Tax	65,851,817	66,745,446	63,159,899	-5.37
Utility Tax	47,636,483	49,578,224	45,760,883	-7.70
Business License	49,146,113	51,892,052	46,289,549	-10.80
Automobile License	11,260,550	11,652,769	11,578,052	-0.64
Cigarette Tax	10,568,721	11,179,170	9,689,470	-13.33
Amusement Tax	6,757,044	7,019,378	3,705,707	-47.21
Hotel Room Tax	37,127,572	37,944,530	27,187,853	-28.35
Restaurant Meal Tax	69,278,647	70,026,667	58,145,356	-16.97
Other Taxes	11,550,925	11,704,971	10,973,548	-6.25
Total Other Local Taxes	309,177,872	317,743,207	276,490,317	-12.98
Other Local Revenue				
Permits, Privilege Fees, and Regulatory Licenses	5,533,212	6,081,945	6,091,781	0.16
From the Use of Money and Property	23,868,614	14,832,295	13,248,415	-10.68
Charges for Services	279,987,064	292,135,831	299,741,807	2.60
Miscellaneous Revenue	10,970,372	11,194,384	10,777,273	-3.73
Fines and Forfeitures	6,087,834	5,442,719	5,581,049	2.54
Total Other Local Revenue	326,447,096	329,687,174	335,440,325	1.75
Revenue from the Commonwealth				
State Shared Sales Tax	76,320,888	78,981,847	79,209,739	0.29
Other Sources from the Commonwealth	422,269,104	439,062,100	453,921,755	3.38
Total Revenue from the Commonwealth	498,589,992	518,043,947	533,131,494	2.91
Revenue from the Federal Government				
	113,763,159	125,870,020	123,642,100	-1.77
Non-Revenue Receipts				
	3,109,515	3,111,522	3,463,747	11.32
Total Revenues	<u>1,996,937,370</u>	<u>2,063,663,445</u>	<u>2,049,778,364</u>	<u>-0.67</u>
<u>Fund Reserves Summary</u>				
Specific Fund Reserves	0	16,949,282	36,281,568	114.06
Total Fund Reserves	<u>0</u>	<u>16,949,282</u>	<u>36,281,568</u>	<u>114.06</u>
TOTAL FINANCING REQUIRED	<u>1,996,937,370</u>	<u>2,080,612,727</u>	<u>2,086,059,932</u>	<u>0.26</u>

DEDICATION OF LOCAL REVENUES

Real Estate *			
\$580,989,105 (Rate = \$1.0175 per \$100 of assessed value)			
Recreation Centers \$20,691,331 (3.476¢)	Agricultural Reserve Program \$5,357,364 (0.90¢)		
Outdoor Initiative CIP \$2,797,735 (0.47¢)	General Fund Storm Water Operations \$14,881,568 (2.5¢)		
City Council Priorities \$11,012,360 (1.85¢)	Town Center TIF \$8,839,635		
Special Service Districts			
Sandbridge SSD \$519,024 (additional rate of 4¢)	Town Center SSD \$2,390,683 (additional rate of 45¢)		
Bayville Creek SSD \$72,380 (additional rate of 47.2¢)	Harbour Point SSD \$26,659 (additional rate of 12.0¢)		
Chesapeake Colony SSD \$203,021 (additional rate of 29.13¢)	Old Donation Creek SSD \$70,359 (additional rate of 18.4¢)		
Shadowlawn Area SSD \$31,025 (additional rate of 15.94¢)	Hurds Cove SSD \$213,124 (additional rate of 43.8¢)		
Gills Cove SSD \$13,624 (additional rate of 6.3¢)	Schilling Point \$39,316 (additional rate 40.4¢)		
Personal Property *			
\$158,153,731 (Rate = \$4.00 per \$100 of value)			
Restaurant Meals *			
\$58,145,356 (local rate = 5.5%)			
Tourism Investment Program \$11,191,741 (1.06%)	Open Space \$4,645,629 (0.44%)	Tourism Advertising Program \$5,279,122 (0.50%)	
Hotels *			
\$27,187,853 (local rate = 8% plus \$2 per room night)			
Tourism Advertising Program \$4,323,115 (1% plus \$1 per room night)	Tourism Investment Program (TIP) \$14,090,858 (5% plus \$1 per room night)	Central Business District TIF \$500,000	Sandbridge SSD \$2,473,912 (\$1 per room night plus 6.5% of the tax generated in the Sandbridge SSD)
Other Revenue Dedications			
Amusement \$3,705,707 (local rate = 5% & 10%)	Cigarette * \$9,689,470 (local rate = 75¢ per pack)		
Tourism Investment Program \$3,705,707 (100%)	Economic Development Investment Program \$2,067,087 (16¢)	Tourism Investment Program \$645,965 (5¢)	
Other Non-Dedicated Local Revenues			
City Tax on Deeds * \$7,218,385	Bank Net Capital * \$3,655,093	City Tax on Wills * \$100,070	Automobile *\$11,578,052 (\$30 vehicles under 4,000 pounds)
Business License *\$46,289,549	General Sales * \$63,159,899	Utility Taxes *\$45,760,883	

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

SUMMARY OF TAX AND FEE ADJUSTMENTS

Department	Title	Current Fee	Adopted Fee
General Government	Sandbridge SSD - Real Estate Tax Rate	6¢	4¢
Parks and Recreation	Recreation Center - Annual Adult Resident Membership	\$104	\$107
Parks and Recreation	Recreation Center - Annual Non-Resident Membership	\$396	\$399
Parks and Recreation	Recreation Center - Annual Premier Resident Membership	\$299	\$302
Parks and Recreation	Recreation Center - Annual Premier Non-Resident Membership	\$534	\$537
Parks and Recreation	Recreation Center - Annual Senior Resident	\$84	\$86
Parks and Recreation	Recreation Center - Annual Youth Membership	\$39	\$41
Parks and Recreation	Recreation Center - Resident 30-Day Pass	N/A	\$21
Parks and Recreation	Recreation Center - Non-Resident 30-Day Pass	N/A	\$43
Parks and Recreation	Recreation Center - Adult Day Pass	\$9	N/A
Parks and Recreation	Recreation Center - Month-to-Month Adult Resident	\$14	N/A
Parks and Recreation	Recreation Center - Month-to-Month Non-Resident	\$36	N/A
Parks and Recreation	Recreation Center - Month-to-Month Premier Resident	\$34	N/A
Parks and Recreation	Recreation Center - Month-to-Month Premier Non-Resident	\$47	N/A
Parks and Recreation	Recreation Center - Month-to-Month Senior	\$11	N/A
Parks and Recreation	Youth Tackle Football Team Registration Fee	\$225	\$250
Parks and Recreation	Youth Basketball Team Registration Fee	\$125	\$150
Parks and Recreation	Youth Volleyball Registration Fee	\$125	\$150

EXPENDITURE SUMMARY

Department Name	FY 2019 Actual	FY 2020 Adjusted Budget	FY 2021 Adopted Budget	% Change
Agriculture	4,211,463	5,621,278	6,084,722	8.24
Budget and Management Services	1,324,879	1,471,293	1,442,342	-1.97
City Attorney	4,514,581	4,629,701	4,714,680	1.84
City Auditor	890,286	952,832	909,398	-4.56
City Clerk	538,543	577,780	588,615	1.88
City Manager's Office	2,510,171	2,883,265	2,817,657	-2.28
City Real Estate Assessor	3,164,920	3,385,454	3,269,378	-3.43
City Treasurer	5,856,668	6,481,256	6,405,639	-1.17
Commissioner of the Revenue	4,738,128	4,900,473	5,049,728	3.05
Commonwealth's Attorney	9,445,896	10,378,812	10,633,965	2.46
Communications Office	1,782,454	1,823,324	1,869,170	2.51
Convention and Visitors Bureau	27,799,926	28,778,832	30,198,546	4.93
Courts and Courts' Support	6,767,746	7,248,208	7,264,494	0.22
Cultural Affairs	2,778,094	3,257,607	3,429,933	5.29
Debt Service	52,509,563	54,414,230	58,848,123	8.15
Economic Development	5,586,451	5,686,391	6,249,663	9.91
Emergency Communications and Citizen Services	9,133,655	11,138,999	11,402,459	2.37
Emergency Medical Services	12,617,688	13,086,152	13,648,378	4.30
Finance	6,285,289	7,150,624	7,355,217	2.86
Fire	58,186,769	59,237,497	58,957,097	-0.47
General	0	0	-10,906,264	0.00
Health	3,713,720	3,486,450	3,690,510	5.85
Housing and Neighborhood Preservation	31,063,729	34,879,147	36,436,826	4.47
Human Resources	4,794,788	5,170,567	5,745,677	11.12
Human Services	117,937,832	126,975,490	129,581,708	2.05
Information Technology	25,640,924	27,725,065	28,233,244	1.83
Library	17,232,867	18,714,162	18,930,978	1.16
Municipal Council	602,888	663,050	663,242	0.03
Non-Departmental	39,254,109	35,673,103	36,415,587	2.08
Office of Emergency Management	664,953	592,110	744,194	25.69
Parks and Recreation	54,426,081	58,492,189	58,528,158	0.06
Pay-As-You-Go Capital Projects	72,071,819	79,358,646	67,816,431	-14.54
Planning and Community Development	23,868,695	24,853,640	23,742,967	-4.47
Police	99,188,135	104,396,374	106,129,479	1.66
Public Education	887,977,006	938,186,488	957,545,961	2.06
Public Utilities	113,762,277	115,988,263	119,279,582	2.84
Public Works	135,818,549	150,477,553	151,030,095	0.37
Reserve for Contingencies	0	5,532,947	5,689,582	2.83
Sheriff's Office	49,277,045	50,685,114	50,832,987	0.29
Special Finance Department	32,182,714	50,882,117	40,083,336	-21.22
Strategy, Transparency, Innovation & Resiliency Office	688,832	633,793	633,311	-0.08
Virginia Aquarium	10,818,123	12,395,023	11,836,563	-4.51
Voter Registration & Elections	2,228,589	1,747,428	2,236,574	27.99
TOTAL EXPENDITURES	1,943,856,843	2,080,612,727	2,086,059,932	0.26

CITY PERSONNEL SUMMARY

Department Name	FY 2019 Actual	FY 2020 Adjusted Budget	FY 2021 Adopted Budget	% Change
Agriculture	9.00	9.00	9.00	0.00
Budget and Management Services	14.00	14.00	13.00	-7.14
City Attorney	42.61	43.61	43.61	0.00
City Auditor	8.00	8.00	8.00	0.00
City Clerk	6.00	6.00	6.00	0.00
City Manager's Office	20.00	20.00	19.00	-5.00
City Real Estate Assessor	34.00	35.00	35.00	0.00
City Treasurer	74.60	77.60	77.60	0.00
Commissioner of the Revenue	65.53	64.93	64.93	0.00
Commonwealth's Attorney	97.83	103.83	103.83	0.00
Communications Office	20.50	20.50	20.50	0.00
Convention and Visitors Bureau	120.28	120.28	120.28	0.00
Courts and Courts' Support	75.00	75.00	74.00	-1.33
Cultural Affairs	4.00	13.70	12.50	-8.76
Economic Development	20.00	21.00	21.00	0.00
Emergency Communications and Citizen Services	137.75	137.75	135.75	-1.45
Emergency Medical Services	89.55	97.55	95.55	-2.05
Finance	59.00	61.00	62.00	1.64
Fire	523.21	539.83	526.23	-2.52
Health	9.08	7.38	7.38	0.00
Housing and Neighborhood Preservation	80.00	80.00	80.00	0.00
Human Resources	50.00	52.00	57.00	9.62
Human Services	1,178.45	1,191.70	1,188.70	-0.25
Information Technology	193.00	193.00	193.00	0.00
Library	253.00	253.00	252.50	-0.20
Municipal Council	11.00	11.00	11.00	0.00
Office of Emergency Management	6.00	7.00	8.00	14.29
Parks and Recreation	886.53	886.53	870.11	-1.85
Planning and Community Development	137.00	141.00	141.00	0.00
Police	1,048.46	1,059.86	1,051.86	-0.75
Public Utilities	415.00	415.00	415.00	0.00
Public Works	938.88	952.88	950.88	-0.21
Sheriff's Office	536.82	536.82	535.82	-0.19
Strategy, Transparency, Innovation & Resiliency Office	6.00	6.00	6.00	0.00
Virginia Aquarium	151.20	137.25	130.95	-4.59
Voter Registration & Elections	12.00	12.00	12.00	0.00
Total City Positions	7,333.28	7,411.00	7,358.98	-0.70
Education	10,333.42	10,488.12	10,548.97	0.58
Totals				
Total City Full Time Positions	6,672.00	6,764.00	6,729.00	-0.52
Total City Part Time Positions	650.28	636.00	618.98	-2.68
Total City Council Members	11.00	11.00	11.00	0.00
Total School Positions	10,333.42	10,488.12	10,548.97	0.58
Total Positions	17,666.70	17,899.12	17,907.95	0.05

CITY ADDITIONS & REDUCTIONS

Department	FTE changes between Adopted FY 2019-20 & Adjusted FY 2019-20	# FTEs	FTE changes between Adjusted FY 2019-20 & Adopted FY 2020-21	# FTEs	Total Dept. FTE Variance
Virginia Aquarium			Account Clerk II	0.25	-6.30
			Support Specialist II	(0.55)	
			Support Specialist II	(0.25)	
			Operations Assistant I	(0.60)	
			Operations Assistant I	(0.40)	
			Support Specialist II	(0.50)	
			Usher/Ticket Taker	(0.50)	
			Operations Assistant I	(0.60)	
			Usher/Ticket Taker	(0.25)	
			Usher/Ticket Taker	(0.55)	
			Operations Assistant II	(0.50)	
			Usher/Ticket Taker	(0.60)	
			Usher/Ticket Taker	(0.30)	
			Operations Assistant III	(0.45)	
			Operations Assistant II	(0.50)	
Budget and Management Services			Account Clerk	(1.00)	-1.00
City Treasurer		1.00	Account Clerk II		0.00
		1.00	Account Clerk III		
		1.00	Account Clerk Supervisor		
City Manager			Executive Assistant III	(1.00)	-1.00
Courts and Court Services			Juvenile Probation Officer	(1.00)	-1.00
Cultural Affairs		0.95	Account Clerk II	(0.95)	-1.20
			Account Clerk	(0.25)	

Department	FTE changes between Adopted FY 2019-20 & Adjusted FY 2019-20	# FTEs	FTE changes between Adjusted FY 2019-20 & Adopted FY 2020-21	# FTEs	Total Dept. FTE Variance
Emergency Communications and Citizen Services			Mater Public Safety Emergency Telecommunicator	(2.00)	-2.00
Emergency Management	Public Safety Resources Coordinator	1.00	Public Safety Analyst	1.00	1.00
Emergency Medical Services			Paramedic	(2.00)	-2.00
Finance			Financial Specialist	1.00	1.00
Fire	Account Clerk II	1.00	Storekeeper III	0.80	-13.60
			Public Safety Training Specialist	0.60	
			Firefighter Recruit	(15.00)	
Human Resources			Safety Engineer	2.00	5.00
			Human Resource Analyst I	(1.00)	
			Human Resources Analyst III	3.00	
			Human Resources Coordinator	1.00	
Human Services	Clerk I	0.65	Social Services Supervisor	(1.00)	-3.00
	Office Assistant II	1.00	Eligibility Worker	(1.00)	
	Administrative Technician	(0.75)	BH/DS Assistant	(1.00)	
	BH/DS Behavior Specialist I	2.00			
	BH/DS Clinician II	8.00			
	BH/DS Clinician III	6.00			
	Licensed Practical Nurse	1.00			
	Administrative Technician	1.00			
	BH/DS Assistant	(1.00)			
	Clerk III	0.75			

Library			Account Clerk II	(0.50)	-0.50
Department	FTE changes between Adopted FY 2019-20 & Adjusted FY 2019-20	# FTEs	FTE changes between Adjusted FY 2019-20 & Adopted FY 2020-21	# FTEs	Total Dept. FTE Variance
Parks and Recreation			Recreation Specialist I	(3.00)	-16.42
			Recreation Specialist II	(2.00)	
			Programming and Operations Manager	(1.00)	
			Parks and Recreation Aide III	(5.42)	
			Administrative Specialist II	(1.00)	
			Parks and Recreation Aide I	(2.12)	
			Facility Customer Assistant	(0.70)	
			Recreation Specialist	(0.88)	
			Activity Center Lead	(0.30)	
Police			Police Officer Recruit	(8.00)	-8.00
Public Works	Laborer	(1.00)	Engineer III	(2.00)	-2.00
Sheriff's Office			Commissary Canteen Clerk	(1.00)	-1.00
Total Net New		23.60		(52.02)	-52.02

*In FY 2020-21, Public Works transferred 2.0 Engineer FTEs to Human Resources as Safety Engineers for Occupational Health and Safety. Note: In accordance with the Adopted Budget, the City Manager has been directed to identify \$3.1 million in position savings within the General Fund, approximately 45 FTEs, to offset the elimination of the 3.5¢ per day ERU rate increase. City Council directed that \$3.1 million from the General Fund be transferred to the Stormwater CIP to ensure that flood control projects remain on schedule. This list does not include the approximately 45 positions that will be reported by the City Manager in July 2020.

SCHOOL PERSONNEL SUMMARY

Budgeted Positions for All School Board Funds

	FY 2016-17 Budget	FY 2017-18 Budget	FY 2018-19 Budget	FY 2019-20 Budget	FY 2020-21 Adopted Budget	Variance
General Fund						
Fund 115 - School Operating						
Instruction	6,800.00	6,853.85	6,972.45	7,118.65	7,170.35	51.70
Administration, Attendance, and Health	279.80	280.30	281.30	284.30	285.30	1.00
Pupil Transportation	675.13	675.13	693.88	693.88	690.88	(3.00)
Operations and Maintenance	1,169.50	1,152.50	1,134.50	1,123.50	1,119.50	(4.00)
Technology	176.00	182.00	186.00	185.00	185.00	-
School Operating Fund Total	9,100.43	9,143.78	9,268.13	9,405.33	9,451.03	45.70
Fund 104 - Green Run Collegiate	39.30	39.30	39.30	38.80	38.80	-
General Fund Total	9,139.73	9,183.08	9,307.43	9,444.13	9,489.83	45.70
Categorical Grants and Other Funds						
Fund 114 - Cafeterias	490.89	495.89	492.89	527.39	536.64	9.25
Fund 116 - Categorical Grants	509.20	516.80	521.10	504.60	508.50	3.90
Fund 117 - Textbooks	1.50	1.50	1.50	1.50	1.50	-
Fund 614 - Risk Management	7.00	4.00	4.00	4.00	5.00	1.00
Funds 615/617 - Health Insurance	6.50	6.50	6.50	6.50	7.50	1.00
Other Funds Total	1,015.09	1,024.69	1,025.99	1,043.99	1,059.14	15.15
TOTAL BUDGET	10,154.82	10,207.77	10,333.42	10,488.12	10,548.97	60.85

Categorical Grants and Other Funds Budgeted Positions

	FY 2016-17 Budget	FY 2017-18 Budget	FY 2018-19 Budget	FY 2019-20 Budget	FY 2020-21 Adopted Budget	Variance
Adult Basic Education Funds	5.00	5.00	5.00	5.00	5.00	-
DoDEA MCASP Operation GRIT	-	1.00	1.00	1.00	1.00	-
DoDEA MCASP Operation Pride	2.00	-	-	-	-	-
DoDEA Special Education	1.00	1.00	1.00	-	-	-
MTSS-B Impact Evaluation Study	1.20	-	4.00	-	-	-
Preschool Incentive	5.00	4.00	125.00	4.00	4.00	-
Title I, Part A	122.00	128.00	-	111.00	101.90	(9.10)
Title I, Part D - Subpart 1	-	-	-	0.50	-	(0.50)
Title I, Part D - Subpart 2	1.00	1.00	1.00	0.50	-	(0.50)
Title II, Part A	24.00	24.00	18.00	17.00	17.00	-
Title III, Part A - Language Acquisition	1.00	1.00	1.00	1.00	1.00	-
Title IV, Part A- Student Support and Academic Enrichment	-	-	1.00	4.00	4.00	-
Title VI, Part B (IDEA)	253.00	245.80	245.80	248.80	262.80	14.00
Virginia Preschool Incentive Plus (VPI+)	-	-	12.00	-	-	-
Federal Grants Total	415.20	410.80	414.80	392.80	396.70	3.90
Early Intervention Reading Initiative (PALS)	1.00	1.00	1.00	1.00	1.00	-
Jail Education Program	1.00	1.00	1.50	1.00	1.00	-
Juvenile Detention Home	11.00	11.00	11.00	11.00	12.00	1.00
VA Initiative for At-Risk Four-Year-Olds	80.00	92.00	90.00	86.00	86.00	-
Virginia Preschool Initiative Plus (VPI+)	-	-	-	10.00	10.00	-
State Grants Total	93.00	105.00	103.50	109.00	110.00	1.00
Hampton Roads Workforce Council - ALC	-	-	0.80	0.80	0.80	-
Hampton Roads Workforce Council - STEM	1.00	1.00	2.00	2.00	1.00	(1.00)
Local Grants Total	1.00	1.00	2.80	2.80	1.80	(1.00)
Categorical Grants Total	509.20	516.80	521.10	504.60	508.50	3.90
Cafeterias	490.89	495.89	492.89	527.39	536.64	9.25
Health Insurance	6.50	6.50	6.50	6.50	7.50	1.00
Risk Management	7.00	4.00	4.00	4.00	5.00	1.00
Textbooks	1.50	1.50	1.50	1.50	1.50	-
Other Funds Total	505.89	507.89	504.89	539.39	550.64	11.25
Categorical Grants and Other Funds Total	1,015.09	1,024.69	1,025.99	1,043.99	1,059.14	15.15

DEMOGRAPHICS

	1980	1990	2000	2010	2018
<u>Gender:</u>					
Male	50.8%	50.8%	49.5%	48.9%	49.2%
Female	49.2%	49.2%	50.5%	51.1%	50.8%
<u>Age:</u>					
Under 18	30.7%	28.0%	27.5%	24.0%	22.4%
65 and Over	4.5%	5.9%	8.4%	10.7%	13.2%
Peak Earning Years (age 35 – 54)	23.1%	24.9%	30.5%	28.3%	25.5%
Median Age	26.9	28.9	32.7	34.9	36.5
Dependency Population (<18 & > 65)	35.2%	33.9%	35.9%	34.7%	35.6%
<u>Race: *</u>					
White	86.5%	80.5%	71.4%	67.7%	66.7%
Black/African American	10.0%	13.9%	19.0%	19.6%	19.0%
American Indian/Alaskan Native	0.2%	0.4%	0.4%	0.4%	0.3%
Asian/Hawaiian/Pacific Islander	2.5%	4.3%	5.0%	6.3%	6.6%
Other Race	0.7%	0.9%	1.5%	2.0%	2.1%
Two or More Races	NA	NA	2.7%	4.0%	5.3%
Hispanic	2.0%	3.1%	4.2%	6.6%	8.0%
<u>Households:</u>					
Family Household	79.2%	75.4%	71.8%	68.6%	67.8%
Married Couple Family	66.6%	62.9%	55.7%	52.9%	51.2%
Female Head of Household	10.3%	9.5%	12.4%	12.3%	11.7%
Households with Children under 18	NA	44.8%	42.1%	35.4%	31.3%
Housing Occupancy: Owner	64.2%	62.5%	65.6%	65.7%	64.7%
Housing Occupancy: Renter	35.8%	37.5%	34.4%	34.3%	35.3%
Average Household Size	2.97	2.82	2.70	2.65	2.56
Average Family Size	3.35	3.21	3.21	3.16	3.07
<u>Health Insurance</u>					
% with Health Insurance Coverage	NA	NA	NA	88.9%	90.6%
<u>Marital Status:</u>					
Single, Never Married	26.5%	24.7%	25.5%	28.3%	30.8%
Married	61.0%	58.4%	57.1%	53.5%	50.8%
Separated	3.0%	5.4%	3.2%	2.9%	2.0%
Widowed	4.0%	4.0%	4.7%	4.7%	5.3%
Divorced	5.5%	7.6%	9.5%	10.5%	11.1%
<u>Median Household Income</u>					
	\$20,203	\$36,271	\$48,705	\$64,212	\$77,059
<u>Median Family Income</u>					
	\$21,809	\$39,122	\$53,242	\$75,757	\$88,366
<u>Per Capita Income</u>					
	\$10,836	\$20,652	\$30,633	\$46,105	\$58,308

	1980	1990	2000	2010	2018
<u>Poverty:</u>					
Persons	8.9%	5.9%	6.5%	7.5%	6.9%
Families	7.7%	4.3%	5.1%	5.5%	4.5%
Children under 18	13.0%	7.6%	8.6%	10.5%	9.2%
65 and Over	10.3%	8.0%	4.7%	5.0%	4.2%
Female Head of Household	38.9%	20.2%	18.9%	18.9%	19.3%
Female Householder with Children	45.8%	26.5%	23.1%	24.2%	22.2%
<u>Housing Expenses:</u>					
Owner Expenses Exceeding 30% of Income	26.3%	30.7%	27.4%	42.7%	29.4%
Renter Expenses Exceeding 30% of Income	37.8%	39.0%	37.9%	53.5%	49.3%
Percent of Homeowners Mortgage Free	11.1%	11.4%	13.9%	19.7%	24.7%
<u>Educational Attainment:</u>					
High School Graduate	80.0%	88.0%	90.4%	93.1%	93.2%
College Graduate	22.4%	25.5%	28.1%	31.6%	35.2%
<u>Labor Force:</u>					
Civilian Labor Force Participation Rate	58.3%	62.5%	63.2%	71.0%	71.2%
Civilian Female Labor Force Participation	54.6%	63.5%	62.9%	63.7%	62.8%
Percent of Labor Force in Armed Forces	18.2%	18.6%	13.3%	10.2%	6.2%
Percent Unemployed	5.3%	4.7%	4.1%	6.5%	2.9%
<u>Transportation-Related:</u>					
Percent Who Drive Alone	67.5%	78.4%	82.0%	82.5%	82.2%
Percent Who Carpool	21.2%	12.0%	10.8%	9.4%	9.4%
Percent Who Use Public Transportation	1.7%	0.8%	0.7%	0.8%	0.8%
Percent Who Work at Home	1.1%	3.3%	2.8%	4.3%	4.5%
Mean Travel Time (minutes)	21.9	22.7	23.9	23.4	23.7

*Totals may not equal 100% due to rounding.

Source: American Community Survey 1 Year Estimates, Virginia Labor Market Information, Bureau of Economic Analysis