
Budget Overview



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ACKNOWLEDGEMENTS

The preparation of the city's annual resource allocation plan requires a tremendous amount of hard work and dedication on the part of many people. Developing expenditures and revenue information requires varying sources of data and multiple perspectives.

The Approved FY 2013 Budget represents the assistance of many who deserve acknowledgment and appreciation:

- Residents of the city and civic leagues, particularly those who attended our community outreach meetings
- Members of the city's Employee Relations Committees and Retirees Associations
- City employees who attended our outreach meetings and submitted their suggestions for improvement
- Executive Budget Team
- Director of Finance
- Department and Office Directors
- Members of the Business Community
- Council Appointees, especially the City Assessor
- Constitutional Officers, particularly the City Treasurer, and Commissioner of the Revenue

Special recognition and gratitude are due to the staff of the Office of Budget and Grants Management who worked to prepare this year's budget.

Office of Budget and Grants Management Staff

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Grants Team

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City Manager

Marcus D. Jones

DISTINGUISHED BUDGET PRESENTATION AWARD



The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Norfolk, Virginia for its annual budget for the fiscal year beginning July 1, 2011. The review process by GFOA has not commenced for the annual budget for the fiscal year beginning July 1, 2012.

This prestigious award is presented to governmental entities that prepare budget documents which exhibit the highest qualities in meeting or exceeding both the guidelines established by the National Advisory Council on State and Local Budgeting and GFOA's standards of best practices. Documents submitted for the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting. The award is valid for a period of one year only. The FY 2013 budget continues to conform to program requirements and will be submitted to GFOA for eligibility.

CITY OF NORFOLK GOVERNMENT

Norfolk City Council is the legislative body of the city government. It is authorized to exercise all the powers conferred upon the city by the Commonwealth of Virginia in the state constitution, state laws and the Charter of the City of Norfolk.

City Council is composed of eight members. Seven members are elected through a ward system, and the Mayor is elected at large by the residents of Norfolk. These members elect a vice president (Vice Mayor) of the Council. For further information on the duties, powers and meetings of the Council, call the Office of the City Clerk 664-4253.

The City Council meets the second and fourth Tuesday of each month in the Council Chambers in Norfolk City Hall. There are two formal meetings a month held at 7:00 p.m. On the first Tuesday of the month, there is a Council work session held at 2:00 p.m.

The City of Norfolk operates under a Council-Manager form of government whereby the Council appoints a chief executive, the City Manager, Marcus D. Jones. The Council also appoints a City Attorney, Bernard A. Pishko; City Clerk, Breck R. Daughtrey; Real Estate Assessor, Deborah Bunn; and City Auditor, John Sanderlin. The City Manager may be contacted at 664-4242.

CITY OF NORFOLK CITY COUNCIL MEMBERS AND CITY MANAGER



Mayor
Paul D. Fraim



Vice-Mayor
Anthony L. Burfoot
Ward 3



Council Member
Andrew A. Protogyrou
Ward 1



Council Member
Dr. Theresa W. Whibley
Ward 2



Council Member
Paul R. Riddick
Ward 4



Council Member
Thomas R. Smigiel
Ward 5



Council Member
Barclay C. Winn
Ward 6



Council Member
Angelia M. Williams
Ward 7



City Manager
Marcus D. Jones

CITY COUNCIL'S VISION OF NORFOLK

The City of Norfolk continues to remain true to its vision. In the early 1990's, City Council established the vision of Norfolk and the current City Council and City Administration remain committed to executing and maintaining the vision.

Vision

Norfolk is a national leader in the quality of life offered to all its citizens.

This is achieved through effective partnerships between city government and its constituents.

As a result, Norfolk is a physically attractive, socially supportive, and financially sound city.

Here, the sense of community is strong.

Neighborhoods are designed so that people of all ages can know their neighbors and travel the streets and sidewalks in safety.

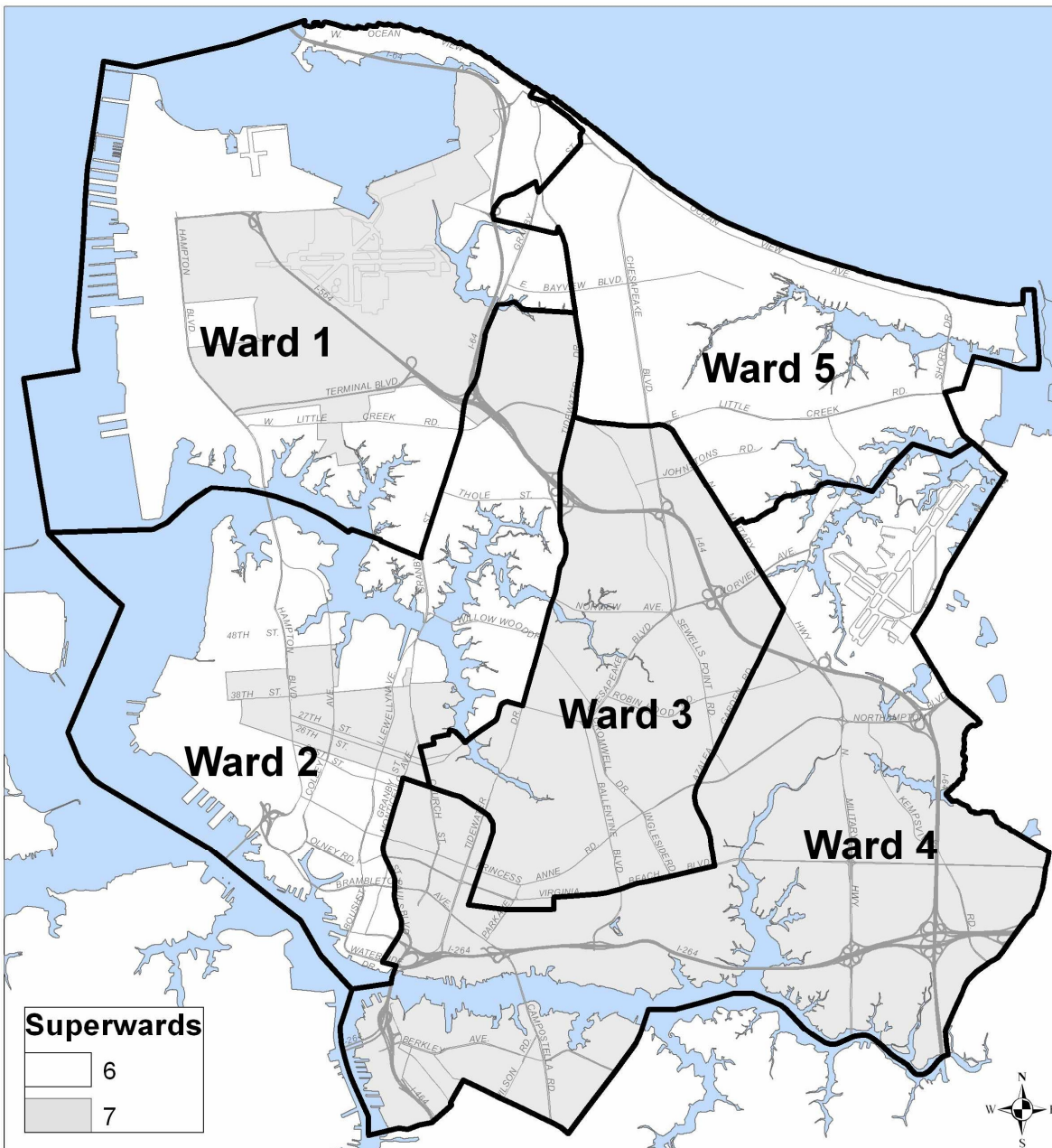
A sense of community exists city-wide.

Norfolk is known nationally as a strategically located place where there are abundant and fulfilling employment, recreational, and educational opportunities.

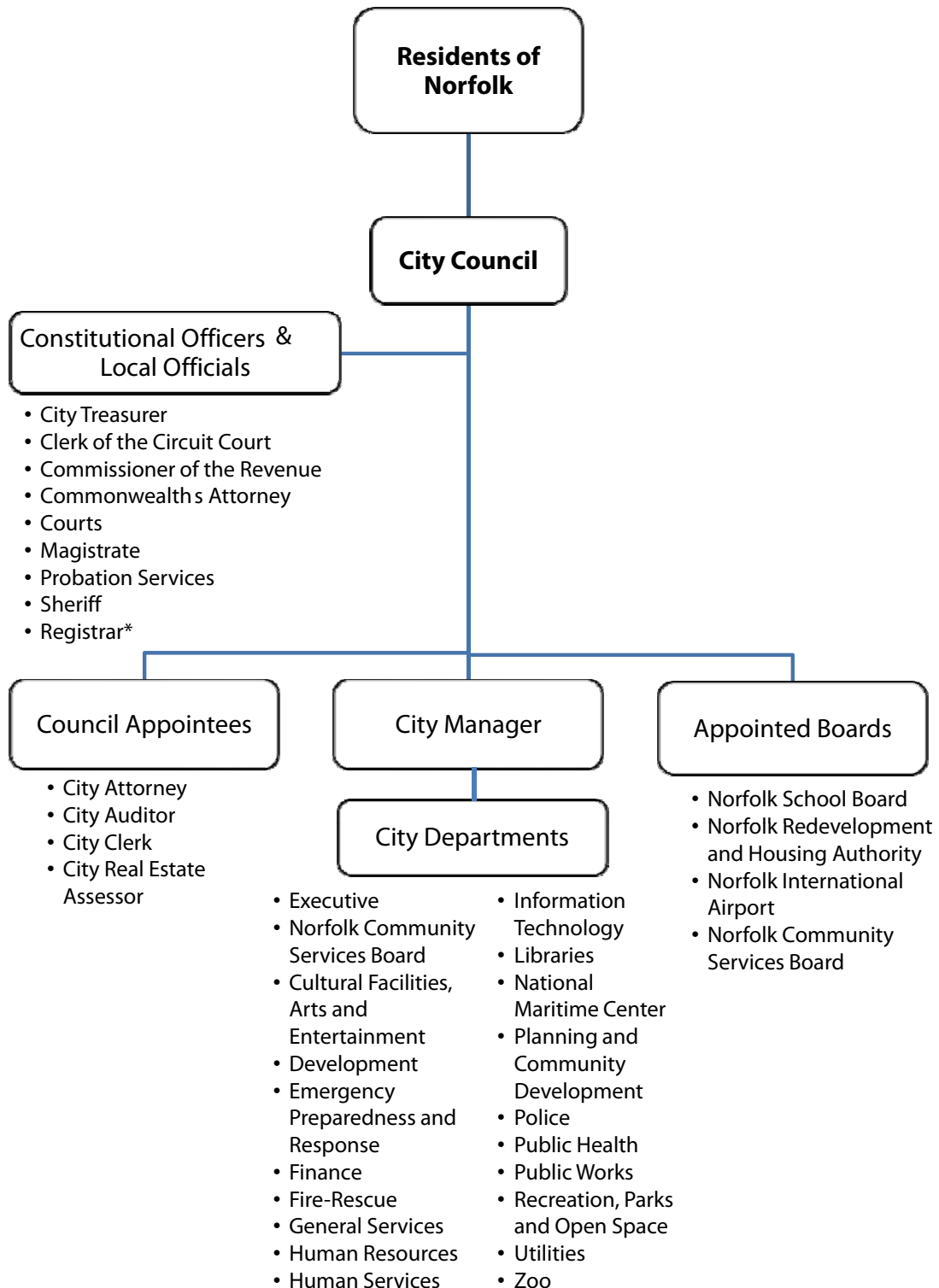
Priorities

- **Accessibility/Mobility** - A comprehensive network of accessibility and information gathering options, addressing all traditional transportation modes as well as new technologies that connect people, goods and information.
- **Economic Vitality and Workforce Development** - A growing, competitive and diversified economy that enhances the quality of life for residents through a wide range of housing, shopping, educational, cultural, business, and employment opportunities.
- **Environmental Sustainability** - A premier waterfront community that creates a positive, regenerative effect on its environment avoids detrimental environmental impacts and thrives economically and culturally.
- **Lifelong Learning** - Residents of all ages enjoy a culture of learning that enables them to reach their full potential, achieve personal goals, and through their knowledge, skills abilities, and talents, become well equipped to support a prosperous economy.
- **Safe, Healthy and Inclusive Communities** - Residents of diverse backgrounds and interests feel encouraged and empowered to assist in the development of safe and healthy neighborhoods thereby fostering a culture of leadership, pride and well-being that advances Norfolk's brand as a desirable and enjoyable place to live, learn, work and play.
- **Well-Managed Government** - A data-driven organization that provides effective and efficient programs and services that are responsive, accountable, and inclusive and customer focused.

CITY OF NORFOLK WARD MAP



CITY OF NORFOLK ORGANIZATIONAL CHART



*Appointed by State Board of Elections

READER'S GUIDE TO THE BUDGET

PURPOSE

The budget is an instrument that sets policy and summarizes public service programs provided by the city government and how the programs are funded. It is the annual plan for coordinating revenues and expenditures. The budget presented covers the period of **July 1, 2012 to June 30, 2013**. The amounts for FY 2013 are approved through the appropriation ordinance adopted by the City Council. The Approved Budget document includes updates to reflect City Council amendments to the Proposed Budget and Approved FY 2013 Compensation Plan. Technical corrections and editorial changes were also made from the Proposed Budget document.

BUDGET OVERVIEW

This section provides information on budget and financial policies, fund structures, basis of accounting, the budget process, budget calendar, and the city's organizational chart. The section also includes revenue and expenditure summaries, discussion of major revenue sources, indebtedness, and personnel staffing. Historical revenue and expenditure amounts for FY 2011 provided in the summaries do not include encumbrances, designations, or financial adjustments posted after June 30, 2011. Also, FY 2011 amounts may not sum to the total due to rounding. The personnel figures for FY 2012 may include administrative changes that have occurred during the fiscal year and may be different from the figures presented in the approved FY 2012 budget document. Position summaries in the Approved FY 2013 Budget include changes to the Proposed Budget based on the Approved FY 2013 Compensation Plan and Council Amendments.

GENERAL FUND REVENUE AND EXPENDITURE

The General Fund is used to account for primary government services. A summary of historical and estimated revenue from each source is provided for the General Fund. For each department within the General Fund, a summary of historical and approved expenditures is provided. Historical revenue and expenditure amounts for FY 2011 do not include encumbrances, designations, and carry-forwards or financial adjustments posted after June 30, 2011. Also, FY 2011 amounts may not sum to the total due to rounding.

DEPARTMENT BUDGETS

This section provides detailed information on the approved budget of each department within the General Fund. Historical revenue and expenditure amounts for FY 2010 and FY 2011 provided in the department summaries do not include encumbrances, designations, or financial adjustments posted after June 30. Also, FY 2010 and FY 2011 amounts may not sum to the total due to rounding. The personnel figures for FY 2012 may include administrative changes that have occurred during the fiscal year and may be different from the figures presented in the approved FY 2012 budget document. Position summaries in the Approved FY 2013 Budget include changes to the Proposed Budget based on the Approved FY 2013 Compensation Plan and Council Amendments.

EDUCATION FUNDS

This section provides information on the approved appropriation for Norfolk Public Schools.

SPECIAL REVENUE, ENTERPRISE, AND INTERNAL SERVICE FUNDS

These sections provide detailed information on the approved budgets of the city's Special Revenue, Enterprise and Internal Service Funds. Historical revenue and expenditure for FY 2010 and FY 2011 provided in the department summaries do not include encumbrances, designations, or financial adjustments posted after June 30. Also, FY 2010 and FY 2011 amounts may not sum to the total due to rounding. The personnel figures for FY 2012 may include administrative changes that have occurred during the fiscal year and may be different from the figures presented in the Approved FY 2012 Budget document. Position summaries in the Approved FY 2013 Budget include changes to the Proposed Budget based on the Approved FY 2013 Compensation Plan and Council Amendments.

CAPITAL IMPROVEMENT PLAN

This section provides detailed budget information on the five-year Capital Improvement Plan. However, the only year certain is the current budget year, FY 2013, with future years reflecting planning and not commitment.

MISCELLANEOUS STATISTICAL/GENERAL INFORMATION

This section provides statistical/general information about the city such as an overview of the organization, services and selected functions.

ANNUAL PLAN - HOUSING AND URBAN DEVELOPMENT (HUD) ENTITLEMENT GRANT PROGRAM

This section contains the Annual Plan for the Community Development Block Grant, HOME Investment Partnerships Program, and Emergency Solutions Grant Program. The Annual Plan identifies the annual funding of the city's priority community development projects and activities as outlined in the five-year Consolidated Plan.

ORDINANCES

This section contains the ordinances adopted by the City Council establishing the operating and capital improvement budget and the annual plan.

GLOSSARY/INDEX

The glossary provides definitions of budget-related terms. The index contains an alphabetical reference of information contained in this document.

FINANCIAL POLICIES

OPERATING BUDGET

The operating budget for the city is developed pursuant to Section 67 of the Charter of the City of Norfolk, Virginia. In accordance with the City Charter, the City Manager must submit to the City Council, no less than 60 days before the end of the fiscal year, a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures based on detailed estimates furnished by departments and other divisions of the city government. The budget is presented in a manner that identifies recommended appropriations, taxes, and estimated revenues with comparative statements. The budget is prepared by fund and department.

Following the formal presentation of the Proposed Budget by the City Manager, a public hearing is conducted to provide an opportunity for the public to make comments on the proposed operating budget and any proposed tax and fee adjustments, including the proposed real estate tax rate. The Code of Virginia requires that notice for the public hearing for the proposed real estate tax rate be given to the public at least 30 days prior to the date of the hearing. The public hearing for the operating budget shall be held at least seven days prior to City Council's approval of the budget. City Council is required to approve a final operating budget no later than 30 days before the end of the current fiscal year.

The formal approval of the budget is executed by the adoption of the ordinance delineating appropriations by fund. Additional budgetary controls are exercised administratively on an appropriation unit basis over combinations of object categories (budgetary account groups: personal services, materials, supplies and repairs, general operations and fixed charges, equipment, public assistance, all purpose appropriations and debt service), as well as on a line item basis over individual objects (budgetary accounts). Department heads may transfer funds within a departmental budget with approval from the City Manager or the Office of Budget and Grants Management.

The City Manager or designee is authorized to transfer from any department, fund, activity which has an excess of funds appropriated for its use to any department activity or fund all or any part of such excess. Basic policies and guidelines for the development of the city's annual budget are provided below.

The administration is committed to high standards of financial management and currently maintains and follows financial practices and guidelines. To further strengthen the city's financial position and support the "well-managed government" initiative, a comprehensive review of the city's financial practices and current policies will be conducted and the administration will request the formal adoption of additional financial policies by City Council. The establishment of financial policies will demonstrate the city's commitment to consistent financial practices, operational efficiencies and best practices; preserve the city's fiscal integrity; and improve fiscal stability, which promote long-term fiscal sustainability. Sound financial management practices contribute to maintaining high city bond ratings and lower borrowing costs for capital projects.

GENERAL FUND BALANCE RESERVES

Annually, after the close of the fiscal year, the Department of Finance must produce a schedule of all fund variance with the final budget. Analysis of compliance with the city's reserve requirements and a plan for the use of excess funds is included in a yearend report submitted by the City Manager to the City Council. The City Manager may recommend policy or procedure changes based upon circumstances identified in the year-end analysis.

The purpose of a reserve is to act as the city's "savings" account to meet emergency and unanticipated needs without jeopardizing the ongoing provision of city services. The establishment and maintenance of general

operating reserves is considered one of the most effective management practices a local government can employ. Reserves help to cushion against annual cash flow disruptions. The appropriate size of reserves depends on variability of revenues and expenditures and the city's cash flow needs. The General Fund reserve policy and practices include the following:

Unassigned General Fund Balance ("five percent reserve") – The city maintains an unassigned general fund balance equal to at least five percent of the annual general fund budget to help mitigate current and future risks and provide temporary funding of unforeseen emergency or catastrophic needs. The FY 2012 goal of \$39,750,810 is based on the Approved FY 2012 General Fund Budget of \$795,016,200. With the decline in the General Fund budget in FY 2011 and FY 2012, the amount needed to maintain the unassigned fund balance at five percent of the budget has declined as well. However, in FY 2011, City Council elected to add approximately \$2 million to the unassigned general fund balance to strengthen reserves and maintain the balance at the FY 2010 level of \$41,559,263. Moreover, during the FY 2013 budget worksession, City Council approved allocating \$773,328 of the FY 2011 fund balance to raise the unassigned general fund balance to \$42,332,591 in order to strengthen reserves. As a result, the amount in the unassigned general fund balance exceeds five percent of the budget.

Risk Management Reserve – The city is self-insured for many of its risk exposures. The city has targeted a reserve equal to 1.5 times the annual risk management budget of approximately \$7.7 million in the event of major unanticipated workers compensation or general liability claims. The balance in the Risk Management Reserve was enhanced in FY 2010 by \$1,058,409 to \$1,898,571, and during the FY 2013 budget worksession, City Council approved allocating \$1,101,429 of the FY 2011 fund balance to strengthen reserves, bringing the Risk Management Reserve level to \$3,000,000.

Economic Downturn/Leveling Reserve – The city strives to meet the goal of a \$10 million reserve to abate the impact of short-term economic downturns on the overall budget and to build adequate reserves to transition the impact of extreme swings in revenues and/or expenditures such as retirement contribution, health insurance or unforeseen emergencies. During the FY 2013 budget worksession, City Council approved allocating \$1,000,000 of the FY 2011 fund balance to the city's Economic Downturn/Leveling Reserve to strengthen reserves, which would raise the reserve from \$2,000,000 to \$3,000,000.

Reserve	Purpose	Goal FY 2012	Projected FY 2012
Unassigned General Fund Balance ("five percent reserve")	Good management practices recommend the accumulation of undesignated funds to mitigate current and future risks and to provide for temporary funding of unforeseen emergency or catastrophic needs.	39,750,810	42,332,591
Risk Management Reserve	Because the city is self-insured, a reserve is needed in the event of major unanticipated workers compensation or general liability claims.	11,600,000	3,000,000
Economic Downturn/ Leveling Reserve	To abate the impact of short-term economic downturns on the overall budget and to build adequate reserves to transition the impact of extreme swings in revenues and/or expenditures. The reserve is intended to be used as needed whereas the "five percent reserve" is to be used for catastrophic needs or unforeseen emergencies.	10,000,000	3,000,000

Amounts in the table above exclude reserves for encumbrances and other legally restricted reserves and designations. Under GASB 54, the classification of the "five percent reserve" and the Economic Downturn/Leveling

Reserve was changed to unassigned General Fund balance. Prior to GASB 54, the Economic Downturn/Leveling Reserve was in unreserved designated fund balance and the “five percent reserve” was in unreserved undesignated fund balance.

DEFINITION AND USE OF SURPLUSES

The budget prioritizes and plans the use of financial revenues based on the best data available at the time the budget is approved. Budgeted revenues and expenditures are projections and are not exact. Through strict monitoring, funds in excess of the budget projections may occur and are referred to as surpluses. In terms of budget forecasts, the Commonwealth of Virginia has a goal or benchmark to be within two percent of the projected budget.

The city uses surpluses to meet the aforementioned reserve goals, reduce outstanding debt and avoid future debt. After meeting the city’s reserve requirements, excess surplus amounts may be used for the following purposes:

- Retirement of Existing Debt: Surplus funds may be used to pay principal on existing revenue bonds or any other existing debt;
- Capital Replacement Programs: Excess reserves may be directed to provide cash funding for certain capital equipment replacement programs; or,
- Cash Payments for Capital Improvement Projects: Excess funds may be used to provide cash funding for Capital Improvement projects, thereby reducing the future debt burden upon the city.

To the same extent that the City Administration attempts to match one-time revenues with one-time expenses, a one-time surplus is also matched with one-time expenditures. However, these unprecedented economic times have lead the city to generate and use a one-time budget savings to help balance the upcoming year’s budget.

DEBT MANAGEMENT

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling on the amount of general obligation borrowings. Based on this legal limit, the city can issue debt in excess of \$950 million (See City Indebtedness section). While this is the legal limitation, the city is well aware it cannot take on expenditures beyond its fiscal means of affordability. Therefore, the city strives to adhere to the following internal debt ratios to guide the development of the Capital Improvement Plan (CIP):

- Debt Service as a percent of the general fund budget should not exceed 10 percent; and,
- Net debt as a percent of taxable real estate should not exceed 3.5 percent.

In determining general obligation debt limitations, certain classes of indebtedness may be excluded, such as revenue anticipation notes maturing in one year or less, general obligation bonds payable from a specified revenue producing undertaking, so long as the undertaking is self-supporting, capital leases and revenue bonds. The city’s enterprise operations for Water, Wastewater and Parking bonded debt are a combination of self-supporting, general obligation and revenue bonds. The city’s operation for Storm Water bonded debt is self-supporting utilizing general obligation bonds.

The city has never defaulted on the payment of either principal or interest on any debt.

CAPITAL IMPROVEMENT PLAN

The city uses several guiding principles and best practices to manage the Capital Improvement Plan (CIP). The principles (see Guiding Principles under CIP section) that govern the CIP are intricately intertwined with the debt management practices mentioned in the previous section. Using the principles as a foundation, the CIP is developed to promote capital infrastructure that support the City Council's priorities by establishing a five-year capital implementation plan. In formulating this long range plan, input is solicited from various parties such as city departments, City Council and citizens.

The CIP includes projects that meet the following City Council priority areas (see CIP section for definitions):

- Accessibility, Mobility and Connectivity
- Economic Vitality and Workforce Development
- Environmental Sustainability
- Lifelong Learning
- Safe, Healthy and Inclusive Communities
- Well-Managed Government

In addition, approved projects must also meet the minimum cost threshold of \$50,000 and should extend the useful life of an existing asset or create an asset with a useful life that exceeds the life of the debt instrument used to finance the project.

Various sources of funding are used to fund the CIP. These sources include general fund supported debt and non-general fund supported debt, such as, revenue bonds or cash contributions from various resources. For general capital improvements, the city strives to achieve an annual pay-as-you-go cash contribution of 12.5 percent for the CIP. However, as in other cities, it has been a challenge to achieve this goal during these unprecedented economic times. Nevertheless, the city is committed to achieving this goal and to becoming a well-managed government.

FUND STRUCTURE

The city uses fund accounting to ensure and demonstrate compliance with finance-related legal and regulatory requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The city's funds can be divided into four categories: governmental funds, proprietary funds, component unit funds and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds consist of the General Fund, Special Revenue Funds, Capital Project Fund, Debt Service Funds and Permanent Fund (see following section). Most governmental functions of the city are financed through these funds. Governmental funds normally are supported by taxes and intergovernmental revenues. The modified accrual basis of budgeting is used for all governmental funds.

General Fund

The general operating fund of the city accounts for all financial transactions of the general government, except those required or preferred to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the city, such as police, public works, general government, etc. These activities are funded by such revenue sources as general property taxes, other local taxes, licenses and permits, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth and Federal Government.

Special Revenue Funds

The Special Revenue Funds account for the proceeds of specific revenue resources (other than expendable trusts or major capital projects) and require separate accounting because of legal or regulatory provisions, or administrative action.

Capital Project Fund

The Capital Project Fund accounts for the acquisition, construction or renovation of major capital facilities of the city and the School Board.

PROPRIETARY FUNDS

The city maintains two types of Proprietary Funds: Enterprise Funds and Internal Service Funds. Proprietary Funds account for operations similar to those found in the private sector, and they include the Parking Facilities, Wastewater Utility, and Water Utility Funds. The Proprietary Fund measurement focus is based upon determination of net income, financial position and changes in financial position. The full accrual basis of budgeting is used for all Proprietary Funds.

Enterprise Funds

Parking Facilities Fund

This fund accounts for the operation of city-owned parking facilities (garages, lots and on-street meters). The cost of providing services is financed or recovered through user charges for long-term and short-term customer use and fines for parking violations.

Wastewater Utility Fund

This fund accounts for the operation of the city-owned wastewater (sewer) system. The cost of providing services is financed or recovered through user charges to Norfolk residential and commercial customers.

Water Utility Fund

This fund accounts for the operations of the city-owned water system. The cost of providing services is financed or recovered through user charges to customers. These customers include Norfolk residential, commercial customers, the U.S. Navy, and other regional localities.

Internal Service Funds

These funds account for the financing of goods and services supplied to other funds of the city and other governmental units on a cost reimbursement basis. Internal service funds have been established for the Storehouse and Fleet Management Funds.

COMPONENT UNIT FUNDS

Education

The city's total budget includes the funds of the Norfolk Public Schools. The primary sources of revenue, exclusive of the transfer from the city's General Fund, are basic school aid and sales tax revenues from the Commonwealth of Virginia and educational program grants. Major expenditures are for instructional salaries and facility operating costs for the schools.

School Operating Fund

The School Operating Fund is the General Fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund, such as, the Schools Grants and School Child Nutrition Services described below.

School Grants

This fund accounts for revenues and expenditures for Federal, State and other grants for specific programs pertaining to education.

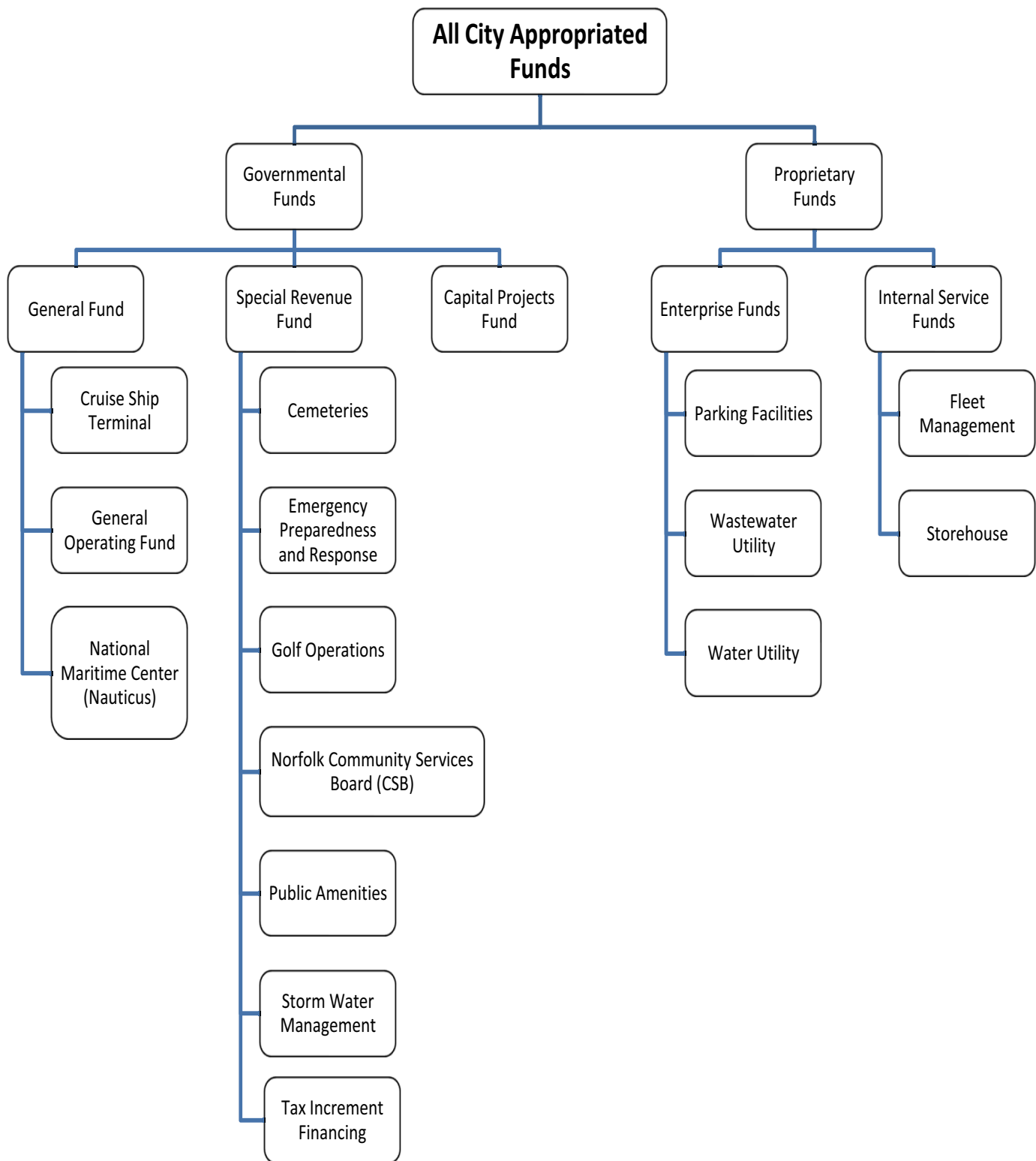
School Child Nutrition Services

This fund accounts for the administration of the school breakfast and lunch program.

FIDUCIARY FUNDS AND PERMANENT FUND

Fiduciary funds are used to account for resources held for the benefit of parties outside the city. The fiduciary funds include the city's Pension Trust Fund, the Commonwealth of Virginia Agency Fund and the Miscellaneous Agency Fund. The permanent fund is used to report resources that are legally restricted to the extent that only earnings (not principal) may be used to support the program. The permanent fund includes the Cemetery Perpetual and Endowed Care. Fiduciary and permanent funds are not included in the city government's budget or financial statements, because the resources in such funds are not available to support the city's programs. Fiduciary fund statements are presented separately within the city's Comprehensive Annual Financial Report (CAFR).

CITY OF NORFOLK FUND STRUCTURE



BASIS OF BUDGETING AND ACCOUNTING

BASIS OF BUDGETING

The budgets of governmental fund types (General Fund, Special Revenue and Capital Projects Funds) of the city are generally prepared on the modified accrual basis. The accrual basis of budgeting is generally used for the Enterprise Funds and Internal Service Funds, except for depreciation, debt principal payments, capital outlay and contractual commitments (see Basis of Accounting below).

For the modified accrual basis, expenditures are recorded as expenditures when the related fund liability is incurred (other than interest on general long-term liabilities). For budgetary purposes, purchase orders issued and other contractual commitments are considered expenditures when executed. Revenues are recorded when they are measurable and available. The accrual basis recognizes expenses when the liability is incurred regardless of the related cash flows. Revenues, however, are recognized when earned. The accrual methodology is based upon known present and future expenses and revenues, not upon cash spent or received.

The level of control at which expenditures may not legally exceed the budget, is at the department level for the General Fund and the fund level for all other funds. Any change in appropriation level of the fund must be approved by the City Council. The City Manager is authorized to transfer from any department, fund or activity which has an excess of funds appropriated for its use, to any department, activity or fund all or any part of such excess. Appropriations lapse at fiscal year end, except appropriations for Grants (Special Revenue) and the Capital Improvement Program, which are carried forward until such time as the grant or project is completed or terminated.

BASIS OF ACCOUNTING

The Comprehensive Annual Financial Report (CAFR) presents the status of the city's finances in accordance with Generally Accepted Accounting Principles (GAAP). In most cases this conforms to how the city prepares its budget. Exceptions are as follows:

Compensated absences are recorded as earned by employees (GAAP), as opposed to being expended when paid (Budget);

Principal payments on long-term debt within the Proprietary Funds reduce the amount of debt remaining on a GAAP basis as opposed to being expended on a Budget basis;

Capital Outlay within the Proprietary Funds is recorded as assets on a GAAP basis and expended on a Budget basis;

Depreciation expenses are recorded on a GAAP basis only; and,

Recording unfulfilled purchase orders and contractual obligations as expenditures in the year executed.

In addition to the fund financial statements, government-wide financial statements are also prepared on the accrual basis of accounting. In government-wide financial statements, certain funds are grouped together for reporting purposes.

BUDGET PROCESS

FORMULATION OF THE CITY MANAGER'S BUDGET

The City Charter requires the City Manager to prepare and submit to the City Council an annual budget.

The annual budget process commences each fall. The budget calendar is developed which establishes the timelines for the process, including dates for submission of departmental requests, budget work sessions and public hearings that lead to final adoption of the budget.

Department requests are based on budget instructions. Each request must relate to the organization's program objectives and the priorities of the city. The requests are received and compiled by the budget staff. Due to revenue constraints, departments are generally encouraged to develop proposals to realign or reduce expenditures rather than seek additional funding.

An operating budget is adopted each fiscal year for the General Fund, Water Utility Fund, Wastewater Utility Fund, Parking Fund, Storm Water Fund, Special Revenue Funds (Cemeteries, Emergency Preparedness and Response, Golf Operations, Public Amenities, Tax Increment Financing, and Towing and Recovery Operations), and Internal Service Funds (Fleet Management and Storehouse). Budgets are also individually adopted for a Special Revenue (Grants) Fund. Ordinances are generally approved when a grant to the city has been awarded.

All funds are under formal budgetary control, the most significant of which is the General Fund. No less than sixty days before the end of the current fiscal year, the City Manager submits to the City Council a proposed operating budget for the next fiscal year. The Operating Budget includes recommended expenditures and the means to finance them.

CITY COUNCIL'S AUTHORIZATION AND APPROPRIATION

After general distribution of the proposed operating budget, one or more public hearings may be conducted to obtain comments and recommendations from the public. No less than thirty days before the end of the fiscal year, the City Council shall pass an annual appropriation ordinance which shall be based on the budget document submitted by the City Manager. The annual operating budget ordinance appropriates funds, based on the budget document submitted by the City Manager and any subsequent changes made by the City Council, subject to certain conditions, for use by departments. The ordinance authorizes salaries, wages and personnel positions as set forth in the detailed budget document. Amounts appropriated to each department are to be expended for the purposes designated by object group, i.e., categories including: personnel services; materials, supplies and repairs; general operations and fixed charges; equipment; public assistance; all purpose appropriations and debt service.

CITY MANAGER'S AUTHORIZATION

In accordance with the City Charter, at least sixty days before the end of each fiscal year, the City Manager shall prepare and submit to the City Council an annual budget for the ensuing fiscal year. The budget shall be balanced at all times. The total amount of appropriations shall not exceed the estimated revenues of the city.

In a given year, the City Manager is authorized to transfer from any department, fund or activity which has a budgetary excess of funds appropriated to any department, fund or activity as necessary.

BUDGET IMPLEMENTATION

Once the budget is adopted, it is effective on July 1 and becomes the legal basis for the programs of each department of the city during the fiscal year. No department or other agency of the city government may spend in excess of approved and appropriated amounts. Financial and programmatic monitoring of departmental activities to ensure conformity with the budget takes place throughout the year. Copies of the budget can be found in the libraries, on the city website, or may be obtained from the Office of Budget and Grants Management. The City Manager is responsible for maintaining a balanced budget at all times. In the event it is identified there is a gap between revenues and expenditures, the City Manager will take such actions necessary to rebalance the budget. Budget amendments may be made by City Council in order to meet the changing needs of the city. The means by which City Council may amend the budget include, but are not limited to, appropriation of additional funds and decrease the amount of appropriated funds.

CAPITAL IMPROVEMENT PLAN AND CONSOLIDATED PLAN

City Council also adopts a Capital Improvement Plan Budget and a Consolidated Plan Budget. As in the case of the Operating Budget, these budgets are submitted by the City Manager, public hearings are held, and the budgets are legislatively enacted through adoption of ordinances.

Appropriations for project funds and grant funds do not lapse at year end, but continue until the purpose of the appropriation has been fulfilled or is otherwise terminated. Amendments to these budgets may be affected by City Council action. The level of budgetary control is on a project basis with additional administrative controls being exercised.

BUDGETARY PRINCIPLES AND POLICIES

Budgetary principles and policies include:

- Provisions to strive for a structurally balanced budget whereby ongoing expenditures are supported by ongoing revenues;
- Preparation of a mid-year budget update, reporting projected revenues and expenditures for the entire fiscal year and receipt of unbudgeted revenues and other major changes to the adopted budget;
- Preparation of a five-year forecast, which serves as the basis for the City Manager's annual recommended budget; and
- Requirement that the City Manager prepare a Five-Year Capital Improvement Plan that incorporates operating costs and is stated in "year of expenditure dollars."

BUDGET CALENDAR

Date	Responsible Party	Description	Legal Requirement
September 2011	Budget Office	Capital Improvement Instructions Provided to Departments	
September 2011	City Departments	Departments Submit CIP Budget Requests	
October 2011	City Departments	Departments Submit Operating Requests	
January - February 2012	Communications Budget Office Executive Staff	Budget Community and Employee Outreach Program	
February 2012	Budget Office Executive Staff City Department	Department Meetings with Budget Staff and Executive Budget Team	
April 1, 2012	Norfolk Public Schools	School Board Presents Proposed Operating Budget to City Council	Code of Virginia 15.2-2503
April 21, 2012	City Clerk	Public Hearing Notice of the HUD Grants (CDBG, ESG and HOME)	U.S. Department of Housing and Community Development (HUD)
April 24, 2012	City Manager	City Manager Presentation of Proposed Budget to City Council	City of Norfolk Charter Sec. 67
April 25, 2012	City Clerk	Public Notice of the Operating and Capital Improvement Plan Budgets	Code of Virginia 15.2-2506
May 2, 2012	City Council	Public Hearings on the Operating, Capital Improvement Plan and HUD Grant (CDBG, ESG and HOME) Budgets	Code of Virginia 15.2-2506
May 8, 2012	City Council	Council Work Session	
May 22, 2012	City Council	Council Work Session and Budget Adoption by City Council	City of Norfolk Charter Sec. 68; Code of Virginia 15.2-2503

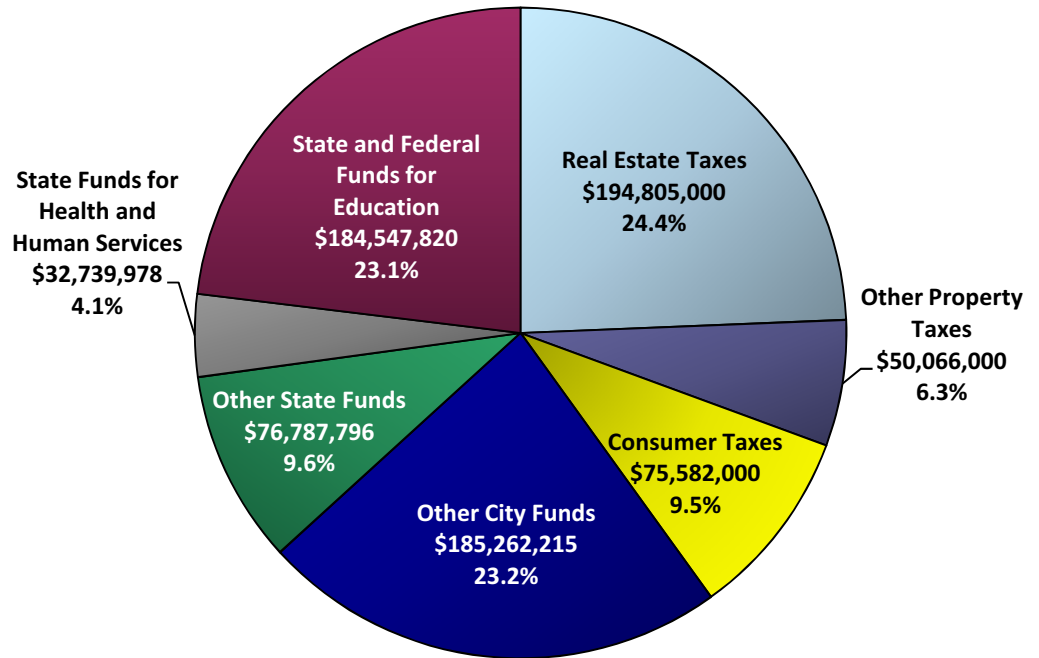
GENERAL FUND BUDGET OVERVIEW

Approved FY 2013 General Fund Revenues \$799,790,809

Funding for Norfolk comes from a variety of sources as shown at right.

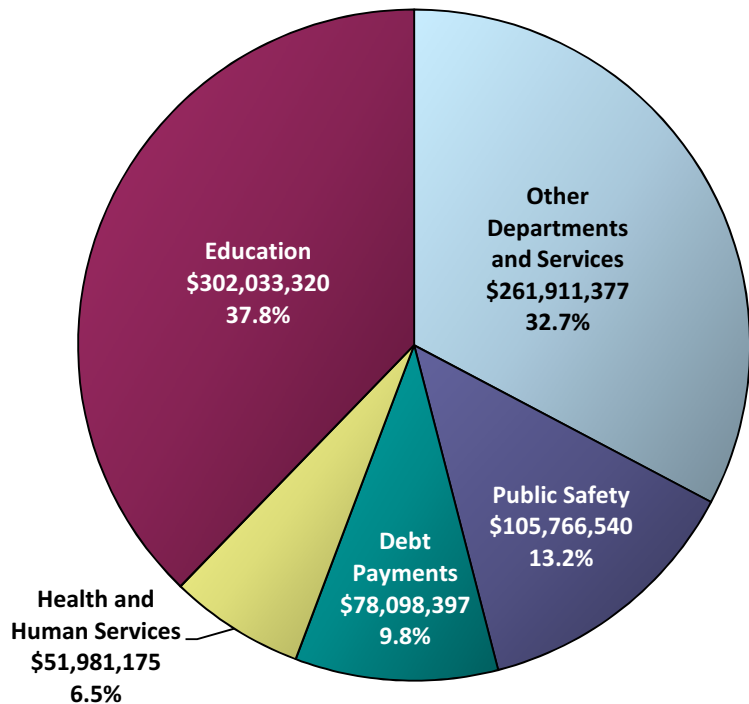
“Other City Funds” include local taxes, fees, fines, rent and interest.

“Consumer Taxes” include sales, hotel, meals, admissions and cigarette taxes.



Approved FY 2013 General Fund Expenditures \$799,790,809

In the FY 2013 budget breakdown, “Other Departments and Services” includes public works, libraries, recreation, cultural facilities, nauticus, economic development, planning, human resources, IT, general services, legislative and executive, finance, courts and sheriff, treasurer, commissioner of the revenue, outside agencies, and non departmental appropriations.



ESTIMATED GENERAL FUND REVENUES BY SOURCE

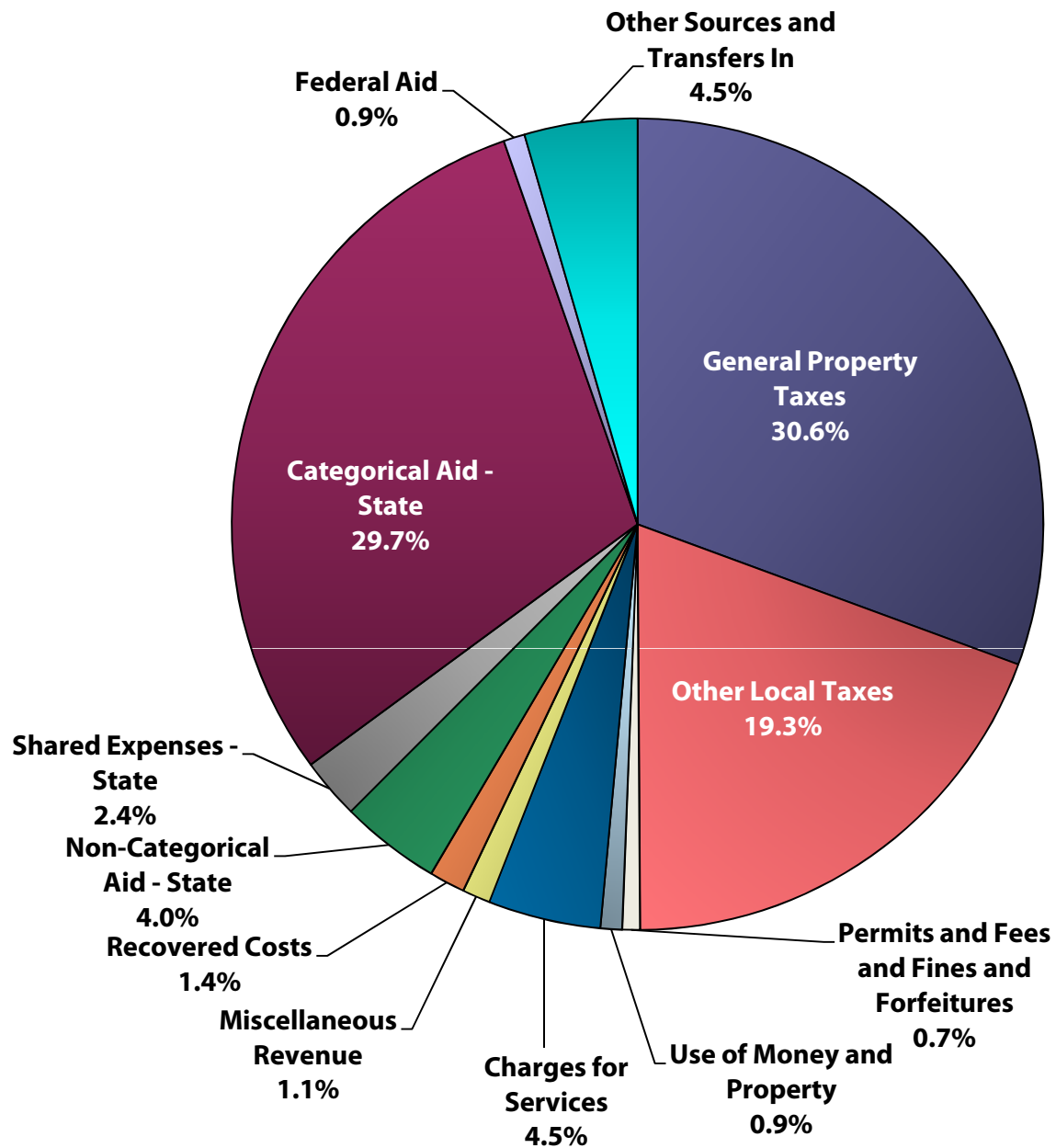
The following table compares the Approved FY 2013 General Fund Operating Budget to the Approved FY 2012 General Fund Operating Budget and the FY 2011 Actual. Funding sources are shown by category to provide an overview of the principal sources of revenue for the general operating fund of the city. These revenue sources support general government operations. The tables and charts in the pages that follow show revenues and expenditures for all funds.

Source	FY 2011 Actual	FY 2012 Approved	FY 2013 Approved	FY 2012 vs. FY 2013 \$ Change	% Change
General Property Taxes	251,492,239	246,979,300	244,871,000	-2,108,300	-0.9%
Other Local Taxes	145,141,964	150,730,000	154,180,000	3,450,000	2.3%
Permits and Fees	4,106,796	4,516,300	4,427,928	-88,372	-2.0%
Fines and Forfeitures	1,287,993	1,250,000	1,235,800	-14,200	-1.1%
Use of Money and Property	7,154,131	6,711,300	6,903,200	191,900	2.9%
Charges for Services	33,442,918	36,323,900	35,908,538	-415,362	-1.1%
Miscellaneous Revenue	8,583,723	8,328,300	8,904,776	576,476	6.9%
Recovered Costs	10,722,712	10,579,200	11,372,200	793,000	7.5%
Non-Categorical Aid - State	32,115,681	31,857,000	31,982,000	125,000	0.4%
Shared Expenses - State	19,330,202	19,153,000	19,333,200	180,200	0.9%
Categorical Aid - State	242,828,372	236,303,700	237,923,794	1,620,094	0.7%
Federal Aid ¹	7,538,445	12,345,200	6,805,200	-5,540,000	-44.9%
Other Sources and Transfers In	23,972,126	29,939,000	35,943,173	6,004,173	20.1%
General Fund Total	787,717,302	795,016,200	799,790,809	4,774,609	0.6%

¹ The reduction in federal aid is largely due to the end of the federal Education Jobs Fund program.

Note: The FY 2011 Actual amounts may not sum to the total due to rounding.

Approved FY 2013 General Fund Revenues by Source



ESTIMATED REVENUES BY SOURCE (ALL FUNDS)

The following table compares the Approved FY 2013 Budget for All Funds as compared to the Approved FY 2012 Budget for All Funds and the FY 2011 Actual amount. Funding sources by category are shown to provide an overview of the sources of revenue for all operating funds of the city. Revenues are contained in those categories where they are originally raised.

Source	FY 2011 Actual	FY 2012 Approved	FY 2013 Approved	FY 2012 \$ Change	vs. FY 2013 % Change
General Property Taxes	255,154,039	249,778,621	247,625,849	-2,152,772	-0.9%
Other Local Taxes	153,885,777	159,512,296	163,275,796	3,763,500	2.4%
Permits and Fees	5,512,829	5,976,600	5,843,208	-133,392	-2.2%
Fines and Forfeitures	3,689,047	3,250,000	3,185,812	-64,188	-2.0%
Use of Money and Property	8,792,599	8,224,090	8,263,292	39,202	0.5%
Charges for Services ¹	181,554,570	183,237,303	188,310,416	5,073,113	2.8%
Miscellaneous Revenue	9,451,837	9,542,491	11,155,625	1,613,134	16.9%
Recovered Costs	14,034,502	13,731,149	14,499,642	768,493	5.6%
Non-Categorical Aid - State	32,115,681	31,857,000	31,982,000	125,000	0.4%
Shared Expenses - State	19,330,202	19,153,000	19,333,200	180,200	0.9%
Categorical Aid - State	242,828,372	236,303,700	237,923,794	1,620,094	0.7%
Federal Aid ²	8,075,411	12,408,817	6,868,817	-5,540,000	-44.6%
Other Sources and Transfers In	31,060,009	31,945,733	39,794,967	7,849,234	24.6%
Subtotal	965,484,874	964,920,800	978,062,418	13,141,618	1.4%

In FY 2013 the Norfolk Community Services Board (NCSB) is being incorporated into the city fund structure. The budget impact is reflected below.

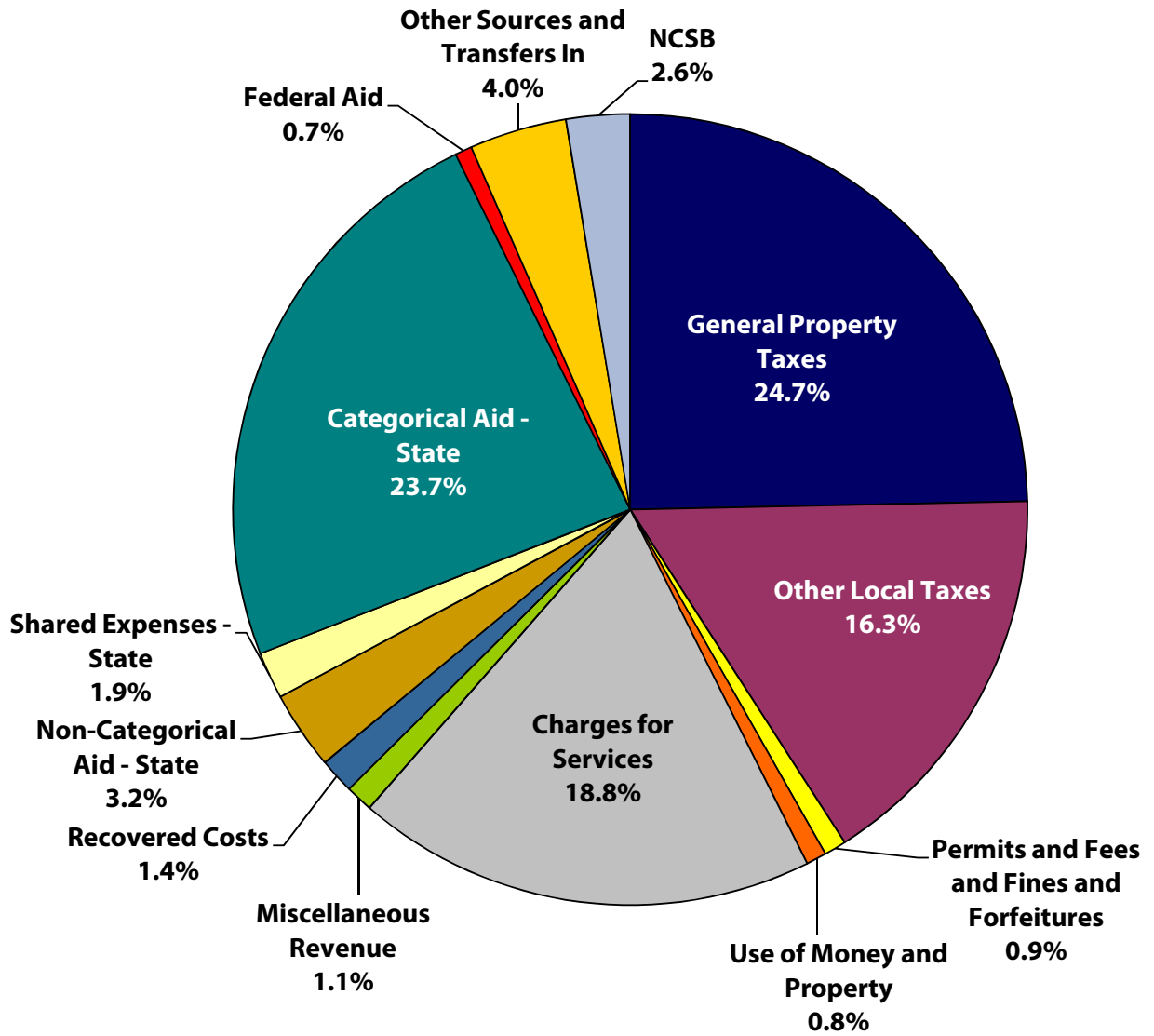
NCSB	0	0	25,986,097	25,986,097	
Total All Funds with NCSB	965,484,874	964,920,800	1,004,048,515	39,127,715	4.1%

¹ The increase in charges for services is largely due to the annual previously authorized rate increases in Water, Wastewater and Storm Water and the approved \$1.00 increase in Storm Water.

² The reduction in federal aid is largely due to the end of the federal Education Jobs Fund program.

Note: The FY 2011 Actual amounts may not sum to the total due to rounding.

Approved FY 2013 Revenues by Source (All Funds)



Note: Percentages have been rounded and may not total to 100.

ESTIMATED EXPENDITURES BY USE (ALL FUNDS)

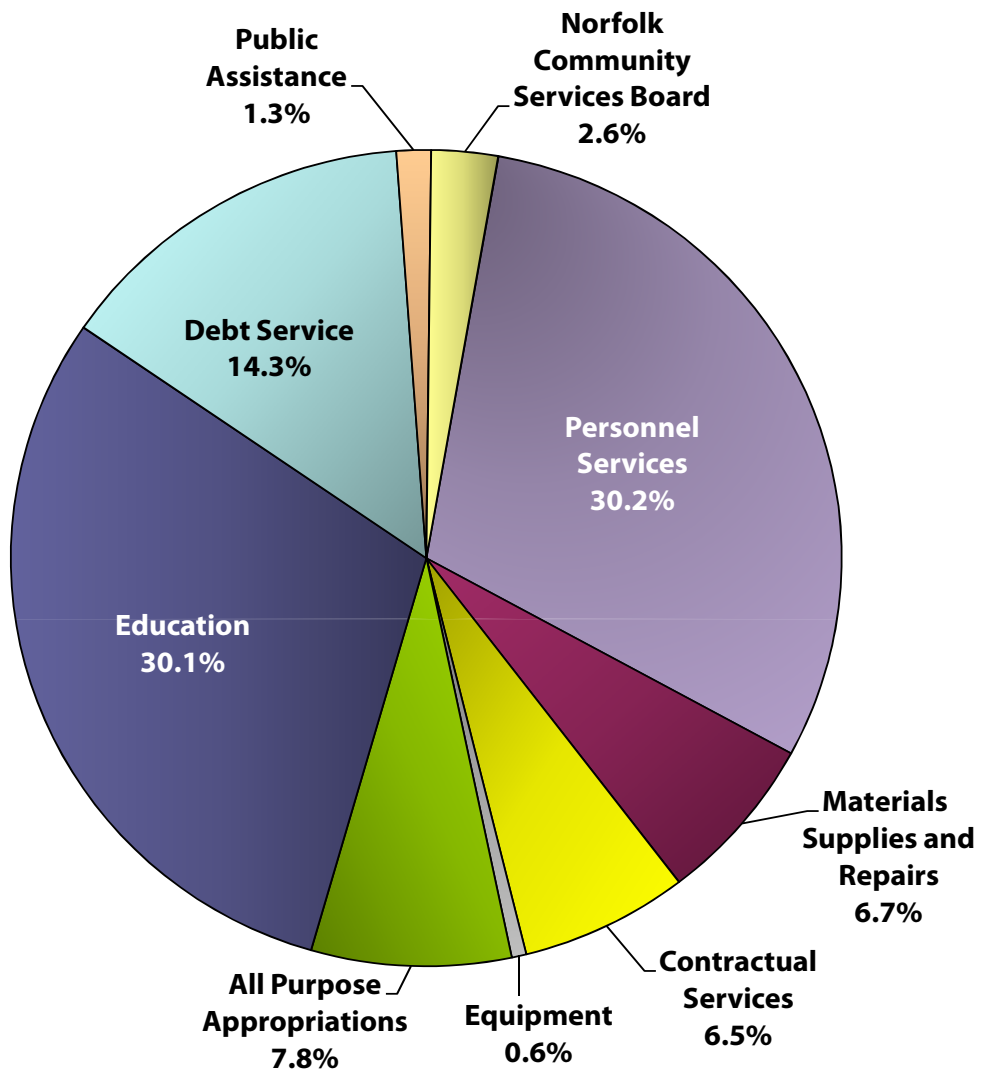
The following table compares the Approved FY 2013 Operating Budget to the FY 2012 Approved Operating Budget and the FY 2011 Actual amount. Funding uses by category are shown to provide an overview of the principal uses of expenditures for all operating funds of the city. Expenditures are contained in those categories where they are originally spent.

Uses	FY 2011 Actual	FY 2012 Approved	FY 2013 Approved	FY 2012 vs. FY 2013 \$ Change	% Change
Personnel Services	290,818,443	300,398,838	302,812,839	2,414,001	0.8%
Materials, Supplies and Repairs	56,900,333	65,979,126	66,813,984	834,858	1.3%
Contractual Services	64,339,032	66,141,215	65,578,713	-562,502	-0.9%
Equipment	4,045,063	5,137,745	5,742,646	604,901	11.8%
All Purpose Appropriation	66,913,947	72,416,380	78,137,694	5,721,314	7.9%
Education	291,547,205	290,550,500	302,033,320	11,482,820	4.0%
Debt Service	115,311,014	143,047,135	143,458,560	411,425	0.3%
Public Assistance ¹	20,080,238	21,249,861	13,484,662	-7,765,199	-36.5%
Subtotal	909,955,276	964,920,800	978,062,418	13,141,618	1.4%
In FY 2013 the Norfolk Community Services Board (NCSB) is being incorporated into the city fund structure. The budget impact is reflected below.					
NCSB	0	0	25,986,097	25,986,097	
Total All Funds with NCSB	909,955,276	964,920,800	1,004,048,515	39,127,715	4.1%

¹ The reduction in public assistance is mainly due to the Commonwealth of Virginia changing the reimbursement model for certain childcare programs. There is no anticipated reduction in services to citizens. See the Department of Human Services for more detailed information.

Note: The FY 2011 Actual amounts may not add to the total due to rounding.

Approved FY 2013 Expenditures by Use (All Funds)



Note: Percentages have been rounded and may not total to 100.

ESTIMATED EXPENDITURES BY FUND TYPE

The following table compares expenditures by fund type in the Approved FY 2013 Operating Budget with the Approved FY 2012 Operating Budget and the FY 2011 Actual amount.

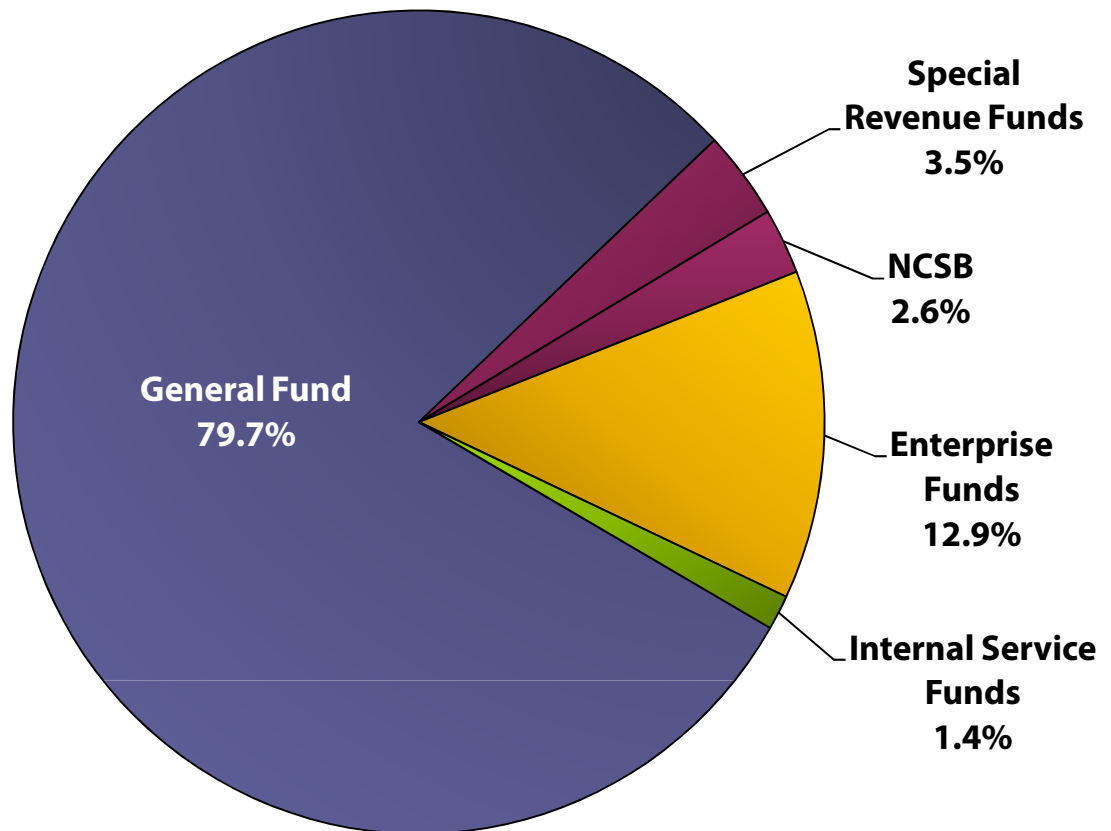
Fund Type	FY 2011 Actual	FY 2012 Approved	FY 2013 Approved	FY 2012 \$ Change	vs. FY 2013 % Change
General Fund	766,255,200	795,016,200	799,790,809	4,774,609	0.6%
Special Revenue Funds	33,940,963	32,226,900	34,845,449	2,618,549	8.1%
Enterprise Funds	97,645,032	124,480,700	129,768,060	5,287,360	4.2%
Internal Service Funds	12,114,080	13,197,000	13,658,100	461,100	3.5%
Subtotal	909,955,276	964,920,800	978,062,418	13,141,618	1.4%

In FY 2013 the Norfolk Community Services Board (NCSB) is being incorporated into the city fund structure. The budget impact is reflected below.

NCSB	0	0	25,986,097	25,986,097	
Total All Funds with NCSB	909,955,276	964,920,800	1,004,048,515	39,127,715	4.1%

Note: The FY 2011 actual amounts may not sum to total due to rounding.

Approved
FY 2013 Expenditures by Fund Type (All Funds)
(Norfolk Community Services Board is classified as "Special Revenue")



Note: Percentages have been rounded and may not total to 100.

ESTIMATED GENERAL FUND EXPENDITURES BY AREA

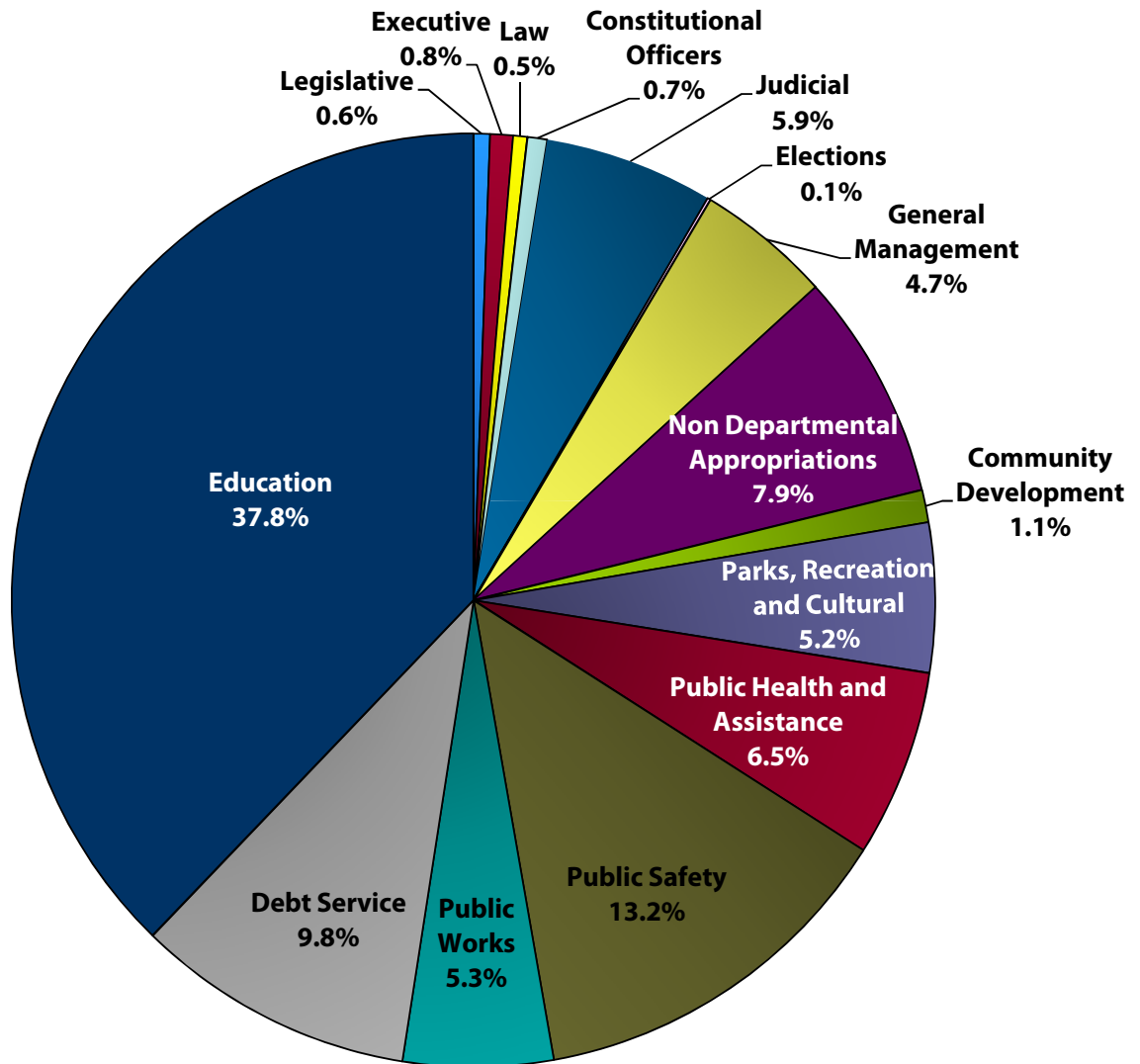
The following table compares the Approved FY 2013 General Fund Operating Budget to the Approved FY 2012 General Fund Operating Budget and the FY 2011 Actual amount. Major areas of service are shown to provide a broad overview of the expenditures for the general operating fund of the City.

Service Area	FY 2011 Actual	FY 2012 Approved	FY 2013 Approved	FY 2012 \$ Change	vs. FY 2013 % Change
Legislative	4,348,716	4,438,800	4,549,986	111,186	2.5%
Executive ¹	5,969,593	5,170,300	6,413,572	1,243,272	24.0%
Law	3,718,018	3,941,200	3,930,466	-10,734	-0.3%
Constitutional Officers	5,180,874	5,343,900	5,532,679	188,779	3.5%
Judicial	44,293,661	45,634,100	47,334,967	1,700,867	3.7%
Elections	601,703	906,300	873,086	-33,214	-3.7%
General Management	16,284,982	35,231,000	37,660,490	2,429,490	6.9%
Non Departmental Appropriations	54,433,331	56,178,500	63,282,992	7,104,492	12.6%
Community Development	10,781,087	10,615,700	8,933,141	-1,682,559	-15.8%
Parks, Recreation and Culture	37,457,788	42,074,90	41,399,47	-675,42	-1.6%
Public Health and Assistance ²	58,881,539	62,999,000	51,981,175	-11,017,825	-17.5%
Public Safety	103,727,529	106,782,700	105,766,540	-1,016,160	-1.0%
Public Works	53,914,103	43,096,900	42,000,527	-1,096,373	-2.5%
Debt Service	75,115,071	82,052,400	78,098,397	-3,954,003	-4.8%
Education	291,547,205	290,550,500	302,033,320	11,482,820	4.0%
General Fund Total	766,255,200	795,016,200	799,790,809	4,774,609	0.6%

¹ The increase in executive reflects the transfer of Neighbors Building Neighborhoods and the conversion of U.S. Department of Housing and Urban Development (HUD) grant funded positions to General Fund.

² The reduction in Public Health and Assistance is mostly due to the Commonwealth of Virginia changing the reimbursement model for certain childcare programs. There is no anticipated reduction in services to citizens. See the Department of Human Services for more detailed information.

Approved FY 2013 General Fund Expenditures by Area



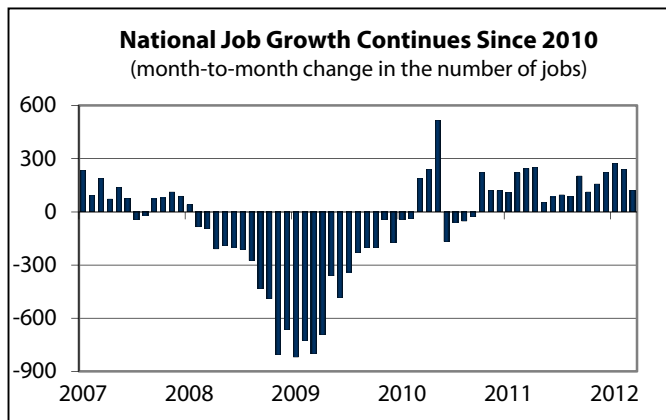
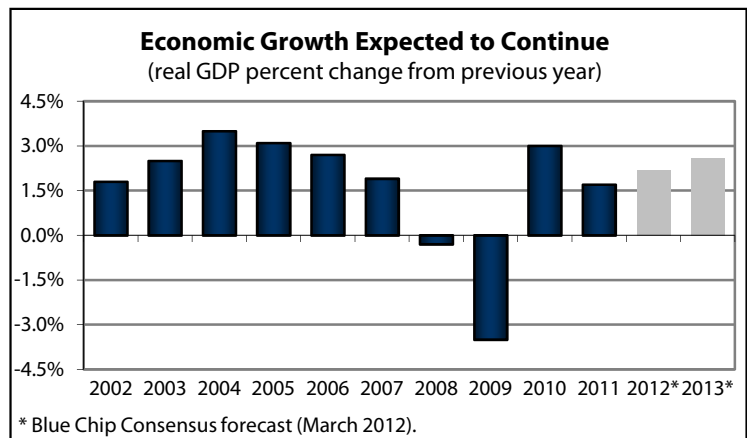
Note: Percentages have been rounded and may not total to 100.

MAJOR REVENUE SOURCES

Evaluating the city's current and long-term financial health requires a review of the economy and major revenue sources. Overall, General Fund revenues are projected to increase slightly. However, real estate (current) tax revenues will continue to decline in FY 2013, while revenue from the Commonwealth is projected to hold steady.

ECONOMIC OVERVIEW

The national economy grew in 2011 but at a slower rate than in 2010. Real gross domestic product (GDP), which is the broadest measure of economic activity, grew 1.7 percent in 2011 compared to three percent in 2010. The slower growth in real GDP in 2011 was driven by lower growth in business investment and a decline in government spending at all levels (federal, state and local). Moreover, the annual revision of real GDP data by the U.S. Bureau of Economic Analysis released last July indicated that the economy had declined much more steeply during the 2007-2009 recession and was much weaker than previously estimated. The year also experienced market upheavals caused by the European debt crisis, federal debt ceiling and budget crisis, and the earthquake in Japan; but the economy continues to remain sensitive to such events. Looking forward, the Blue Chip Consensus, made up of financial institutions and business consultants, projects the economy to continue to grow modestly in calendar years 2012 and 2013.



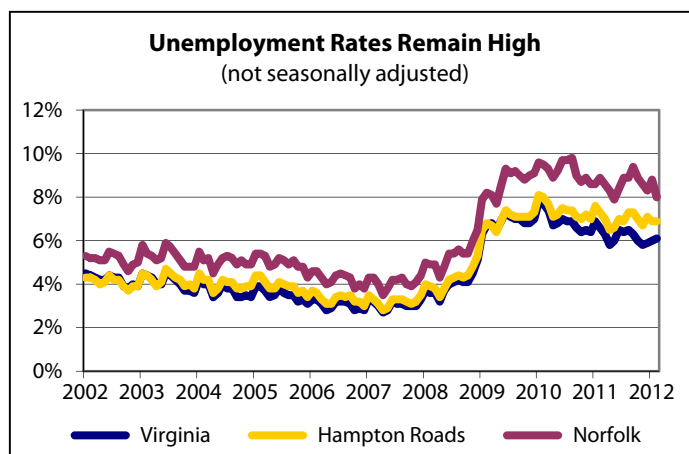
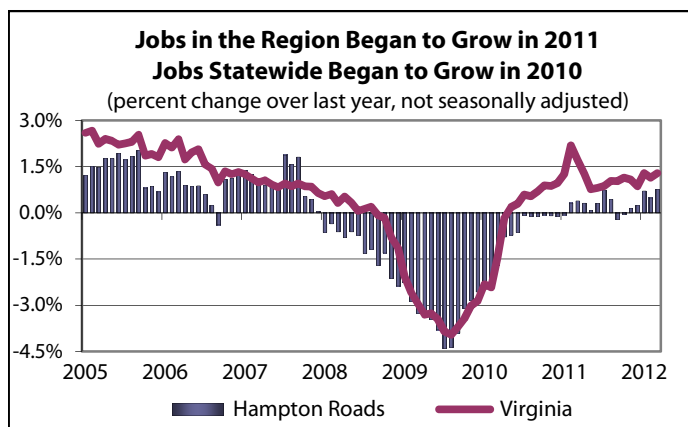
The national economy continued to add jobs in 2011 and through March 2012. Since February 2010, the economy added 3.6 million jobs, which is approximately 40 percent of the 8.8 million jobs lost between January 2008 and February 2010. The increase was mainly due to the private sector, which added 2.1 million jobs in 2011, the most since 2005. Since February 2010, the private sector has added nearly 4.1 million jobs. In contrast, in 2011, the public sector lost jobs for the third straight year and job losses have accelerated, losing 265,000 jobs in 2011 compared to 221,000 jobs lost in 2010 and 76,000 jobs in 2009. These losses were mostly at the local government level, which accounted for 480,000 of the 562,000 jobs lost in the public sector in

total in the past three years. With the growth in jobs, the unemployment rate fell to 8.3 percent, which was the lowest unemployment rate since February 2009.

Virginia employment began to recover at mid-year of 2010. The number of jobs in Virginia has been growing year-over-year in every month since May 2010. Revised employment figures for Hampton Roads now show year-over job growth since February 2011, except in September and October. Moreover, in 2011, employment increased in Virginia by 42,300 jobs (1.2 percent) and in Hampton Roads by 1,600 jobs (0.2 percent). For Virginia, this was the first annual job growth since 2008; and for Hampton Roads, it was the first annual job growth since 2007. Jobs in

Virginia and in Hampton Roads have continued to grow year-over-year through March 2012, but like the national economy, jobs in the state and the region still have a long way to go to be at the pre-recession level.

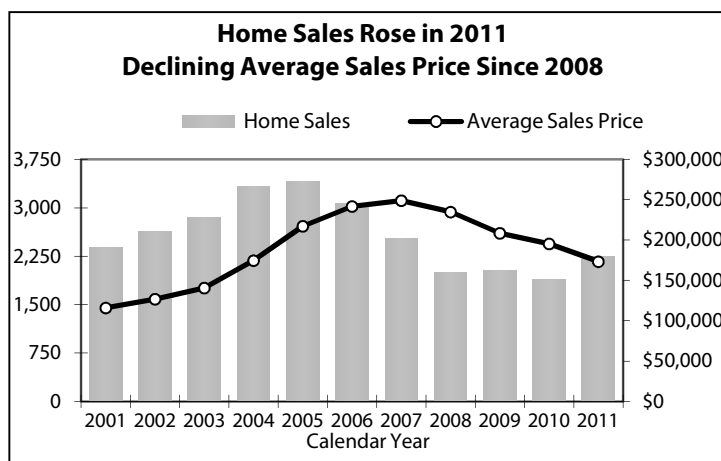
Like the nation, the statewide, regional and local unemployment rates have been trending downwards. In 2011, Norfolk's unemployment rate fell to 8.4 percent from 9.2 percent in 2010, while the regional rate fell to seven percent from 7.4 percent. However, unemployment remains near historic highs. The Virginia Employment Commission reported that the unemployment rate in Norfolk and Hampton Roads in February 2012 before seasonal adjustment stood at 8 percent and 6.9 percent, respectively. Norfolk's rate in February was 0.8 percentage point above the five-year average while, the regional rate was above the five-year average by 1.1 percentage points.



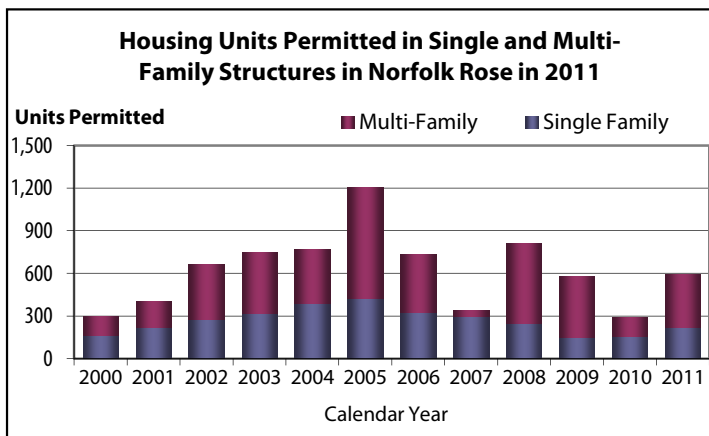
The economic recovery continues to have a positive impact on the Commonwealth's fiscal condition, which has led the state to revise upwards its revenue forecast in December by \$83.3 million. The state's general fund revenues are now expected to increase by 4.6 percent in FY 2012 compared to the official forecast of 3.7 percent growth. The state's revenue collections through March continues to grow, although revenue trends will be clearer after the significant collection months of April and May. Over the next biennium, state revenues are projected to continue to grow but less than the revised 4.6 percent growth in FY 2012, with revenue growth in FY 2013 and FY 2014 projected to be 3.3 percent and 4.5 percent, respectively.

However the recovery of the Commonwealth's revenues has not resulted in the restoration of the significant reductions in aid to localities made in the previous years.

Unlike the Commonwealth, Norfolk's locally generated revenues have not seen the same level of recovery. This is because, like other localities, the city is highly dependent on real property taxes, which have declined as a result of the weak housing market and the economy. In FY 2013, the Real Estate Assessor's Office is projecting another year of decline in overall real estate assessments (that is, residential and commercial properties, apartments, and vacant land assessments combined) of approximately 2.9 percent from FY 2012. This would be the third consecutive decline in overall assessments in Norfolk. However, the projected decline in overall assessments in FY 2013 is less than the 3.5 percent decline in FY 2012 and the 3.1 percent decline in FY 2011. The smaller decline is due to the increase in the assessed value of apartments and vacant land and a smaller decrease in the assessed value of commercial properties. However, the assessed value of residential properties will see a larger decline in FY 2013 of 4.31 percent compared to 4.0 percent in FY 2012. The decline in residential assessments again reflects the prolonged downturn in the housing market. Although home sales rose in 2011 for



the first time since 2005, the average sales price of homes sold in Norfolk have continued to decline since 2008. In 2011, the average sales price fell by approximately 11 percent. The decline in home sales price was driven by the sale of distressed homes, which are typically sold at a discount. Unfortunately, the regional forecast by the Old Dominion University Forecasting Project indicates that single-family home prices will continue to fall at least through the first six months of 2012.



Residential building activity in Norfolk rose in 2011, with housing units permitted in single and multi-family structures both increasing. The value of permits issued for new residential construction increased in 2011 as well. However, permit values for new non-residential (“commercial”) construction fell in 2011 from 2010. Unlike in 2010, which included the next phase of the Wells Fargo tower construction, Eastern Virginia Medical Schools (EVMS) research and education building, and the Hampton Roads Transit bus facility, the non-residential building activity in calendar year 2011 did not include as many large projects. It is important to note that Norfolk is built out. Consequently, much of the building activity in

Norfolk is mainly redevelopment, infill development, and vertical expansion.

REVENUE OVERVIEW

The city generates revenue through taxes, user charges, and intergovernmental transfers from the state and federal government. Over half of the city’s General Fund revenues are generated locally from various taxes and fees including real estate, personal property, retail sales, permits, fines and user charges. These sources provide the revenue to fund general services such as police, fire, parks and recreation, street maintenance, local commitment to education, and human services.

The Commonwealth of Virginia provides approximately 36 percent of General Fund revenues which consist of funding for dedicated purposes such as education, social services, transportation and constitutional officers, HB 599 funds for law enforcement, city’s share of personal property tax relief funds, and the tax on rental of cars also make up revenue from the Commonwealth. As a result of the last economic downturn, the Commonwealth saw a significant decline in revenues and in turn, reduced Direct Aid to Education, HB 599, Constitutional Officers salaries and benefits, jail per diems, and funds for street maintenance and eliminated the local share of ABC profits and wine tax. In addition, the state has continued to impose an additional flexible cut to Norfolk’s state aid to localities since FY 2009, although the General Assembly will lower the flexible cut by about \$456,000 in FY 2013.

The remaining revenue comes from the federal government (mainly funds dedicated towards education), recovered costs, inter-fund transfers, and carry-forward funds from accumulated savings. Inter-fund transfers represent a return on investment from the Water and Wastewater utility operations. Carryforward funds are generated through current and prior year savings.

Preliminary General Fund revenue projections, based on historical trends and the latest economic data, were presented in January during the City Manager’s mid-year report on the budget. Projections were updated through April to incorporate the most recent information available. Estimates for each revenue source are based on the analysis of the collection history and patterns, the underlying drivers that impact the revenue source, and the overall economic environment projected for the city in the coming year. Revenue projections include a FY 2012 end of year estimate (“estimate”) and a FY 2013 estimate. The FY 2013 General Fund revenue is \$4.8 million (0.6 percent) above the FY 2012 budget, bringing total revenues to about \$799.8 million. The FY 2013 estimate also includes the revenues from the National Maritime Center (“Nauticus”) and the Cruise Ship Terminal, which have

been incorporated into the General Fund budget since FY 2012 to comply with the General Accounting Standards Board Statement 54 (GASB 54).

General Fund Revenues

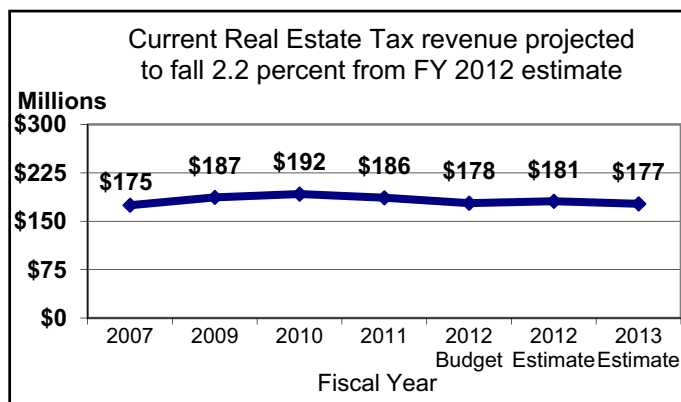
Source	FY 2011 Actual	FY 2012 Approved	FY 2013 Approved	FY 2012 \$ Change	vs. FY 2013 % Change
General Property Taxes	251,492,239	246,979,300	244,871,000	-2,108,300	-0.9%
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Permits and Fees	4,106,796	4,516,300	4,427,928	-88,372	-2.0%
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General Fund Total	787,717,302	795,016,200	799,790,809	4,774,609	0.6%

¹ The reduction in federal aid is largely due to the end of the federal Education Jobs Fund program.

REVENUE MONITORING

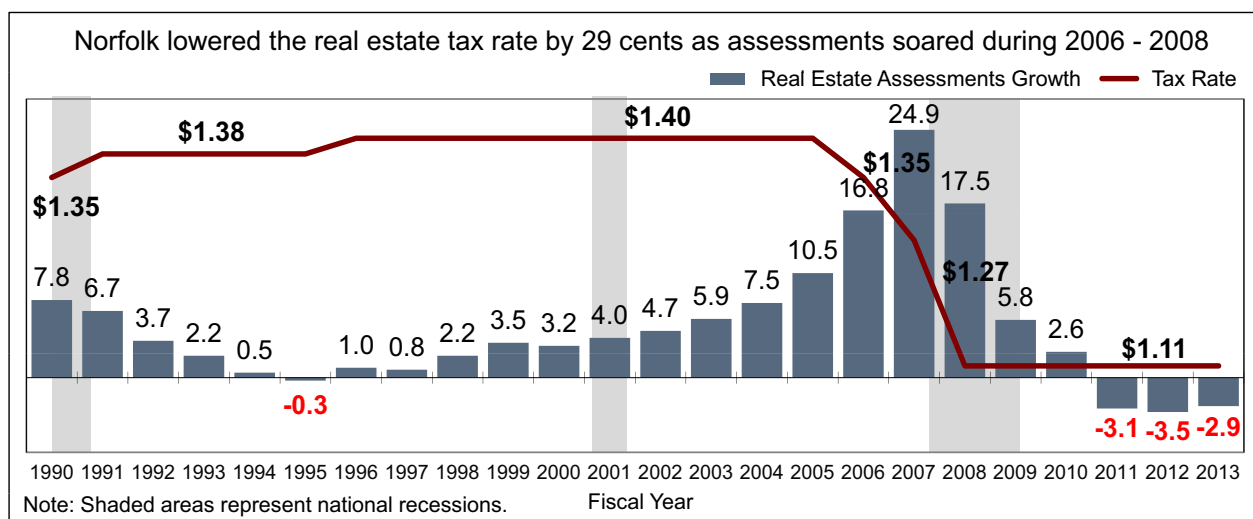
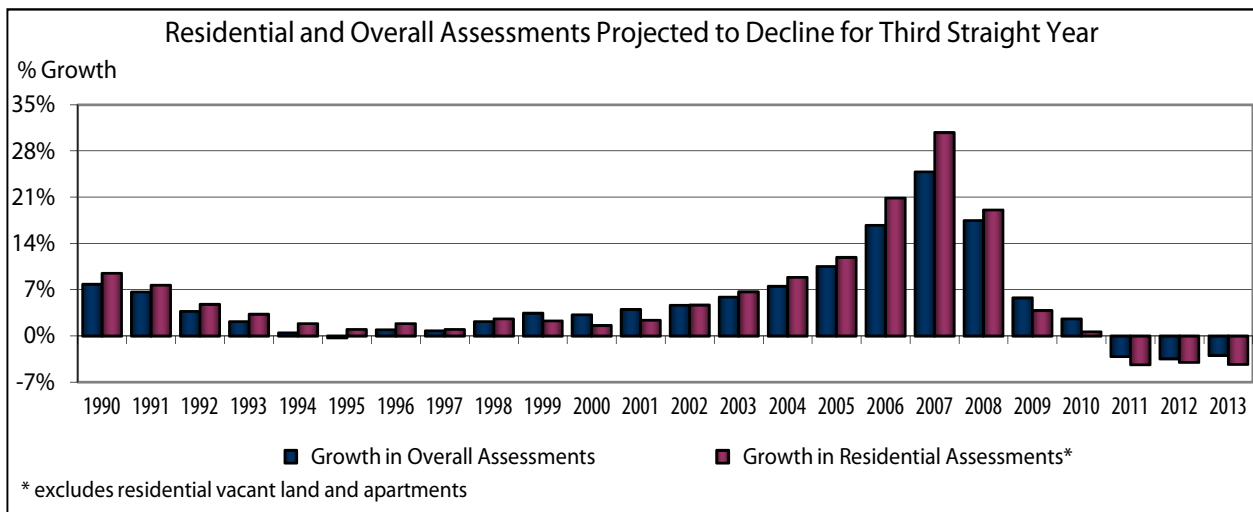
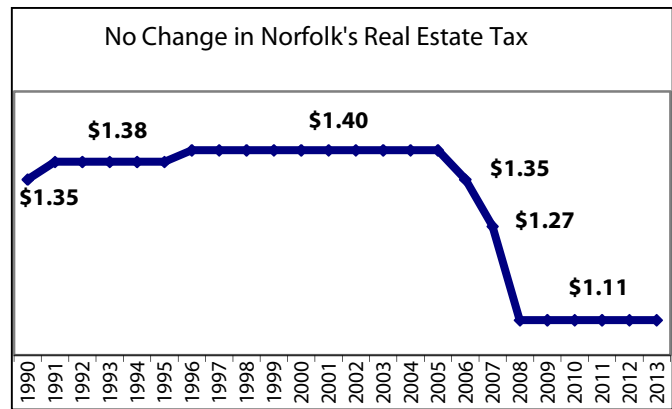
Collection patterns for all of the city's revenue sources are monitored throughout the year. Data from monthly financial reports are monitored to determine the accuracy of budgetary projections. This allows for appropriate administrative action if actual results differ substantially from projections. A detailed collections database is compiled to project future revenue collections taking into account unique patterns and seasonal fluctuations. Strong collection rates for locally generated taxes and fees reflect the commitment and fulfillment of responsibility that Norfolk residents show to their city.

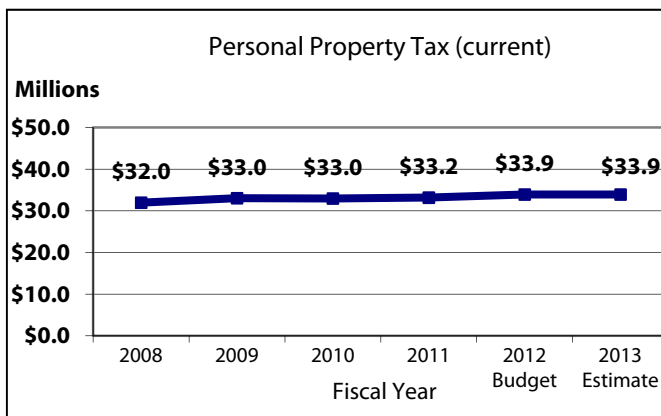
GENERAL PROPERTY TAXES



General property taxes are levied on the assessed value of real and personal property and represent approximately 31 percent (\$245 million) of the city's General Fund revenues. Real estate taxes make up the largest component of general property taxes. Current real estate taxes make up about 22 percent (\$177 million) of the FY 2013 revenues. The FY 2013 estimate for current real estate taxes reflects no change in the tax rate of \$1.11 and sets aside \$6 million to provide tax relief to seniors and disabled residents and veterans, which is a \$1.5 million decrease from the \$7.5 million set aside in FY 2012.

In FY 2013, current real estate taxes are projected to decline 0.6 percent (or \$1.0 million) from the FY 2012 budget. However, when compared to the FY 2012 estimate, current real estate taxes are projected to decline by about 2.2 percent (or \$4.0 million) in FY 2013 from \$181 million to \$177 million. The decline in real estate taxes is based on the Real Estate Assessor's Office projected 2.9 percent decline in overall real estate assessments. This is the third consecutive decline in overall assessments in over 30 years. The decline assessments overall are mainly due to residential and commercial/industrial properties, which make up about 89 percent of taxable properties in the city and are projected to decline in assessed value by about 4.2 percent and 2.5 percent, respectively. Considerations about the city's real estate assessments and tax rate should also take into account that about 37 percent of real property in the city is tax-exempt, mainly due to federal land ownership.

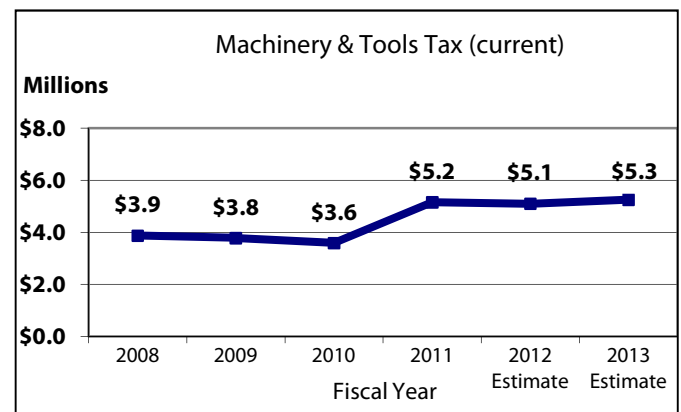




Another key component of general property taxes is the personal property tax, which is levied on all tangible personal property, including motor vehicles, boats, aircraft, business furnishings and office equipment. Household goods and personal effects are exempt. Personal property tax (current) is projected to remain unchanged from the FY 2012 budget (\$33.9 million) which makes up about 4.2 percent of the FY 2013 estimate. The FY 2013 estimate assumes no change in the general tax rate on personal property at \$4.33 per \$100 of assessed value. The FY 2013 estimate also assumes a 55 percent (55%) state car tax relief rate for tax year 2013 (that is, tax bills due on June 5, 2013),

which is anticipated to fully exhaust relief funds provided to the city by the Commonwealth of Virginia under the Personal Property Tax Relief Act. This means that qualifying vehicles with an assessed value of more than \$1,000 would receive a **55 percent (55%)** rate of tax relief on the vehicle's first \$20,000 of assessed value. Qualifying vehicles with an assessed value of \$1,000 or less would receive 100 percent (100%) rate of tax relief. Prior to FY 2006, qualifying vehicles with an assessed value of more than \$1,000 were reimbursed for 70 percent of the total property tax eligible for relief. State legislation passed in 2004 capped car tax relief funds statewide at \$950 million beginning in FY 2006. Consequently, each locality in the state now receives a fixed share of the \$950 million of statewide personal property tax relief funds, per state code. Each locality's share was determined based on the proportional share of actual personal property tax relief payments received in tax year 2005, as certified by the Commonwealth of Virginia Auditor of Public Accounts, of which, Norfolk's share is \$16,871,056. Personal property tax relief funds received and not used in FY 2013 shall be carried forward and used to increase the funds available for car tax relief. With the state capping the amount of funds available for car tax relief, the percent of state reimbursement compared to the total tax is expected to decrease over time and residents will pay an increasing share of the car tax.

The machinery and tools tax is the remaining key component of general property taxes and makes up nearly one percent of the city's General Fund revenue. This tax is levied on machinery and tools used in manufacturing, mining, radio and television broadcasting, cable television, dry cleaning or laundry businesses. Norfolk's revenue from this source has been fairly stable in the past few years. However, there have been several attempts by state legislators in recent years to curtail or eliminate entirely the ability of localities to generate revenue from this source.

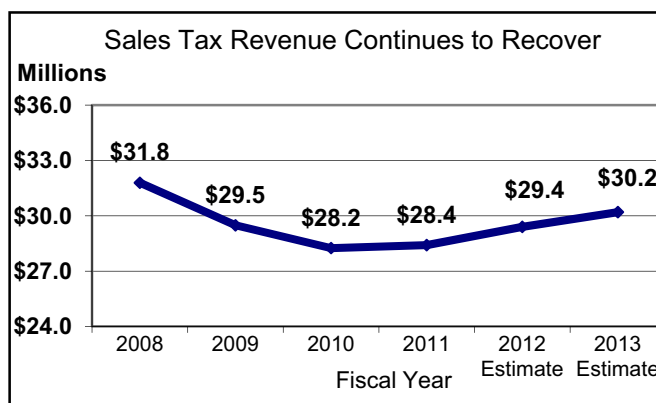


OTHER LOCAL TAXES

Other local taxes are comprised of consumer and business-based taxes, including excise taxes on utilities, sales, hotel/motel, restaurant, admissions, and cigarettes, as well as franchise, business license, and recordation taxes. In FY 2013, other local taxes are projected to make up about 19 percent (\$154.2 million) of the city's General Fund revenues.

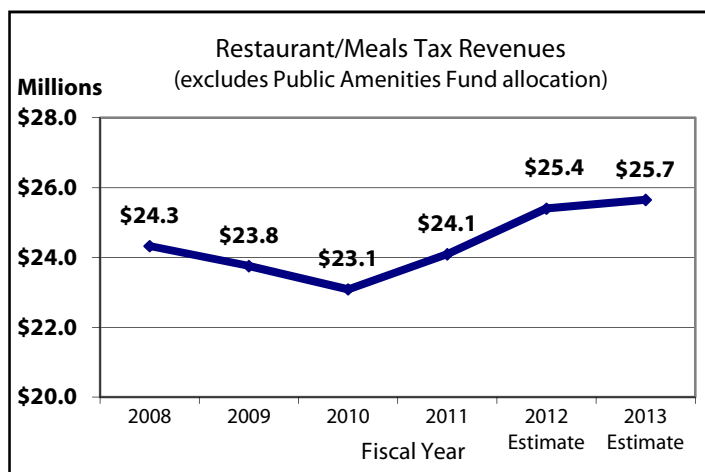
Sales tax, which makes up nearly four percent or \$30 million of the city's General Fund revenue, is levied on the selling, distribution, use, or consumption of tangible personal property, the leasing or renting of tangible personal property and the storage of personal property inside or outside Virginia that is for use in Virginia. Revenue from this source is sensitive to the state of the economy, household income, and underlying price level changes. Current year estimates are used in projecting next year's revenues. Changes in the local retail market (such as opening of new stores, performance of existing stores, job growth, consumer confidence, and overall economic health) are used for projecting this revenue.

Sales tax receipts are projected to increase by 2.7 percent or \$800,000 over the FY 2012 approved budget, as the recovery of the economy continues.

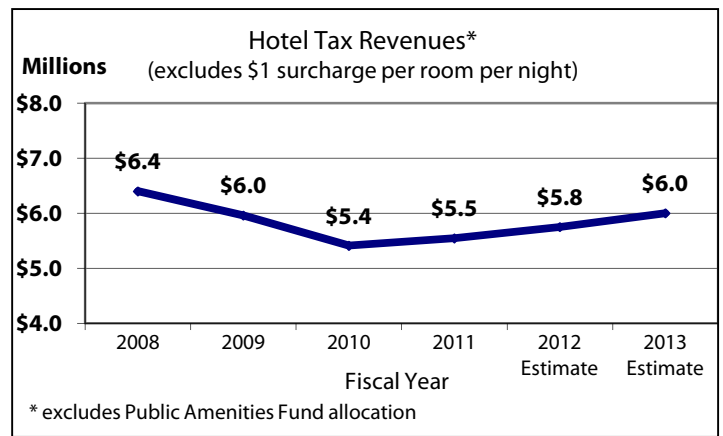


Consumer's utility tax, which makes up about five percent or \$41 million of the city's General Fund revenue, is levied on the purchase of utility service including water, gas, and electricity. The tax is assessed on the amount charged, exclusive of any federal tax. Monthly receipts are monitored and used as a basis for estimating the revenue yield, taking seasonal variations into consideration. The consumer utility tax on telephones, cell phones and cable TV were abolished and replaced by a statewide Communications Sales and Use Tax and the E-911 tax on telephones was replaced by a uniform \$0.75 tax per phone on January 1, 2007. The tax is collected by communications service providers and is remitted to the Virginia Department of Taxation, which in turn, distributes the tax collected to localities. The percentage share each locality receives is based on the percentage share of taxes and fees collected by each locality from certain communication services during FY 2006. In FY 2013, revenue from the consumer utility tax and communications sales and use tax combined are projected to remain unchanged from the FY 2012 estimate. Since the inception of this tax, the revenue received from this source has fluctuated from one year to the next due to correction of overpayments and underpayments from communications service providers by the Virginia Department of Taxation.

Taxes are collected on food and beverages (meals tax) based on the amount charged for certain prepared foods and beverages. The tax rate is 6.5 percent of the value of the meal, with one percentage point of the tax rate being allocated to the Public Amenities Fund and the remaining 5.5 percentage points allocated to the General Fund. The meals tax is in addition to the five percent sales and use tax charged. Until the recent economic downturn, meals taxes had been growing steadily due to the increase in the number of restaurants that have opened citywide such as, downtown Norfolk and the Military Highway corridor. In FY 2012, this revenue source is projected to exceed the approved budget, and in FY 2013, it is projected to grow by one percent from the FY 2012 estimate and 6.1 percent from the FY 2012 budget. Meals tax make up 3.2 percent or \$25.7 million of General Fund revenues.



Hotel taxes are levied on hotel rooms rented. The hotel tax rate is eight percent of the room rate. Like the restaurant/meals tax, one percentage point is allocated to the Public Amenities Fund and the remaining seven percentage points are allocated to the General Fund. In FY 2013, the hotel tax revenue is projected to grow by 3.2 percent from the FY 2012 estimate and 5.7 percent from the FY 2012 budget. Hotel taxes make up about one percent or six million of General Fund revenues. The estimate, however, does not include the revenue from the surcharge per room night (bed tax), which was raised by the City Council in FY 2012 from \$1 to \$2 per room night. The city began collecting the bed tax on April 1, 2006



with the support of the Norfolk Hotel-Motel Association. Revenue generated from the bed tax is designated evenly between Visit Norfolk (formerly Norfolk Convention and Visitors Bureau) for visitor promotion and advertising for conventions and tourism in Norfolk and the Norfolk Arts Consortium.

Business license taxes are collected from anyone who engages in a business, trade, profession, occupation or other activity in the city. It is generally imposed as a percent of gross receipts. It is also applied to individuals that maintain a place of business, either permanent or temporary, or conduct a business-related activity. Rates vary depending on business classification and amount of gross receipts generated. This revenue source (estimated to be approximately \$28 million in FY 2013) makes up 3.5 percent of General Fund revenues. It is projected to increase 6.8 percent from the FY 2012 budget as recovery of the economy continues. Also, since the tax is determined based on gross receipts earned in the previous calendar year, the impact of OpSail 2012 on business licenses taxes is expected to be in FY 2013.

Cigarette taxes increased in FY 2012 due to the 10-cent tax rate increase from 65 cents to 75 cents per pack of 20 cigarettes approved by the City Council. The last time the City Council approved a tax rate increase was in FY 2008, when the rate increased from 55 cents to 65 cents per pack of 20 cigarettes. In FY 2013, cigarette taxes are projected to increase 1.7 percent from the FY 2012 budget. Cigarette taxes make up one percent or \$7.7 million of General Fund revenues.

PERMITS AND FEES

Permits are issued to regulate new construction and ensure public safety. Permits, privilege fees, and licenses are comprised of fees from parks and recreation, fees for permits, licenses and other privileges subject to city regulation, partially to cover the expense of providing regulatory services (taxi permits, zoning inspections, construction permits, right-of-way, etc.) in the city. Revenue from this source represents less than one percent (or approximately \$4.4 million) of General Fund revenues and also includes the revenues from Nauticus and the Cruise Ship Terminal, which have been incorporated into the General Fund budget since FY 2012 due to GASB 54.

FINES AND FORFEITURES

Fines and forfeitures mainly consist of revenues received from the courts as fines and forfeitures for violations of city ordinances. These provide less than one percent (or approximately \$1.2 million) of General Fund revenues.

CHARGES FOR SERVICES

Charges for services consist of revenues from fees for services, including Zoo admission, the serving of legal papers by local law enforcement officers, refuse disposal, court costs, paramedical rescue service, and miscellaneous school fees. This revenue category represents approximately 4.5 percent (\$36 million) of General Fund revenues and includes the revenues from Nauticus and the Cruise Ship Terminal, which have been incorporated into the General Fund budget since FY 2012 due to GASB 54. The FY 2013 estimate reflects a decrease of one percent (or about \$0.7 million) due to the adjustment of charges for services by Nauticus in order to better project budget to actual revenues based on historical patterns.

USE OF MONEY AND PROPERTY

Revenue from the use of money and property is comprised primarily of interest earned on cash balances, rents from short-term and long-term property leases, and prudent management of city assets. Revenues from this source represent approximately one percent (\$6.9 million) of the city's General Fund revenues and include the revenues from Nauticus and the Cruise Ship Terminal, which have been in the General Fund budget since FY 2012 due to GASB 54. The FY 2013 estimate is approximately \$192,000 or 2.9 percent above the FY 2012 budget.

RECOVERED COSTS

Recovered costs consist of revenues recovered from expenses associated with employee costs, city and outside agencies, and the public such as for example, the cost recovery of administering the city's pension fund from the Retirement Board. In FY 2013, recovered costs are projected to be approximately \$11.4 million and constitute 1.4 percent of General Fund revenues. The FY 2013 estimate is 7.5 percent (or approximately \$793,000) above the FY 2012 budget. The increase is mainly due to reclassification of the reimbursement for Community Development Fund (grants) positions into the General Fund and the federal interest subsidy from issuance of Qualified School Construction Bonds (QSCB).

MISCELLANEOUS REVENUE

Miscellaneous revenue consists of revenues that are not classified in the other categories. Included in this category are revenue from payments in lieu of taxes, fee for services from the Navy's housing public-private venture, and proceeds from land sales. In FY 2013, the city is expecting to receive about \$8.9 million, which makes up approximately 1.1 percent of the General Fund revenues.

NON-CATEGORICAL AID - VIRGINIA

Non-Categorical aid contains state revenues that are generally shared with localities without restriction as to use. In FY 2013, non-categorical aid is projected to increase by approximately 0.4 percent (\$125,000) over the FY 2012 budget, due to slight improvements in the city's share of the car rental tax and grantor's tax. Non-categorical aid makes up about four percent (\$32.0 million) of General Fund revenues.

SHARED EXPENSES

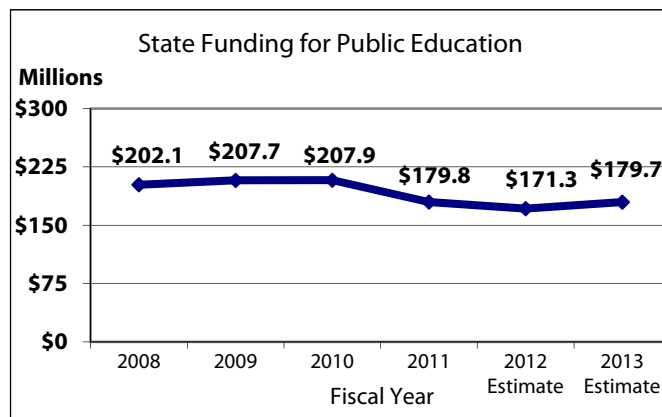
Shared expenses consist of recovered costs from the Commonwealth for a portion of the salaries and benefits of constitutional and other offices serving the Norfolk community, including the Norfolk Electoral Board, Sheriff, City Treasurer, Commissioner of the Revenue, Clerk of the Circuit Court, and Commonwealth's Attorney. The shared

expenses revenue category makes up about 2.4 percent (\$19.3 million) of General Fund revenues. The 0.9 percent increase in FY 2013 reflects the additional funds from the Compensation Board for the operation of the Norfolk Sheriff's Office and the Norfolk City Jail.

STATE CATEGORICAL AID

Categorical aid from the Commonwealth consists mainly of revenues for education, public assistance grants and social service programs, Virginia Department of Transportation (VDOT) funding for street maintenance and port funding, and the local adult correctional facility. Categorical Aid constitutes about 30 percent (\$238 million) of General Fund revenues. The majority of categorical aid (\$179.7 million) is earmarked for education.

Categorical Aid increased by \$1.6 million (or 0.7 percent) from the FY 2012 budget. However, the majority of the increase was in categorical aid for public education, which grew by 4.9 percent (\$8.4 million). Part of the increase was due to reclassification of Norfolk Public Schools' state special revenue funds to the General Fund. State funding for education also increased due to rebenchmarking and the update to the state sales tax projection. However, it is important to note that the increase was not as large due to policy actions adopted by the General Assembly such as, not fully funding the inflation of non-personal costs, as in the 2010-2012 biennium, and the lack of salary increases in the previous biennium. Also, initial VML estimates indicated that the Governor's proposal adopted by the General Assembly modifying the federal revenue deduction calculation to include a portion of the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds reduces the state funding Norfolk received by about two million in FY 2013.



Categorical aid for education includes the state sales and use tax and state school funds. State sales and use tax for schools is the revenue from the city's proportionate share of the one percent of the state sales and use tax, designated for education purposes. Beginning July 1, 2012, the city's share of the state sales and use tax will be based on the population estimate provided by the Weldon Cooper Center for Public Service at the University of Virginia. Additionally in FY 2005, half of the one-half cent sales and use tax increase approved by the General Assembly was earmarked for local school systems and real estate tax relief. This amounts to an additional one-quarter percent on the sales tax dedicated to schools. Half of that quarter percent is distributed in the same manner as the one percent return discussed above. The other half of the quarter percent goes to support the Standards of Quality (SOQ) which is included in state school funds. State school funds reflect schools operational costs. The rate of reimbursements is based on the SOQ formula. Reimbursement rates vary by program and area of emphasis. Changes in enrollment figures affect this revenue source. Localities are required to match the State contribution based on a composite index. Currently, Norfolk funds more than its required share of local effort.

Categorical aid also includes state reimbursement for the cost of operating the Department of Human Services (DHS). Reimbursable costs include the cost of personnel, fringe benefits, non-personal services, rent for buildings and parking, etc. The reimbursement rate of the overall costs varies by program. The FY 2012 estimate and FY 2013 estimate indicated a significant reduction in state funding for public assistance grants. This is mainly due to changes the Virginia Department of Social Services made in the middle of FY 2012 on how reimbursements are handled in two childcare programs: (1) Fee Child Care and (2) TANF/VIEW Working and Trans Child Care. The changes however, are not intended to reduce the level of child care services that will be provided. The new system is an automated statewide system that will eliminate all involvement at the local social services level. Previously, state funding would be passed from the state through local departments of social services to child care providers who manually filled out time/client reports to be reimbursed. Also, a reduction in the reimbursement for social

services administration is anticipated in FY 2013 due to the strategic realignment of the budget of DHS based on historical spending patterns in recent years. However, the DHS budget will be monitored throughout FY 2013 as service needs arrive, and DHS will be provided with the funding needed to maintain current service levels.

Jail per diem rates have been reduced significantly during the 2010 session of the General Assembly. Since March 1, 2010, per diem payments for local responsible inmates in local or regional jails had declined to \$4 per day from \$8 per day. Although the per diem payments for state inmates housed in local jails went to \$12 per day from \$8 or \$14 per day, state inmates make up a significantly smaller portion of the inmate population as compared to local inmates. Payment for jail contract beds fell to \$8 per day (from \$14 per day). The change in the per diem rates resulted in about a two million decline in jail funding from the FY 2010 level.

Categorical aid also includes funds for street construction and maintenance. The funds are received from VDOT to maintain the city's principal and minor arterials, collector roads and local streets based on moving lane miles. The revenue is based on a statewide maintenance index of the unit costs used on roads and bridges. Changes in the index are used to calculate and implement annual per-land-mile rates. The rates fluctuate on index changes and number of miles assessed. These funds offset qualifying operating costs recorded in the city's budget.

FEDERAL CATEGORICAL AID

Federal categorical aid primarily consists of education funds from the federal government and is about one percent (or \$6.8 million) of FY 2013 General Fund estimate. The FY 2013 estimate is \$5.5 million below the FY 2012 budget, which is largely due to the end of the funding from the federal Education Jobs Fund for Norfolk Public Schools.

OTHER SOURCES AND TRANSFERS IN

Other sources and transfers in consist of intra-governmental transfers and carryforward funds, which is about 4.5 percent (\$36 million) of the city's FY 2013 General Fund revenue estimate. The estimate includes: (1) transfers in from nongeneral funds (\$10.6 million); (2) carryforward from the Norfolk Public Schools (\$6.1 million); and (3) carryforward of \$19.3 million from General Fund unspent appropriations from prior years, funds from the annual closeout of accounts, and FY 2012 savings from the strategic realignment of departments.

APPROPRIATIONS

Department	FY 2013 Approved
GENERAL FUND	
LEGISLATIVE	
City Council	368,151
City Clerk	1,347,846
City Real Estate Assessor	2,040,737
City Auditor	793,252
Total Legislative	4,549,986
EXECUTIVE	
City Manager	2,052,514
Office of Budget and Grants Management	1,568,094
Communications and Public Information	2,466,674
Office to End Homelessness	326,290
Total Executive	6,413,572
DEPARTMENT OF LAW	3,930,466
CONSTITUTIONAL OFFICERS (revenue related)	
Commissioner of the Revenue	3,126,400
City Treasurer	2,406,279
Total Constitutional Officers	5,532,679
JUDICIAL	
Clerk of the Circuit Court	2,997,224
General District Court	266,598
Juvenile and Domestic Relations Court	80,290
Circuit Court Judges	640,628
Norfolk Juvenile Court Service Unit	208,310
Magistrate	34,917
Commonwealth's Attorney	5,444,702
Sheriff and Jail	37,662,298
Total Judicial	47,334,967
OFFICE OF ELECTIONS	873,086
GENERAL MANAGEMENT	
Information Technology	10,892,475
Finance	2,997,612
General Services	20,482,889

Department	FY 2013 Approved
Human Resources	3,287,514
Total General Management	37,660,490
NON DEPARTMENTAL APPROPRIATIONS	
Central Appropriations	24,318,236
Grant Providers on the Behalf of City	1,405,138
Grant Recipients	1,690,548
Public-Private Partnerships for City-Owned Facilities	4,848,650
Public-Private Partnerships for Tourism and Special Event Organizations	8,322,343
Public Partnerships to Provide Services	15,601,057
Contractual Obligations	4,730,085
Memberships and Dues	718,435
Other Arrangements	1,648,500
Total Non Departmental Appropriations	63,282,992
Community Development	
Planning and Community Development	7,165,972
Development	1,767,169
Total Community Development	8,933,141
PARKS, RECREATION and CULTURE	
Libraries	7,905,341
Cultural Facilities, Arts and Entertainment	6,354,130
Zoological Park	4,159,200
The National Maritime Center	5,542,410
Recreation, Parks and Open Space	17,438,390
Total Parks, Recreation and Culture	41,399,471
PUBLIC HEALTH AND ASSISTANCE	
Public Health	4,025,735
Human Services	47,955,440
Total Public Health and Assistance	51,981,175
PUBLIC SAFETY	
Police	65,619,393
Fire-Rescue	40,147,147
Total Public Safety	105,766,540
PUBLIC WORKS	42,000,527
DEBT SERVICE	78,098,397
EDUCATION	302,033,320
Total General Fund	799,790,809

Department	FY 2013 Approved
SPECIAL REVENUE FUNDS	
Norfolk Community Services Board	25,986,097
Storm Water Management	15,190,200
Towing and Recovery Operations	1,704,000
Cemeteries	2,213,600
Golf Operations	1,497,600
Public Amenities	5,524,200
Emergency Preparedness and Response	5,961,000
Tax Increment Financing	2,754,849
Total Special Revenue Funds	60,831,546
ENTERPRISE FUNDS	
Water Utility Fund	81,761,000
Wastewater Utility Fund	27,054,660
Parking Facilities Fund	20,952,400
Total Enterprise Funds	129,768,060
INTERNAL SERVICE FUNDS	
Storehouse	576,800
Fleet Management	13,081,300
Total Internal Service Funds	13,658,100
TOTAL CITY OPERATIONS	1,004,048,515
TOTAL CAPITAL IMPROVEMENT PROGRAM	93,580,300
TOTAL APPROPRIATIONS	1,097,628,815

TAX RATES AND FEES

Description	FY 2012 Approved	FY 2013 Approved
PROPERTY TAXES		
Real Estate (General Tax)	\$1.11/\$100 Assessed Value	\$1.11/\$100 Assessed Value
Real Estate (Downtown Improvement District)	\$1.27/\$100 Assessed Value	\$1.27/\$100 Assessed Value
Personal Property		
Airplane	\$2.40/ \$100 Assessed Value	\$2.40/ \$100 Assessed Value
Motor Vehicle	\$4.33/\$100 Assessed Value	\$4.33/\$100 Assessed Value
Recreational Vehicle	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Business Furniture, Fixtures, and Equipment	\$4.33/\$100 Assessed Value	\$4.33/\$100 Assessed Value
Watercraft - Business	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Watercraft - Recreational	\$0.50/\$100 Assessed Value	\$0.50/\$100 Assessed Value
Machinery & Tools	\$4.25/\$100 Assessed Value	\$4.25/\$100 Assessed Value
OTHER LOCAL TAXES		
Amusement and Admissions	10%	10%
Cigarette	75 cents/pack of 20 cigarettes (37.5 mils/cigarette)	75 cents/pack of 20 cigarettes (37.5 mils/cigarette)
Emergency 911 (Landline)	Replaced by the statewide E-911 tax rate of \$0.75/line/month	Replaced by the statewide E-911 tax rate of \$0.75/line/month
Hotel/Motel Lodging	8%	8%
Bed Tax	\$2 per room night	\$2 per room night
Restaurant Meal	6.5%	6.5%
Motor Vehicle License:		
Small Trailers (<2,000 pounds)	\$6.50	\$6.50
Motorcycles	\$15.00	\$15.00
Cars & Small Trucks	\$26.00	\$26.00
Semi Trailers	\$20.00	\$20.00
Mid-Size Trucks/Vans (>4,000 pounds)	\$31.00	\$31.00
Large Vehicles (19,000 pounds and over)	\$1.60-\$1.80/1,000 pounds of gross weight	\$1.60-\$1.80/1,000 pounds of gross weight
Passenger (>10)	\$0.30/100 pounds of weight (not less than \$26)	\$0.30/100 pounds of weight (not less than \$26)

Description	FY 2012 Approved	FY 2013 Approved
REFUSE DISPOSAL		
Residential		
Single or Multiple Units (four units or less)	\$27.01/unit/month	\$27.01/unit/month
Multiple Units (five units or more)	\$45.27/container/month	\$45.27/container/month
Commercial		
Business 1 times per week	\$59.00/unit/month	\$59.00/unit/month
Business 5 times per week	\$146.24/unit/month	\$146.24/unit/month
Combined Commercial and Residential	\$86.01/unit/month	\$86.01/unit/month
WATER AND WASTEWATER FEES		
Water	\$4.01/100 cubic feet	\$4.15/100 cubic feet
Wastewater	\$3.26/100 cubic feet	\$3.39/100 cubic feet
STORM WATER FEES (rate calculated based on a 30-day month)		
Residential	\$8.70/month	\$9.96/month
Commercial	\$6.00/month per 2,000 sq. ft.	\$7.18/month per 2,000 sq. ft.
UTILITY TAXES		
Commercial		
Gas	Rate/month: \$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance (maximum of \$500/month)	Rate/month: \$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance (maximum of \$500/month)
Electricity (Manufacturing)	Rate/month: \$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance (maximum of \$53,000/month)	Rate/month: \$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance (maximum of \$53,000/month)
Electricity (Non-Manufacturing)	Rate/month: \$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance	Rate/month: \$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance
Telephone (Cellular, Landline)	Replaced by the State Communications Sales & Use Tax 5% of sales price of services	Replaced by the State Communications Sales & Use Tax 5% of sales price of services
Water	25% on first \$75 plus 15% of bill in excess of \$75	25% on first \$75 plus 15% of bill in excess of \$75
Residential		
Cable and Satellite Service	Replaced by the State	Replaced by the State
Telephone (Cellular, Landline)	Communications Sales & Use Tax	Communications Sales & Use Tax
Electricity	\$1.75 + \$0.016891/kWh monthly (capped at \$3.75/month)	\$1.75 + \$0.016891/kWh monthly (capped at \$3.75/month)
Gas	\$1.50/month	\$1.50/month
Water (5/8" Meter)	25% on first \$22.50/month	25% on first \$22.50/month

SUMMARY OF CHANGES IN FUND BALANCES

General Fund

	FY 2011 Actual	FY 2012 Approved	FY 2013 Approved
Operating Revenues			
General property taxes	251,492,239	246,979,300	244,871,000
Other local taxes	145,141,964	150,730,000	154,180,000
Permits and fees	4,106,796	4,516,300	4,427,928
Fines and forfeitures	1,287,993	1,250,000	1,235,800
Commonwealth	294,274,254	287,313,700	289,238,994
Federal	6,019,937	12,345,200	6,805,200
Charges for services	33,442,916	36,323,900	35,908,538
Miscellaneous	10,102,231	8,328,300	8,904,776
Recovered costs	10,722,712	10,579,200	11,372,200
Total Operating Revenues	756,591,042	758,365,900	756,944,436
Operating Expenses			
Personnel services	253,230,618	257,297,744	259,856,447
Contractual services	42,778,075	46,348,157	45,196,055
Materials, supplies and repairs	33,127,143	38,758,123	38,761,792
All purpose appropriations	346,513,822	343,988,236	354,811,724
Public assistance	20,398,683	21,249,861	13,484,662
Total Operating Expenses	696,048,341	707,642,121	712,110,680
Operating Income (Loss)	60,542,701	50,723,779	44,833,756
Non-Operating Revenues (Expenses)			
Money and use of property	7,154,132	6,711,300	6,903,200
Capital outlay	-4,359,255	-2,863,849	-3,429,060
Debt service	-74,340,726	-82,083,190	-77,488,731
Acctg. for Encumbrances for Budget not GAAP	3,787,902	0	0
Total Non-Operating Revenue/Expense	-67,757,947	-78,235,739	-74,014,591
Income (Loss) Before Operating Transfers	-7,215,246	-27,511,960	-29,180,835
Operating transfers in	18,182,126	12,239,900	16,671,700
Operating transfers out	-609,666	-2,427,040	-6,762,338
Total Operating Transfers	17,572,460	9,812,860	9,909,362
Net Income (Loss)	10,357,214	-17,699,100	-19,271,473
Beginning fund balance at July 1	62,136,499	96,280,735	78,581,635
Transfer from non-major funds	23,787,022	0	0
Ending fund balance at June 30	96,280,735	78,581,635	59,310,162

Special Revenue Funds

	FY 2011 Actual	FY 2012 Approved	FY 2013 Approved
Operating Revenues			
General property taxes	3,661,800	2,799,321	2,754,849
Other local taxes	8,743,813	8,782,296	9,095,796
Permits and fees	0	0	0
Fines and forfeitures	0	0	0
Commonwealth	1,178,291	0	10,136,249
Federal	395,853	63,617	3,452,711
Charges for services	15,412,506	15,602,523	23,171,921
Miscellaneous	116,455	363,587	306,613
Recovered costs	305,580	1,751,223	1,871,268
Total Operating Revenues	29,814,298	29,362,567	50,789,407
Operating Expenses			
Personnel services	11,132,273	12,182,947	29,767,202
Contractual services	4,455,978	3,488,874	9,933,632
Materials, supplies and repairs	1,812,524	3,344,937	4,615,731
Depreciation	0	0	0
Bad debt expense	0	0	0
All purpose appropriations	5,188,448	4,888,745	7,135,891
Public assistance	0	0	779,557
Total Operating Expenses	22,589,223	23,905,503	52,232,013
Operating Income (Loss)	7,225,075	5,457,064	-1,442,606
Non-Operating Revenues (Expenses)			
Money and use of property	130,989	865,000	869,002
Capital outlay	-950,047	-1,485,045	-1,494,295
Interest and fiscal charges	0	0	0
Debt service	-4,097,230	-3,633,391	-3,790,038
Total Non-Operating Revenue/Expense	-4,916,288	-4,253,436	-4,415,331
Income (Loss) Before Operating Transfers	2,308,787	1,203,628	-5,857,937
Operating transfers in	2,921,391	817,374	6,152,672
Operating transfers out	-7,037,317	-3,202,961	-3,315,200
Total Operating Transfers	-4,115,926	-2,385,587	2,837,472
Net Change in Fund Balance	-1,807,139	-1,181,959	-3,020,465
Beginning fund balance at July 1	13,921,822	12,114,683	10,932,724
Ending fund balance at June 30	12,114,683	10,932,724	7,912,259

Summary of Changes in Net Assets

Enterprise Funds

	FY 2011 Actual	FY 2012 Approved	FY 2013 Approved
Operating Revenues			
General property taxes	0	0	0
Other local taxes	0	0	0
Permits and fees	0	1,460,300	1,415,280
Fines and forfeitures	0	2,000,000	1,950,012
Commonwealth	0	0	0
Federal	0	0	0
Charges for services	124,617,316	118,271,796	122,185,232
Miscellaneous	3,430,663	850,604	1,945,236
Recovered costs	0	1,244,600	1,441,600
Total Operating Revenues	128,047,979	123,827,300	128,937,360
Operating Expenses			
Personnel services	31,864,523	26,848,047	26,870,967
Contractual services/Other	11,597,910	15,303,182	15,617,955
Materials, supplies and repairs	17,666,932	15,776,046	16,061,763
Depreciation	22,224,161	0	0
Bad debt expense	653,610	0	0
All purpose appropriations	0	1,068,564	2,195,787
Total Operating Expenses	84,007,136	58,995,839	60,746,472
Operating Income (Loss)	44,040,843	64,831,461	68,190,888
Non-Operating Revenues (Expenses)			
Money and use of property	511,289	646,000	493,300
Capital outlay	0	-726,973	-716,663
Intergovernmental revenue	442,843	0	0
Contributions	114,483	0	0
Gain/(Loss)-Sale of fixed assets & investments	-157,224	7,400	7,400
Debt service	-25,601,44	-54,720,888	-57,924,925
Total Non-Operating Revenue/Expense	-24,690,050	-54,794,461	-58,140,888
Income (Loss) Before Operating Transfers	19,350,793	10,037,000	10,050,000
Capital Contribution	129,652	0	0
Operating transfers in	0	0	0
Operating transfers out	-10,052,045	-10,037,000	-10,050,000
Total Operating Transfers/Capital Contribution	-9,922,393	-10,037,000	-10,050,000
Net Income (Loss)	9,428,400	0	0
Beginning Net Assets at July 1	333,064,207	342,492,607	342,492,607
Ending Net Assets at June 30	342,492,607	342,492,607	342,492,607

Internal Service Funds

	FY 2011 Actual	FY 2012 Approved	FY 2013 Approved
Operating Revenues			
General property taxes	0	0	0
Other local taxes	0	0	0
Permits and fees	0	0	0
Fines and forfeitures	0	0	0
Commonwealth	0	0	0
Federal	0	0	0
Charges for services	15,254,046	13,039,084	13,185,559
Miscellaneous	84,791	0	0
Recovered costs	0	156,126	103,000
Total Operating Revenues	15,338,837	13,195,210	13,288,559
Operating Expenses			
Personnel services	4,051,728	4,070,100	3,720,921
Cost of Goods Sold	10,866,979	0	0
Contractual services/Other	364,844	964,002	1,307,294
Materials, supplies and repairs	1,358,034	8,100,020	8,517,007
Depreciation	297,810	0	0
Bad debt expense	29,341	0	0
All purpose appropriations	0	1,000	1,000
Total Operating Expenses	16,968,736	13,135,122	13,546,222
Operating Income (Loss)	-1,629,899	60,088	-257,663
Non-Operating Revenues (Expenses)			
Money and use of property	202	1,790	1,790
Capital outlay	-1,080,046	-61,878	-111,878
Interest and fiscal charges	0	0	0
Gain/(Loss)-Sale of fixed assets & investments	0	0	367,751
Debt service	0	0	0
Total Non-Operating Revenue/Expense	-1,079,844	-60,088	257,663
Income (Loss) Before Operating Transfers	-2,709,743	0	0
Operating transfers in	510,996	0	0
Operating transfers out	0	0	0
Total Operating Transfers	510,996	0	0
Net Income (Loss)	-2,198,747	0	0
Beginning Net Assets at July 1	8,242,083	6,043,336	6,043,336
Ending Net Assets at June 30	6,043,336	6,043,336	6,043,336

GENERAL FUND BALANCE RESERVES

The establishment and maintenance of general operating reserves is considered one of the most effective management practices a local government can employ.

The purpose of a reserve is to act as the city's "savings" account to meet emergency, non-anticipated needs without jeopardizing the ongoing provision of city services. Reserves help to cushion against cash flow challenges, as seen in FY 2004 with the unexpected expenses of Hurricane Isabel. The appropriate size of reserves depends on variability of revenues and expenditures and an organization's cash flow needs.

In FY 2008, the balance in the Risk Management Reserve was reduced by \$4.9 million from \$5,740,162 to \$840,162 to settle a major general liability claim. Because the city is self-insured, the Risk Management Reserve was created in the event of a major unanticipated workers compensation or general liability claim. In FY 2010, the City Council approved distributing \$1,058,409 from a combination of the FY 2008 and FY 2009 year-end undesignated funds in accordance with the city's practice to replenish the Risk Management Reserve. Adding these undesignated funds raised the total Risk Management Reserve balance to \$1,898,571. During the FY 2013 budget worksession, City Council approved allocating additional funds to the city's reserves to strengthen them which would raise the total General Fund balance reserves from \$45,457,834 to \$48,332,591.

General Fund Balance Reserves

Reserve	FY 2011 Actual	FY 2012 Goal	FY 2012 Projected
Unassigned Reserve ("five percent reserve")	41,559,263	39,750,810	42,332,591
Risk Management Reserve	1,898,571	11,600,000	3,000,000
Economic Downturn/Leveling Reserve	2,000,000	10,000,000	3,000,000
General Fund Balance Reserves at June 30*	45,457,834	61,350,810	48,332,591

The amounts above exclude reserves for encumbrances and other legally restricted reserves and designations for specific appropriations.

The goal for the FY 2012 unassigned reserve of \$39,750,810 is based on the Approved FY 2012 General Fund Budget of \$795,016,200.

TRANSFERS FROM/TO

The tables below present certain fund to fund transfers in FY 2013 which include: payments made by the General Fund to support capital projects and special revenue funds; transfers from enterprise activities to the General Fund; and transfers of funds to support capital projects.

Transfer from General Fund to

FY 2013

Capital Improvement Program	609,666
Cemetery Fund	464,540
Emergency Preparedness and Response Fund	1,125,995
Golf Fund	439,137
Norfolk Community Services Board	4,123,000
Total Transfers from General Fund	6,762,338

Transfer to General Fund from

Water Fund	8,500,000
Wastewater Fund	1,500,000
Special Revenue (Grants) Fund	500,000
Parking (for Cruise Ship Terminal)	50,000
Total Transfers to General Fund	10,550,000

Transfer to Capital Improvement Program from

General Fund	609,666
Public Amenities Fund	1,000,000
Total Transfers to the Capital Improvement Program	1,609,666

PERSONNEL STAFFING SUMMARY

	FY 2011 Approved	FY 2012 Approved	FY 2013 Approved	Change FY 2012 to FY 2013
Total Positions by Department				
General Fund				
City Council	8	8	8	0
City Clerk	14	14	14	0
City Real Estate Assessor	24	24	24	0
City Auditor	7	7	8	1
Office of Youth and Childhood Development	8	0	0	0
City Manager	18	15	15	0
Office of Budget and Management	15	16	20	4
Communications and Public Information	19	22	23	1
Office to End Homelessness	3	3	4	1
Department of Law	35	34	34	0
Commissioner of the Revenue	38	39	43	4
City Treasurer	31	31	31	0
Clerk of Circuit Court	50	50	50	0
Circuit Court Judges	5	5	5	0
Commonwealth's Attorney	65	65	65	0
Sheriff and Jail	472	475	487	12
Elections	9	6	6	0
Information Technology	97	96	107	11
Finance	42	34	34	0
General Services	0	102	116	14
Human Resources	33	31	30	-1
Planning and Community Development	128	102	89	-13
Development	17	18	17	-1
Libraries	84	78	91	13
Cultural Facilities, Arts & Entertainment	67	66	68	2
Zoological Park	57	56	57	1
The National Maritime Center (Nauticus)	50	52	57	5
Recreation, Parks and Open Space	220	215	226	11
Cruise Ship Terminal	6	5	0	-5
Public Health	34	34	34	0
Human Services	497	495	512	17
Police	869	869	876	7
Fire-Rescue	510	510	511	1
Public Works	422	335	345	10
Total General Fund	3,954	3,912	4,007	95

	FY 2011 Approved	FY 2012 Approved	FY 2013 Approved	Change FY 2012 to FY 2013
Special Revenue Funds				
Norfolk Community Services Board	0	0	290	290
Storm Water Management	83	85	88	3
Towing and Recovery Operations	9	9	9	0
Cemeteries	38	35	35	0
Emergency Preparedness and Response	90	90	91	1
Total Special Revenue Funds	220	219	513	294
Enterprise Funds				
Water Utility Fund	290	289	289	0
Wastewater Utility Fund	103	104	104	0
Parking Facilities Fund	101	88	88	0
Total Enterprise Funds	494	481	481	0
Internal Service Funds				
Storehouse	11	11	11	0
Fleet	66	67	59	-8
Total Internal Service Funds	77	78	70	-8
Total All Funds	4,745	4,690	5,071	381

The personnel figures for FY 2013 may include administrative changes that have occurred during the fiscal year and may be different from the figures presented in the FY 2012 approved document.

Personnel count includes the reclassification of special project positions to permanent status. The positions are currently filled and are part of a citywide initiative to more accurately reflect existing long-term positions within a department's budget. Only permanent city positions are reflected in the Position Summary.

The Norfolk Community Services Board came under the management of the City of Norfolk as a Special Revenue Fund on July 1, 2012.

Overhires in Fire-Rescue are not included in the personnel staffing summary.

Position summaries in the Approved FY 2013 Budget include changes to the Proposed Budget based on the Approved FY 2013 Compensation Plan and Council Amendments.

CITY INDEBTEDNESS

The Virginia Constitution authorizes a city in Virginia to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds, the governing body of the city is required to levy an ad valorem tax on all property subject to local taxation to ensure debt service payment. The issuance of general obligation bonds is subject to a limit of 10 percent of the assessed value of taxable real property in the city.

The Public Finance Act of Virginia authorizes a city in Virginia to issue limited liability revenue bonds provided that the rates, rents, fees or other charges are sufficient to pay the cost of operation and administration and the principal and interest on the bonds when due. In determining general obligation statutory debt limitations, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, general obligation bonds payable from a specified revenue producing undertaking, so long as the undertaking is self-supporting, capital leases and revenue bonds. The city's enterprise operations for Water, Wastewater and Parking bonded debt are a combination of self-supporting, general obligation and revenue bonds. The city's operations for Storm Water, Maritime, and Towing and Recovery bonded debt are intended to be self-supporting general obligation bonds.

The following table shows the estimated general obligation Legal Debt Margins for the current fiscal year as of June 30, 2012, and for the past four fiscal years.

As of	Taxable Real Property Assessed Value ⁽¹⁾	Debt Limit: 10% of Assessed Value	Debt Applicable to Debt Limit	Amount of Debt as % of Debt Limit	Legal Margin for Additional Debt
June 30, 2012 ⁽²⁾⁽³⁾	18,662,081,433	1,866,208,143	911,225,432	48.83%	962,987,712
June 30, 2011	19,320,643,495	1,932,064,350	829,621,927	42.94%	1,102,442,422
June 30, 2010	19,940,273,451	1,994,027,345	889,556,676	44.61%	1,104,470,669
June 30, 2009	19,395,789,387	1,939,578,939	738,173,200	38.06%	1,201,405,739
June 30, 2008	18,401,851,069	1,840,185,107	697,450,234	37.90%	1,142,734,873

1 The figure includes the assessed valuation of the following properties: public service corporations (as assessed by the State Corporation Commission and the Virginia Department of Taxation); and residential, commercial, apartments and vacant land (as assessed by the City Assessor).

2 Taxable Real Property Assessed Value is estimated as of March 31, 2012.

3 Projected Debt Applicable to Debt Limit excludes \$145,732,347 of General Obligation Bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.

OVERLAPPING DEBT

The City of Norfolk is autonomous and independent of any county or other political subdivision and is not subject to taxation by any county or school district, nor is it liable for any county or school district indebtedness. There is no overlapping debt.

STATEMENT OF NO PAST DEFAULT

The city has never defaulted on the payment of either principal or interest on any debt.

OUTSTANDING DEBT

Debt service for the City's General Capital Improvements is funded from its general fund. The debt of the enterprise and other fee supported operations are paid from their respective revenues. The city's estimated total outstanding bonded indebtedness at the end of FY 2012 is estimated to be \$1,329,880,432.

GENERAL CAPITAL IMPROVEMENTS—AFFORDABILITY MEASURES

The city's Capital Improvement Plan for General Capital Improvements (those bonds not supported by self-supporting user fees) is guided by two measures of affordability. These measures or debt limits, based on the approved Capital Improvement Plan, are as follows:

- Debt Service as a percent of the general fund budget (not to exceed 10 percent)
- Net debt as a percent of taxable real estate (not to exceed 3.5 percent)

The FY 2013 Capital Improvement Plan is within the two measures of affordability listed above. However, in order to finance some major essential governmental projects, such as, a new city courthouse, elementary school and a new main library, the city may be challenged to stay within these measures in the out years of the Capital Improvement Plan.

ENTERPRISE OPERATIONS DEBT

Norfolk's Water, Wastewater and Parking Revenue Bond programs are governed by bond indentures of trust, which specify debt coverage requirements for their respective operations. Each of the revenue bond programs are backed by the revenues of their respective system. The city has covenanted in each respective indenture that it will establish, fix, charge and collect rates, fees and other charges so that in each Fiscal Year Net Revenues are not less than the debt service coverage requirement. All Revenue Bond Programs, historically and estimated for FY 2012 meet their debt coverage requirements. As previously noted, outstanding Water, Wastewater and Parking bonds are a combination of general obligations of the city and revenue bonds. As a matter of practice, the city pays such general obligation bonds from its respective enterprise activities. In the event that money in the respective funds is not sufficient to pay debt service on the general obligations, the city is obligated to pay such debt service from the General Fund or other available revenues.

BOND RATINGS

Bond or credit ratings are an independent opinion of the general creditworthiness of an issuer, such as the city, based on relevant risk factors. Long-term general obligation ratings are based on an issuer's ability and willingness to repay fully the principal and interest of its debt obligations, on a timely basis. Municipal credit ratings are primarily based on four main factors: the issuer's financial position, the issuer's current and future debt burden, financial management and the economy. Often an investor places significant emphasis on a bond's credit rating to help evaluate a price or willingness to hold the investment.

Each of the three major credit rating agencies in the U.S.: Moody's Investors Service ("Moody's"), Standard and Poor's ("S&P") and Fitch Ratings ("Fitch") applies its own methodology in measuring creditworthiness and uses a specific rating scale to communicate its ratings opinions. Typically, ratings are expressed as letter grades that range, for example, from 'AAA' to 'D' to communicate the agency's opinion of relative level of credit risk. Credits are further distinguished with "notches" within each rating category.

Credit ratings for the city's General Obligation and Water Revenue Bond programs are as follows:

Bonding Program	Moody's Investors Service	Standard and Poor's	Fitch Ratings
General Obligation	Aa2	AA	AA+
Water Revenue	Aa2	AA+	AA+

Norfolk's rating on its General Obligation's of Aa2/AA/AA+ and its Water Revenue Bonds of Aa2/AA+/AA+ are very strong. In general, a double-A category rating is considered to be very high quality bonds with some elements of long-term risks.

Neither the Parking Revenue Bonds nor the Wastewater Revenue Bonds maintain an underlying credit rating.

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2012 (Estimated)

Table 1:

Total Assessed Value of Taxed Real Property as of March 31, 2012		<u>\$18,662,081,433</u>
Debt Limit - 10 percent of Total Assessed Value		<u>\$1,866,208,143</u>
Amount of Debt Applicable to Debt Limit:		
Gross Debt (1)(2)	\$811,805,479	
General Obligation (QRBs)	9,300,000	
General Obligation Bond Anticipation Notes	75,305,000	
General Obligation (QZABs)	804,953	
General Obligation (Guaranty)	1,275,000	
HUD Section 108 Loan	12,735,000	<u>\$911,225,432</u>
Legal Debt Margin		<u>\$954,982,711</u>
Amount of Debt as a percent of Debt Limit		<u>48.83%</u>

(1) Gross Debt Applicable to Debt Limit excludes \$145,732,347 of General Obligation Bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.

(2) Estimated - Includes the Series 2012 General Obligation Capital Improvement and Refunding Bonds anticipated to be issued prior to June 30, 2012. Gross Debt will change once the issuance is complete.

YEARLY MATURITY OF LONG-TERM DEBT

Fiscal Year	General Obligation ⁽¹⁾			General Obligation Equipment			Water Revenue		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	62,413,946	30,263,224	92,677,170	4,299,288	486,001	4,785,289	11,285,000	16,773,159	28,058,159
2013	55,074,324	31,630,859	86,705,183	4,443,057	513,835	4,956,892	7,000,000	14,276,059	21,276,059
2014	54,343,956	28,945,978	83,289,934	6,432,851	418,286	6,851,137	7,250,000	13,476,719	20,726,719
2015	55,901,787	26,929,870	82,831,657	5,496,785	289,704	5,786,489	7,805,000	13,244,769	21,049,769
2016	53,801,394	24,609,887	78,411,281	2,664,822	165,849	2,830,671	8,750,000	12,894,294	21,644,294
2017	50,417,600	22,430,730	72,848,330	2,180,460	61,597	2,242,057	10,655,000	12,438,019	23,093,019
2018	49,780,563	20,481,630	70,262,192	665,000	20,471	685,471	13,860,000	11,840,769	25,700,769
2019	49,346,600	18,451,300	67,797,900	55,000	1,100	56,100	14,820,000	11,137,744	25,957,744
2020	48,070,189	16,676,456	64,746,645	-	-	-	15,665,000	10,393,269	26,058,269
2021	45,995,302	14,759,024	60,754,327	-	-	-	16,760,000	9,597,644	26,357,644
2022	44,889,124	13,118,872	58,007,996	-	-	-	17,740,000	8,756,644	26,496,644
2023	43,189,846	11,411,091	54,600,938	-	-	-	19,005,000	7,859,944	26,864,944
2024	41,528,532	9,749,349	51,277,881	-	-	-	20,140,000	6,895,394	27,035,394
2025	37,412,461	8,160,331	45,572,792	-	-	-	16,780,000	5,988,019	22,768,019
2026	34,373,857	6,689,112	41,062,969	-	-	-	17,805,000	5,139,669	22,944,669
2027	33,294,941	5,244,509	38,539,450	-	-	-	10,525,000	4,448,363	14,973,363
2028	24,361,981	4,015,583	28,377,563	-	-	-	11,115,000	3,925,013	15,040,013
2029	14,410,000	2,959,474	17,369,474	-	-	-	11,780,000	3,375,056	15,155,056
2030	14,490,000	2,350,643	16,840,643	-	-	-	6,850,000	2,939,619	9,789,619
2031	14,630,000	1,781,365	16,411,365	-	-	-	7,190,000	2,623,800	9,813,800
2032	4,120,000	1,180,973	5,300,973	-	-	-	7,560,000	2,292,353	9,852,353
2033	27,565,000	855,937	28,420,937	-	-	-	5,775,000	1,988,334	7,763,334
2034	2,750,000	689,288	3,439,288	-	-	-	6,045,000	1,713,981	7,758,981
2035	2,825,000	548,581	3,373,581	-	-	-	6,335,000	1,426,625	7,761,625
2036	2,920,000	403,772	3,323,772	-	-	-	6,635,000	1,128,278	7,763,278
2037	3,010,000	253,506	3,263,506	-	-	-	5,515,000	851,656	6,366,656
2038	3,105,000	99,254	3,204,254	-	-	-	5,770,000	598,150	6,368,150
2039	1,100,000	27,500	1,127,500	-	-	-	6,030,000	335,956	6,365,956
2040	-	-	-	-	-	-	2,555,000	150,850	2,705,850
2041	-	-	-	-	-	-	2,660,000	49,875	2,709,875
	875,121,403	304,718,098	1,179,839,501	26,237,263	1,956,842	28,194,105	307,660,000	188,560,021	496,220,021

(1) Includes the Series 2012 General Obligation Capital Improvement and Refunding Bonds anticipated to be issued prior to June 30, 2012. Debt service figures will change once the issuance is complete.

Fiscal Year	Parking Revenue			Wastewater Revenue			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	2,565,000	4,176,575	6,741,575	1,225,000	1,225,000		81,788,234	51,698,958	133,487,192
2013	2,690,000	4,051,025	6,741,025	1,725,000	1,725,000		70,932,381	50,471,778	121,404,159
2014	2,835,000	3,918,825	6,753,825	1,957,500	1,957,500		72,819,307	46,759,808	119,579,115
2015	2,970,000	3,779,000	6,749,000	2,190,000	2,190,000		74,363,572	44,243,343	118,606,915
2016	3,085,000	3,654,300	6,739,300	2,190,000	2,190,000		70,491,217	41,324,330	111,815,546
2017	3,240,000	3,512,000	6,752,000	2,190,000	2,190,000		68,683,060	38,442,346	107,125,406
2018	3,385,000	3,362,550	6,747,550	2,190,000	2,190,000		69,880,563	35,705,419	105,585,982
2019	3,545,000	3,206,375	6,751,375	2,190,000	2,190,000		69,956,600	32,796,519	102,753,119
2020	3,755,000	3,056,075	6,811,075	2,190,000	2,190,000		69,680,189	30,125,799	99,805,989
2021	3,945,000	2,871,725	6,816,725	2,190,000	2,190,000		68,890,302	27,228,393	96,118,695
2022	4,145,000	2,678,025	6,823,025	2,190,000	2,190,000		68,964,124	24,553,541	93,517,664
2023	4,350,000	2,474,013	6,824,013	2,190,000	2,190,000		68,734,846	21,745,048	90,479,894
2024	4,555,000	2,259,400	6,814,400	2,190,000	2,190,000		68,413,532	18,904,143	87,317,675
2025	4,780,000	2,034,650	6,814,650	2,190,000	2,190,000		61,162,461	16,183,000	77,345,461
2026	5,025,000	1,797,725	6,822,725	2,190,000	2,190,000		59,393,857	13,626,506	73,020,363
2027	5,275,000	1,548,650	6,823,650	2,190,000	2,190,000		51,284,941	11,241,522	62,526,462
2028	4,840,000	1,287,175	6,127,175	2,190,000	2,190,000		42,506,981	9,227,770	51,734,751
2029	5,100,000	1,032,375	6,132,375	2,190,000	2,190,000		33,480,000	7,366,905	40,846,905
2030	5,195,000	763,850	5,958,850	1,765,000	1,765,000		28,300,000	6,054,111	34,354,111
2031	5,480,000	485,000	5,965,000	1,340,000	1,340,000		28,640,000	4,890,165	33,530,165
2032	945,000	190,825	1,135,825	965,000	965,000		13,590,000	3,664,151	17,254,151
2033	990,000	146,425	1,136,425	465,000	465,000		34,795,000	2,990,696	37,785,696
2034	1,035,000	99,900	1,134,900	232,500	232,500		10,062,500	2,503,169	12,565,669
2035	1,090,000	51,250	1,141,250	-	-		10,250,000	2,026,456	12,276,456
2036	-	-	-	-	-		9,555,000	1,532,050	11,087,050
2037	-	-	-	-	-		8,525,000	1,105,162	9,630,162
2038	-	-	-	-	-		8,875,000	697,404	9,572,404
2039	-	-	-	-	-		7,130,000	363,456	7,493,456
2040	-	-	-	-	-		2,555,000	150,850	2,705,850
2041	-	-	-	-	-		2,660,000	49,875	2,709,875
	84,820,000	52,437,713	137,257,713	42,525,000	-	42,525,000	1,336,363,666	547,672,673	1,884,036,340

Figures exclude debt service due on the City's \$75,305,000 General Obligation Bond Anticipation Notes, Series 2011A and 2011B. The City currently expects to better match the useful life of the assets financed by refinancing the principal over a longer period prior to the January 1, 2014.