

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 7, 2024**

**NEW ISSUE  
BOOK-ENTRY ONLY**

**Fitch Ratings: AAA  
Moody's Investors Service: Aaa  
Standard & Poor's: AAA  
(See "Ratings" in Section Two)**

In the opinion of Kutak Rock LLP, Bond Counsel, under current law and subject to the conditions described herein in the section "TAX EXEMPTION," interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax for individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. It is also the opinion of Bond Counsel that, under existing law of the Commonwealth of Virginia, interest on the Bonds is exempt from income taxation by the Commonwealth of Virginia. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" in Section Two for a more complete description of the opinion of Bond Counsel and additional federal tax law consequences.

**CITY OF VIRGINIA BEACH, VIRGINIA**

**\$146,085,000\***  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT BONDS,  
SERIES 2024A**

**\$118,000,000\***  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT BONDS,  
SERIES 2024B (Flood Mitigation)**

**\$39,435,000\***  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT REFUNDING BONDS,  
SERIES 2024C**

**Dated: Date of Issuance**

**Due: As shown on the inside cover**

This Official Statement has been prepared by the City of Virginia Beach, Virginia (the "City") to provide information on its \$146,085,000\* General Obligation Public Improvement Bonds, Series 2024A (the "Series 2024A Bonds"), \$118,000,000\* General Obligation Public Improvement Bonds, Series 2024B (Flood Mitigation) (the "Series 2024B Bonds") and \$39,435,000\* General Obligation Public Improvement Refunding Bonds, Series 2024C (the "Series 2024C Bonds" and together with the Series 2024A Bonds and Series 2024B Bonds, the "Bonds"), the security therefor, the City, the use of the proceeds of the Bonds and other relevant information. Selected information is presented on this cover page for the convenience of the reader. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

<b>Security</b>	The Bonds will be general obligations of the City for the payment of which its full faith and credit will be irrevocably pledged. The City Council is authorized and required by Virginia law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect on all locally taxable property in the City an annual <i>ad valorem</i> tax over and above all taxes authorized or limited by law and without limitation as to rate or amount sufficient to pay when due the principal of, premium, if any, and interest on the Bonds as the same respectively become due and payable.
<b>Redemption</b>	The Series 2024A Bonds and Series 2024B Bonds are subject to optional redemption as summarized on the inside cover and in "Redemption" in Section Two. The Series 2024C Bonds are not subject to optional redemption.
<b>Purpose</b>	The proceeds of the Bonds will be used to provide funding for various City and school public improvements and to refund certain previously issued bonds, as described herein. Proceeds may also be used to pay a portion of the issuance costs of the Bonds.
<b>Interest Rates/Yields</b>	See inside cover.
<b>Interest Payment Dates</b>	February 1 and August 1, commencing February 1, 2025.
<b>Denominations</b>	\$5,000 or integral multiples thereof.
<b>Closing/Delivery Date</b>	On or about June 4, 2024.
<b>Registration</b>	Full book-entry only; The Depository Trust Company, New York, New York.
<b>Bond Counsel</b>	Kutak Rock LLP, Richmond, Virginia.
<b>Financial Advisor</b>	Davenport & Company LLC, Richmond Virginia

Official Statement Dated \_\_\_\_\_, 2024

\* Preliminary, subject to adjustment; see "Sale at Competitive Bidding" herein.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$146,085,000\*

CITY OF VIRGINIA BEACH, VIRGINIA  
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS  
SERIES 2024A

Serial Bonds

<u>February 1 Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2025	\$7,300,000			
2026	7,310,000			
2027	7,310,000			
2028	7,310,000			
2029	7,310,000			
2030	7,310,000			
2031	7,310,000			
2032	7,310,000			
2033	7,310,000			
2034	7,305,000			
2035	7,300,000			
2036	7,300,000			
2037	7,300,000			
2038	7,300,000			
2039	7,300,000			
2040	7,300,000			
2041	7,300,000			
2042	7,300,000			
2043	7,300,000			
2044	7,300,000			

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\* Preliminary, subject to change.

\*\* A registered trademark of the American Bankers Association (“ABA”), used by Standard & Poor’s in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

\$118,000,000\*

CITY OF VIRGINIA BEACH, VIRGINIA  
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS  
SERIES 2024B (Flood Mitigation)

Serial Bonds

<u>February 1 Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2025	\$5,900,000			
2026	5,900,000			
2027	5,900,000			
2028	5,900,000			
2029	5,900,000			
2030	5,900,000			
2031	5,900,000			
2032	5,900,000			
2033	5,900,000			
2034	5,900,000			
2035	5,900,000			
2036	5,900,000			
2037	5,900,000			
2038	5,900,000			
2039	5,900,000			
2040	5,900,000			
2041	5,900,000			
2042	5,900,000			
2043	5,900,000			
2044	5,900,000			

\$39,435,000\*

CITY OF VIRGINIA BEACH, VIRGINIA  
GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS  
SERIES 2024C

Serial Bonds

<u>February 1 Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2025	\$4,505,000			
2026	3,840,000			
2027	3,820,000			
2028	3,795,000			
2029	3,855,000			
2030	3,875,000			
2031	3,900,000			
2032	3,925,000			
2033	3,945,000			
2034	3,975,000			

\* Preliminary, subject to change.

\*\* A registered trademark of the American Bankers Association (“ABA”), used by Standard & Poor’s in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

# **CITY OF VIRGINIA BEACH**

## **THE CITY COUNCIL**

Robert M. Dyer, Mayor  
Rosemary Wilson, Vice Mayor  
Michael F. Berlucchi  
Barbara M. Henley  
David Hutcheson  
Robert W. Remick  
Dr. Amelia Ross-Hammond  
Jennifer V. Rouse  
Joashua F. Schulman  
Chris Taylor  
Sabrina D. Wooten

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## **CERTAIN CITY OFFICIALS**

Patrick A. Duhaney, *City Manager*  
Mark D. Stiles, *City Attorney*  
Amanda Barnes, *City Clerk*  
Sue C. Cunningham, *City Real Estate Assessor*  
Letitia L. Shelton, *Director of Finance*  
V. Leigh Henderson, *City Treasurer*

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## **BOND COUNSEL**

Kutak Rock LLP  
901 East Byrd Street, Suite 1000  
Richmond, Virginia 23219

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## **FINANCIAL ADVISOR**

Davenport & Company LLC  
One James Center  
901 East Cary Street, Suite 1100  
Richmond, Virginia 23219

The Bonds will be exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the Commonwealth of Virginia, the Bonds will also be exempt from registration under the securities laws of Virginia.

No dealer, broker, salesman, or other person has been authorized by the City to give any information to or make any representations with respect to the City, or the Bonds issued thereby, other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or matters of opinion, and not as representations of fact. The information and expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implications that there has been no change in the affairs of the City since the respective dates as of which information is given herein.

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- Appendix E – Summary of Refunded Bonds
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# CITY OF VIRGINIA BEACH, VIRGINIA

**\$146,085,000\***  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT BONDS,  
SERIES 2024A**

**\$118,000,000\***  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT BONDS,  
SERIES 2024B (Flood Mitigation)**

**\$39,435,000\***  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT REFUNDING BONDS,  
SERIES 2024C**

## SECTION ONE: INTRODUCTION

The purpose of this Official Statement, including the cover page and Appendices, is to furnish information in connection with the sale by the City of Virginia Beach, Virginia (the “City” or “Virginia Beach”) of its \$146,085,000\* General Obligation Public Improvement Bonds, Series 2024A (the “Series 2024A Bonds”), \$118,000,000\*, General Obligation Public Improvement Bonds, Series 2024B (Flood Mitigation) (the “Series 2024B Bonds”) and \$39,435,000\* General Obligation Public Improvement Refunding Bonds, Series 2024 (the “Series 2024C Bonds” and together with the Series 2024A Bonds and Series 2024B Bonds, the “Bonds”), dated the date of their delivery. Issuance of the Bonds has been authorized by the City Council of the City of Virginia Beach (the “City Council”) as described herein. This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the City. The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is hereby made for all purposes.

### The City

The issuer of the Bonds is the City of Virginia Beach, which is located in the southeastern portion of the Commonwealth of Virginia (the “Commonwealth”). Virginia Beach is the most populous city in the Commonwealth, with a population of 453,605 according to the July 1, 2023 estimate of the Weldon Cooper Center for Public Service. Additional information concerning the City can be found in Sections Two, Three, Four and Five. The audited financial statements for the City for the Fiscal Year ended June 30, 2023, are set forth in **Appendix A** hereto.

### The Bonds

The Bonds are dated the date of their delivery. The Bonds mature annually on February 1 on the years and in the amounts shown on the inside cover of this Official Statement. The Bonds will be held by The Depository Trust Company (“DTC”), or its nominee, as securities depository with respect to the Bonds.

Interest on the Bonds will be payable on each February 1 and August 1, commencing February 1, 2025, until their respective maturities or prior redemption. As long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date.

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\* Preliminary, subject to adjustment; see “Sale at Competitive Bidding” herein.

The Series 2024A Bonds and Series 2024B Bonds are subject to optional redemption prior to maturity at the option of the City upon the terms provided in the Resolution and described herein. The Series 2024C Bonds are not subject to optional redemption.

For further information regarding the Bonds, the book-entry system for the registration and transfer of the Bonds, the optional redemption provisions of the Bonds and tax status of the Bonds, see Section Two.

### **Security for the Bonds**

The Bonds will be general obligations of the City to which the full faith and credit of the City will be pledged for payment. For further information regarding the security for the Bonds, see “**Security for and Sources of Payment for the Bonds**” in Section Two.

### **Use of Proceeds**

Proceeds of the Series 2024A Bonds will be used to fund capital projects for governmental use of the City or the City’s public school system and reimburse expenditures previously made for such purposes as generally described herein. Proceeds of the Series 2024B Bonds will be used to fund portions of the City’s flood mitigation program. Proceeds of the Series 2024C Bonds will be used to refund for debt service savings certain previously issued bonds as more particularly described on **Appendix E**. Proceeds of the Bonds may also be used to pay a portion of the costs of issuance of the respective series of Bonds. See “**Authorization and Purpose of the Bonds**” in Section Two for a more complete description of the authorization and purpose of the Bonds.

### **Redemption**

The Series 2024A Bonds and the Series 2024B Bonds maturing on and after February 1, 2035 are subject to redemption at the option of the City, in whole or in part, on any date on and after February 1, 2034 at the redemption price of 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date. The Series 2024C Bonds are not subject to redemption prior to maturity.

See “**Redemption**” in Section Two for a more complete description of the redemption provisions of the Bonds.

### **Tax Exemption**

Under current law, interest on the Bonds will be exempt or excludable from income taxation by the Commonwealth of Virginia and the United States of America. See “**Tax Exemption**” in Section Two for a more complete description of the significant elements of the federal and state income tax status of interest on the Bonds.

### **Bond Counsel**

Kutak Rock LLP, Richmond, Virginia, serves as Bond Counsel to the City in connection with the issuance of the Bonds. The opinion of Bond Counsel will be dated and given on, and will speak only as of, the date of issuance and delivery of the Bonds. The proposed form of Bond Counsel’s opinion is attached as **Appendix B**.

The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement other than

matters expressly set forth in the opinion of Bond Counsel. Bond Counsel makes no representation that it has independently verified the same.

### **Financial Advisor**

Davenport & Company LLC ("Davenport") is employed as a financial advisor to the City in connection with the issuance of the Bonds. The financial advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Davenport, in its capacity as financial advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents provided, agreed to or made by others with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Davenport, as the financial advisor to the City, has provided the following sentence for inclusion in this Official Statement. Although Davenport has assisted in the preparation of this Official Statement, Davenport is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

### **Auditors**

The City's financial statements for the Fiscal Year ended June 30, 2023 are attached as **Appendix A** to this Official Statement and have been audited by the independent public accounting firm of Cherry Bekaert LLP. These financial statements, together with the related Notes to Financial Statements, are intended to provide a broad overview of the financial position and operating results of the City's governmental activities, business-type activities and major funds. Such financial statements have been included in reliance upon the report of Cherry Bekaert LLP, who will not be reviewing any matters in this Official Statement or otherwise in connection with the issuance of the Bonds.

### **Ratings**

The City has applied and received ratings from Fitch Ratings, 300 West 57th Street, New York, New York 10019, Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, and S&P Global Ratings, a division of McGraw-Hill Financial, Inc., 55 Water Street, New York, New York 10041, as shown on the front cover. See "**Ratings**" in Section Two for a more complete description of the ratings.

### **Investment Policies and Practices**

The City, as a political subdivision of the Commonwealth, is limited to investments permitted by Section 2.2-4500 *et seq.* of the Code of Virginia of 1950, as amended. In addition, various bond resolutions further restrict the types of allowable investments. The City's investment practices are generally described in footnote 8 of the City's financial statements, attached as **Appendix A**. More detail on the City's investment practices is provided in Section Five.

### **Official Statement**

This Official Statement has been approved and authorized by the City for use in connection with the sale of the Bonds. Its purpose is to supply information to prospective buyers of the Bonds. Financial and other information contained in this Official Statement has been prepared by the City from its records,

except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic position of the City.

### **Continuing Disclosure**

The City has agreed to execute a Continuing Disclosure Agreement at closing to assist the successful bidder in complying with the provisions of Rule 15c2-12 (the “Rule 15c2-12”), promulgated by the Securities and Exchange Commission (the “SEC”) and as in effect on the date hereof, by providing annual financial information and event notices required by Rule 15c2-12. The City has established procedures to monitor compliance with its continuing disclosure undertaking. See “**Continuing Disclosure**” in Section Two and see the proposed form of the Continuing Disclosure Agreement attached as **Appendix C**.

### **Post-Issuance Compliance**

In compliance with Internal Revenue Service recommended practices, the City has established procedures to monitor compliance after the issuance of the Bonds and other tax-advantaged obligations with Federal tax law requirements related to the qualified use of bond proceeds and property financed with such proceeds and requirements related to arbitrage yield restriction and rebate. See “**Post-Issuance Compliance**” in Section Two.

### **Verification of Mathematical Computations**

The arithmetical accuracy of certain computations made in connection with the general obligation bonds to be refunded shown on **Appendix E** (the “Refunded Bonds”) and included in supporting schedules will be verified by Bingham Arbitrage Rebate Service (the “Verification Agent”) relating to (i) computations of forecasted receipts of principal and interest on the investments in the Government Obligations (herein defined) and/or cash deposited in the escrow fund established for the Refunded Bonds and the scheduled payments of principal, interest and premium required to redeem the Refunded Bonds, and (ii) computation of the yield on the Bonds and the related Government Obligations. Such computations will be based solely on assumptions and information supplied by the City’s financial advisor, Davenport & Company LLC. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information on which the computations are based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

### **Additional Information**

Any questions concerning the contents of this Official Statement should be directed to the following: Department of Finance, Municipal Center, Virginia Beach, Virginia, 23456 (757) 385-4681; or the City’s financial advisor, Davenport & Company LLC (804) 780-2000.

*[Remainder of page intentionally left blank]*

## SECTION TWO: THE BONDS

### General Description of the Bonds

The Bonds will be dated the date of their issuance and delivery. The Bonds will mature on February 1 in the years and in the amounts shown on the inside cover of this Official Statement. Interest on the Bonds will be payable on each August 1 and February 1, commencing February 1, 2025, until the earlier of maturity or redemption (for Bonds subject to redemption), at the rates per year set forth on the inside cover.

The Bonds will be registered as to principal and interest in the name of Cede & Co., as nominee for DTC, or otherwise as hereinafter described. Beneficial ownership interests in the Bonds will be available only in book-entry form. Beneficial Owners (as hereinafter defined) will not receive physical bond certificates representing their interests in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, references in this Official Statement to the owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. The Resolution contains provisions applicable to periods when DTC or its nominee is not the registered owner.

As long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date. Interest on the Bonds will be payable by check or draft mailed to the registered owners at their addresses as they appear on the registration books on the January 15 and July 15 immediately preceding each interest payment date. If any such interest payment date is not a business day, such payment will be made on the next succeeding business day with the same effect as if made on the interest payment date, and no additional interest will accrue. The registration books are kept by the City Treasurer, who has been appointed paying agent and registrar (the "Registrar"). Interest will be computed on the basis of a 360-day year of twelve 30-day months.

### Redemption

**Optional Redemption.** The Series 2024A Bonds and the Series 2024B Bonds maturing on or before February 1, 2034 are not subject to redemption prior to maturity. The Series 2024A Bonds and the Series 2024B Bonds maturing on or after February 1, 2035 are subject to redemption beginning February 1, 2034, in whole or in part (in any multiple of \$5,000) at any time, at the option of the City, upon payment of 100% of the principal amount of the Bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption. The Series 2024C Bonds are not subject to redemption prior to maturity.

**Selection of Bonds for Redemption.** If less than all of the Bonds are called for optional redemption, the maturities of the Bonds to be redeemed shall be selected by the City's Director of Finance in such manner as may be determined to be in the best interest of the City. If less than all of the Bonds of a particular maturity are called for redemption, DTC or any successor securities depository will select the Bonds to be redeemed pursuant to its rules and procedures or, if the book-entry system is discontinued, the Bonds to be redeemed will be selected by the Registrar by lot in such manner as the Registrar in its discretion may determine. In either case, each portion of the \$5,000 principal amount is counted as one Bond for such purpose. If a portion of a Bond is called for redemption, a new Bond in principal amount equal to the unredeemed portion shall be issued to the registered owner upon the surrender thereof.

**Notice of Redemption.** The City will cause notice of the call for redemption identifying the Bonds or portions thereof to be redeemed to be sent by electronic transmission, facsimile transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner thereof. The City shall not be responsible for providing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is

the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. The City will also cause notice of redemption to be posted on EMMA (as hereinafter defined).

### **Book-Entry System**

A description of DTC, of procedures and record keeping on beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to DTC Participants (as hereinafter defined) or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other transactions by and between DTC, DTC Participants and Beneficial Owners is attached as **Appendix D** and is based on information furnished by DTC.

### **Authorization and Purpose of the Bonds**

The Series 2024A Bonds were authorized by ordinances adopted by the City Council on May 15, 2018, May 14, 2019, May 12, 2020, May 11, 2021, November 6, 2021, May 10, 2022 and May 9, 2023, and by a resolution adopted on April 16, 2024 (the “Resolution”). The Series 2024B Bonds were authorized by an ordinance adopted by the City Council on November 6, 2021, and the Resolution. The Series 2024A Bonds and 2024B Bonds will be issued pursuant to the applicable ordinances, the Resolution and the Constitution and statutes of the Commonwealth, including the Charter of the City of Virginia Beach (Chapter 147, Acts of Assembly of 1962, as amended) and the Public Finance Act of 1991 (Chapter 26, Title 15.2, Code of Virginia of 1950, as amended) (the “Act”). Proceeds of the Series 2024A Bonds will be used for the purpose of providing funds for various City and school public improvements and may also be used to pay a portion of the costs of issuance related to the Series 2024A Bonds. Proceeds of the Series 2024B Bonds will be used to fund portions of the City’s flood mitigation program and may be used to pay cost of issuance.

The Series 2024C Bonds were authorized by the Resolution and the proceeds thereof will refund certain previously issued bonds as summarized on **Appendix E** and may be used to pay cost of issuance of the Series 2024C Bonds.

Of the aggregate principal amount of the 2024A Bonds, \$31,129,382\* represents a portion of \$72,208,245 of bonds that were authorized by an ordinance adopted by the City Council on May 15, 2018, without being submitted to the qualified voters of the City (the “2018 Charter Bonds”), to provide funds, together with other funds that may be available, for the various public improvements, including schools, roadways, coastal, economic and tourism and building projects. After this sale, the City will have an authorized but unissued balance of \$0\* remaining from the 2018 Charter Bonds, having previously issued \$41,078,863 under such authorization.

Of the aggregate principal amount of the 2024A Bonds, \$65,332,867\* represents a portion of \$71,009,710 of bonds that were authorized by an ordinance adopted by the City Council on May 14, 2019, without being submitted to the qualified voters of the City (the “2019 Charter Bonds”), to provide funds, together with other funds that may be available, for the various public improvements, including schools, roadways, coastal, economic and tourism and building projects. After this sale, the City will have an authorized but unissued balance of \$0\* remaining from the 2019 Charter Bonds, having previously issued \$5,676,843 under such authorization.

Of the aggregate principal amount of the 2024A Bonds, \$61,537,751\* represents a portion of \$69,741,841 of bonds that were authorized by an ordinance adopted by the City Council on May 12, 2020, without being submitted to the qualified voters of the City (the “2020 Charter Bonds”), to provide funds,

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\* Preliminary, subject to change.

together with other funds that may be available, for the various public improvements, including schools, roadways, coastal, economic and tourism and building projects. After this sale, the City will have an authorized but unissued balance of \$8,204,090\* remaining from the 2020 Charter Bonds, having previously issued no bonds under such authorization.

Of the aggregate principal amount of the 2024A Bonds, \$0\* represents a portion of \$68,652,307 of bonds that were authorized by an ordinance adopted by the City Council on May 11, 2021 and administratively reduced to \$61,678,775, without being submitted to the qualified voters of the City (the “2021A Charter Bonds”), to provide funds, together with other funds that may be available, for the various public improvements, including schools, roadways, coastal, economic and tourism and building projects. After this sale, the City will have an authorized but unissued balance of \$61,678,775\* remaining from the 2021A Charter Bonds, having previously issued no bonds under such authorization.

Of the aggregate principal amount of the 2024A Bonds, \$118,000,000\* represents a portion of \$567,500,000 of bonds that were authorized by an ordinance adopted by the City Council on November 16, 2021, after having been submitted to and approved by the qualified voters of the City, to finance twenty-one projects for a comprehensive flood mitigation program, (the “2021B Charter Bonds”). After this sale, the City will have an authorized but unissued balance of \$449,500,000\* remaining from the 2021B Charter Bonds, having previously issued no bonds under such authorization.

Of the aggregate principal amount of the 2024A Bonds, \$0\* represents a portion of \$69,107,404 of bonds that were authorized by an ordinance adopted by the City Council on May 10, 2022, without being submitted to the qualified voters of the City (the “2022 Charter Bonds”), to provide funds, together with other funds that may be available, for the various public improvements, including schools, roadways, coastal, economic and tourism and building projects. After this sale, the City will have an authorized but unissued balance of \$69,107,404\* remaining from the 2022 Charter Bonds, having previously issued no bonds under such authorization.

Of the aggregate principal amount of the 2024A Bonds, \$0\* represents a portion of \$62,460,057 of bonds that were authorized by an ordinance adopted by the City Council on May 9, 2023, without being submitted to the qualified voters of the City (the “2023 Charter Bonds”), to provide funds, together with other funds that may be available, for the various public improvements, including schools, roadways, coastal, economic and tourism and building projects. After this sale, the City will have an authorized but unissued balance of \$62,460,057\* remaining from the 2023 Charter Bonds, having previously issued no bonds under such authorization.

## **Security for and Sources of Payment for the Bonds**

**Pledge of Full Faith and Credit.** The Bonds will be general obligations of the City to which the full faith and credit of the City are irrevocably pledged for the payment of principal of and interest on the Bonds. Section 15.2-2624 of the Virginia Code requires, and the Resolution provides, that the City Council will, in each year while any of the Bonds are outstanding, levy and collect an *ad valorem* tax, over and above all other taxes authorized or limited by law and without limitation as to the rate or amount, upon all property in the City subject to local taxation, sufficient to pay the principal of and interest on the Bonds as the same shall come due, unless other funds are lawfully available and appropriated for timely payment of the Bonds.

**Bondholders’ Remedies in the Event of Default.** Section 15.2-2659 of the Virginia Code provides that upon affidavit filed with the Governor of Virginia by or on behalf of any owner of a general

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\* Preliminary, subject to change.

obligation bond, or by any paying agent therefor, in default as to payment of principal or interest, the Governor shall immediately conduct a summary investigation. If it is established to the Governor's satisfaction that payment of the bond or interest thereon is in default, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal and interest.

Section 15.2-2659 also provides for notice to the registered owners of such bonds of the default and the availability of withheld funds. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.1-227.61 or Section 15.1-225, the predecessor provisions of 15.2-2659, has ever been issued. Although Section 15.2-2659 has not been approved by a Virginia Court, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to its predecessor section. In the Fiscal Year ending June 30, 2023, the Commonwealth provided \$214,566,317 to the City, not including its discretely presented component units, of which \$180,077,748 was deposited in the City's General Fund.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to Bondholders if the City defaults in the payment of principal or interest thereon, nor do they contain any provision for the appointment of a trustee to enforce the interest of the Bondholders upon the occurrence of such a default. Upon any default in the payment of principal or interest, a Bondholder could, among other things, seek to obtain from an appropriate court a writ of mandamus requiring the City Council to levy and collect taxes as described above. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") permits a municipality such as the City, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is "specifically authorized, in its capacity as a municipality or by name, to be a debtor..." Bankruptcy Code, Section 109(c)(2). Current Virginia statutes do not expressly authorize the City or municipalities generally to file for bankruptcy under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the City.

Bankruptcy proceedings by the City could have adverse effects on Bondholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claims or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.



## Estimated Sources and Uses of Funds

The proceeds of the Bonds, exclusive of other available funds of the City, are to be used as follows:

### Sources of Funds:

Par Amount of Series 2024A Bonds  
Par Amount of Series 2024B Bonds  
Par Amount of Series 2024C Bonds  
[Net] Original Issue Premium Series 2024A Bonds  
[Net] Original Issue Premium Series 2024B Bonds  
[Net] Original Issue Premium Series 2024C Bonds  
Total Sources of Funds

### Use of Funds:

Project Costs  
Flood Mitigation  
Escrow Fund  
Underwriter's Compensation Series 2024A Bonds  
Underwriter's Compensation Series 2024B Bonds  
Underwriter's Compensation Series 2024C Bonds  
Total Uses of Funds

## Litigation

**Concerning the Bonds.** According to the City Attorney, there is no litigation of any kind now pending or, to the best of his information, knowledge and belief, threatened against the City to restrain or enjoin the issuance or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Bonds are issued or affecting the ability of the City to levy or collect *ad valorem* taxes without limitation as to rate or amount for the payment of the principal of or interest on the Bonds.

**General.** The City is a named defendant in various litigation matters filed by parties concerning alleged personal injuries, property damage and other causes of action which are being vigorously defended by the City. In the opinion of the City Attorney, none of the pending litigation, if decided adversely to the City, would materially affect the City's financial position.

## Legal Matters

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Kutak Rock LLP, Richmond, Virginia, as Bond Counsel, which will be furnished at the expense of the City upon delivery of the Bonds, in substantially the form set forth as **Appendix B**. Bond Counsel's opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of interest thereon as described below in the section "**Tax Exemption.**" Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Bonds. Bond Counsel's opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds.

## **Tax Exemption**

**Opinion of Bond Counsel.** The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement other than matters expressly set forth in Bond Counsel's opinion, and Bond Counsel makes no representation that it has independently verified the same. The opinion of Bond Counsel will be dated and given on, and will speak only as of, the date of issuance and delivery of the Bonds.

**General Matters.** In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion described above assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel is also of the opinion that, under existing statutes of the Commonwealth, interest income on the Bonds is exempt from taxation by the Commonwealth and its political subdivisions.

**Original Issue Discount.** The Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

**Recognition of Income Generally.** Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Bonds under the Code.

**Original Issue Premium.** The Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

**Backup Withholding.** As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

**Internal Revenue Service Audits.** The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations such as the Bonds to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is included in the gross income for federal income tax purposes. It cannot be predicted whether or not the Internal Revenue Service will commence an audit of any of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service may treat the City as the issuer of the Bonds as a taxpayer, and the registered owners of the Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the related Bonds until the audit is concluded, regardless of the ultimate outcome.

**Changes in Federal and State Tax Law.** From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

**PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE AND APPLICABLE LAWS OF OTHER STATES UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.**

### **Ratings**

Fitch Ratings, 300 West 57th Street, New York, New York 10019, Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, and S&P Global Ratings, a division of McGraw-Hill Financial, Inc., 55 Water Street, New York, New York 10041, have given the Bonds the ratings of "AAA" (stable outlook), "Aaa" (stable outlook) and "AAA" (stable outlook), respectively. The City requested that the Bonds be rated and furnished certain information to Fitch, Moody's and Standard & Poor's, including certain information that may not be included in this Official Statement.

Each rating reflects only the view of such organization and any desired explanation of the significance of any ratings should be obtained from the respective rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The rating is not a recommendation to buy, sell or hold the Bonds and should be evaluated independently. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **Sale at Competitive Bidding**

The Bonds will be offered for sale at competitive bidding on May 15, 2024 until (i) 10:00 a.m. Eastern Time with respect to the Series 2024A Bonds, (ii) 10:30 a.m. Eastern Time with respect to the Series 2024B Bonds and (iii) 11:00 a.m. Eastern Time with respect to the Series 2024C Bonds. A copy of the Notice of Sale for the Bonds is attached to this Preliminary Official Statement as **Appendix F**.

As set forth in the Notice of Sale, the preliminary aggregate principal amount of the Bonds and the preliminary annual principal amounts of the Bonds may be revised by the City before the receipt of bids. Additionally, after the Bonds have been awarded to the winning bidder, the principal amount of the Bonds may be increased or decreased at the City's election by an amount not to exceed 15% of the aggregate principal amount of the Bonds. Any increase or decrease in the principal amount of particular maturities

of the Bonds will be communicated to the winning bidder following the award, but not later than 5:00 p.m. on the date of award.

After the Bonds have been awarded to the winning bidder, the City will issue an Official Statement in final form to be dated as of the award date. The City will deem the Official Statement final as of its date, and the Official Statement in final form will include, among other things, the identity of the winning bidder, the final principal amount as adjusted, the expected selling compensation to the winning bidder and other information on the interest rates and offering prices or yields, all as provided by the winning bidder.

### **Certificates of City Officials**

Concurrently with the delivery of the Bonds, the City will furnish to the successful bidder (a) a certificate dated the date of delivery of the Bonds, signed by the appropriate City officials and stating that no litigation of any kind is then pending or, to the best of their information, knowledge and belief, threatened against the City to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of *ad valorem* taxes, over and above all other taxes authorized or limited by law and without limitation as to rate or amount on all locally taxable property within the City sufficient to pay when due the principal of or interest on the Bonds, or in any manner questioning the proceedings and authority under which the Bonds are issued, and (b) a certificate dated the date of delivery of the Bonds, stating that the descriptions and statements in this Official Statement (except in **Appendix D**, in the section above entitled “**Tax Exemption**,” in the section above entitled “**Litigation**,” and in the information as to prices/yields and CUSIP numbers on the inside cover page), on the date of this Official Statement and on the date of delivery of the Bonds, were and are true and correct in all material respects, did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the City between the date of this Official Statement and the date of delivery of the Bonds other than as contemplated in this Official Statement. Such certificate will also state, however, that such City officials did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the City and its officers, but that they have no reason to believe that such information is not accurate.

The City Attorney also will furnish to the successful bidder concurrently with the delivery of the Bonds a certificate dated the date of delivery of the Bonds, stating that the statements in the section above entitled “**Litigation**” on the date of this Official Statement and on the date of delivery of the Bonds were and are true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in light of the circumstances under which they were made, not misleading.

### **Legality of the Bonds for Investment**

The Act provides that bonds issued by the City under the Act are obligations in which public officers and bodies of the Commonwealth, counties, cities and towns and municipal subdivisions of the Commonwealth, insurance companies and associations, savings banks, savings institutions, savings and loan associations, trust companies, beneficial and benevolent associations, administrators, guardians, executors, trustees and other fiduciaries in the Commonwealth may properly and legally invest funds under their control.

### **Continuing Disclosure**

To assist the winning bidder in complying with the provisions of Rule 15c2-12, the City has agreed to execute a continuing disclosure agreement to provide certain annual financial information and event

notices required by Rule 15c2-12 (collectively, “Continuing Disclosure”) and has established written procedures described below under “Post-Issuance Compliance” to ensure compliance. A form of that agreement is attached as **Appendix C**. As set forth in **Appendix C**, such undertaking requires the City to provide only limited information at specified times and does not require it to disclose all information that may affect the value of the Bonds. The City may choose to make additional information available from time to time but has no obligation to do so.

The City is required to file its annual Continuing Disclosure and any event notice with the Municipal Securities Rulemaking Board (“MSRB”). The MSRB designated its Electronic Municipal Market Access (“EMMA”) system as the repository for Continuing Disclosures filings. Bondholders will be able to access Continuing Disclosure filings with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

As described more fully in **Appendix C**, any Bondholder may take steps to enforce the obligation of the City to provide Continuing Disclosure, but any failure by the City under its obligation will not result in an event of default under the Bonds.

Investors and other interested parties may contact the MSRB for additional information concerning its services. The City makes no representation as to the scope of the services provided to the secondary market by the MSRB or as to the costs for the provision of such services by the MSRB.

### **Post-Issuance Compliance**

In voluntary compliance with the Internal Revenue Service (“IRS”) pronouncements recommending and encouraging municipal issuers of tax-exempt and other tax-advantaged obligations to adopt written procedures to monitor compliance with federal tax law requirements post issuance to ensure that such obligations maintain their favorable tax status for as long as they remain outstanding, the City Council adopted a resolution on March 13, 2012 directing the City Manager and Director of Finance to establish written procedures to fulfill the post-issuance compliance practices recommended by the IRS which also included direction to establish procedures for compliance with the City’s Continuing Disclosure undertakings. Such federal tax law procedures have been established and are designed to ensure that bond proceeds are used for qualified purposes, property financed with such proceeds will be used initially and will continue to be used for qualified purposes, and to ensure compliance with arbitrage yield restriction and rebate requirements. The tax compliance procedures also establish remedial actions to be taken upon the discovery of a non-qualifying use of bond proceeds or bond-financed property or noncompliance with requirements related to arbitrage yield restriction and rebate. With respect to Continuing Disclosure compliance, procedures have been established which provide a monitoring process to ensure timely and complete filing of the information required under all of the City’s Continuing Disclosure undertakings.

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## SECTION THREE: CERTAIN INFORMATION CONCERNING THE CITY OF VIRGINIA BEACH, VIRGINIA

### Introduction

The City of Virginia Beach, Virginia was established on January 1, 1963, by the merger of Princess Anne County and the former, smaller City of Virginia Beach. This merger created one of the largest cities in the Commonwealth of Virginia (the “Commonwealth”) that covers 310 square miles and 38 miles of shoreline on the Atlantic Ocean and the Chesapeake Bay. The City encompasses the entire eastern border of Virginia south of the Delmarva Peninsula and includes all of the area from the Chesapeake Bay to the North Carolina border.

Virginia Beach has the largest population of any city in the Commonwealth, with a population of 453,605 according to the July 1, 2023 estimate of the University of Virginia, Weldon Cooper Center for Public Service. As such, the City is the most populated city in the region and Virginia, and third most populated locality behind Fairfax County and Prince William County in Virginia. The City is part of a Metropolitan Statistical Area (MSA) comprised of 16 localities, classified by the U.S. Census Bureau as Virginia Beach-Norfolk-Newport News, VA-NC Metro Area, and commonly referred to as Tidewater, Hampton Roads, Coastal Virginia, or by the region’s area code “757.” It had a population in 2022 of 1,808,102, making it the 38th most populous MSA nationwide (Source: Census Bureau, American Community Survey 2022). The Virginia Beach-Norfolk-Newport News, VA-NC Metro Area is centrally located on the Eastern Seaboard, providing businesses access to more than half of the total U.S. population within a 750-mile (1,200 km) radius. As a city on the eastern seaboard, Virginia Beach has always been known as a resort community. The strength of the city’s economy, however, lies in its diversification. Construction/real estate, light industry, technology services, wholesale and retail sales, agriculture, advanced manufacturing, healthcare, four major military bases, and resort and convention trade are the major aspects of the economy. The City encourages and supports this diversification.

Virginia Beach is an independent, full-service city with sole local governmental taxing power within its boundaries. It derives its governing authority from its City Charter granted by the General Assembly of the Commonwealth. The governing body of the City is the City Council, which formulates policies for the administration of the City. The current City Charter provides for a Council-Manager form of government.

There is no overlapping debt or taxing powers with other political subdivisions. The water and sewer and stormwater systems are operated on a self-supporting basis.



The Executive Offices are located at the Municipal Center, Virginia Beach, Virginia 23456, telephone number (757) 385-4242. The telephone number for the Finance Department is (757) 385-4681.

### **Form of Government**

The City operates under the Council-Manager form of government as established by its City Charter. The governing body of the City is the City Council, which, vested with local legislative powers, formulates policies for the administration of the City. The City Council has 11 members, who serve for four-year terms. On August 15, 2023, the City Council formally adopted a 10-1 voting system. This system divides the City into ten districts of approximately equal voting-age population. Under this system, each voter is able to vote for only the Mayor and the representative for their ward district. The City Council elects a Vice-Mayor from among its members for a two-year term at the biennial organizational meeting.

The City Manager is the administrative head of the municipal government and carries out the policies of the City Council. The City Manager is appointed by the City Council and serves at the pleasure of the City Council.

The City Council also appoints members to certain boards, commissions, and authorities as it deems necessary to the operation of the City.

### **School Board**

The School Board is comprised of 11 members, who serve four-year terms. The Virginia Beach City Charter requires the election of the School Board to be in the same manner and according to the same schedule as elections of the City Council. Accordingly, the 10-1 election ward district system used to elect the City Council is used to elect School Board members. The School Board exercises all of the powers conferred and performs all of the duties imposed upon them by general law. It does not have taxing authority.

### **Elected Officials – Governing Body**

For additional information, see the City website at this link [City Council Members](#).

*Robert M. “Bobby” Dyer, Mayor*

Mayor Dyer is a retired home care physical therapist and has also worked as a health care executive and a business consultant in the health care field. He is currently a practitioner in residence in the school of government at Regent University. He previously worked as a physical therapist clinician and hospital executive as well teaching in several higher education institutions. Mayor Dyer served his country in the U.S. Marine Corps from 1968 to 1972. He was elected to City Council in 2004, and re-elected in 2008, 2012, and 2016 as the Centerville District representative. He was sworn in as Mayor on November 20, 2018 to fill an unexpired term. He holds a Bachelor of Science degree in Physical Therapy from Saint Louis University, Master of Public Administration degree from Fairleigh Dickinson University, and a Ph.D. in organizational leadership from Regent University.

*Rosemary Wilson, Vice Mayor - District 5*

Vice Mayor Wilson is a realtor with Howard Hanna Real Estate and a former Virginia Beach schoolteacher, as well as a School Board member serving as Vice Chair from 1996 to 2000. She was elected to City Council in 2000; and re-elected in 2004, 2008, 2012, 2016 and in 2020. She holds a Bachelor of Science in education from Old Dominion University. She was recognized in 2012 by Lawyer’s Weekly, as



one of the Most Influential Woman in Virginia, and was also appointed by Governor McDonnell to the Fair Housing Board and the Local Government Advisory Board to the Chesapeake Bay. She is a fellow of the Sorensen Institute for Political Leadership at the University of Virginia and the Civic Leadership Institute at Old Dominion University. Ms. Wilson has served as President of the Virginia Municipal League. In 2016, she was named Volunteer of the Year from the Virginia Recreation and Park Society and is the Co-Chair of Cycle for Survival, a non-profit that raises money for rare cancer research.

*Michael F. Berlucchi, Council Member – District 3*

Council Member Berlucchi is the Community Relations Manager for the Chrysler Museum of Art. The Virginia Beach City Council selected Michael Berlucchi to fill the vacant Rose Hall District seat in May 2019, and then in the November 2019 Special Election he was elected by the voters to continue serving the Rose Hall District. He was re-elected in November 2020 to serve as the Rose Hall District (District 3) representative. Mr. Berlucchi has been recognized as one of Inside Business' Top Forty Under 40 and as an OUTstanding Virginian by Equality Virginia. He has also authored articles and given presentations on a range of topics related to his work experience and community/civic engagement. He is an active community volunteer and supports numerous community and non-profit organizations, including Teens with a Purpose, CIVIC Leadership Institute, Green Run Collegiate Foundation, Connected Business Networking, United Negro College Fund, Virginia Beach for Fairness, Hampton Roads LGBT Public Safety Consortium, Virginia African American Cultural Center, Hope House Foundation, and the Virginia LGBTQ+ Advisory Board, among many others. He has also served as a member of the Virginia Beach Human Rights Commission, Virginia Beach Community Development Corporation and as President of Hampton Roads Pride. He is a graduate of First Colonial High School and holds a Bachelor of Arts degree in Government and International Politics from George Mason University.

*Barbara M. Henley, Council Member – District 2*

Council Member Henley is a partner in Henley Farms, LP. She was elected to the City Council 1978-1990 representing the Pungo Borough, during which time she served as Vice Mayor from 1982 to 1984. She was re-elected to serve on the City Council 1994, 2002, 2006, 2014, and 2018 and represents the Princess Anne District. She is serving her 10<sup>th</sup> term on the City Council, now representing District 2. She is President of the Princess Anne County/Virginia Beach Historical Society and the author of *Glimpses of Down-County History: Southern Princess Anne County*. She holds a Bachelor of Science degree in elementary education from Old Dominion University and a Master's degree in Urban Studies from Old Dominion University.

*David "Hutch" Hutcheson, Council Member - District 1*

Council Member Hutcheson is retired after 35-years of dedicated public service to the City of Virginia Beach Fire Department (VBFD). He started as a volunteer with the Kempsville Fire Station #9 before joining VBFD in August 1988. Progressing through the ranks, his positions include 17 years in various fire station assignments, Captain of Fire Administration, Chief Public Information Officer, District Chief of the North Division and Deputy Chief of Operations. Following the promotion of then Fire Chief Steven Cover to Deputy City Manager, Mr. Hutcheson was appointed Interim Fire Chief on November 7, 2016, and later appointed the fifth Fire Chief for the City of Virginia Beach on June 8, 2017. Hutcheson is an original member of the Virginia Task Force 2 Urban Search & Rescue Team (VA-TF2) and previously served as the sponsor agency chief for the team. As a member of VA-TF2, he was deployed to many complex disaster situations, including the Oklahoma City bombing, numerous hurricane deployments, and the Haiti earthquake. He is a member of multiple professional organizations, including the Virginia Fire Chiefs Association, where he previously served on the executive board as the president. He co-chairs the Virginia Fire Rescue Conference and has been a long-term volunteer for the Norfolk Emergency Shelter

Team (NEST). His family started Greenbrier Florist in 1977. He was elected to the City Council in November 2023 to represent District 1.

*Robert W. “Worth” Remick, Council Member – District 6*

Council Member Remick began his commercial real estate career in Virginia Beach in 1984 and is in his 38th year as a realtor at Colliers International. He is a member of the Society of Industrial and Office Realtors (SIOR) where he advises businesses and owners on their industrial real estate needs. He was elected to the City Council on November 8, 2022 to represent District 6. Mr. Remick graduated from Hampden-Sydney College with a degree in humanities. As a four-year tennis athlete, he was All-ODAC for three years and attained national rankings for Division III tennis. He served as a legislative aide in the Virginia State Senate in the 1984 Virginia General Assembly and has been a fellow at the Sorensen Institute for Political Leadership at UVA. He has volunteered for several community organizations and boards throughout his career, including South Hampton Roads Habitat for Humanity, the Green Run Collegiate, the Virginia Beach Forum and various leadership roles at his church, Eastern Shore Chapel. From 2000 to 2006, he was the head tennis coach for both boys’ and girls’ teams at Frank W. Cox High School.

*Dr. Amelia Ross-Hammond Council Member – District 4*

Council Member Ross-Hammond is a servant leader in the community, who is the founder and Chairman of the Virginia African American Cultural Center, Inc. Also, she is retired from Norfolk State University as distinguished professor emerita and has served as the chair for the Virginia Music Educators Conference Multicultural Awareness Committee. She was elected on November 8, 2022 to represent District 4. She previously served as a member of City Council from 2012 to 2016. Dr. Ross-Hammond is a high-school graduate of Moreton Hall in Shropshire, England, and holds a Bachelor’s degree in music education from Ithaca College, New York; a Master’s degree in music education from the College of New Jersey; and a Doctorate in education leadership, curriculum and instructions with a minor in ethnomusicology from the University of Denver. She is a graduate of the Sorensen Institute for Political Leadership program from the University of Virginia. Dr. Ross-Hammond has received numerous awards, including the Meyera E. Oberndorf Human Rights Achievement in Government Award from the Human Rights Commission, the Hampton Roads Planning District Commission Resolution of Recognition from the City of Virginia Beach, the “Impacting Lives Award” from the New Journal and Guide, 2021 Servant Leader and a letter of commendation for her community service, which was read at the U.S. Capitol by Congresswoman Elaine Luria. She is also the first recipient of the Dr. Christine Mann Darden Outstanding Public Employee in Hampton Roads Award, given for the first year in 2023 by the Hampton Roads Chapter of the American Society for Public Administration. Politically, Dr. Ross-Hammond has received several gubernatorial appointments, including the Council on the Status of Women by Governor Kaine, the Community Services State Board by Governor McDonnell and the Hampton Roads Transit Commission (HRT) by Governor McAuliffe. Additionally, Dr. Ross-Hammond was reappointed to HRT by Governor Northam.

*Jennifer V. Rouse, Council Member – District 10*

Council Member Rouse is an assistant professor of Sociology and department chair for Social Sciences and Education at Tidewater Community College. She was elected on November 8, 2022, to represent District 10. She earned a Bachelor’s degree in English literature from Virginia Wesleyan University and a Master of Science degree in Sociology from Virginia Commonwealth University (VCU). While at VCU, she was awarded the L. Douglas Wilder Graduate Scholar Fellowship, which provided numerous research opportunities, including the opportunity to research the barriers and supports to serving low-income youth in Richmond.

*Joashua F. “Joash” Schulman, Council Member – District 9*

Council Member Schulman practices as a solo real-estate and business attorney and serves as the managing partner of Town Center Office Suites, an executive office space serving over 160 small businesses in the heart of the Virginia Beach Town Center. He was elected to the City Council on November 8, 2022 to represent District 9. He is a 2002 graduate of the James Madison College at Michigan State University, earning his undergraduate degree in international relations with a concentration in Latin American and Caribbean affairs. He continued his studies at Michigan State University College of Law and earned his degree as a juris doctor in 2005. Prior to being elected to serve on City Council, Mr. Schulman served as chair of the Virginia Beach Wetlands Board and vice chair of the Envision Virginia Beach 2040 Vision to Action Community Coalition. He has also served on numerous community boards, including Virginia Beach Vision, the Central Business District Association (CBDA), the Hampton Roads Chamber of Commerce, Lynnhaven River Now and the Neptune Festival Foundation. He was a former president of the CBDX (the 40-and-under young professionals’ division of the CBDA), a 2022 graduate of the Civic Leadership Institute and a recipient of the Inside Business Top-40-Under-40 Award in 2015. He is passionate about our local economy and strategic growth initiatives, our public school system, coastal resiliency, and environmental issues.

*Chris Taylor, Council Member – District 8*

Council Member Taylor is a partner at Smoothie Stop Café, a family-owned business focused on offering healthy alternatives with five locations in Hampton Roads. He is responsible for a strategic growth plan across multiple cities for the business and has been recognized as one of Inside Business’ Top 40 under 40. He was elected to the City Council on November 8, 2022 to represent District 8. He is a graduate of First Colonial High School and Virginia Wesleyan University. An involved resident of the Virginia Beach community in which he grew up and resides, Mr. Taylor is a youth basketball coach with the King’s Grant Recreation Association and YMCA of South Hampton Roads.

*Sabrina D. Wooten, Council Member – District 7*

Council Member Wooten owns a professional mediation firm, Strategic Impact Services, LLC, which provides mediation services and business management solutions to business organizations and the community. She is the creator and host of the Ignite Business Series Seminar that takes place annually to support local, small, women, minority, and service-disabled business owners by providing them with the resources and tools to grow and expand. Additionally, she serves as an adjunct professor at Old Dominion University, where she teaches Government and Business. She was sworn into office on November 20, 2018 to fill the unexpired term as the Centerville District representative and re-elected on November 3, 2020 as the first African American to serve a second term ever on Virginia Beach City Council to continue serving as the Centerville District representative. She was appointed to the 2018 Board of Governors for the National Association of Nonprofit Organizations and Executives. Prior to the November 2018 election, she was Vice Chair of the City’s Minority Business Council and Chair of the Outreach Committee. She was also a member of the City’s Process Improvement Steering Committee and a Police Chaplain for the Virginia Beach Police Department. She is currently a member of the National Small Business Association, the National Society of Leadership and Success Honor Society, and the National Association of Professional Women. She holds a Bachelor of Science degree in Political Science from Old Dominion University, and Master’s degree in Business Management and Public Administration from Regent University. She also earned a certificate in biblical studies from Liberty University and a certificate in practical theology from Regent University. She is a Ph.D. candidate and is currently pursuing a Ph.D. in Public Policy and Administration with a concentration in nonprofit management and leadership.

## **Certain City Council Appointees and Administrative Staff Members**

The City Manager is responsible for planning, organizing, directing, and coordinating all activities of the City. The City Manager is also responsible for appointing and discharging all City employees and officers, though responsibilities may be delegated to subordinates. A major responsibility of the City Manager is the preparation of the annual City Operating Budget and Capital Improvement Program.

The City Attorney has management, charge, and control of all legal business of the City. The City Attorney is chief legal advisor to the City Council, the City Manager, and all City departments and agencies. It is the duty of the City Attorney to advise the City Council concerning the legality of actions by the City and to represent the City in all matters affecting its interest.

The City Real Estate Assessor is responsible for preparation and certification of the Land Book and appraising all real property in the City on an annual basis. In addition, this office administers the Land Use Assessment Program for qualifying farm and forest lands and processes all transfers and subdivision plats, new construction, and taxpayer appeals.

The City Clerk's Office is responsible for recording and maintaining all legislative documents and actions of the City Council; preparing and monitoring the legislative budgets; and compiling annual financial disclosures for City Council and members of City Boards and Commissions. The City Clerk's Office also serves as liaison for all Sister City activities.

### **Appointed Officials**

*Patrick A. Duhaney, City Manager*

Patrick Duhaney was appointed as City Manager effective July 20, 2020 by City Council. Prior to taking on his new role, Mr. Duhaney served as City Manager of Cincinnati, Ohio, where he had been employed since 2009 in various roles, including Contract Compliance Specialist, Chief Procurement Officer, and Assistant City Manager. Mr. Duhaney served in the U.S. Army on active duty and in reserve capacity from 1999 to 2015 under combat engineer and ordnance commands. He also worked for a community development financial institution in Cincinnati, where he served as a program officer responsible for issuing community development loans, oversaw the Local Initiatives Support Corporation office's loan portfolio, and worked to bring resources to aid in the redevelopment of Cincinnati neighborhoods. Mr. Duhaney has served on numerous boards in Cincinnati pertaining to neighborhood economic development and redevelopment and chaired the City of Cincinnati's Minority/Small/Women Business Enterprise Advisory Board. He holds a Bachelor of Arts in Sociology and Urban Studies from the Cleveland State University and a Master's degree in Community Planning from the University of Cincinnati. He is a graduate of the Urban League's African-American Leadership Development Program. He is also a certified Economic Development Finance Professional and a Certified Public Procurement Buyer issued by the National Institute for Government Procurement (NIGP).

*Mark D. Stiles, City Attorney*

Mark Stiles was appointed as City Attorney effective March 1, 2009. Mr. Stiles has served in the City Attorney's Office since 1999 in roles including Deputy City Attorney for Litigation, Senior Litigation Attorney and Associate City Attorney. Mr. Stiles was employed as an associate with the law firm of Willcox & Savage, P.C. from 1989 until 1999. He holds a Bachelor of Arts from West Virginia University (1986) and Juris Doctor from Washington & Lee University (1989).

*Amanda F. Barnes, City Clerk*

Amanda Barnes has served as City Clerk since January 9, 2018. Ms. Barnes is a Master Municipal Clerk and attended Tidewater Community College, the Old Dominion University's Executive Development Center, and Virginia Commonwealth University. She is an active member of the Virginia Municipal Clerks Association.

*Sue C. Cunningham, City Real Estate Assessor*

Sue C. Cunningham was appointed by the City Council as the City Real Estate Assessor in July 2022 after service in the department beginning in 2005, working through the ranks of Appraisal Supervisor to Assistant Real Estate Assessor in 2018. She has a Bachelor of Science degree in Animal Husbandry from University of Maryland. Ms. Cunningham holds a Certified Residential Appraisal license issued by the Commonwealth of Virginia, is a long-time member of the International Association of Assessing Officers and is currently serving as First Vice-President for the Virginia Association of Assessing Officers.

*Letitia L. Shelton, Director of Finance*

Letitia Shelton was appointed Director of Finance effective February 25, 2021. Ms. Shelton has over 30-years of experience in private and governmental administration, fiscal and personnel management, strategic planning, and interpersonal relations. She previously served as Deputy City Manager/Chief Financial Officer City of Charlottesville, Virginia from July 2019 to February 2021; Deputy City Manager City of DeSoto, Texas from June 2018 to July 2019; Director of Finance from March 2016 to May 2018 and Deputy Director of Finance and Administration, from April 2007 to March 2016; City of Richmond, Virginia, Interim Director of Public Works from July 2010 to March 2011; City of Richmond, Virginia, Business Analysis Manager and Utility Financial Analyst City of Richmond, Virginia from January 1998 to March 2007; and Accountant A,B, C Columbia Gas Services, Inc. from January 1985 to January 1998. She has a Bachelor of Science degree in Accounting and Master's degree in Business Administration from Averett University, and Public Management - Certificate in Public Funds Investment from university of North Texas Center.

## **Governmental Services and Facilities**

The City provides a comprehensive range of public services for its citizens. These services include police, emergency medical response, fire protection, collection and disposal of refuse, water and sewer, and stormwater services, parks and recreation facilities, museums, libraries, and maintenance of streets, highways, parks and public beaches. Other services provided include public education from kindergarten through twelfth grade, public health and social services, certain technical and special education services, mental health assistance, planning and community development services, agricultural services, housing services, and financial support for services and facilities operated by selected agencies of the Commonwealth of Virginia and constitutional offices, such as the correctional center, district and circuit courts, and department of public health.

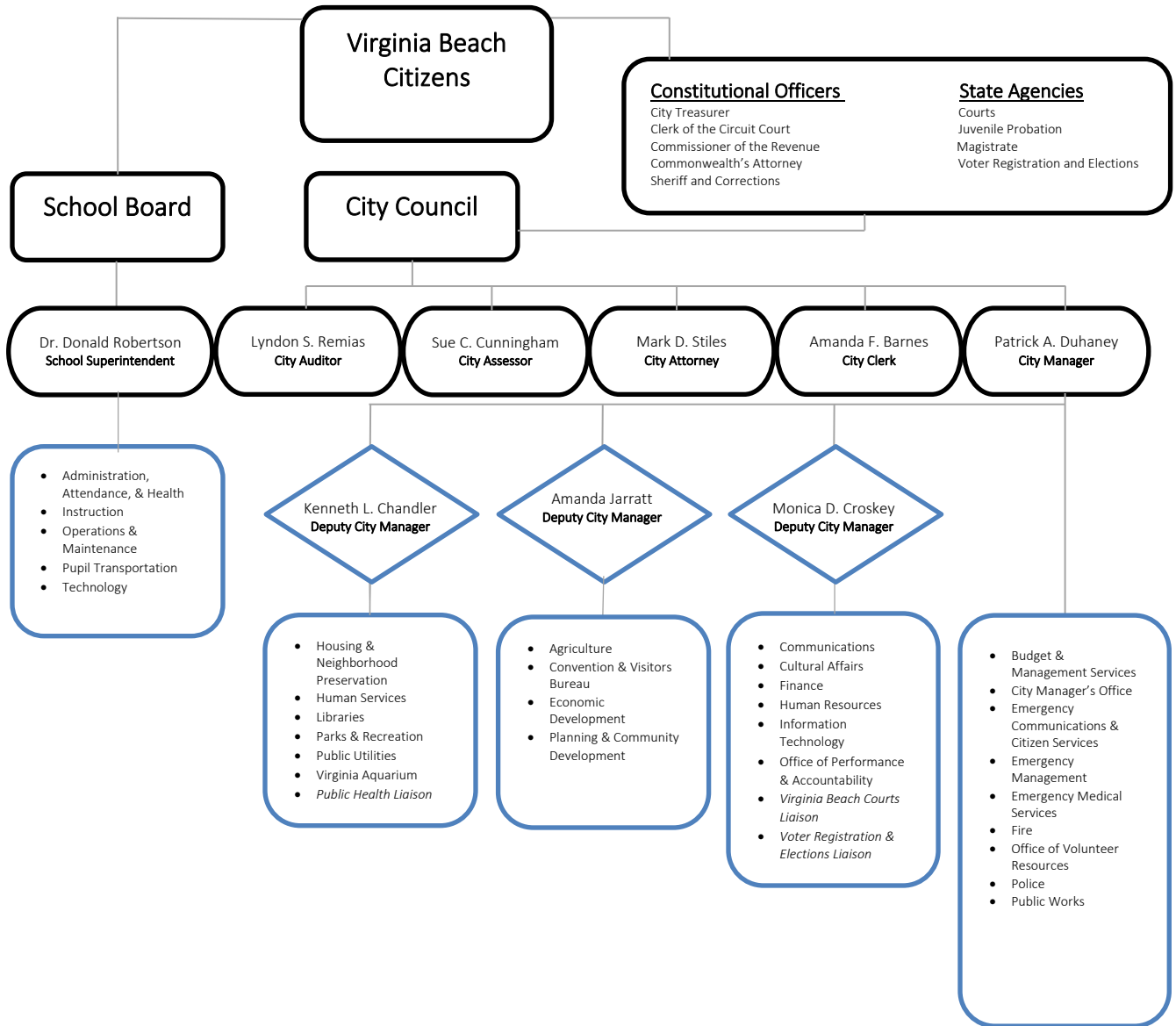
The City's municipal building portfolio is comprised of approximately 1,300 buildings and physical assets across 670 city-owned properties, with nearly 6,000,000 square-feet of building under roof. These facilities range in size from small neighborhood wastewater pump stations and park restrooms to the 385,000 square-foot Judicial Center building. Virginia Beach's 34-building municipal campus is comprised of the Virginia Beach Public Schools Administration building, Virginia Beach Police Headquarters and First Police Precinct, an Emergency Communications/Emergency Operations building, the Virginia Beach Corrections Center, Virginia Beach Juvenile Detention Center, the Virginia Beach Judicial Center, the Public Works/Facilities Management and Operations compound, the historic Princess Anne County

Courthouse, a Central Heat Plant that distributes both hot and chilled water throughout the campus for HVAC, and numerous administrative facilities, including City Hall. In close proximity are Public Works' Fleet Management, Waste Management, Stormwater Management, Mosquito Control, and Highways Management and Operations compounds, Public Utilities/Management and Operations compound, the Police Mounted Patrol stables, and the open-air Virginia Beach Farmer's Market. Further, Virginia Beach's municipal portfolio includes four Police Precincts, a Law Enforcement Training Academy, a Police Vehicle and Operations Training Center, an Animal Rescue and Adoption Facility, 21 Fire Stations (13 of which are shared with emergency medical services/rescue squads), a standalone Emergency Medical Services station, an Emergency Medical Services Administration and Training Center, a Fire Training Center, ten Public Libraries, including a joint-use library with Tidewater Community College and a public law library, numerous Human Services buildings and care facilities, a Housing Resource Center, 293 city parks, 293 segments of facilities (i.e., bikeways and trails maintained by the City) totaling 280 miles and 7 city recreation centers, and 87 public educational facilities located throughout the City.

Other facilities owned and operated by the City include the Virginia Beach Convention Center, the Virginia Aquarium and Marine Science Center, Darden Marine Animal Conservation Center, seven Recreation Centers, seven Historic Homes and Museum sites, a tennis complex converted to pickle-ball courts, five municipal golf courses, a 6,000-seat multipurpose sports stadium, a 5,000-capacity sports center, a 1,308-seat performing arts center, a 20,000-seat amphitheater which books approximately 40 entertainment events per year, and a Resort Area highlighted by a 2.5 mile concrete Boardwalk and numerous parks and event stages that host outdoor concerts and attractions year-round.

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## City of Virginia Beach – Organizational Chart



### **General Overview of Governmental Organization and Selected Functions**

The City government structure has evolved to respond to the challenges of increased demand for quality services, infrastructure needs, potential reductions in state and federal funding and a slowdown in population and revenue growth.

The City Manager carries out the policy decisions made by City Council, as well as being responsible for overseeing the daily operations of City government. City departments and service units report directly to the City Manager, Deputy City Managers, Assistant City Manager, or Chief of Staff.

As a result of a collaborative effort during FY 2024 that was led by the City Council's vision and leadership, influenced by community feedback obtained from various ongoing surveys, interactions, and other engagement efforts, and staff contributions, the City developed the FY24-25 Focused Action Plan. The Focused Action Plan translates City Council's vision and goals into an actionable strategy that guides the organization's focus, work, and resource alignment. As shown below, the Focused Action Plan's three overarching key focus areas and underlying initiatives and performance measures allow the City to be transparent about its goals, focused on its efforts, and accountable for the results.

- **Govern**- *To oversee the policy, actions, and affairs of an organization.* Provide direction that ensures effective and maximum leveraging of City resources. Includes financial and legislative practices, human, financial, and physical asset management, and civic and community engagement.
- **Envision** - *To imagine with clarity and detail a future you intend to work towards.* Plan for a responsibly built environment that preserves and protects the community's natural resources and allows for sustainable growth. Support the creation and maintenance of affordable housing and a strong economy. Includes land use, housing affordability and homelessness, stormwater and flood protection, economic development and vitality, and transportation and transit.
- **Invigorate** – *To feel healthy and full of energy.* Embrace comprehensive well-being by fostering a clean, inspiring, and vibrant environment where people feel safe and have access to amenities and services that support a high quality of life. Includes culture, arts, and placemaking, mental health, parks and recreation, public safety, and corridors and physical appearance.

The Focused Action Plan will be reviewed semi-annually to maintain its relevancy along with semi-annual performance reports submitted to City Council to document progress on addressing the initiatives in the Action Plan. For additional information about the FY24-25 Focused Action Plan, see the link on the City's website [virginiabeach.gov](http://virginiabeach.gov), for the [FY24-25 Focused Action Plan](#).

## Functional Departments

For additional information about the various departments, see the City's website, [virginiabeach.gov](http://virginiabeach.gov) at the following links, [VB Government Departments](#) and [City Budget](#). Operating performance data for the City overall as well as various departments can be found at the Virginia Beach Open Data Portal at this link, [VB Open Data](#).

The **Department of Agriculture** provides educational and resource services in agriculture, home economics, money management, 4-H, and community resource development. The department has three major divisions. The Virginia Beach Cooperative Extension Office offers educational programs and technical information on agriculture, horticulture, and money management. The Farmer's Market is a strong and viable market that provides a venue for farmers and entrepreneurial AG related businesses. The venue serves the needs of citizens and visitors with a variety of shopping experiences. The Farmer's Market promotes rural heritage activities with eight special events a year and AG educational k-5 children's programs and hoedowns. The Agriculture Reserve Program (ARP) is a farmland preservation program that purchases development rights from landowners. This program is designed to maintain agriculture as a viable industry in Virginia Beach by preserving the resource base for farming. The ARP provides the City a tool to preserve the agricultural industry as well as green space, forest/tree canopy environment and wildlife. In addition, the purchase of development rights along with preservation of farmland/open space helps mitigate flooding and is a tool against sea level rise. As of February 15, 2024 the acreage in the ARP



is approximately 10,531 acres. The program is recognized at both the state and national level for conserving our natural resources, protecting the rural character and heritage of southern Virginia Beach, and preserving the agriculture land base of the City's third largest industry and the Commonwealth of Virginia's overall number one private industry. For additional information about the Agribusiness and the ARP, see Sections Four and Five of this document. Information about the Department of Agriculture and the ARP can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Agriculture and ARP](#).

The **Department of the Virginia Aquarium** operates the Virginia Aquarium & Marine Science Center. The *Virginia Aquarium & Marine Science Center* first opened in 1986. Since its opening, it has undergone four expansions, solidifying its status as a premier destination for marine education and conservation, as well as a significant tourism driver for the City of Virginia Beach as the third most visited attraction in the Commonwealth of Virginia.

The Virginia Aquarium operates through a unique public/private partnership between the City of Virginia Beach and the Virginia Aquarium & Marine Science Center Foundation, Inc. This partnership ensures the seamless operation of the facility, with the City owning and managing the buildings while the Foundation oversees ownership of the animals, exhibits, educational programs, and the statewide stranding response for marine mammals and sea turtles along Virginia's coastline.

With its engaging interactive exhibits and vast aquariums boasting 800,000 gallons of water, the Virginia Aquarium takes visitors on an immersive journey through Virginia's marine environment. Visitors can encounter a diverse array of marine life, including sharks, river otters, harbor seals, Komodo dragons, Tomistoma crocodiles, and sea turtles.

A significant milestone in the Aquarium's history is the Economic Impact Study conducted in 2023, shedding light on its substantial contribution to the local economy. According to the Sage Policy Group's report, the Virginia Aquarium supports over 3,300 jobs annually in the surrounding community, fostering nearly \$260 million in economic activity for the City of Virginia Beach.

This ongoing success underscores the Virginia Aquarium & Marine Science Center's vital role in education, conservation, and economic development within the city, region, and state. Information about the department's various programs can be found at <https://virginiaaquarium.com>.

The **Department of Budget and Management Services** develops and oversees the City Operating Budget and Six-Year Capital Improvement Program. The department provides assistance and direction to other City departments for any budget amendments for issues that arise during the year. The department also provides multi-year forecasting of revenues and expenditures, provides fiscal impact analysis, coordinates grant review, monitors performance measurement data, evaluates City programs and services, and assists departments in management issues as assigned. Additional information about the services provided by this department can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Budget and Management Services](#).

The **Office of the City Auditor** is an independent appraisal function responsible for financial, attestation engagements and performance audits of City programs, functions and activities. Other responsibilities include oversight and management of the City's external audit contract; coordination of the City's fraud, waste and abuse prevention and reporting program; and technical and advisory services. The City Auditor is appointed by the City Council and reports directly to City Council.

The audit services provided by the office enhance efficiency and effectiveness of City operations, ensure compliance with federal, state and local laws and regulations, and assist in maintaining an internal control framework which reduces the risk of loss to the City. The Office of the City Auditor also operates

a fraud, waste and abuse hotline and oversees and coordinates investigations of suspected fraudulent activity.

A Council-appointed Audit Committee consisting of two non-voting Council members, and three voting citizen members with at least one citizen member being a licensed Certified Public Accountant and the two other citizens having a background in finance, accounting, and/or auditing reviews the City Auditor's audit schedule and audit reports. Audit reports are released to City Council after issuance and made available for public inspection on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [City Auditor](#).

The **Communications Office** is a full-service agency providing strategic and tactical communication solutions for citywide and department-level initiatives. Among the services provided: promoting community awareness of and engagement in municipal government; organizing special events; producing videos and cablecasting live meetings; maintaining content on the City's website and social media sites; managing media inquiries and responses; speechwriting; writing articles, news releases and reports, and creating presentations. Additional information about the services provided by this office can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Communications Office](#).

The **Convention & Visitors Bureau** coordinates the advertising and promotion of tourism and convention activities and is responsible for bringing leisure travelers, meetings and conferences, sports events, group tours and conventions to Virginia Beach. The department operates two year-round Visitor Information Centers and two seasonal kiosks in the resort area, and the award-winning Virginia Beach Convention Center. Additional information about the department and tourism industry can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Convention & Visitors Bureau](#). The department includes the Resort Management Office (RMO), whose mission is to enhance Virginia Beach's Resort Area environment for residents and visitors through coordination of City Code enforcement, entertainment programming, franchise business opportunities, hospitality services, and maintenance. The RMO also serves as the citywide resource for special event and film production permitting, helping to create and capture meaningful experiences (see this link on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Resort Management Office](#)).

The **Cultural Affairs Department** was created to reflect the importance of the role of arts and culture in making a well-rounded and vital community for a lifetime. The creation of this department demonstrates the rising significance of our cultural facilities in the City's structure. The role of the Cultural Affairs Department consists of the following: develop the vision and direction for cultural arts in Virginia Beach; direct the Virginia Beach Arts & Humanities Commission; coordinate the City's Public Art Program; assist the Public Art Virginia Beach Foundation and Virginia Beach Historic Houses Foundation 501(c)(3) non-profit organizations; provide contract management for the Sandler Center for the Performing Arts; oversee the City's history museums; and serve as liaison to the ViBe Creative District, Virginia African American Cultural Center, Zeiders American Dream Theater, and Sandler Center Foundation. Additional information about this department and the programs it supports can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Cultural Affairs](#).

The **Economic Development Department** develops, implements, and maintains programs that facilitate the creation of a diversified, continually expanding dynamic economy through the development of, and investment in new, targeted businesses and enhancement of existing businesses. Department staff work with the business community to provide various business development services including site selection, market information, financial guidance, and business assistance, as well as ascertain workforce development needs of the community that the educational community can provide. The department works with the City of Virginia Beach Development Authority (VBDA) to attract business and industry (domestic and international) to the City and to develop sites for new or expanding businesses in the City's Business/Industrial Parks. Through the Economic Development Investment Program (EDIP) that was

established in 1994, the VBDA has awarded grants designed to incentivize the creation and retention of jobs and capital investment. Staff will continue to work with the development community to advance the goals for redevelopment within the Strategic Growth Areas (SGAs). Advancing development projects within the Resort Area and the Central Business District in the Pembroke SGA will continue to be a priority. Opportunities to acquire and assemble strategic properties for redevelopment will allow the city to play a more proactive role in developing the urban areas of our City.

Additional information about services provided by the department may be found on the Economic Development website at this link, [www.yesvirginiabeach.com](http://www.yesvirginiabeach.com).

**The Department of Emergency Communications and Citizen Services (ECCS)** is comprised of VB911 and VB311, which processes calls for service 24 hours a day, 7 days a week. VB911 (Emergency Communications) is a centralized public-safety answering point (PSAP) for citizens to access public safety services for emergency situations; VB911 coordinates the response of public safety personnel including Police, Animal Control, Fire and Emergency Medical Services. VB911 also provides communications services for Police, Fire, Emergency Medical Services, Police/Animal Control, and other departments citywide. VB311 (Citizen Services) processes general government information and services requests via multiple communication channels including telephone, online assistance, email, print, radio dispatching and emergency notifications. Also, VB311 assists walk-in customers and various city departments such as Real Estate Assessor, Parks and Recreation/Landscape Services, City Treasurer, Planning, Public Utilities and Public Works, with their information/service requests. Information about ECCS' calls for service volume can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [ECCS Statistics](#).

**The Department of Emergency Management (VBEM)** maintains a comprehensive emergency and crisis management program to minimize disruptions and City's impacts from human-caused, natural, or technological disasters and potential catastrophic incidents by utilizing mitigation, prevention, preparedness, response, and recovery strategies. The City's emergency management system is in compliance with State Code and is outlined within Local Ordinance. VBEM oversees and coordinates all citywide emergency initiatives. Examples of services provided include the City's flood mitigation program for homeowners who face severe flood risk, Virginia Beach Community Emergency Response Team (VBCERT) program, public safety planning for special events, crisis event planning, emergency trainings and exercises involving multiple city departments, risk assessment and mitigation of threats to public facilities, and Citywide emergency response and recovery coordination. Information about the department's programs and services can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Emergency Management](#).

**The Department of Emergency Medical Services (EMS)** oversees the pre-hospital emergency patient care services provided by 10 volunteer Rescue Squads augmented by career paramedics, operating out of 21 fire and rescue stations including 20 city-owned and 3 rescue-squad-owned stations. With over 700 volunteers, augmented by over 100 career paramedics and supervisors, Virginia Beach EMS remains the largest volunteer-based EMS system in the country. The department provides safe and efficient response to the incident scene, basic and advanced treatment of patients and prompt transport to the hospital. Information about the department's calls for service volume can be found on the City's website, [EMS](#) and, [EMS Annual Report](#). The department provides multiple specialized resources and services including mass casualty trucks, tactical (SWAT) medics, search and rescue, a marine rescue team, bike team and beach lifeguard services. In addition, the department provides initial and continuing education training for volunteer rescue, career EMS, fire department, police department, and VB911 emergency communications personnel.

**The Department of Finance** oversees the financial affairs of the City and ensures the financial integrity of City operations including compliance with Federal and State laws and City code. The

Department is responsible for financial reporting including the preparation of the Comprehensive Annual Financial Report. Departmental services include maintenance of the City's accounting records and financial system, management and administration of the City's debt, accounts payable, accounts receivable, payroll, purchasing including management of the City's minority business procurement programs and risk management. Additional information about the City's financial management can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Finance](#).

The **Fire Department** is an all-hazards response agency. It is responsible for fire prevention (enforces statewide Fire Prevention Code), fire investigations, fire suppression, emergency medical, hazardous materials, technical rescue and marine incident response. Also, it provides mutual aid to neighboring localities. In addition, it has four specialized teams serving the region and state: Tidewater Regional Technical Rescue Team, marine firefighting, hazardous materials response, and Metro Medical Response System, and houses the FEMA (Federal Emergency Management Agency) Urban Search and Rescue Task Force, Virginia Task Force Two, which is one of 28 national FEMA Urban Search and Rescue teams. Information about the department's calls for service volume can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Fire Department](#). The City's firefighters respond to emergency events from 21 fire and rescue stations including 20 city owned stations and one shared facility at the north end of Virginia Beach located on Fort Story portion of the U.S. military base, Joint Expeditionary Base Little Creek-Fort Story. In addition, the department's Volunteer Support Technician Team, comprised of volunteer personnel with proper training from the City's fire training center, provide manpower contributions to a variety of department customer service areas.

The **Department of Housing and Neighborhood Preservation** connects people to resources to help them obtain, maintain, or sustain housing, and to promote vibrant, well-maintained neighborhoods. The department enforces building and property maintenance codes, provides financial assistance to homeowners for home rehabilitation, and administers federal and state funded rental assistance programs for eligible households. In addition, the department supports for-profit and nonprofit development of new affordable housing in the city and coordinates a community-wide system of services and programs to make homelessness rare, brief and nonrecurring. The department operates the Housing Resource Center, a one-stop shop that provides homelessness prevention assistance, day services, shelter, and permanent housing for people experiencing or at risk of homelessness. Additional information about the department's housing programs and services can be found on the City's website, [virginiabeach.gov/Housing](http://virginiabeach.gov/Housing)

The **Department of Human Resources** is responsible for developing and managing the City's human resource programs to ensure quality, efficiency and diversity. The department manages recruitment and retention, applicant testing, classification and compensation, occupational health services, professional development, employee communications, occupational safety, policy creation and interpretation, dispute resolution, performance management, workplace investigations, employee recognition, leave programs, workforce planning, official personnel records and oversees several federal laws including Family and Medical Leave Act, Americans with Disability Act, Equal Employment Opportunity, Occupational Safety and Health Administration and Fair Labor Standards Act. The department assists in member development in the areas of leadership, personal and professional growth, organizational awareness, job skills and career counseling and coaching. Staff support is provided to the Human Rights Commission, and the Personnel Board. Additional information about the services provided by this department can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Human Resources](#).

The **Department of Human Services (DHS)** is a combined behavioral health authority and local department of social services that provides Behavioral Health and Developmental Services for children and adults, administers public assistance programs, and engages in prevention activities to provide support to all Virginia Beach residents from all walks of life. The Department provides a range of child welfare services such as child protective services, foster care, Children Services Act (CSA) administration, and

early intervention for infants and toddlers. Additionally, DHS is responsible for providing secure detention services for children remanded by the Juvenile and Domestic Relations Court. Adult protective services, employment and daycare assistance, and other state and federal social safety net programs are facilitated by DHS. The department partners with Virginia Beach Police and Sheriff personnel to provide jail diversion programs aimed at enhancing individual outcomes while promoting safe and stable communities. DHS also runs Community Corrections and Pretrial Services, which provides community-based supervision of adults, who have been charged with or convicted of non-violent crimes. Additional information about the programs and services provided by this department can be found on the Department's website, [Human Services](#).

The **Department of Information Technology (IT)** designs quality solutions to power City operations, modernize government services and advance City Council goals. The department recommends and deploys innovative technologies which enhance communication between citizens and government and empower City employees to serve the public more efficiently. IT has six primary business units: Business Center and Mail Services; Applications Support; Infrastructure and Operations; Data and Information Management; Strategy Architecture and Planning; and Information Security. Additional information regarding information security provided by the department can be found herein under the heading "*Cyber Security – Protection of City Information Technology*." The IT Department's award-winning products and services continue to drive the City's digital transformation. Additional information about the services provided by this department can be found on the City's website, [virginia-beach.gov](#) at this link, [Information Technology](#).

The **Department of Parks and Recreation's** mission is to deliver parks, recreation programs and public spaces that reflect the priorities of our community; support tiered levels of service that recognize the diverse needs of the community; and focus on sustainability of core programs, services and facilities through efficient business practices. The department is supported in part by the Parks and Recreation Special Revenue Fund, which collects fees and user charges from various parks, outdoor programs, recreation center operations and out-of-school programs. The Business Services Division is responsible for managing the department's financial resources coordinating the development of the operating budget, the department's human resources functions, culture and employee experience, marketing, communication and creative services, and customer service. The Planning, Design and Development Division updates the Virginia Beach Outdoors Plan and Active Transportation Plan; manages the implementation of the plans and the construction and replacement of Parks and Recreation facilities through the department's Capital Improvement Program. The Programming and Operations Division is responsible for the following areas: providing recreation and leisure services to adults, senior citizens and youths; providing citizens with disabilities the opportunity to receive the benefits of recreation and leisure in the least restrictive environment; operating all parks and park facilities; operating two multi-purpose athletic complexes; operating five motorized boat launches; boat slip rentals to store boats at a marina; operating seven recreation centers located throughout the City; and operating Out-of-School Time programs. In addition to maintaining over 290 city parks, managing the 48 open space preservation areas, and providing park operations support and customer service for all City Parks, the Park & Landscape Services Division also provides landscape maintenance services for all public infrastructure, including roadways and public buildings, the Municipal Center, the Oceanfront resort area, Town Center, and school sites. Additional information about the programs and services provided by this department can be found on the City's website, [virginia-beach.gov](#) at this link, [Parks and Recreation](#).

The **Department of Planning and Community Development** provides for the safe and orderly development within the City and provides policy support to the City Council regarding transportation, land use planning, zoning, and environmental resource protection. The department consists of five divisions, Director's Office, Planning Administration, Permits and Inspections, Zoning, and Development Services Center.



Within the Director's Office is Long-Range Planning, which consists of Comprehensive, Area and Transportation Planning. This division also serves as the City's liaison with Hampton Roads Transit and the Hampton Roads Transportation Planning Organization, provides support to Commissioners and City Council liaisons to the Transportation District Commission of Hampton Roads and participates in long-range strategic planning for regional public transportation. The Planning Administration division provides staff support to the Planning Commission, the City Council on Planning items, Wetlands Board, Chesapeake Bay Preservation Area Board, Historic Preservation Commission and Historical Review Board. The Zoning Administration division administers the City's Zoning Ordinance by reviewing applications for compliance with the ordinance, provides staff support to the Board of Zoning Appeals, performs field inspections for Zoning Ordinance compliance, and manages the City's Short Term Rental process and enforcement. The Development Services Center reviews subdivision plans, site plans and land management plans to ensure engineering compliance with ordinances, standards, specifications, and City Council requirements as well as state stormwater regulatory compliance. The Development Services Center division also provides surety administration for private development through the City. The Permits and Inspections division administers the Virginia Uniform Statewide Building Code and associated laws and ordinances by issuing permits for, and performing inspections of all building, electrical, mechanical and plumbing construction in the City. This division also administers the Department of Environmental Quality Stormwater and Erosion and Sediment Control regulations as applicable to private development and franchise utilities. Additional information about the programs and services provided by this department can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Planning and Community Development](#).

The **Police Department** is composed of four major units: Administration, Support, Operations, and Investigative Divisions. The department operates through four precincts located throughout the City. In addition, the department has a variety of specialty tactical units, including S.W.A.T., crisis negotiators, K-9 unit, dive team, marine patrol, bomb squad, selective enforcement team, motorcycle unit, traffic safety unit, fatal crash team, hit and run team, mounted patrol, and motor carrier safety unit, to support department wide operations. As reflected in the FBI Uniform Crime Reporting (UCR) statistics shown in the Police Department's Annual Report, (see the Crime Statistics link on the City's website, [virginiabeach.gov](http://virginiabeach.gov) [Police Department](#)), the City continues to be one of the safest communities of its size in the country for UCR Part I (violent) and Part II (property) crimes (also see this link on the FBI's website, [FBI UCR](#)).

The **Department of Public Libraries** provides residents of all ages with equitable access to information, resources, technology, and programs to help them achieve personal and professional goals and highest quality of life. Services are provided at 10 branches across the city, through dedicated community outreach visits, and online. Locations include a 95,000 square-foot Central Library, a 125,000 square-foot Joint Use Library operated in partnership with Tidewater Community College, seven area libraries and a public law library. The Department of Public Libraries provides residents with access to public meeting spaces; expert research assistance on numerous topics including municipal reference, workforce and small business development; thousands of free educational programs; a diverse, comprehensive collection of print and digital resources and unique items to borrow, like board games, surfboards, robots, telescopes and more; technologies including public WiFi, 3-D printers, computers with printing, faxing, internet, Microsoft Office and other standard applications; and dedicated accessible resources and services for residents with visual, physical, and reading disabilities. Library services are also delivered outside of the branches, with a dedicated staff delivering high-quality programs, materials and experiences to preschools, childcare centers, K-12 schools, senior living centers and other community venues, reaching residents who may otherwise be unable to visit the library. The Department of Public Libraries also houses a records management division that provides state-mandated recordkeeping for all City of Virginia Beach departments, agencies, public schools and the judicial system, ensuring all government documents are properly maintained and protected in compliance with federal, state and local records retention requirements. Additional information about the Department of Public Libraries may be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Libraries](#).

The **Department of Public Utilities** provides water and sanitary sewer services to City residents. As of December 2023, the department has installed and continues to maintain more than 3,107 miles of water and sanitary sewer lines as well as operating and maintaining 414 sanitary sewer pumping stations, ten water pumping stations (including Lake Gaston and Stumpy Lake), 11 water storage facilities with 25 million gallons of water capacity, and 8,799 fire hydrants. The department coordinates the engineering and administration of the development of raw water supplies for the City and oversees the City's water conservation programs. Additional information about programs and services provided by this department can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Public Utilities](#).

The **Department of Public Works** provides system planning, design, acquisition of property, project management, construction, and inspection of all new and replacement roadways, stormwater, coastal, and building infrastructure, as well as parks and recreation and other large capital projects. The department provides asset management, maintenance and repair of a large portion of the City's infrastructure (e.g., roadways, bridges, stormwater systems, beaches, traffic control devices, City-owned buildings and City-owned motorized equipment). Also, it provides collection, recycling and disposal of solid waste; operates the city landfill; conducts long-range planning for the city's waste management needs; and serves as liaison with the Southeastern Public Service Authority, which is the agency responsible for the regional waste disposal program. The administration of the stormwater management utility is also included as a responsibility of the department. Additional information about programs and services provided by this department can be found on the City's website, [virginiabeach.gov](http://virginiabeach.gov) at this link, [Public Works](#).

The **Office of Performance and Accountability (OPA)** leads the City's comprehensive performance management program. Grounded in national best practices, this program aims to improve processes, optimize service delivery, increase accountability supported by data, and provide greater transparency about goals and corresponding efforts — a trackable and reportable journey, coordinated across the City's departments. As a trusted resource driving progress and results, OPA helps the City efficiently manage operations, evaluate performance, and identify areas for improvement. OPA also supports continuous improvement through the Strategic Analytics Academy (SAA), Great Solutions, and various special projects. Additional information about this office can be found on the City's website, [www.virginiabeach.gov](http://www.virginiabeach.gov) at this link, [OPA](#).

The **Office of Volunteer Resources** seeks to maximize the full potential of the City's volunteers by promoting awareness of opportunities, fostering effective volunteer resource management, documenting the scope and impact of volunteer engagement, and celebrating the contributions and spirit of volunteerism in Virginia Beach. As detailed in this office's annual report (see this link on the City's website, [www.vbgov.com](http://www.vbgov.com) [Office of Volunteer Resources](#)), thousands of volunteers provide City services equivalent to hundreds of full-time equivalent employees, thus avoiding millions of dollars in cost to taxpayers.

## **Economic and Demographic Factors**

### **Population**

Based on the April 2020 census conducted by the U.S. Census Bureau, the population of the City of Virginia Beach was 459,470. This census confirmed Virginia Beach as the most populous city in the Commonwealth and the 34<sup>th</sup> largest city in the United States. The University of Virginia/Weldon Cooper Center for Public Service estimated the City's population at 453,605 in 2023. The following table presents population figures for selected years.

**POPULATION AND RATE OF CHANGE  
VIRGINIA BEACH AND THE UNITED STATES  
SELECTED YEARS**

<u>Year</u>	<u>Virginia Beach</u>	<u>Rate of Change</u>	<u>United States</u>	<u>Rate of Change</u>
1960	85,200	N/A	179,323,175	N/A
1970	172,106	102.00%	203,302,031	13.37%
1980	262,199	52.35	226,542,199	11.43
1990	393,089	49.92	248,709,873	9.79
2000	425,257	8.18	281,424,602	13.15
2010	437,994	3.00	309,338,421	9.92
2020	459,470	4.90	331,534,662	7.18

Source: U.S. Census Bureau (1960-2010, U.S. 2020 as of 7/1/2020); Virginia Beach as of 7/1/2020, University of Virginia/Weldon Cooper Center for Public Service.

**FIVE MOST POPULOUS CITIES IN VIRGINIA**

<u>City</u>	<u>2022 Population</u>	<u>2023 Population</u>
Virginia Beach	455,385	453,605
Chesapeake	251,959	252,478
Norfolk	237,770	238,112
Richmond	226,967	229,035
Newport News	183,504	182,268

Source: University of Virginia/Weldon Cooper Center for Public Service, population as of July 1, 2022 and July 1, 2023.

**Income**

Presented below are tables on median household income, distribution of household income, per capita income, total personal income and median household effective buying income. Median household income is defined as the income of the household in the middle of all household incomes when sorted from lowest to highest. Per capita income is total personal income divided by the area's residential population. Total personal income is a measurement of the area's total income from all sources. Effective buying income is a measurement of disposable income or after-tax income.

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**MEDIAN HOUSEHOLD INCOME**

<u>Year</u>	<u>Virginia Beach</u>	<u>Commonwealth of Virginia</u>	<u>United States</u>
2013	\$62,855	\$62,666	\$52,250
2014	68,816	64,902	53,657
2015	67,281	66,262	55,775
2016	71,117	68,114	57,617
2017	72,586	71,535	60,336
2018	77,059	72,577	61,937
2019	79,054	76,456	65,712
2020	78,136	76,398	64,994
2021	81,634	80,963	69,717
2022	83,245	85,873	74,755

Source: Census Bureau’s 2013-2022 American Community Survey 1-year estimates.

**DISTRIBUTION OF HOUSEHOLD INCOME  
2022**

	<u>Virginia Beach</u>	<u>Virginia</u>	<u>United States</u>
\$100,000+	41.6%	43.8%	37.1%
\$75,000 - \$99,999	12.7	12.2	12.8
\$50,000 - \$74,999	18.9	14.9	16.2
\$25,000 - \$49,999	15.2	15.4	18.0
Under \$24,999	11.7	13.9	16.0

Source: Census Bureau’s 2022 American Community Survey 1-year estimate.

**PER CAPITA PERSONAL INCOME**

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2022</u>
Virginia Beach	\$12,007	\$21,744	\$32,358	\$44,787	\$59,597	\$65,986
Chesapeake	9,948	19,091	28,320	42,229	53,172	58,478
Norfolk	10,293	16,918	25,289	34,346	41,955	47,898
Newport News	9,623	17,310	23,447	34,718	43,197	46,873
Commonwealth of Virginia	10,571	20,840	32,631	45,443	61,474	68,985
United States	10,184	19,619	30,551	40,557	59,153	65,470

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Reflects latest update November 16, 2023 with new statistics for 2022 and revised statistics for 1979 – 2021.

The City’s 2022 per capita personal income ranks 20th among 105 Virginia localities for which the Bureau of Economic Analysis computes income. Virginia Beach’s 2022 per capita personal income is 100.8% of the United States’ per capita personal income.

**TOTAL PERSONAL INCOME (In Millions)**

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2022</u>
Virginia Beach	\$3,180	\$8,601	\$ 13,814	\$19,664	\$27,394	\$30,064
Commonwealth of Virginia	56,746	129,562	231,870	364,678	530,920	599,042
Virginia Beach as a percent of Commonwealth	5.6%	6.6%	6.0%	5.4%	5.2%	5.0%

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Reflects latest update November 16, 2023 with new statistics for 2022 and revised statistics for 1979 – 2021.

The following table reflects median household effective buying income for the City, the Virginia Beach Metropolitan Statistical Area (“MSA”), the Commonwealth and the United States for the last ten calendar years. Over the period, Virginia Beach had higher median household disposable income per year than the MSA, and U.S. as well as the Commonwealth except for 2015.

**MEDIAN HOUSEHOLD DISPOSABLE INCOME**

<u>Year</u>	<u>Virginia Beach</u>	<u>Virginia Beach MSA</u>	<u>Commonwealth of Virginia</u>	<u>United States</u>
2013	\$52,133	\$46,798	\$50,719	\$41,840
2014	52,124	46,845	51,364	42,529
2015	50,662	44,440	51,301	43,530
2016	53,007	48,857	52,331	44,652
2017	53,353	49,118	52,759	46,430
2018	54,628	50,527	54,134	48,296
2019	57,800	52,457	56,744	50,311
2020	60,426	52,765	57,487	51,505
2021	N/A	N/A	N/A	N/A
2022	N/A	N/A	N/A	N/A
2023	66,559	59,470	64,007	58,809

Source: Decision Data Resources (2011-2012); Esri Community Analyst Online (2013-2020, 2023). Esri did not have historical data for 2021 and 2022.

**Housing and Construction**

The information in the following tables is presented to illustrate various housing characteristics for the City. As of January 1, 2024, the total dwelling units in the City were 185,960 excluding military housing. Single-family units represented 53.5 percent of this total. Selected data regarding the distribution of all dwelling units is as follows:

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**DWELLING UNITS BY TYPE\***

	<u>2023 Units</u>	<u>2024 Units</u>	<u>% of 2024 Units by Type</u>
Single Family	99,951	99,562	53.5%
Multi-family Complex	39,008	40,138	21.6
Townhouse	19,738	19,742	10.6
Low Rise Condominium	21,897	22,156	11.9
Duplex	1,258	1,264	0.7
High Rise Condo/Co-op	<u>3,090</u>	<u>3,098</u>	<u>1.7</u>
Total	<u>184,582</u>	<u>185,960</u>	<u>100.0%</u>

Source: City Real Estate Assessor, Annual Reports FY 2023-24 and FY 2024-25.

\*As of January 1 of each year. Does not include Military Combined Units.

Building continues but at lower volume and higher value from 2022 to 2023 and from 2023 Q1 to 2024 Q1 with building permits being primarily for residential construction. Through March 31 of calendar year 2024, the City had issued a total of 1,509 permits valued at \$167,436,313 compared with 1,555 permits valued at \$61,438,598 in 2023 Q1. The following table presents a further, historical breakdown of the number and value of selected building permits by type.

**NUMBER OF SELECTED BUILDING PERMITS ISSUED AND VALUE<sup>(1)(2)</sup>**

<u>Calendar Year</u>	<u>Residential<sup>(1,2)</sup></u>	<u>Commercial<sup>(1)</sup></u>	<u>Other Building Permits<sup>(3)</sup></u>	<u>Total Number</u>	<u>Total Estimated Value<sup>(1)</sup></u>
2013	3,772	1,457	3,000	8,229	\$470,070,678
2014	3,892	1,268	2,647	7,807	510,451,038
2015	3,940	1,582	2,829	8,351	493,363,784
2016	4,423	1,282	3,433	9,138	462,894,210
2017	4,229	2,744	3,833	10,806	728,773,482
2018	4,069	1,195	2,850	8,114	588,041,285
2019	4,425	1,530	401	6,356	430,773,708
2020	5,554	1,121	397	7,072	618,446,315
2021	6,139	1,279	280	7,698	147,164,610
2022	6,090	1,415	214	7,719	207,350,240
2023	4,954	1,227	383	6,564	348,559,805
2023 Q1	1,174	311	70	1,555	61,438,598
2024 Q1	1,171	271	67	1,509	167,436,313

Source: City Department of Planning and Community Development, Division of Permits and Inspections.

<sup>(1)</sup> Represents building permits only. Does not include trade permits, e.g., electrical, plumbing, gas, mechanical and other types of permits. Value of the construction is provided by the permit applicant.

<sup>(2)</sup> One residential building permit does not necessarily equal one residential unit; in many instances one permit is for multiple residential units.

<sup>(3)</sup> Other permits could include roof, siding or asbestos. Excludes demolition permits.

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The following table presents annual new construction including additions and renovations as reported by the City Real Estate Assessor. The total value of new construction in the City for 2023 was \$440,469,300, which reflects an increase of \$156,102,200 or 54.9% compared with 2022 at \$284,367,100. New construction was primarily residential totaling \$343,505,600 (78.0%) with \$96,963,700 (22.0%) being commercial construction. For first quarter 2024, expansion in the tax base continued with the value of new construction of \$76,163,400, which represented an increase in growth of 45.3% compared with the first quarter of 2023 (\$52,433,200). New construction was primarily residential totaling \$62,229,500 (81.7%) with \$13,933,000 (18.3%) being commercial construction. Of the residential, \$42,928,500 reflected the estimated value for 590 multi-family/apartment units in four multi-family complexes (planned for 690 units at completion).

**NEW CONSTRUCTION: NUMBER OF UNITS**

**AND ESTIMATED VALUE <sup>(1)</sup>**

<u>Calendar Year</u>	<u>Number of Units</u>	<u>Residential Construction</u>		<u>Commercial Construction<sup>(2)</sup></u>		<u>Total Estimated Value</u>
		<u>Residential Addition</u>	<u>Estimated Value</u>	<u>Number of Permits</u>	<u>Estimated Value</u>	
2014	1,459	1,185	\$304,596,500	61	\$135,254,600	\$439,851,100
2015	1,027	1,118	265,430,800	51	82,816,300	348,247,100
2016	1,651	1,088	405,082,000	71	131,266,700	536,348,700
2017	1,094	1,303	352,152,600	62	103,946,100	459,098,700
2018	1,443	1,013	380,341,600	107	73,996,600	454,338,200
2019	1,109	1,123	307,907,200	78	163,344,300	471,251,500
2020	1,233	1,047	358,512,500	32	145,234,100	503,746,600
2021	732	1,090	288,691,100	51	84,450,200	373,141,300
2022	431	1,060	218,803,100	23	65,564,000	284,367,100
2023	985	1,080	343,505,600	37	96,963,700	440,469,300
2023 Q1	69	N/A	37,220,300	2	15,211,900	52,432,200
2024 Q1	21	N/A	62,229,500	13	13,933,900	76,163,400

Source: Office of Real Estate Assessor – Annual Report and New Construction Reports for the Quarter Ending March 31, 2023 and March 31, 2024

N/A - information not available

(1) Building/structures only (excludes land).

(2) Represents general commercial, hotel, industrial and office, including additions.

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## Employment

Employers in the City, excluding military, provided jobs for 179,971 persons through the third quarter of calendar year 2023 (latest data available). The following table presents the number of establishments, employment, and quarterly gross wages for the third quarter of calendar year 2023.

**CITY OF VIRGINIA BEACH  
NUMBER OF ESTABLISHMENTS, EMPLOYMENT  
AND QUARTERLY GROSS WAGES  
QUARTER ENDED September 30, 2023  
(NON-MILITARY)**

<u>Industry Group</u>	<u>Number of Establishments</u>	<u>Average Emp. For Quarter</u>	<u>Quarterly Gross Wages</u>	<u>Average Weekly Wages Per Employee</u>
<u>Private</u>				
Services	7,781	91,910	\$ 1,158,189,733	\$ 969
Wholesale and Retail Trade	1,713	25,575	268,460,334	807
Construction	1,239	9,711	159,158,495	1,261
Financial, Insurance and Real Estate	1,552	12,622	244,410,728	1,490
Manufacturing	286	6,948	102,267,379	1,132
Transportation and Warehousing	245	2,906	34,337,091	909
Information	149	2,522	41,119,455	1,254
Agriculture, Forestry, Fishing and Mining	<u>26</u>	<u>110</u>	<u>855,965</u>	<u>599</u>
Total Private*	12,991	152,304	\$ 2,008,799,180	\$ 1,015
<u>Public</u>				
State Government	32	1,408	\$19,647,534	\$ 1,073
Local Government	54	19,372	279,595,901	1,110
Federal Government	<u>50</u>	<u>6,887</u>	<u>147,765,244</u>	<u>1,650</u>
Total Public	136	27,667	\$ 447,008,679	\$ 1,243
<b>TOTAL</b>	<u>13,127</u>	<u>179,971</u>	<u>\$ 2,455,807,859</u>	<u>\$ 1,050</u>

Source: Virginia Employment Commission, Economic Information Services Division, Quarterly Census of Employment and Wages Report (QCEW). Based upon most current and available information.

\* Immaterial amounts have been suppressed in certain industry sub-categories, which are included in the total amounts.

*[Remainder of page intentionally left blank]*

The following table is a breakdown of employment by sector in the City.

**EMPLOYMENT BY SECTOR  
AS A PERCENTAGE OF TOTAL  
QUARTER ENDED September 30, 2023**

Services	51.1%
Government*	15.4
Wholesale and Retail Trade	14.2
Construction	5.4
Financial, Insurance and Real Estate	7.0
Manufacturing	3.8
Transportation and Warehousing	1.6
Information	1.4
Agriculture, Forestry, Fishing and Mining	<u>0.1</u>
Total	100.0%

Source: Virginia Employment Commission, Economic Information Services Division.

\*Excludes active-duty military personnel stationed at bases located in the City.

As illustrated in the table below, the unemployment rate for the City has, for the most part, been consistently lower than the rates for the Virginia Beach MSA, the Commonwealth and the United States. For 2020, January through December and 2021 January through April, average unemployment rate increased due to the economic impacts of the COVID-19 pandemic.

**ANNUAL AVERAGE UNEMPLOYMENT RATES**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 January<sup>(2)</sup></u>
Virginia Beach	3.5%	2.9%	2.7%	6.5%	3.7%	2.8%	2.8%	2.6%
Virginia Beach MSA <sup>(1)</sup>	4.0	3.3	3.1	7.4	4.5	3.2	3.1	2.9
Commonwealth	3.7	3.0	2.8	6.5	3.9	2.8	2.9	2.7
United States	4.4	3.9	3.7	8.1	5.4	3.7	3.6	4.2

Source: U.S. Department of Labor, Bureau of Labor Statistics

<sup>(1)</sup> MSA includes the Virginia Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg, and the Virginia Counties of Gloucester, Isle of Wight, James City, Mathews and York. Also includes Currituck County, and Gates County, North Carolina.

<sup>(2)</sup> Latest available data for January 2024 (not seasonally adjusted).

**Business and Industry**

The business community in Virginia Beach is comprised of a diverse collection of industries, including national and international corporate headquarters, high-powered and technologically advanced manufacturers, billion-dollar defense contractors, and locally owned small businesses. Two hundred foreign companies representing 27 countries operate in Virginia Beach. The City has multiple business districts including Airport Industrial Park, Corporate Landing Business Park, Oceana area business parks, YesOceana, Pembroke/Town Center, Princess Anne Commons/Innovation Park, and Opportunity Zones (eight in number). Industry sectors that are pivotal to the growth of the local economy include advanced manufacturing, bio and life sciences, defense, information technology/cybersecurity, maritime and logistics, offshore wind, office/retail, and entrepreneurship. To expand the tax base and address City

Council's strategy to grow economic opportunity, the City's Department of Economic Development has prioritized promoting corporate parks, particularly Corporate Landing and Innovation Park, and work in partnership with NAS (Naval Air Station) Oceana to implement the NAS Oceana Future Base Design initiative to make 14 underutilized parcels totaling 1,100 acres available for lease for future compatible economic development. In FY 2023, significant growth occurred in each of the City's adopted target business sectors, including several announcements by innovative new businesses as well as small businesses, an important part of our economy.

The City of Virginia Beach Development Authority (VBDA), a component, but legally separate unit, of the City of Virginia Beach established by the Virginia General Assembly in 1964, facilitates the expansion of the tax base by incentivizing through a variety of programs aimed at recruiting, expanding, and enhancing existing businesses and facilitating job creation.

**Development Incentives** - Assisting in these business development efforts, the City has various economic development incentives in addition to grants and tax credit incentives available from the Commonwealth of Virginia (Commonwealth Opportunity Fund, Virginia Jobs Investment Program, corporate income tax credits, and tax exemptions for manufacturers) and Port of Virginia (various tax credits and Economic & Infrastructure Development Grant Program).

- **Economic Development Investment Program (EDIP)** provides a locally funded discretionary incentive program that promotes business development and expansion to qualifying companies with their growth needs in Virginia Beach. Since the inception of EDIP in 1994, the City and the VBDA have awarded 326 EDIP grants totaling \$71.4 million, which was intended to generate roughly \$2.7 billion in private investment and create and retain 44,648 jobs. For FY 2023, a total of \$444,600 in EDIP grants were approved for 4 projects, which are intended to leverage more than \$12.89 million in private investment (ratio of \$29 of private investment to \$1 of public investment). These included various sectors: manufacturing (Hermes Abrasives), warehousing/distribution/maritime/logistics/unmanned systems (ThayerMahan), office/retail (Rinker Design Associates), and information technology (Doma Technologies). Over fiscal years 2023 and 2024, 9 companies proposed to invest a total of \$24.2 million in new capital investments in the City. Also, two additional companies located in the International Incubator and the Old Dominion University Data Science Institute established an office in Virginia Beach.
- **Business License Incentives** available for businesses new to the City that cap the cost of business licenses to \$50 annually for the first two years of operation.
- **YesOceana Program/APZ-1** (Accident Potential Zone) Incentives, developed to meet requirements of the Base Realignment and Closure Commission to protect and retain the Navy's East Coast master jet base, NAS Oceana, in Virginia Beach. This innovative program consists of zoning ordinances and economic incentives to foster the conversion of nonconforming businesses in the Accident Potential Zone 1 (APZ-1) into conforming ones and relocating ones that cannot be converted to another part of Virginia Beach. Incentives include conditional-use permit waivers, rebates of business license taxes and development fees for compatible business development in the APZ-1 zone around NAS Oceana, and residential property acquisition in APZ-1.
- **Tax Exempt Industrial Revenue Bonds** issued by the Virginia Beach Development Authority for businesses to acquire and construct industrial and commercial facilities.

- **Façade Improvement Grant** program, which is a matching grant program to support small (fewer than 50 employees), locally owned, and operated businesses in the City of Virginia Beach that are current on their City licenses, fees and taxes. Other requirements can be found on the City’s business incentive webpage at [YesVirginiaBeach-Incentives](#). The FIG program’s matching grant investments are up to \$10,000 for exterior building, site, and outdoor dining improvements. This 2023, FIG has awarded 13 small businesses a total of \$93,674 in grants which is estimated to incentivize \$380,561 in private capital investment.

**Business Support** - Five support centers located in the Central Business District are provided to support growth of small businesses, entrepreneurship, and innovation: The HIVE, GrowSmart, VABeach BIO, International Incubator, and the Industrial Incubator.

- The HIVE- Virginia Beach Business Resource Center is a pivotal supporter of fledgling businesses and those entering new markets, offering an array of resources such as training and mentorship programs in collaboration with various partner agencies. This past year marked a remarkable milestone for the HIVE Resource Center, now boasting over 1,360 clients and more than 100 business resource partners. Throughout the year, the HIVE conducted 296 training sessions and workshops, aiding over 1,043 existing Virginia Beach businesses and startups, and facilitating 150 businesses in securing their State SWaM business certifications. Additionally, 90 individuals successfully completed business plans through accelerator programs.

In July 2023, the HIVE introduced “Thrive at the HIVE,” providing a no-cost workspace for two months (two business days a week) to Virginia Beach startups, home-based businesses, and military spouse entrepreneurs, aiming to nurture their growth and success. To date, 15 small businesses have taken advantage of the workspace, private conference rooms, free events and forums, and business counseling services.

Over the past three years, Virginia Wesleyan University (VWU) and Virginia Beach Economic Development (VBED) have forged a strong partnership, yielding significant outcomes across diverse domains, particularly in talent development and workforce enhancement. This collaboration leverages resources from various channels, including The HIVE at Town Center, local businesses, and the Virginia Beach Talent Development Center, strategically positioned at VWU. In 2023 alone, VWU delivered 82 talent development courses at the HIVE or on their campus, benefiting a total of 1,113 eager learners.

Furthermore, the HIVE has entered into a memorandum of understanding with Maxbyte Technologies to establish a center of excellence (CoE) for Industry X.O (Smart Manufacturing) at the Virginia Beach workforce conference room located at the Advanced Technical and Career Education Center (ATC). This CoE will serve as an interactive platform to showcase smart and sustainable manufacturing use cases utilizing digital, robotics, automation, and immersive technologies. It will also aid manufacturers in understanding and identifying suitable industry X.O solutions for their specific industry, while establishing a platform to support industry X.O training programs for ATC students, industry professionals, and academicians.

- **Grow Smart** provided industry support to childcare businesses in Virginia Beach: 250 programs, 14,500 childcare spaces and local economic impact of \$175 million. GrowSmart services align with The HIVE and included 12 business trainings, 12 quality professional development trainings, and business mentoring and job embedded coaching serving 400 early childhood educators & business-owners.



- The **VA Beach BIO** is a business accelerator, which features 5,706 square-feet of fully furnished space that includes wet/dry labs, private offices, and conference rooms to support startup and small and growing companies in the biotechnology and life sciences sector.
- The **International Incubator** offers Class-A office space and shared conference room and is geared towards foreign companies that need space to grow their sales volume before establishing their own office or manufacturing facility in the City. Chorus Intelligence Ltd., a British software company and the first tenant of the Incubator, opened their own office in Town Center in November, highlighting the success of the International Incubator. The Incubator is currently having its square footage doubled as the offices are 100% leased.
- The **Industrial Incubator** initiative began in 2022 given the success of the International Incubator and the need for industrial space. Utilizing a City-owned 16,500-square foot light industrial building situated in the Lynnhaven corridor, the Department of Economic Development is overseeing the design and build-out to accommodate up to five businesses while providing them with office, warehouse, and assembly space. Similar to the previous incubator models, the Industrial Incubator will be a soft-landing spot for international businesses setting up sales and distribution operations in the City before they transition to full production. The Industrial Incubator is being actively marketed to prospects and has received significant interest.

Initiatives to diversify the local economy beyond defense and tourism industries are on-going with developments in technology, biomedical, advanced manufacturing, mixed-use developments, and offshore wind energy industries. Highlights of these efforts are as follows.

**Cybersecurity and Information Technology** - Virginia Beach is rapidly emerging as a leader in the cybersecurity, information technology, and advanced digital communications industries. The City is a growing international digital port and global internet hub for high-speed fiber-optic subsea telecommunication cables and associated data centers, which create higher-paid tech jobs as well as attract new businesses requiring high-speed data transmission. Subsea cables serve as the major carriers of the internet and are responsible for the majority of the world's digital traffic. Corporate Landing Business Park, a 325-acre, light industrial, research and Dominion Energy-certified data center park, is the city's hub for the digital port. Three cables constructed from 2017 to 2020 are in operation (MAREA, BRUSA, and DUNANT), and two additional cable projects (SA-Ex1 South Atlantic Express, and CONFLUENCE-1) have been announced and are in various stages of planning and development. One data center has been constructed (Globalinx) along with a cable landing operated by Telxius. An example of business development in the Cybersecurity and Information Technology sector is Doma Technologies. Doma Technologies is headquartered in Virginia Beach and is a cloud-based document management software company. Doma moved and expanded their headquarters and in the process of this expansion, created approximately 300 jobs and will invest \$1,675,000 in Virginia Beach. For this project, the VBDA awarded an EDIP grant of \$167,000.

**Regional High-Speed Broadband** - The Hampton Roads Regional Connectivity Ring project is an open-access telecommunications network to connect the region to the transatlantic subsea fiber optic cables in Virginia Beach. The project is being developed by the Southside Network Authority, comprised of members of the City Councils, Chief Administrative Officers, and Chief Information Officers, who will also manage the usage and the utilization of the fiber ring. As planned, the project will be constructed in four phases and is currently in Phase 1 to construct 119-mile fiber ring to connect the five southside cities (Chesapeake, Norfolk, Suffolk, and Virginia Beach) to the MAREA cable including the construction of 40+ miles of fiber in Virginia Beach. The Ring will connect to high-speed broadband networks through carrier-neutral" hotels" such as Gloabalinx, among others. The estimated cost for Phase 1 is between \$23

and \$28 million. Virginia Beach funded its share of the cost using \$8.3 million in American Rescue Plan Act funds. Groundbreaking for Phase 1 occurred in April 2022 and construction completion is anticipated in late November 2024. Future project phases will extend the network further in the Hampton Roads region to provide broadband service to the 17 local jurisdictions and 1.7 million people. This project has multiple benefits to the City and region. This fiber ring could potentially serve Internet Service Providers in areas where the providers lack a presence.

**Advanced Manufacturing** – Given its central location on the East Coast of the United States and its access to an extensive multi-modal transportation network and the Port of Virginia, Virginia Beach offers a logistical advantage to manufacturers looking to transport their goods both domestically and internationally. During FY 2024 Hermes Abrasives USA, a subsidiary of German parent company Hermes Abrasives, and a global leader in industrial abrasive materials, announced plans to invest \$5.6 million for new production line equipment and improving brick-and-mortar infrastructure. This retained 103 full-time jobs while adding 30 new ones. For this project, VBDA approved an EDIP grant of \$100,000.

**Office and Professional Services** – With Virginia Beach being a thriving hub for businesses, there has been a natural influx in companies providing different professional services across many areas like talent requisition or geotechnical services. An example of business development in the Office and Professional Services sector is Rinker Design Associates. Rinker is a civil engineering firm providing services in structural engineering, land development and planning, inspection services and much more. With their expansion to Virginia Beach 10 new full-time jobs were created as well as \$190,000 in capital investment. For this project, the VBDA provided an EDIP grant of \$47,600. Another addition was KPMG moving their offices to Town Center. KPMG is a U.S. audit, tax, and advisory firm and is considered a “Big Four” accounting corporation. KPMG employs 160 employees at their new Virginia Beach offices. With this new addition, Town Center office space is also 98% leased, showcasing its success as a business center for Virginia Beach

**Maritime and Logistics** – With its close proximity to The Port of Virginia, the deepest harbor on the East Coast, Virginia Beach has naturally gained a heavy concentration of businesses involved in freight transportation arrangement, marine cargo handling, logistics consulting services, port and harbor operations, coastal and deep-sea freight transportation, supply chain management and warehousing and storage. An example of business development in the maritime and logistics sector announced or underway during FY 2023 is ThayerMahan. ThayerMahan provides services and solutions for maritime, defense, and offshore industries and holds several patented designs. ThayerMahan created their Mid-Atlantic Headquarters in Virginia Beach creating 40 new full-time jobs. For this project, VBDA approved an EDIP grant of \$130,000. Also in the logistics sector, Amazon announced plans to build two new facilities in Virginia Beach. The project is being built on a combined 237 acres with one building being a multi-story robotics fulfillment center and the other being a “last mile” delivery station expected to begin operations in 2025 and late 2024, respectively. This project will bring 1,000 new jobs to Virginia Beach with a capital investment of more than \$383 million.

**Industry of Unmanned Systems-** Virginia Beach is well-positioned to support the growth of the emergent unmanned vehicle systems industry. **DroneUp LLC** – a Virginia-Beach start-up company founded in 2016, has expanded across the U.S. and Europe, and is a leader in unmanned aircraft systems that provides last-mile drone delivery services in the U.S. and delivers on-demand services to commercial, government and military organizations, including commercial shipyards, off-shore wind facilities, public safety support and disaster management. It employs 300 employees and over 20,000 drone pilots. In 2021, the company announced a multi-year agreement with Walmart, Inc. to provide drone delivery services at 153 stores by June 2024, with a goal of eventually serving all 4,000 Walmart retail stores in the United States. DroneUp will be investing a total of \$27.2 million comprised of an expansion of its Virginia Beach headquarters (\$6.95 million) adding 510 new jobs and construction of a testing, training and research and

development center for drone operators at Richard Bland College in Dinwiddie County (\$20.2 million) adding 145 new jobs. For this project VBDA approved an EDIP grant of \$800,000. The Governor of the Commonwealth of Virginia approved grants from the Commonwealth's Opportunity Fund of \$800,000 and from the Virginia Economic Development Incentive Fund.

**Offshore Wind Energy** - Virginia Beach and Hampton Roads are positioned to become one of the main offshore wind energy hubs in the nation. Virginia Beach Economic Development, alongside State and Regional stakeholders, has been working diligently to help support the growth and development of this new industry by attracting businesses to the local supply chain, working with existing local companies to diversify their offerings and enter the supply chain, and partnering with educational institutions to offer workforce training. Two of the largest offshore wind farms in the U.S. are planned off City shores in the Mid-Atlantic, totaling \$18 billion in private capital investment and will bring 5.1 gigawatt (GW) of energy online. With an estimated cost of \$9.8 billion, Dominion Energy's Coastal Virginia Offshore Wind (CVOW), which will consist of 176 turbines constructed 27 miles directly off the City's shores, will generate enough clean, renewable energy to power up to 660,000 homes. Project construction is scheduled to occur between 2024 and 2026. Once in operation, CVOW could create 1,100 direct and indirect jobs annually in Hampton Roads and generate almost \$6 million in revenues for local governments. Avangrid Renewables LLC is the Kitty Hawk Wind project with estimated cost of \$8 billion to construct up to 180 wind turbine generators 27-miles off the coast of Corolla, North Carolina, and 41-miles from Rudee Inlet in Virginia Beach. Project construction is anticipated to begin in 2026. At full build-out, this project has the potential to yield 3.5 GW of electricity, which would be enough to power over 1 million homes. (Source: Virginia Beach Department of Economic Development, Dominion Energy, and Kitty Hawk Offshore Wind, May 4, 2023 City Council presentation)

**Atlantic Park** - One major project that is under construction is Atlantic Park. The Virginia Beach Development Authority negotiated a development agreement with Venture Realty Group for a \$335 million mixed-use, multi-venue year-round entertainment complex on the former Dome site, a 10.35-acre site over three blocks between 18th and 20th Streets at the oceanfront. The development agreement was approved by the Virginia Beach Development Authority and City Council on November 2019. The complex will include retail, office space, multi-family housing, an approximately 4.2-acre Wavegarden Surf Park including an approximately 2.68-acre surf lagoon and related facilities, two parking garages, and a 3,500-seat indoor & 1,500 capacity outdoor entertainment and concert venue. The project will involve private financing of \$210 million and a City contribution of approximately \$125 million for parking, offsite infrastructure including undergrounding duct banks, traffic signals, pedestrian crossings, streetscapes, and an entertainment venue "The Dome." The City's contribution is funded by the City's Tourism Investment Program Fund. Also, the agreement entails a performance grant of a maximum of \$5 million annually over 20 years from the project-generated tax revenues. Construction of Phase I (surf park, entertainment venue, commercial, parking and more than 300 multi-family/apartment homes and office spaces) began on March 30, 2023 with planned completion of Phase I in summer 2025 (Source: Venture Realty Group website, Virginia Business, March 30, 2023 and The Virginian Pilot, March 30, 2023 and August 31, 2023). See Atlantic Park Community Development Authority below.

### **Tax Increment Financing and Development Districts**

The City was one of the first localities in the Commonwealth to use Tax Increment Financing ("TIF") districts as a means of supporting certain capital projects, usually involving one or more private or public partners. Tax Increment Financing is authorized under Sections 58.1-3245 through 58.1-3245.5 of the Code of Virginia, originally enacted in 1988. The City established three TIF districts to fund its share of three investment partnerships: the Lynnhaven Mall Expansion, the Sandbridge Beach Restoration Program and the Town Center of Virginia Beach. The City's funding commitment to each of the projects is paid through incremental tax revenues generated by each project in the related TIF district. In FY 2012,

fourteen years after it was created, the Lynnhaven Mall TIF district was dissolved after the City's commitment to the developer was met. For FY 2021 the Sandbridge TIF was dissolved, therefore the City will have one remaining TIF in place located at Town Center. The City has not incurred debt for any of the TIF projects through the issuance of Tax Increment Financing Bonds. During FY 2022, the City continues to collect and apply the incremental revenue of the one remaining TIF District in accordance with the project development agreement.

*Sandbridge Beach Restoration Program:* The Sandbridge area of the City was established as a TIF district by ordinance approved by City Council on December 1, 1998. According to the Real Estate Assessor's Annual Report for Fiscal Year 2020/2021, the FY 1998 base year assessment for the Sandbridge TIF was \$206.1 million. For FY 2021, the preliminary assessment was \$1.32 billion. An important real estate and aesthetic asset to the City, this area has long battled sand erosion. The City has continued to pursue a multi front strategy of funding sand replenishment, including seeking federal funds, using local funds, and establishing a Special Service District (SSD). The Sandbridge SSD was established in November 1994. The use of TIF is another method to ensure stability to this area and to ensure that the primary beneficiaries of the program fund the bulk of the improvements. As of June 30, 2020, \$143.9 million in incremental real estate taxes have been collected for sand replenishment since establishment of the TIF, of which \$103.4 million was declared excess over expected future project costs and returned to the General Fund over the last eleven years. No debt has been issued for this program. The SSD involves an additional real estate rate of 6-cents per \$100 of assessed value and retains \$1 per room-night of the total \$2 hotel flat tax as well as 6.5% of the total 9.5% hotel tax collected within the district. The SSD supports sand replenishment, beach access improvements, and a dedicated three-person beach maintenance crew. A financial analysis was conducted in FY 2020 for the TIF and SSD and found that the SSD could meet the long-term obligations for beach and shoreline restoration and management for Sandbridge without the support of the Sandbridge TIF. With the adoption of the FY 2021 Budget and CIP the Sandbridge TIF was dissolved and the Sandbridge SSD real estate surcharge was reduced to 4-cent per \$100 of assessed value. For FY 2021, the estimated real estate tax revenue to be generated by the former Sandbridge TIF was \$11.3 million, which was included in the base of revenues for allocation to the City and Schools budgets. The Sandbridge SSD real estate surcharge was further reduced in the FY 2023 Budget to 2-cent per \$100 of assessed value due to the healthy performance of lodging tax revenues dedicated to this Fund and then to 1-cent per \$100 of assessed value in the FY 2024 Budget due to healthy performance of lodging tax revenue dedicated to this Fund and anticipated federal cost sharing of \$22.2 million for the next phase of sand replenishment. The preliminary FY 2025 assessed value as of January 2024 of the Sandbridge SSD is \$589.0 million. Reductions made to the real estate surcharge are not anticipated to negatively impact the sand replenishment cycle or prevent the current practice of having two replenishments fully funded.

*The Town Center of Virginia Beach:* The southern part of the Pembroke area of the City was established as a Tax Increment Financing district by ordinance approved by City Council on November 23, 1999. The district is called Central Business District South. According to the Real Estate Assessor's Annual Report for Fiscal Year 2024/2025, the FY 1998 base year assessment for the Central Business District South TIF was \$151.8 million. For FY 2025, the preliminary assessment as of January 2024 is \$1.2 billion. The 33-acre core area features "Class A" high rise office space, upscale retail space, hotels, restaurants and upscale residential apartments and condominiums, all within a "village green" park setting. The Town Center is supported by free public parking in several enclosed parking garages set within the center. From the business activity occurring in Town Center, the City benefits from increased taxes including personal property, retail sales, admissions, restaurant, utility, business property, and license totaling over \$10.9 million in FY 2023, a 7% increase over FY 2022 (\$10.2 million). As of June 30, 2023, \$124.5 million in incremental real estate and hotel tax revenues have been collected in the Central Business District South TIF Special Revenue Fund, which includes \$7.0 million in hotel taxes, which were generated within the core area of Town Center. Certain public infrastructure for the Town Center project was financed by the City through bonds issued by the Authority. It is expected that real estate tax revenues generated in

the Town Center TIF District, along with core area hotel taxes, will be sufficient to pay the debt service on these prior Authority bond issues. The tax increment revenues and special taxes are not pledged to the payment of the Authority bonds. See the section entitled “Virginia Beach Development Authority Appropriation Based Debt” for further discussion on Authority bonds issued for the benefit of the City.

*Atlantic Park Community Development Authority:* The City Council adopted an ordinance on September 7, 2021, to establish the Atlantic Park Community Development Authority (the “CDA”). The CDA was established pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia of 1950. The boundary of the CDA development district is the approximately 13-acre site near the oceanfront between 18<sup>th</sup> and 20<sup>th</sup> Streets known historically as the “Dome Site.” The eleven members of the CDA Board are the then-current members of the City Council. The purpose of the CDA was to issue bonds for certain public infrastructure (Parking Facilities) wherein such bonds have an annual debt service not-to-exceed \$5,000,000 per year. The September 7, 2021, ordinance was amended on April 5, 2022, to include additional obligations of the CDA for development or redevelopment of additional offsite public infrastructure improvements. The additional obligations consisted of a note in the amount of \$17,700,000 payable to the City of Virginia Beach. The Board of the CDA held its organizational meeting on October 18, 2022. At this meeting, the Board appointed officers, bylaws, authorized the issuance of bonds for the Atlantic Park Project, and authorized the execution of a promissory note. The payment for the bonds and additional obligations of the CDA are the following sources: an additional levy of \$0.25 per \$100 of assessed value within the CDA district; the assignment of certain sales taxes that were authorized to be returned to the City (2019 Acts of Assembly c. 793); certain meals and admissions taxes generated within the CDA district; and a supplemental admissions fee upon participatory sports within the CDA district. The CDA bonds are further secured by a special assessment upon the property within the CDA district, and in the event the special assessments are determined to be legally unenforceable, the City may further levy supplemental special property tax. Any CDA Obligations or any other financing arrangements entered into by the CDA will be indebtedness of the CDA, will not be a debt or other obligation of the City and will not constitute a pledge of the faith and credit of the City. The CDA issued bonds (Series 2023 Bonds) in the amount of \$53,365,000 on March 30, 2023. This amount included interest during the construction period (\$7,154,361.09) and a funding of a debt reserve fund (\$4,749,687.50). Principal payments for the Series 2023 Bonds begin August 1, 2026.

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**CITY OF VIRGINIA BEACH  
MAJOR PRIVATE EMPLOYERS  
AS OF SEPTEMBER 30, 2023**

<u><b>Employer</b></u>	<u><b>Industry</b></u>
<u>1,000 and over employees</u>	
Sentara Healthcare	Hospitals
Stihl	Machinery Manufacturing
GEICO, Government Employees Insurance	Insurance Carriers and Related Activities
Wal Mart	General Merchandise Retailers
Anthem	Insurance Carriers and Related Activities
Food Lion	Food and Beverage Stores
 <u>500 to 999 employees</u>	
Harris Teeter Supermarket	Food and Beverage Stores
Professional Hospitality	Administrative and Support Services
Regent University	Educational Services
Lifenet	Ambulatory Health Care Services
Christian Broadcasting Network	Broadcasting Content Providers
Hall Automotive LLC	Motor Vehicle and Parts Dealers
Kroger	Food and Beverage Stores
Westminster Canterbury	Nursing and Residential Care Facilities
Target Corp	General Merchandise Retailers
Integrity Staffing Services	Administrative and Support Services
Checkered Flag	Motor Vehicle and Parts Dealers
The Home Depot	Building Material and Garden Equipment and Supplies Dealers
Architectural Graphics Inc	Miscellaneous Manufacturing
McDonald's	Food Services and Drinking Places
Starbucks Coffee	Food Services and Drinking Places
Ocean Breeze Waterpark	Amusement, Gambling, and Recreation Industries
Hardhat Workforce Solutions	Administrative and Support Services
 <u>250 to 499 employees</u>	
Century Concrete LLC	Specialty Trade Contractors
WaWa	Gasoline Stations and Fuel Dealers
Catholic Diocese of Richmond	Educational Services
U.P.S.	Couriers and Messengers
Kinetix Staffing and Recruiting	Administrative and Support Services
Atlantic Dental Care	Ambulatory Health Care Services
Norfolk Cent YMCA	Amusement, Gambling, and Recreation Industries
Wegmans Store #07	Food and Beverage Stores
OnPoint Building Services	Administrative and Support Services
Petrochem Recovery Svc	Construction of Buildings
Red Lobster & The Olive Garden	Food Services and Drinking Places
Topgolf Payroll Services	Amusement, Gambling, and Recreation Industries
Spirit Halloween Superstore	Clothing and Clothing Accessories Stores
Dragados Usa Inc	Heavy and Civil Engineering Construction
Acoustical Sheetmetal Co	Fabricated Metal Product Manufacturing
Q.E.D. Systems, Inc.	Professional, Scientific, and Technical Services
Amsec	Professional, Scientific, and Technical Services
Atlantic Diving Supply Inc	Merchant Wholesalers, Durable Goods
Hilton Virginia Beach Oceanfront	Accommodation

Source: Virginia Employment Commission, Largest Employers for 2023 Q3.

## Retail Sales

The table presented below is a summary of the City’s taxable retail sales from point of sales transactions; it does not include sales, which are exempt from tax. Specifically exempt from the sales tax under Sections 58.1-602, and 58.1-609.1 through 58.1-609.10 of the Virginia Retail Sales and Use Tax Act are sales of alcoholic beverages in government stores, sales of certain motor vehicles, trailers and semitrailers, mobile homes, and travel trailers, and sales of certain motor vehicle fuels. Also, the figures do not include the significant amount of non-taxable sales on military bases in the City. And, because the retail sales data does not include sales transactions subject to the use tax, such as some internet and catalog sales, taxable retail sales attributable to Virginia Beach may be under stated. As shown in the table, annual taxable retail sales have increased 1.87% from 2022 to 2023 and by 40.2 % from 2013 through calendar year 2023 (annual average growth of 3.4%).

### TAXABLE RETAIL SALES

<u>Calendar Year</u>	<u>Taxable Retail Sales</u>
2013	\$5,064,938,738
2014	5,159,858,692
2015	5,374,616,764
2016	5,530,431,346
2017	5,597,203,814
2018	5,658,176,716
2019	5,763,591,049
2020	5,656,494,141
2021	6,671,233,263
2022	6,971,231,371
2023	7,101,906,110

Source: Virginia Department of Taxation via University of Virginia Weldon Cooper Center for Public Service. Latest available data through 2023.

## Tourism

Tourism is an important industry in Virginia Beach and a vital component in the City’s economy producing revenues from visitor spending that supports the provision of City services and capital projects. Examples of projects include the Virginia Beach Convention Center, Virginia Beach Sports Center, Atlantic Park Entertainment Venue, Atlantic Park Parking, 17th Street Regional Stormwater Facility, and Pacific Avenue improvements. According to a study of the economic impact of visitor spending to Virginia Beach conducted in September 2023 for the City by Tourism Economics (an Oxford Economics Company), there were 13.6 million visitors to the City in 2022 compared with 11.5 million in 2021 and 13.6 million in 2019 (pre-pandemic); these included international and domestic day and overnight visitors. Based on its econometrically-based visitor volume model using actual Virginia Beach tourism data, the study estimated direct visitor spending in Virginia Beach totaled \$2.4 billion in 2022 compared with \$2.1 billion in 2021, and \$1.9 billion pre-pandemic in 2019. Visitor spending includes spending in these industries: lodging including second home spending (i.e., upkeep costs for seasonal second homes used for recreation), food and beverage, retail, recreation, and local transportation. Furthermore, visitor spending had an estimated total economic impact on Virginia Beach’s economy of \$3.7 billion in 2022 (comprised of \$2.4 billion in direct spending, \$825 million in indirect impacts and \$459 million in induced impacts) and generated \$324 million in state and local taxes. The study indicated that visitor spending directly supported 32,704 total jobs (direct, indirect, and induced) (19% of total civilian jobs in the City for 2022) with a labor income of \$900 million in 2022.

The Tourism industry's performance, as indicated by hotel market data, improved during FY 2023 compared with FY 2022. According to hotel market data from January to July 2023 provided to the Virginia Tourism Corporation by Smith Travel Research Inc., a division of CoStar Group Inc. that provides market data on the U.S. hospitality industry, citywide hotel performance has improved with increased demand for rooms, room revenues, and average daily rates charged to visitors. Specifically, this data showed room demand increased by 3.5%, room supply increased by 3.2%, occupancy increased by 0.30% from 60.9% to 61.1%, average daily rate paid per room increased by 1.7% from \$166.58 to \$169.39 and revenue per available room increased by 2.0% from \$101.5 to \$103.49. Also, the City gauges the health of its tourism industry by monitoring tourism-related revenues it collects. Based on official city hotel tax receipts, estimated sales revenue for all lodging in the City, which includes hotels, vacation home rentals, other short-term rentals resulting from online rental platforms, and campgrounds, totaled \$578.3 million for FY 2023, an 8.3% increase over FY 2022 (\$534.1 million).

The hotel product in the City continues to be refreshed and expanded. According to Smith Travel Research data, as of July 2023 the available hotel room inventory in the City consisted of 11,571 hotel rooms located in 105 properties, reflecting an increase of 205 (1.8%) hotel rooms compared with July 2022 (11,366 hotel rooms in 102 properties); this inventory will fluctuate throughout the year due to hotel renovations, new construction, and seasonal and weather closures. Two new hotels opened at the Oceanfront in 2023, the Embassy Suites by Hilton (February 2023, \$47 million 12-stories with 157-rooms and meeting space) at the Cavalier Hotel complex on 42nd Street and The Moxy located at 1201 Atlantic Avenue (June 2023, seven-stories with 134-rooms) (Source: The Virginian Pilot, February 17, 2023, Smith Travel Research, and Alexandria Living Magazine, April 11, 2023). There are multiple hotels in various stages of development including Tempo/Homewood Suites by Hilton (14-story 209-rooms) planned for Pembroke Square with anticipated opening in winter 2026; Home2 Suites by Hilton currently under construction in the Princess Anne corridor adjacent to Tidewater Community College (114-rooms and free-standing restaurant) anticipated to open in 2024; Hampton Inn and Suites Town Center on the corner of Columbus Street and Market Street (\$19 million, 14-story, 120-room); and Homewood Suites by Hilton at the Oceanfront (142-rooms with parking garage located between 31st and 33rd Streets on Atlantic Avenue anticipated to open in 2025).

**Sports Tourism and Special Events** – These events are held throughout the year to promote Virginia Beach as a year-round destination. Over the years sporting events and special events/festivals have energized the tourism industry by attracting visitors to the City. Pre-pandemic, in 2019 there were 406 special events held in the City of which 179 were held in the resort area and 227 in other areas of the City. By 2023 through October, there were 355 events held of which 193 were in the resort and 162 in other areas of the City. Various sports facilities (city owned and privately owned) that host sporting events (including local, regional and national events) are located in the City including but not limited to Virginia Beach Sports Center, Virginia Beach Convention Center, Hampton Roads Soccer Complex, Virginia Beach oceanfront, Princess Anne Athletic Complex, USA Regional Field Hockey Training Center, Virginia Beach Field House, Virginia Beach Sportsplex, Pickleball Virginia Beach (formerly Owl Creek Tennis Center), Iceland Family Skating Center, Outdoor 50-meter Pool at Princess Anne Family YMCA, USA Regional Field Hockey Training Center, and Virginia Beach Tennis and Country Club (Source: Victus Advisors, "Final Report: Updated Virginia Beach Sports Tourism Market & Facilities Opportunity Study," February 1, 2023). According to the most recent sports tourism market and facilities opportunity study by Victus Advisors (February 2023), sports tourism generated 132,943 hotel room-nights in FY 2021-22 and the Virginia Beach Sports Center was responsible for 52,869 or 40% of those and sports events held at the oceanfront generated 26,000 or 20%. According to the City's Convention and Visitors Bureau, during FY 2023, a total of 165 sporting events (with estimated attendance of 559,424) were held in the City. A few examples of annual, recurring sporting and special events held in 2023 include the Last Night on the Town in Town Center in its ninth year (December 31), East Coast Surfing Championship in its 61st season, Virginia Beach Neptune Festival in its 49th season, Yuengling Shamrock Marathon in its 51st season



(March 17-19), ISSA (International Senior Softball Association) Senior Softball in its 16th season, and North American Sand Soccer Championships in its 30th season. In 2023 new or recently introduced sporting/special events held included the NCAA (National Collegiate Athletic Association) Division II Indoor Track and Field Championships (March 10-11), Bulls & Barrels Beach Rodeo (April 15-16), Something In The Water (April 23 -30), WCLA (Women’s Collegiate Lacrosse Associate) National Championship (May 9-12), Jackalope Festival (June 2-4), BEACH IT! Festival (June 23 – 25), and Chartway Virginia Beach 10 Miler & 5K (September 2-3). An economic impact analysis by the Institute for Service Research (2023 and 2024) of eight sporting and special events held in Virginia Beach in 2023 showed overall positive economic impacts as shown in the following table.

**Economic Impact of Eight Special Events Held in Virginia Beach in 2023<sup>1</sup>**

- **Economic impact:** \$93.7 million - \$105.5 million
- **City revenues:** \$5.4 million - \$6.0 million
- **City expenditures:** \$4.2 million
- **Virginia Beach hotel room nights generated:** 60,069 – 77,558

<sup>1</sup>*Bulls & Barrels (April 15 - 16), Something in the Water (April 28 - 30), Jackalope (June 2 - 4), North American Sand Soccer Championships (June 9 - 11), Beach It! (June 23 - 25), Neptune Festival (September 29 – October 1), Virginia MOCA (Museum of Contemporary Arts) Boardwalk Art Show (October 20 - 22), and Jeep Fest (November 10 - 12).*

*Source: Institute for Service Research, City Council Presentation -Convention & Visitors Bureau 2023 Resort Events Economic Impact Studies, October 17, 2023 and February 27, 2024.*

Tourism, special and sporting events and convention activity generate tax revenue for the City, particularly in the form of hotel room and meal taxes, which are impacted by and reliant on tourism. The table below provides a history of total/citywide hotel room and meal tax receipts, which have increased by an average of approximately 6.1% per year since 2014. Collections in FY 2020 decreased by \$13.2 million or 12% less than in FY 2019 due to the impact of the COVID-19 pandemic and related mitigation measures; however collections recovered from FY 2021 through FY 2023 surpassing pre-pandemic collections.

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**HOTEL ROOM AND MEAL TAX AND  
RESTAURANT TAX RECEIPTS  
FISCAL YEARS 2014 THROUGH 2023<sup>1</sup>**

<u>Fiscal Year</u>	<u>Hotel</u>	<u>Meal</u>	<u>Total Tax Receipts</u>
2014	\$27,404,926	\$56,872,794	\$84,277,720
2015	28,685,907	59,968,375	88,654,282
2016	30,595,133	63,437,485	94,032,618
2017	32,805,597	65,207,699	98,013,296
2018	35,493,796	66,264,685	101,758,481
2019	37,127,745	69,278,652	106,406,397
2020	32,682,467	60,561,741	93,244,208
2021	36,821,128	65,572,967	102,394,095
2022	48,186,507	85,941,096	134,127,603
2023	51,768,589	92,035,336	143,803,925
July 2022 – February 2023	38,601,571	60,471,083	99,072,654
July 2023 – February 2024	38,497,919	62,510,676	101,008,595

Source: City Department of Finance.

<sup>1</sup> Hotel tax is 8% and includes an additional \$2 per night flat tax to fund the Tourism Investment and Advertising Programs or improvements at Sandbridge. Meal tax is 5.5%. Tax receipts also include penalty and interest on delinquent collections.

**Military**

The military has a significant impact on the economy of the City and its region. According to Old Dominion University/Drigas Center for Economic Analysis and Policy/ Strome College of Business, 2024 Annual Economic Forecast (dated January 31, 2024) and its Annual 2023 State of the Region Report (SOR), direct spending by the U.S. Department of Defense accounts for almost 40% of the overall economic activity in Hampton Roads region at an estimated \$28.5 billion in FY 2023, an increase of about 5.6% increase over the 2022 level of approximately \$27.0 billion. The federal fiscal year 2023 (FFY) discretionary/base budget amount for the Department of Defense was \$797.7 billion, an increase of \$41.1 billion or 5.4% over FFY 2022 \$756.6 billion. After use of multiple continuing resolutions to provide funding in FFY 2024 under FFY 2023 funding levels to continue projects and activities of the Federal government, on March 23, 2024, Congress passed and the President signed H.R. 2882, the “Further Consolidated Appropriations Act, 2024,” which provides funding through September 30, 2024, for projects and activities of the remaining departments and agencies of the Federal Government (Defense, Financial Services and General Government, Homeland Security, Labor, Health and Human Services and Education, Legislative Branch, and State and Foreign Operations). Included in this bill is the FY 2024 defense spending bill totaling \$886 billion. The bill includes \$33.5 billion to build eight ships and allocates funds for 86 F-35 and 24 F-15EX fighter jets as well as 15 KC-46A tankers. There is also a combined \$2.1 billion for the Army’s Long-Range Hypersonic Weapon and the Navy’s Conventional Prompt Strike hypersonic weapon system. It also funds multiyear contracts to procure six critical munitions: the Naval Strike Missile, the Guided Multiple Launch Rocket System, the Patriot Advanced Capability-3, the Long-Range Anti-Ship Missile, the Joint Air-to-Surface Standoff Missile, and the Advanced Medium-Range Air-to-Air Missile (Source: *Defense News & Reuters March 23, 2024, National Association of Counties March 25, 2024*).

In conjunction with defense spending, Department of Defense defense-contract spending has a significant impact on the economy of the Commonwealth, region and City based on analysis by the Virginia Defense The City is home to various defense contracting companies including SAIC, Lockheed Martin Corporation, ADS Tactical Inc., Q.E.D. Systems, Inc., Valkyrie Enterprises, LLC, Allied Technology Group Inc., Global Technical Systems (GTS), and Northrop Grumman (Source: Virginia Beach Department of Economic Development). Based on the latest analysis by the U.S. Department of Defense, Office of Local Defense Community Cooperation report “Defense Spending by State Fiscal Year 2022,” defense

contract spending totaled \$41.98 billion in FFY 2022 for Virginia, an increase of 9.1% compared with \$38.48 billion in FFY 2021. For FFY 2022, defense contract spending totaled \$2.24 billion for Virginia Beach, an increase of 1.5% compared with \$2.21 billion in FFY 2021.

Military bases located within the City include Naval Station – Oceana and Oceana Naval Air Station Dam Neck Annex (NAS Oceana), Joint Expeditionary Base Little Creek-Fort Story (JEB), and Camp Pendleton/State Military Reservation (SMR).

NAS Oceana is the United States Navy’s East Coast Master Jet Base located on 5,916 acres with more than seven miles of runway, 250 total aircraft and buildings valued at more than \$800 million in plant and replacement value. The base supports the flight operation requirements of aircraft assigned to Commander, Strike Fighter Wing Atlantic (CSFWL), Commander, Fleet Logistics Support Wing (CFLSW), Commander, Tactical Support Wing (CTSW), and other joint and interagency aircraft. NAS Oceana is home to 17 aviation squadrons, 16 of which consist of F/A-18 Super Hornets that deploy on aircraft carriers into combat, and one fleet logistics squadron consisting of the C-40A Clipper (737 civilian equivalent) used for Navy Unique Fleet Essential Air-lift missions. The base, including Dam Neck Annex and Naval Auxiliary Landing Field Fentress, has approximately 10,500 active Navy personnel, about 10,000 family members and 4,500 civilian personnel, making NAS Oceana the second largest employer in Virginia Beach, after Joint Expeditionary Base Little Creek-Fort Story. For more details, see the website at this link, [NAS Oceana](#).

NAS Oceana Dam Neck Annex’s (see website at this link, [Dam Neck Annex](#)) primary mission is to provide training in the operation and employment of combat direction and control systems. The base is located on 1,100 acres and includes 3.2 miles of coastline along the Atlantic Ocean. Dam Neck Annex is home to 20 operational, training and support commands, and provides the highest quality, most up-to-date training in intelligence, synthetic warfare, aviation maintenance, administration and management, survival, evasion, resistance and escape training and conventional weapons training. Base personnel train 20,000 students annually in over 210 courses of instruction.

JEB (see website at this link, [JEB Little Creek-Fort Story](#)) is the primary East Coast base supporting overseas contingency operations with 130 resident commands, including 3 flag officers. JEB is the result of a merger in October 1, 2009 of the former Little Creek Naval Amphibious Base (Department of the Navy) and Fort Story (Department of the Army) under one command. This merger was the result of the National Defense Authorization Act for Fiscal Year 2002 that authorized the Department of Defense to pursue one Base Alignment and Closure (BRAC) round in 2005, which included the concept of “joint basing.” The former Little Creek Naval Amphibious Base is the Navy’s east coast major operating base for the expeditionary forces of the U.S. Atlantic Fleet comprised of 3,947 acres of land including 61 piers and 7.6 miles of beachfront and 126 training sites. JEB is transitioning from a traditional U.S. Navy amphibious mission focused facility to more of a special operations training and deployment location for the U.S. Atlantic Fleet. The former Fort Story was established as a coast artillery post in 1916. It is home to the 11th Transportation Battalion and provides an advanced joint training venue utilized by Navy, Marine Corps and Army. The joint base was recognized as an irreplaceable “National Joint Training Asset,” offering joint logistics over the shore training and a nearly full mission profile for special operations training.

State Military Reservation (SMR) is a Virginia Army National Guard facility located just south of the main resort area of Virginia Beach (see website at this link, [SMR Camp Pendleton](#)). The facility was originally laid out on approximately 400 acres in 1911 with construction beginning in 1912. The Camp Pendleton/State Military Reservation Historic District was listed on the Virginia Landmarks Register in June 2004 and on the National Register of Historic Places in September 2005 as the City’s first and only, to date, state and national register historic districts. Today, SMR occupies approximately 300 acres with an

additional 27 acres leased from the federal government. The Guard currently leases a number of the buildings, particularly the WWII barracks, to various military and civilian agencies. Camp Pendleton serves as a vital training installation for the Virginia National Guard, for personnel from all four branches of the military, both active duty and reserve, local and state first responders (e.g., Virginia Beach Police Department, Virginia Beach Fire Department, Virginia Fire Marshals Academy, and Virginia State Police), and a variety of community organizations. The 203rd REDHORSE Flight unit is a construction and repair unit for the Virginia Air National Guard that is headquartered at SMR. In addition to the 203rd RED HORSE, a number of other units are stationed at SMR and train there regularly, including the 329th Regional Support Group; 529th Combat Sustainment Support Battalion; A Troop and C Troop, 2nd Battalion, 183rd Cavalry Regiment; 1173rd Transportation Company; D Company (-), 429th Brigade Support Battalion; 576th Engineer Detachment; Recruit Sustainment Program 9; and the Virginia Defense Force. The Virginia Guard Commonwealth Challenge Youth Academy is also located on SMR.

The City of Virginia Beach remains committed to the Oceana Land Use and Conformity Program that it developed and implemented in response to the 2005 Base Realignment and Closure round to reduce encroachment surrounding NAS Oceana and reduce or eliminate the land uses deemed incompatible with the mission of NAS Oceana. The program has included a multi-pronged effort including creation of zoning/land-use laws to control development surrounding NAS Oceana; the acquisition of property containing non-conforming land uses from willing sellers within the highest accident potential zones, the acquisition of property within the flight path between NAS Oceana and NALF Fentress; and provision of economic incentives for compatible land-uses, such as relocation assistance and fee and tax rebates. From FY 2007 through FY 2014, the City and the Commonwealth of Virginia contributed a combined total of \$15 million per year, split 50/50, to this program through a capital project funded annually in the City's Capital Improvement Program. In FY 2015, the sum was reduced to a combined total of \$7.8 million. Thereafter, the state funding ceased, but the City has continued to fund the program, allocating \$2.5 million in FY 2016, \$1 million each in FY 2017 and FY 2018, \$737,602 in FY 2019 and \$1 million in FY 2020. The program has been funded from the sales and leases of acquired parcels, and through a partnership with the Navy for the sale of easements over acquired properties. The resulting program has rolled back encroachment and serves as a model program nationally for any locality grappling with encroachment and uses deemed incompatible with military installations.

In total, over \$131 million has been spent through FY 2023 to acquire non-conforming homes and businesses from willing sellers. Since inception of the program, nearly 1,800 incompatible uses have been permanently eliminated from the Clear Zones and Accident Potential Zones surrounding NAS Oceana. The City has also acquired substantial acreage in the Interfacility Traffic Area and Rural AICUZ Area. Further, through FY 2023 the Virginia Beach Development Authority has awarded \$3.2 million in Economic Development Investment Program (EDIP) grants to 44 businesses for projects under the program, leveraging more than \$62.4 million in planned new and retained private investment.

## **Environmental Resiliency - Flood Protection**

**Sea Level Rise/Recurrent Flooding Comprehensive Analysis** - Protection against flooding due to more frequent and intense storm events, sea level rise and land subsidence has become a critical issue in the Hampton Roads region and for the City. Virginia Beach, being a coastal community, is proactively assessing its vulnerability and developing strategies. The City is implementing policy and engineering measures to increase its resiliency to reduce the impacts of severe storm events along with tidal and storm surge flooding. The City's approach to resiliency incorporates a Citywide Stormwater Master Plan, the Sea Level Wise Adaptation Strategy Plan, and Water Quality Regulations.

The Citywide Stormwater Master Plan utilizes advanced computer modeling techniques to create detailed models for all 15 drainage basins in the five major watersheds in the City, namely Lynnhaven,

Oceanfront, Elizabeth River, Little Creek and Southern Rivers. The Southern Rivers watershed includes Back Bay, North Landing River, Northwest River, and Small Coastal South. Apart from assessing the storage volume and conveyance capacity, these models are also used to evaluate the stormwater infrastructure's performance, identify areas prone to flooding, analyze potential flood protection measures, and examine pollutant loadings and stormwater management facilities. The Citywide Stormwater Master Plan is designed to address rainfall and stormwater drainage issues and works in conjunction with the Sea Level Wise Adaptation Strategy Plan, which focuses on coastal hazards and future conditions.

The City's Sea Level Wise Adaptation Strategy outlines a proactive, long-term approach to enable Virginia Beach to adapt to changing environmental conditions to ensure a vibrant future. This plan is the culmination of five years of work that included input from technical experts, community participants, and regional partners to gain a full understanding of flood risk and anticipated changes that will occur over time. The plan outlines policy and engineering strategies to reduce short and long-term impacts and creates city-wide and watershed-level 'action plans' to guide strategy implementation. Furthermore, the plan aims to improve Virginia Beach's overall flood resilience by using natural mitigations to lessen the magnitude and extent of flooding events through open space nature-based features in addition to engineered solutions to prevent the passage of floodwater into inhabited areas. On June 16, 2020, City Council adopted and incorporated the Sea Level Wise Adaptation Strategy report into the City's Comprehensive Plan. The final Sea Level Wise Adaptation Strategy plan is posted on the City's website and can be found at this link, [Sea Level Wise](#).

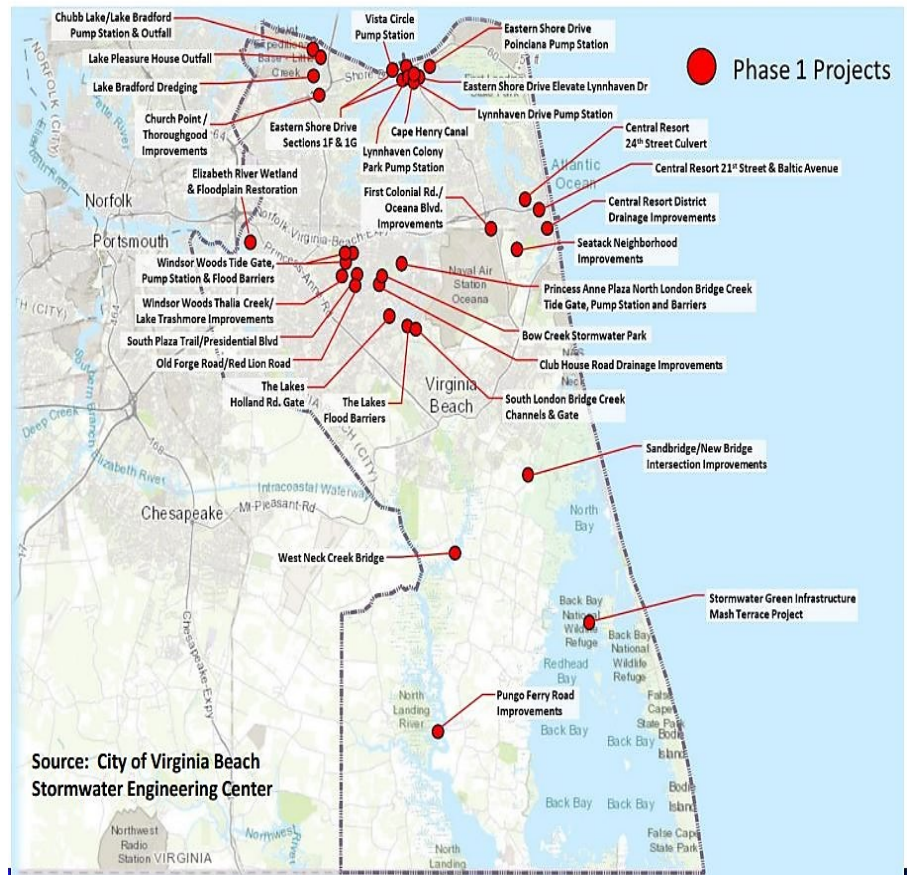
On July 21, 2022, the City signed a Federal Cost Share agreement with the US Army Corps of Engineers to complete a Coastal Storm Risk Management Study to investigate the City's risk associated with storm surge flooding, waves, and erosion. This Federal study takes information from the City's Sea Level Wise Adaptation Strategy to formulate plans to address the coastal storm risk problems through structural, nonstructural, and natural and nature-based features. The study will consider sea level change and the past, current, and future coastal storm risk management and resilience-planning initiatives and projects implemented by the City of Virginia Beach, USACE, and other federal, state, and local agencies. The study is expected to be completed in 2028.

Since 2014, the City has conducted numerous scientific studies to determine the appropriate design standards for future projects. The recently updated Public Works Design Standards contain more stringent stormwater requirements including Modeling, Increased Design Rainfall Depths, Starting Tailwater elevations, Groundwater Baseflow and Sea Level Rise. These design standards were adopted by City Council on June 16, 2020, and updated in March 2022 for incorporation into the City Code.

In FY 2020, the City developed a funding strategy using a combination of property tax increases (2.5-cents) and Stormwater Utility Equivalent Residential Unit (ERU) fee rate increases (from 45.8-cents per day to 49.3-cents per day) to fund an aggressive storm water operations and maintenance program and Capital Improvement Program (CIP). Tax and fee increases were approved by City Council in the Adopted FY 2020 Budget; however, the annual stormwater ERU rate increases originally approved for July 1, 2020 (52.8-cents per day), July 1, 2021 (56.3-cents per day), July 1, 2022 (59.8-cents per day), July 1, 2023 (63.3-cents per day) and July 1, 2024 (66.8-cents per day) were postponed until July 1, 2022 to provide relief to residents and businesses due to the impacts of COVID-19 and thereafter postponed by City Council action on November 16, 2021 until July 1, 2028 as part of commitments made related to passage in November 2021 of the Flood Protection Program referendum. Currently, Flood Protection debt service is supported by a 4.1¢ dedication of the City's real estate tax, equal to nearly \$32 million annually. The Stormwater ERU continues to fund operations and maintenance project, as well as pre-referendum debt service on flood protection projects. In addition, the City's General Fund has another 2.5¢ real estate dedication to support staffing needs for the overall program.



To build the necessary projects identified in the Stormwater CIP, on July 13, 2021, City Council approved the Flood Protection Program Bond Referendum question to be included on the ballot for the November 2, 2021, General Election. The referendum sought to gain voter approval to issue \$567.5 million in General Obligation Bonds for the design and construction of twenty-one stormwater flood mitigation projects within 10 years (shown in the map). These projects mark the initial phase of a flood protection program that will span multiple generations. According to the election data results from the Virginia Department of Elections, a vast majority of the Virginia Beach voters approved the bond referendum. Specifically, 72.7% of ballots cast (110,834) voted “yes” while 27.3% (41,669) voted “no”.



On November 16, 2021, following the passage of the Flood Protection Program Bond Referendum, City Council adopted an ordinance to freeze the Stormwater ERU fee at the current rate of 49.3¢ daily until FY 2029. In support of the Referendum, City Council dedicated 4.1¢ in real estate taxes in the FY 2023 Adopted Budget to the Flood Protection Referendum Fund to pay the debt service on General Obligation Bonds to be issued for the flood protection projects. Previously, Flood Protection projects were supported by the Stormwater Utility fee, and completion of these priority projects would have taken nearly forty years with the previous level of funding. As a result of the Referendum, the \$567.5 million bond authority will need to be spent within 10 years.

In FY 2023 a stand-alone Flood Protection CIP section was created, and it combined the twenty-one projects from the Bond Referendum into seven Master Projects to include companion projects that were already underway in the Stormwater CIP. With the establishment of a stand-alone Flood Protection CIP section, the Stormwater Utility Fund and the Stormwater CIP primarily focus on water quality projects as well as maintenance of existing infrastructure.

To augment the local resources provided for the maintenance of the stormwater system, in the fall of 2021, City Council appropriated over \$44.9 million from the American Rescue Plan Act to two Storm Water CIP projects, Lake Management and Neighborhood Rehabilitation; these funds are required to be spent by 2026 and will advance the efforts of existing city programs on recapturing stormwater capacity in detention ponds and a proactive approach of cleaning, inspecting, repairing, and restoring system capacity of existing neighborhood drainage piping systems. This infusion of funding is nearly two and a half times

more than stormwater maintenance projects receive in a typical year and will enhance maintenance for 17 lake dredging projects and approximately 60 miles of pipe cleaning for 21 neighborhoods.

The FY 2024 Flood Protection CIP section has 40 active projects and programs (21 of which are bond referendum supported projects) totaling \$761.8 million in the six-year CIP, including Appropriations to Date. Due to the Bond Referendum, there is only minimal additional funding available for the Flood Protection section in the FY 2024 CIP. However, Flood Protection projects are not immune to inflationary pressures. The City’s Public Works Department is actively seeking state and federal grant opportunities to reduce the financial burden of these projects on the local taxpayers. The City has already received more than \$40 million in grant funding from various state and federal grant programs and has applied for another \$40 million. These grants will play a critical role in the success of the program and will be leveraged to the fullest extent possible.

The current status of the 21 Bond Referendum supported projects in the Flood Protection Program CIP as of March 31, 2024 is shown below.

<u>Activity</u>	<u>Number of Projects</u>
Design Procurement	1
Design-Build Procurement	6
Preliminary Engineering	5
Under Design	7
Under Construction	2
Total Projects	21

**Beaches on Atlantic Ocean**

- **Resort Beach and North End** –The next renourishment cycle is planned for early 2025 at an estimated cost of \$20 million with the City share of \$7 million and Federal share of \$13 million.
- **Sandbridge Beach** –The next renourishment cycle is being planned for late 2025 at an estimated cost of \$33.8 million with the City share of \$11.8 million and anticipated federal contribution of \$22 million.
- **Croatan Beach** - The City completed significant dune restoration work at Croatan Beach in December 2018, which was followed by a 50,000-cubic yard beach nourishment that was included in the federal/USACE Rudee Inlet maintenance dredging performed in March 2022. Capital project 100142 Croatan Beach Restoration programs \$2.5 million in the FY 2024-FY2029 Capital Improvement Program for future sand placement as needed. A placement of 120,000 cubic yards of sand is being planned for early 2025.

**Beaches on Chesapeake Bay**

The bay beaches adjacent to the Lynnhaven Inlet, Cape Henry, and Ocean Park have been nourished multiple times using sand from the federal/USACE Lynnhaven Inlet maintenance dredging project. Bay Beaches Restoration (project 100030) provides funding for sand placement along Cape Henry and Ocean Park beaches that occurs from sources other than the Lynnhaven Inlet federal channel dredging project.

- **Cape Henry Beach** - A truck haul placing approximately 70,000 cubic yards of sand from the City’s Lynnhaven Dredged Material Management site was completed in July 2023. The next planned nourishment of Cape Henry Beach from the Lynnhaven Inlet federal channel dredging is

planned for late summer/fall of 2024 with the placement of an additional 180,000 cubic yards of sand.

- **Ocean Park Beach** – This beach was improved to a higher and wider dimension with a major beach and dune restoration project completed July 2022 in partnership with the Virginia Port Authority making use of sand mined from their Norfolk Harbor and Channels Deepening project from the Thimble Shoal Channel. The City’s cost for the Ocean Park restoration sand placement was \$6.14 million to place 400,000 cubic yards of sand along 6,000 feet of beach. This was four times more sand than has ever been placed on Ocean Park Beach. Future renourishment of Ocean Park Beach will occur from dredging of the Lynnhaven Inlet Federal channel.
- **Chesapeake Beach** – This beach is the westernmost bay beach. Its nourishment project was completed in May 2018 where over 430,000 cubic yards of sand were mined from a nearshore borrow site and placed on the beach. A project to continue maintenance of the restored Chesapeake Beach (project 100064) is fully funded at \$8.5 million in the FY 2023 Capital Improvement Program, with the next replenishment planned for late summer 2024.

### **Cyber Security – Protection of City Information Technology**

The use of electronic systems and information technologies are essential to conducting City operations and delivering services. The City strives to use best practices and has developed cyber security policies and procedures and uses various technologies to protect its data and related information technology infrastructure, prevent, respond to, and minimize impacts of cyber-attacks. Those policies and procedures are based on the National Institute of Standards and Technology’s Cyber Security Framework, which conforms to regulatory requirements involving Health Insurance Portability and Accountability, Payment Card Industry Security Standards, Virginia Government Data Collection and Dissemination Practices Act, Virginia HB 2178 Controls for Electronic Systems, and America’s Water Infrastructure Act of 2018. The City continually modernizes its information technology infrastructure and operations and currently has these initiatives underway: implemented a 24x7 security operations center, data detection and classification automation, implemented advanced O365 security features, revised firewall and remote access capabilities, implemented a modernized cyber training and phishing platform. The City has implemented a multi-data center hybrid cloud strategy utilizing newly designed software-defined data centers, public cloud platforms and the Software as a Service (SaaS) delivery model to strengthen business resilience. The City has completed a full revision and upgrade of its backup and recovery capabilities to ensure data availability and integrity are maintained at all times. The City is fortifying its remote access capabilities to ensure access is not tied to any single point of failure and includes best practices based on the Zero Trust model. The City conducted a business impact analysis across the organization to ensure all departments understand which business processes are critical to their respective operations; how they tie into the City’s overall mission; and which underlying applications and systems are needed to support those processes. Information Technology is analyzing the feedback from these activities to create a prioritized roadmap for disaster recovery and business continuity goals.

The City has a cyber security incident response team to respond to the changing threats and provide forensic capabilities. Annual audits are conducted by the State, City and third parties of various IT systems including financial, bank payment cards, criminal justice records, and health/medical records. Third party testing is performed on various City information technology systems to ensure the security of the City’s electronic systems. The City has also adopted the use of dynamic threat intelligence sources in order to ensure a broader threat base understanding and to obtain usable indicators of compromise to ensure known threats are tracked and prevented within the City’s technology landscape. Annual Information Technology security awareness training is provided to and required for all City staff members. Also, e-mail alerts and security awareness reminders are sent to all members by the City’s Information Technology Security Office



when e-mail threats are identified. The City has also invested in new technology, implementing a privileged access control system, an enterprise-wide vulnerability and risk management system, and a multi-factor authentication strategy. The City is also expanding its use of multi-factor authentication and has implemented multiple public cloud security tools to ensure the City's standard security frameworks and threat detection/prevention extend to all technology resources utilized by the City. In addition, the City has historically maintained reserve funds and a liquidity position that provide the ability to respond to potential attacks.

Despite the City's cybersecurity policies and procedures designed to protect its data and information technology infrastructure, no assurance is given that the City's security measures will prevent cyber-attacks, nor can any assurance be given that any cyber-attacks, if successful, will not have a material impact on City operations.

## **Medical Facilities**

In the Hampton Roads region, the largest provider, Sentara Healthcare, operates, seven acute-care hospitals in the region, including one of the best cardiac facilities in the world. Two of these hospitals are located within the City, Sentara Virginia Beach General and Sentara Princess Anne. It also has Sentara Independence, which is an emergency outpatient facility offering advanced imaging, laboratory services, cardiac diagnostic testing, sleep medicine, pulmonary and critical care medicine, and physical therapy. Sentara Virginia Beach General is a 273-bed acute-care facility, which specializes in heart, vascular, neuroscience, neurosurgery, orthopedics and spine care, cancer care, advanced imaging, and behavioral health. It is the region's only Level III Trauma Center; one of the region's accredited stroke centers; and home to the Sentara Heart Center. Sentara Princess Anne Hospital is a 174-bed acute care hospital offering many advanced clinical services. It specializes in orthopedic and spine care, heart, vascular, advanced imaging, gynecological, comprehensive breast care services, and family maternity with a state-of-the-art neonatal intensive care unit. It serves Southern Virginia Beach as well as neighboring Chesapeake and northeastern North Carolina communities. (Source: Sentara website: [Sentara Hospitals](#).) Other healthcare resources in the City include Virginia Beach Psychiatric Center, with 100 licensed beds; Children's Hospital of The Kings Daughters Health and Surgery Center providing various pediatric specialty outpatient services; LifeNet Health, a nonprofit-organ, procurement organization; Urology of Virginia, a Virginia Beach-based comprehensive urology care and treatment center providing general urology, reconstructive urology, women and men's services, urological oncology services, and support services including testing and physical therapy; and Steven A. Cohen Military Family Clinic at The Up Center providing mental health care to serve post 9/11 veterans and military families. The Virginia Department of Veterans Services completed building the Jones Cabacoy Veterans Care Center, a 128-bed 141,000 square-foot facility in the Princess Anne corridor of the City on a 25-acre site donated by the City adjacent to Nimmo Parkway (extended), West Neck, and N. Landing Roads, and opened in November 2023 to provide skilled nursing, Alzheimer's/memory care and short-term rehabilitation services.

## **Agribusiness**

Forty-four square miles of the City's 248 square miles of land consist of farmland and forestland. The Agribusiness sector of Virginia Beach's economy continues to grow and is one of the key industries for the City. In 2022 (latest data available) Agriculture comprised 25,897 acres of farmland in production (versus 26,407 in 2021) and over 206 farms and farm-related businesses. As of February 2024, there were 10,531 acres of production land enrolled in the City Agricultural Reserve Program (ARP) thus preserving this land for farmland preservation. The agricultural business sector is diverse including production agriculture/agronomic crops (soybeans, corn, and wheat), fruits and vegetables (over 24 different locally grown products including the area's highly regarded strawberry crop), equine, livestock, and agritourism consisting of on-farm agricultural education and programs, pick your own operations, farm to table events,

and special theme event programs. According to the latest available annual analysis by Virginia Cooperative Extension/Virginia Polytechnic Institute and State University, agriculture generated \$191.0 million in economic impact in 2022 compared with \$170.9 million in 2021. The growth in the economic impact of agricultural products in 2022 showed growth in fruits and vegetables, agritourism, Farmers Markets, and equine industry but most notably with crop commodities of corn, wheat, and soybeans. These crops produced increases in yield per acre and price per bushel. The City of Virginia Beach is home to one of the 11 Virginia Tech Agricultural Research and Extension Centers. The Hampton Roads Agricultural Research and Extension Center is located on 70 acres of land in the City conducting research and extension programs that benefit horticulture industry in Virginia. Current research areas include nursery production, landscape maintenance, pest management, small fruit production, storm water and turf grass management. The natural attraction of the farm operations, green space, and the City's Farmers Market draws tour buses from outside the region, tourist excursions, farm educational tours, and children's agricultural educational program tours. The City has a year-round farmers market that serves the community with local goods and products as well as offering community events. Agriculture continues to grow and is expected to be a sustainable long term viable economic engine for the City of Virginia Beach.

## **Education**

Available within the City is a wide variety of educational facilities (86) and programs, including public elementary (55), middle (14), high schools (11), and centers (6), ten specialized academies, private and parochial schools, and higher educational facilities. In terms of public enrollment, the City's public school system is the largest school division in the region, fourth largest city school system in the Commonwealth, 59<sup>th</sup> largest in the nation, and is one of eight divisions in the Virginia Beach – Chesapeake - Norfolk metropolitan statistical area to be 100% fully accredited without conditions. For the seventh consecutive year, all VBCPS schools are accredited without conditions, and the graduation rate has equaled or exceeded the Commonwealth of Virginia rate.

*[Remainder of page intentionally left blank]*

**PUBLIC EDUCATION FACILITIES/PROGRAMS<sup>1</sup>**  
**June 30, 2023**

55	Elementary Schools
14	Middle Schools
11	High Schools
1	Technical and Career Education Center
1	Advanced Technology Center
1	Green Run Collegiate which is a Public Charter School
1	Brickell Academy at Old Donation School <sup>2</sup>
1	Plaza Middle School Middle Years International Baccalaureate Program
1	Princess Anne High School International Baccalaureate Magnet Center
1	Bayside High School Health Sciences Academy
1	First Colonial High School Legal Studies Academy
1	Kempsville High School Entrepreneurship and Business Academy
1	Landstown High School Governor's STEM & Technology Academy
1	Salem High School Visual and Performing Arts Academy
1	Tallwood High School Global Studies and World Languages Academy
1	Ocean Lakes High School Math and Science Academy
1	Lynnhaven Middle School An Achievable Dream Academy
1	Adult Learning Center
1	Juvenile Detention Center
1	Renaissance Academy

<sup>1</sup>Note that certain items reflect programs such as the various academies that are located within existing school facilities.

<sup>2</sup>Formerly Old Donation Center and Kemps Landing Magnet.

Source: Virginia Beach City Public Schools, Office of Facilities Services, Demographics & Planning.

*Public Schools.* The City's public schools' March 31 average daily membership (ADM) totaled 63,390 for the 2022-23 school year, an increase of 0.82% compared with the same period in FY 2021-22 (62,873). Summarized below are the March 31 ADM and annual percentage change for the school year 2013-2014 to school year 2022-2023.

**PUBLIC SCHOOLS STUDENT POPULATION**  
**SCHOOL YEARS 2013-2014 TO 2022-2023**

<u>School Year</u>	<u>Number of Students</u>	<u>Percent Change</u>
2013-14	68,569	(0.07)%
2014-15	68,351	(0.32)
2015-16	67,890	(0.68)
2016-17	67,152	(1.10)
2017-18	67,091	(0.09)
2018-19	66,593	(0.74)
2019-20	66,714	0.18
2020-21	63,452	(4.89)
2021-22	62,873	(0.91)
2022-23	63,390	0.82

Source: Virginia Beach City Public Schools, Office of Facilities Services, Demographics & Planning.

*Private and Parochial Schools.* According to the U.S. Department of Education, National Center for Education Statistics/Institute of Education Sciences, there are 65 private schools in the City of Virginia Beach. Approximately 8,300 students are enrolled in these schools. (Sources: Virginia Beach City Public Schools, Office of Facilities Services, Demographics & Planning, <http://nces.ed.gov/globallocator/>; [www.vais.org](http://www.vais.org); <http://www.vcpe.org/>)

## **Higher Education**

Virginia Beach has a number of higher education facilities that provide a wide variety of degree and certificate programs to support the area's rapidly expanding private-sector IT core. Also, the area's higher education system and research facilities produce highly qualified candidates with skills specific to the bio and life sciences and maritime sectors. Virginia Beach's higher educational resources include the Old Dominion University/Norfolk State University-Virginia Beach Higher Education Center, Virginia Wesleyan University, Tidewater Community College, the Advanced Technology Center, and Regent University. Virginia Beach is also home to branch campuses of Advanced Technology Institute, Bryant & Stratton College, Centura College, ECPI University Medical Centers Institute College of Health Science, South University, Southern Illinois University, Embry-Riddle Aeronautical University: Oceana, Southeastern University at WAVE Leadership College, University of Virginia Hampton Roads Center/School of Continuing and Professional Studies at Tidewater Community College, and Virginia Polytechnic Institute's Agricultural and Extension Center. Town Center area is the location for three additional branch campuses: The Art Institute of Virginia Beach, a branch of the Art Institute of Atlanta, Hampton University's The College of Virginia Beach, Old Dominion University/Institute of Data Science, and Strayer University. (Source: <https://virginiabeach.gov/services/learning/colleges-universities-trade-schools>)

*Tidewater Community College (TCC)*, is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award the associate degree. Tidewater Community College also may offer credentials such as certificates and diplomas at approved degree levels. TCC had an annual enrollment of 23,435 in School Year 2022-23 students over four main campuses and five regional centers, is a division of the Virginia Community College System ("VCCS") and the second largest of 23 colleges in the VCCS. The Virginia Beach campus is the College's largest campus with 13 buildings including the Advanced Technology Center, Joint-Use Library and the Regional Health Professions Center. The Virginia Beach campus had an enrollment in 2022-23 of approximately 14,539 students. TCC offers the first two years of university parallel instruction and over 50 programs in 9 career pathways. TCC is Hampton Road's largest provider of higher education and workforce development services and a resource for business and industry to gain technical employees, as well as expertise for training and retraining programs for current employees. TCC is a part of the Community College Workforce Cooperative (CCWC), a regional partnership, designed to meet the job training needs of the region's major industries and businesses. TCC's Regional Health Professions Center (RHPC) is located on the Virginia Beach Campus in a 65,000 square-foot, three story facility, which opened in 2011. It provides clinical learning in simulated medical settings including hospital, lab, paramedic and doctor's office environment. The 120,000 square-foot \$43 million Joint Use Library, built by TCC and the City of Virginia Beach, opened in August 2013. The 89,000 square-foot Student Center opened in January 2014. It includes a Welcome & Information Center, Barnes and Noble bookstore, a fitness center, a gym, a study lounge and other services for students, staff and guests. TCC also hosts ODU's Institute for Learning in Retirement (ILR).

(Source: <https://www.tcc.edu/about-tcc/oie/research-statistics/>, <https://www.tcc.edu/about-tcc/oie/factbook/>, <https://www.tcc.edu/programs/career-pathways/>, <https://www.tcc.edu/campus-life/virginia-beach>, <https://www.tcc.edu/campus-life/about-students>, <https://news.tcc.edu/tcc-part-of-new-community-college-workforce-cooperative/>)

Virginia Wesleyan University is a four-year liberal arts private college located on the Virginia Beach/Norfolk boundary line. It was chartered in 1961 and founded by the United Methodist Church. Virginia Wesleyan University is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award associate, baccalaureate, and masters degrees. It has a total enrollment in 2023-24 of approximately 4,325 students (1,600 undergraduates, 125 graduates and 2,600 VWU Global Campus). There is approximately 39 majors in the undergraduate program including Criminal Justice, Foreign Languages and Literatures, and Mathematics and Computer Science. Three graduate programs are offered in Business Administration and Education. Virginia Wesleyan has partnered with ed2go to offer career training programs for in-demand occupations, such as arts & design, business, computer applications, computer science, information technology, health and fitness, hospitality, languages, construction and trades, and more. According to the Virginia Wesleyan University Magazine (special edition winter 2024, Annual Report 2022-23), Virginia Wesleyan University and the Virginia Museum of Contemporary Art (Virginia MOCA) have entered into a historic partnership for the construction of a state-of-the-art facility to be built on the University's Virginia Beach campus that will replace Virginia MOCA's facility near the Virginia Beach oceanfront. Initial planning is underway with ground-breaking expected by August 2024, construction completion by end of 2025 and opening in early 2026. The new building will serve as a cultural landmark for the region, a vibrant gathering place where people can experience contemporary art in deeper and more interdisciplinary ways. The central location of the VWU campus makes Virginia MOCA even more accessible, allowing the museum to better connect with the cultural and educational fabric of the Hampton Roads area. (Source: <https://www.vwu.edu/academics/>, <https://www.vwu.edu/about/pdfs/university-profile2023.pdf>, <https://careertraining.ed2go.com/vwu/>, <https://www.vwu.edu/about/annual-reports.php>)

Regent University, incorporated as CBN University in 1977 and holds numerous accreditations from organizations including the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) and the Council for Higher Education Accreditation (CHEA). Specialty accreditations include American Bar Association (ABA), Council for Accreditation of Counseling and Related Education Programs (CACREP), American Psychological Association (APA), The Commission on Collegiate Nursing Education (CCNE), Commission of the Council for the Accreditation of Educator Preparation (CAEP), Accreditation Council for Business Schools and Programs (ACBSP) and Association of Theological Schools (ATS). The University has an enrollment of approximately 11,000 and offers more than 150 accredited areas of study. It awards bachelor's, master's, and doctoral degrees and ten fields including Arts & Communication, Business & Leadership, Divinity & Theology, Education, General Studies, Government & History, Law, Nursing & Healthcare, Psychology & Counseling, and Science, Technology, Engineering & Math. (Source: [www.regent.edu](http://www.regent.edu), <https://www.regent.edu/academic-degrees/>, <https://nces.ed.gov/collegenavigator/?q=regent+university>, <https://www.regent.edu/about-regent/frequently-asked-questions-faq/>)

The Virginia Beach Higher Education Center opened in 1999 through a partnership of the City of Virginia Beach, Old Dominion University (ODU) and Norfolk State University (NSU). This partnership continues today among the City of Virginia Beach, Old Dominion University, Norfolk State University and Tidewater Community College. The Center also hosts the Virginia Tidewater Consortium for Higher Education. ODU is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award baccalaureate, masters, education specialist, and doctoral degrees. It is affiliated with 34 specialized programmatic accreditations, councils, or professional societies, which signifies the quality and rigor of our academic programs. At the Higher Education Center, ODU offers undergraduate degrees in Communication, Psychology, Teacher Preparation, Accounting, Nursing, Information Sciences & Technology, Industrial Technology, and more. Master's degrees include Instructional Design & Technology, Accounting, Engineering Management, Nurse Anesthesia, and more. Certificate and Licensure programs available include Engineering Management, Homeland Security, Public Administration and Policy, and more. NSU is accredited by the Southern Association of Colleges and

Schools Commission on Colleges to award associate, baccalaureate, master's, and doctorate degrees. At the Higher Education Center, NSU offers Certificate Courses in Medical Billing and Coding, Phlebotomy Technician, Pharmacy Technician, as well as Continuing Education Units, Credit classes in many subjects, and a Master's in Criminal Justice. (Source: <https://www.odu.edu/vabeach>, <https://www.odu.edu/virginia-beach/academics>, <https://www.nsu.edu/vbhec/programs-and-courses>)

The Advanced Technology Center (ATC) is a special Commonwealth of Virginia state/city partnership of Tidewater Community College, Virginia Beach Public Schools, and the City of Virginia Beach that opened in 2002. The state provided \$10 million and contributed the land. The City of Virginia Beach provided \$12.5 million in funding. The ATC offers three strands of curriculum: Information Technology, and Computer Sciences, Digital Design & Marketing and Architecture, Engineering & Manufacturing. Through its partnership with the Virginia Beach Department of Economic Development, the ATC offers industry certified training for high school, college and continuing education students in areas that include, but are not limited to: Training and development, high performance manufacturing, telecommunications, cyber security, web design, network administration and infrastructure, computer hardware and software development, and naval architecture and ocean engineering. On May 19, 2021, the U.S Department of Transportation's Maritime Administration named TCC a Center of Excellence for Domestic Maritime Workforce Training. This training, along with the Virginia Beach Public School's Workforce Readiness Program, ensures that Virginia Beach students have the skills that employers are looking for in today's fast paced and tech savvy marketplace. ATC has a state-of-the-art theater for conferences, teleconferences, satellite broadcasts, webcasts, meetings, and training sessions. (Source: <https://advancedtechnologycenter.vbschools.com/school/programs>, <https://news.tcc.edu/tcc-designated-as-center-of-excellence-for-domestic-maritime-workforce-training-and-education/>)

## **SECTION FOUR: CITY INDEBTEDNESS AND CAPITAL PLAN**

### **Limitations on Incurrence of Debt**

Pursuant to the Constitution of Virginia (the "Constitution") and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, a city in Virginia is authorized to issue bonds and notes secured by a pledge of its full faith and credit and unlimited taxing power. The Constitution and the Public Finance Act of 1991 also limit the indebtedness which may be incurred by cities to 10 percent of the assessed valuation of real estate subject to local taxation. There is no requirement in the Constitution or the Code of Virginia that the issuance of general obligation bonds of the City be subject to approval of the qualified voters of the City at referendum.

As of June 30, 2023, the total assessed value of real property (including Public Service property of \$1,190,111,242) for the City was \$70,872,209,076, which translates into a general obligation debt limit of \$7,087,220,908. The City's net obligations subject to debt limitations as of June 30, 2023, totaled \$552,965,034 and represented 7.8% of this limit.

The City Charter further limits the City's power to issue debt. It provides that no bonds or notes (other than refunding bonds, revenue anticipation notes, revenue bonds, and other obligations excluded from the City's debt limit under Section 10(a) of Article VII of the Constitution) shall be issued until their issuance has been authorized by a majority of the qualified voters of the City voting in an election on the question. The City Charter further provides, however, that the City Council may authorize bonds or notes without an election in any calendar year in such amounts as shall not increase the total indebtedness of the City, as determined in the manner set forth in Section 10(a) of Article VII of the Constitution, by more than \$10,000,000 above the amount of such indebtedness at the beginning of such calendar year.

For purposes of computing the annual limitation on the amount of bonds or other obligations that may be issued without an election, authorized and unissued bonds or other obligations which could have been issued without an election on December 31 in the year they were authorized may be issued in a subsequent year without affecting the annual limitation for such subsequent year. In addition, refunding bonds shall not be included for purposes of determining the amount of bonds or other obligations that may be issued without an election in any calendar year. Contractual obligations of the City other than bonds and notes are not included with the annual limitations described herein.

## **Debt Management Policies**

The City has developed a series of Debt Management Policies to provide a functional tool for debt management and capital planning. The policies reiterate the City's commitment to principles such as rapid principal retirement, maintaining sufficient working capital to avoid the use of short-term borrowing for operating purposes, and the use of self-supporting or revenue-supported debt where appropriate. The policies also establish the following not to exceed levels for these key debt ratios:

***Overall Net Debt to Estimated Full Market Value.*** This ratio indicates the relationship between the City's debt and the taxable value of property in the City. It is an important indicator of the City's ability to repay its tax-supported debt, since property taxes are a major revenue source. A small ratio indicates that the City will be better able to withstand economic downturns. It is the City's policy that the computed value of this ratio should not exceed 3.0 percent of estimated full market value.

***Annual Debt Service to General Government Expenditures.*** This ratio measures the City's ability to repay debt without hampering other City services. A small ratio indicates a lesser burden on the City's operating budget. This computation presently has a guideline of 10 percent.

***Fixed Costs to General Government Expenditures.*** This indicator measures the percentage of the percentage of tax-supported debt and leases plus annual pension and OPEB (Other Post-Employment Benefits) costs. Increasing fixed costs reduces expenditure flexibility for other operating needs. This metric was adopted by City Council in February 2023. The Ratio of Fixed Costs to General Government Expenditures may not exceed 20%.

***Ten-Year Payout of Tax-Supported Debt.*** This indicator measures the amount of tax-supported principal repaid over the following ten fiscal years via a ratio that divides the amount of tax-supported principal repaid over the following ten fiscal years divided by total tax-supported principal outstanding. By using rapid debt retirement, the City is minimizing its borrowing costs/interest paid on outstanding debt. This metric was adopted by City Council in February 2023. The Ratio of Ten-Year Payout shall remain above 50%.

In addition, the City staff monitors the **Assessed Value Per Capita**. This ratio reflects the strength of the City's tax base and the City's ability to finance tax-supported debt. The table below entitled **Key Debt Ratios** includes the computed value of this debt load indicator.

The City's debt load ratios are evaluated periodically and are appropriately adjusted over time, taking into account the City's prospective debt issuances and the expectations and comparative standards of both the nationally recognized rating agencies and the financial community. The City's Financial Advisor recommended that the City update and enhance its existing debt-related financial policy to bring it in line with current national credit rating practices. Specifically, the advisor recommended removing Net Debt Per Capita and Net Debt to Per Capita Income and adding a ratio for Fixed Costs to General Government Expenditures and Ten-Year Payout metric. The Rating Agencies place an increasing amount of emphasis on total liabilities (i.e., fixed costs of a local government). As such, they incorporate long-term

debt, leases, annual pension costs and other OPEB costs in their review of a local government's credit rating. The Fixed Cost policy addresses this broad focus on fixed costs of a local government. The addition of a Ten-Year Payout ratio ensures that the principal amount of tax-supported debt is paid down in a responsible manner. On February 7, 2023 City Council adopted a resolution to update the debt policies based on the advisor's recommendations. While the City's general obligation debt load may exceed the City's debt load ratios from time to time, the City anticipates that its actual debt load ratios generally will fall within the City's debt load targets over time.

*[Remainder of page intentionally left blank]*



**KEY DEBT RATIOS**  
**Fiscal Year Ended June 30**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Overall Net Debt <sup>(1)</sup>	\$932,108,470	\$839,994,436	\$998,738,934	\$907,606,804	\$902,626,370	\$802,638,472
Net Debt Per Capita <sup>(2)</sup>	\$2,056	\$1,856	\$2,174	\$1,975	\$1,971	-
Net Debt to Estimated Full Market Value <sup>(3)</sup>	1.7%	1.4%	1.7%	1.5%	1.4%	1.2%
Ratio of Per Capita Debt to Per Capita Income <sup>(4)</sup>	3.8%	3.3%	3.6%	3.1%	3.0%	-
Ratio of Annual Debt Service to General Government Expenditures <sup>(5)</sup>	7.7%	7.8%	7.7%	7.8%	7.3%	6.8%
Fixed Costs to General Government Expenditures <sup>(6)</sup>	-	-	-	-	-	15.0%
Ten-Year Payout of Tax-Supported Debt <sup>(6)</sup>	-	-	-	-	-	77.1%
Assessed Value Per Capita <sup>(7)</sup>	\$124,331	\$128,144	\$133,423	\$136,111	\$141,790	\$155,631

- (1) Includes debt as described in the following “Overall Net Debt Table.” Does not include debt charged to the Water and Sewer or Storm Water Enterprise Funds or Agriculture Reserve Program. Also, excludes premiums related to the debt.
- (2) For calculation of Net Debt per Capita, FY 2022 population is based on the estimate for July 1, 2021 from Weldon Cooper Center for Public Service. FY 2021 and FY 2020 population estimates are based on the April 1, 2020 Decennial Census Count estimate. In addition, Net Debt Per Capita excludes Revenue Bonds, Agriculture Reserve, and premiums.
- (3) Real property is assessed at 100 percent of fair market value.
- (4) For calculation of Debt Per Capita to Debt per Capita Personal Income, the per Capita Personal income information is per the U.S. Department of Commerce, Bureau of Economic Analysis including revisions made to older years.
- (5) Ratios based on gross tax-supported debt services.
- (6) New debt indicators adopted by City Council February 2023 (Fixed Costs to General Government Expenditures and Ten-Year Payout of Tax-Supported Debt) replaced obsolete debt indicators (Net Debt Per Capita and Per Capita Debt to Per Capita Personal Income).
- (7) Assessed values of real property are as of June 30<sup>th</sup> each year and include Public Service Corporations. The FY 2023 total is \$70,872,209 and includes a Public Service Corporations’ amount of \$1,190,111,242.

Source: City Department of Finance and City Financial Statements.

*[Remainder of page intentionally left blank]*

## Outstanding Debt

Information on the City’s indebtedness is presented in the following tables. Included is information on overall net debt, selected debt service schedules on General Obligation bonds and Overall Net Debt, rapidity of principal retirement, and information on other types of debt.

### OVERALL NET DEBT As of May 1, 2024 (unaudited)

General Obligation Bonds .....	\$460,259,234	
Public Facility Revenue Bonds <sup>(1)</sup> .....	262,035,000	
Water and Sewer Revenue Bonds <sup>(2)</sup> .....	175,680,000	
Storm Water Revenue Bonds <sup>(3)</sup> .....	125,745,000	
Agriculture Reserve Program Installment Purchase Agreements <sup>(4)</sup> .....	45,326,448	\$1,069,045,682
Plus: 2024A & 2024B (Flood Mitigation) General Obligation Bonds and 2024C General Obligation Refunding Bonds expected to be issued June 4, 2024 .....		
Less: Water and Sewer Revenue Bonds <sup>(2)</sup> .....	\$175,680,000	
Storm Water Revenue Bonds <sup>(3)</sup> .....	125,745,000	
Agriculture Reserve Installment Purchase Agreements <sup>(4)</sup> .....	45,326,448	\$346,751,448
Overall Net Debt and Long-Term Obligations		\$722,294,234

- (1) Includes 2012A Public Facility Revenue Bonds, 2013A Public Facility Revenue Bonds, 2014A & 2014B Public Facility Revenue and Refunding Bonds, 2015A & 2015B Public Facility Revenue and Refunding Bonds, 2016A & 2016B Public Facility Revenue and Refunding Bonds, 2018A Public Facility Revenue Bonds, and 2020A & 2020B Public Facility Revenue and Refunding Bonds issued through the Virginia Beach Development Authority as limited obligations of the Authority, payable solely from payments made by the City. These obligations are described in the section “VBDA Appropriation-Based Debt” herein.
- (2) Water and sewer revenue bonds are not secured by a pledge of the City’s full faith and credit and unlimited taxing power. These bonds are secured solely by the net revenues of the water and sewer system.
- (3) Storm water revenue bonds are not secured by a pledge of the City’s full faith and credit and unlimited taxing power. These bonds are secured solely by the net revenues of the storm water utility system.
- (4) Represents installment purchase agreements, which are general obligations of the City. Interest and principal payments are paid from a dedicated portion of real estate taxes. Principal payments will be made from maturing zero coupon Treasury securities purchased from the dedicated portion of real estate taxes. These obligations are described in the section “Agricultural Reserve Program” herein.

Source: City Department of Finance.

*[Remainder of page intentionally left blank]*

## GENERAL OBLIGATION DEBT

As of May 1, 2024 (unaudited)

FISCAL YEAR	OUTSTANDING GENERAL OBLIGATION DEBT SERVICE <sup>(1)</sup>			PLUS: SERIES 2024A, 2024B & 2024C BONDS		LESS: REFUNDED DEBT SERVICE		TOTAL OUTSTANDING GENERAL OBLIGATION DEBT SERVICE		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2024	\$4,590,000.00	\$1,138,881.25	\$5,728,881.25	\$	\$	\$	\$	\$4,590,000.00	\$1,138,881.25	\$5,728,881.25
2025	53,235,117.15	18,236,421.12	71,471,538.27					53,235,117.15	18,236,421.12	71,471,538.27
2026	50,171,103.27	15,703,233.40	65,874,336.67					50,171,103.27	15,703,223.40	65,874,336.67
2027	45,875,665.51	13,346,082.41	59,221,747.92					45,875,665.51	13,346,082.41	59,221,747.92
2028	41,859,718.99	11,001,146.50	52,860,865.49					41,859,718.99	11,001,146.50	52,860,865.49
2029	37,683,814.44	9,221,213.38	46,905,027.82					37,683,814.44	9,221,213.38	46,905,027.82
2030	34,048,814.29	7,521,156.82	41,569,971.11					34,048,814.29	7,521,156.82	41,569,971.11
2031	31,040,000.00	6,027,500.00	37,067,500.00					31,040,000.00	6,027,500.00	37,067,500.00
2032	26,425,000.00	4,846,687.50	31,271,687.50					26,425,000.00	4,846,687.50	31,271,687.50
2033	23,730,000.00	3,842,812.50	27,572,812.50					23,730,000.00	3,842,812.50	27,572,812.50
2034	23,730,000.00	2,998,062.50	26,728,062.50					23,730,000.00	2,998,062.50	26,728,062.50
2035	18,290,000.00	2,217,056.26	20,507,056.26					18,290,000.00	2,217,056.26	20,507,056.26
2036	15,725,000.00	1,675,337.50	17,400,337.50					15,725,000.00	1,675,337.50	17,400,337.50
2037	12,660,000.00	1,239,281.26	13,899,281.26					12,660,000.00	1,239,281.26	13,899,281.26
2038	12,660,000.00	895,175.00	13,555,175.00					12,660,000.00	895,175.00	13,555,175.00
2039	9,525,000.00	547,150.00	10,072,150.00					9,525,000.00	547,150.00	10,072,150.00
2040	9,525,000.00	308,850.00	9,833,850.00					9,525,000.00	308,850.00	9,833,850.00
2041	4,745,000.00	142,250.00	4,887,250.00					4,745,000.00	142,250.00	4,887,250.00
2042	4,740,000.00	47,400.00	4,787,400.00					4,740,000.00	47,400.00	4,787,400.00
Totals	<u>\$460,259,233.65</u>	<u>\$100,955,697.40</u>	<u>\$561,214,931.05</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$460,259,233.65</u>	<u>\$100,955,697.40</u>	<u>\$561,214,931.05</u>

Source: City Department of Finance

(1) Debt service on Qualified School Construction Bonds issued pursuant to the American Recovery and Reinvestment Act (ARRA) are presented at gross, which does not reflect the federal government interest subsidies.

**OVERALL NET DEBT**  
**As of May 1, 2024 (unaudited)**

FISCAL YEAR	TOTAL OUTSTANDING GENERAL OBLIGATION DEBT SERVICE <sup>(1)</sup>			PLUS: DEVELOPMENT AUTHORITY DEBT SERVICE		OVERALL NET DEBT		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2024	\$4,590,000.00	\$1,138,881.25	\$5,728,881.25	\$9,370,000.00	\$1,276,340.63	\$13,960,000.00	\$2,415,221.88	\$16,375,221.88
2025	53,235,117.15	18,236,421.12	71,471,538.27	30,475,000.00	9,593,081.26	83,710,117.15	27,829,502.38	111,539,619.53
2026	50,171,103.27	15,703,233.40	65,874,336.67	24,070,000.00	8,175,706.26	74,241,103.27	23,878,939.66	98,120,042.93
2027	45,875,665.51	13,346,082.41	59,221,747.92	23,080,000.00	7,073,106.26	68,955,665.51	20,419,188.67	89,374,854.18
2028	41,859,718.99	11,001,146.50	52,860,865.49	22,705,000.00	6,106,200.02	64,564,718.99	17,107,346.52	81,672,065.51
2029	37,683,814.44	9,221,213.38	46,905,027.82	16,175,000.00	5,248,550.02	53,858,814.44	14,469,763.40	68,328,577.84
2030	34,048,814.29	7,521,126.82	41,569,971.11	16,050,000.00	4,532,162.52	50,098,814.29	12,053,319.34	62,152,133.63
2031	31,040,000.00	6,027,500.00	37,067,500.00	16,050,000.00	3,859,081.26	47,090,000.00	9,886,581.26	56,976,581.26
2032	26,425,000.00	4,846,687.50	31,271,687.50	16,050,000.00	3,254,281.26	42,475,000.00	8,100,968.76	50,575,968.76
2033	23,730,000.00	3,842,812.50	27,572,812.50	16,055,000.00	2,648,331.26	39,785,000.00	6,491,143.76	46,276,143.76
2034	23,730,000.00	2,998,062.50	26,728,062.50	14,080,000.00	2,061,562.50	37,810,000.00	5,059,625.00	42,869,625.00
2035	18,290,000.00	2,217,056.26	20,507,056.26	12,125,000.00	1,530,275.00	30,415,000.00	3,747,331.26	34,162,331.26
2036	15,725,000.00	1,675,337.50	17,400,337.50	10,185,000.00	1,148,975.00	25,910,000.00	2,824,312.50	28,734,312.50
2037	12,660,000.00	1,239,281.26	13,899,281.26	10,185,000.00	838,925.00	22,845,000.00	2,078,206.26	24,923,206.26
2038	12,660,000.00	895,175.00	13,555,175.00	9,260,000.00	542,750.00	21,920,000.00	1,437,925.00	23,357,925.00
2039	9,525,000.00	547,150.00	10,072,150.00	8,060,000.00	342,550.00	17,585,000.00	889,700.00	18,474,700.00
2040	9,525,000.00	308,850.00	9,833,850.00	8,060,000.00	171,275.00	17,585,000.00	480,125.00	18,065,125.00
2041	4,745,000.00	142,250.00	4,887,250.00	0.00	0.00	4,745,000.00	142,250.00	4,887,250.00
2042	4,740,000.00	47,400.00	4,787,400.00	0.00	0.00	4,740,000.00	47,400.00	4,787,400.00
Totals	\$460,259,233.65	\$100,955,697.40	\$561,214,931.05	\$262,035,000.00	\$58,403,153.25	\$722,294,233.65	\$159,358,850.65	\$881,653,084.30

Source: City Department of Finance

<sup>(1)</sup> Excludes the General Obligation Bonds, Series 2024A & 2024B and General Obligation Refunding Bonds, Series 2024C anticipated to be issued on June 4, 2024.

### Authorized but Unissued Bonds

As of May 1, 2024, the City has authorized but unissued \$926,950,326 of General Obligation Bonds, \$206,876,984 of Revenue Bonds, and \$507,389,659 of Public Facility Revenue Bonds, all totaling \$1,641,216,969 of authorized but unissued debt as shown in the table below. This includes amounts authorized by City Council on May 9, 2023 in the Adopted FY 2024 Capital Improvement Program and does not reflect the deduction for the General Obligation Bonds, Series 2024 anticipated to be issued on June 4, 2024.

<u>Purpose</u>	<u>Unissued Amount</u>	<u>Security</u>	<u>Authorization</u>	
			<u>Year</u>	<u>Manner</u>
Public Improvement	\$ 62,460,057	General Obligation	2023	Council
Public Improvement	69,107,404	General Obligation	2022	Council
Public Improvement	61,678,775	General Obligation	2021 <sup>1</sup>	Council
Public Improvement	567,500,000	General Obligation	2021 <sup>1</sup>	Council
Public Improvement	69,741,841	General Obligation	2020	Council
Public Improvement	65,332,867	General Obligation	2019	Council
Public Improvement	<u>31,129,382</u>	General Obligation	2018	Council
Total General Obligation Bonds	\$926,950,326			
Water and Sewer	\$26,030,000	Revenue	2023	Council
Water and Sewer	22,597,430	Revenue	2022	Council
Water and Sewer	9,993,368	Revenue	2021	Council
Water and Sewer	1,318,515	Revenue	2020	Council
Water and Sewer	14,373,971	Revenue	2019	Council
Water and Sewer	<u>7,082,666</u>	Revenue	2015	Council
Total Water and Sewer Bonds	\$81,395,950			
Storm Water Utility	\$ 6,399,140	Revenue	2023	Council
Storm Water Utility	2,177,367	Revenue	2022	Council
Storm Water Utility	50,545,315	Revenue	2021	Council
Storm Water Utility	34,708,495	Revenue	2020	Council
Storm Water Utility	25,000,000	Revenue	2019	Council
Storm Water Utility	<u>6,650,717</u>	Revenue	2018	Council
Total Storm Water Utility Bonds	\$125,481,034			
Total Revenue Bonds	\$206,876,984			
<u>Appropriation-Supported Debt:</u>				
Public Facility Revenue Bonds	<u>\$507,389,659</u>	Appropriation	Various	Council
Total Authorized but Unissued Debt as of May 1, 2024	<u>\$1,641,216,969</u>			

<sup>1</sup>. The authorized but unissued 2021 Charter Bonds include \$61,678,775 authorized by City Council May 11, 2021, and \$567,500,000 authorized by City Council on November 16, 2021 for twenty-one flood protection projects in the Flood Protection Program approved in a General Election Referendum by voters, with more than 72% voting in the affirmative on November 2, 2021.

Source: City Department of Finance.

**RAPIDITY OF PRINCIPAL RETIREMENT  
ALL GENERAL OBLIGATION BONDS<sup>(1)(2)</sup>  
May 1, 2024 (unaudited)**

**RAPIDITY OF PRINCIPAL RETIREMENT  
ALL OVERALL NET DEBT<sup>(2)</sup>  
May 1, 2024 (unaudited)**

<b>Maturing Within</b>	<b>Amount Maturing</b>	<b>Percentage of Total Debt Outstanding</b>	<b>Maturing Within</b>	<b>Amount Maturing</b>	<b>Percentage of Total Debt Outstanding</b>
5 years	\$195,731,605	42.53%	5 years	\$305,431,605	42.29%
10 years	348,659,234	75.75	10 years	538,739,234	74.59
15 years	431,724,234	93.80	15 years	677,639,234	93.82
20 years	460,259,234	100.00	20 years	722,294,234	100.00

Source: City Department of Finance.

<sup>(1)</sup> Does not include appropriation-based indebtedness.

<sup>(2)</sup> Excludes the General Obligation Bonds, Series 2024A & 2024B and General Obligation Refunding Bonds, Series 2024C anticipated to be issued on June 4, 2024.

**Water and Sewer System Debt**

Pursuant to Article VII, Sec. 10(a)(3) of the Constitution of Virginia, the City has issued water and sewer revenue bonds which are secured solely by the net revenues of the water and sewer system. As of May 1, 2024, \$175,680,000 of these bonds were outstanding.

**Storm Water Utility System Debt**

Pursuant to Article VII, Sec. 10(a)(3) of the Constitution of Virginia, the City has issued storm water utility revenue bonds which are secured solely by the net revenues of the storm water utility system. As of May 1, 2024, \$125,745,000 of these bonds were outstanding.

It is the City’s policy to service all debt issued for storm water purposes by revenues from the storm water utility system.

**Virginia Beach Development Authority Appropriation Based Debt**

On several occasions the Virginia Beach City Council has requested that the Authority finance various public facilities in the City pursuant to Chapter 643 of the Virginia Acts of Assembly of 1964. To meet the City’s Financing Plans, the Authority has issued several series of bonds and refunding bonds for the City’s benefit. The City’s obligation to make payments under the Authority bonds is subject to the annual appropriation of funds for such purpose by the City Council and is not general obligation debt of the City. The following paragraphs describe these bond issues.

On June 20, 2012 the Authority issued \$22,580,000 Public Facility Revenue Bonds, Series 2012A to finance various capital improvements. The bonds are limited obligations of the Authority payable solely from payments made by the City pursuant to a Support Agreement between the Authority and the City. Principal outstanding on these bonds as of May 1, 2024 was \$9,495,000.

On June 19, 2013 the Authority issued \$20,960,000 Public Facility Revenue Bonds, Series 2013A to finance various capital improvements. The bonds are limited obligations of the Authority payable solely from payments made by the City pursuant to a Support Agreement between the Authority and the City. Principal outstanding on these bonds as of May 1, 2024 was \$9,455,000.

On June 18, 2014 the Authority issued \$44,975,000 Public Facility Revenue Bonds, Series 2014A to finance the Block 11 Garage and various capital improvements, and \$20,320,000 Public Facility Refunding Revenue Bonds, Series 2014B to achieve debt service savings on the 2005A Public Facility Revenue Bonds. These bonds are limited obligations of the Authority payable solely from payments made by the City pursuant to a Support Agreement between the Authority and the City. Principal outstanding on these bonds as of May 1, 2024 was \$33,305,000.

On June 25, 2015 the Authority issued \$48,245,000 Public Facility Revenue Bonds, Series 2015A to finance various road projects and the remainder of the Bow Creek Recreation Center; and to continue the financing of the Kemps Landing/Old Donation Center replacement; and \$34,885,000 Public Facility Refunding Revenue Bonds Series 2015B to achieve debt service savings on the 2007A Public Facility Revenue Bonds. These bonds are limited obligations of the Authority payable solely from payments made by the City pursuant to a Support Agreement between the Authority and the City. Principal outstanding on these bonds as of May 1, 2024 was \$43,250,000.

On November 3, 2016 the Authority issued \$21,225,000 Public Facility Revenue Bonds, Series 2016A to finance the modernization of the John B. Dey Elementary School, the Housing Resource Center, and various road projects; and \$7,880,000 Public Facility Refunding Revenue Bonds Series 2016B to achieve debt service savings on the taxable 2005B and taxable 2007B Public Facility Revenue Refunding Bonds. These bonds are limited obligations of the Authority payable solely from payments made by the City pursuant to a Support Agreement between the Authority and the City. Principal outstanding on these bonds as of June 30, 2021 was \$14,900,000.

On March 28, 2018 the Authority issued \$33,395,000 Public Facility Revenue Bonds, Series 2018A to finance the modernization of John B. Dey Elementary School, replacement of Thoroughgood Elementary and Princess Anne Middle Schools, Adam Thoroughgood House Visitor Center Construction, various road projects, replacement of the Police Fourth Precinct, City and School energy performance contracts, replacement Revenue Assessment and Collection system, and the public infrastructure for Town Center, Phase VI. These bonds are limited obligations of the Authority payable solely from payments made by the City pursuant to a Support Agreement between the Authority and the City. Principal outstanding on these bonds as of May 1, 2024 was \$19,350,000.

On June 17, 2020, the Authority issued \$158,960,000 Public Facility Revenue Bonds, Series 2020A to finance the replacement of the City Hall Building, construction of the Virginia Beach Sports Center and related parking, modernization of John B. Dey Elementary School, replacement of Thoroughgood Elementary and Princess Anne Middle Schools, construction of various road projects, renovations to various buildings, replacement of the Police Fourth Precinct, and School energy performance contracts. These bonds are limited obligations of the Authority payable solely from payments made by the City pursuant to a Support Agreement between the Authority and the City. Principal outstanding on these bonds as of May 1, 2024 was \$132,280,000.

The following table summarizes the debt issued by the Authority, the payment of which is subject to annual appropriation by the City Council:

<u>Bond Issue</u>	<u>Purpose</u>	<u>Amount Outstanding May 1, 2024</u>
2020A Public Facility Revenue	Various Capital Improvements, Schools, City Hall Building and Virginia Beach Sports Center	\$132,280,000
2018A Public Facility Revenue	Various Capital Improvements and Town Center Phase VI	19,350,000
2016A Public Facility Revenue	Various Capital Improvements	12,375,000
2016B Public Facility Refunding Revenue	Refunding Convention Center, Open Space, Garages & Town Center	2,525,000
2015A Public Facility Revenue	Various Capital Improvements	21,265,000
2015B Public Facility Refunding Revenue	Refunding of Convention Center, Sandler Center, etc.	21,985,000
2014A Public Facility Revenue	Garage and Various Capital Improvements	22,225,000
2014B Public Facility Refunding Revenue	Refunding of Convention Center, Open Space, Garages, etc.	11,080,000
2013A Public Facility Revenue	Various Capital Improvements	9,455,000
2012A Public Facility Revenue	Various Capital Improvements	<u>9,495,000</u>
	Total	\$262,035,000

Source: City Department of Finance, unaudited

### **Agricultural Reserve Program**

On May 9, 1995, City Council adopted an ordinance establishing the Agricultural Reserve Program (“ARP”). The primary purpose of the ordinance is to promote and encourage the preservation of farmland in the rural southern portion of the City. Through ARP, the City acquires development rights in designated areas within the southern portion of the City through the purchase of agricultural land preservation easements. Landowners who meet certain eligibility criteria may sell an easement to the City while holding fee simple title to the land and continuing to farm. The City acquires these development rights by executing installment purchase agreements with the landowners.

These agreements provide for the payment of the principal balance of the agreement in a single installment due approximately twenty-five years after execution of the agreement. Interest on the unpaid principal balance is payable semiannually. On May 9, 1995, the City Council originally dedicated a one and one-half cent increase in the real estate tax to finance the program; on May 11, 2004, the City Council reduced this amount to one cent; and on May 9, 2006, the City Council reduced this amount to nine tenths of one cent; on May 12, 2015, the City Council reduced this amount to 56 one-hundredths of one cent; and on May 9, 2017, the City Council increased this amount to nine tenths of one cent to preserve property in the Transition Area of the City and other Agricultural Reserve Program costs. On May 15, 2018 with the adoption of the FY 2019 Capital Improvement Program, the City Council expanded the use of excess ARP funds, \$990,000 annually, to provide cash funding for storm water capital projects benefiting the southern portion of the City until FY 2045.

These obligations constitute indebtedness within the meaning of Article VII, Section 10 of the Virginia Constitution and will be general obligations of the City, pledging the full faith and credit and unlimited taxing power of the City. By policy, interest and principal payments will be paid from a dedicated



portion of real estate taxes. Principal payments will be made from maturing zero coupon Treasury securities purchased using funds provided by the dedicated portion of real estate taxes; the term to maturity is 25 years.

As of February 2024, 106 installment purchase agreements totaling approximately 10,531 acres at a total purchase price of \$55,333,306 had been executed. As of May 1, 2024, principal outstanding for installment purchase agreements was \$45,326,448.

### **Overlapping Debt**

The City is autonomous from any county, town, or other political subdivision. Currently, there are no overlapping jurisdictions with debt outstanding for which City residents are liable.

### **Short-term Borrowing**

The City does not borrow on a short-term basis for working capital purposes. The City's policy is to maintain the General Fund cash balance at a level that provides sufficient cash flow for working capital purposes.

### **Payment Record**

The City has never defaulted in the payment of either principal or interest on any indebtedness.

### **Impact of Future Economic Development on City Debt**

Over a number of years, the City has developed a strategy for the development and redevelopment of certain areas in the City that will be a critical element of the City's future economic vitality. Targeted areas include the further development of the oceanfront to complement the convention center. The use of public private partnerships is a critical piece in these potential economic development projects. The public portion of any yet unnamed projects could involve additional debt not yet identified in the City's Capital Improvement Program.

### **Comprehensive Plan**

The City of Virginia Beach Comprehensive Plan, *It's Our Future: A Choice City*, was adopted on May 17, 2016. *It's Our Future: A Choice City* (2016) builds on the strength of the previous Comprehensive Plan, *It's Our Future* (2009), yet updates it to reflect new state planning mandates, changed conditions within our community, and important priority issues that our citizens and the Planning Commission wanted to address. Since the merger between Princess Anne County and the City of Virginia Beach in 1963, our City leaders have made strategic choices over the past several decades based on recommendations within the Comprehensive Plan, which have provided infrastructure improvements and new opportunities for citizens and visitors and has resulted in the City staking its claim as a "World Class Resort" or a "Choice City." Looking ahead to the Year 2040, the Comprehensive Plan update seeks to guide the City toward becoming a resilient city, with careful attention to planning for mitigation and adaptation measures for sea level rise and recurrent flooding in response to the Virginia General Assembly instruction to all local governments in Hampton Roads during the 2015 Session. This Comprehensive Plan identifies planning projections for both the short-term (0-5 years) for municipal planning needs and the long-term (20-25 years) for infrastructure planning and design needs.

There are a number of key planning policies embodied in the City's Comprehensive Plan that include urban and rural growth management strategies, such as the Green Line and Strategic Growth Area

(SGA) components, economic development opportunities (Strategic Economic Growth Areas (SEGAs), multimodal transportation systems that include transit, public facility improvements, environmental stewardship and resiliency, housing opportunities, neighborhood preservation, historic resource management and community design guidelines. By adopting these provisions of the Comprehensive Plan, the City has committed itself to advancing sound planning policies to achieve continued physical and fiscal viability for the next 25-year period leading to the Year 2040. This is accomplished, in part, by creating a fair and workable balance between the supply of public service delivery systems and the demand placed on those systems by existing and future land uses, utilizing the primary enabling tool in Virginia for implementing local comprehensive plans—the Capital Improvement Program (CIP).

The comprehensive planning policies of the City were designed to achieve enhanced and manageable land development throughout our urban, suburban and rural areas. There are 8 Strategic Growth Areas (SGA) defined in the 2016 Comprehensive Plan and it is intended that over 50 percent of the City's future growth will be directed within these SGAs. These carefully defined areas were planned to advance the transformation of existing suburban patterns of development into a coherent set of high quality and environmentally sound mixed-use urban centers. In addition, the current Comprehensive Plan recognizes that adequate urban facilities and services need to be focused on serving future growth in these SGA's thereby recommending higher density development, greater intensity of activities, services and entertainment within a walkable distance, increasing multimodal transportation options, and expanding the City's taxable revenue base all while not compromising the reasonable levels of service to be provided in other areas of the City. By preventing future sprawl through the designation of SGAs for appropriate urban development, the City avoids net negative fiscal impacts for related capital and operating expenses that are too often linked to such development patterns. Two SGAs, Burton Station and the Resort Area, were updated in 2018 and 2020, respectively, and adopted by reference into the current Comp Plan. It is important to note that our Comprehensive Plan policies also recognize the need to preserve our stable residential neighborhoods in the Suburban Area from decline and a range of initiatives have been and will be established to further this objective. Having the SGAs also ensures the long-term preservation of the City's Rural Area, which is an economic engine for the City and a way of life for many citizens. Preservation of the Rural Area from growth pressures provide benefits to all of our citizens as well as visitors, as pick your own and other farm related businesses draw residents and visitors, alike, throughout the growing seasons into the southern part of our city to take advantage of its crop production bounty.

The Comprehensive Plan outlines land use and other planning policies for the Princess Anne Commons & Transition Area. These planning areas are located between the more urbanized region of the City to the north of the Green Line and the rural areas to the south. The Interfacility Traffic Area (ITA) is within Princess Anne Commons and was created as a result of the Base Realignment and Closure Process (BRAC) agreement in 2005 as the fly-zone boundary between NAS Oceana in Virginia Beach and NALF Fentress in Chesapeake. The Princess Anne Commons & Transition Area are important components of the City's overall land use planning and economic development strategy. It is not the intent of the Comprehensive Plan for Princess Anne Commons or the Transition Area to become part of the urban area north of the Green Line, nor is it intended that the Transition Area be limited to the very low densities appropriate for rural growth. The policies of the Comprehensive Plan were designed to ensure that this continues to be a well-planned area. In addition to the municipal center and courthouse complex, the Princess Anne Commons planning area comprises an impressive array of uses that define it as a special destination within the Hampton Roads Metropolitan Area. It includes a world class amphitheater, higher education institutions, medical facilities, sports centers and major parklands, among other recreational and open space-related activities. An update to the approved and adopted ITA Vicinity Master Plan was approved by City Council in December 2017. The plan update was timely due to the recent City purchase of thousands of acres in the ITA area. Key components of the plan include the establishment of a BioMedical Research Park, now known as Innovation Park, new land for city department operations use and ample active and passive recreational areas. The Transition Area includes many well-planned

neighborhoods with considerable open space and protection of key environmental resources, such as our expansive West Neck Creek Park. The Transition Area Design Guidelines, an adopted by reference document approved in 2015, provide guidelines for designing low density residential areas and complimentary, neighborhood serving non-residential uses that include recommendations on open space requirements, trail and pathway network connection, and architectural design guidance.

The southern third of the city is rural and this Comprehensive Plan provides a set of policies to balance agricultural viability and environmental protection with very limited well managed residential and nonresidential growth. For example, the Rural Preservation element of the Comprehensive Plan and the Agricultural Reserve Program, adopted by City Council in 1995, are major tools to promote the preservation of farmland and the rural way of life. The southern part of the City also is home to many state and federal lands that are essential to the green infrastructure of the City, such as Back Bay Wildlife Refuge. The Comprehensive Plan intends to maintain the preservation of both agricultural and environmental protected lands for citizens, visitors, and wildlife to enjoy for years to come.

A series of special Comprehensive Plan amendments, along with many related ordinances and process improvements were established as part of our Oceana Land Use Conformity Program. These actions occurred between 2005 and 2009 and provide complementary land use planning direction between the City and the Navy that allow us to achieve a balance between the city's responsibility to conduct land use planning decision making with the Navy's responsibility to ensure optimal military readiness, again, in part due to the BRAC agreement in 2005. The overall land use planning guidance cited in the Comprehensive Plan, along with the strong public demand to live and work in Virginia Beach, will ensure continued well-planned growth in Virginia Beach into the foreseeable future.

The Virginia Beach Comprehensive Plan is a dynamic instrument and City Council periodically reviews, enhances and amends the Plan when appropriate. Since the adoption of the 2016 Comprehensive Plan, City Council has adopted ten amendments. Major amendments are as follows:

- Virginia Beach Outdoors Plan (2016)
- Historic Seatack Suburban Focus Area (2016)
- Interfacility Traffic Area and Vicinity Master Plan Update (2017)
- Oceanfront Plans and Guidelines (2017)
- Burton Station Strategic Growth Area Plan Update (2018)
- Sea Level Wise (2020)
- Resort Area Strategic Action Plan (2020)
- Active Transportation Plan (2021)
- Resort Area Mobility Plan (2023)
- Commercial Area Pattern Book (2023)
- Flood Resiliency Toolkit (2023)
- Historic Plan Preservation (2023)

Since 1971, the City Council periodically revises and updates the City's Master Transportation Plan (MTP), as needed, to address, in a comprehensive fashion, the need for an efficient, cost effective and multimodal transportation system. This policy document, which is a component of the Comprehensive Plan, establishes transportation planning policies for Virginia Beach, and provides planning guidance for bikeways, scenic easements, and other similar features related to the City's major roadway system. The MTP in the 2009 Comprehensive Plan places greater emphasis on multimodal systems, especially mass transit modes to help provide alternative mobility consistent with the planning goals related to our Strategic Growth Areas. It was amended in 2010 to include the Major Street Network Ultimate Rights of Way and, again, in 2011 to incorporate an update of the City's Bikeways and Trails Master Plan. Decisions affecting

the implementation of land use and transportation policies are based, in large measure, upon the guidance provided in the City's Comprehensive Plan and Master Transportation Plan.

This multimodal focus was continued with the 2016 Comprehensive Plan update and emerging mobility technologies (e.g., Intelligent Transportation Systems (ITS) and Alternative Transportation Choices such as Uber, Lyft, and Self Driving Vehicles) were added to plan to acknowledge the rapidly mobility patterns and lifestyle choices. Providing multimodal transportation choices to citizens and visitors continues to remain a high priority, as well as environmental stewardship, including responsiveness to storm water management. Creating a more connected community through enhancing public transit, building more sidewalks, and building an extensive system of multiuse trails for nonvehicular travel and ensuring safe pedestrian connections were also identified by the citizens as a top priority. The Active Transportation Plan, originally adopted in 2011 and updated in 2021, is the blueprint for achieving greater nonmotorized connectivity, along with the City's new 'Complete Streets' Policy and Administrative Directive, adopted in 2014. As a result of the City's planning and implementation efforts, Virginia Beach was named a "Bicycle Friendly Community" at the Bronze Level by the League of American Bicyclists in 2015.

The 2009 MTP's Primary Roadway Network Plan was also modeled to validate the need for the improvements shown on the plan or make lane call adjustments. The need for the proposed Southeastern Parkway and Greenbelt, which has long been a fixture on the MTP, was modelled by Old Dominion University's (ODU) Center for Innovative Transportation Studies and the Virginia Modeling and Simulation Study. ODU used "build/no-build" scenarios in consideration of the local roadway network to determine if the project need remains and if the project is feasible with or without tolls. Findings and recommendations were presented to the City Council for a future decision, which may result in an amendment to the MTP.

*It's Our Future: A Choice City* (2016) also aligns with the City Council endorsed vision document for 2040, *Envision Virginia Beach 2040* and *A Community Plan for Sustainable Future (2013) – the City's landmark Sustainability Plan*. However, the Sustainability Plan is not an adopted document within the Comprehensive Plan.

The City Council has continuously demonstrated its commitment to implementation of the Comprehensive Plan via both its Operating and Capital Budgets, and its Capital Improvement Program, focusing on the public initiative recommendations contained in these various plans. Implementation has occurred through preparation of amendments to development ordinances and other necessary steps to realize full implementation of these plans in so far as city government can affect change. It is the City's intention to provide appropriate incentives through adopted policies to encourage the private sector and other community organizations to partner with the City to realize plan goals.

The Update of the 2016 Comprehensive Plan began in 2019 with a public survey and development of an existing conditions story map and a second survey in 2022. The revision currently underway will reflect a shared vision for the future and is organized according to "Themes," "Place Types" and "Big Ideas." Themes were born out of discussions with residents about their values and priorities for the community – such as balanced growth and environmental sustainability. Place types are areas of the city categorized by land use and development – such as "Neighborhoods" and "Countryside." "Big Ideas" are a means to implement each of the "Themes" across the City's Various Place Types and emerged from conversations with City residents during focus group sessions. Upon its completion, the Comp Plan will translate the "Themes" and "Big Ideas" into specific strategies and policy recommendations designed to make the plan's vision for the future a reality.

## SECTION FIVE: FINANCIAL INFORMATION

All of the City’s and School Board Component Unit Governmental Funds and Custodial Funds (assets and liabilities) are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting (except for the Custodial Funds which are accounted for using the economic resources measurement focus and the full accrual basis or accounting). Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The term available is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year-end but, which are not available, are recorded as unearned. Expenditures are recorded when the related fund liability is incurred, if measurable (except for unmatured interest on general long-term debt which is recognized when due and paid).

The following is a list of the major revenue sources which meet the “susceptible to accrual” criteria.

General Property Taxes	Interest on Deposits and Investments
General Sales Tax	Revenue from Commonwealth
Utility Taxes	Revenue from Federal Government
Hotel Taxes	Amusement Taxes
Restaurant Taxes	

All City and School Board Component Unit Proprietary Funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Unbilled Water and Sewer, Storm Water, and Waste Management Enterprise Funds accounts receivable for utility services provided through June 30 are included in the financial statements. The City operates on a July 1 through June 30 Fiscal Year.

### **City of Virginia Beach Development Authority**

The Virginia Beach Development Authority initially was established for the purposes of attracting new industries and the expansion of existing industries. Over time, the Authority’s powers have been expanded and include the power to undertake financings for the City. In addition, the Authority is authorized to issue industrial development bonds after approval by the City Council and to purchase land to improve and sell for development. These bonds do not constitute indebtedness of the City but are secured solely by revenues from the organization on whose behalf the bonds were issued. In addition, the Authority is authorized to purchase land to improve and sell for development. The Authority’s Commissioners are appointed by City Council. The City does not have legal title to any of the Authority’s assets, nor does it have a right to the Authority’s surpluses. However, in accordance with Governmental Accounting Standards Board Statements 14 and 61, the Authority is being presented as a blended component unit.

### **Hampton Roads Transportation District Commission**

The City’s financial statements include its share of the operating cost of the regional mass transit operations of the Hampton Roads Transportation District Commission. For FY 2023, the City’s share of operating costs was \$8,218,350 and has budgeted \$8,669,484 in FY 2024, and \$9,103,688 in the Proposed Budget for FY 2025.

## City Financial Statements

In the governmentwide Statement of Net Position, both the governmental and business type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, and economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The program revenues must be directly associated with the function (public safety, public works, etc.) or a business type activity. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds:

Major governmental funds are:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the City of Virginia Beach School Board. The General Fund also includes the Flood Protection Referendum sub-fund which is used to account for collections and disbursements of the dedicated tax revenues.

The **Capital Projects Fund** is used to account for the financial resources for the acquisition or construction of major capital facilities within the City.

Major proprietary funds are:

The **Water and Sewer Fund** provides water service and sanitary sewer waste collection and transmission services to Virginia Beach citizens and accounts for operations that are financed in a manner similar to private business enterprises.

The **Storm Water Fund** accounts for the activities of the Storm Water Utility which charges a fee for operational and capital needs for Storm Water management in the City.

The **Waste Management Fund** provides services to our residents for collection, management and disposal of solid waste, recyclable materials, and other refuse. In addition, the fund is responsible for the operation of the City's landfill.

The **Development Authority Fund** was established for the purpose of attracting new industries and the expansion of existing industries. These services are financed through fees for Industrial Revenue Bonds and other sources.

Additionally, the City reports the following fund types:

**Special Revenue Funds** account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities.

**Internal Service Funds** account for the financing of goods and services provided to other departments and agencies of the City or to other governmental units on a cost reimbursement basis.

**Debt Service Fund** accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Parking Enterprise Fund** accounts for revenues derived from the operations of the Parking Systems Management Office, which manages the operation of parking lots at numerous locations. The primary revenue streams collected by the Parking Fund are residential parking permit fees, parking ticket fees, and charges for services at the City's garages or parking meters.

**Fiduciary Funds** are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental units.

### **Investment Policies and Practices**

The City of Virginia Beach, as a political subdivision of the Commonwealth, is limited to investments permitted by the Code of Virginia of 1950, as amended. In addition, various bond resolutions and a City Council-adopted investment policy further restrict the types of allowable investment activities. The City's investment practices are generally described in Note 9 of the City's financial statements, included in Appendix A hereto.

The City Treasurer is responsible for the investment of City funds. The City Treasurer invests the City's funds using internal active management, with external trustees and trust funds taking possession of applicable investments. Within the state permitted guidelines and the adopted investment policy, the City Treasurer limits the City's investments to the State Treasurer's Local Government Investment Pool, VACo/VML Virginia Investment Pool, collateralized certificates of deposit, repurchase agreements, prime quality commercial paper, short-term corporate securities and prime quality "fed eligible" bankers' acceptances. The City does not invest in "derivative" securities, utilize reverse repurchase agreements, nor otherwise leverage its investment portfolio. The City matches the maturity of its investments to cash flow needs to assure cash availability as necessary.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for Fiscal Year 2022 and has submitted an application for this award for Fiscal Year 2023. This reflects the 44th time that the City has achieved this prestigious award over many years. To be awarded a Certificate of Achievement, a government must publish an efficiently organized ACFR, providing full disclosure and transparency. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City believes its FY 2023 ACFR continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate. In addition, the City received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) for its Popular Annual Financial Report for fiscal year ended June 30, 2022 for a 5th consecutive time. Likewise, the City will submit the FY 2023 PAFR to the GFOA for consideration.

The City was also awarded the Certificate of Achievement for Distinguished Budget Presentation from the GFOA for its Fiscal Year 2024 budget. This reflects the 37th time the City has achieved this prestigious award over many years. To receive this award, a governmental unit must publish a budget

document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device. Budget documents must be rated “proficient” in all four categories, and in the fourteen mandatory criteria within those categories, to receive the award. The award is valid for a period of one year only.

## **Budgetary Process**

The City Charter requires the City Manager to submit a balanced, Proposed Operating Budget to the City Council at least 90 days before the beginning of each fiscal year which starts July 1. Each department of the City prepares its own budget request for review by the City Manager. The City Council is required to hold a public hearing on the budget, at which time all interested persons have an opportunity to comment. If the Proposed Operating Budget is not legally adopted by the City Council by June 1, the Operating Budget submitted by the City Manager will have full force and effect as if it had been adopted by the City Council.

The budget for Virginia Beach City Public Schools (VBCPS) is approved by the School Board, transmitted to the City Manager for review, and then submitted to the City Council for consideration as part of the City’s general Operating Budget. If the School Board determines that additional funding is needed, the School Board Chairman makes a formal written request to the City Council, and the School Board holds a public hearing on the issue.

The City Manager is authorized to transfer appropriations up to a maximum of \$250,000. Transfers in excess of \$250,000 require City Council approval, except during a declared emergency. Transfers from \$25,000 to \$250,000 are reported to City Council on a monthly basis. Additional appropriations must be offset by additional estimated revenues and/or an appropriation from the proper undesignated fund balance and require a public hearing if the amount of the additional appropriation exceeds one percent of the total revenue in the approved budget.

Unexpended appropriations (except for the Capital Projects and Grants Funds) lapse and are closed to the proper fund balance at the end of each fiscal year. The appropriation for the subsequent fiscal year is increased by the amount necessary to satisfy the outstanding encumbrances at June 30 of each fiscal year.

The Operating Budget includes a portion of the funding for the Capital Improvement Program (CIP). General appropriations used to finance capital projects are shown both in the operating budget and in the CIP. The Department of Budget and Management Services annually prepares a six-year CIP. Because activities of capital projects often go beyond a fiscal year period, the accounting, encumbering, and controlling of the funds are based upon the length of project activities. Similarly, federal and state grants in the Grants and Grants Consolidated Funds are budgeted separately from the Operating Budget, because these revenues/appropriations do not necessarily align with the City’s fiscal year.

Each capital lease obligation has a subject to appropriation clause which generally states that each fiscal year’s lease payments are subject to appropriation by City Council. These capital lease appropriations are offset by an equal amount of revenue (other financing sources).

## **Audited Financial Results for Fiscal Year 2023**

On December 12, 2023, the City Manager presented to City Council audited financial results for Fiscal Year 2023 for the City’s major funds.

The City’s governmental funds reported combined ending fund balances of \$678.1 million, an 11.9% decrease compared to the prior year’s fund balance.



Governmental funds show increases in property tax revenues of \$53.7 million primarily due to an increase of 9.3% for real estate assessed values. There was a decrease of 3.4% in personal property tax assessed values as a result of increased exonerations. The real estate tax rate remained at \$.99 per \$100 of assessed valuation as did the personal property tax rate, which remained at \$4.00 per \$100 of assessed valuation.

General Fund revenues totaled \$1,384.6 million, which is \$15.4 million over budget. General property taxes and other local taxes came in under budget by \$6.2 million and \$4.4 million, respectively. Actual City department expenditures were \$86.3 million less than budget. Departments with notable savings include Public Works (\$11.8 million), Debt Service (\$7.7 million), Cultural Affairs (\$2.6 million), Human Services (\$2.0 million), and Planning (\$2.1 million). Reservations against fund balance totaling \$146.0 million were established for non-spendable items (\$9.5 million), such as inventories and loans receivable and for restricted, committed or assigned items (\$136.5 million), such as capital projects, education, grants, and School reversion.

The final unassigned General Fund Balance at June 30, 2023 was \$196.1 million or 13.9% of subsequent year's revenues, an amount meeting and exceeding the City Council policy of 8-to-12%.

The tables that follow contain audited results for the Fiscal Year ending June 30, 2023.

### FY 2023 General Government Revenues

In Fiscal Year 2023, tax revenues accounted for 73.5 percent of general governmental revenue, State assistance 13.2 percent, federal sources 5.9 percent, and other sources 7.4 percent.

The following table shows the City's Fiscal Year 2022 and 2023 actual revenues by source.

### General Governmental Revenues Fiscal Year 2023 and 2022 Revenues by Source

Source	FY 2023		FY 2022		Increase (Decrease) from 2022	
	Amount <u>(millions)</u>	Percent <u>of Total</u>	Amount <u>(millions)</u>	Percent <u>of Total</u>	Amount <u>(millions)</u>	Percent <u>Change</u>
Local Sources:						
General Property Tax	\$823.4	50.6%	\$769.7	49.7%	\$53.7	7.0%
Other Local Taxes	373.4	22.9	367.1	23.7	6.3	1.7
Fines and Forfeitures	1.3	0.1	-	-	1.3	100.0
Permits, Privilege Fees, and Regulatory Licenses	9.5	0.6	8.1	0.5	1.4	17.3
From Use of Money and Property	25.2	1.5	5.6	0.4	19.6	350.0
Charges for Services	75.2	4.6	72.1	4.7	3.1	4.3
Miscellaneous	<u>9.2</u>	<u>0.6</u>	<u>15.8</u>	<u>1.0</u>	<u>(6.6)</u>	<u>(41.8)</u>
Total Local	1,317.2	80.9	1,238.4	80.0	78.8	6.4
From Commonwealth	214.6	13.2	201.8	13.0	12.8	6.3
From Federal Government	<u>95.4</u>	<u>5.9</u>	<u>108.7</u>	<u>7.0</u>	<u>(13.3)</u>	<u>(12.2)</u>
Total Revenues	<u>\$1,627.2</u>	<u>100.0%</u>	<u>\$1,548.9</u>	<u>100.0%</u>	<u>\$78.3</u>	<u>5.1%</u>

Source: City Department of Finance.

## FY 2023 Operating Data

*Ad valorem* property taxes and other local taxes contributed 50.6 and 22.9 percent, respectively, of the City’s Governmental Funds revenues in Fiscal Year 2023. The City levies an *ad valorem* tax on the assessed value of real and personal property located within the City. Other local taxes include: (1) a one percent local sales tax (collected by the state and remitted to the City); (2) a tax on consumer utility bills of 20 percent each for gas, electric, water, and telephone on bills up to \$15 per month for residential classes and 15 percent on the first \$625 per month and 5 percent on the amount between \$625 and \$2,000 for industrial and commercial classes; (3) a cigarette tax of 75 cents per pack; (4) property transfer recordation taxes; (5) an automobile license fee; (6) various business, professional and occupational taxes; (7) an eight percent hotel room tax; (8) a restaurant meal tax of five and one half percent; (9) an amusement tax of 10 percent on gross admissions for certain events; and (10) a flat rate of \$2.00 added to hotel room charges to fund the Tourism Investment and Advertising Programs to finance projects in the Resort area.

The following table shows the City’s principal tax revenues by source for each of the last ten fiscal years. Growth in real property taxes and total tax revenues has averaged 4.1% and 4.0%, respectively, over the past ten years.

### PRINCIPAL TAX REVENUES BY SOURCE FISCAL YEARS 2014 THROUGH 2023

Fiscal Year	Real Property Taxes	Personal Property Taxes <sup>1</sup>	General Sales Tax	Utility Tax	Restaurant Meal Tax	Other Taxes	Total Tax Revenue <sup>2</sup>
2014	\$464,439,667	\$132,091,190	\$56,431,418	\$44,050,182	\$56,872,794	\$114,548,325	\$868,433,576
2015	481,774,192	144,311,503	58,164,569	43,308,157	59,968,375	119,831,673	907,358,469
2016	526,451,909	149,343,550	61,099,407	42,658,906	63,437,485	122,395,718	965,386,975
2017	544,302,460	153,488,073	62,614,614	44,829,994	65,207,699	125,846,026	996,288,866
2018	567,573,017	161,536,265	63,511,403	49,832,408	66,264,685	126,236,359	1,034,954,137
2019	586,407,784	159,441,951	65,851,817	47,636,484	69,278,652	126,280,403	1,054,897,091
2020	603,119,216	166,140,950	67,855,536	45,584,479	60,561,741	124,110,581	1,067,372,503
2021	631,547,267	176,265,881	78,732,948	45,536,508	65,572,967	139,738,177	1,137,393,748
2022	633,156,847	189,957,779	87,383,198	45,707,678	85,941,096	148,037,567	1,190,184,166
2023	683,138,841	193,664,198	89,501,992	40,543,327	92,035,336	151,323,719	1,250,207,416

Source: City Department of Finance

<sup>1</sup> Includes personal property tax revenue reimbursed to the City by the Commonwealth of Virginia under the Personal Property Tax Relief Act (PPTRA) of 1998. This amount has remained constant at \$53,412,868 since FY 2012.

<sup>2</sup> Includes penalty & interest (\$10 minimum) on delinquent collections.

An annual *ad valorem* tax is levied by the City on the assessed value of real property subject to taxation within the City as of July 1. The City assesses real property at 100 percent of its fair market value (with the exception of public service properties which are assessed by the State Corporation Commission). Real property taxes are due on December 5 and June 5 of the fiscal year in which they are levied. A penalty of ten percent of the tax owed or \$10, whichever is greater, along with interest. Interest is accrued at 0.80% of the outstanding balance each month for the first 12 months, then at 0.70% each month thereafter, until the bill is paid in full.

A portion of tangible personal property located within the City is also assessed an annual *ad valorem* tax. The assessed value of personal property is 100 percent of appraised value. Personal property taxes are due June 5, and delinquent payments are subject to the same penalties as described above for real property.

The following table sets forth the assessed value of all taxable property in the City for the last ten fiscal years. The assessed value of real and personal property in the City at June 30, 2023, was \$77,784,710,777 including personal property, and public service real and personal property.

**HISTORICAL ASSESSED VALUE  
FISCAL YEARS 2014 THROUGH 2023**

<b>Fiscal Year</b>	<b>Real Property Assessed Value<sup>1</sup></b>	<b>Percentage Change from Prior Year</b>	<b>Personal Property Assessed Value</b>	<b>Percentage Change from Prior Year</b>	<b>Public Service Property Assessed Value<sup>2</sup></b>	<b>Percentage Change from Prior Year</b>	<b>Total Assessed Value</b>	<b>Percentage Change from Prior Year</b>
2014	\$48,737,614,190	(0.23)%	\$4,334,018,923	1.98%	\$889,050,800	(4.39)%	\$53,960,683,913	(0.13)%
2015	50,577,279,180	3.77	4,569,833,578	5.44	875,496,571	(1.52)	56,022,609,329	3.82
2016	52,016,374,504	2.85	4,582,059,618	0.27	895,479,945	2.28	57,493,914,067	2.63
2017	53,840,546,037	3.51	4,692,383,356	2.41	945,094,380	5.54	59,478,023,773	3.45
2018	55,520,701,233	3.12	4,786,765,849	2.01	983,607,868	4.08	61,291,074,950	3.05
2019	57,299,357,619	3.20	5,647,066,916	17.97	1,020,179,772	3.72	63,966,604,307	4.37
2020	59,349,419,535	3.58	5,596,703,821	(0.89)	1,046,921,797	2.62	65,993,045,153	3.17
2021	61,431,537,591	3.51	5,896,556,470	5.36	1,111,754,367	6.19	68,439,848,428	3.71
2022	63,816,499,892	3.88	7,150,279,805	21.26	1,131,096,865	1.74	72,097,876,562	5.34
2023	69,682,097,834	9.19	6,908,616,693	(3.38)	1,193,996,250	5.56	77,784,710,777	7.89

Source: Commissioner of Revenue, Real Estate Assessor’s Office and City Department of Finance.

<sup>1</sup> Real property is assessed at 100% of fair market value.

<sup>2</sup> Includes both real estate and personal property assessment. All public service property is taxed at the real estate tax rate, except for vehicles.

The City is required to levy taxes on the assessed value of real and personal property without limit as to the rate or amount to the extent necessary to pay principal of and interest on its general obligation bonds. The following table sets forth the City’s tax rates and tax levies on real property for Fiscal Years 2014 through 2023.

**PROPERTY TAX RATES AND CHANGE IN TAX LEVY  
FISCAL YEARS 2014 THROUGH 2023**

<b>Fiscal Year</b>	<b>Tax Rate on Real Property<sup>1</sup></b>	<b>Real Property Tax Levy</b>	<b>Annual Change in Tax Levy</b>
2014	\$0.9300	\$446,015,531	(2.46)%
2015	0.9300	463,184,807	3.85
2016	0.9900	510,528,757	10.22
2017	0.9900	528,410,384	3.50
2018	1.0025	551,883,966	4.44
2019	1.0025	570,105,091	3.30
2020	1.0175	596,677,843	4.66
2021	1.0175	616,188,945	3.27
2022	0.9900	621,125,929	0.80
2023	0.9900	673,307,081	8.40

Source: Real Estate Assessor’s Office and City Department of Finance.

<sup>1</sup> Tax rate per \$100 of assessed value.

The following table sets forth information concerning the City’s property tax collection rate for each of its ten most recent fiscal years.

**CITY OF VIRGINIA BEACH, VIRGINIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
Fiscal Years 2014 through 2023**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2014	\$527,036,431	\$509,339,982	96.6%	\$16,193,709	\$525,533,691	99.7%
2015	558,420,893	537,056,367	96.2	18,365,505	555,421,872	99.5
2016	613,105,892	589,411,524	96.1	18,629,325	608,040,849	99.2
2017	634,993,466	609,085,906	95.9	19,983,532	629,069,438	99.1
2018	662,272,634	636,789,707	96.2	22,187,597	658,977,304	99.5
2019	688,073,333	638,348,095	92.8	23,473,695	661,821,790	96.2
2020	722,621,429	631,762,062	87.4	66,091,985	697,854,047	96.6
2021	783,423,955	687,116,605	87.7	46,812,549	733,929,154	93.7
2022	788,255,076	707,907,083	89.8	31,713,848	739,620,931	93.8
2023	861,007,212	755,199,729	87.7	0	755,199,729	87.7

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Source: City Department of Finance.

Note: Collections in subsequent years represent delinquent accounts collected during the fiscal year for all prior fiscal years.

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**CITY OF VIRGINIA BEACH  
PRINCIPAL TAXPAYERS  
FISCAL YEAR ENDING JUNE 30, 2023  
(Unaudited)**

	<b>Taxpayer</b>	<b>Business Type</b>	<b>Real Property Assessed Value</b>
1	Armada Hoffer	Office/ Apartments/ Hotel/ Retail/ Restaurant/ Bank/ Shopping Centers/ University/ Parking Garage/ Vacant Land/ Single Family Residence	\$593,275,500
2	Ramon W. Breeden, Jr.	Apartments/ Shopping Center/ Fast-Food/ Restaurant/ Office/ Vacant Land/Single Family Residence	587,046,300
3	Dominion Energy, Inc. <sup>1</sup>	Utility	536,630,228
4	A.D. & L.E. Fleder & J.M. & R.J. Caplan	Shopping Centers/ Retail/ Bank/ Fast Food/ Shopping Centers/ Office / Apartments/ Condominium/ Warehouse/ Vacant Residential Land	379,743,600
5	E. C. & A. F. Ruffin & B. L. Thompson	Hotels/ Apartments/ Shopping Center/ Retail/ Restaurant/ Beach Club/ Laundry Plant/ Offices/ Parking Garage/ Vacant Land Commercial Land/Single Family Residences	357,910,000
6	Lynnhaven Mall LLC	Shopping Mall	265,809,200
7	Watergate Treehouse & Chanticleer Associates LP	Apartments	186,155,700
8	Pembroke Square Associates LLC	Shopping Mall/ Retail/ Bank/ Restaurants/ Fast Food/ Shopping Centers/ Office/ Apartments/ Condominium/ Warehouse/ Vacant Residential Land	185,655,200
9	Virginia Natural Gas, Inc <sup>1</sup>	Utility	178,372,585
10	Cheryl P. McLeskey	Shopping Centers/ Townhouses/ Duplexes/ Condominiums/ Marinas/ Retail/ Fast Food/ Car Dealership/ Vacant Commercial, Vacant Industrial & Residential Land/ Single Family Residences & Lots	165,047,000
11	Windsor Lake Apartments LLC.	Apartments/ Shopping Centers/ Restaurant/ Vacant Commercial Land	152,930,000
12	W. Taylor Franklin	Apartments/ Single Family Residence	150,572,200
13	Christian Broadcasting Associates, Inc./Network, Inc.	Broadcasting/ Office/ Apartments/ Hotel	144,284,900
14	Verizon Virginia LLC <sup>1</sup>	Utility	137,496,357
15	Joan N. Lyons	Hotels/ Office/ Outdoor Cafes/ Single Family Residence	136,064,200
16	Shamin Hotels	Hotels/ Retail/ Parking Garages/ Outdoor Cafes	118,455,600
17	T.J. & A. Stiffler & M.B. & M.J. Stone Lewis	Offices/ Hotels/ Retail/ Shopping Center/ Single Family Residence	114,557,500
18	Westminster Canterbury of Etc.	Retirement Center/ Condominiums/ Vacant Commercial Land with Asphalt Parking Only	107,777,800
19	Occidental Development, Ltd.	Apartments	105,621,100
20	Potter Properties	Shopping Centers/ Banks/ Fast-Food/ Restaurant/ Retail/ Vacant Commercial & Residential Land/ Single Family Residence	102,658,300
21	Sifen, Michael D.	Shopping Centers/ Restaurant/ Paving/ Retail/Parking Garage/ Vacant Commercial & Residential Land/ Industrial Office Warehouse/ Single Family Residence	101,402,400
22	Spence Properties LC	Apartments	99,846,500
23	VA8 Marina Shores LLC	Apartments	85,485,200
24	Landstown Commons Owner LLC	Shopping Center	81,038,400
25	Runaway Bay Acquisitions LLC	Apartments	<u>80,643,700</u>
	<b>Total</b>		<b><u>\$5,154,479,470</u></b>

<sup>1</sup>. For Public Service Corporations, reflects real estate assessments (excludes personal property assessments taxed as real estate).

Source: Office of Real Estate Assessor and Commissioner of the Revenue.

## **General Fund**

In accordance with the general practice of governmental units, the City records its transactions under various funds. The largest, the General Fund, is that from which all general costs of City government are paid and to which taxes and other revenues, not specifically directed by law or administrative action to be deposited in special revenue funds, are recorded. Examples of special revenue funds are the Sandbridge Special Service District, Parks and Recreation, and grants funds.

The General Fund is comprised of revenue derived from *ad valorem* taxes, other local taxes, licenses, fees, permits, certain revenue from the federal and state governments, interest earned on invested cash balances, and other revenues. General Fund disbursements include the costs of general City government and transfers to the School Operating Fund for local share of school costs.

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## General Fund Operations

**GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEARS 2019 THROUGH 2023**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
REVENUES:					
General Property Taxes	\$645,826,266	\$671,584,132	\$712,039,907	\$730,322,636	\$782,738,092
Other Local Taxes	246,973,450	242,842,465	266,215,100	289,621,340	289,645,377
Permits, Privilege Fees and Regulatory Licenses	4,722,053	5,084,254	6,748,562	7,940,028	9,190,870
Fines and Forfeitures	5,052,135	3,634,998	-	-	1,326,584
From Use of Money and Property	13,669,357	8,844,159	4,614,656	6,956,900	21,432,482
Charges for Services	54,323,221	48,424,789	50,632,485	54,505,823	54,562,395
Miscellaneous	5,842,718	6,294,486	7,660,803	9,594,765	6,741,151
From Commonwealth	163,410,558	165,091,508	165,668,974	166,286,163	180,077,748
From Federal Government	<u>22,588,938</u>	<u>25,165,471</u>	<u>23,593,442</u>	<u>27,731,350</u>	<u>25,974,231</u>
Total Revenues	<u>\$1,162,408,696</u>	<u>\$1,176,966,262</u>	<u>\$1,237,173,929</u>	<u>\$1,292,959,005</u>	<u>\$1,371,688,930</u>
EXPENDITURES					
Operating:					
Legislative	\$1,144,252	\$1,180,302	\$1,148,867	\$1,136,896	\$1,267,998
Executive	5,013,472	5,150,430	5,121,254	5,814,781	6,669,070
Law	4,529,203	4,595,060	4,648,025	4,989,558	5,623,140
Finance	20,044,583	19,694,983	20,007,256	21,669,276	23,949,092
Human Resources	12,545,582	12,308,232	4,294,707	5,290,331	6,114,668
Judicial	15,666,340	15,955,630	16,029,171	16,901,046	18,811,256
Health	3,483,621	3,327,913	3,584,850	3,716,106	3,898,158
Human Services	116,893,009	118,350,951	118,939,944	114,223,783	127,902,634
Police	98,802,237	86,185,515	91,283,834	109,068,186	119,029,333
Public Works	68,794,237	75,786,328	77,379,088	81,043,070	88,737,824
Parks and Recreation	14,684,053	14,413,651	14,201,033	14,407,733	15,556,310
Library	17,103,105	18,031,905	17,548,390	17,733,387	19,089,613
Planning	18,079,403	18,355,508	16,845,347	18,115,861	12,257,895
Agriculture	872,326	888,166	815,896	847,801	907,229
Economic Development Convention and Visitor Development	5,577,029	2,914,879	5,726,907	9,172,817	7,069,218
	9,886,781	9,229,295	7,781,468	8,391,126	9,497,199
Cultural Affairs	-	3,156,488	2,810,624	2,801,561	2,957,549
Boards and Commissions	36,875,467	25,951,685	-	-	-
Fire	57,223,575	44,796,114	52,625,369	65,593,948	74,752,264

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Museums	11,318,527		-	-	-
Aquariums	-	10,151,547	10,528,265	11,732,959	13,058,273
General Registrar	-	-	2,814,054	2,460,307	3,340,831
General Government	-	-	60,406,204	41,942,825	50,871,645
Budget and Management Services	1,323,859	1,324,913	1,176,117	1,149,059	1,229,516
Information Technology	25,707,312	25,166,518	28,133,451	25,828,253	25,013,855
Emergency Communications and Citizen Services	9,147,638	7,631,901	8,887,214	9,606,934	10,601,086
Emergency Medical Services	12,303,253	10,355,118	13,600,548	14,371,504	18,011,224
Housing and Neighborhood Preservation	5,322,550				
Lease Payments	-	5,814,707	6,547,267	6,359,423	7,137,522
Subscription Payments	-	-	-	-	3,707,313
Debt Service	<u>52,510,109</u>	<u>52,775,138</u>	<u>51,731,595</u>	<u>53,812,585</u>	<u>51,660,623</u>
Total Expenditures	<u>\$624,851,523</u>	<u>593,292,877</u>	<u>\$644,616,745</u>	<u>\$668,181,116</u>	<u>\$732,445,857</u>
EXCESS OF REVENUES OVER(UNDER) EXPENDITURES	<u>\$537,557,173</u>	<u>\$583,673,385</u>	<u>592,557,184</u>	<u>\$624,777,889</u>	<u>\$639,243,073</u>

#### GENERAL FUND

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers in	\$9,363,097	\$16,879,932	\$6,287,483	\$765,724	\$727,192
Operating Transfers out	(546,445,151)	(526,063,534)	(555,161,689)	(646,168,653)	(639,014,800)
Premiums on Bonds Sold		738,393	-	29,995	-
Issuance of Refunded Debt		-	334	-	-
Capitalized Leases	-	-	-	-	6,123,168
Capitalized Subscriptions		-	-	-	6,096,478
Total Other Financing Sources (Uses) <sup>1</sup>	(537,082,054)	(508,445,209)	(548,873,872)	(645,372,934)	(626,067,962)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING	<u>475,119</u>	<u>75,228,176</u>	<u>43,683,312</u>	<u>(20,595,045)</u>	<u>13,175,111</u>
FUND BALANCE—JULY 1	230,104,677	230,579,796	305,807,972	349,491,284	328,896,239
FUND BALANCE—JUNE 30	<u>\$230,579,796</u>	<u>305,807,972</u>	<u>\$349,491,284</u>	<u>\$328,896,239</u>	<u>\$342,071,350</u>

Source: City Department of Finance.

<sup>1</sup> Includes the transfer for Education/Virginia Beach City Public Schools.



The entire General Fund balance is not available for appropriation because of outstanding interfund and interagency loans, prepaid items, encumbrances, and designations for school capital projects. An analysis of the General Fund balance for Fiscal Year 2023 is as follows:

Fund Balance - June 30		\$342,071,350
Reserved For:		
Non-spendable Inventories and Loans Receivable	\$9,450,411	
Restricted for Grants	1,922,110	
Committed for Education	15,247,762	
Assigned amounts for Operations	52,169,420	
Assigned amounts for Education	26,140,809	
Assigned amounts for Capital Projects	<u>41,054,274</u>	
Total Reservations		<u>145,984,786</u>
Net Balance Available for Appropriation – July 1		<u>\$196,086,564</u>

Source: City Department of Finance.

At the end of Fiscal Year 2023, the fund balance in the General Fund was \$342,071,350. This balance represents an increase of \$13,175,111 from the previous year. The following table presents a comparison of the City’s General Fund balance for the Fiscal Years 2019 through 2023.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Fund Balance:					
Non-spendable	\$10,934,636	\$11,259,961	\$10,382,347	\$8,737,296	\$9,450,411
Restricted	2,901,470	1,460,287	4,701,470	2,901,470	1,922,110
Committed	17,299,308	16,549,308	16,249,308	15,914,944	15,247,762
Assigned	78,139,398	123,695,484	207,158,449	120,959,370	119,364,503
Unassigned	<u>121,304,984</u>	<u>152,842,932</u>	<u>110,999,710</u>	<u>180,383,159</u>	<u>196,086,564</u>
Total General Fund	<u>\$230,579,796</u>	<u>\$305,807,972</u>	<u>\$349,491,284</u>	<u>\$328,896,239</u>	<u>\$342,071,350</u>

Source: City Department of Finance.

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**UNASSIGNED GENERAL FUND BALANCE AS PERCENT  
OF SUBSEQUENT YEARS BUDGETED REVENUES  
FISCAL YEARS 2014 THROUGH 2023**

<b><u>Fiscal Year</u></b>	<b><u>Unassigned General Fund Balance June 30</u></b>	<b><u>Unassigned General Fund Balance As Percent of Subsequent Year's Budgeted Revenues</u></b>
2014	\$96,084,791	9.50%
2015	97,004,933	9.31
2016	107,119,381	10.10
2017	118,396,300	10.49
2018	114,298,452	9.87
2019	121,304,984	10.18
2020	152,842,932	12.96
2021	110,999,710	9.00
2022	180,383,159	13.50
2023	196,086,564	13.90

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Source: City Department of Finance.

**Interim Financial Statements as of March 31, 2024 (Unaudited)**

General Fund revenues as of March 31, 2024 total \$797.1 million and are greater than the prior two fiscal years. Current year revenues-to-date are 55.7% of budget, compared to 53.8% of actuals in FY 2023 and 55.6% in FY 2022.

General Fund expenditures and transfers total \$1,119.1 million, which is 72.5% of budget expended or committed as of March 31, 2024, compared to 76.5% of actuals for FY 2023 and 77.0% for FY 2022.

As of June 30, 2024, the unassigned General Fund Balance is projected to be \$146.6 million or 10.0% of estimated FY 2025 revenues. The City anticipates releasing unaudited financial results for the fiscal year ending June 30, 2024, on or about September 16, 2024, which is within the time frame the City customarily releases unaudited fiscal year-end financial results.

School Operating revenues are tracking satisfactorily compared to the budget, with \$722.7 million collected as of March 31, 2024. Current year revenues to date are 73.4% of budget and are within the range of the prior two fiscal years (73.4% of actuals in FY 2023 and 72.1% in FY 2022). Expenditures of \$722.9 million, or 72.3% of budget, are less than the prior two fiscal years (73.8% of actuals in FY 2023 and 74.1% in FY 2022).

**Highlights of the Adopted Operating Budget for Fiscal Year 2024**

The FY 2023-24 Operating and Capital budgets were adopted on May 9, 2023. The City of Virginia Beach's recovery and resiliency following the pandemic was largely attributable to a thriving local economy, a dedicated workforce, and sound financial management practices and policies established by City Council. Unlike the two fiscal years immediately following the onset of the pandemic which each had between seven and ten percent revenue growth, the Adopted FY 2023-24 Operating Budget grew 3.64% when compared to the previous fiscal year. This growth is much more in line with historical year-over-year budget growth and is attributable to lowered estimated revenue from the federal government, primarily for Virginia Beach City Public Schools as well as slowed growth in consumer-driven revenues, such as

restaurant meals and hotel tax revenue. In the two prior fiscal years, these sources experienced double digit year-over-year growth. Real estate taxes remain the largest single source of revenue for the City, and assessments are projected to increase by 9.47%. Despite this growth, overall revenue from real estate taxes was estimated to increase by 7.88% due to increased participation in various tax relief programs offered by the City. As in prior years, the FY 2023-24 Adopted Resource Management Plan continues to address many of City Council’s priorities identified during the City Council retreat, as well as a recently completed Resident Satisfaction Survey. At their annual retreat, City Council stressed their desire to place an emphasis on maintaining current assets and infrastructure, to invest in employees, to grow the local economy, and provide the best services possible to the residents and visitors of this City. The Resident Survey articulated the community’s priorities including public safety, parks and recreation services, and community engagement.

The Adopted FY 2023-24 Net Operating Budget totals \$2,546,098,548. The largest portion of resources is dedicated to the City Council priorities of education (46.1%), infrastructure-related departments (13.4%), and public safety (12.4%). The City’s Operating Budget of \$2.5 billion is expressed in terms of the “net budget.” The calculation of the net budget involves eliminating the duplication of funding between interfund transfers and the City’s internal service funds.

In total, the FY 2024 budget added a net of 110.60 positions. Of this amount the majority were for public safety departments including 40.57 FTEs allocated to Emergency Medical Services to maintain existing coverage of EMS services to address declining volunteerism within the City’s volunteer rescue squads, 12 were for the Commonwealth’s Attorney, 3 for Fire, and 17.25 for the Police Department. Other positions will target Council priorities to address homelessness, mental health services, public safety, and community engagement. The budget also provides funding to prepare for fuel and energy increases, addresses inflationary pressures on major construction projects, and above all else seeks to maintain services needed and expected by the community.

### **FY 2024 Revenues**

Total net revenue for the Adopted FY 2024 Budget is \$2,546,098,548, a 3.64% increase over the Adopted FY 2023 Budget. The table below reflects all major revenue streams included in the Adopted Budget. Though the table lists various taxes as revenue for Virginia Beach City Public Schools (VBCPS), the Schools do not collect tax revenue. These sources are levied and collected by the City of Virginia Beach and remitted via the City and Schools Adopted Revenue Sharing Formula.

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	<b>FY 2022-23 Amended Budget</b>	<b>FY 2023-24 City Budget</b>	<b>FY 2023-24 School Budget</b>	<b>FY 2023-24 Total City &amp; Schools Budget</b>	<b>% Change</b>
<i>Real Estate</i>	\$692,406,144	\$469,781,682	\$277,205,728	\$746,987,410	7.88%
<i>Personal Property</i>	192,619,234	110,878,374	97,343,925	208,222,299	8.10%
<i>General Sales</i>	93,871,862	48,945,435	42,970,875	91,916,310	-2.08%
<i>Utility Tax</i>	43,125,249	22,964,195	20,161,054	43,125,249	0.00%
<i>Automobile License</i>	11,278,097	5,735,002	5,034,954	10,769,956	-4.51%
<i>Business License</i>	54,833,748	31,280,410	27,462,144	58,742,554	7.13%
<i>Restaurant Tax</i>	89,471,605	64,746,934	27,455,819	92,202,753	3.05%
<i>Amusement Tax</i>	7,254,292	7,780,275		7,780,275	7.25%
<i>Hotel Room Tax</i>	50,121,106	45,715,967	5,257,218	50,973,185	1.70%
<i>Cigarette Tax</i>	9,217,731	5,160,780	2,618,508	7,779,288	-15.61%
<i>General Fund Balance</i>	1,231,953	1,734,776		1,734,776	40.82%
<i>Other Fund Balance</i>	23,705,194	12,047,426	9,652,481	21,699,907	-8.46%
<i>Utility Fees</i>	181,100,762	186,460,986		186,460,986	2.96%
<i>Other Revenue</i>	140,773,565	110,183,900	27,590,824	137,774,724	-2.13%
<i>Waste Collection Fee</i>	37,908,047	41,631,227		41,631,227	9.82%
<i>State Revenue</i>	590,936,786	149,133,387	487,266,687	636,400,074	7.69%
<i>Federal Revenue</i>	236,917,788	57,170,578	144,726,997	201,897,575	-14.78%
<b>Total Operating Budget</b>	<b>\$2,456,773,163</b>	<b>\$1,371,351,334</b>	<b>\$1,174,747,214</b>	<b>\$2,546,098,548</b>	<b>3.64%</b>

The Adopted Budget does not make any modifications to the base real estate tax rate, with an adopted rate of \$0.99 per \$100 of assessed value. The \$0.99 rate was first set in FY 2021-22, after City Council elected to reduce it by 2.75¢ to provide nearly \$18 million in tax relief to citizen amidst the pandemic. City Council further elected to provide real estate tax relief in FY 2022-23 by not increasing the rate by 4.3¢ as originally anticipated following the successful Flood Protection Bond Referendum in November 2021. This Referendum provides \$567.5 million in general obligation bonds to address emergent and recurring neighborhood flooding across the City. To repay the debt associated, it was originally assumed there would be a real estate tax increase. In light of the pandemic’s effects on the economy, and the significant real estate assessment increases between 2022 and 2023, City Council elected to absorb the entirety of the Referendum within existing tax rates, defraying another \$27 million in tax revenues. According to the City Real Estate Assessor, overall assessments are projected to increase 9.47% in the new fiscal year. Though assessments are growing close to 10%, overall revenue from real estate is only projected to increase by 7.88% as a result of increased participation in various tax relief programs offered by the City. The FY 2024 budget also incorporated several fee adjustments for Water & Sewer Enterprise Fund, Waste Management, and Parks and Recreation. These fees directly support program delivery.

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## FY 2024 Expenditures

	FY 2022-23 Total City & Schools Amended Budget	FY 2023-24 City Budget	FY 2023-24 Schools Budget	FY 2023-24 Total City & Schools Budget	% Change	\$ Change
<i>Personnel</i>	\$1,105,925,557	\$492,921,633	\$668,984,369	\$1,161,906,002	5.06%	\$55,980,445
<i>Fringe Benefits</i>	411,841,850	179,400,340	240,760,930	420,161,270	2.02%	8,319,420
<i>Operating Expenses</i>	561,339,000	380,330,019	185,302,169	565,632,188	0.76%	4,293,188
<i>Capital &amp; Leases</i>	40,590,790	28,208,607	27,628,135	55,836,742	37.56%	15,245,952
<i>Debt Service</i>	191,425,980	143,213,864	50,071,611	193,285,475	0.97%	1,859,495
<i>Pay-As-You-Go Reserves</i>	93,226,306	81,481,961	2,000,000	83,481,961	-10.45%	-9,744,345
	52,423,680	65,794,910	-	65,794,910	25.51%	13,371,230
<b>Total</b>	<b>\$2,456,773,163</b>	<b>\$1,371,351,334</b>	<b>\$1,174,747,214</b>	<b>\$2,546,098,548</b>	<b>3.64%</b>	<b>\$89,325,385</b>

The table above provides a high-level overview of each major appropriation category for both the City and the Schools. It is important to note, that within the “Personnel” and “Fringe Benefits” categories, Virginia Beach City Public Schools includes their compensation increases, while the City of Virginia Beach includes these amounts in the “Reserve” category to be allocated among departments after the beginning of the fiscal year.

The main growth category in the FY 2023-24 Adopted Budget is the capital and leases which is primarily being driven by the Schools’ \$18.5 million in grants associated with capital items.

Of the total City reserve of \$65.7 million, \$27.6 million is set aside for compensation increases across all funds. In the General Fund, there is a negative payroll reserve totaling \$10 million for attrition. Approximately 81% of the remaining reserve amount is for future debt service for the Flood Protection Bond Referendum (\$30.7 million). The General Fund also contains a \$1.4 million reserve for fuel and energy increases, should initial budgeted estimates be insufficient given current inflationary uncertainty.

The Adopted FY 2023-24 Operating Budget provided for a 5% compensation increase for all full and part-time employees. Non-sworn employees will receive the 5% through an adjustment to their pay-plan classification of one pay range. Sworn employees will receive a 2% general, and a 3% step increase. For the fifth consecutive year, the Budget does not include any employee increases to health insurance premiums; however, a 3% increase to the employer contribution is budgeted.

### Capital Improvement Program

The Capital Improvement Program (CIP) covers a six-year period, although only the first year of the Capital Budget is appropriated. It identifies the funding needed for construction of City facilities, replacement and modernization of schools, replacement of utility infrastructure, acquisition of major pieces of equipment and computer systems, construction of roadways, infrastructure maintenance, and economic development projects. The CIP is the result of a process that balances the need for public facilities against the fiscal capability for the City to provide for these needs.

## Highlights of the Adopted Capital Improvement Program for Fiscal Years 2024 – 2029

The FY 2023-24 through FY 2028-29 CIP (including appropriations to date) totals over \$5.1 billion. The following table displays the total programmed funding for each section of the CIP, including appropriations to date.

CIP Sections	Appropriated to Date	FY 2023-24 Capital Program Budget Year 1	Remaining Years of Capital Program Budget Years 2-6	Programmed Funding
<b>Buildings &amp; Assets</b>	\$252,143,954	\$25,294,504	\$140,305,112	\$417,743,570
<b>Coastal Projects</b>	121,271,884	16,810,362	59,396,024	197,478,270
<b>Economic &amp; Tourism Development</b>	394,720,944	69,341,308	144,088,799	608,151,051
<b>Information Technology</b>	180,775,374	29,281,381	80,066,117	290,122,872
<b>Parks &amp; Recreation</b>	131,933,932	16,503,593	83,245,692	231,683,217
<b>Roadways</b>	576,639,202	77,761,303	282,207,014	936,607,519
<b>Sewer Utility</b>	135,779,624	23,485,000	134,928,000	294,192,624
<b>Stormwater</b>	315,287,717	35,102,660	143,379,964	493,770,341
<b>Water Utility</b>	90,808,419	16,260,000	59,127,000	166,195,419
<b>Schools</b>	347,146,838	62,800,000	310,500,000	720,446,838
<b>Flood Protection</b>	743,804,539	3,000,000	15,000,000	761,804,539
<b>Total Capital Projects</b>	<b>\$3,290,312,427</b>	<b>\$375,640,111</b>	<b>\$1,452,243,722</b>	<b>\$5,118,196,260</b>

The Adopted CIP includes major construction and infrastructure maintenance projects, as well as other projects to address City Council’s priorities of public safety and stormwater management, improve the road network and playgrounds throughout the City, implement new information technology initiatives, modernize schools, and more. The table above illustrates programmed funding for each section of the CIP, including appropriations to date.

### Means of Financing the CIP

As the following table illustrates, sources of bonds account for the majority (48.8%) of financing in the six-year capital improvement program. The two main types of bonds that are used in the general government CIP are Charter Bonds, which are general obligation bonds backed by the full faith and credit of the City, and Public Facility Revenue bonds, which are appropriations backed debt. The strategy of financing the CIP has been to use bonds as the final option once all other sources have been exhausted to minimize the impact of debt service costs. However, it is still necessary to use bonds to accomplish major projects, such as the construction of schools, major building projects, and roads. This CIP includes \$183.3 million of debt financing budgeted in FY 2023-24.

Pay-As-You-Go financing (pay-go), accounts for 22.2% of the financing for the six-year programmed Capital Budget. Pay-go is cash financing from various funds. Utilizing pay-go ensures the city avoids more costly debt financing. This CIP continues pay-go financing for Council approved real estate dedications for the Outdoor Initiative, Recreation Center maintenance, and Special Service Districts.

The FY 2023-24 CIP is 16.5% supported by fund balance, of which 66% is from the General Fund. This increased availability of fund balance is a direct result of better-than-expected revenue collection

during the pandemic and available due to attrition savings. The City’s fund balance policy is to maintain a fund balance in the General Fund between 8 and 12% of the following year’s estimated revenues. The Adopted Budget estimated the fund balance at the end of FY 2022-23 would be 9.97%; however, at the end of FY 2022-23, the City’s Unassigned Fund Balance as a percent of the subsequent year’s budgeted revenues was 13.90%.

CIP Means of Financing	Year 1	Years 2 - 6	Total Programmed Funding
Pay-as-you-go	\$83,481,961	\$413,871,582	\$497,353,543
Bonds	183,293,587	702,942,080	886,235,667
Fund Balance	62,184,274	197,196,484	259,380,758
State Contribution	13,853,683	25,196,280	39,049,963
Federal Contribution	30,898,434	99,999,301	130,897,735
Other	1,928,172	13,037,995	14,966,167
<b>Total</b>	<b>\$375,640,111</b>	<b>\$1,452,243,722</b>	<b>\$1,827,883,833</b>

**Highlights of the Proposed Operating Budget for Fiscal Year 2025 and CIP for Fiscal Years 2025/2030**

The Proposed FY 2024-25 Operating Budget is growing 2.77% compared to the previous fiscal year’s Amended Budget. As with the FY 2023-24 Adopted Budget, this growth is in line with historical year-over-year budget trends, unlike the two years immediately following the pandemic that each saw double digit growth primarily from consumer driven revenue sources. The change in the year-over-year budget is less than the current rate of inflation and is attributable to lower estimated revenue from the federal government, continued slowed growth in consumer-driven revenues, minimal growth in revenue from the Commonwealth, and a reduction in the real estate tax rate of two cents.

Real estate taxes remain the largest single source of revenue for the City. Overall, assessments are projected to increase by 7.37%. This growth is being driven primarily by residential properties, which includes both growth of 0.5% and appreciated value of 6.8% on average. However, overall revenue from real estate taxes is only estimated to increase by 4.57% due to increased participation in various tax relief programs offered by the City and the proposed rate reduction.

In February 2024, City Council held a two-day retreat focused on the development of the FY 2024-25 Operating Budget and Capital Improvement Program. During this retreat, City staff articulated the prioritization criteria that annually shapes the development of the budget. These include:

- Existing Policies, Grants, and Dedications
- Public Health and Safety
- Maintaining Current Services
- The recently adopted Focused Action Plan
- Bi-Annual Resident Survey (most recently conducted in 2022)

In general, City Council reaffirmed these prioritization criteria while also providing additional guidance to staff.

- Minimize new spending and seek efficiencies within existing resources.

- Preserve filled positions to the greatest extent possible, while reallocating long term vacancies.
- Reduce the real estate tax rate by two cents.

City Council also provided direction for staff to review long term policies as well as dedications of local taxes to offset the revenue reduction associated with the real estate tax rate on the General Fund. As such, the City Manager’s Proposed Resource Management Plan continues to address City Council’s priorities, while also defraying taxes on residents by minimizing new spending, redirecting capacity within dedications, and reducing the real estate tax rate by two cents.

In total, the City is adding a net of 19.25 positions. In response to City Council’s direction, each of the positions added are being offset by reductions in other long-term vacancies in another department, or by outside funding sources such as revenue from the Commonwealth.

As in prior years, the FY 2024-25 Resource Management Plan, including the CIP, is focused on maintaining a community balance. While major emphasis is placed on flood protection, growing the local economy by leveraging private investment at the resort, and replacing several aging City and School facilities, the six-year program also continues to fund major maintenance projects for City buildings and infrastructure, enhancing the functionality of technology used by the workforce, protecting the coastline, maintaining navigable waters, and expanding parks and other cultural and educational opportunities.

As articulated at the February 2024 City Council Retreat, as the city ages, and demand for services increases, there are not enough resources to fund all the project requests. Funding decisions are prioritized based on several factors including:

- Fulfilling funding obligations to outside agencies such as the Virginia Department of Transportation
- Priority is given to projects closest to completion
- Resident input
- Maintenance and modernization of existing infrastructure
- Health and Safety of the workforce and community

**City of Virginia Beach, Virginia  
Summary of Proposed FY 2025 - 2030 Capital Improvement Program**

<b>CIP Sections</b>	<b>Appropriated to Date</b>	<b>FY 2023-24 Capital Program Budget Year 1</b>	<b>Remaining Years of Capital Program Budget Years 2-6</b>	<b>Programmed Funding</b>
Buildings & Assets	\$307,771,793	\$35,485,526	\$137,004,071	\$480,261,390
Coastal Projects	130,098,243	17,460,931	59,416,009	206,975,183
Economic and Tourism Development	410,684,413	80,281,294	36,202,294	527,168,001
Information Technology	158,764,653	16,699,293	57,362,950	232,826,896
Parks and Recreation	180,861,804	31,403,163	133,777,716	346,042,683
Roadways	675,503,173	68,606,073	305,239,942	1,049,349,188
Sewer Utility	159,839,256	29,887,733	130,206,000	319,932,989
Stormwater	335,809,964	25,503,960	146,920,005	508,233,929
Water Utility	110,498,681	11,893,000	62,816,000	185,207,681
Schools	406,625,514	63,800,000	308,500,000	778,925,514
Flood Protection	775,683,006	4,050,000	17,722,000	797,455,006
<b>Total Capital Projects</b>	<b>\$3,652,140,500</b>	<b>\$385,070,973</b>	<b>\$1,395,166,987</b>	<b>\$5,432,378,460</b>



The FY 2024-25 (Year 1) Proposed CIP is supported mainly by bonds at 50.4% (\$194.3 million), followed by Pay-as-You-Go at 19.9% (\$76.5 million) and Fund Balance at 15.4% (\$59.2 million). Of the fund balance support 61.1% (\$36.2 million) is from the General Fund. The City’s fund balance policy is to maintain a fund balance in the General Fund between 8% and 12% of the following year’s estimated revenues. The Proposed FY 2025 Budget estimates the fund balance at the end of FY 2023-24 will be 9.97%.

**CIP Means of Financing**

<b>Funding Source</b>	<b>Year 1</b>	<b>Years 2 - 6</b>	<b>Total Programmed Funding</b>
Pay-as-you-go	\$76,473,391	\$394,080,723	\$470,554,114
Bonds	194,266,855	679,936,303	874,203,158
Fund Balance	59,170,416	194,189,847	253,360,263
State Contribution	43,637,649	59,522,867	103,160,516
Federal Contribution	10,150,596	58,687,456	68,838,052
Other	1,372,066	8,749,791	10,121,857
<b>Total</b>	<b>\$385,070,973</b>	<b>\$1,395,166,987</b>	<b>\$1,780,237,960</b>

The Proposed Budget and CIP were presented to City Council March 19, 2024 and are expected to be adopted by City Council by May 14, 2024 following a series of budget workshops and public hearings. For more information about the Proposed FY 2025 Budget and Proposed FY 2025/FY2030 CIP, see the City’s website, [virginia-beach.gov](http://virginia-beach.gov) at this link, [FY 2025 Proposed Budget & CIP](#).

**Insurance**

The City utilizes a combination of commercial insurance and self-insurance to protect its assets, including employees, money, securities, and buildings and equipment. City buildings and their contents are covered by an all-risk property insurance program which is written with a \$250,000 per occurrence deductible. Other types of property insurance are written with deductibles ranging from \$1,000 to \$50,000 and include coverage for items such as computer equipment, heavy contractor’s type equipment, fine arts and valuable papers. All City employees are bonded for \$1,000,000.

The City is primarily self-insured for the first \$2,000,000 of any automobile liability, commercial general liability, public officials’ liability and police professional liability claims. The City has \$20,000,000 of commercial insurance coverage above this self-insured retention on these lines of risks. The City is also primarily self-insured for workers’ compensation claims of any non-presumptive claims totaling \$1,500,000 in any single occurrence, and presumptive claims totaling \$2,000,000 in any single occurrence. Commercial coverage is purchased for losses in excess up to \$25,000,000.

The City’s Risk Management Fund had a cash balance of \$44,437,948 as of June 30, 2023. This amount, plus the FY 2024 budgeted departmental contributions, is expected to be sufficient for expected drawdowns during the course of the current fiscal year. The most recent actuarial study conducted by the firm of Pinnacle Actuarial Resources determined that as of June 30, 2023, the undiscounted liability for current claims against the City was \$41,986,762.

**Commitments and Contingencies**

The City participates in multiple federal and state grants, entitlements, and shared revenues programs. These programs are subject to program compliance audits by the applicable federal or state agency or its representatives. Furthermore, the U.S. Congress passed updated legislation in 2013 under the Uniform Guidance (2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit

Requirements for Federal Awards), which requires most governmental recipients of federal assistance to have an annual independent organization-wide financial and compliance audit. The results thereof are incorporated in the audited financial statements for the City for the Fiscal Year ended June 30, 2023, included as Appendix A to this Official Statement. The amounts, if any, of expenditures which may be disallowed by these audits cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

## **Retirement and Pension Plans**

*Plan Description.* The City has elected to participate in the Virginia Retirement System (“VRS”), and substantially all the full-time salaried general government and school employees are covered by a retirement plan, group term life insurance, and disability and death benefits upon employment. The City is a separate cost-sharing pool within VRS and makes contributions based on biennial rates set by VRS’ actuarial calculations of the annual required contributions.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member’s average final compensation multiplied by the member’s total service credit. For members hired before July 1, 2010, the monthly benefit is based on 1.7% (1.85% for hazardous duty employees) of the member’s 36 consecutive months of highest compensation. For non-hazardous duty members hired or rehired on or after July 1, 2010 and members who were not vested on January 1, 2013, the monthly benefit is based on 1.65% of the member’s 60 consecutive months of highest compensation.

Effective January 1, 2014, all new employees without prior VRS service are required to enroll in the VRS Hybrid Plan except for sworn personnel, a combination of defined benefit and defined contribution plans. The Hybrid Plan, introduced to address future affordability, lowered the retirement multiplier and increased the number of months used to calculate the average final compensation.

*Funding Policy.* Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their creditable compensation toward their retirement, which up until July 1, 2012 was paid by the City as permitted by VRS. In another step taken by VRS to ensure future affordability, as of July 1, 2012, new employees were required to pay the 5% member-contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member-contribution. This was being phased in over a period of 5 years from FY 2013 – FY 2017, and the City provided salary increases equal to the amount of the increase in the employee-paid member-contribution in each of the five years as required by VRS.

In addition, the City and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia as determined by VRS’ actuaries and approved by the VRS Board of Trustees. The City and the School Board have never failed to make the contribution required by VRS. The City’s contractually required contribution rate for the year ended June 30, 2023 was 18.25% of covered employee compensation. For FY 2023, the City’s employer contribution was \$67.6 million. The contractually required contribution rate for the year ended June 30, 2023 for the School Board Professional and Non-Professional categories were 16.62% and 7.99% of annual covered payroll or \$73.2 million and \$4.1 million, respectively.

*Net Pension Liability.* As of June 30, 2023, the City reported a net pension liability of \$355.0 million. As of the same date, the School Board reported a net pension liability of \$462.2 million (\$452.7 million for Professional plan and \$9.4 million for the Non-Professional retirement plan).

For additional information on the retirement and pension plan please see Note 14 in the City's audited financial statements for the period ending June 30, 2023, attached as Appendix A to this Official Statement.

### **Other Postemployment Benefits**

*Plan Description.* The City and School Board participate in multiple Other Postemployment Benefit ("OPEB") plans. One is a single-employer, defined benefit plan, administered by the City and School Board in accordance with Commonwealth and City statutes. Section 15.2-1500 of the Virginia State Code provides that every locality shall provide for the governmental functions of the locality, including employment of the officers and other employees.

In accordance with Article 8, Chapter 15, Subtitled II of Title 15.2 of the Virginia Code, the City and School Board have elected to establish a trust for the purpose of accumulating and investing assets to fund OPEB. The City and School Board in accordance with this election have joined the Virginia Pooled OPEB Trust Fund which invests funds contributed by each participating employer. It does not administer the retiree health benefits of each participating employer. Deposits to this trust are irrevocable and are held solely for the payment of OPEB benefits for the City and School Board.

In addition, the City and School Board participates in multiple OPEB plans each of which are multiple-employer, cost-sharing plans that are administered by VRS in accordance with Commonwealth and City statutes. These plans include; Group Life Insurance program, Line of Duty Act program, Virginia Local Disability program, and the Health Insurance Credit program.

*Funding Policy.* Contribution requirements of the City and School Board and plan members are established and may be amended by the respective legislative bodies. For the period ending June 30, 2023, the City and School Board contributed, \$11.7 million and \$17.5 million, respectively, in aggregate for all the OPEB plans.

*Net OPEB Liability.* As of June 30, 2023, the City reported a total net OPEB liability of \$92.0 million. As of the same date, the School Board reported a total net OPEB liability of \$157.6 million.

For additional information regarding each individual plan please see Note 15 in the City's audited financial statements for the period ending June 30, 2023, attached as Appendix A to this Official Statement.

### **Employee Relations and Collective Bargaining**

There were 7,587.0 full-time equivalents City employees and 10,678.2 School Board employees as of June 30, 2023. The General Assembly has repealed a prohibition on collective bargaining by public employees, and this legislation was signed by the Governor on April 22, 2020. This repeal was effective May 1, 2021. The legislation is permissive and does not require local governments to allow collective bargaining. In addition, the legislation does not set forth the collective bargaining framework. The governing board of a local government can by resolution or ordinance allow collective bargaining. If collective bargaining is authorized then a local ordinance is required setting for the rules of collective bargaining including but not limited to number of bargaining units, topics subject to collective bargaining, certification and decertification of exclusive bargaining representatives, and local government rights. An ordinance permitting collective bargaining cannot include provisions that restrict City Council's authority to establish a budget and appropriate funds. City Council established a Task Force to study collective bargaining and to provide recommendations to the City Council on the number of bargaining units and scope of collective bargaining. The Task Force submitted recommendations in December 2023, and the recommendations would permit five bargaining units and three overarching bargaining topics (wages and

benefits, working conditions and grievances). The City Council had not taken any action upon the recommendations when a formal request for collective bargaining was submitted to the City Council by the International Association of Firefighters (IAFF) Local 2924 on February 1, 2024. The IAFF represents the City's Fire and Emergency Medical Services Departments, and its submission to the City Council asserted the endorsement of more than 50% of the members of the applicable bargaining unit. By state law, the City Council must take a vote to accept or reject collective bargaining within 120 days of receipt, which provides a May 31, 2024 deadline. On April 30, 2024, the City Council conducted the required vote, and the motion to adopt collective bargaining as requested by IAFF failed. Because another group could submit a similar request to the City Council or the City Council could take up collective bargaining on its own initiative, the impact of collective bargaining on the City, if any, cannot be assessed at this time. Regardless of whether the City Council adopts an ordinance or resolution permitting collective bargaining, under Virginia Law, public employees of Virginia or of any county, city, or town in Virginia do not have a legal right to strike. Any such employee who engages in any organized strike or willfully refuses to perform his/her duties shall, according to Virginia law, be deemed to have terminated his/her employment. Thereafter such employee would be ineligible for employment in any position or capacity during the next 12 months.

### **Regional Transportation Funding Legislation**

The 2013 Virginia General Assembly adopted and enacted into law House Bill 2313, 2013 Va. Acts Chapter 766, which the Governor signed on April 3, 2013. Chapter 766 became effective July 1, 2013. While this legislation increases transportation funding statewide, it includes a regional funding mechanism that provides additional sales taxes and motor vehicles fuel taxes for the Hampton Roads Region, which includes the City of Virginia Beach. The moneys generated by the regional component of the transportation funding legislation may only be used for new construction projects on new or existing roads in the Hampton Roads Region as approved by the Hampton Roads Transportation Planning Organization. The Commonwealth and Hampton Roads Transportation Accountability Commission have agreed on an initial tranche of projects; construction started in 2015. This infusion of road funding should provide immediate positive economic impacts for the road construction industry. As projects are completed, the improved mobility should be positive for the tourism and hospitality industries that rely upon Virginia Beach's status as one of the East Coast's most popular drivable destinations.

These regional taxes have produced \$1.7 billion of income as of November 2019. The City of Virginia Beach's share of this revenue is \$291 million. As of January 1, 2020, segments one, two, and three of the widening of I-64 on the Peninsula are complete. The I-64/I-264 phase 2 improvements were completed in fall 2022. This work included a flyover on I-264 E. connecting with the Witchduck Road expansion project. Also, under construction is phase 1 of the I-64 Southside Widening and High-Rise Bridge, a \$527 million project in the City of Chesapeake estimated to be completed in 2024. A contract has been awarded for the Hampton Roads Bridge Tunnel, a project costing over \$3.9 billion that will double the capacity of this highly overused corridor. This is the most expensive single road project constructed in Virginia and is anticipated to be open to traffic in 2027. Advanced design and engineering work is also underway for the Bowers Hill interchange, and the remaining quadrants of the I-264/I-64 interchange which will address the remaining highly congested interstate locations.

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**SECTION SIX: MISCELLANEOUS**

**Delivery**

The Bonds are offered for delivery when, as and if issued, subject to the approval of validity by Bond Counsel and to certain other conditions referred to herein. It is expected that the Bonds will be available for delivery at the expense of the City through the facilities of DTC on or about June 4, 2024.

**Official Statement**

This Preliminary Official Statement has been approved and authorized by the City for use in connection with the sale of the Bonds. Its purpose is to supply information to prospective buyers of the Bonds. Financial and other information contained in this Preliminary Official Statement has been prepared by the City from its records, except where other sources are noted. The information contained in this Preliminary Official Statement is not intended to indicate future or continuing trends in the financial or economic position of the City. Neither this Preliminary Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

All quotations from and summaries and explanations of laws contained in this Preliminary Official Statement do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

Any statements in this Preliminary Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not representations of fact. No representation is made that any of the estimates will be realized.

The attached Appendices are an integral part of this Preliminary Official Statement and must be read together with the balance of this Preliminary Official Statement.

The delivery of this Preliminary Official Statement has been duly authorized by the City Council. The City has deemed this Preliminary Official Statement final as of its date within the meaning of Rule 15c2-12, except for the omission of information permitted to be omitted by such rule.

**CITY OF VIRGINIA BEACH, VIRGINIA**

By: \_\_\_\_\_  
City Manager

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**AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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## Report of Independent Auditor

The Honorable Members of the City Council  
City of Virginia Beach, Virginia

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Virginia Beach, Virginia (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Virginia Beach Community Development Corporation, which represent 3.3%, 7.8%, and 0.7%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units, as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Virginia Beach Development Corporation, is based solely on the report of the other auditors.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"). Our responsibilities under those standards and specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information other than Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Combining Schedules Nonmajor Governmental Funds, General Fund Budget to Actual, Combining Schedules and Individual Funds, Debt Service Fund, Capital Projects, Enterprise Funds, Internal Service Funds, Custodial Funds, Discretely Presented School Board Component Unit, and Other Component Units statements and schedules, as listed in the table of contents, and schedule of expenditures of federal awards as required by Title 2 of U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Statements, supplementary information, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical sections and Continuing Disclosure Schedules, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Cherry Bekaert LLP*

Virginia Beach, Virginia  
December 7, 2023



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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Virginia Beach (City) provides this narrative overview and analysis of the City's financial performance during the fiscal year that ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

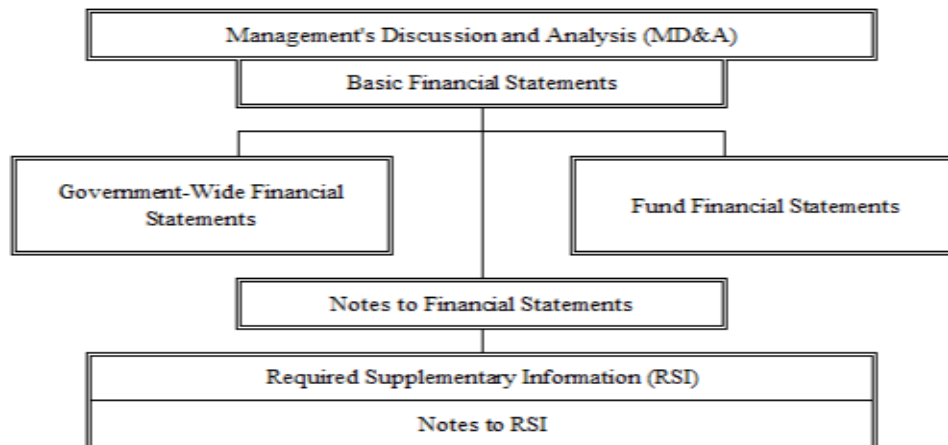
- At the end of the fiscal year 2023, the total net position of the City on a government-wide basis, excluding component units, was \$4.4 billion. Of this amount, the unrestricted net position totals \$590.7 million. Total net position increased by \$190.6 million from the prior fiscal year end's net position.
  - The total net position for governmental activities was \$2.9 billion, an increase of \$89.8 million over the prior year's net position.
  - The business-type activities net position was \$1.4 billion, an increase of \$100.8 million over the prior year's net position.
- As of the close of fiscal year 2023 the City's governmental funds reported combined ending fund balances of \$678.1 million, a decrease of \$91.8 million from the prior year.
  - \$10.3 million, or 1.5%, is considered nonspendable (inventories and loans receivable)
  - \$55.2 million, or 8.2%, is restricted by outside agencies
  - \$291.0 million, or 42.9%, is committed for the capital improvement program, education and outside agencies
  - \$131.2 million, or 19.3%, is assigned for specific purposes as identified by the City
  - \$190.4 million, or 28.1%, is unassigned in the General Fund and is available for spending at the City's discretion
- The City's total bonded debt decreased by \$121.6 million, or 9.4% from the prior year's.
- For the fourteenth consecutive year, all three major rating agencies, Standard & Poor's, Moody's Investor Service and Fitch Ratings, affirmed the City's triple-A ratings on its General Obligation bonds.
- The City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This financial section of the Annual Comprehensive Financial Report (ACFR) consists of four sections: (1) management's discussion and analysis (presented here), (2) basic financial statements, (3) required supplementary information, and (4) other supplementary information.

The City's basic financial statements comprise three components: *government-wide financial statements*, *fund financial statements*, and *notes to the basic financial statements*. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual parts of the City government, reporting the operations of the City in more detail than the government-wide statements. Both perspectives (government-wide and individual fund) allow the reader to address relevant questions, broaden the basis for comparison (year-to-year or government to government), and enhance the City's accountability. The *notes to the basic financial statements* explain some of the information in the financial statements and provide more detailed data. This section is followed by the *required supplementary information* that further explains and supports the information in the financial statements.

**Figure 1: Components of the Financial Section**



### Government-Wide Financial Statements

The government-wide financial statements report information about the City as a whole, using accounting methods similar to those used by private sector companies. The two government-wide statements, Statement of Net Position and Statement of Activities, report the City's net position and how it has changed. The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources compared to liabilities and deferred inflows of resources, with the difference between them reported as net position. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. It accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.

Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or deteriorating. To assess the overall health of the City, one needs to consider other non-financial factors such as changes in the City's property tax base and condition of the City's infrastructure.

The government-wide financial statements of the City are divided into three categories:

***Governmental Activities*** - Most of the City's basic services are included here, such as police, fire and other public safety services, parks and recreation, public works, and general administration. Property and sales taxes, charges for services, and state and federal grants finance most of these activities.



**Business-type Activities** - The City's water and sewer, storm water, waste management, certain economic development functions (blended component unit Virginia Beach Development Authority (VBDA)), and parking operations are reported here. Fees charged to customers help cover the costs of providing these services.

**Component units** - The City includes four other entities in its report - the City of Virginia Beach School Board (Schools), the Development Authority, the Atlantic Park Community Development Authority (CDA), and the Community Development Corporation (CDC). Although legally separate, these "component units" are important because the City is financially accountable for them, providing operating and capital funding. The VBDA is presented as a blended component unit and included in the City's reporting entity. The Schools, CDA and CDC are presented as discretely component units with the Schools reported in a separate column of the entity-wide statements and the CDA and CDC combined and reported in the "Other" column of the entity-wide statements. The CDA and CDC component units are presented individually in the fund financial statements.

## Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds and will be more familiar to traditional readers of government financial statements. The fund financial statements focus on major funds rather than fund types.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as general statutes or the City's budget ordinances. The City's funds are divided into the following categories:

**Governmental funds** - Most of the City's basic services are included in governmental funds, which focus on (1) how readily *cash and other financial assets* can be converted to cash flow in and out and (2) year-end balances that are available for spending. Consequently, the governmental funds statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explain the relationship (or differences) between them. Governmental funds include the General Fund, Debt Service Fund, Capital Projects Fund, and special revenue funds (such as Parks and Recreation and the Tourism Investment Program).

**Proprietary funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flows. The City utilizes enterprise funds to account for its water and sewer, storm water, waste management, certain economic development functions, and parking operations. The VBDA is presented as a blended component unit and its proprietary fund is included in the City's reporting entity as a major enterprise fund. The City uses internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. The City's internal service funds are used for providing city garage and fuel services, risk management, school site landscaping, and technology services.

**Fiduciary funds** - Used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. The City's Fiduciary funds are divided into two separate fund types: the Other Postemployment Benefits Trust Fund and the Custodial Funds (Special Welfare, Sheriff's Inmate Fund and Escheat Funds). Fiduciary funds are reported using the full accrual basis of accounting and the economic resources measurement focus. These fiduciary activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CITY AS WHOLE

### Net Position

The *Statement of Net Position* serves as a useful indicator of a government's financial position. At the end of the fiscal year, the City's total net position was \$4.4 billion. This amount represents an increase of \$190.6 million, or 4.6%, over the prior year's net position. The net position for governmental activities increased by \$89.8 million and the business-type activities net position increased by \$100.8 million.

The City's total assets were \$6.5 billion. This amount includes \$5.0 billion of capital assets, net of accumulated depreciation, which include roads, bridges, parks, utilities (water, sewer and storm water) infrastructure, land, other long-lived assets, and projects in the construction in progress program. Under the "tenancy in common" with the School Board, the City has included \$370.0 million of net book value of School Board property equal to the total outstanding principal balance of the "on behalf" debt at June 30, 2023.

The largest component of the City's net position (\$3.6 billion or 83.3%) is the investment in capital assets (e.g., land, buildings, machinery, and equipment), net of any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets for business-type activities represents, for the most part, the capital assets of the water, sewer, and storm water utilities.

At June 30, 2023, the City reported \$590.7 million in the unrestricted category of its net position. This is \$80.2 million lower than last year's net position of \$670.9 million due to increases in net investment of capital assets. The unrestricted category includes fund balances of the general fund, capital projects, and special revenue funds that have been committed or assigned at the fund level.

**Table 1**  
**Statement of Net Position**  
**(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 987.4	\$ 1,081.1	\$ 490.7	\$ 490.1	\$ 1,478.1	\$ 1,571.2
Capital Assets	3,557.0	3,502.4	1,415.7	1,346.8	4,972.7	4,849.2
Total Assets	<u>4,544.4</u>	<u>4,583.5</u>	<u>1,906.4</u>	<u>1,836.9</u>	<u>6,450.8</u>	<u>6,420.4</u>
Deferred Outflows of Resources	150.2	186.6	10.6	14.4	160.8	201.0
Long-Term Debt Outstanding	1,474.0	1,485.3	416.6	445.4	1,890.6	1,930.7
Other Liabilities	162.0	179.6	30.9	29.9	192.9	209.5
Total Liabilities	<u>1,636.0</u>	<u>1,664.9</u>	<u>447.5</u>	<u>475.3</u>	<u>2,083.5</u>	<u>2,140.2</u>
Deferred Inflows of Resources	134.9	271.3	37.1	44.4	172.0	315.7
Net Position						
Net Investment in Capital Assets	2,602.7	2,462.1	1,026.3	927.5	3,629.0	3,389.6
Restricted	62.6	68.6	73.8	36.4	136.4	105.0
Unrestricted	258.4	303.2	332.3	367.7	590.7	670.9
Total Net Position	<u>\$ 2,923.7</u>	<u>\$ 2,833.9</u>	<u>\$ 1,432.4</u>	<u>\$ 1,331.6</u>	<u>\$ 4,356.1</u>	<u>\$ 4,165.5</u>

**Changes in Net Position (Statement of Activities)**

The following table shows the revenues and expenses of the governmental and business-type activities.

**Table 2**  
**Changes in Net Position**  
**(in Millions)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 122.5	\$ 117.1	\$ 288.0	\$ 222.9	\$ 410.5	\$ 340.0
Operating Grants & Contributions	231.3	213.6	1.5	0.1	232.8	213.7
Capital Grants & Contributions	3.5	7.6	3.3	3.9	6.8	11.5
General Revenues:						
Property Taxes	833.5	769.7	-	-	833.5	769.7
Other Taxes	374.0	364.4	-	-	374.0	364.4
Other	86.6	76.1	11.8	3.5	98.5	79.6
Total Revenues	<u>1,651.4</u>	<u>1,548.5</u>	<u>304.6</u>	<u>230.3</u>	<u>1,956.1</u>	<u>1,778.9</u>
<b>Expenses:</b>						
Legislative	1.3	1.1	-	-	1.3	1.1
Executive	11.2	5.8	-	-	11.2	5.8
Law	5.6	4.9	-	-	5.6	4.9
Finance	21.5	22.5	-	-	21.5	22.5
Human Resources	5.9	5.3	-	-	5.9	5.3
Judicial	82.1	73.9	-	-	82.1	73.9
Health	4.0	4.1	-	-	4.0	4.1
Police	122.9	115.2	-	-	122.9	115.2
Human Services	137.2	124.1	-	-	137.2	124.1
Public Works	202.9	179.3	-	-	202.9	179.3
Parks & Recreation	58.5	52.6	-	-	58.5	52.6
Library	19.1	18.0	-	-	19.1	18.0
Planning	1.5	15.9	-	-	1.5	15.9
Agriculture	15.0	5.5	-	-	15.0	5.5
Economic Development	71.3	16.5	-	-	71.3	16.5
Convention & Visitor Bureau	36.8	30.3	-	-	36.8	30.3
Cultural Affairs	1.6	1.6	-	-	1.6	1.6
Information Technology	53.4	46.4	-	-	53.4	46.4
Emergency Communication & Citizen Services	10.5	9.5	-	-	10.5	9.5
Fire	81.4	72.1	-	-	81.4	72.1
Budget and Management Services	1.2	1.1	-	-	1.2	1.1
Education	470.2	519.8	-	-	470.2	519.8
Housing & Neighborhood Preservation	38.6	39.5	-	-	38.6	39.5
Museums	12.9	11.7	-	-	12.9	11.7
Emergency Medical Services	18.2	14.7	-	-	18.2	14.7
General Government	46.3	5.1	-	-	46.3	5.1
Water & Sewer	-	-	129.4	123.1	129.4	123.1
Storm Water	-	-	28.8	27.3	28.8	27.3
Development Authority	-	-	16.2	11.5	16.2	11.5
Waste Management	-	-	40.5	39.6	40.5	39.6
Parking	-	-	6.8	4.0	6.8	4.0
Interest on Long-Term Debt	12.6	12.5	-	-	12.6	12.5
Total Expenses	<u>1,543.7</u>	<u>1,409.0</u>	<u>221.7</u>	<u>205.4</u>	<u>1,765.5</u>	<u>1,614.5</u>
Excess Before Transfers	107.7	139.5	82.9	24.9	190.6	164.4
Transfers	(17.9)	(31.9)	17.9	31.9	-	-
Change in Net Position	89.8	107.6	100.8	56.8	190.6	164.4
Net Position – Beginning	2,833.9	2,726.3	1,331.6	1,274.8	4,165.5	4,001.1
Net Position – Ending	<u>\$ 2,923.7</u>	<u>\$ 2,833.9</u>	<u>\$ 1,432.4</u>	<u>\$ 1,331.6</u>	<u>\$ 4,356.1</u>	<u>\$ 4,165.5</u>

## Revenues

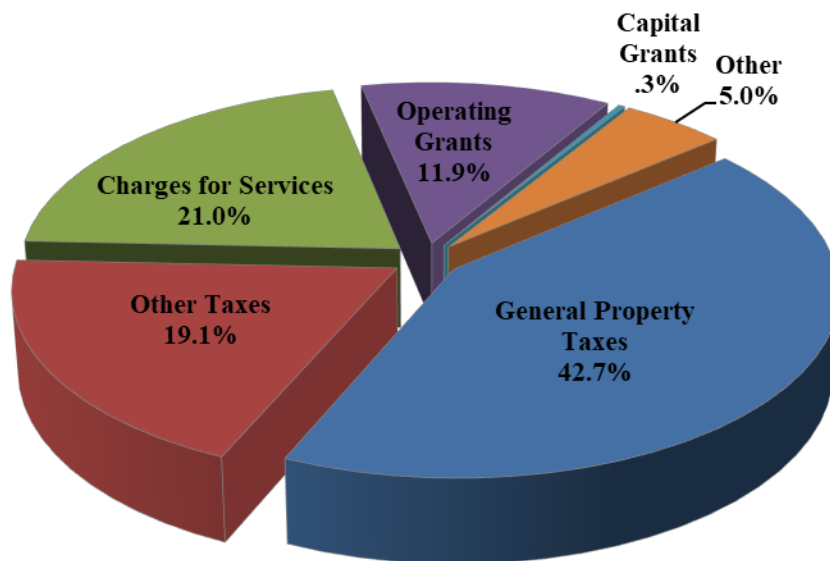
The City’s total revenues were \$2.0 billion, an increase of \$177.2 million over the revenues from prior year primarily due to increases in property tax and other taxes. These revenues consist of program and general revenues. Program revenues are derived from the program itself and reduce the reliance on the City's general revenues; these include charges for services, operating and capital grants and contributions. General revenues are all other revenues and include property and other taxes, and interest earnings.

For *Governmental Activities*, program revenues totaled \$357.3 million, compared to \$338.3 million from the prior year. There was an increase in revenues for charges for services for Human Services, Agriculture and Parks and Recreation and a decrease in capital grants and contribution receipts for roadways.

General revenues totaled \$1.3 billion. This represents an increase of \$83.9 million over the prior year.

*Business-type Activities* generated program and general revenues of \$304.6 million, primarily from charges for services which were \$288.0 million and capital grants and contributions which were \$3.3 million. Operating grants and contributions totaled \$1.5 million and general revenues totaled \$11.8 million.

**Figure 1: Revenues by Source - Primary Government as of June 30, 2023**



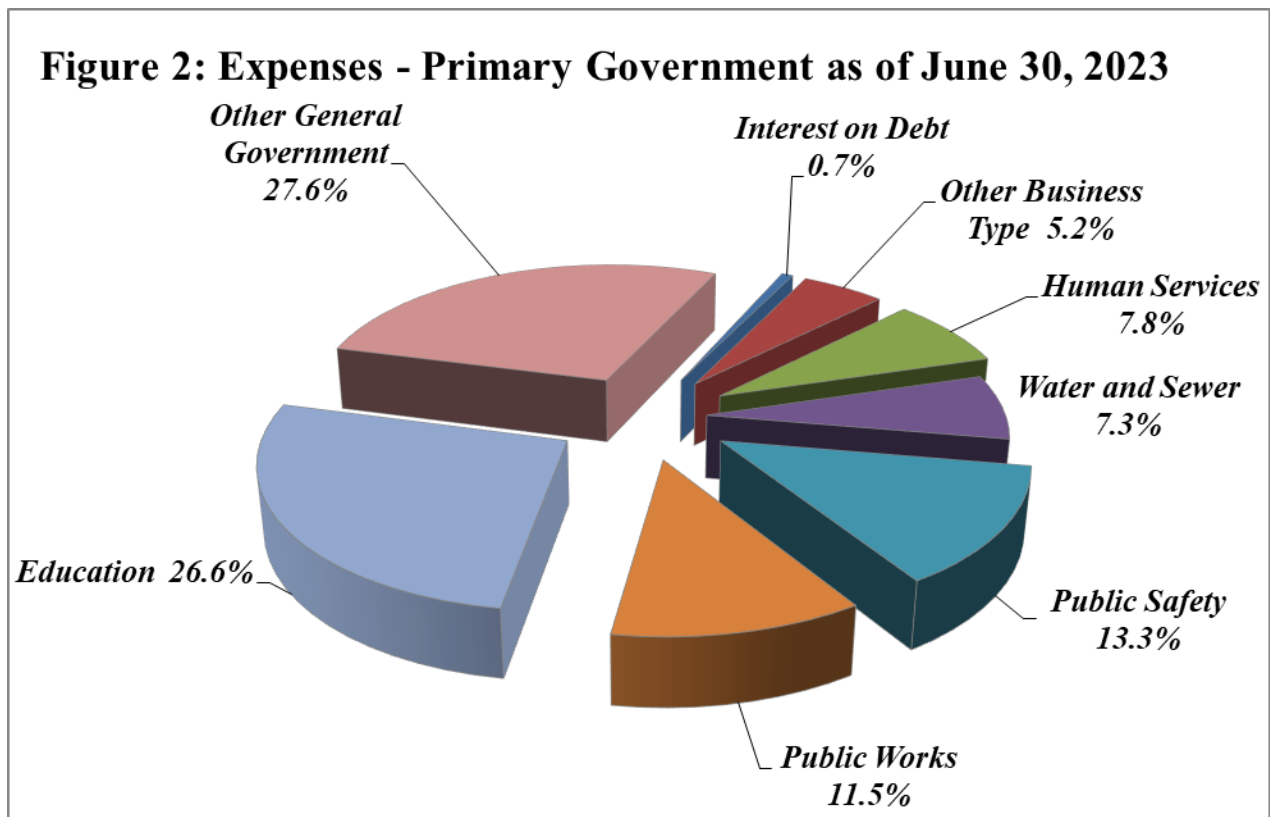
## Expenses

The City's total cost of all programs and services was \$1.8 billion, a \$151.0 million increase over expenses from the prior year. Figure 2 shows the breakdown of major expenses by function.

Expenses (before transfers) for *Governmental Activities* totaled \$1.5 billion, an increase of \$134.7 million over the prior year. The increase in current year expenses are due mainly to public safety and general government expenditures in the General Fund.

Education continues to be one of the City's highest priorities and commitments. The City's funding for education totaled \$470.2 million (net of the adjustment to account for the tenancy-in-common legislation). This amount represents a decrease of \$49.6 million from prior year due to no new debt issued in fiscal year 2023.

Expenses for the *Business-type Activities* include those related to water, sewer, storm water, and waste management utility services as well as parking operations and certain economic development functions (blended component unit). For the current fiscal year these totaled \$221.7 million, a \$16.3 million increase from prior year.



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### *Governmental funds*

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the total fund balance for the City's governmental funds was \$678.1 million, compared to \$769.8 million in the prior fiscal year, a decrease of \$91.7 million. The decrease is primarily due to the \$110 million increase in capital outlay expenditures.

At the end of the fiscal year, the classification of total governmental fund balances was as follows:

- \$10.3 million is nonspendable which consists of loans and inventories in the General Fund.
- \$55.2 million is restricted, which can be spent only for the specific purposes stipulated by external providers, such as grantors or restricted through legislation. In the General Fund, this amount is for community services programs and totals \$1.9 million. Non-major governmental funds consisted mainly of debt service costs of \$30.3 million and other federal and state grants funds \$23.0 million.
- \$291.0 million is committed, which can only be used for the specific purposes imposed by the formal action of City Council. In the General Fund committed balance of \$15.2 million is for education. The non-major governmental funds consist of \$54.1 million for convention and visitor development, \$19.5 million for the agriculture reserve program activities, \$17.9 million for parks and recreation, \$0.2 million for judicial activities and \$7.5 million for Central Business District South Tax Increment Financing fund.

Included in the committed fund balance is \$176.6 million for the capital improvement programs consisting of:

- Engineering and Highways - \$29.0 million
- Buildings - \$14.5 million
- Parks & Recreation - \$9.1 million
- Flood Protection - \$19.0 million
- Communications and Technology - \$8.1 million
- Coastal - \$14.1 million
- Economic and Tourism - \$15.1 million
- General Government - \$67.7 million

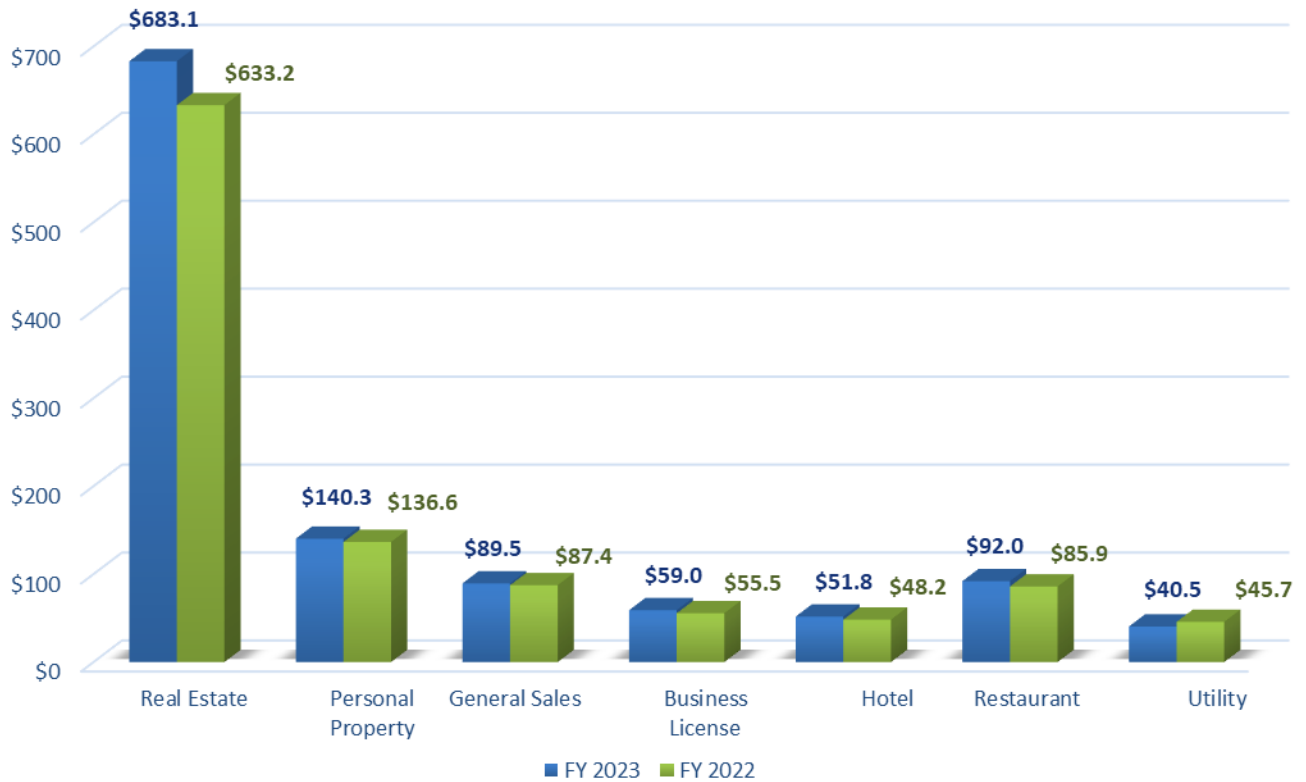
- \$131.2 million is assigned, which applies to amounts that are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For example, this amount includes \$41.1 million for fiscal year 2024's capital program and \$26.1 million for education, which includes unspent funding by the schools reverted to the City.
- \$190.4 million is unassigned, which is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

Items to be noted include:

- Real estate taxes of \$683.1 million increased by \$50.0 million from prior year. Real estate revenues are the City's single largest revenue source and comprised 42.0% of total revenues received for the year. This is mainly due to an increase of 9.3% in real estate assessed values. The real estate tax rate remained at \$.99 for fiscal year 2023.

- Revenues recorded for personal property taxes of \$140.3 million were higher than prior year by \$3.7 million. There was a decrease of 3.4% in personal property tax assessed values as a result of increased exonerations. The City continues to receive PPTRA (personal property tax relief program) reimbursements from the State of \$53.4 million, which are reported as state revenues.
- Other Taxes revenue category, which includes taxes on general sales, utility purchases, cigarettes, hotel rooms, restaurant meal, amusement, business licenses, deeds, wills, and automobile licenses totaled \$373.4 million. This represents a \$6.3 million increase over the previous year due to economic recovery and inflation. Noted increases in general sales \$2.1 million, hotel taxes \$1.1 million, meal taxes \$3.9 million and business licenses \$3.5 million. Noted decreases in utility purchases \$5.1 million and city tax on deeds \$5.2 million.
- Revenues from federal and state funding of \$309.9 million were lower than prior year by \$0.5 million.
- Revenues received in the capital projects fund from the federal and state governments were \$3.2 million and \$7.0 million, respectively, which were mostly in support of transportation projects. The capital projects fund received cash funding totaling \$130.1 million from the General Fund and other special revenue funds.

**Figure 3: Selected Tax Revenues by Source (in millions)**



## *Proprietary funds*

The City's proprietary fund statements offer short and long-term financial information about the activities that the government operates as a business, such as the water and sewer system, storm water, waste management, parking, and development authority funds. These statements provide the same type of information found in the government-wide financial statements, but in more detail. The ending net position for the proprietary funds totals \$1.4 billion.

Notable items are as follows:

- The Water and Sewer fund's net position increased by \$10.0 million continues to reflect strong financial management and the continuing acquisition and construction of capital assets to help address continued compliance with federal consent order on sanitary sewer overflows. Water and Sewer fees are \$5.20 per thousand gallons.
- The net position for the Storm Water fund increased by \$22.9 million, which provides funding to continue addressing backlogs in the areas of flood control and water quality over the next several years. Total operating revenues of \$45.7 million were comparable to the prior year. Total operating expenses were \$25.8 million, an increase of \$2.3 million over the prior year primarily due to increases in personal and contractual services. The equivalent residential unit fee of .493 cents per day remains in effect.
- The net position for the Waste Management fund decreased by \$1.7 million due to increased operating costs. The fund accounts for the annual operating expenses of the waste management functions, including recycling activities, waste collection, and disposal at the landfill. Waste collection and disposal fees increased from \$25.00 to \$27.50 per month.
- The net position for the Development Authority, which is the City's blended component unit, increased by \$71.0 million due to increases in capital contributions.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The following is a brief review of the budgetary changes from the original to the final budget and actual amounts to final budget (See Exhibits 12 and 13):

- Final budget amounts were often greater than original amounts due to the re-appropriation of prior year encumbrances which were completed in the current fiscal year. During the fiscal year, City Council approved various modifications to the original adopted budget. Major budget adjustments include:
  - \$1.6 million combined state funding from the GO Virginia and the Commonwealth Opportunity Fund grant programs to fund business site readiness and incentive payments for the Innovation Park.
  - \$2.6 million supplemental funding to support the City's Children's Services Act program due to increased program utilization and increased rates.
  - \$1.5 million in reserves to add 3% to each department's health insurance premiums.
  - \$5.1 million additional funding from the Virginia Department of Transportation (VDOT) for the maintenance of roads due to VDOT's release of fuel reserves.
  - \$1.2 million to negotiate design contract for the 5/31 Memorial site.
  - \$20.0 million payroll reserves used for attrition.
  - \$2.2 million in additional appropriations for energy and fuel cost increases in fiscal year 2023.



- \$35.3 million for various schools renovations and replacement projects.

Actual total revenues were greater than the amended budget by \$3.3 million primarily due to increases in interest from bank deposits (\$12.4 million), revenue from the Commonwealth (\$1.3 million) and convention center rent (\$0.2 million), coupled with decreases in general property taxes (\$6.2 million) and other local taxes (\$4.4 million).

General fund expenditures totaled \$1.2 billion which was \$116.7 million lower than the amended budget.

- Significant favorable variances were the result of the following:
  - Public Works was (\$11.8 million) or (11.7%) below the amended budget - due to savings in personnel charges (\$2.6 million), timing of pavement maintenance projects that were not completed during the fiscal year (\$1.6 million), lower repair and maintenance services for equipment and facility (\$2.0 million) and under utilization of Storm Water departments budgeted in General Fund in fiscal year 2023 (\$3.8 million).
  - Non-Departmental expenditures were \$8.0 million or (13.9%) below the amended budget due to decreased spending on vehicle (\$4.6 million) and computer (\$2.5 million) replacements.
  - Education was (\$36.1 million) or (6.9%) below the amended budget - mainly due to the reversion funds that were returned to the City's general fund at year-end. This amount will be requested by the School Board to be reappropriated in the next fiscal year budget to support School's operating cost.
  - The General Government category did not utilize (\$40.6 million) of appropriations for Contingencies.

At the end of the fiscal year, unassigned fund balance for the general fund was \$196.1 million or 13.9% of next fiscal year's budgeted revenues, and is within the City's fund balance policy.

## CAPITAL ASSETS

During the current fiscal year, the City's investment in capital assets of \$5.0 billion increased by \$123.4 million from prior year (Table 3). This investment includes a broad range of capital assets (e.g. land, equipment, buildings, park facilities, roads, bridges, water and sewer lines, and construction in progress).

Major capital projects placed in service during the year included:

### Buildings

- Fire/EMS Building at Burton Station opened to serve the residents and businesses in the Burton Station area of the City. The station is a three-bay station with administrative office spaces, a day room, kitchen, sleeping quarters, locker room and apparatus bay - \$7.8 million project.

### Coastal Projects

- Beach Replenishment and Restoration continued during fiscal year 2023, which includes expenditures of \$4.2 million in Beach Restoration and \$2.7 million in Beach Replenishment.

### Roadways

- Road Improvement and reconstruction of existing roadways throughout the city which includes total resurfacing of streets that have reached the end of their service life totaled \$47.3 million. Such projects included; First Colonial Road/Virginia Beach Boulevard intersection (\$4.0 million), Laskin Road Bridge and Road improvements (\$7.8 million), Sandbridge and Nimmo Road Improvements (\$9.6 million), and Traffic safety improvements (\$6.3 million).

Capital Project expenditures for the fiscal year totaled \$255.7 million for general government, \$21.8 million for water/sewer and \$48.4 million for storm water projects.

Major current year general government expenditures include:

#### Buildings

- Renovation of Operation Buildings including old public works/public utilities operations building and police buildings - \$14.3 million
- Landfill #2 project to provide a cap of the Phase I cell of the landfill - \$9.8 million.

#### Flood Protection Program

- In November 2021, Virginia beach voters overwhelmingly supported a resiliency package for several key flood protection initiatives to include drainage improvements, tide gates, pump stations and flood barriers throughout the city, cost related to these activities in fiscal year 2023 - \$6.2 million.

#### Water/Sewer Utility

- Expenditures to upgrade, rehabilitation of existing and the construction of new water system transmission mains and storage tanks - \$3.7 million
- Modifications and rehabilitation of sewer pump stations - \$2.9 million
- Sanitary sewer system revitalizations - \$3.3 million

#### Storm Water Utility

- Expenditures for maintenance of city lakes, including dredging and structural repairs/upgrades of dams and spillways - \$29.7 million
- Utility infrastructure rehabilitation and drainage improvements to minimize flooding - \$12.8 million
- Upgrades and renovations to existing infrastructure - \$6.9 million

**Table 3**  
**Capital Assets**  
**(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Non-Depreciable Assets:						
Land	\$ 1,057.7	\$ 1,057.5	\$ 201.4	\$ 178.3	\$ 1,259.1	\$ 1,235.8
Agriculture Reserve Program	44.1	49.8	-	-	44.1	49.8
Construction in Progress	206.4	161.6	119.5	71.4	325.9	233.0
Other Capital Assets:						
Land - Leases	0.3	0.3	3.0	3.0	3.3	3.3
Infrastructure	2,478.2	2,431.3	-	-	2,478.2	2,431.3
Buildings	1,452.9	1,408.7	165.0	165.0	1,617.9	1,573.7
Buildings - Leases	27.8	15.4	2.2	2.2	30.0	17.6
Machinery and Equipment	381.8	364.8	84.1	80.3	465.9	445.1
Subscription - Asset	10.6	-	1.0	-	11.6	-
Utility System	-	-	1,683.9	1,645.9	1,683.9	1,645.9
Site Improvements	382.9	389.1	1.2	1.2	384.1	390.3
Less: Accumulated Depreciation	(2,485.7)	(2,376.1)	(845.6)	(800.4)	(3,331.3)	(3,176.5)
Totals	\$ 3,557.0	\$ 3,502.4	\$ 1,415.7	\$ 1,346.9	\$ 4,972.7	\$ 4,849.3

For detailed information on the City's capital asset activity, refer to Note 5 to the financial statements - Capital Assets and Land Held for Resale.

## LONG TERM LIABILITIES

At the end of fiscal year 2023, the City had \$1.2 billion in bonds and notes outstanding and \$725.8 million in other liabilities for a total of \$1.9 billion (Table 4).

The state constitution limits the amount of general obligation debt a governmental entity may issue to 10% of the total assessed value of real property. At the end of the fiscal year, the City's assessed value of real property was \$70.9 billion, which makes the City's debt less than the current debt limitation of \$7.1 billion.

For the fourteenth consecutive year, all three major rating agencies, Standard & Poor's, Moody's Investor Service and Fitch Ratings, affirmed the City's Triple-A ratings on its General Obligation bonds.

Water and Sewer Revenue Bonds were rated AAA by Fitch and Standard & Poor's, and Aa1 by Moody's Investor Service in 2022 on the City's \$187.7 million in outstanding bonds. Storm Water Revenue Bonds were rated AAA by Fitch and Aa1 by Moody's Investors Service in 2022 on the City's \$130.4 million in outstanding bonds.

Estimated claims and judgments reflect estimated unpaid losses and ALAE (allocated loss adjustment expenses) as of the end of the year. The projected liability by line of business consists of 78.0% for workers' compensation, 20.0% for general liability, and 2.0% for automobile liability. Landfill closure and post-closure care liability of \$24.6 increased \$1.7 million during the current fiscal year due to inflation.

**Table 4**  
**Long Term Liabilities**  
**(in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
General Obligation Bond	\$ 508.8	\$ 564.1	\$ -	\$ -	\$ 508.8	\$ 564.1
Public Facility Revenue Bonds	267.7	304.0	26.1	34.6	293.8	338.6
Revenue Bonds	-	-	318.2	334.0	318.2	334.0
Agriculture Reserve Program	44.1	49.8	-	-	44.1	49.8
Sub-total	820.6	917.9	344.3	368.6	1,164.9	1,286.5
Other Long-Term Liabilities:						
Landfill Closure & Post-closure Care	24.6	22.9	-	-	24.6	22.9
Premium/Discount on Bonds Sold	96.1	107.7	34.0	40.7	130.1	148.4
Net Pension Liability	330.1	237.1	24.9	22.9	355.0	260.0
Net OPEB Liability	86.6	94.4	5.4	5.6	92.0	100.0
Accrued Compensated Leave	47.8	44.1	4.0	3.7	51.8	47.8
Lease Liability	21.5	11.7	3.4	4.5	24.9	16.2
Estimated Claims & Judgments	42.0	49.4	-	-	42.0	49.4
Subscription Liability	4.8	-	0.6	-	5.4	-
	653.5	567.3	72.3	77.4	725.8	644.7
Totals	\$ 1,474.1	\$ 1,485.2	\$ 416.6	\$ 446.0	\$ 1,890.7	\$ 1,931.2

For detailed information the City's long-term debt activity, refer to Note 6 to the financial statements - Long-term Debt.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's strong financial management and conservative budgeting practices allow the City to continue its commitment to the citizens of Virginia Beach. The Virginia Beach economy continues to improve as real estate assessments continue to increase, and consumer-driven revenues such as general sales, hotel tax, meals tax and amusement tax continue to perform well.

The adopted budget seeks to implement City Council priorities while also remaining flexible and conservative as the City continues to navigate the residual impacts of the pandemic, inflation, global supply chain issues, global unrest and other uncertainties.

The above indicators were taken into account when adopting the budget for fiscal year 2024. The adopted budget includes the following highlights:

- Real estate tax rate of \$0.99 per \$100 valuation will remain the same in fiscal year 2023-2024 intended to ease the burden of increasing home values in the City. The real estate tax remains the single largest revenue source

for the City, generating 27% of the City's total revenue and 46% of the General Fund revenue. Assessments have steadily been increasing over the past ten years.

- Personal property tax rate of \$4.00 per \$100 of assessed value will remain the same in fiscal year 2023-2024. The previous program which applied a 25% discount rate to the value of each vehicle and applied the tax levied to the new, fair market value of the vehicle is no longer in effect. As the car market returns to normal, personal property assessments are expected to decrease.
- Water commodity rate was increased by \$0.30 per 1,000 gallons of water used. This is the first of a five-year programmed rate increase.
- The sanitary sewer charge increased by \$0.77 per month. This is the first of a three-year programmed rate increase.
- Waste collection fees increased by \$2.50 to \$27.50 per month to support the daily operations of the Waste Management Division and will cover the increased costs for staffing, fuel, and vehicle replacements.
- The adopted Capital Improvement Program (CIP) for fiscal years 2024 through 2029 established six-year programmed funding of \$5.1 billion. For year one, the amount appropriated was \$375.6 million. The six-year program provides scheduled funding for the construction of projects for roadways \$936.6 million, storm water \$493.8 million, utilities \$460.4 million, schools \$720.4 million, flood protection \$761.8 million, economic and tourism development \$608.2 million, buildings \$414.7 million, coastal development \$197.5 million, information technology \$290.1 million, and parks and recreation \$231.7 million.

## REQUEST FOR INFORMATION

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, City of Virginia Beach, Municipal Center, Virginia Beach, Virginia 23456, telephone 757-385-4681, or visit the City's web site at [www.virginiabeach.gov](http://www.virginiabeach.gov).

# **BASIC FINANCIAL STATEMENTS**



**CITY OF VIRGINIA BEACH, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Other
<b>ASSETS</b>					
Cash and Investments	\$ 763,811,358	\$ 172,082,985	\$ 935,894,343	\$ 369,991,488	\$ 2,747,374
Restricted Cash & Cash Equivalents	29,513,656	209,376,594	238,890,250	-	43,600,147
Receivables (net)	122,009,406	56,260,615	178,270,021	7,202,630	5,330,958
Due from Other Governments	77,534,235	723,666	78,257,901	40,261,488	208,671
Internal Balances	(16,516,201)	16,516,201	-	-	-
Inventories	10,162,133	3,195,663	13,357,796	726,037	-
Other Assets	985,254	-	985,254	1,160,282	33,234
Net OPEB Asset	-	-	-	45,743	-
Land Held for Resale	-	32,521,030	32,521,030	-	1,638,906
Capital assets (net of accumulated depreciation):					
Land and Improvements	1,101,918,194	204,002,615	1,305,920,809	38,967,870	9,713,110
Buildings and Improvements	1,021,098,640	93,552,432	1,114,651,072	426,183,921	15,359,285
Improvements other than Buildings	236,081,136	481,550	236,562,686	27,874,112	-
Machinery and Equipment	107,608,430	18,388,903	125,997,333	59,205,300	715,249
Infrastructure	883,912,779	979,819,605	1,863,732,384	-	-
Construction in Progress	206,350,979	119,467,277	325,818,256	18,441,696	215,592
Total Capital Assets	<u>3,556,970,158</u>	<u>1,415,712,382</u>	<u>4,972,682,540</u>	<u>570,672,899</u>	<u>26,003,236</u>
Total Assets	<u>4,544,469,999</u>	<u>1,906,389,136</u>	<u>6,450,859,135</u>	<u>990,060,567</u>	<u>79,562,526</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows from Pensions	116,090,847	8,778,301	124,869,148	121,293,159	-
Deferred Outflows From OPEB	32,583,477	1,745,139	34,328,616	40,977,121	-
Deferred Outflows from Debt Refunding	1,502,280	66,785	1,569,065	-	-
Total Deferred Outflows of Resources	<u>150,176,604</u>	<u>10,590,225</u>	<u>160,766,829</u>	<u>162,270,280</u>	<u>-</u>
<b>LIABILITIES</b>					
Accounts Payable	50,052,049	20,675,575	70,727,624	35,465,922	433,179
Accrued Liabilities	111,695,930	9,789,516	121,485,446	98,697,703	1,964,824
Due to Other Governments	256,318	447,255	703,573	123,422	178,121
Long-term Liabilities:					
Due Within One Year	144,704,451	29,297,631	174,002,082	27,312,974	1,113,778
Due in More Than One Year:					
Compensated Absences	17,989,165	1,029,405	19,018,570	31,013,218	-
Lease Liability	17,477,286	2,505,500	19,982,786	-	-
Subscription Liability	2,520,479	290,079	2,810,558	778,559	-
Claims and Contingencies	33,799,676	-	33,799,676	4,522,571	-
Bonds and Notes Payable	816,322,255	353,066,917	1,169,389,172	-	69,000,856
Landfill	24,566,050	-	24,566,050	-	-
Net Pension Liability	330,059,160	24,957,684	355,016,844	462,205,827	-
Net OPEB Liability	86,573,280	5,424,204	91,997,484	157,587,101	-
Total Liabilities	<u>1,636,016,099</u>	<u>447,483,766</u>	<u>2,083,499,865</u>	<u>817,707,297</u>	<u>72,690,758</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows from Pensions	93,288,640	7,054,094	100,342,734	122,002,414	-
Deferred Inflows from OPEB	31,991,391	1,485,075	33,476,466	23,321,600	-
Deferred Inflows from Debt Refunding	2,632,798	892,444	3,525,242	-	-
Deferred Inflows from Leases	7,036,435	27,705,798	34,742,233	1,902,638	-
Total Deferred Inflows of Resources	<u>134,949,264</u>	<u>37,137,411</u>	<u>172,086,675</u>	<u>147,226,652</u>	<u>-</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	2,602,704,864	1,026,281,613	3,628,986,477	557,050,053	6,345,375
Restricted for:					
Future Debt Service	30,282,245	29,707,644	59,989,889	-	-
Special Projects	32,289,487	44,071,495	76,360,982	36,829,279	43,632,494
Unrestricted (Deficit)	258,404,644	332,297,432	590,702,076	(406,482,434)	(43,106,101)
Total Net Position (Deficit)	<u>\$ 2,923,681,240</u>	<u>\$ 1,432,358,184</u>	<u>\$ 4,356,039,424</u>	<u>\$ 187,396,898</u>	<u>\$ 6,871,768</u>

The accompanying notes are an integral part of the financial statements.

CITY OF VIRGINIA BEACH, VIRGINIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Other
<b>Primary Government:</b>									
Governmental Activities:									
Legislative	\$ 1,270,590	\$ -	\$ -	\$ -	(1,270,590)	\$ -	(1,270,590)	\$ -	\$ -
Executive	11,164,998	-	-	-	(11,164,998)	-	(11,164,998)	-	-
Law	5,649,595	1,281	-	-	(5,648,314)	-	(5,648,314)	-	-
Finance	21,494,055	627,088	1,703,055	-	(19,163,912)	-	(19,163,912)	-	-
Human Resources	5,904,595	58,142	-	-	(5,846,453)	-	(5,846,453)	-	-
Judicial	82,081,133	4,452,638	28,029,938	-	(49,598,557)	-	(49,598,557)	-	-
Health	4,014,844	328,118	115,803	-	(3,570,923)	-	(3,570,923)	-	-
Police	122,888,250	1,362,460	1,437,707	148,666	(119,939,417)	-	(119,939,417)	-	-
Human Services	137,187,024	30,848,325	77,405,890	-	(28,932,809)	-	(28,932,809)	-	-
Public Works	202,890,102	2,587,647	61,448,445	2,960,296	(135,893,714)	-	(135,893,714)	-	-
Parks & Recreation	58,488,037	15,426,715	6,255,110	111,251	(36,694,961)	-	(36,694,961)	-	-
Library	19,107,761	285,528	292,905	-	(18,529,328)	-	(18,529,328)	-	-
Planning	1,481,207	6,543,851	111,835	-	5,174,479	-	5,174,479	-	-
Agriculture	15,006,254	7,030,591	214,810	-	(7,760,853)	-	(7,760,853)	-	-
Economic Development	71,265,585	582,110	118,393	-	(70,565,082)	-	(70,565,082)	-	-
Convention & Visitor Development	36,847,213	3,203,148	-	-	(33,644,065)	-	(33,644,065)	-	-
Cultural Affairs	1,613,615	60,100	-	-	(1,553,515)	-	(1,553,515)	-	-
Information Technology	53,390,404	654	-	-	(53,389,750)	-	(53,389,750)	-	-
Emergency Communications and Citizen Services	10,538,164	141,461	-	-	(10,396,703)	-	(10,396,703)	-	-
Fire	81,434,129	1,000,780	7,042,090	-	(73,391,259)	-	(73,391,259)	-	-
Budget and Management Services	470,150,749	-	-	-	(470,150,749)	-	(470,150,749)	-	-
Education	38,590,491	2,005,982	29,296,020	-	(7,288,489)	-	(7,288,489)	-	-
Housing & Neighborhood Preservation	12,946,911	13,076,280	-	-	129,369	-	129,369	-	-
Museums	18,241,153	21,908	-	-	(18,219,245)	-	(18,219,245)	-	-
Emergency Medical Services	46,326,095	32,849,143	17,852,330	245,047	4,620,425	-	4,620,425	-	-
General Government	12,600,164	-	-	-	(12,600,164)	-	(12,600,164)	-	-
Interest	1,543,812,273	122,493,950	231,324,331	3,465,260	(1,186,528,732)	-	(1,186,528,732)	-	-
Total Governmental Activities									
Business-type Activities:									
Water and Sewer	129,355,105	131,686,568	-	3,270,306	-	5,601,769	5,601,769	-	-
Storm Water	28,806,275	46,221,163	1,383,248	-	-	18,798,136	18,798,136	-	-
Waste Management	40,531,439	37,711,858	69,849	-	-	(2,749,732)	(2,749,732)	-	-
Development Authority	16,170,202	66,886,214	-	-	-	50,716,012	50,716,012	-	-
Parking	6,814,732	5,518,809	-	-	-	(1,295,923)	(1,295,923)	-	-
Total Business-type Activities	221,677,753	288,024,612	1,453,097	3,270,306	-	71,070,262	71,070,262	-	-
Total Primary Government	1,765,490,026	410,518,562	232,777,428	6,735,566	(1,186,528,732)	71,070,262	(1,115,458,470)	-	-
<b>Component Units:</b>									
Virginia Beach School Board	972,469,479	14,779,616	269,510,671	15,823,813	-	-	(672,355,379)	-	(8,924,566)
Other	22,817,096	5,123,955	2,583,560	6,185,015	-	-	-	-	-
Total Component Units	\$ 995,286,575	\$ 19,903,571	\$ 272,094,231	\$ 22,008,828			\$ (672,355,379)	\$ (8,924,566)	



General Revenues:						
Taxes:						
Real Estate Property Taxes	\$ 683,149,860	\$	-	\$	683,149,860	\$ -
Personal Property Taxes	150,330,302	-	-	-	150,330,302	-
Sales	90,129,727	-	-	-	90,129,727	-
Utility	40,428,732	-	-	-	40,428,732	-
Business Licenses	59,007,924	-	-	-	59,007,924	-
Meal	92,398,321	-	-	-	92,398,321	-
City Tax on Deeds and Wills	7,870,701	-	-	-	7,870,701	-
Cigarette	8,241,038	-	-	-	8,241,038	-
Automobile Licenses	10,596,831	-	-	-	10,596,831	-
Amusement	9,055,008	-	-	-	9,055,008	-
Lodging	52,095,548	-	-	-	52,095,548	-
Bank Stock	4,183,698	-	-	-	4,183,698	-
Total City Taxes	1,207,487,690	-	-	-	1,207,487,690	-
Grants and contributions not restricted to specific programs	53,412,868	-	-	306,797,997	53,412,868	-
Investment earnings	18,884,519	5,830,296	-	977,987	24,714,815	422,723
Miscellaneous	14,380,430	5,986,600	-	8,736,741	20,367,030	179,913
Transfers	(17,856,710)	17,856,710	-	456,010,900	-	-
Total General Revenues and Transfers	1,276,308,797	29,673,606	-	772,523,625	1,305,982,403	602,636
Change in Net Position	89,780,065	100,743,868	-	100,168,246	190,523,933	(8,321,930)
Net Position - Beginning	2,833,901,175	1,331,614,316	-	87,228,652	4,165,515,491	15,193,698
Net Position - Ending	\$ 2,923,681,240	\$ 1,432,358,184	\$	\$ 187,396,898	\$ 4,356,039,424	\$ 6,871,768

The accompanying notes are an integral part of the financial statements.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 383,894,302	\$ 188,480,725	\$ 135,140,748	\$ 707,515,775
Cash and Investments - Restricted	-	-	29,513,656	29,513,656
Cash Advances	90,188	-	-	90,188
Receivables (net of allowance for collectibles, where applicable):				
Property Tax	78,056,025	-	-	78,056,025
Accounts	8,130,657	94,555	125,230	8,350,442
Leases	6,060,893	66,640	918,342	7,045,875
Loans	3,231,253	-	4,650,639	7,881,892
Due from:				
Due from Other Funds	5,289,287	-	51,207	5,340,494
Due from Commonwealth	63,529,704	6,530,123	1,566,910	71,626,737
Due from Federal Government	188,120	3,630,611	2,088,767	5,907,498
Inventories	6,219,159	-	816,641	7,035,800
Total Assets	<u>554,689,588</u>	<u>198,802,654</u>	<u>174,872,140</u>	<u>928,364,382</u>
<b>LIABILITIES</b>				
Vouchers and Accounts Payable	42,539,157	10,059,423	7,801,473	60,400,053
Deposits Payable	6,537,651	-	-	6,537,651
Due to Other Funds	143,732	12,076,619	4,893,239	17,113,590
Intergovernmental Payables	248,341	6,000	1,977	256,318
Unearned Revenues	90,925,518	-	1,778,585	92,704,103
Total Liabilities	<u>140,394,399</u>	<u>22,142,042</u>	<u>14,475,274</u>	<u>177,011,715</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows from Leases	5,964,879	39,178	1,032,378	7,036,435
Deferred Inflows from Opioid Settlements	4,492,017	-	-	4,492,017
Unavailable Revenue - Property Taxes	61,766,943	-	-	61,766,943
Total Deferred Inflows of Resources	<u>72,223,839</u>	<u>39,178</u>	<u>1,032,378</u>	<u>73,295,395</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Nonspendable Inventories	6,219,158	-	816,641	7,035,799
Loans Receivable	3,231,253	-	-	3,231,253
Restricted for:				
Debt Service	-	-	30,282,245	30,282,245
Community Services Board	1,922,110	-	-	1,922,110
General Government	-	-	2,910,984	2,910,984
Housing and Community Development	-	-	10,258,191	10,258,191
Judicial	-	-	449,082	449,082
Public Safety	-	-	2,673,835	2,673,835
Special Service District	-	-	6,719,217	6,719,217
Committed to:				
Agriculture	-	-	19,504,292	19,504,292
Convention and Visitor Development	-	-	54,118,212	54,118,212
Education	15,247,762	-	-	15,247,762
Judicial	-	-	151,357	151,357
Capital Improvement Program:				
Engineering and Highways	-	28,976,260	-	28,976,260
Buildings	-	14,453,240	-	14,453,240
Flood Protection	-	18,992,233	-	18,992,233
Communications and Information Technology	-	8,144,178	-	8,144,178
Parks and Recreation	-	9,148,950	17,866,461	27,015,411
Public Safety	-	-	16,310	16,310
Coastal	-	14,138,644	-	14,138,644
Economic and Tourism	-	15,052,351	-	15,052,351
General Government	-	67,715,578	-	67,715,578
Tax Increment Financing	-	-	7,458,253	7,458,253
Assigned to:				
Education	26,140,809	-	-	26,140,809
Convention and Visitor Development	-	-	10,765,660	10,765,660
Special Service District	-	-	1,029,727	1,029,727
General Government	52,169,420	-	-	52,169,420
Capital Improvement Program - General	41,054,274	-	-	41,054,274
Unassigned	196,086,564	-	(5,655,979)	190,430,585
Total Fund Balances	<u>342,071,350</u>	<u>176,621,434</u>	<u>159,364,488</u>	<u>678,057,272</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 554,689,588</u>	<u>\$ 198,802,654</u>	<u>\$ 174,872,140</u>	<u>\$ 928,364,382</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF VIRGINIA BEACH, VIRGINIA  
RECONCILIATION OF BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

Total Fund Balances - Governmental funds (Exhibit 3)		\$ 678,057,272
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		3,555,224,628
Other long-term assets are not available to pay for current period expenditures and, therefore, are offset by unearned revenue in the governmental funds.		91,155,701
Deferred Inflows and Outflows of Resources used to reflect deferred gains and losses on debt refunding bonds are not reported in the governmental funds.		(1,130,518)
Deferred Inflows and Outflows of Resources used to reflect differences between expected and actual earnings on pension plan investments and other postemployment benefits are not reported in the governmental funds (net of ISF).		22,894,935
Internal Service Funds (ISF) are used by management to charge the costs of risk management, information technology, and city garage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. (Exhibit 1)		9,414,074
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General Obligation Bonds	(508,818,472)	
Net Pension Liability (net of ISF)	(323,739,860)	
Net Other Postemployment Benefits Liability (net of ISF)	(85,261,476)	
Subscription Liability	(4,812,596)	
Lease Liability	(21,516,168)	
Accrued Interest on Bonds Sold	(8,296,285)	
Agriculture Reserve Strips	(44,146,562)	
Public Facility Revenue Bonds	(267,719,194)	
Premium on Bonds Sold	(96,062,381)	
Compensated Absences (annual and sick leave) (net of ISF)	(46,995,808)	
Landfill Closure and Post-Closure Care	(24,566,050)	
	(1,431,934,852)	
Total Net Position - Governmental Activities (Exhibit 1)		\$ 2,923,681,240

**The accompanying notes are an integral part of the financial statements.**

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
General Property Taxes:				
Real Estate property taxes	\$ 642,486,762	\$ -	\$ 40,652,079	\$ 683,138,841
Personal property taxes	140,251,330	-	-	140,251,330
Other Local Taxes	289,645,377	-	83,758,997	373,404,374
Fines and Forfeitures	1,326,584	-	-	1,326,584
Permits, Privilege Fees, and Regulatory Licenses	9,190,870	-	273,546	9,464,416
From Use of Money and Property	21,432,482	369,459	3,390,890	25,192,831
Charges for Services	54,562,395	-	20,603,806	75,166,201
Miscellaneous	6,741,151	1,917,115	558,509	9,216,775
From Commonwealth	180,077,748	6,963,587	27,524,982	214,566,317
From Federal Government	25,974,231	3,151,696	66,235,046	95,360,973
Total Revenues	<u>1,371,688,930</u>	<u>12,401,857</u>	<u>242,997,855</u>	<u>1,627,088,642</u>
<b>EXPENDITURES</b>				
Current Operating:				
Legislative	1,267,998	-	-	1,267,998
Executive	6,669,070	-	786	6,669,856
Law	5,623,140	-	-	5,623,140
Finance	23,949,092	-	-	23,949,092
Human Resources	6,114,668	-	-	6,114,668
Judicial	18,811,256	-	62,657,214	81,468,470
Health	3,898,158	-	118,391	4,016,549
Police	119,029,333	-	1,442,808	120,472,141
Human Services	127,902,634	-	12,305,029	140,207,663
Public Works	88,737,824	-	7,289,902	96,027,726
Parks and Recreation	15,556,310	-	37,043,430	52,599,740
Library	19,089,613	-	223,124	19,312,737
Planning	12,257,895	-	27,645	12,285,540
Agriculture	907,229	-	195,550	1,102,779
Economic Development	7,069,218	-	487,742	7,556,960
Convention and Visitor Development	9,497,199	-	24,796,757	34,293,956
Cultural Affairs	2,957,549	-	928,833	3,886,382
Information Technology	25,013,855	-	-	25,013,855
Emergency Communications and Citizen Services	10,601,086	-	2,994	10,604,080
Fire	74,752,264	-	7,002,676	81,754,940
Budget and Management Services	1,229,516	-	-	1,229,516
Education	456,472,085	-	-	456,472,085
Housing and Neighborhood Preservation	7,137,522	-	31,743,867	38,881,389
Aquariums	13,058,273	-	-	13,058,273
General Registrar	3,340,831	-	-	3,340,831
General Government	50,871,645	-	8,337,512	59,209,157
Emergency Medical Services	18,011,224	-	484,225	18,495,449
Capital Outlay	-	254,018,476	8,502	254,026,978
Lease Payments	3,707,313	-	426,409	4,133,722
Subscription Payments	3,723,519	1,634,491	42,138	5,400,148
Debt Service:				
Principal Retirement	37,330,169	-	68,988,123	106,318,292
Interest and Fiscal Charges	14,330,454	-	24,521,804	38,852,258
Total Expenditures	<u>1,188,917,942</u>	<u>255,652,967</u>	<u>289,075,461</u>	<u>1,733,646,370</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>182,770,988</u>	<u>(243,251,110)</u>	<u>(46,077,606)</u>	<u>(106,557,728)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	727,192	130,132,141	98,116,822	228,976,155
Transfers Out	(182,542,715)	-	(46,964,544)	(229,507,259)
Capitalized Leases	6,123,168	-	-	6,123,168
Capitalized Subscriptions	6,096,478	2,764,032	312,992	9,173,502
Total Other Financing Sources (Uses)	<u>(169,595,877)</u>	<u>132,896,173</u>	<u>51,465,270</u>	<u>14,765,566</u>
Net Change in Fund Balance	13,175,111	(110,354,937)	5,387,664	(91,792,162)
Fund Balance at Beginning of Year	328,896,239	286,976,371	153,976,824	769,849,434
Fund Balance at End of Year	<u>\$ 342,071,350</u>	<u>\$ 176,621,434</u>	<u>\$ 159,364,488</u>	<u>\$ 678,057,272</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF VIRGINIA BEACH, VIRGINIA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

Net Change in fund balance - total governmental funds (Exhibit 4) \$ (91,792,162)

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

General Government Capital Outlay Expenditures	\$	254,018,476	
General Government Expenditures		(70,633,176)	
Non-Capitalizable Capital Outlay Expenditures		6,469,012	
Depreciation on General Government Assets		(152,859,446)	
Gain on Disposition of Assets		2,849,735	39,844,601

Revenues in the fund statements which were subject to accrual in the prior year are additions to beginning net position and, therefore, are not reported as revenues in the Statement of Activities. 17,704,769

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 98,482,679

Certain net expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences		(3,567,577)	
Pension Expense		12,881,737	
Subscription Expenses		5,340,366	
Lease Expenses		4,027,698	
Other Postemployment Benefits		383,553	

Internal Service Funds are used by management to charge the costs of fleet management and management systems to individual funds and customers. Losses arising from the internal customers are added as expenditures on the Statement of Activities as charge backs. Revenues and expenditures with outside customers are included also, as are non-operating revenues and expenses. This amount is the effect of reporting Internal Service Funds with governmental activities. 6,474,401

Change in net position of governmental activities (Exhibit 2) \$ 89,780,065

**The accompanying notes are an integral part of the financial statements.**

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	<b>Business-Type Activities - Enterprise Funds</b>	
	<b>Water and Sewer</b>	<b>Storm Water</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Investments	\$ 123,778,687	\$ 22,904,038
Accounts Receivable - Net	15,148,762	5,689,026
Due From Other Funds	-	-
Lease Receivable	-	-
Intergovernmental Receivables	723,666	-
Inventory	3,195,663	-
Total Current Assets	142,846,778	28,593,064
Noncurrent Assets:		
Cash and Investments - Restricted	99,493,045	69,487,095
Accounts Receivable - Non-current	-	-
Lease Receivable - Non-current	-	-
Land Held for Resale	-	-
Capital Assets:		
Land	14,618,544	134,087,267
Site Improvements	-	-
Buildings	21,037,299	664,899
Utility System	1,256,214,787	427,669,661
Construction in Progress	36,562,668	62,485,559
Machinery and Equipment	37,458,171	23,288,378
Less: Accumulated Depreciation	(657,236,355)	(114,504,499)
Total Capital Assets	708,655,114	533,691,265
Total Noncurrent Assets	808,148,159	603,178,360
Total Assets	950,994,937	631,771,424
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Debt Refundings Resulting in Loss Transactions	-	-
Deferred Outflows for Pensions	5,681,547	1,398,534
Deferred Outflows for OPEB	1,070,032	253,182
Total Deferred Outflows of Resources	6,751,579	1,651,716
<b>LIABILITIES</b>		
Current Liabilities:		
Vouchers and Accounts Payable	3,702,331	588,587
Deposits Payable	242,212	669
Accrued Interest Payable	1,793,840	592,645
Construction Contracts Payable	2,019,969	3,969,146
Due to Other Funds	-	-
Unearned Revenues	2,625,430	-
Current Portion of Long-term Liabilities	16,532,811	6,364,196
Total Current Liabilities	26,916,593	11,515,243
Long-term Liabilities:		
Compensated Absences	542,894	137,984
Claims and Contingencies	-	-
Bonds and Notes Payable	192,959,807	138,144,519
Subscriptions Payable	290,079	-
Leases Payable	168,381	-
Net Pension Liability	16,153,266	3,976,189
Net OPEB Liability	3,325,730	786,669
Total Long-term Liabilities	213,440,157	143,045,361
Total Liabilities	240,356,750	154,560,604
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Debt Refundings Resulting in Gain Transactions	125,386	423,300
Deferred Inflows for Pensions	4,565,595	1,123,838
Deferred Inflows for Leases	2,649	-
Deferred Inflows for OPEB	910,548	215,396
Total Deferred Inflows of Resources	5,604,178	1,762,534
<b>NET POSITION</b>		
Net Investment in Capital Assets	498,370,175	385,220,835
Restricted for:		
Future Debt Services	20,259,887	9,447,757
Special Projects	-	-
Unrestricted (deficit)	193,155,526	82,431,410
Total Net Position	\$ 711,785,588	\$ 477,100,002

Reconciling Items:

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Total Net Position of Business-type activities (Exhibit 1)

The accompanying notes are an integral part of the financial statements.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

Business-Type Activities - Enterprise Funds				Governmental Activities	
Waste Management	Development Authority	Nonmajor Parking	Totals	Internal Service Funds	
\$ 12,640,190	\$ 5,951,464	\$ 6,808,606	\$ 172,082,985	\$	56,295,583
4,638,451	2,605,458	-	28,081,697		-
-	12,220,351	-	12,220,351		-
-	805,617	-	805,617		-
-	-	-	723,666		-
-	-	-	3,195,663		3,126,333
17,278,641	21,582,890	6,808,606	217,109,979		59,421,916
-	40,396,454	-	209,376,594		-
-	29,985	-	29,985		-
-	27,343,316	-	27,343,316		-
-	32,521,030	-	32,521,030		-
-	52,698,440	2,965,874	204,370,125		-
410,325	-	779,517	1,189,842		265,782
8,730	145,408,109	95,922	167,214,959		-
-	-	-	1,683,884,448		-
-	20,419,050	-	119,467,277		-
22,367,725	1,900,510	139,727	85,154,511		8,393,657
(17,729,705)	(55,068,802)	(1,029,419)	(845,568,780)		(6,913,909)
5,057,075	165,357,307	2,951,621	1,415,712,382		1,745,530
5,057,075	265,648,092	2,951,621	1,684,983,307		1,745,530
22,335,716	287,230,982	9,760,227	1,902,093,286		61,167,446
-	66,785	-	66,785		-
1,598,325	-	99,895	8,778,301		2,222,671
404,130	-	17,795	1,745,139		421,922
2,002,455	66,785	117,690	10,590,225		2,644,593
1,668,718	13,230,314	448,635	19,638,585		1,879,495
75	-	-	242,956		-
-	275,150	4,625	2,666,260		-
-	-	-	5,989,115		-
-	447,255	-	447,255		-
-	-	-	2,625,430		-
649,167	5,484,215	267,242	29,297,631		8,770,687
2,317,960	19,436,934	720,502	60,907,232		10,650,182
341,259	-	7,268	1,029,405		171,768
-	-	-	-		33,799,676
-	21,962,591	-	353,066,917		-
-	-	-	290,079		-
-	-	2,337,119	2,505,500		-
4,544,216	-	284,013	24,957,684		6,319,300
1,256,379	-	55,426	5,424,204		1,311,804
6,141,854	21,962,591	2,683,826	387,273,789		41,602,548
8,459,814	41,399,525	3,404,328	448,181,021		52,252,730
-	343,758	-	892,444		-
1,284,387	-	80,274	7,054,094		1,786,101
-	27,703,149	-	27,705,798		-
343,964	-	15,167	1,485,075		359,134
1,628,351	28,046,907	95,441	37,137,411		2,145,235
5,057,075	137,633,528	-	1,026,281,613		1,745,530
-	-	-	29,707,644		-
-	44,071,495	-	44,071,495		-
9,192,931	36,146,312	6,378,148	327,304,327		7,668,544
\$ 14,250,006	\$ 217,851,335	\$ 6,378,148	1,427,365,079	\$	9,414,074
			4,993,105		
			1,432,358,184		

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Business-Type Activities - Enterprise Funds</u>	
	<u>Water and Sewer</u>	<u>Storm Water</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 130,238,014	\$ 45,703,661
Insurance Recovery	-	-
Miscellaneous	195,406	6,845
Total Operating Revenues	<u>130,433,420</u>	<u>45,710,506</u>
<b><u>OPERATING EXPENSES</u></b>		
Cost of Goods Sold	32,558,116	-
Personal Services	29,799,690	5,947,128
Contractual Services	10,877,039	3,338,823
Internal Services	4,474,786	1,474,982
Other Charges	15,991,805	3,813,122
Leases and Rentals	8,660	-
Depreciation	29,163,315	10,624,806
Total Operating Expenses	<u>122,873,411</u>	<u>25,198,861</u>
<b><u>OPERATING INCOME (LOSS)</u></b>	<u>7,560,009</u>	<u>20,511,645</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
From Commonwealth	-	-
Interest Income	3,374,596	1,633,071
Gain (Loss) From Sale of Assets	92,083	6,089
Payment Under Support Agreement	-	-
Interest and Fiscal Agent Fees	(5,780,029)	(3,561,711)
Total Nonoperating Revenues (Expenses)	<u>(2,313,350)</u>	<u>(1,922,551)</u>
<b><u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u></b>	<u>5,246,659</u>	<u>18,589,094</u>
Capital Contributions	4,101,159	500,000
Capital Contributions - Federal Government	-	1,383,248
Capital Contributions - Transfers In	682,718	1,828,183
Transfers In	-	551,703
Transfers Out	-	-
<b><u>CHANGE IN NET POSITION</u></b>	<u>10,030,536</u>	<u>22,852,228</u>
Total Net Position at Beginning of Year	<u>701,755,052</u>	<u>454,247,774</u>
Total Net Position at End of Year	<u>\$ 711,785,588</u>	<u>\$ 477,100,002</u>

Reconciling Items:

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.  
Change in Net Position of Business-type activities (Exhibit 2)

The accompanying notes are an integral part of the financial statements.



**CITY OF VIRGINIA BEACH, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Business-Type Activities - Enterprise Funds				Governmental Activities
Waste Management	Development Authority	Nonmajor Parking	Totals	Internal Service Funds
\$ 37,188,648	\$ 2,849,693	\$ 5,518,809	\$ 221,498,825	\$ 50,307,817
-	-	-	-	1,464,693
882,751	2,096,435	-	3,181,437	-
<u>38,071,399</u>	<u>4,946,128</u>	<u>5,518,809</u>	<u>224,680,262</u>	<u>51,772,510</u>
352,007	2,358,808	-	35,268,931	16,136,627
10,674,072	-	673,997	47,094,887	11,041,303
15,746,116	8,567,368	3,225,118	41,754,464	3,761,931
6,638,157	-	51,891	12,639,816	1,054,340
4,089,871	702,868	349,140	24,946,806	12,359,205
-	-	-	8,660	-
2,604,444	3,703,142	322,057	46,417,764	746,299
<u>40,104,667</u>	<u>15,332,186</u>	<u>4,622,203</u>	<u>208,131,328</u>	<u>45,099,705</u>
<u>(2,033,268)</u>	<u>(10,386,058)</u>	<u>896,606</u>	<u>16,548,934</u>	<u>6,672,805</u>
69,849	-	-	69,849	-
147,646	582,255	93,807	5,831,375	907,010
81,173	(10,692)	-	168,653	(5,414)
-	14,992,095	-	14,992,095	-
-	(827,324)	(692,529)	(10,861,593)	-
<u>298,668</u>	<u>14,736,334</u>	<u>(598,722)</u>	<u>10,200,379</u>	<u>901,596</u>
(1,734,600)	4,350,276	297,884	26,749,313	7,574,401
-	66,619,725	-	71,220,884	-
-	-	-	1,383,248	-
-	-	-	2,510,901	-
-	-	68,500	620,203	-
-	-	(1,500,000)	(1,500,000)	(1,100,000)
(1,734,600)	70,970,001	(1,133,616)	100,984,549	6,474,401
15,984,606	146,881,334	7,511,764		2,939,673
<u>\$ 14,250,006</u>	<u>\$ 217,851,335</u>	<u>\$ 6,378,148</u>		<u>\$ 9,414,074</u>
			(240,681)	
			<u>\$ 100,743,868</u>	

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Business-Type Activities - Enterprise Funds</b>	
	<b>Water and Sewer</b>	<b>Storm Water</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Receipts from Customers and Users	\$ 130,338,357	\$ 46,173,500
Receipts from (Payments for) Interfund Services Provided	1,918,853	-
Other Operating Cash Receipts (Disbursements)	195,406	-
Cash Payments to Suppliers of Goods and Services	(64,216,505)	(9,285,177)
Cash Payments to Employees for Services	(31,883,656)	(8,426,078)
Net Cash Provided By Operating Activities	<u>36,352,455</u>	<u>28,462,245</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Intergovernmental Receipts	-	-
Receipts from Other Funds	-	551,703
Payments Under Support Agreement	-	-
Payments to Other Funds	-	-
Net Cash Provided By (Used in) Noncapital Financing Activities	<u>-</u>	<u>551,703</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Capital Contributions	3,738,733	3,211,431
Interest on Long-term Debt	(10,426,916)	(5,409,496)
Acquisition and Construction of Capital Assets	(22,406,743)	(49,522,291)
Subscription Financing	574,363	-
Payments from the City	-	-
Lease Financing	(819,572)	-
Proceeds (Loss) from Sale of Salvage	92,083	6,089
Principal Paid on Capital Debt	(11,405,000)	(4,470,000)
Net Cash Provided By (Used in) Capital and Related Financing Activities	<u>(40,653,052)</u>	<u>(56,184,267)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Interest and Dividends Received	<u>3,374,596</u>	<u>1,633,071</u>
Net Cash Provided By Investing Activities	<u>3,374,596</u>	<u>1,633,071</u>
Net Increase (Decrease) in Cash and Investments	(926,001)	(25,537,248)
Cash and Investments, July 1	224,197,734	117,928,381
Cash and Investments, June 30	<u>\$ 223,271,733</u>	<u>\$ 92,391,133</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u></b>		
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>		
Operating Income (Loss)	\$ 7,560,009	\$ 20,511,645
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided By (Used in) Operating Activities:		
Depreciation and Amortization Expense	29,163,315	10,624,806
Changes in assets and liabilities:		
Accounts Receivable	2,226,636	462,994
Intergovernmental Receivables	(219,522)	-
Lease Receivable	12,082	-
Inventory	(502,848)	-
Deferred Outflow of Resources	1,965,792	962,093
Vouchers and Accounts Payable	271,696	(658,265)
Deposits Payable	25,086	15
Unearned Revenue	(100,033)	-
Deferred Inflow of Resources	(6,854,497)	(1,497,384)
Estimated Claims and Judgments	-	-
Accrued Compensated Leave	139,424	45,080
Net Pension Liability	2,786,043	(1,953,241)
Net OPEB Liability	(120,728)	(35,498)
Net Cash Provided By (Used in) Operating Activities	<u>36,352,455</u>	<u>28,462,245</u>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>		
Capital Contributions of Capital Assets	\$ 1,045,144	\$ -
Amortization of Bond Premiums	1,726,134	1,233,464
Economic Development Investment Program Appropriations	-	-

The accompanying notes are an integral part of the financial statements.

**CITY OF VIRGINIA BEACH, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities</b>
<b>Waste Management</b>	<b>Development Authority</b>	<b>Nonmajor Parking</b>	<b>Totals</b>	<b>Internal Service Funds</b>
\$ 37,773,495	\$ 192,637	\$ 5,518,809	\$ 219,996,798	\$ 51,772,510
-	(11,168,391)	-	(9,249,538)	-
882,751	-	-	1,078,157	-
(26,715,209)	-	(3,643,557)	(103,860,448)	(32,301,639)
(11,169,515)	-	(989,927)	(52,469,176)	(18,996,093)
<u>771,522</u>	<u>(10,975,754)</u>	<u>885,325</u>	<u>55,495,793</u>	<u>474,778</u>
69,849	-	-	69,849	-
-	-	68,500	620,203	-
-	-	(692,528)	(692,528)	-
-	-	(1,500,000)	(1,500,000)	(1,100,000)
<u>69,849</u>	<u>-</u>	<u>(2,124,028)</u>	<u>(1,502,476)</u>	<u>(1,100,000)</u>
-	35,325,621	-	42,275,785	-
-	(1,311,243)	-	(17,147,655)	-
(1,057,757)	(845,665)	(41,155)	(73,873,611)	(262,259)
-	-	-	574,363	-
-	-	50,613	(768,959)	-
-	14,593,339	-	14,593,339	-
81,173	-	-	179,345	(5,414)
-	(8,454,937)	-	(24,329,937)	-
<u>(976,584)</u>	<u>39,307,115</u>	<u>9,458</u>	<u>(58,497,330)</u>	<u>(267,673)</u>
147,646	582,255	93,807	5,831,375	907,010
<u>147,646</u>	<u>582,255</u>	<u>93,807</u>	<u>5,831,375</u>	<u>907,010</u>
12,433	28,913,616	(1,135,438)	1,327,362	14,115
12,627,757	17,434,302	7,944,044	380,132,218	56,281,468
<u>\$ 12,640,190</u>	<u>\$ 46,347,918</u>	<u>\$ 6,808,606</u>	<u>\$ 381,459,580</u>	<u>\$ 56,295,583</u>
\$ (2,033,268)	\$ (10,386,058)	\$ 896,606	\$ 16,548,934	\$ 6,672,805
2,604,444	3,703,142	322,057	46,417,764	746,299
584,847	(3,915,840)	-	(641,363)	-
-	-	-	(219,522)	-
-	(3,702,670)	-	(3,690,588)	-
-	(1,164,688)	-	(1,667,536)	540,170
640,764	-	(140)	3,568,509	697,779
110,867	1,813,044	(17,408)	1,519,934	470,294
75	-	-	25,176	-
-	(897,920)	-	(997,953)	-
(2,284,951)	3,575,236	(50,642)	(7,112,238)	(2,681,820)
-	-	-	-	(7,414,218)
84,817	-	(338,404)	(69,083)	48,545
1,111,388	-	75,963	2,020,153	1,456,129
(47,461)	-	(2,707)	(206,394)	(61,205)
<u>771,522</u>	<u>(10,975,754)</u>	<u>885,325</u>	<u>55,495,793</u>	<u>474,778</u>
\$ -	\$ 31,249,102	\$ -	\$ 32,294,246	\$ -
-	(439,948)	-	2,519,650	-
-	1,966,449	-	1,966,449	-

**CITY OF VIRGINIA BEACH, VIRGINIA  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2023**

	<b>Trust Funds</b>	<b>Custodial Funds</b>
<b><u>ASSETS</u></b>		
Cash and Investments	\$ -	\$ 545,053
Fixed Income	11,528,273	-
Stocks	28,244,270	-
Real Estate	8,646,205	-
Alternative Investments	9,222,619	-
Total Assets	57,641,367	545,053
<b><u>LIABILITIES</u></b>		
Due to Commonwealth	-	5,149
<b><u>NET POSITION</u></b>		
Restricted for OPEB	57,641,367	-
Restricted for Individuals, Organizations & Others	-	539,904

The accompanying notes are an integral part of the financial statements.

**CITY OF VIRGINIA BEACH, VIRGINIA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Trust Funds</b>	<b>Custodial Funds</b>
<b><u>ADDITIONS</u></b>		
Contributions From Primary Government	\$ 7,721,459	\$ -
Custodial Fund Additions	-	2,275,042
Investment Income (Loss):		
Increase (Decrease) in the Fair Value of Investments	4,085,103	-
Total Investment Income (Loss)	<u>4,085,103</u>	<u>-</u>
Total Additions	<u>11,806,562</u>	<u>2,275,042</u>
<b><u>DEDUCTIONS</u></b>		
Benefits	7,721,459	-
Administrative Expenses	37,354	-
Custodial Fund Deductions	-	2,127,595
Total Deductions	<u>7,758,813</u>	<u>2,127,595</u>
Net Increase (Decrease) in Net Position	4,047,749	147,447
<b><u>RESTRICTED NET POSITION:</u></b>		
Beginning of Year	53,593,618	392,457
End of Year	<u>\$ 57,641,367</u>	<u>\$ 539,904</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Virginia Beach, Virginia (the City), was formed on January 1, 1963, by the merger of Princess Anne County and the then former smaller City of Virginia Beach. This merger created what has become one of the largest cities in the Commonwealth of Virginia with an area of 310 square miles and an estimated population of 459,750.

The City operates under the Council-Manager form of government. The elected eleven-member City Council, vested with the legislative powers, appoints the City Manager who is the executive and administrative head of the City government.

The City's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. All applicable GASB statements have been implemented. The following is a summary of the significant accounting policies of the City of Virginia Beach:

**A. The Financial Reporting Entity**

The financial reporting entity consists of the Primary Government (City), as well as its component units that are legally separate organizations for which the City Council is financially accountable. The accompanying financial statements present the financial data of the City and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

**Blended Component Unit**

The Virginia Beach Development Authority (VBDA) - The VBDA, although legally separate in substance, is presented as a blended component unit and part of the City's reporting entity. The City has responsibility through support agreements for debt payments on outstanding Public Facility Revenue Bonds which are recorded on the VBDA's financial records. Therefore, the VBDA's outstanding bonds are expected to be repaid entirely from resources (support agreements) from the City. The support agreements are for a majority of the outstanding debt of the VBDA which necessitates this treatment as a blended component unit.

The VBDA was established for the specific purpose of attracting new industries and the expansion of existing industries. The VBDA's Commissioners are appointed by the City Council. The VBDA is authorized to issue industrial development bonds after approval by the City Council and to purchase land to improve and sell for development. In addition, the VBDA facilitates economic development projects as needed by City Council. Complete financial statements of the VBDA may be obtained by writing to the Virginia Beach Development Authority, 4525 Main Street, Suite 700, Virginia Beach, VA 23462.

**Discretely Presented Component Units**

Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the City. All of the component units have a fiscal year end of June 30.

- a. Schools - The Schools is a legally separate entity that is responsible for elementary and secondary education within the City. The members of the School Board are elected by the voters;

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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however, the School Board is fiscally dependent upon the City because the City Council annually approves its budget, levies the necessary taxes to finance operations and approves the borrowing of money and issuance of bonds. In addition, a financial burden relationship exists between the City and Schools because the City maintains a legal liability for the bonds issued for Schools' capital assets. Separate financial statements including statistical information of the School Board may be obtained by writing to the Virginia Beach School Board, 2512 George Mason Drive, Virginia Beach, VA 23456.

b. Virginia Beach Community Development Corporation (CDC) - The CDC was organized in September 1985 for the purpose of expanding and improving opportunities for low and moderate income households in Virginia Beach, Virginia. The Board of Directors for the CDC is appointed by City Council. Funding received by the CDC from the City is in the form of grants. Complete financial statements of the CDC may be obtained by writing to Virginia Beach Community Development Corporation, 2700 International Parkway, Suite 300, Virginia Beach, VA 23452.

c. Atlantic Park Community Development Authority (CDA) - The CDA was established pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia, 1950, as amended, and Chapter 59.2 of Title 15.2 of the Code of Virginia. The CDA was created by an ordinance adopted by the City Council on September 7, 2021, as amended by an ordinance adopted on April 5, 2022 to leverage the combined public and private investments and facilitate development and financing. The members of the CDA board are members of the City Council. The City has pledged certain additional real property taxes within the district along with meals, admissions, and sales taxes collected within the district as a revenue source for retiring debt issued by the CDA. If the revenues do not perform sufficient to meet debt service, there is a special assessment imposed upon the real property within the district. The City's obligations are subject to appropriation and limited to the amount of tax revenues collected within the district as well as any special assessments collected on the CDA's behalf. Complete financial statements of the CDA may be obtained by writing to MuniCap, Inc., at 8965 Guilford Road, Suite 210, Columbia, Maryland 21046.

### **Joint Venture**

Southeastern Public Service Authority (SPSA) - SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act. It is governed by a sixteen (16) member Board of Directors consisting of eight (8) members appointed by the Governor and eight members appointed by each of the member cities or counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. SPSA is responsible for its own financial matters, maintains its own books of accounts and is audited annually by independent accountants that it engages. The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements June 30, 2023. Complete financial statements of the SPSA can be obtained from SPSA, 730 Woodland Drive, Chesapeake, VA 23320.

### **Jointly Governed Organizations**

Hampton Roads Planning District Commission (HRPDC) - A regional planning agency authorized by the Virginia Area Development Act of 1968, it was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. HRPDC performs various planning services for the cities of Chesapeake, Franklin,

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, plus the counties of Gloucester, Isle of Wight, James City, Southampton, and York. Revenue of the HRPDC is received primarily from local governmental (member) contributions and various state and federal grant programs. The participating governments do not have an equity interest in the HRPDC and accordingly no equity interest has been reflected in the City's financial statements at June 30, 2023. Completed financial statements of the HRPDC can be obtained from the HRPDC, 730 Woodlake Drive, Chesapeake, VA 23320.

Transportation District Commission (TDC) - The TDC was formed on June 29, 1999 to effect the merger of the Peninsula Transportation District Commission and the Tidewater Transportation District Commission effective October 1, 1999. The TDC was established in accordance with the Chapter 45 of Title 15.2 of the Code of Virginia. The TDC provides public transportation facilities and services within the cities of Chesapeake, Hampton, Norfolk, Portsmouth, Newport News and Virginia Beach. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of the TDC rests with professional management. The TDC is the governing body of Hampton Roads Transit (HRT). The participating governments do not have an equity interest in the TDC and accordingly no equity interest has been reflected in the City's financial statements at June 30, 2023. Completed financial statements of the TDC can be obtained from the TDC at HRT 509 E 18th Street, Norfolk, VA 23510.

Hampton Roads Transportation Alliance Committee (HRTAC) The HRTAC was formed on July 1, 2014 to manage Hampton Roads Transportation Fund revenues and determine how new regional money, of approximately \$200 million annually will be invested in transportation projects. The twenty-three (23) member commission consists of mayors from local governments, state legislators and Commonwealth Transportation Board members from the fourteen (14) cities and counties embraced by the Commission including Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg and the Counties of Isle of Wight, James City Southampton and York. Separate financial statements are available from the HRTAC, 700 Woodlake Drive, Chesapeake, VA 23320.

Hampton Roads Economic Development Alliance (HREDA) The HREDA is a non-profit, initiatives and activities are designed to promote the jurisdictions of Chesapeake, Franklin, Hampton, Isle of Wight, Newport News, Norfolk, Poquoson, Portsmouth, Southampton County, Suffolk and Virginia Beach, Virginia. The business affairs are managed by a Board of not less than fifty (50) or more than three hundred (300) Directors. The participating governments do not have an equity interest in HREDA and accordingly no equity interest has been reflected in the City's financial statements at June 30, 2023. Separate financial statements are available from the HREDA, 500 Main Street, Suite 1300, Norfolk, VA 23510.

**B. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based upon the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either Governmental or Business-type. In the government-wide Statement of Net Position, both the Governmental and Business-type Activities columns are presented on a consolidated basis by column and are reflected on a full accrual and economic resources basis, which incorporate long-term assets and receivables as well as long-term debt and obligations. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.



**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

The program revenues must be directly associated with the function (police, public works, etc.) or a Business-type activity (water & sewer, waste management, etc.). Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds. By definition, the assets of the Fiduciary Funds are being held for the benefit of a third-party and cannot be used to address activities or obligations of the government; therefore, these funds are excluded from the government-wide statements. Major individual Governmental Funds and major Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major Governmental Funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal programs, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used to finance the operations of the City of Virginia Beach School Board. The General Fund also includes the Flood Protection Referendum subfund which is used to account for collections and disbursements of the dedicated tax revenues.

The **Capital Projects Fund** is used to account for the financial resources for the acquisition or construction of major capital facilities within the City.

The City reports the following major Proprietary Funds:

The **Water and Sewer Fund** provides water service and sanitary sewer waste collection and transmission services to Virginia Beach citizens and accounts for operations that are financed in a manner similar to private business enterprises.

The **Storm Water Fund** accounts for the activities of the Storm Water Utility which charges a fee for operational and capital needs for Storm Water management in the City.

The **Waste Management Fund** provides service to our residents for collection, management and disposal of solid waste, recyclable materials and other refuse. In addition, the fund is responsible for the operation of the City's landfill.

The **Development Authority Fund** was established for the purpose of attracting new industries and the expansion of existing industries. These services are financed through fees for Industrial Revenue Bonds and other sources.

Additionally, the City reports the following fund types:

**Internal Service Funds** account for the financing of goods and services provided to other departments and agencies of the City or to other governmental units on a cost reimbursement basis. The City utilizes

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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Internal Service Funds for its City Garage, Risk Management, School Site Landscaping, Telecommunications, and Subscriptions.

**Special Revenue Funds** account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities. The City has the following Special Revenue Funds, which are described in detail in the Non-major Special Revenue Fund section: Agriculture Reserve Program, Central Business District South Tax Increment Financing, Combined Area Dredging Projects, Emergency FEMA, Federal Section Eight Program, Forfeited Assets, Grants Consolidated, Housing and Neighborhood Preservation, Law Library, Open Space, Parks and Recreation, Sandbridge Special Service District, Sheriff's Department, Tourism Advertising Program, Tourism Investment Program, Town Center Special Service District, Wetlands Board Mitigation.

**Debt Service Fund** accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Parking Enterprise Fund** accounts for revenues derived from the operations of the Parking Systems Management Office, which manages the operation of parking lots at numerous locations. The primary revenue streams collected by the Parking Fund are residential parking permit fees, parking ticket fees, and charges for service at the City's garages or parking meters.

**Fiduciary Funds** are used to account for assets held by the City in a trustee capacity or for individuals, private organizations and other governmental units. The City's Fiduciary Funds are divided into two separate fund types:

Other Postemployment Benefits (OPEB) Trust Fund accounts for assets held in trust by the City for the employees and beneficiaries of its OPEB plan.

Custodial Funds (Special Welfare, Sheriff's Inmate Fund and Escheat Property Funds) accounts for the assets held by the City as an agent for welfare recipients, individuals, the Commonwealth of Virginia, and other governmental units. The Custodial Funds are used to report fiduciary activities that are not required to be reported as another fiduciary fund type.

**C. Basis of Accounting**

The government-wide financial statements, Proprietary Fund and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by provider have been met.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The term available is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are recorded as deferred inflows. Expenditures are recorded when the related fund liability is incurred, if measurable (except for unmatured interest on general long-term debt which is recognized when due and paid). Interest on general long-term debt is recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources.

The following is a list of the major revenue sources that meet the "susceptible to accrual" criteria:

General Property Taxes	Interest on Deposits
General Sales Taxes	Revenue from Commonwealth
Utility Taxes	Revenue from Federal Government
Hotel Taxes	Amusement Taxes
Restaurant Taxes	

Other postemployment benefits plan financial statements are prepared using the accrual basis of accounting. City and School Board retiree's contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and both the City and School Board have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Unearned revenues also arise when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the Balance Sheet, or Statement of Net Position, and revenue is recognized.

Unbilled Water and Sewer and Storm Water Enterprise Funds accounts receivable for services provided through June 30 are included in the financial statements.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's Water and Sewer Function, Storm Water Function, Waste Management Function, Parking Function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions. Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and the City's Internal Service Funds are charges to customers for sales and service. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, personnel, contractual services, land structures and improvements, other charges, internal service charges and depreciation. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Capital Assets**

Capital assets, which include land, buildings, improvements, right-to-use leased assets, equipment, and infrastructure assets (e.g. roads, bridges, curbs and gutters, sidewalks, drainage systems) are reported in the applicable Governmental or Business-type Activities columns in the government-wide financial statements.

The City defines capital assets as assets with an initial, individual cost of more than \$5,000. They are recorded as expenditures in the Governmental Funds and as assets in the government-wide financial statements. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Building and Improvements	40	years
Site Improvements	40	years
Equipment	5-10	years
Roadway Network	40	years

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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Bridge Network	50	years
Hurricane Protection Network	50	years
Landfill Network		Percentage of Completion

Depreciation of exhaustible capital assets used by City Proprietary Funds and the blended VBDA are recorded as an expense against their operations and accumulated depreciation is reported on the Proprietary Funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The utility system in the Water and Sewer Enterprise Fund has been recorded at cost since July 1, 1976 and contributed capital asset additions have been recorded at their estimated fair market value in the year contributed as determined by the City's utility engineers. Prior to that date, the utility system was recorded at "estimated historical cost depreciated" as determined by independent professional engineers.

Depreciation on the utility system, based on costs described above, and other capital assets of the City Proprietary Funds have been charged to operations and was computed as follows:

Utility System Water and Sewer	20-100 years
Utility System Storm Water	5-50 years
Buildings and Improvements	40 years
Site Improvements	40 years
Machinery and Equipment	5-10 years

Interest incurred during the construction phase of capital assets of Business-type Activities is included as part of the capitalized value of the assets constructed through FY 2018.

All capital assets are reported at cost or estimated historical cost, if actual cost is not available. The value of historical buildings is included in assets. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

**E. Operating Budget Process**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager is required by the City Charter to present a proposed operating budget at least 90 days before the beginning of each fiscal year which begins July 1. The proposed operating budget must be balanced with projected expenditures equal to estimated revenues and/or the required financing from the proper unassigned fund balances. The necessary budget ordinances are also submitted at this time.
2. The City Council is required by the City Charter to hold a public hearing on the budget at which time all interested persons are given an opportunity to comment. The notice of the time and place must be published at least seven days prior to the hearing. In addition, City Council holds budget workshops with the City Manager that are open to the media and public.
3. If the proposed operating budget is not legally adopted by the City Council upon one reading of the budget ordinances by June 1, the operating budget is automatically adopted as proposed.
4. The City Manager or the Director of Budget and Management Services is authorized to approve transfers of appropriations in an amount up to \$100,000 between any Appropriation Units included in the budget ordinance. The City Manager shall make a monthly report to the City Council of all transfers between \$25,000 and \$100,000. In addition, the City Manager may transfer, in amounts necessary, appropriations from all Reserves for Contingencies except Reserve for Contingencies - Regular, within the intent of the Reserve as approved by City Council. Additional appropriations require one reading of

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the ordinance for approval and must be offset by additional estimated revenues and/or a transfer from the proper unassigned fund balances. Additional appropriations that exceed 1% of the total estimated expenditures shown in the adopted budget require a public hearing and one reading of the ordinance for approval by City Council.

5. Annual budgets are adopted for the General Fund, Enterprise Funds and all Special Revenue Funds except for Wetlands Board Mitigation, Development Authority and the Emergency FEMA Fund. The City's Capital Project Fund and the Grants Consolidated Fund's budgets are adopted on a project basis. The budgets for these funds are adopted in conformity with the GAAP.
6. The accounting system is employed as a budgetary management control device to monitor the individual departments or bureaus/divisions within departments. The legal level of budgetary control is at the organizational unit level as noted in the separately issued budget report. Additional controls are exercised administratively on some budget units, personnel positions and capital outlay items and the appropriations related thereto. A budget unit is an activity (e.g. Street Maintenance) of an organizational unit (e.g. Public Works Department). Department Directors are authorized to make spending adjustments within non-controlled accounts (operating support accounts including contractual services, internal service charges, other charges and supplies) that do not exceed the scope or intent of the department's approved budget. The non-controlled accounts for the appropriation unit must balance in total, but do not have to balance individually. The City Manager or the Director of Budget and Management Services is authorized to transfer appropriations up to a maximum of \$100,000 through the accrual period.
7. The City Manager or the Director of Budget and Management Services is authorized to change the Estimated Revenues included in the annual Budget Ordinance to reflect expected collections. If the Estimated Revenue in support of an Operating Appropriation Unit declines, the City Manager or the Director of Budget and Management Services is authorized to reduce, subject to any other provision of law, those appropriations to equal the decline in Estimated Revenue. The City Manager shall give prior notice to the City Council of any reduction to total appropriations exceeding \$100,000. The notice to City Council shall identify the basis and amount of the appropriation reduction and the Appropriation Units affected.
8. Unexpended appropriations lapse (except for the City Capital Projects and Grants Funds) and are closed to the proper fund balances at the end of each fiscal year (June 30). However, appropriations for the subsequent fiscal year are increased in the amount necessary to satisfy the outstanding encumbrances at June 30. The current operating budget ordinance approved by City Council stipulated that the city shall maintain an unassigned General Fund Balance of 8% to 12% of the following years' budgeted revenues for contingency and emergency situations. These shall not to be used to support appropriations already approved, except upon subsequent authorization by City Council.
9. Capital Projects for the City are budgeted separately from the Operating Budget. Since the City has over three hundred (300) projects in its Capital Improvements Program and an annual limitation (without a referendum) on the amount of bonds that may be issued, allocations for capital projects represent funding by phases of a number of projects based upon their anticipated execution of contractual obligations. The appropriations for the City's Capital Improvement Program require a public hearing and one reading of the ordinance for approval. The accounting, encumbering, and controlling of the funds are based upon the project length of each individual project which may be over several years. Therefore, budgetary comparisons are not presented for Capital Projects in this report. Appropriations reallocated to new or existing capital projects require one reading of the ordinance by City Council for approval.
10. Many of the Federal and state grants in the Grants Consolidated Fund are budgeted separately from the Operating Budget and do not parallel the City's fiscal year. Expenditures are restricted by the grantor

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agency and are subject to financial and compliance audits. Annual revenues and expenditures are reported within the applicable Special Revenue Funds.

11. All expenditures were within existing appropriations for the governmental major funds.

**F. Inventories**

All inventories, except in the Water and Sewer Enterprise Fund, Development Authority, the General Fund's Virginia Aquarium and Marine Science Center and the City Garage Internal Service Fund, are reported at cost using the first-in, first-out inventory method.

Reported inventories are accounted for under the consumption method (i.e., recorded as expenditures when used) in the remaining Governmental Funds, except for General Fund Public Works inventory. This inventory utilizes the Purchase Method (i.e., recorded as expenditures when purchased).

The Water and Sewer Enterprise Fund and the General Fund's Virginia Aquarium and Marine Science Center, the City Garage Internal Service Fund and the Sheriff's Special Revenue Fund inventories are reported at cost using the moving weighted average cost inventory method. The VBDA Enterprise Fund inventories are reported at net realizable value.

**G. Land and Building Inventory Held For Resale**

Land and building inventory for Development Authority is stated at the lower of net realizable value or original purchase price plus capitalized interest, if applicable, and development cost.

**H. Accrued Compensated Leave**

In accordance with GAAP, an accrual has been made in the financial statements for accrued compensated leave. Annual leave, according to a graduated scale based on years of employment, is credited to each employee as it accrues. A permanent City employee, not participating in the VRS Hybrid Plan, may carry-forward a maximum of fifty (50) days. All full-time employees hired on or after January 1, 2014, except hazardous duty employees, and those hired before this date, who made the irrevocable decision to participate in the Hybrid Plan shall accrue and use Paid Time Off. Those participating in the Hybrid Plan may carry-forward a maximum of twenty-four (24) days.

City employees not participating in the Hybrid Plan are granted one sick leave day per month and may accumulate an unlimited number of sick leave days; however, no payment is made by the City on the unused portion upon employment termination (except on the condition of retirement).

Compensated leave for the City (current and non-current) is recorded in the government-wide financial statements. For Proprietary Funds, the current and long-term accrued compensated leave liabilities are recorded in the appropriate fund. The current portion of compensated leave is based upon the estimated leave usage in the subsequent year increased by cost of living salary increases.

The City established guidelines, following IRS regulations, for the administration of the Leave Donation Program which allows eligible employees to obtain approval to receive sick leave donations. The City also established the following plans:

*Hybrid Retirement Plan* - A Virginia Retirement System (VRS) program provided to eligible employees that specifies retirement payout and provides short-term and long-term disability income replacement under the Virginia Local Disability Plan (VLDP).

*VRS Plan 1 and Plan 2 Retirement Plan* - A VRS retirement program provided to eligible employees that specifies retirement payout with no provisions for short-term and long-term disability income replacement.

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**I. Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed*** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable.

***Assigned*** - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council, the City Manager or by a City official delegated that authority by appropriate action.

***Unassigned*** - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classification. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**J. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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**K. Fund Balance Policy**

It is the City Council's policy that there shall be retained in the General Fund an unassigned fund balance of 8% to 12% of the following year's budgeted revenues. This level equates to approximately one month of operating expenses.

**L. Miscellaneous**

**1. Cash and Investments**

Cash invested at June 30 is included in the various cash accounts reflected in the financial statements. Investments are stated at amortized cost or at their fair value (Note 8). Interest earnings on investments are allocated to the appropriate funds based upon the average monthly cash balance of each fund. Qualified investments in State Treasurer's Local Government Investment Pool (LGIP), and Non-Arbitrage Program (SNAP) are reported at amortized cost. All others are reported at fair value (Note 8).

Other OPEB investments are reported at fair value, which for the City and School Board is determined by the most recent bid and asking prices as obtained from markets of such investments. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith by the custodian under the direction of the Board of Trustees of the Virginia Pooled OPEB Trust Fund. A valuation service may be engaged to assist in the determination of fair value.

**2. Proprietary Funds' Other Charges**

This category mainly consists of General Fund charges (e.g., data processing, buildings and grounds maintenance, indirect costs) to the Water and Sewer, Storm Water, Waste Management and Resort Parking Enterprise Funds, Internal Service Funds except Risk Management, and the Development Authority. For Risk Management it represents premiums and claims payments (including current estimated claims and judgments). The VBDA other charges consist of selling, lease and leasehold improvements, professional services, and other general expenses.

**3. Statement of Cash Flows**

For purposes of the statements of cash flows, all highly liquid debt instruments and certificates of deposit, with a maturity of three months or less at the time of acquisition, are grouped into cash and temporary investments. Proprietary Funds participate in a centralized cash and investment pool and therefore, separate information on cash equivalents (i.e., investments with maturities of three months or less upon acquisition) for the funds is not applicable.

**4. Bond Premiums and Discounts**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds are reported net of the applicable bond premium or discount.

**5. Internal Balances**

The amount reported in the Statement of Net Position for internal balances represents support payments to the blended component unit, the VBDA, during the fiscal year just ended and the amounts charged back to the business-type activities.



**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**M. Net Position**

The difference between assets plus deferred outflows of resources less liabilities less deferred inflows of resources in the government-wide statement of net position must be labeled as *net position*. GAAP further requires that net position be subdivided into three categories: net investment in capital assets, restricted net position; and unrestricted net position.

**N. Long-Term Obligations**

In the Government-wide and Proprietary Fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental or Business-type Statement of Activities, or the Proprietary Fund type Statement of Net Position. Bond premiums and deferred loss on refunding bonds are deferred over the life of the bonds using a straight-line method. Issuance costs are reported as debt service expenditures in the year incurred.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

**O. Restricted Assets - Cash and Investments**

Certain proceeds of the Primary Government's revenue bond issuance have been set aside in separate bank accounts as a reserve for future debt service payments. In addition, inclusive in this category are option deposits, funds held for capital projects and improvements and grant awards.

**P. Unrestricted Net Position - Governmental Activities**

Inclusive in Governmental Activities unrestricted net position are ending committed fund balances of certain Special Revenue Funds, which have been earmarked for specific purposes by City Council. These funds include, but are not limited to, Agriculture Reserve Fund, Tax Increment Financing Funds, Open Space Fund, Parks and Recreation Fund, Tourism Investment Program Fund, Tourism Advertising Program Fund and the Capital Projects Fund.

**Q. Restricted Net Position**

Some Primary Government and component unit net position amounts are subject to various restrictions. Bond resolutions restrict the net position of the Water and Sewer, Storm Water and Debt Service Funds for operations. The Master Water and Sewer Resolution restricts net position of the Water and Sewer Enterprise Fund for the cost of operation, maintenance and debt service costs. The Agreement of Trust, dated January 1, 2000, restricts the net position of the Storm Water Enterprise Fund in a similar manner. The ending fund balance of the Debt Service Fund is restricted for future debt costs. The Waste Management Enterprise Fund ending net position is restricted for fund operations.

Certain amounts in the General Fund, Special Revenue Funds, and component units are restricted through other enabling legislation.

**R. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net assets that applies to a future period and as such will not be recognized as an expense or expenditure until then. The City's deferred outflows of resources consist of the amount by which the principal and premium of a refunding bond exceed the net

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carrying amount of the refunded debt, Pension and OPEB activities and contributions made subsequent to the measurement date. The deferred outflow related to debt is being amortized over the remaining life of the refunded debt or the life of the new debt, whichever is shorter.

Deferred inflows of resources represents an acquisition of net assets that applies to a future period and as such will not be recognized as a revenue until then. The City's deferred inflows of resources consist of the amount by which the net carrying amount of refunded debt exceed the principal and premium of a refunding bond, the property tax levy recorded in the current fiscal year pertaining to Fiscal Year 2021, Pension and OPEB activities that will be recognized as pension expense over a four to five year period, long term receivables associated with leases. The deferred inflow is being amortized over the remaining life of the refunded debt or the life of the new debt, whichever is shorter. Under the modified accrual basis of accounting, the City has revenues which are applicable to a future period, and will not be recognized until the period they become available. These amounts are recorded on the governmental funds balance sheet as a deferred inflow of resources.

**S. Pensions**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**T. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Political Subdivision's OPEB Plan, and the additions to/deductions from the Political Subdivision's OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**U. New Accounting Standards**

In Fiscal Year 2023, the City implemented the GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and No. 96, *Subscription-Based Information Technology Arrangements* (see Note 8 for additional information.)

**V. Pronouncements Issued but not Yet Effective**

GASB has issued the following pronouncements prior to June 30, 2023 that may affect future financial position, results of operations, cash flows or financial presentation of the City upon implementation. Management has not yet evaluated the effect of implementation of these standards.

<b>GASB STATEMENT NO.</b>	<b>GASB ACCOUNTING STANDARD</b>	<b>EFFECTIVE FISCAL YEAR</b>
99	<i>Omnibus 2022</i>	2023 - 2024
100	<i>Accounting Changes and Error Corrections</i>	2024
101	<i>Compensated Absences</i>	2025

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**2. FUND BALANCES – GENERAL FUND AND NONMAJOR GOVERNMENTAL FUNDS**

General Fund and Nonmajor governmental fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of these resources. The constraints placed on fund balances for the General Fund and Nonmajor governmental funds are presented below:

**GENERAL FUND:**

<b>Nonspendable:</b>	
Inventories	\$ 6,219,158
Housing and Volunteer Rescue Squad Loans	<u>3,231,253</u>
Total Nonspendable	9,450,411
<b>Restricted:</b>	
Community Services Board	1,922,110
<b>Committed</b>	
Education	15,247,762
<b>Assigned:</b>	
Community Programs	\$ 197,704
Judicial	632,203
Library	306,166
Living Shorelines Program	10,722
Maritime Forest Program	43,512
Oyster Heritage Program	145,412
Public Safety	28,976
Other General Programs	<u>104,065</u>
Total Special Programs	1,468,760
General Government	50,700,660
Total General Government	52,169,420
Education	26,140,809
Capital Improvement Program - General	<u>41,054,274</u>
Total Assigned	119,364,503
<b>Unassigned:</b>	
General Government	<u>196,086,564</u>
<b>Total Fund Balance</b>	<u><u>\$ 342,071,350</u></u>

**NONMAJOR GOVERNMENTAL FUNDS:**

<b>Nonspendable:</b>	
Inventories	\$ 816,641
<b>Restricted:</b>	
General Government	2,910,984
Housing and Community Development	10,258,191
Forfeited Assets - Judicial	449,082
Forfeited Assets - Police	1,890,388
Public Safety	783,447
Special Service Districts	<u>6,719,217</u>
Total Special Revenue Funds	23,827,950
Future Debt Service	<u>30,282,245</u>
Total Restricted	54,110,195
<b>Committed:</b>	
Agriculture Program	19,504,292
Convention and Visitor Development	54,118,212
Forfeited Assets - Judicial	151,357
Parks and Recreation Activities	17,866,461
Public Safety	16,310
Central Business District TIF Program	<u>7,458,253</u>
Total Committed	99,114,885
<b>Assigned:</b>	
Convention and Visitor Development	10,765,660
Special Service Districts	<u>1,029,727</u>
Total Assigned	11,795,387
<b>Unassigned:</b>	
General Government	<u>(5,655,979)</u>
<b>Total Fund Balance</b>	<u><u>\$ 159,364,488</u></u>

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**3. RECEIVABLES AND ACCRUED LIABILITIES**

**A. Receivables**

Receivables at June 30, 2023 consist of the following:

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Real Estate Taxes	\$ 18,327,887	\$ -	\$ 18,327,887
Personal Property Taxes	81,564,200	-	81,564,200
Accounts	39,035,194	31,694,407	70,729,601
Leases	7,045,875	28,148,933	35,194,808
Loans	7,631,892	-	7,631,892
Due from Other Government	77,534,235	723,666	78,257,901
Gross Receivables	231,139,283	60,567,006	291,706,289
Less: Allowance for Uncollectibles	(31,595,642)	(3,582,725)	(35,178,367)
Net Receivables - Entity Wide	<u>\$ 199,543,641</u>	<u>\$ 56,984,281</u>	<u>\$ 256,527,922</u>

**Major Funds – Governmental**

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Total</b>
Real Estate Taxes	\$ 18,327,887	\$ -	\$ 18,327,887
Personal Property Taxes	81,564,200	-	81,564,200
Accounts	8,130,657	94,555	8,225,212
Leases	6,060,893	66,640	6,127,533
Loans	3,231,253	-	3,231,253
Due from Other Funds	5,289,287	-	5,289,287
Intergovernmental Accounts	63,717,824	10,160,734	73,878,558
Gross Receivables	186,322,001	10,321,929	196,643,930
Less: Allowance for Uncollectibles	(21,836,062)	-	(21,836,062)
Net Receivables	<u>\$ 164,485,939</u>	<u>\$ 10,321,929</u>	<u>\$ 174,807,868</u>

**Major Funds – Proprietary**

	<b>Water and Sewer</b>	<b>Storm Water</b>	<b>Waste Management</b>	<b>Virginia Beach Development Authority</b>	<b>Total</b>
Accounts	\$ 17,641,236	\$ 5,971,826	\$ 5,445,902	\$ 2,635,443	\$ 31,694,407
Leases	-	-	-	28,148,933	\$ 28,148,933
Intergovernmental Accounts	723,666	-	-	12,220,351	12,944,017
Gross Receivables	18,364,902	5,971,826	5,445,902	43,004,727	72,787,357
Less: Allowance for Uncollectibles	(2,492,474)	(282,800)	(807,451)	-	(3,582,725)
Net Receivables	<u>\$ 15,872,428</u>	<u>\$ 5,689,026</u>	<u>\$ 4,638,451</u>	<u>\$ 42,974,742</u>	<u>\$ 69,204,632</u>

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**Component Units**

Receivables at June 30, 2023 consist of the following:

	<b>School Board</b>	<b>Community Development Corporation</b>	<b>Atlantic Park CDA</b>	<b>Total</b>
Intergovernmental Accounts	\$ 40,261,488	\$ 208,671	\$ -	\$ 40,470,159
Accounts Receivables	5,233,857	933,171	-	6,167,028
Lease Receivables	1,968,773	-	-	1,968,773
Net Receivables	<u>\$ 47,464,118</u>	<u>\$ 1,141,842</u>	<u>\$ -</u>	<u>\$ 46,637,187</u>

**B. Property Taxes Receivable**

An annual ad valorem tax is levied by the City on the assessed value of real and tangible personal property. These levies are made each year on July 1 and January 1 for real property and tangible personal property, respectively. Taxes levied on these dates become liens on the subject property on the date of levy. Real property taxes are payable in two installments on December 5 and June 5. Personal property taxes are payable on June 5, however, pro-rated bills on automobiles are also payable throughout the year on the portion of the year they are owned if not owned a full year. These taxes are considered delinquent when not paid by the due dates and subject to penalties and interest charges by the City Treasurer. City property tax revenues are recognized when levied and collected.

The City calculates its allowance for uncollectible taxes by using historical collection data. Furthermore, the taxes receivable amount which remains uncollected after the 45 day accrual period is recorded as unearned revenue for the fund financial statements.

Fiscal Year 2023 real property rate was \$.99 per \$100 of assessed valuation, except for public service corporation properties. In addition there are Special Service Districts that were charged an additional rate, these districts and rates are as followed:

<b>Special Service District</b>	<b>Additional Tax Rate</b>
Bayville Creek Special Service District	\$ 0.472
Chesapeake Colony Special Service District	0.2913
Gills Cove Special Service District	0.063
Harbour Point Special Service District	0.120
Hurds Cove Special Service District	0.438
Old Donation Special Service District	0.184
Sandbridge Special Service District	0.020
Schilling Point Special Service District	0.404
Shadowlawn Special Service District	0.1594
Town Center Special Service District	0.450

Additionally, the real property tax rate on all real estate that has been classified as an energy efficient building, not exempt from taxation, was \$0.84 on each \$100 of assessed valuation thereof. Taxes on buildings that are individually listed on the Virginia Landmarks Register, not including the real estate or land on which the building is located, so long as the building is maintained in a condition such that it retains the characteristics for which it was listed on the Virginia Landmarks Register, were at a rate of \$0.52 on each \$100 of assessed valuation thereof. The personal property rate was \$4.00 per \$100 of assessed valuation (100% of fair market value). Other personal property tax rates exist for qualified equipment.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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There are no limits currently on the property tax rates which may be established by the City Council. City Council is the only governmental entity that has the local taxing authority.

**C. Intergovernmental Receivables - Primary Government and School Board Component Unit – Entity Wide**

1. The following revenues were due from the Commonwealth of Virginia at June 30, 2023:

**Primary Government**

		<b>Governmental Activities</b>
Personal Property Tax Relief Act	\$	53,412,868
Sheriff's Department		1,566,910
Capital Projects		6,530,123
Other Grants, Entitlements and Shared Revenues		3,041,797
Sales Tax		7,075,039
Total Due from Commonwealth	\$	71,626,737

**School Board Component Unit**

State Share Sales Tax	\$	7,905,278
Special Education-Regional Program		2,849,806
Technology Initiative		3,000,763
Juvenile Detention Center		292,274
Other Grants, Entitlements and Shared Revenues		344,753
Total Due from Commonwealth-Governmental Funds	\$	14,392,874

2. The following revenues were due from various Federal agencies at June 30, 2023:

**Primary Government**

		<b>Governmental Activities</b>
Community Development	\$	465,619
Federal Section Eight Program		376,720
Grants Consolidated		631,478
Housing and Neighborhood Preservation		264,971
Emergency FEMA		349,979
Capital Projects		3,630,611
General Fund		188,120
Total Due from Federal Government	\$	5,907,498

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**School Board Component Unit**

Adult Basic Education	\$ 92,812
ARP and ARPA	9,584,961
CARES	286,865
Carl Perkins	1,050,445
CDC VA Department of Health	401,729
CSLFRF	202,350
COPS School Violence Prevention	140,467
DODEA Spanish Immersion	120,473
McKinney Homeless	109,781
NJROTC	77,309
Preschool Incentive	114,799
RIPE for Public Instruction	287,581
National School Lunch Program	990,931
School Breakfast Program	368,181
Summer Feeding Program	12,230
Child and Adult Care Program	20,386
Title I	7,961,989
Title II	358,770
Title III	189,210
Title IV	355,729
Title VI-B	3,082,129
Other Grants, Entitlements, and Shared Revenues	59,487
Total Due from Federal Government	<u>\$ 25,868,614</u>

3. The following revenues were due from Other Governments at June 30, 2023:

**Business - Type Activities:**

The Water and Sewer fund is due \$723,666 from the City of Chesapeake in June operations, maintenance, and capital improvement costs for the Lake Gaston Water Supply Project.

**D. Allowances For Uncollectible Accounts Receivable**

Allowances for uncollectible accounts receivable are generally established using historical collection data, specific account analysis and subsequent cash receipts. The allowances at June 30, 2023 are as follows:

General Fund	\$ 21,836,062
Water and Sewer Fund	2,492,474
Storm Water Fund	282,800
Waste Management Fund	807,451
Special Revenue Funds	9,759,580
Total	<u>\$ 35,178,367</u>

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**E. Major Components of Accrued Liabilities at June 30, 2023 consist of the following**

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Accrued Interest Payable	\$ 8,296,285	\$ 2,666,260	\$ 10,962,545
Unearned Revenues	84,643,023	2,625,430	87,268,453
Other Accrued Liabilities	18,756,622	4,497,826.00	23,254,448
Total Accrued Liabilities	<u>\$ 111,695,930</u>	<u>\$ 9,789,516</u>	<u>\$ 121,485,446</u>

**Component Units**

	<b>School Board</b>	<b>Community Development Corporation</b>	<b>Atlantic Park CDA</b>	<b>Total</b>
Accrued Interest Payable	\$ 45,468	\$ 167,467	\$ 833,828	\$ 1,046,763
Unearned Revenues	14,096,616	93,954	-	14,190,570
Other Accrued Liabilities	84,555,619	-	869,575	85,425,194
Total Accrued Liabilities	<u>\$ 98,697,703</u>	<u>\$ 261,421</u>	<u>\$ 1,703,403</u>	<u>\$ 100,662,527</u>



**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**4. UNEARNED REVENUES**

Unearned revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Unearned revenues consist of the following as of June 30, 2023:

**A. General Fund**

Unspent ARPA Relief Funds	\$	89,139,924
AEAP Grant		1,294,620
Aquarium - Advance Program Receipts		490,974
Total General Fund	\$	90,925,518

**B. Nonmajor Special Revenue Fund**

Parks and Recreation - Advance Customer Receipts	\$	757,782
Federal Section Eight Program - Unspent CARES Grant		40,546
Grants Consolidated - Unspent Forestry Grant		14,355
Grants Consolidated - Unspent BHDS IT Infrastructure Grant		22,085
Grants Consolidated - Unspent Tourism Recovery Grant		775,415
Grants Consolidated - Unspent Infant Program Grant		168,402
Total Special Revenue Funds	\$	1,778,585

**C. Enterprise Funds**

Water and Sewer - Customers and Developers - Tap and Meter Fees	\$	2,625,430
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**D. School Board Component Unit**

School Operating Fund - Summer School Tuition, Regular School Tuition	\$	579,081
School Grants Fund - Early Reading Intervention, Algebra Readiness, VA Preschool Initiative and Other Grants		4,387,250
Other Governmental Funds - School Cafeterias - Charges for Services		665,280
Total Unearned Revenue - Governmental Funds		5,631,611
School Health Insurance Internal Service Fund - Prepayment of July Health Insurance Premiums		8,465,005
Total Unearned Revenues - Governmental Activities	\$	14,096,616

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**5. CAPITAL ASSETS AND LAND HELD FOR RESALE**

**A. Governmental Activities**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2023:

	<u>Balance</u> <u>7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2023</u>
Capital Assets Not Being Depreciated/Amortized				
Land and Improvements	\$ 1,057,533,197	\$ 20,600,484	\$ 20,469,978	\$ 1,057,663,703
Agriculture Reserve Program	49,790,932	1,305,349	6,949,719	44,146,562
Construction in Progress	161,595,948	254,018,476	209,263,445	206,350,979
Total Capital Assets Not Being Depreciated	<u>1,268,920,077</u>	<u>275,924,309</u>	<u>236,683,142</u>	<u>1,308,161,244</u>
Capital Assets Being Depreciated/Amortized				
Right-to-use - Land - Leases	251,834	-	-	251,834
Buildings and Improvements	980,786,877	23,478,275	-	1,004,265,152
School Buildings	427,984,617	20,679,375	-	448,663,992
Right-to-use - Buildings - Leases	15,376,430	14,369,110	1,948,918	27,796,622
Site Improvements	388,847,600	-	6,218,401	382,629,199
Site Improvements - ISF	265,782	-	-	265,782
Equipment	356,300,338	58,131,301	40,942,088	373,489,551
Right-to-use - Equipment - Leases	304,682	-	304,682	-
Right-to-use - Subscription - Assets	-	10,541,469	-	10,541,469
Equipment - ISF	8,189,100	245,493	57,702	8,376,891
Right-to-use - Subscription - Assets ISF	-	16,766	-	16,766
Infrastructure	2,431,248,549	46,985,535	-	2,478,234,084
Total Other Capital Assets at Historical Cost	<u>4,609,555,809</u>	<u>174,447,324</u>	<u>49,471,791</u>	<u>4,734,531,342</u>
Less Accumulated Depreciation/Amortization				
Right-to-use - Land - Leases	143,905	-	-	143,905
Buildings and Improvements	351,331,960	23,075,261	-	374,407,221
School Buildings	64,989,985	13,678,664	-	78,668,649
Right-to-use - Buildings - Leases Amortization	3,774,095	4,716,657	1,939,496	6,551,256
Site Improvements	137,886,624	9,380,787	718,447	146,548,964
Site Improvements - ISF	264,645	236	-	264,881
Equipment	277,747,411	37,204,792	40,936,939	274,015,264
Right-to-use - Equipment - Leases Amortization	182,809	121,873	304,682	-
Right-to-use - Subscription - Amortization	-	4,151,955	-	4,151,955
Equipment - ISF	5,960,667	734,228	57,702	6,637,193
Right-to-use - Subscription - Amortization ISF	-	11,835	-	11,835
Infrastructure	1,533,791,851	60,529,454	-	1,594,321,305
Total Accumulated Depreciation/Amortization	<u>2,376,073,952</u>	<u>153,605,742</u>	<u>43,957,266</u>	<u>2,485,722,428</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>2,233,481,857</u>	<u>20,841,582</u>	<u>5,514,525</u>	<u>2,248,808,914</u>
Governmental Activities Capital Assets/Amortized, Net	<u>\$ 3,502,401,934</u>	<u>\$ 296,765,891</u>	<u>\$ 242,197,667</u>	<u>\$ 3,556,970,158</u>

Governmental Activities capital assets net of accumulated depreciation/Amortization at June 30, 2023 are comprised of the following:

General Government Capital Assets, Net	\$ 3,555,224,628
Internal Service Fund Capital Assets, Net	1,745,530
Total	<u>\$ 3,556,970,158</u>

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Depreciation was charged to governmental functions as follows:

Finance	\$	855,373
Judicial		405,591
Police		2,701,514
Public Works		90,866,914
Parks and Recreation		4,748,776
Libraries		275,598
Planning		236,164
Economic Development		43,870
Convention & Visitors Bureau		283,958
Information Technology		30,618,868
Boards and Commissions		178,911
Emergency Communications		10,248
Fire		2,466,968
Human Services		1,805,167
Education and Transfer to School		13,678,664
Housing & Neighborhood Preservation		132,473
Museums		130,120
General Government		3,688,049
Emergency Medical Services		478,516
Total	<u>\$</u>	<u>153,605,742</u>

**B. Component Unit - School Board**

Capital Assets activity for the year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2023</u>
Capital Assets Not Being Depreciated:				
Land	\$ 38,968,372	\$ -	\$ 502	\$ 38,967,870
Construction in Progress	2,940,086	20,657,191	5,155,581	18,441,696
Total Capital Assets Not Being Depreciated	<u>41,908,458</u>	<u>20,657,191</u>	<u>5,156,083</u>	<u>57,409,566</u>
Capital Assets Being Depreciated				
Buildings	821,812,852	18,042,919	20,679,376	819,176,395
Improvement Other Than Buildings	80,863,075	3,312,610	-	84,175,685
Right-to-use - Subscription Lease	-	2,516,118	-	2,516,118
Machinery and Equipment	145,275,016	12,225,736	5,430,724	152,070,028
Total Capital Assets Being Depreciated	<u>1,047,950,943</u>	<u>36,097,383</u>	<u>26,110,100</u>	<u>1,057,938,226</u>
Less Accumulated Depreciation For:				
Buildings	381,427,808	25,243,331	13,678,665	392,992,474
Improvement Other Than Buildings	53,684,565	2,617,008	-	56,301,573
Right-to-use - Subscription Amortization	-	854,895	-	854,895
Machinery and Equipment	90,281,111	9,560,442	5,315,602	94,525,951
Total Accumulated Depreciation	<u>525,393,484</u>	<u>38,275,676</u>	<u>18,994,267</u>	<u>544,674,893</u>
Total Capital Assets Being Depreciated, Net	<u>522,557,459</u>	<u>(2,178,293)</u>	<u>7,115,833</u>	<u>513,263,333</u>
Component Unit School Board, Capital Assets, Net	<u>\$ 564,465,917</u>	<u>\$ 18,478,898</u>	<u>\$ 12,271,916</u>	<u>\$ 570,672,899</u>

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**C. Business-Type Activities**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2023:

	<u>Balance</u> <u>7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2023</u>
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 178,267,244	\$ 23,137,007	\$ -	\$ 201,404,251
Construction in Progress	71,370,357	51,160,103	3,063,183	119,467,277
Total Capital Assets Not Being Depreciated	<u>249,637,601</u>	<u>74,297,110</u>	<u>3,063,183</u>	<u>320,871,528</u>
Capital Assets Being Depreciated/Amortized				
Right-to-use - Land - Leases	2,965,874	-	-	2,965,874
Buildings	165,022,290	-	-	165,022,290
Right-to-use - Buildings - Leases	2,192,669	-	-	2,192,669
Improvement Other Than Buildings	1,189,842	-	-	1,189,842
Utility System	1,645,931,896	38,172,337	219,785	1,683,884,448
Right-to-use - Subscription - Asset	-	1,043,644	-	1,043,644
Machinery and Equipment	80,305,456	5,029,892	1,224,481	84,110,867
Total Capital Assets Being Depreciated/Amortized	<u>1,897,608,027</u>	<u>44,245,873</u>	<u>1,444,266</u>	<u>1,940,409,634</u>
Less Accumulated Depreciation/Amortization For:				
Right-to-use - Land - Leases Amortization	183,755	183,755	-	367,510
Buildings	67,795,158	4,270,291	-	72,065,449
Right-to-use - Buildings - Leases Amortization	490,649	1,106,429	-	1,597,078
Improvement Other Than Buildings	667,335	40,957	-	708,292
Utility System	669,704,453	34,365,884	5,494	704,064,843
Right-to-use - Subscription - Amortization	-	344,408	-	344,408
Machinery and Equipment	61,539,641	6,106,040	1,224,481	66,421,200
Total Accumulated Depreciation/Amortization	<u>800,380,991</u>	<u>46,417,764</u>	<u>1,229,975</u>	<u>845,568,780</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>1,097,227,035</u>	<u>(2,171,891)</u>	<u>214,291</u>	<u>1,094,840,854</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,346,864,637</u>	<u>\$ 72,125,219</u>	<u>\$ 3,277,474</u>	<u>\$ 1,415,712,382</u>

Depreciation expense was charged to Business-Type Activities as follows:

Water and Sewer	\$ 29,163,315
Storm Water	10,624,806
Waste Management	2,604,444
Development Authority	3,703,142
Parking	322,057
Total	<u>\$ 46,417,764</u>

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**D. Major Fund - Water and Sewer Enterprise Fund**

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital Assets Not Being Depreciated/Amortized				
Land and Improvements	\$ 14,618,544	\$ -	\$ -	\$ 14,618,544
Construction in Progress	15,156,303	21,406,365	-	36,562,668
Total Capital Assets Not Being Depreciated	<u>29,774,847</u>	<u>21,406,365</u>	<u>-</u>	<u>51,181,212</u>
Other Capital Assets:				
Buildings and Improvements	18,940,552	-	-	18,940,552
Right-to-use - Buildings - Leases	2,096,747	-	-	2,096,747
Utility System	1,255,223,567	1,211,005	219,785	1,256,214,787
Right-to-use - Subscription Assets	-	904,238	-	904,238
Machinery and Equipment	35,474,141	1,722,190	642,398	36,553,933
Total Other Capital Assets at Historical Cost	<u>1,311,735,007</u>	<u>3,837,433</u>	<u>862,183</u>	<u>1,314,710,257</u>
Less Accumulated Depreciation/Amortization For:				
Buildings and Improvements	16,821,920	814,006	-	17,635,926
Right-to-use - Buildings - Leases Amortization	453,518	836,788	-	1,290,306
Utility System	582,006,515	25,376,841	5,495	607,377,861
Right-to-use - Subscription - Amortization	-	260,641	-	260,641
Machinery and Equipment	29,438,980	1,875,039	642,398	30,671,621
Total Accumulated Depreciation/Amortization	<u>628,720,933</u>	<u>29,163,315</u>	<u>647,893</u>	<u>657,236,355</u>
Total Capital Assets Being Depreciated/Amortized, Net	683,014,074	(25,325,882)	214,290	657,473,902
Water and Sewer Capital Assets, Net	<u>\$ 712,788,921</u>	<u>\$ (3,919,517)</u>	<u>\$ 214,290</u>	<u>\$ 708,655,114</u>

**E. Major Fund – Storm Water Enterprise Fund**

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 133,990,834	\$ 96,433	\$ -	\$ 134,087,267
Construction in Progress	52,219,253	10,266,306	-	62,485,559
Total Capital Assets Not Being Depreciated	<u>186,210,087</u>	<u>10,362,739</u>	<u>-</u>	<u>196,572,826</u>
Other Capital Assets:				
Buildings and Improvements	664,899	-	-	664,899
Utility System	390,708,329	36,961,332	-	427,669,661
Machinery and Equipment	20,965,869	2,348,196	25,687	23,288,378
Total Other Capital Assets at Historical Cost	<u>412,339,097</u>	<u>39,309,528</u>	<u>25,687</u>	<u>451,622,938</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	166,225	41,556	-	207,781
Utility System	87,697,938	8,989,044	-	96,686,982
Machinery and Equipment	16,041,217	1,594,206	25,687	17,609,736
Total Accumulated Depreciation	<u>103,905,380</u>	<u>10,624,806</u>	<u>25,687</u>	<u>114,504,499</u>
Total Capital Assets Being Depreciated, Net	308,433,717	28,684,722	-	337,118,439
Storm Water Capital Assets, Net	<u>\$ 494,643,804</u>	<u>\$ 39,047,461</u>	<u>\$ -</u>	<u>\$ 533,691,265</u>

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**F. Major Fund – Waste Management**

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Other Capital Assets:				
Buildings	8,730	-	-	8,730
Site Improvements	410,325	-	-	410,325
Right-to-use - Subscription - Asset	-	98,251	-	98,251
Machinery and Equipment	21,861,464	959,506	551,496	22,269,474
Total Other Capital Assets at Historical Cost	<u>22,280,519</u>	<u>1,057,757</u>	<u>551,496</u>	<u>22,786,780</u>
Less Accumulated Depreciation/Amortization For:				
Buildings	1,055	436	-	1,491
Site Improvements	258,087	21,469	-	279,556
Right-to-use - Subscription - Amortization	-	53,592	-	53,592
Machinery and Equipment	15,417,615	2,528,947	551,496	17,395,066
Total Accumulated Depreciation/Amortization	<u>15,676,757</u>	<u>2,604,444</u>	<u>551,496</u>	<u>17,729,705</u>
Total Capital Assets Being Depreciated/Amortized, Net	6,603,762	(1,546,687)	-	5,057,075
Waste Management Capital Assets, Net	<u>\$ 6,603,762</u>	<u>\$ (1,546,687)</u>	<u>\$ -</u>	<u>\$ 5,057,075</u>

**G. Major Fund - Virginia Beach Development Authority**

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 29,657,866	\$ 23,040,574	\$ -	\$ 52,698,440
Construction in Progress	3,994,801	19,487,432	3,063,183	20,419,050
Total Capital Assets Not Being Depreciated	<u>33,652,667</u>	<u>42,528,006</u>	<u>3,063,183</u>	<u>73,117,490</u>
Other Capital Assets:				
Buildings and Improvements	145,408,109	-	-	145,408,109
Machinery and Equipment	1,900,510	-	-	1,900,510
Total Other Capital Assets at Historical Cost	<u>147,308,619</u>	<u>-</u>	<u>-</u>	<u>147,308,619</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	50,805,959	3,598,048	-	54,404,007
Machinery and Equipment	559,701	105,094	-	664,795
Total Accumulated Depreciation	<u>51,365,660</u>	<u>3,703,142</u>	<u>-</u>	<u>55,068,802</u>
Total Capital Assets Being Depreciated, Net	95,942,959	(3,703,142)	-	92,239,817
Development Authority Capital Assets, Net	<u>\$ 129,595,626</u>	<u>\$ 38,824,864</u>	<u>\$ 3,063,183</u>	<u>\$ 165,357,307</u>

**H. Component Unit - Virginia Beach Community Development Corporation**

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 9,674,067	\$ 120,143	\$ 81,100	\$ 9,713,110
Construction in Progress	-	215,592	-	215,592
Total Capital Assets Not Being Depreciated	<u>9,674,067</u>	<u>335,735</u>	<u>81,100</u>	<u>9,928,702</u>
Other Capital Assets:				
Buildings and Improvements	36,413,033	-	184,788	36,228,245
Machinery and Equipment	297,846	417,403	-	715,249
Total Other Capital Assets at Historical Cost	<u>36,710,879</u>	<u>417,403</u>	<u>184,788</u>	<u>36,943,494</u>
Less Accumulated Depreciation For:				
Component Unit-VA Beach Community Dev.	19,785,697	1,258,352	175,089	20,868,960
Component Unit-VA Beach Community Dev.	<u>\$ 26,599,249</u>	<u>\$ (505,214)</u>	<u>\$ 90,799</u>	<u>\$ 26,003,236</u>

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**I. Land and Building Inventory Held for Resale – Development Authority**

Oceana West Corporate Park	\$	1,555,548
Corporate Landing Office Park		9,262,803
Town Center Beacon Building		3,402,900
Hunt Club 2		200,305
Historic Kempsville		543,000
Bio-Med Park		17,556,474
Total Land Held for Resale	<u>\$</u>	<u>32,521,030</u>

**J. Construction in Progress**

**1. Governmental Activities and School Board Component Unit**

In accordance with the City’s accounting policies, these projects will not be transferred from Construction in Progress until completion. Construction in progress is comprised of the following:

	<u>Expended through</u> <u>6/30/2023</u>	<u>Outstanding</u> <u>Commitments</u>	<u>Unobligated</u> <u>Balance</u>
<b><u>Government Activities</u></b>			
Engineering and Highways	\$ 73,711,214	\$ 31,124,742	\$ 414,402,195
Buildings	66,123,033	14,453,240	109,991,055
Flood Protection Program	14,497,371	18,992,233	537,987,269
Communications and Information Technology	7,100,235	9,888,767	62,447,094
Parks and Recreation	19,747,129	9,148,950	51,095,072
Coastal	3,444,512	14,138,644	62,403,334
Economic and Tourism	21,727,485	15,052,351	183,968,731
Total Other Capital Assets at Historical Cost	<u>\$ 206,350,979</u>	<u>\$ 112,798,927</u>	<u>\$ 1,422,294,750</u>
<b><u>School Board Component Unit</u></b>			
Buildings and Improvements Other than Buildings	<u>\$ 18,441,696</u>	<u>\$ 33,713,319</u>	<u>\$ -</u>

**2. Business-Type Activities**

In accordance with the City’s accounting policies, these projects will not be transferred from Construction in Progress into the various capital asset accounts until substantially completed. Construction in Progress for Business-Type Activities is comprised of the following at June 30, 2023:

	<u>Expended through</u> <u>6/30/2023</u>	<u>Outstanding</u> <u>Commitments</u>	<u>Unobligated</u> <u>Balance</u>
Water & Sewer Utility Projects	\$ 36,562,668	\$ 29,058,401	\$ 95,866,862
Storm Water Projects	62,485,559	65,820,861	146,886,035
Development Authority	20,419,050	-	-
Total Business-Type Activities	<u>\$ 119,467,277</u>	<u>\$ 94,879,262</u>	<u>\$ 242,752,897</u>

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**6. LONG-TERM DEBT**

**A. Summary of Changes in Long-Term Liabilities**

**1. Primary Government - Governmental Activities**

	<b>Balance</b>			<b>Amounts</b>	
	<b>July 1, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>Due Within</b>
				<b>June 30, 2023</b>	<b>One Year</b>
General Obligation Bonds	\$ 564,081,370	\$ -	\$ 55,262,898	\$ 508,818,472	\$ 53,149,239
Public Facility Revenue Bonds	303,989,256	-	36,270,062	267,719,194	35,670,785
Agriculture Reserve Program	49,790,932	1,305,349	6,949,719	44,146,562	1,034,361
Total Tax Supported Debt	917,861,558	1,305,349	98,482,679	820,684,228	89,854,385
Other Debt:					
Landfill Closure & Post-Closure Care	22,937,488	1,628,562	-	24,566,050	-
Premiums	107,735,376	-	11,672,995	96,062,381	10,569,969
Net Pension Liability	237,125,171	92,933,989	-	330,059,160	-
Net OPEB Liability	94,361,308	-	7,788,028	86,573,280	-
Accrued Compensation Leave	44,135,054	33,524,361	29,908,238	47,751,177	29,762,012
Lease Liability	11,728,920	13,814,946	4,027,698	21,516,168	4,038,882
Estimated Claims & Judgements	49,400,980	5,852,912	13,267,130	41,986,762	8,187,086
Subscription Liability	-	10,152,962	5,340,366	4,812,596	2,292,117
Governmental Activities Long-Term Debt	\$ 1,485,285,855	\$ 159,213,081	\$ 170,487,134	\$ 1,474,011,802	\$ 144,704,451

**2. Primary Government - Business-Type Activities**

	<b>Balance</b>			<b>Amounts</b>	
	<b>July 1, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>Due Within</b>
				<b>June 30, 2023</b>	<b>One Year</b>
Revenue Bonds	\$ 334,045,000	\$ -	\$ 15,875,000	\$ 318,170,000	\$ 16,745,000
Public Facility Revenue Bonds	34,555,743	-	8,454,937	26,100,806	5,484,215
Total Self/Tax Supported Debt	368,600,743	-	24,329,937	344,270,806	22,229,215
Less/Add Deferred Amounts:					
For Issuance Premiums	40,706,227	-	6,721,302	33,984,925	2,959,598
Total Bonds Payable	409,306,970	-	31,051,239	378,255,731	25,188,813
Net Pension Liability	22,937,531	2,020,153	-	24,957,684	-
Net OPEB Liability	5,630,598	-	206,394	5,424,204	-
Accrued Compensated Leave	3,698,405	3,624,249	3,364,975	3,957,679	2,928,275
Subscription Liability	-	1,043,644	469,281	574,363	284,284
Lease Liability	4,499,080	-	1,097,321	3,401,759	896,259
Business-Type Activities Long-Term Debt	\$ 446,072,584	\$ 6,688,046	\$ 36,189,210	\$ 416,571,420	\$ 29,297,631



**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**3. Major Fund - Water and Sewer Enterprise Fund (Included in Business-Type Activities)**

	Balance			Amounts	
	July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Revenue Bonds	\$ 199,130,000	\$ -	\$ 11,405,000	\$ 187,725,000	\$ 12,045,000
Add Deferred Amounts:					
For Issuance Premiums	23,499,817	-	4,493,876	19,005,941	1,726,134
Total Bonds Payable	222,629,817	-	15,898,876	206,730,941	13,771,134
Net Pension Liability	13,367,223	2,786,043	-	16,153,266	-
Net OPEB Liability	3,446,458	-	120,728	3,325,730	-
Accrued Compensated Leave	2,214,967	2,174,866	2,035,444	2,354,389	1,811,495
Subscription Liability	-	904,238	329,875	574,363	284,284
Lease Liability	1,653,851	-	819,572	834,279	665,898
Water & Sewer Long-Term Liabilities	\$ 243,312,316	\$ 4,960,909	\$ 18,874,620	\$ 229,972,968	\$ 16,532,811

**4. Major Fund – Storm Water Enterprise Fund (Included in Business-Type Activities)**

	Balance			Amounts	
	July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Revenue Bonds	\$ 134,915,000	\$ -	\$ 4,470,000	\$ 130,445,000	\$ 4,700,000
Add Deferred Amounts:					
For Issuance Premiums	15,420,463	-	1,787,480	13,632,983	1,233,464
Total Bonds Payable	150,335,463	-	6,257,480	144,077,983	5,933,464
Net Pension Liability	5,929,430	-	1,953,241	3,976,189	-
Net OPEB Liability	822,167	-	35,498	786,669	-
Accrued Compensated Leave	523,635	544,375	499,294	568,716	430,732
Storm Water Long-Term Liabilities	\$ 157,610,695	\$ 544,375	\$ 8,745,513	\$ 149,409,557	\$ 6,364,196

**5. Major Fund – Waste Management Enterprise Fund (Included in Business-Type Activities)**

	Balance			Amounts	
	July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Net Pension Liability	\$ 3,432,828	\$ 1,111,388	\$ -	\$ 4,544,216	\$ -
Net OPEB Liability	1,303,840	-	47,461	1,256,379	-
Subscription Liability	-	98,251	98,251	-	-
Accrued Compensated Leave	905,609	864,724	779,907	990,426	649,167
Waste Management Long-Term Liabilities	\$ 5,642,277	\$ 2,074,363	\$ 925,619	\$ 6,791,021	\$ 649,167

*[Remainder of page intentionally left blank]*

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. Major Fund - Development Authority Enterprise Fund (Included in Business-Type Activities)**

	Balance			Amounts	
	July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Public Facility Revenue Bonds	\$ 34,555,743	\$ -	\$ 8,454,937	\$ 26,100,806	\$ 5,484,215
For Issuance Premiums	1,785,947	-	439,947	1,346,000	-
Virginia Beach Development Authority					
Long-Term Debt	\$ 36,341,690	\$ -	\$ 8,894,884	\$ 27,446,806	\$ 5,484,215

**7. Component Unit - School Board**

School-related long term debt is shown in table 6.A.1 for Primary Government - Governmental Activities as it is considered and reported as the City's long term debt. The City Council is the only elected local governing body authorized by the City Charter (sections 6.01 & 6.06) and Constitution of Virginia (article VII, section 10) to incur debt in the name of the City.

	Balance			Amounts	
	July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Net Pension Liability	\$ 374,959,932	\$ 400,481,839	\$ 313,235,944	\$ 462,205,827	\$ -
Net OPEB Liability	144,993,753	68,829,491	56,236,143	157,587,101	-
Accrued Compensated Leave	42,221,717	14,338,573	12,647,065	43,913,225	12,900,007
Estimated Claims and Judgements	18,733,619	158,803,370	159,446,703	18,090,286	13,567,715
Subscription Liability	\$ -	2,342,048	718,237	1,623,811	845,252
School Board Long-Term Liabilities	\$ 580,909,021	\$ 644,795,321	\$ 542,284,092	\$ 683,420,250	\$ 27,312,974

**8. Component Unit - Virginia Beach Community Development Corporation**

Various mortgage loan agreements and notes payable with interest at 2.5% to 7.1%, collateralized by real property.

	Balance			Amounts	
	July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Lines of Credit	\$ 2,777,827	\$ 119,203	\$ 2,777,827	\$ 119,203	\$ 119,203
Notes Payable	16,713,110	6,020,100	3,075,349	19,657,861	1,113,778
VBCDC Long Term Liabilities	\$ 19,490,937	\$ 6,139,303	\$ 5,853,176	\$ 19,777,064	\$ 1,232,981

**9. Component Unit - Atlantic Park Community Development Authority**

	Balance			Amounts	
	July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Public Facility Revenue Bonds	\$ -	\$ 53,365,000	\$ -	\$ 53,365,000	\$ -
For Issuance Discount	-	(3,062,084)	34,654	(3,027,430)	-
Atlantic Park CDA Long-Term Debt	\$ -	\$ 50,302,916	\$ 34,654	\$ 50,337,570	\$ -

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**B. Bonds, Notes and Loans Payable**

Details of long-term indebtedness are shown below with outstanding balance as of June 30, 2023:

<u>Bond Issue/Purpose</u>	<u>Dated</u>	<u>Issue Amount</u>	<u>True Interest (%)</u>	<u>Proprietary Percentage</u> <u>VBDA %</u>	<u>Outstanding Balance</u> <u>City</u>
<b>General Obligation Public Improvement (PI) Bonds and Loans:</b>					
2021A PI	8/18/2021	\$ 94,915,000	1.442517	-	\$ 90,165,000
2020 GO Refunding	10/30/2020	3,445,000	1.280000	-	2,465,342
2019A PI	7/31/2019	101,210,000	2.260682	-	84,745,000
2019B PI Refunding	7/31/2019	54,915,000	1.376528	-	17,855,000
2018A PI	3/13/2018	67,595,000	2.885678	-	48,860,000
2017A PI Refunding	12/28/2017	71,530,000	2.253621	-	60,685,000
2016A PI	2/9/2016	61,255,000	2.437448	-	39,840,000
2016B PI Refunding	2/9/2016	50,430,000	1.771418	-	13,320,000
2015A PI	4/21/2015	51,295,000	2.617345	-	30,780,000
2015B PI Refunding	4/21/2015	56,530,000	1.989322	-	40,020,000
2014A PI	4/22/2014	85,050,000	2.920553	-	47,250,000
2013A PI	4/17/2013	22,885,000	2.587348	-	12,595,000
2013B PI Refunding	4/17/2013	33,795,000	2.143873	-	11,305,000
2012B PI Refunding	4/18/2012	19,630,000	2.413515	-	5,655,000
2010-1 QSCB*	7/8/2010	4,875,000	5.310000	-	1,160,000
2008 VPSA*	12/1/2008	6,350,705	-	-	2,118,130
Total General Obligation Bonds and Loans					<u>508,818,472</u>
<b>Revenue Bonds:**</b>					
2020A W&S Revenue	10/22/2020	45,600,000	1.813325	-	43,380,000
2020B W&S Refunding	10/22/2020	51,110,000	1.268969	-	42,225,000
2020A Storm Water Revenue	10/7/2020	77,365,000	2.013284	-	73,735,000
2020B Storm Water Refunding	10/7/2020	14,150,000	1.246522	-	12,090,000
2019 Storm Water Revenue	2/27/2019	29,525,000	3.139267	-	26,635,000
2016A W&S Revenue	6/8/2016	46,560,000	2.711344	-	39,360,000
2016B W&S Refunding	6/8/2016	42,865,000	1.813975	-	28,770,000
2015A Storm Water Revenue	1/28/2015	23,500,000	2.829639	-	17,985,000
2013 W&S Revenue	11/13/2013	44,845,000	3.641572	-	<u>33,990,000</u>
Total Revenue Bonds					<u>318,170,000</u>
<b>Public Facility Revenue Bonds:</b>					
2020A Public Facility Revenue	6/17/2020	158,960,000	1.7175703	-	141,170,000
2020B Public Facility Refunding	6/17/2020	37,620,000	0.2897591	32.40	4,980,000
2018A Public Facility Revenue	3/28/2018	33,395,000	3.0289500	8.85	21,815,000
2016A Public Facility Revenue	11/3/2016	21,225,000	2.4588020	-	13,635,000
2016B Public Facility Refunding	11/3/2016	7,880,000	2.1224430	100.00	2,525,000
2015A Public Facility Revenue	6/25/2015	48,245,000	3.0509530	-	23,190,000
2015B Public Facility Refunding	6/25/2015	34,885,000	2.6779800	27.05	21,985,000
2014A Public Facility Revenue	6/18/2014	44,975,000	2.9840410	41.76	22,225,000
2014B Public Facility Refunding	6/18/2014	20,320,000	2.4309790	25.62	11,080,000
2013A Public Facility Revenue	6/19/2013	20,960,000	2.5996020	-	9,455,000
2012A Public Facility Revenue	6/20/2012	22,580,000	2.5996020	-	10,550,000
2012B Public Facility Refunding	6/20/2012	25,640,000	2.4489560	21.12	<u>11,210,000</u>
Total Public Facility Revenue Bonds					<u>293,820,000</u>
<b>Other Long-Term Debt:</b>					
Agricultural Reserve Program	Various	53,307,347	Various	-	44,146,562
Total Other Long-Term Debt					<u>44,146,562</u>
Grand Total Bonds, Notes and Loans Payable					<u>\$ 1,164,955,034</u>

\* QSCB - Qualified School Construction Bond, VPSA - Virginia Public School Authority

\*\* Water and Sewer and Storm Water Enterprise Funds

Defeased Debt - In current and prior years as a result of debt refunding, the City defeased certain general obligation, public improvement, and public utility bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and liabilities for the defeased debt are not included in the City's financial statements. At June 30, 2023, the

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outstanding balance of the defeased debt is \$0.0.

**C. Summary of Recent Refundings**

Periodically, the City issues debt to refund amounts outstanding on prior bond issuances to reduce interest payment costs. As of June 30, 2023, the City does not have any refunded bond issues held in an escrow account.

**D. Summary of Annual Requirements to Amortize All Bonds and Notes Payable**

Annual Debt Service requirements to maturity for General Obligation Bonds including loans supported by the City's General Obligation Bond authority (e.g., Virginia Public School Authority and Virginia Resources Authority) are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 53,149,239	\$ 20,660,913	\$ 73,810,152
2025	53,235,117	18,023,756	71,258,873
2026	50,171,103	15,475,169	65,646,272
2027	45,875,665	13,102,619	58,978,284
2028	41,859,719	11,001,146	52,860,865
2029-2033	152,927,629	31,459,370	184,386,999
2034-2038	83,065,000	9,024,913	92,089,913
2039-2043	28,535,000	1,045,650	29,580,650
Totals	<u>\$ 508,818,472</u>	<u>\$ 119,793,536</u>	<u>\$ 628,612,008</u>

Annual Debt Service requirements to maturity for Storm Water Utility and Water and Sewer System Revenue Bonds are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2024	\$ 16,745,000	11,498,781	\$ 28,243,781
2025	17,675,000	10,646,406	28,321,406
2026	17,995,000	9,763,131	27,758,131
2027	16,270,000	8,932,981	25,202,981
2028	16,995,000	8,173,019	25,168,019
2029-2033	79,115,000	30,374,106	109,489,106
2034-2038	77,165,000	16,408,738	93,573,738
2039-2043	54,190,000	6,554,172	60,744,172
2044-2049	22,020,000	858,063	22,878,063
Totals	<u>\$ 318,170,000</u>	<u>\$ 103,209,397</u>	<u>\$ 421,379,397</u>

Annual Debt Service requirements to maturity for Public Facility Revenue Bonds are as follows:

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Year Ending June 30	Governmental Activities		Business-Type Activities		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	\$ 35,670,785	\$ 10,255,058	5,484,215	\$ 1,015,598	\$ 41,155,000	\$ 11,270,656	\$ 52,425,656
2025	25,572,081	8,803,117	4,902,919	789,965	30,475,000	9,593,082	40,068,082
2026	21,243,943	7,599,685	2,826,057	576,021	24,070,000	8,175,706	32,245,706
2027	20,179,965	6,627,781	2,900,035	445,325	23,080,000	7,073,106	30,153,106
2028	19,895,460	5,765,620	2,809,540	340,580	22,705,000	6,106,200	28,811,200
2029-2033	74,880,800	18,656,001	5,499,200	886,405	80,380,000	19,542,406	99,922,406
2034-2038	54,156,160	6,014,944	1,678,840	107,544	55,835,000	6,122,488	61,957,488
2029-2043	16,120,000	513,825	-	-	16,120,000	513,825	16,633,825
Totals	\$ 267,719,194	\$ 64,236,031	\$ 26,100,806	\$ 4,161,438	\$ 293,820,000	\$ 68,397,469	\$ 362,217,469

Debt service requirements for general obligation bonds are principally met by the General Fund. The Governmental Activities, Landfill Closure and Post-Closure Care, Federal Arbitrage Rebate (there are no set maturity dates for these liabilities) will also be liquidated by the General Fund. Compensated absences (except School Board and most Proprietary funds) will be liquidated by the General Fund. Internal Service Funds predominately serve the Governmental Funds. Accordingly, long-term liabilities for them are included as part of the above totals for Governmental Activities in Note 6A1. The net pension liability and net OPEB liability are liquidated by the correlating funds with respect to the departmental costs and are reflected, based on allocation, on Internal Services Fund, Enterprise Fund and Entity-Wide Fund statements. Claims and Judgments are liquidated by the Risk Management Fund. Total interest expense incurred on the various types of debt shown in Note 6D for the year ended June 30, 2023, was \$49,047,703 as reflected in Note 6I.

**E. Agricultural Reserve Program**

On May 9, 1995, City Council adopted an ordinance establishing the Agricultural Reserve Program (“ARP”). The primary purpose of the ordinance is to promote and encourage the preservation of farmland in the rural southern portion of the City. Through ARP, the City acquires development rights in designated areas within the southern portion of the City through the purchase of agricultural land preservation easements. Landowners who meet certain eligibility criteria may sell an easement to the City while holding fee simple title to the land and continuing to farm. The City acquires these development rights by executing installment purchase agreements with the landowners.

These agreements provide for the payment of the principal balance of each agreement in a single installment due approximately twenty-five years after execution of the agreement. Interest on the unpaid principal balance is payable semi-annually. On May 9, 1995, the City Council originally dedicated a one and one-half cent increase in the real estate tax to finance the program, and has made the following changes to the tax rate dedication and/or uses of ARP funds.

- On May 11, 2004, the Council reduced the amount to one cent.
- On May 9, 2006 the Council reduced the amount to nine tenths of one cent.
- On May 12, 2015, the Council reduced the amount to 56 one-hundredths of one cent.
- On May 9, 2017, the Council increased the amount to nine tenths of one cent to preserve property in the Transition Area of the City and other Agricultural Reserve Program costs.
- On May 15, 2018, the Council expanded the use of ARP funds to provide support for storm water capital projects benefiting the southern portion of the City including \$990,000 annually in cash funding for project 7-024, "Southern Canal/Lead Ditch and Culvert Improvements" and a one-time contribution of \$1.5 million to project 7-047, "Ashville Park Drainage Improvements" (currently, projects 100390 and 100022, respectively).

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These obligations constitute indebtedness within the meaning of Article VII, Section 10 of the Virginia Constitution and will be general obligations of the City, pledging the full faith and credit and unlimited taxing power of the City. By policy, interest and principal payments will be paid from a dedicated portion of real estate taxes. Principal payments will be made from maturing zero coupon Treasury securities purchased using funds provided by the dedicated portion of real estate taxes; the term to maturity is 25-years.

As of June 30, 2023, 105 installment purchase agreements totaling 10,388 acres with a total purchase price of \$53,307,347 have been executed. During FY 2023, one installment purchase agreement was executed totaling \$1,305,349 for 102.14 acres. Principal totaling \$6,949,719 was retired in FY 2023. Interest expense incurred on this debt for the year ended June 30, 2023 was \$2,073,074. As of June 30 2023, 86 installment purchase agreements totaling 9,581.02 acres with a total purchase price of \$44,146,562 are outstanding.

Annual Debt Service requirements to maturity for Agricultural Reserve Program:

Year Ending June 30	Principal	Interest	Total
2024	1,034,361	\$ 1,933,531	\$ 2,967,892
2025	2,442,859	1,897,863	4,340,722
2026	2,166,758	1,699,312	3,866,070
2027	3,644,389	1,522,903	5,167,292
2028	2,013,935	1,364,667	3,378,602
2029-2033	6,344,003	5,979,606	12,323,609
2034-2038	14,386,498	3,195,842	17,582,340
2039-2043	4,909,074	1,517,565	6,426,639
2044-2048	7,204,685	560,455	7,765,140
Totals	<u>\$ 44,146,562</u>	<u>\$ 19,671,744</u>	<u>\$ 63,818,306</u>

**F. Legal Debt Limit**

The Constitution of Virginia (article VII, section 10) and the City Charter (section 6.05:1) impose a legal limit on the amount of general obligation debt that the City may issue without referendum; this legal limit is 10% of the total assessed value of taxable real property. At June 30, 2023, the City's debt limit was \$7.1 billion of which \$6.5 billion was available for the issuance of additional debt (which is known as the legal debt margin).

**G. Water and Sewer Enterprise Revenue Bonds**

Water and Sewer System Revenue Bonds are obligations of the City, payable solely from pledged revenues of the System (Water and Sewer Fund), subject to the prior application thereof to the payment of operating expenses. The City has pledged future water and sewer revenues, net of specified operating expenses, to repay the following bond issues:

- \$44.8 million in Water and Sewer System Revenue Bonds issued on November 13, 2013. The bonds are payable solely from water and sewer customer net revenues and are payable through 2039. At June 30, 2023, the total principal and interest remaining to be paid on the bonds is \$45,955,675.
- \$46.7 million in Water and Sewer System Revenue Bonds issued on June 8, 2016. The bonds are payable solely from water and sewer customer net revenues and are payable through 2042. At June 30, 2023, the total principal and interest remaining to be paid on the bonds is \$52,610,388.
- \$42.9 million in Water and Sewer System Refunding Revenue Bonds issued on June 8, 2016. The bonds are payable solely from water and sewer customer net revenues and are payable through 2031. At June 30, 2023, the total principal and interest remaining to be paid on the bonds is \$32,824,537.

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- \$45.6 million in Water and Sewer System Revenue Bonds issued on October 22, 2020. The bonds are payable solely from water and sewer customer net revenues and are payable through 2045. At June 30, 2023, the total principal and interest remaining to be paid on the bonds is \$56,971,475.
- \$51.1 million in Water and Sewer System Refunding Revenue Bonds issued on October 22, 2020. The bonds are payable solely from water and sewer customer net revenues and are payable through 2035. At June 30, 2023, the total principal and interest remaining to be paid on the bonds is \$52,394,875.

The aforementioned Water and Sewer System Revenue Bonds were issued for rehabilitation of aging infrastructure, neighborhood improvement projects, system expansion, and roadway and storm water coordination projects adopted in the City's Capital Improvement Program. The total principal and interest remaining to be paid on the outstanding Water and Sewer Revenue Bonds is \$240,756,950. The City will fix, charge, collect and revise its fees, rates and other charges for the use of and for the services furnished by the system so as to produce revenues sufficient to meet its cash requirements each fiscal year. Furthermore, City Council set a goal of debt service coverage on its water and sewer revenue bonds at not less than 1.50-times of net revenues to debt service. At June 30, 2023, the debt service coverage on the water and sewer revenue bonds is 2.6-times. As shown on Statistical Table 13, the total principal and interest expense for the current year and net available customer operating income were \$18,878,730 and \$48,199,079, respectively.

#### **H. Storm Water Revenue Bonds**

Storm Water Utility Revenue Bonds are obligations of the City, payable solely from pledged revenues of the System (Storm Water Fund), subject to the prior application thereof to the payment of Operating Expenses. The City has pledged future storm water revenues, net of specified operating expenses, to repay the following bond issues:

- \$23.5 million in Storm Water Revenue Bonds issued on January 28, 2015. The bonds are payable solely from storm water customer net revenues and are payable through 2040. At June 30, 2023, the total principal and interest remaining to be paid on the bonds is \$23,120,841.
- \$29.5 million in Storm Water Utility Revenue Bonds issued on February 27, 2019. The bonds are payable solely from storm water customer net revenues and are payable through 2043. At June 30, 2023, the total principal and interest remaining to be paid on the bonds is \$37,480,381.
- \$77.4 million in Storm Water Utility Revenue Bonds issued on October 7, 2020. The bonds are payable solely from storm water customer net revenues and are payable through 2045. At June 30, 2023, the total principal and interest remaining to be paid on the bonds is \$104,719,525
- \$14.1 million in Storm Water Utility Refunding Revenue Bonds issued in October 7, 2020. The bonds are payable solely from storm water customer net revenues and are payable through 2035. At June 30, 2023, the total principal and interest remaining to be paid on the bonds is \$15,301,700.

The aforementioned Storm Water Utility Revenue Bonds were issued to address flood control, water quality and capital maintenance adopted in the City's Capital Improvement Program. The total principal and interest remaining to be paid on the outstanding Storm Water Revenue Bonds is \$180,622,447. The City will fix, charge, collect and revise its fees, rates and other charges for the use of and for the services furnished by the system so as to produce revenues sufficient to meet its cash requirements each fiscal year. Furthermore, the City has a policy of debt service coverage on its storm water revenue bonds at not less than 1.5-times of net revenues to debt service. At June 30, 2023, the debt service coverage on the storm water revenue bonds is 3.5-times. As shown on Statistical Table 14, the total principal and interest expense for the current year and net available customer operating income were \$9,325,481 and \$32,769,522, respectively.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**I. Debt Service Expenditures**

Summarized below are the annual requirements to pay debt service costs on all outstanding long-term debt as of June 30, 2023.

<b><u>General Government City:</u></b>	<b>Principal Retirement<sup>1</sup></b>	<b>Interest and Fiscal Charges<sup>2</sup></b>	<b>Total</b>
General Obligation Bonds	\$ 55,262,898	\$ 23,468,191	\$ 78,731,089
Public Facility Revenue Bonds	36,270,062	11,969,590	48,239,652
Agriculture Reserve Program	6,949,719	2,073,074	9,022,793
Bank Charges & Bond Issuance Costs	-	94,616	94,616
Total Tax Supported Debt Service	98,482,679	37,605,471	136,088,150

<b><u>Enterprise Funds:</u></b>	<b>Principal<sup>1</sup> Retirement</b>	<b>Interest and Fiscal<sup>2</sup> Charges</b>	<b>Total</b>
Revenue Bonds	15,875,000	12,298,681	28,173,681
Public Facility Revenue Bonds	8,454,937	1,311,241	9,766,178
Bank Charges & Bond Issuance Costs	-	30,529	30,529
Total Enterprise Debt Service	24,329,937	13,640,451	37,970,388

<b>Total Debt Service</b>	\$ 122,812,616	\$ 51,245,922	\$ 174,058,538
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<sup>1</sup> Excludes bonds refunded

<sup>2</sup> Excludes Premium from bond sales

**J. Accrued Compensated Leave**

The accrued compensated leave is as follows at June 30, 2023.

	<b>Primary Government</b>		<b>School Board Component Unit</b>	<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		
City - Annual	\$ 35,653,757	\$ 3,176,502	\$ -	\$ 38,830,259
City - Compensatory	9,655,761	507,720	-	10,163,481
City - Sick	2,441,659	273,457	-	2,715,116
School - Annual	-	-	15,696,302	15,696,302
School - Sick	-	-	20,793,211	20,793,211
School - Personal	-	-	7,423,712	7,423,712
Total	\$ 47,751,177	\$ 3,957,679	\$ 43,913,225	\$ 95,622,081

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**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**K. Authorized But Unissued Bonds**

A summary of debt authorized by City Council, as of June 30, 2023, but not yet issued is listed below.

**Charter Based Debt:**

**General Obligation Debt:**

2018 Charter Bonds	\$	31,129,382
2019 Charter Bonds		65,332,867
2020 Charter Bonds		69,741,841
2021 Charter Bonds <sup>1</sup>		629,178,775
2022 Charter Bonds		69,107,404
2023 Charter Bonds		62,460,057
Total General Obligation Debt		<u>926,950,326</u>

**Revenue Bond Debt:**

**Water and Sewer Debt:**

2015 W & S Revenue Bonds	7,082,666
2019 W & S Revenue Bonds	14,373,971
2020 W & S Revenue Bonds	1,318,515
2021 W & S Revenue Bonds	9,993,368
2022 W & S Revenue Bonds	22,597,430
2023 W & S Revenue Bonds	26,030,000
Total Water and Sewer Debt	<u>81,395,950</u>

**Storm Water Utility Debt:**

2018 Storm Water Utility Revenue Bonds	6,650,717
2019 Storm Water Utility Revenue Bonds	25,000,000
2020 Storm Water Utility Revenue Bonds	34,708,495
2021 Storm Water Utility Revenue Bonds	50,545,315
2022 Storm Water Utility Revenue Bonds	2,177,367
2023 Storm Water Utility Revenue Bonds	6,399,140
Total Storm Water Utility Debt	<u>125,481,034</u>

**Total Authorized and Unissued Charter & Revenue Bond Debt - June 30, 2023** 1,133,827,310

**Appropriation-Supported Debt:**

**Public Facility Revenue Bonds**

	488,851,792
Total Authorized and Unissued Debt - June 30, 2023	<u>\$ 1,622,679,102</u>

<sup>1</sup>The authorized but unissued 2021 Charter Bonds include \$567,500,000 for twenty-one flood protection projects in the Flood Protection Program approved in a General Election Referendum by voters, with more than 72% voting in the affirmative on November 2, 2021 and authorized by City Council on November 16, 2021.

**L. Revenue Covenants**

Management believes the City is in compliance with all significant financial covenants contained in the various bond indentures, including those found in the Master Resolution adopted February 1992, as amended and supplemented, for the Water & Sewer Revenue Bonds, as well as those found in the Agreement of Trust dated January 1, 2000, as amended and supplemented, for the Storm Water Revenue Bonds.

**M. Compliance**

Management believes the City has no violations of finance related legal and contractual provisions.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**N. Public Facility Revenue Bonds and Associated VBDA Support Agreements**

City Council through the Capital Improvement Program has previously authorized the financing of various public facilities with the utilization of Public Facility Revenue Bonds (PFRB) issued through the VBDA, a blended component unit of the City.

The VBDA issued PFRBs, Series 2005B, and 2007A & B, to finance the acquisition of three public parking garages and appurtenant structures for the Town Center Project - Phase II and III. VBDA issued 2014A Public Facility Revenue Bonds and paid \$20.5 million (includes premium) to purchase the Block 11 garage in Town Center Phase V during FY 2014. These bonds are limited obligations of the Authority, payable from certain payments to be made by the City pursuant to a Support Agreement dated June 1, 2002, as amended.

The Authority issued PFRBs, Series 2010B & C, Series 2012B, 2014B, 2015B, and 2016B to advance refund certain maturities of the previously issued PFRBs series 2002A, 2003A, 2005A, 2007A, 2005B, 2007B and its 1998 Lease Revenue Bonds. During FY 2018, the Authority issued PFRB, Series 2018A, of which \$3.1 million (including premiums) paid for a public plaza and public infrastructure to elevate Zeiders American Dream Theater in Town Center Phase VI. During FY 2020, the Authority issued PFRB, Series 2020A, of which \$68.6 million (including premiums) paid for the Virginia Beach Sports Center and related parking located on 19th Street across from the Virginia Beach Convention Center. In addition, it issued PFRB, Series 2020B to refund certain maturities of the previously issued series 2010B and 2010C bonds.

A portion of the PFRBs, Series 2003, 2005A, 2007A, 2010A, Series 2012A, 2014A, 2018A, and 2020A was used to finance acquisition and construction of various capital improvements in the City of Virginia Beach.

PFRB debt is subject to annual appropriation by the City Council, and therefore, does not constitute a general obligation debt of the City, or a pledge of the full faith and credit of the City. The bonds are limited obligations of the Authority, payable solely from payments made by the City pursuant to a Support Agreement dated September 1, 2003, as supplemented and amended.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**7. LEASES**

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. Under GASB statement #87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**Lessee**

The City leases a significant amount of nonfinancial assets such as land, land improvements, buildings, and equipment. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and the associated lease asset is recognized on the government-wide Statement of Net Position.

Amount of Lease Assets by Major Classes of Underlying Asset as of Fiscal Year-end:

Asset Class	Lease Asset Value	Accumulated Amortization
Buildings	\$ 29,989,291	\$ 8,148,334
Land	3,217,708	511,415
<b>Total Leases</b>	<b>\$ 33,206,999</b>	<b>\$ 8,659,749</b>

The City has a variety of variable payment clauses, within its lease arrangements, which include payments dependent on indexes and rates (such as the Consumer Price Index and a market interest rates), including variable payments based on future performance and usage of the underlying asset. Components of variable payments that are fixed in substance, are included in the measurement of the lease liability presented in the table below. The City did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

As of June 30, 2023, the City (excluding discretely presented component units) had minimum principal and interest payment requirements for its leasing activities with a remaining term in excess of one year, as follows:

Fiscal Year	Governmental Activities				
	Liability Beginning Balance	Principal Payments	Interest Payments	Total Payments	Liability Ending Balance
2024	\$ 21,516,168	\$ 4,038,882	\$ 182,731	\$ 4,221,613	\$ 17,477,286
2025	17,474,900	3,526,231	142,300	3,668,531	13,948,669
2026	13,951,055	2,591,897	111,939	2,703,836	11,359,158
2027	11,359,159	2,644,451	89,427	2,733,878	8,714,708
2028	8,714,708	2,731,884	66,365	2,798,249	5,982,824
2029-2033	5,982,823	5,840,624	75,123	5,915,747	142,199
2034-2038	142,199	115,323	9,153	124,476	26,876
2039	26,876	26,876	304	27,180	-
<b>Total</b>		<b>\$ 21,516,168</b>	<b>\$ 677,342</b>	<b>\$ 22,193,510</b>	

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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Fiscal Year	Business - Type Activities				
	Liability Beginning Balance	Principal Payments	Interest Payments	Total Payments	Liability Ending Balance
2024	\$ 3,401,760	\$ 896,259	\$ 11,330	\$ 907,589	\$ 2,505,501
2025	2,505,501	377,595	7,380	384,975	2,127,906
2026	2,127,906	209,858	6,554	216,412	1,918,048
2027	1,918,048	210,504	5,908	216,412	1,707,544
2028	1,707,544	211,153	5,259	216,412	1,496,391
2029 - 2033	1,496,391	1,065,559	16,501	1,082,060	430,831
2034 - 2035	430,831	430,831	1,991	432,822	-
Total		\$ 3,401,759	\$ 54,923	\$ 3,456,682	

**Lessor**

In addition, as the lessor, the City leases City-owned properties such as buildings and land. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term. The total amount of lease revenue, interest revenue, and other lease-related revenues recognized in the current reporting period from leases is \$2.1 million. Total deferred inflow of resources related to leases are \$34.7 million. The City's variable payments clause within its lease arrangements as the lessor, is similar to the arrangements made as lessee. The City did not incur revenue related to residual value guarantees or lease termination penalties. It also does not currently have agreements that include sale-leaseback and lease-leaseback transactions.

As of June 30, 2023, the City had minimum principal and interest lease receivable payments for its leasing activities, including its subleasing activities, with a remaining term in excess of one year as follows:

Principal and interest Expected to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 944,846	\$ 125,460	\$ 1,070,306
2025	787,004	115,281	902,285
2026	720,944	106,011	826,955
2027	606,660	97,310	703,970
2028	424,439	90,433	514,872
2029-2033	211,832	425,430	637,262
2034-2038	112,033	408,985	521,018
2039-2043	103,635	396,339	499,974
2044-2048	97,792	383,998	481,790
2049-2053	111,204	370,586	481,790
2054-2058	126,342	355,448	481,790
2059-2063	143,430	338,360	481,790
2064-2068	162,718	319,072	481,790
2069-2073	184,490	297,300	481,790
2074-2078	209,066	272,724	481,790
2079-2083	236,806	244,984	481,790
2084-2088	268,118	213,672	481,790
2089-2093	303,462	178,328	481,790
2094-2098	343,358	138,432	481,790
2099-2103	388,390	93,400	481,790
2104-2108	439,222	42,568	481,790
2109-2111	120,084	1,951	122,035
Total	\$ 7,045,875	\$ 5,016,072	\$ 12,061,947

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Fiscal Year	Business - Type Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 805,617	\$ 120,823	\$ 926,440
2025	809,130	117,310	926,440
2026	802,032	113,826	915,858
2027	805,528	110,330	915,858
2028	809,039	106,819	915,858
2029-2033	3,583,665	482,037	4,065,702
2034-2038	2,585,585	419,065	3,004,650
2039-2043	2,642,427	362,223	3,004,650
2044-2048	2,700,519	304,131	3,004,650
2049-2053	2,759,888	244,762	3,004,650
2054-2058	2,820,562	184,088	3,004,650
2059-2063	2,882,569	122,081	3,004,650
2064-2068	2,945,940	58,710	3,004,650
2069-2070	1,196,432	5,429	1,201,861
Total	\$ 28,148,933	\$ 2,751,634	\$ 30,900,567

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)**

The City has implemented GASB Statement No. 96 in fiscal year 2023. A SBITA is defined as contractual agreement that conveys control of the right to use another party's information technology software alone or in combination with tangible capital assets, as specified in the contract for a minimum contractual period of greater than one, year in an exchange or exchange-like transaction.

The City uses various SBITA assets that it contracts through cloud computing arrangements, such as software as a service and platform as a service. The related obligations are presented in the amounts equal to the present value of the subscriptions payments payable during the remaining SBITA term. A SBITA asset is presented as part of Equipment, in the Capital Assets section of the government-wide Statement of Net Position.

The City has a variety of variable payment clauses, within its SBITA arrangements, including variable payments based on future performance and usage of the underlying assets. Components of variable payments that are fixed in substance, are included in the measurement of the SBITA liability presented in the table below. The City did not incur expenses related to its SBITA activities such as termination penalties, not previously included in the measurement of the SBITA liability, or losses due to impairment.

As of June 30, 2023 the City (excluding discretely present component units) had minimum principal and interest payment requirements for its SBITA activities, with a remaining term in excess of one year, as follows:

Governmental Activities					
Fiscal Year	Liability Beginning Balance	Principal Payments	Interest Payments	Total Payments	Liability Ending Balance
2024	\$ 4,812,596	\$ 2,292,117	\$ 108,786	\$ 2,400,903	\$ 2,520,479
2025	2,520,479	994,185	60,561	1,054,746	1,526,294
2026	1,526,294	560,992	38,060	599,052	965,302
2027	965,302	567,582	24,190	591,772	397,720
2028	397,720	397,720	10,135	407,855	-
Total		<u>\$ 4,812,596</u>	<u>\$ 241,732</u>	<u>\$ 5,054,328</u>	

Business Type Activities					
Fiscal Year	Liability Beginning Balance	Principal Payments	Interest Payments	Total Payments	Liability Ending Balance
2024	\$ 574,363	\$ 284,284	\$ 11,704	\$ 295,988	\$ 290,079
2025	290,079	290,079	5,911	295,990	-
Total		<u>\$ 574,363</u>	<u>\$ 17,615</u>	<u>\$ 591,978</u>	

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**9. DEPOSITS AND INVESTMENTS**

All cash of the City including the School Board Component Unit (excluding the School Board Activity Funds) is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by Federal depository insurance. Funds deposited in accordance to the Virginia Security for Public Deposits Act are considered to be insured, thereby reducing custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The City has compensating balance arrangements with two financial institutions. Bank of America provides services to the City while a \$3.5 million balance is maintained in a demand deposit account. A fluctuating checking balance based on monthly investment services is a requirement of Branch Banking & Trust (BB&T).

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using level 3 inputs).

As of June 30, 2023, the City had the following recurring investments. Except for the investments in the SNAP, Virginia Investment Pool (VIP), and LGIP, all investments are in an internal investment pool.

<u>Investments at Fair Value:</u>	<u>6/30/2023</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>	<u>Weighted Average Maturities (in months)</u>
Money Market funds	\$ 10,208,097	\$ -	\$ 10,208,097	\$ -	0.01
Negotiable Certificates of Deposits	130,076,968	-	130,076,968	-	0.41
Commercial Paper	92,350,171	-	92,350,171	-	0.51
U. S. Government Securities	305,210,538	-	305,210,538	-	3.59
Miscellaneous Coupon Securities	287,526,708	-	287,526,708	-	2.48
	<u>\$ 825,372,482</u>	<u>\$ -</u>	<u>\$ 825,372,482</u>	<u>\$ -</u>	<u>0.04</u>
 <b><u>Investments Measured at amortized Cost:</u></b>					
Certificates of Deposits	\$ 75,003,452				0.12
SNAP	20,040,364				0.03
LGIP	172,000,000				0.13
VIP	10,745,840				0.01
VIP - Liquidity Pool	173,406,099				<u>0.14</u>
Total Fair Value	<u>\$ 451,195,755</u>				
 Total Investments					
Portfolio Weighted Average Maturity	<u>\$ 1,276,568,237</u>				<u>1.54</u>

The City has investments in U.S. Government securities valued at \$305.2 million (Level 2 inputs). These investments are classified in Level 2 of the fair value hierarchy and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

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Investments in Money Market Funds (Level 2 inputs) and Commercial Paper (Level 2 inputs) are classified in Level 2 of the fair value hierarchy and are valued in accordance with pricing sources by our custodian bank.

The remaining investments, measured in accordance with GAAP and at amortized costs, totaled \$451.2 million at June 30, 2023. Investments within the SNAP Investment Pool are held there to meet the debt service reserve requirements of the bond covenants and therefore cannot be withdrawn for any other purpose. Investments within the LGIP have no restrictions on withdrawals and can be obtained upon demand. Investments in the VIP fall within two primary funds, 1-3 Year High Quality Bond Fund and Stable NAV Liquidity Pool. The 1-3 High Quality Bond Fund redemptions are available twice a month and participants are required to provide 5 days' notice. Redemptions greater than \$5 million are requested to be submitted 60 days in advance and if the redemption is greater than 10% of the portfolio's net asset value without the 60 days' notice, the redemption can be executed over time. The Stable NAV Liquidity Pool has no restrictions on withdrawals and funds are available the same day.

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2023:

	<b>Primary Government</b>	<b>School Board Component Unit</b>	<b>Total</b>
Cash and Investment	\$ 935,894,343	\$ 369,991,488	\$ 1,305,885,831
Restricted Cash and Cash Equivalents	238,890,250	-	238,890,250
Fiduciary Funds	58,186,420	42,784,206	100,970,626
<b>Total</b>	<b>\$ 1,232,971,013</b>	<b>\$ 412,775,694</b>	<b>1,645,746,707</b>
Less: Cash on Deposit			(369,178,470)
<b>Total Fair Value of Investment at June 30, 2023</b>			<b>\$ 1,276,568,237</b>

**Interest Rate Risk:**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits maximum final stated maturities of investments to five years. In addition, the City will structure the investment portfolio so that securities mature to meet cash requirements and by investing operating funds primarily in shorter-term securities.

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements. Reverse and escrow funds may be invested in securities exceeding five years to maturity if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

The City assumes all investments will be held until maturity or until called at their par value. However, an investment may be sold at an earlier date to meet certain obligations or if the investment's credit quality drops. This makes the City's investments sensitive to market rate fluctuations. To mitigate the impact of market rate fluctuations, the City maintains enough liquidity to meet its short-term needs with a smaller portion invested in long-term government-sponsored organizations and high-quality corporate notes.

**Credit Risk:**

Credit risk is the risk an investor is subject to as a result of the credit quality of investments in debt securities. Statutes as well as the City's investment policy authorize the City to invest in obligations of the United States or agencies thereof; the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank); the Asian Development Bank; the African Development Bank; commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptance instruments; repurchase agreements which are collateralized



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with securities approved for direct investment; State Treasurer’s LGIP; and corporate notes with at least a rating of Aa by Moody's or AA by Standard and Poor's.

The LGIP is an externally managed investment pool that is not registered with the Securities Exchange Commission but is managed as a “2a-7 like pool”. Pursuant to the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The LGIP values portfolio securities by the amortized cost method and on a monthly basis this valuation is compared to current market to monitor any variance. The fair value of the City’s position in the pool is the same as the value of the pool shares.

*Custodial Credit Risks Investments* – For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that all investments be clearly marked as to ownership and to the extent possible, be registered in the name of the City. In addition, the City pre-qualifies the financial institutions, brokers/dealers, intermediaries and advisors with which the City will do business.

The City’s rated debt investments as of June 30, 2023 were rated by Standard & Poor’s and Moody’s and/or an equivalent national rating organization and the ratings are presented below using the respective rating scale from both agencies.

	<u>AAA</u>		<u>A1/P1/F1+</u>
State LGIP	\$ 172,000,000	\$	-
U. S. Government Securities	305,210,538		-
SNAP	20,040,364		-
Commercial Paper	92,350,171		-

**Concentration of Credit Risk:** Concentration of credit risk represents the risk of investments in any one issue that represents five percent or more of investments. The City’s investment policy limits the amount it can invest in commercial paper and bankers’ acceptance instruments. By policy, investments in commercial paper are limited to 35% of the total available for investment, and not more than 5% of the total available for investment can be invested in any one issuing corporation. Bankers’ acceptance instruments shall not exceed 50% of the total investment portfolio’s book value on the date of acquisition.

All City and School Funds participate in a centralized cash and investment pool. Interest earnings on investments are allocated to the appropriate funds based upon the average monthly cash balance of each fund.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**10. COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The City is a named defendant in litigation filed by parties concerning alleged personal injuries, property damage, and other causes of action. The City is vigorously defending all cases and expects no losses will be incurred which would have a material effect on the City's financial position.

**B. Intergovernmental Grants, Entitlements, and Shared Revenues**

The City participates in a number of federal and state grants, entitlements, and shared revenues programs. These programs are subject to financial and program compliance audits by the applicable federal or state agency or their representatives.

Furthermore, Federal grant programs in which the City participates have been audited in accordance with the provisions of the Office of Management 2 CFR 200, Uniform Administrative Requirements. The amounts, if any, of expenditures which may be disallowed by these audits cannot be determined at this time although the City expects such amounts, if any, would not have a material adverse effect on the City's financial position.

**C. Salaries Payable**

The outstanding School's amount represents salaries due (2 months) to school teachers who have opted to be paid over a twelve-month period, and to substitute and supplemental school personnel.

**D. Landfill Closure and Environmental Trust Fund Claims**

On May 24, 2016, the City entered into a use and support agreement with Southeastern Public Service Authority of Virginia (SPSA). Under this agreement, effective January 1, 2018 which continues until June 2027, the City agreed to use SPSA's solid waste disposal system to dispose of solid waste generated within and collected by the City. For this service, the City agreed to pay tipping fees to SPSA.

The total remaining capacity as of January 1, 2023 of the permitted cells at the City landfill is 1.98 million tons. Total usage to date has been estimated at 3.87 million tons. Estimated remaining life of the landfill, based on current fill rates is 18 years for the existing developed capacity and 68 years for the permitted capacity.

As of January 1, 2023, approximately 66 percent (by tonnage) of the permitted landfill has been used. Based on a June 2023 analysis, the present value of the estimated cost for both closure and post-closure care is \$24,566,050, an amount based on landfill capacity used to date. Until another cell of the landfill is opened, no additional estimated closure and post-closure care costs will be recognized, except for the effects of inflation, changes in landfill conditions, changes in estimates, changes in technology or changes in laws or regulations. This amount is reflected in the government-wide financial statements. The City is required by law to submit a worksheet that demonstrates the ability to fund landfill closure and post-closure care costs.

The Environmental Trust Funds were established through agreements between the City, Suffolk and SPSA which include the Suffolk Environmental Trust fund and the Virginia Beach Environmental Trust Fund. The purpose of these accounts are to provide for all costs relating to legal suits and other similar claim activity relating to environmental pollution that are made against the Regional Landfill and the Virginia Beach Landfill during a thirty (30) year period after cessation of each landfill's operation. The City's proportionate share of the funds, held by SPSA, total \$308,547 as of June 30, 2023.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**E. Encumbrances**

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation is used as an extension of formal budgetary control by the City. At June 30, 2023 the City had outstanding encumbrances as follows:

<b>General Fund</b>	
General Government	\$ 1,108,844
Agriculture	53,045
Aquarium	201,924
Communications	303,188
Computer Replacement Program	1,369,749
Convention and Visitors Bureau	314,300
Cultural Affairs and Historic Houses	2,265,671
Economic Development	411,670
Emergency Communication and Citizen Services	100,452
Emergency Medical Services	398,042
Finance	463,667
Fire	68,980
Housing	286,286
Human Resources	120,976
Human Services	1,145,200
Information Technology	1,113,780
Library	259,193
Parks and Recreation	717,345
Planning	485,201
Police	1,047,773
Public Works	8,436,541
Vehicle Replacement	4,078,411
Voter Registration and Elections	55,767
Total General Fund	<u>24,806,005</u>
<b>Capital Projects Fund</b>	
Engineering and Highways	31,124,742
Buildings	14,453,240
Information Technology	9,888,767
Parks and Recreation	9,148,950
Coastal	14,138,644
Economic and Tourism	15,052,351
Total Capital Projects Fund	<u>93,806,694</u>
<b>Nonmajor Special Revenue Funds</b>	<u>14,474,391</u>
<b>Total</b>	<u>\$ 133,087,090</u>

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**11. TAX ABATEMENTS**

Virginia Beach Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards	<b>Programs Administered by City of Virginia Beach</b>	
	Tourism Development Financing Program (TDFP)	Business License Incentive Program (BPOL)
	Cavalier	
1) Purpose of Program	Provides incentive payment annually of "but for" project revenues after a project is operational and has paid sales taxes. This annual incentive payment is to assist in closing a financing gap between debt and equity a developer currently has and the total financing required by a tourism project.	Incentive program providing partial tax exemption for new businesses, and will foster business development and encourage entrepreneurialism.
2) Tax being abated	1% local sales tax	Business License Tax
3) Authority under which abatement agreements are entered into	VA Code 58.1-3851.1 City Code Chapter 35.4	City Code Chapter 18.202-208
4) Criteria to be eligible to receive abatement	Capital investment greater than \$30 million and taxable sales greater than \$1 million annually. Compensates for a shortfall in project funding, not to exceed 30% of a qualified project's total cost.	A qualifying business that locates in the City of Virginia Beach for the first time and anticipates gross receipts greater than \$100K.
5) How recipients' taxes are reduced	Through sales tax dedication based on generated sales.	Pay maximum license fee of \$60 for the first 2 calendar years.
6) How amount of abatement is determined	1) 1% of local sales tax generated on-premise is paid to developer as an incentive payment - total of \$8.17M 2) 1% of state sales tax generated on-premise is paid to developer as an incentive payment - total of \$8.17M 3) 1% developer access fee that is paid to the state is provided to the developer as an incentive payment - total of \$8.17M	Business License Tax reduced to \$50.
7) Provisions for recapturing abated taxes	N/A	N/A
8) Types of commitments made by the City other than to reduce taxes	1) Economic Development Investment Program Grant - \$8.2M (FY 2014) 2) Green Space/Historic Preservation Easement - \$2.37M (FY2014) 3) Cavalier Drive Improvements - \$2.45M (FY2014 and 2017) 4) Annual Grants based on increased Real Estate Tax Revenues - capped at \$5M in total; fully paid as of 6/30/21	Eligible for Economic Development Investment Program Grant: FY2023 - \$360,133 FY2022 - \$549,159
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement	Sales Tax: FY2023 - \$681,490 (City's portion only) FY2022 - \$646,346 (City's portion only)	Business License Tax: FY2023 - \$534,972 FY2022 - \$276,525

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Virginia Beach Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards	<b>Programs Administered by City of Virginia Beach</b>	
	Yes Oceana APZ-1 Incentives	Cityview II Development
1) Purpose of Program	Developed to meet the requirements of the Base Realignment and Closure (BRAC) Commission to protect our citizens and keep the Navy's East Coast master jet base, Naval Air Station (NAS) Oceana, in Virginia Beach. Consists of zoning ordinances and incentives to foster the conversion of nonconforming businesses in APZ-1 into conforming ones and relocating ones that cannot be converted to another part of Virginia Beach.	New development of a multiphased, mixed use project that includes office space, apartment units, structured parking and limited service hotel.
2) Tax being abated	Real Estate Tax; Business License Tax and Fees	Real Estate Tax
3) Authority under which abatement agreements are entered into	VA Code 58.1-3220.1 and 58.3221 Ord. No. 2786, 9-23-03 Ord. No. 2932, 3-28-06 VB Code 35-72.1, 35.2-11	VB Code Section 9-1 through 9-9. Ord. No. 3402
4) Criteria to be eligible to receive abatement	The assessed value after the rehabilitation, renovation, or replacement of the structure shall be at least 20% greater than the base assessed value; for commercial or industrial use; consistent with the City's Comprehensive Plan and Zoning Ordinances; result in conversion of a nonconforming use to a conforming use.	The abatement is based on an incremental real estate tax over the assessed value of \$2,555,999 (base value).
5) How recipients' taxes are reduced	Credit on tax bill, rebate, and reimbursements of fees. All last 15 years.	Credit on bill for real estate tax.
6) How amount of abatement is determined	The difference between the taxes computed upon the base value and the initial rehabilitated assessed value of the property for each year of the partial exemption from real estate taxes; credit shall not increase. 90% of business license taxes imposed by Chapter 18.	The difference between the taxes computed upon the base value and the increase in assessed value of the property for each year, following the issuance of final certificate of occupancy. Incentive payment to continue for 25 years from date of initial payment or until the total incentive payments equal \$10,200,000 whichever shall occur first.
7) Provisions for recapturing abated taxes	N/A	N/A
8) Types of commitments made by the City other than to reduce taxes	Eligible for Economic Development Investment Program Grant: FY2023 - \$ - FY2022 - \$71,248	The City to purchase parcels of land from Developer to construct a shared use path along the Thalia Creek = \$300,000.
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement	Business License Tax: FY2023 - \$129,368 FY2022 - \$74,748 No Real Estate Taxes have been credited to-date	Real Estate Tax: FY2023 - \$956,247

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Virginia Beach Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards	<b>Programs Administered by City of Virginia Beach</b>
	<u>25th Street Parking Garage and iFLY</u>
1) Purpose of Program	The City partnered with a private company to develop a unique tourism amenity and to provide public parking in the resort area. The project includes a public garage, and privately owned entertainment facility and apartments. The project is aligned with Council's Resort Strategic Action Plan (2008) for year-round entertainment, a year-round residential development/presence, and public parking. The Venue opened in 2016 and had private investment of \$21.66 million.
2) Tax being abated	Admissions Tax
3) Authority under which abatement agreements are entered into	Virginia Public-Private Education Facilities and Infrastructure Act of 2002
4) Criteria to be eligible to receive abatement	The project's comprehensive agreement was approved by City Council February 2013.
5) How recipients' taxes are reduced	Company receives a rebate/incentive payment.
6) How amount of abatement is determined	90% of admission taxes remitted to the City are rebated back as an incentive payment (but for revenues) until a total of \$1.6 million have been returned.
7) Provisions for recapturing abated taxes	N/A
8) Types of commitments made by the City other than to reduce taxes	The City sold the 25th Street parking lot to the developer for \$7.65 million. After the developer built 147 apartment units, 2,500 square feet of retail space, "iFLY" entertainment facility, and a 565-space garage, the City purchased the parking garage for \$7.65 million. Also, the City contributed approximately \$250,000 towards landscaping and \$586,000 for streetscape improvements.
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement	Admission Tax: FY2023 - \$89,429 FY2022 - \$97,446

**CITY OF VIRGINIA BEACH, VIRGINIA  
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**12. INTERFUND BALANCES AND TRANSACTIONS, FUND RESULTS AND RECONCILIATIONS**

**A. Interfund Transfers**

Interfund transfers for the year ended June 30, 2023 were made up of the following:

**Purpose:**

**Transfers From General Fund:**

<b>Transfer To:</b>	<b>General Fund</b>	<b>Nonmajor Governmental</b>	<b>Nonmajor Parking Enterprise</b>	<b>Internal Service</b>	<b>Total</b>
General Fund	\$ -	\$ 727,192	\$ -	\$ -	\$ 727,192
Capital Projects Fund	90,436,479	37,095,662	1,500,000	1,100,000	130,132,141
Storm Water Fund	1,389,886	990,000	-	-	2,379,886
Water and Sewer Fund	682,718	-	-	-	682,718
Nonmajor Governmental	90,033,632	8,083,190	-	-	98,116,822
Nonmajor Enterprise Funds	-	68,500	-	-	68,500
<b>Total</b>	<b>\$ 182,542,715</b>	<b>\$ 46,964,544</b>	<b>\$ 1,500,000</b>	<b>\$ 1,100,000</b>	<b>\$ 232,107,259</b>

**Transfers From General Fund:**

\$ 90,436,479	Capital Projects Fund: Funding for Pay-As-You-Go Capital Projects Fund
1,389,886	Storm Water Projects Fund: Funding for Pay-As-You-Go Storm Water Projects Fund
682,718	Storm Water Projects Fund: Funding for Pay-As-You-Go Water and Sewer Projects Fund
90,033,632	Nonmajor Governmental Funds: Funding for Special Revenue programs and Debt Fund

**Transfers From Nonmajor Governmental Funds:**

\$ 727,192	General Fund: Special Revenue Funds, Primarily Dredging Fund Reimbursements
37,095,662	Capital Projects Fund: Funding for Pay-As-You-Go capital projects
990,000	Storm Water Fund: Funding for support of Storm Water Operations
8,083,190	Nonmajor Governmental Funds: Funding for support of existing programs
68,500	Nonmajor Enterprise Funds: Funding for Parking support

**Transfer From Nonmajor Enterprise Fund:**

\$ 1,500,000	Capital Project Funds: Economic and Tourism.
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**Transfer From Internal Service Fund:**

\$ 1,100,000	Capital Project Funds: Funding for support of Information Technology Capital Projects
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**B. Net Position Deficit**

The following funds have deficit balances in Fund Balance or Net Position at June 30, 2023:

**Governmental Funds:**

Sheriff's Department Fund	\$ (4,739,582)
Law Library Fund	\$ (99,756)

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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The deficit in the Sheriffs Department Fund is a result of court closures in the aftermath of COVID 19 and decreasing inmate population, resulting in a loss of state revenues and the timing of federal reimbursements.

The deficit in the Law Library Fund is a result of record low civil action filing due to the aftermath of the COVID-19 pandemic.



**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**13. RISK MANAGEMENT**

**A. Primary Government Self-Insurance Program**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During Fiscal Year 1973, the City established an internal service Risk Management Fund to account for and finance its uninsured risks of loss. Under this program, the Fund provides coverage for up to a maximum of \$1,500,000 for each workers' compensation claim, \$2,000,000 for each general and auto liability claim, \$50,000 for each fire and property claim (\$100,000 for schools), and \$2,000,000 for each public officials (errors and omissions) claim.

The City is also exposed to the risk of loss for employee medical benefits. These medical benefits are accounted for in the School Health Insurance Internal Service Fund. This fund accounts for and finances this joint self-insured program between the City and the School Board.

The insurance coverage for each major category of risk is the same as those reported in the prior fiscal year. There have not been any reductions in commercial insurance coverage from the prior year and the amount of settlements applied against this coverage in each of the past three years did not exceed the commercial insurance. The City has \$10,000,000 of excess insurance coverage per claim and \$20,000,000 aggregate. In addition, the City purchased Cyber insurance with a \$5,000,000 limit for each claim and in aggregate policy. These coverages include data breach incident response, network security, privacy liability, data breach liability, regulatory liability, business interruption, data restoration, cyber extortion and media liability.

All funds of the City participate in the program (except for School Board Component Unit funds) and make payments to the Risk Management Fund based on normal underwriting criteria and each agency's loss experience. The City uses an actuary to aid in the determination of self-insurance liabilities.

The claims liability of \$41,986,762 is based on the ultimate cost of settling the claims, which includes incremental claim adjustment expenses (i.e., outside legal assistance) and estimated recoveries on unsettled claims as required by GAAP. The City prepares an update of the actuarial liability biennially, and believes the estimates contained herein substantially reflect estimated claims and judgments for the period ending June 30, 2023.

<b>Fiscal Year</b>	<b>Beginning Liability</b>	<b>Claims &amp; Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Year-End</b>
2022	\$ 45,654,663	\$ 13,720,658	\$ 9,974,341	\$ 49,400,980
2023	49,400,980	5,852,912	13,267,130	41,986,762

**B. School Board Self-Insurance Program**

The School Board is self-insured for a portion of its risks. The self-insurance coverage for Fire and Property Insurance is \$100,000 per occurrence (includes unnamed windstorm and earthquake damage) and 1% of the total insured value of the damaged covered property when such loss or damage results from a named windstorm (minimum deductible - \$250,000 per occurrence); Boiler and Machinery Breakdown coverage is \$10,000 per occurrence; School Leaders Liability (errors and omissions) coverage is \$350,000 per occurrence; Crime (Employee Dishonesty) coverage is \$2,500 per occurrence; Environmental Impairment is \$25,000 and Cyber Liability coverage has a \$50,000 self-insured retention. Automobile Liability coverage (engine on) is \$450,000 per occurrence; Automobile Physical Damage coverage (engine off) is \$60,000 per occurrence; General and Automobile and Workers' Compensation self-insured retention is \$750,000 per claim.

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Commercial insurance is purchased to cover the amount in excess of the above self-insured levels for specific losses. When economically feasible, commercial insurance is purchased to cover certain exposures completely. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years and the insurance coverage is substantially the same as in recent prior fiscal years.

Claims processing and payments for all insurance claims are made through commercial carriers and third-party administrators. The School Board uses the information provided by the third-party administrators to aid in the determination of self-insurance liabilities. The computed liability as of June 30, 2023 is \$9,099,286 (undiscounted), as follows:

<b>Fiscal Year</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims &amp; Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year-End</b>
2022	\$ 10,057,092	\$ 8,353,507	\$ 7,289,980	\$ 11,120,619
2023	11,120,619	6,123,274	8,144,607	9,099,286

**Self-Insured Health Care Benefits Program**

Effective January 1, 2000, the School Board and City Council established a self-insured health care benefits program for all School Board and City employees. Certain claims expenses paid on behalf of each employee during a single policy year are covered by excess loss insurance with a specific stop-loss limit of \$600,000. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

Claims processing and payments for all health care claims are made through third-party administrators. The School Board uses the information provided by the third-party administrators and a health care benefits consultant to aid in the determination of self-insurance liabilities. The computed liability for the last three years are as follows:

<b>Fiscal Year</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims &amp; Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year-End</b>
2022	\$ 8,538,000	\$ 152,385,651	\$ 153,310,651	\$ 7,613,000
2023	7,613,000	152,680,096	151,302,096	8,991,000

**C. Surety Bonds**

All City employees, including employees of elected constitutional officers (Commissioner of the Revenue, Treasurer, Commonwealth's Attorney, Sheriff, Clerk of the Circuit Court), are bonded in favor of the City in the amount of \$1,000,000. This bond is written by the Travelers Insurance Company.

The Commonwealth of Virginia has secured a blanket bond for the City Treasurer and Finance Director (\$1,600,000) Commissioner of Revenue (\$3,000) and the Sheriff (\$30,000) which covers the bonds required by law or contract for the position they hold. The bond is written by Travelers Casualty and Surety Company of America.

The Commonwealth of Virginia also provides coverage through the "Faithful Performance of Duty Bond Plan" in the amount of \$500,000 for the constitutional officers. This does take the place of a separate bond required by law or contract.

All School Board employees are covered by a faithful performance bond in the amount of \$100,000 to protect the School Board in the event of fraudulent acts.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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**14. RETIREMENT**

**A. Virginia Retirement System**

*Plan Description*

The City and School Board contribute to the VRS, which provides agent, multiple employer and cost-sharing, multiple-employer defined benefit pension plans administered by the Virginia Retirement System (System). The City employees and School Non Professional employees are covered by the VRS Political Subdivision Retirement Plan, which is the agent, multiple employer defined benefit. All full-time, salaried permanent (professional) employees of Virginia Beach City Public Schools (VBCPS) are covered by the VRS Teacher Retirement Plan, which is the cost-sharing, multiple employer defined benefit plan upon employment.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS Retirement Plans and the additions to/deductions from the VRS Retirement plans' net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

All full-time, salaried permanent employees of the City and School Board are automatically covered by the VRS Retirement Plan upon employment. This plan is administered by the System along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1:  Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2:  Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan:  The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p>Eligible Members:  Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p>	<p>Eligible Members:  Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members:  Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul>

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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election: VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election: Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members: Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions: Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions: Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions: A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

**CITY OF VIRGINIA BEACH, VIRGINIA  
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service:</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service:</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b>Defined Benefit Component:</b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b>Defined Contributions Component:</b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting:</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting:</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b>Defined Benefit Component:</b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

**CITY OF VIRGINIA BEACH, VIRGINIA  
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit: The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit: See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1.</p>

**CITY OF VIRGINIA BEACH, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.		Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation: A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation: A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation: Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.  For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	Sheriffs and regional jail superintendents: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable.  Defined Contribution Component: Not applicable.



**CITY OF VIRGINIA BEACH, VIRGINIA  
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**CITY OF VIRGINIA BEACH, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement: The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement: The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p>

**CITY OF VIRGINIA BEACH, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p>Exceptions to COLA Effective Dates: Same as Plan 1.</p>	<p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage: Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

**CITY OF VIRGINIA BEACH, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Purchase of Prior Service: Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service: Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component:  Same as Plan 1, with the following exceptions:  - Hybrid Retirement Plan members are ineligible for ported service.  Defined Contribution Component:  Not applicable.</p>

The System issues a publicly available annual comprehensive financial report that includes financial statements and required supplemental information for VRS. A copy of the most recent report may be obtained from the VRS website at <https://employers.varetire.org/pdfs/gasb/actuarial/gasb-68-2022.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500 Richmond, VA., 23218-2500.

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***Employees Covered by Benefit Terms***

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>City</b>	<b>School Board Non Professional</b>
Inactive Members or Their Beneficiaries Currently Receiving Benefits	4,783	1,810
Inactive Members:		
Vested	978	350
Non-Vested	1,704	1,069
Long Term Disability	9	9
Active Elsewhere in VRS	888	381
Total Inactive Members	3,579	1,809
Active Members	5,791	1,819
Total	14,153	5,438

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions and School divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required employer contribution rate for the year ended June 30, 2023 was 18.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. This rate, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The School Board Professional VRS plan's contractually required employer contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The School Board Non Professional VRS pension plan's contractually required contribution rate for the year ended June 30, 2023 was 7.99% of annual covered payroll. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. This rate, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**CITY OF VIRGINIA BEACH, VIRGINIA  
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Contributions made by the Employer and Employee for the years ended June 30, 2023 and June 30, 2022 are listed in the table below:

Fiscal Year	City		School Board - Professional		School Board - Non-Professional	
	Employer Contributions	Employee Contributions	Employer Contributions	Employee Contributions	Employer Contributions	Employee Contributions
2023	\$ 67,629,663	\$ 16,674,134	\$ 73,202,797	\$ 70,274,556	\$ 4,109,022	\$ 3,629,076
2022	\$ 54,759,166	\$ 16,143,295	\$ 70,274,556	\$ 67,989,422	\$ 3,629,076	\$ 3,404,642

***Net Pension Liability***

The City's net pension liability measured as of June 30, 2022 totaled \$355,016,844. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

As of June 30, 2023, the School Board Professional Retirement Plan reported a liability of \$452,733,028 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2021 relative to the total actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion was 4.75530% as compared to 4.83003% at June 30, 2021. The School Board's net pension liability for the Non Professional Retirement Plan measured as of June 30, 2022 totaled \$9,472,799. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

***Actuarial Assumptions – City General Employees***

The total pension liability for general employees in the City's Retirement Plans was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation:	2.5 percent
Salary increases, including inflation:	3.5 percent - 5.35 percent
Investment rate of return:	6.75 percent, net of pension plan investment expenses, including inflation*

**Mortality rates:**

**Largest 10 - Non-LEOS: 20% of deaths are assumed to be service related.**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

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Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**All Others (Non 10 Largest) – Non-LEOS: 15% of deaths are assumed to be service related.**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Largest 10-Non-LEOS:**

- Update mortality rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- No change to disability rates
- No change to salary scale
- No change to line of duty
- No change to discount rate

**All Others (Non 10 Largest) – Non-LEOS:**

- Updated mortality rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- No change to disability rates
- No change to salary scale
- No change to line of duty
- No change to discount rate

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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***Actuarial Assumptions – City Public Safety Employees***

The total pension liability for Public Safety employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation:	2.5 percent
Salary increases, including inflation:	3.5 percent - 4.75 percent
Investment rate of return:	6.75 percent, net of pension plan investment expenses, including inflation*

**Mortality rates:**

**Largest 10 - LEOS: 70% of deaths are assumed to be service related**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**All Others (Non 10 Largest) – Non-LEOS: 45% of deaths are assumed to be service related**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.

Mortality Improvement: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2020 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:



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**Largest 10-LEOS:**

- Update mortality rates to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70
- Decrease withdrawal rates
- No change in disability rates
- No change in salary scale
- No change in line of duty disability
- No change in discount rate

**All Others (Non 10 Largest) – LEOS:**

- Update mortality rates to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70
- Decrease withdrawal rates and change from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
- No change in disability rates
- No change in salary scale
- No change in line of duty disability
- No change in discount rate

***Actuarial Assumptions – School Board***

Professional/Teacher Retirement Plan

The total pension liability for the VRS Professional/Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95percent
Investment rate of return	6.75 Percent, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

**Mortality rates:**

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

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Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally  
Mortality Improvements:  
Rates projected generationally with Modified MP 2020 Improvement Scale that is 75%  
of the MP 2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
- Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; change final retirement age from 75 to 80 for all
- Adjusted rates to better fit experience at each year age and service through 9 years of service
- No change to disability rates
- No change to salary scale
- No change to discount rate

Non Professional Retirement Plan

The total pension liability for Non Professional (Non Teacher) Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

**Mortality rates:**

Largest 10 - 20% of deaths are assumed to be service related  
All Others (Non 10 Largest) - 15% of deaths are assumed to be service related

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males;  
105% rates for females set forward 2 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

**Mortality Improvement:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
- Adjusted rates to better fit experience for Pan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
- Adjusted rates to better fit experience at each year age and service through 9 years of service
- No change to disability rates
- No change to salary scale
- No change to discount rate

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension system investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return*</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
<b>Total</b>	<b>100.00%</b>		<b>5.33%</b>
		Inflation	2.50%
		Expected arithmetic nominal return*	<u>7.83%</u>

\* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at the time, providing a median return of 7.11%, including expected inflation of 2.50%.

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***Discount Rate***

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in Net Pension Liability***

City	<b>Increase/(Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances at June 30, 2021</b>	\$ 2,383,177,175	\$ 2,123,114,473	\$ 260,062,702
Changes for the Year:			
Service Cost	41,392,422	-	41,392,422
Interest	159,269,191	-	159,269,191
Changes in Assumptions	-	-	-
Difference between expected and actual experience	(37,192,336)	-	(37,192,336)
Contribution - Employer	-	54,688,523	(54,688,523)
Contribution - Employee	-	16,674,134	(16,674,134)
Net Investment Income	-	(1,553,682)	1,553,682
Benefit payments, including refunds of			
Employee Contributions	(130,052,052)	(130,052,052)	-
Administrative Expense	-	(1,328,173)	1,328,173
Other Changes	-	34,333	(34,333)
Net Changes	33,417,225	(61,536,917)	94,954,142
<b>Balances at June 30, 2022</b>	<b>\$ 2,416,594,400</b>	<b>\$ 2,061,577,556</b>	<b>\$ 355,016,844</b>

***School Board Non Professional***

	<b>Increase/(Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability / (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances at June 30, 2021</b>	\$ 264,199,697	\$ 265,793,921	\$ (1,594,224)
Changes for the Year:			
Service Cost	3,934,382	-	3,934,382
Interest	17,604,104	-	17,604,104
Difference between expected and actual experience	(4,908,939)	-	(4,908,939)
Changes in Assumptions	-	-	-
Contribution - Employer	-	3,605,284	(3,605,284)
Contribution - Employee	-	2,294,774	(2,294,774)

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Net Investment Income	-	(176,724)	176,724
Benefit payments, including refunds of			
Employee Contributions	(14,113,284)	(14,113,284)	-
Refunds of contributions	(551,790)	(551,790)	-
Administrative Expense	-	(166,678)	166,678
Other Changes	-	5,868	(5,868)
Net Changes	<u>1,964,473</u>	<u>(9,102,550)</u>	<u>11,067,023</u>
<b>Balances at June 30, 2022</b>	<u>\$ 266,164,170</u>	<u>\$ 256,691,371</u>	<u>\$ 9,472,799</u>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability for the City, School Board Non Professional and School Board's proportional share for the Professional/Teacher Retirement Plans, each using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1% Decrease (5.75)%</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75)%</b>
City's Net Pension Liability	\$ 658,369,739	\$ 355,016,844	\$ 104,966,767
School Board's Non Professional Net Pension Liability / (Asset)	\$ 40,909,343	\$ 9,472,799	\$ (16,477,879)
School Board's Proportionate Share of the Professional/Teacher Retirement Plan	\$ 808,615,846	\$ 452,733,028	\$ 162,966,154

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2023, the City recognized pension expense of \$49,467,266. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>City</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,366,363	\$ 38,747,244
Changes of assumptions	51,873,122	-
Net difference between projected and actual earnings on plan investments	-	61,595,490
Employer contributions subsequent to the measurement date	67,629,663	-
Total	<u>\$ 124,869,148</u>	<u>\$ 100,342,734</u>

The \$67,629,663 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as an adjustment of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources

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and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30:	
2024	\$ (6,834,233)
2025	(15,206,232)
2026	(49,630,679)
2027	28,567,895
	<u>\$ (43,103,249)</u>

***School Board Professional/Teachers Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2023, the School Board recognize pension expense of \$74,195,158 for the Professional/Teacher Retirement Plan. At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>School Board Professional</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 31,217,732
Change of assumptions	42,683,605	-
Net difference between projected and actual earnings on plan investments	-	59,026,906
Changes in proportion and differences between employer contributions and porportionate share of contributions	9,905	21,201,720
Employer contributions subsequent to the Measurement Date	73,202,797	
Total	<u>\$ 115,896,307</u>	<u>\$ 111,446,358</u>

The \$73,202,797 reported as deferred outflows of resources related to pensions resulting from the contributions by the School Board for the Professional/Teachers plan subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30:	
2024	(23,063,605)
2025	(27,237,702)
2026	(43,504,692)
2027	25,053,151
	<u>\$ (68,752,848)</u>

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In addition, for the year ended June 30, 2023, the School Board recognized pension expense was \$(101,730) for the Non Professional Retirement Plan. At June 30, 2023, the School Board Non Professional Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>School Board Non Professional</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 2,803,850
Changes in Assumptions	1,287,830	-
Net difference between projected and actual earnings on plan investments	-	7,752,206
Employer contributions subsequent to the measurement date	4,109,022	-
Total	\$ 5,396,852	\$ 10,556,056

The \$4,109,022 reported as deferred outflows of resources related to pensions resulting from the contributions by the School Board Non Professional plan made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30:	
2023	\$ (4,053,399)
2024	(3,568,826)
2025	(5,209,316)
2026	3,563,315
	\$ (9,268,226)

**B. Sheriff's Supplemental Retirement Plan**

**1. Description of the Plan**

The Sheriff's Supplemental Plan is a defined contribution plan that was established by the City Council of Virginia Beach, Virginia ("City Council") in 1995 in accordance with Internal Revenue Code Section 401. The Plan sponsor and participating employer is the City of Virginia Beach Sheriff's Office ("Employer"). The Plan is available to all employees of the City Sheriff's Office, who have completed one year of service, as defined by the Plan.

The City Code of establishes a Deferred Compensation Board ("Board") to supervise, administer and implement the Plan. The Board has full power and authority to adopt rules and regulations for the administration of the Plan. The Board also contracts with providers to manage the investment of plan assets and is responsible for selecting the Plan investment options. Plan provisions and contribution requirements are established and may be amended by the City Council.

The Deferred Compensation Board and the City Council and School Board of the City, the Plan Sponsor, voted to offer its employees the Commonwealth of Virginia Cash Match Plan (COV). In January 2020, Sheriff's existing plan was transferred to COV and continue for the benefit of employees of the City of Virginia Beach.

The Virginia Cash Match Plan provides an opportunity for the City of Virginia Beach to make a discretionary contribution on behalf of employees. The investment options for the plan are organized into three pathways to make it easier for participants to implement investment decisions according to

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their knowledge of investments and investment style. The *Do-It-For-Me Path* includes the target date portfolios for participants who prefer a pre-mixed portfolio that is already diversified. The *Help-Me-Do-It Path* includes a carefully selected menu of ten funds for participants who prefer to take a more active role in investing and want to construct a portfolio that addresses their individual needs. The *Do-It-Myself Path* includes a self-directed brokerage account (SDBA) for those who believe that are skilled and knowledgeable about investments. Investments for the SDBA include mutual funds, exchange-traded funds (ETFs) and individual securities.

As of June 30, 2023, the composition of participants was as follows:

Active Not Contributing	241
Separated from Service	97
Separated Without Balance	-
Total	338

Participants may not contribute to the Plan. The Employer may contribute discretionary amounts to be determined by the City Sheriff's Office annually. The employer did not make any contributions during the plan year end. Employer contributions to the Plan, and any earnings they generate, are vested as follows:

Years of Service	Vested Percentage
0- 5 years	0%
5 years of more	100%

Participants may withdraw from their accounts during a qualifying distribution event. Qualifying distribution events are: retirement, permanent disability, termination from employment, attainment of age 59½, and death. Ordinary income tax will apply to each withdrawal. Withdrawals received prior to age 59½ may also be assessed a 10% early withdrawal federal tax penalty.

*Participant Accounts* – Each participant's account is credited with an allocation of the City's discretionary contributions as well as Plan earnings. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan. Allocations are based on participant compensation, account balances, or specific participant transactions as defined. The benefit to which the participant is entitled is the benefit that can be provided from the participant's vested account.

*Payment of Benefits* – On termination of service due to death, disability, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments not to exceed the lifetime of the payee. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

*Investment Options* – Participants direct the investment of their accounts into various investment options offered by the Plan. The Plan's investments are stated at fair value (except for fully benefit-responsive investment contracts, which are valued at contract value). Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Contract value is the relevant measure for the portion of net assets available for benefits attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan.



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**2. Summary of Significant Accounting Policies**

*Basis of Accounting* – The Plan’s financial statements are prepared in accordance with GAAP using the financial reporting framework established by GAAP.

*Use of Estimates* – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Investments Valuation and Income Recognition* – Investments are reported at fair value. Plan management determines the Plan’s valuation policies utilizing information provided by the custodian.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net depreciation includes the Plan’s gains and losses on investments bought and sold as well as held during the year.

*Contributions* – Contributions are recognized in the year due in accordance with the terms of the Plan.

*Benefit Payments* – Benefit payments are recorded when paid.

*Administrative Expenses* – Administrative expenses are recorded when incurred. Certain administrative functions are performed by the City and are not reflected in these statements.

**3. Investments**

The Virginia Retirement System Board of Trustees (VRS Board) has adopted an investment policy to provide guidelines for the investment offerings under an unbundled plan construct. The Virginia Cash Match Plan is one of the plans that uses an unbundled structure approach. The VRS unbundled defined contribution plans seek to provide participants with an array of investment choices across a range of asset classes, risk levels, and investment strategies so they can construct and/or invest in portfolios that address their individual needs, and do so using investment vehicles and structure that provide competitive risk-adjusted returns at a reasonable cost.

The Plan had the following investments as of June 30, 2023:

Mutual funds, at fair value:	
Bond Fund	\$ 161,212
Global Real Estate Fund	502
International Stock Fund	119,286
Money Market Fund	46,518
Retirement Portfolio	82,284
Small/Mid-Cap Stock Fund	381,911
Stable Value Fund	820,043
Stock Fund	1,190,302
TD Ameritrade	7,130
Target Date 2025 Portfolio	73,238
Target Date 2030 Portfolio	166,323
Target Date 2035 Portfolio	130,053
Target Date 2040 Portfolio	191,603
Target Date 2045 Portfolio	69,640
Target Date 2050 Portfolio	25,145
Target Date 2055 Portfolio	10
	\$ 3,465,200

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**15. OTHER POSTEMPLOYMENT BENEFITS**

**A. Single-Employer, Defined Benefit Plan**

***Plan Description***

The City and School Board OPEB Plans are each a single-employer, defined benefit plan, administered by the City and School Board in accordance with State and City Statutes. Section 15.2-1500 of the Virginia State Code provides that every locality shall provide for the governmental functions of the locality, including employment of the officers and other employees. In connection with this employment, the City has established certain plans to provide OPEB other than pensions as defined in Section 15.2-1545 of the Virginia Code to retirees and their spouses and eligible dependents.

In accordance with Article 8, Chapter 15, Subtitled II of Title 15.2 of the Virginia Code, the City and School Board have elected to establish a trust for the purpose of accumulating and investing assets to fund OPEB. In accordance with the election, the City and School Board have joined the Virginia Pooled OPEB Trust Fund (Trust), which was established by the Virginia Municipal League and the Virginia Association of Counties in 2008 for the purpose of accumulating and investing assets to fund OPEB other than pensions for counties, cities, towns, school divisions and other authorized political subdivisions of the Commonwealth of Virginia. The Pooled OPEB Trust issues a publicly available ACFR that includes financial statements are required supplemental information for the OPEB Trust Fund. A copy of the most recent report may be obtained from the VML VACo website at <http://valocalfinace.org/opeb>.

The Trust's Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Trust pursuant to the Trust Agreement. The Board of Trustees is composed of nine members. Trustees are members of Local Finance Boards of participating employers and are elected for staggered three-year terms by the participants in the Trust. In accordance with Section 15.2-1547 of the Virginia Code, City Council appointed the City's Deferred Compensation Board Trust as the OPEB's Local Finance Board (Board) to serve as the trustee of the City and School Board with respect to the OPEB trust. The Board includes City employees, an appointee from City Council, a member of the Sheriff's Office, a member of the School Board, and the Schools' Chief Financial Officer. The trust does not administer the retiree health benefits of each participating employer. Deposits to this trust are irrevocable and are held solely for the payment of OPEB benefits for the City and School Board.

***Plan Membership***

The membership as of January 1, 2022 includes:

	<u>City</u>	<u>School Board</u>
Active Participants	5,747	10,207
Retirees and Surviving Spouses	662	601
Spouses of Current Retirees	90	62
Total	<u>6,499</u>	<u>10,870</u>

***Benefits Provided***

The City and School Board provide health insurance benefits for their retirees. These benefits are provided through a self-insured program. Employees that retire under VRS guidelines with at least 25 years of service with the City and/or School Board or City employees with 5 years or more of service with a work related disability compensable under the Workers' Compensation Act are eligible to health insurance coverage. This benefit is payable until the retiree becomes eligible for Medicare.

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***Contributions***

Contribution requirements of the City, School Board and plan members are established and may be amended by the respective legislative bodies. The required contributions were actuarially determined and are based upon projected pay as you go financing requirements with an additional amount to prefund benefits. For the period ending June 30, 2023, the actuarially determined contribution was set at \$4,694,600 for the City and at \$7,437,500 for the School Board. City retirees contributed \$3,075 and \$1,459 annually for the Point of Service and Consumer Driven Health Plan, respectively for retiree-only coverage until Medicare eligibility and School Board retirees contributed \$1,753 and \$832 for the Point of Service and Consumer Driven Health Plan, respectively for retiree-only coverage until Medicare eligibility. City retirees with coverage for their spouses contributed \$10,284 and \$6,159 annually for the Point of Service and Consumer Driven Health Plan, respectively, and School Board retirees with coverage for their spouses contributed \$5,862 and \$3,716 for the Point of Service and Consumer Driven Health Plans, respectively, until Medicare eligibility. The City and School Board have determined that all current employees and retirees shall contribute to the cost of their health care coverage and no level of benefit shall be provided free of charge. Rates are calculated by an actuary with the City and School Board health care consultant and finalized by the Benefits Executive Committee, comprised of City and School Board executive leadership.

***Investments Policy, Target Allocation, and Long-Term Expected Rate of Return***

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the Virginia Pooled OPEB Trust Fund Board of Trustees. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions, including inflation, are per Milliman's investment consulting practice as of December 30, 2022.

The following is for the City and School Board:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Expected Geometric Real Rate of Return</b>
US Core Fixed Income	20.00%	2.27%	2.13%
US Large Cap Equity	21.00%	5.64%	4.09%
US Small Cap Equity	10.00%	7.25%	4.67%
Foreign Developed Equity	13.00%	6.90%	5.15%
Emerging Markets Equity	5.00%	9.58%	6.20%
Private Real Estate Property	15.00%	4.86%	3.70%
Private Equity	10.00%	10.74%	6.54%
Hedge FOF Strategic	6.00%	4.42%	3.48%
Assumed Inflation - Mean		2.33%	2.33%
Assumed Inflation - Standard Deviation		1.41%	1.41%
Portfolio Real Mean Return		5.81%	4.90%
Portfolio Nominal Mean Return		8.14%	7.34%
Portfolio Standard Deviation			13.07%
<b>Long-Term Expected Rate of Return</b>			<b><u>6.50%</u></b>

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***Net OPEB Liability***

The City's Net OPEB Liability was measured as of June 30, 2023 and totaled \$35,704,640. The School Board's Net OPEB Liability was measured as of June 30, 2023 and totaled \$65,517,667. The City and School Board's Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GAAP.

***Changes in Net OPEB Liability***

	<b>City</b>		
	<b>Total OPEB Liability</b>	<b>Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances as of June 30, 2022</b>	\$ 90,789,831	\$ 53,593,618	\$ 37,196,213
Changes for the year:			
Service Cost	1,788,393	-	1,788,393
Interest on Total OPEB Liability	5,770,588	-	5,770,588
Effect of assumptions changes or inputs	2,718,654	-	2,718,654
Benefit Payments	(7,721,459)	(7,721,459)	-
Employer Contributions	-	7,721,459	(7,721,459)
Net Investment Income	-	4,085,103	(4,085,103)
Administrative Expenses	-	(37,354)	37,354
<b>Balances as of June 30, 2023</b>	<u>\$ 93,346,007</u>	<u>\$ 57,641,367</u>	<u>\$ 35,704,640</u>

	<b>School Board</b>		
	<b>Total OPEB Liability</b>	<b>Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances as of June 30, 2022</b>	\$ 91,049,406	\$ 39,779,906	\$ 51,269,500
Changes for the year:			
Service Cost	2,072,937	-	2,072,937
Interest on Total OPEB Liability	5,812,560	-	5,812,560
Effect of economic/demographic gains or losses	13,394,219	-	13,394,219
Effect of assumptions changes or inputs	3,487,727	-	3,487,727
Benefit Payments	(7,514,976)	(7,514,976)	-
Employer Contributions	-	7,514,976	(7,514,976)
Net Investment Income	-	3,032,165	(3,032,165)
Administrative Expenses	-	(27,865)	27,865
<b>Balances as of June 30, 2023</b>	<u>\$ 108,301,873</u>	<u>\$ 42,784,206</u>	<u>\$ 65,517,667</u>

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***Sensitivity Analysis***

The following presents the Net OPEB Liability of the City and the School Board calculated using the discount rate of 6.50%, as well as what the City and School Board's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rates.

	<b>1% Decrease 5.50%</b>	<b>Discount Rate 6.50%</b>	<b>1% Increase 7.50%</b>
City's Total OPEB Liability	\$ 100,496,600	\$ 93,346,007	\$ 86,869,282
Fiduciary Net Position	(57,641,367)	(57,641,367)	(57,641,367)
City's Net OPEB Liability	<u>\$ 42,855,233</u>	<u>\$ 35,704,640</u>	<u>\$ 29,227,915</u>
School Board's Net OPEB Liability	\$ 115,805,465	\$ 108,301,873	\$ 101,344,360
Fiduciary Net Position	(42,784,206)	(42,784,206)	(42,784,206)
School Board's Net OPEB Liability	<u>\$ 73,021,259</u>	<u>\$ 65,517,667</u>	<u>\$ 58,560,154</u>

The following presents the Net OPEB Liability of the City and the School Board using the current healthcare cost trend rates, as well as what the City and School Board's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
City's Total OPEB Liability	\$ 84,715,123	\$ 93,346,007	\$ 103,261,773
Fiduciary Net Position	(57,641,367)	(57,641,367)	(57,641,367)
City's Net OPEB Liability	<u>\$ 27,073,756</u>	<u>\$ 35,704,640</u>	<u>\$ 45,620,406</u>
School Board's Total OPEB Liability	\$ 98,595,698	\$ 108,301,873	\$ 119,339,346
Fiduciary Net Position	(42,784,206)	(42,784,206)	(42,784,206)
School Board's Net OPEB Liability	<u>\$ 55,811,492</u>	<u>\$ 65,517,667</u>	<u>\$ 76,555,140</u>

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2023 the City's and School Board's recognized OPEB expenses were \$5,320,631 and \$10,466,129, respectively.

At June 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 6,553,398	622,928
Changes in Assumptions	5,857,190	9,524,253
Net Difference between Projected and Actual Earnings	1,111,534	-
Total	<u>\$ 13,522,122</u>	<u>\$ 10,147,181</u>

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Amounts recognized as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2024	\$ 1,004,067
2025	(1,051,052)
2026	578,620
2027	1,475,697
2028	1,367,609
Thereafter*	-
	<u>\$ 3,374,941</u>

\*Note that additional future deferred inflows and outflows of resources may impact these numbers.

At June 30, 2023 the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 17,167,537	\$ -
Changes in Assumptions	7,221,856	10,816,575
Net Difference between Projected and Actual Earnings	819,408	-
Total	<u>\$ 25,208,801</u>	<u>\$ 10,816,575</u>

Amounts recognized as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2024	\$ 4,991,770
2025	2,272,646
2026	2,791,827
2027	3,061,090
2028	1,274,893
	<u>\$ 14,392,226</u>

\*Note that additional future deferred inflows and outflows of resources may impact these numbers.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 6.5%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the long-term expected rate of return.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
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***Actuarial Assumptions***

The demographic assumptions used are predominately consistent with those used in the City's June 30, 2021 VRS valuations. Please see the January 1, 2022 OPEB valuation report for a complete summary of all the underlying assumptions used in the valuation.

Valuation Date	January 1, 2022
Measurement Date:	June 30, 2023
Inflation:	2.50%
Actuarial Cost Method:	Entry Age Normal
Healthcare Cost Trend Rate	Law Officers with 1 to 19 years of service, the increases range from 4.75% to 4.00% and for those with 20 or more years of service the increase is 3.50%.
Mortality Rates	Based on the RP-2014 Employee Mortality Rates for males and females, as appropriate, with adjustment for mortality improvements based on scale BB to 2020.

**B. Multiple Employer, Cost Sharing Defined Benefit Plans**

In addition, The City and School Board participates in a number OPEB Plans each of which are multiple-employer, cost-sharing plans that are administered by the Virginia Retirement System (VRS). These plans include; Group Life Insurance, Line of Duty Act Program, and Virginia Local Disability Program. Information pertaining to each of this plans is included below.***Plan Descriptions***

**Group Life Insurance**

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. All full-time, salaried permanent employees of the City and School Board are automatically covered by the VRS GLI Program upon employment. This plan is administered by VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional life insurance coverage, the insurer bills employees directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB. Specific information for the GLI Program, including eligibility, coverage and benefits is set out in the table on the following page.

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<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b> The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b> The benefits payable under the GLI Program have several components</p> <p><u>Natural Death Benefit</u> The natural death benefit is equal to the employee's covered compensation rounded to the nearest highest thousand and then doubled</p> <p><u>Accidental Death Benefit</u> The accidental death benefit is double the natural death benefit.</p> <p><u>Other Benefit Provisions</u> In addition to the basic natural and accidental death benefit, the program provides additional benefits under specific circumstance. These include:  <ul style="list-style-type: none"> <li>Accidental dismemberment benefit</li> <li>Safety Belt benefit</li> <li>Repatriation benefit</li> <li>Felonious assault benefit</li> <li>Accelerated death benefit option</li> </ul> </p>
<p><b>Reduction in Benefit Amounts</b> The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b> For covered members with at least 30 years of service cost, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.</p>

Line of Duty Act Program

The Line of Duty Act (LODA) Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. All paid employees and volunteers in hazardous duty positions in the City are automatically covered by the Line of Duty Act Program. As required by statute, VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by VRS's actuary using anticipated program cost and the number of covered individuals associated with all participating employers. Specific information for the LODA OPEB, including eligibility, coverage and benefits is set out in the table below:



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<b>LINE OF DUTY ACT PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b> The eligible employees of the Line and Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</p>
<p><b>Benefit Amounts</b> The LODA Program provides death and health insurances for eligible individuals:            Death Benefit - The LODA Program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. amounts vary as follows:           <ul style="list-style-type: none"> <li>• \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.</li> <li>• \$25,000 when the cause of death is attributed to one of the applicable resumptions and occurred earlier than five years after the retirement date.</li> <li>• An additional \$20,000 benefit is payable when certain members of the National Guard and US military reserves are killed in action in any armed conflict on or after October 7, 2001.</li> </ul>           Health Insurance - The LODA Program provides health insurance benefits.           <ul style="list-style-type: none"> <li>• The health insurance benefits are managed through the Virginia Department of Human Resources Management (DRHM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.</li> </ul> </p>

Virginia Local Disability Program

All full-time salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee and Teacher Employee Virginia Local Disability Program. This plan is administered by VRS, along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). Specific information for the VLDP, including eligibility, coverage and benefits is set out in the table below.

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**POLITICAL SUBDIVISION EMPLOYEE AND TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS**

**Eligible Employees**

The Teachers Employee and Political Subdivision Employee VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work related and work-related disabilities for employees with hybrid plan retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

**Benefit Amounts**

The Teacher Employee and Political Subdivision Employee (VLDP) provides the following benefits for eligible employees:

**Short-Term Disability**

- The program provides short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

**Long-Term Disability**

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

**Virginia Local Disability Program Notes:**

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Health Insurance Credit Program

The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This plan is administered by the VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against

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qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

<b>TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The Teacher Employee Retiree HIC was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <p>Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</p>
<p><b>Benefit Amounts</b></p> <p>The Teacher Employee Retiree HIC provides the following benefits for eligible employees:</p> <p>At Retirement – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</p> <p>Disability Retirement – For Teacher and other professional school employees who retire on disability or go on long-term disability under the VLDP, the monthly benefit is either:</p> <ul style="list-style-type: none"><li>• \$4.00 per month multiplied by twice the amount of service credit, or</li><li>• \$4.00 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li></ul>
<p><b>HIC Notes:</b></p> <p>The monthly HIC benefit cannot exceed the individual premium amount.</p> <p>Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.</p>

***Contributions***

**Group Life Insurance**

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34 X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each Employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program for the City were \$1,889,213 and \$1,821,273 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the GLI Program for the School Board for combined professionals and nonprofessionals were \$2,821,935 and \$2,637,640 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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Line of Duty Act Program

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2023 was \$681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program for the City were \$1,347,719 and \$1,361,098 for the years ended June 30, 2023 and June 30, 2022, respectively.

Virginia Local Disability Program

The contribution requirements for active hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions and school divisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended for the year ended June 30, 2023 was 0.85% of covered employee compensation for employees in the VRS Political Subdivision Employee VLDP. Each school division's contractually required employer contribution rate for the year ended June 30, 2023, was 0.47% of covered employee compensation for employees in the VRS Teacher Employee VLDP. These rates were based on an actuarially determined rates from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the VLDP for the City were \$744,614 and \$657,963 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the Teacher Employee VLDP for the School Board were \$778,254 and \$659,550 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the Political Subdivision Employee VLDP for the School Board were \$240,208 and \$172,623 for the years ended June 30, 2023 and June 30, 2022, respectively.

Health Insurance Credit Program

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% and 1.02%, respectively, of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program or Political Subdivision Health Insurance Credit Program, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS Teacher Employee HIC program were \$5,603,990 and \$5,398,393 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions from the School Board to the Political Subdivision HIC Program were \$588,631 and \$430,973 for the years ended June 30, 2023 and June 30, 2022, respectively.

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***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

As June 30, 2023, the City and School Board reported the following liabilities/(assets) for their proportionate share of the multiple-employer, cost sharing plans administered by VRS:

	<u>City</u>	<u>School Board</u>
Net OPEB Liabilities:		
Group Life Insurance Program	\$ 19,365,964	\$ 27,252,676
Line of Duty Act Program	37,039,469	-
Virginia Local Disability Program	(112,589)	(45,743)
Health Insurance Credit Program	-	59,115,873
	<u>\$ 56,292,844</u>	<u>\$ 86,322,806</u>

The net OPEB liabilities were measured as of June 30, 2022 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation as June 30, 2021. The City and School Board's proportion of the Net OPEB liabilities were based on the City and School Board's contributions to VRS for the above plans for the year ended June 30, 2022 relative to the total of the employer contributions for all participating employers. A comparison of the City's and School Board's proportion of the City and School Board's contribution from June 30, 2021 to June 30, 2022 were as followed:

	<u>City</u>	<u>School Board</u>
<b>Proportionate Share of Contributions as of June 30, 2022</b>		
Group Life Insurance	1.60834%	2.26333%
Line of Duty Act Program	9.78701%	N/A
Virginia Local Disability Program - Political Subdivisions	19.14947%	4.44580%
Virginia Local Disability Program - Teachers	N/A	17.43607%
Health Insurance Credit Program	N/A	4.73288%
<b>Proportionate Share of Contributions as of June 30, 2021</b>		
Group Life Insurance	1.62909%	2.29054%
Line of Duty Act Program	9.98391%	N/A
Virginia Local Disability Program - Political Subdivisions	19.71247%	4.35422%
Virginia Local Disability Program - Teachers	N/A	17.50814%
Health Insurance Credit Program	N/A	4.80573%

For the year ended June 30, 2022, the City and School Board recognized OPEB expenses were as followed:

<b>Recognized Net OPEB Expense:</b>	<u>City</u>	<u>School Board</u>
Group Life Insurance	\$ 417,076	\$ 485,169
Line of Duty Act Program	4,924,072	-
Virginia Local Disability Program - Political Subdivision	615,135	141,977
Virginia Local Disability Program - Teachers	-	500,360
Health Insurance Credit Program	-	4,539,920
<b>Total</b>	<u>\$ 5,956,283</u>	<u>\$ 5,667,426</u>

Since there were changes in the proportionate shares between measurement dates of the City and School Board's contribution a portion of the Net OPEB expense were related to deferred amounts from changes in proportion.

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At June 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Group Life Insurance</b>		
Difference between Expected & Actual Experience	\$ 1,533,540	\$ 776,916
Net Difference between Projected and Actual Earnings	-	1,210,088
Changes in Assumptions	722,320	1,886,323
Changes in Proportionate Share	50,480	1,057,031
Employer Contributions subsequent to the Measurement Date	1,889,213	-
<b>Total Group Life Insurance</b>	<b>4,195,553</b>	<b>4,930,358</b>
<b>Line of Duty Act</b>		
Difference between Expected & Actual Experience	2,845,637	6,922,599
Net Difference between Projected and Actual Earnings	-	158,398
Changes in Assumptions	10,329,279	9,135,657
Changes in Proportionate Share	1,177,490	1,894,982
Employer Contributions subsequent to the Measurement Date	1,347,919	-
<b>Total Line of Duty Act</b>	<b>15,700,325</b>	<b>18,111,636</b>
<b>Virginia Local Disability Program - Political Subdivision</b>		
Difference between Expected & Actual Experience	158,297	240,919
Net Difference between Projected and Actual Earnings	-	491
Changes in Assumptions	4,311	40,393
Changes in Proportionate Share	3,394	5,488
Employer Contributions subsequent to the Measurement Date	744,614	-
<b>Total Virginia Local Disability Program</b>	<b>910,616</b>	<b>287,291</b>
<b>Grand Total</b>	<b>\$ 20,806,494</b>	<b>\$ 23,329,285</b>

Employer Contributions subsequent to the measurement date totaled \$3,981,746 will be recognized as a reduction of the City's OPEB liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense in future reporting periods as follows:

Fiscal Year	GLI	LODA	VLDP
Ended June 30:			
2024	\$ (570,856)	\$ (57,189)	\$ (8,778)
2025	(597,826)	(53,806)	(10,476)
2026	(1,234,001)	(50,207)	(53,575)
2027	(28,572)	29,601	5,484
2028	(192,763)	(253,577)	(8,287)
Thereafter	-	(3,374,052)	(45,657)
	<b>\$(2,624,018)</b>	<b>\$ (3,759,230)</b>	<b>\$ (121,289)</b>

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At June 30, 2023 the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Group Life Insurance</b>		
Difference between Expected & Actual Experience	\$ 2,158,069	\$ 1,093,312
Net Difference between Projected and Actual Earnings	-	1,702,892
Changes in Assumptions	1,016,482	2,654,520
Changes in Proportionate Share	43,314	1,281,195
Employer Contributions subsequent to the Measurement Date	2,821,935	-
<b>Total Group Life Insurance</b>	<b>6,039,800</b>	<b>6,731,919</b>
<b>Virginia Local Disability Program - Political Subdivision</b>		
Difference between Expected & Actual Experience	36,751	55,933
Net Difference between Projected and Actual Earnings	-	114
Changes in Assumptions	1,001	9,378
Changes in Proportionate Share	547	3,033
Employer Contributions subsequent to the Measurement Date	240,208	-
<b>Total Virginia Local Disability Program</b>	<b>278,507</b>	<b>68,458</b>
<b>Virginia Local Disability Program - Teachers</b>		
Difference between Expected & Actual Experience	231,204	59,481
Net Difference between Projected and Actual Earnings	-	5,453
Changes in Assumptions	58,479	-
Changes in Proportionate Share	3,070	-
Employer Contributions subsequent to the Measurement Date	778,254	-
<b>Total Virginia Local Disability Program</b>	<b>1,071,007</b>	<b>64,934</b>
<b>Health Insurance Credit Program</b>		
Difference between Expected & Actual Experience	-	2,537,108
Net Difference between Projected and Actual Earnings	15,381	59,336
Changes in Assumptions	2,171,004	150,962
Changes in Proportionate Share	-	2,892,308
Employer Contributions subsequent to the Measurement Date	6,192,621	-
<b>Total Health Insurance Credit Program</b>	<b>8,379,006</b>	<b>5,639,714</b>
<b>Grand Total</b>	<b>\$ 15,768,320</b>	<b>\$ 12,505,025</b>

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Employer Contributions subsequent to the measurement date totaled \$10,033,018 will be recognized as a reduction of the School Board’s OPEB liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the School Board’s OPEB expense in future reporting periods as follows:

Fiscal Year Ended June 30:	
2024	\$ (1,606,917)
2025	(1,477,851)
2026	(2,294,060)
2027	(373,412)
2028	(745,227)
Thereafter	(272,256)
	\$ (6,769,723)

***Actuarial Assumptions***

The total Cost sharing OPEB liabilities administered by VRS were based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50 percent
Salary increases, including inflation –	
General state employees	3.50 percent – 5.35 percent
Teachers	3.50 percent – 5.95 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
JRS employees	4.00 percent
Locality – General employees	3.50 percent – 5.35 percent
Locality – Hazardous Duty employees	3.50 percent – 4.75 percent
Investment rate of return – GLI, VLDP and HIC	6.75 Percent, net of investment expenses, including inflation
Investment rate of return – LODA	3.69 Percent, including inflation*

\* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.

**Mortality rates – General State Employees**

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates



**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB 2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Mortality rates – Teachers**

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rate projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Mortality rates – Largest Ten Locality Employers - General Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty	No change
Discount Rate	No change

**Mortality rates – Non-Largest Ten Locality Employers - General Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**CITY OF VIRGINIA BEACH, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty	No change
Discount Rate	No change

Line of Duty Act

**Mortality rates – Largest Ten Locality Employers with Public Safety Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

**CITY OF VIRGINIA BEACH, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

**Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

**CITY OF VIRGINIA BEACH, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on BRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty	No change
Discount Rate	No change

**Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty	No change
Discount Rate	No change

**CITY OF VIRGINIA BEACH, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

***Net OPEB Liability***

The net OPEB liability/(assets) (NOL) represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for each program are as follows (amounts expressed in thousands):

	<b>Group Life Insurance</b>	<b>Line of Duty Act</b>	<b>Virginia Local Disability - Political Subdivision</b>	<b>Virginia Local Disability - Teachers</b>	<b>Health Insurance Credit</b>
Total OPEB Liability	\$ 3,672,085	\$ 385,669	\$ 7,360	\$ 7,207	\$ 1,470,891
Plan Fiduciary Net Position	2,467,989	7,214	7,948	7,320	221,845
Employers' Net OPEB Liability/(Asset)	<u>\$ 1,204,096</u>	<u>\$ 378,455</u>	<u>\$ (588)</u>	<u>\$ (113)</u>	<u>\$ 1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	67.21%	1.87%	107.99%	101.57%	15.08%

The total OPEB liability is calculated by VRS's actuary, and each plan fiduciary net position is reported in VRS's financial statements. The net OPEB liability/(asset) is disclosed in accordance with the requirements of GAAP in the VRS's notes to the financial statements and required supplementary information.

***Long-Term Expected Rate of Return***

Group Life Insurance, Virginia Local Disability Program and Health Insurance Credit Program

The long-term expected rate of return on the VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return*</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u><u>7.83%</u></u>

\*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide median returns of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11% including expected inflation of 2.50%.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

Line of Duty Act Program

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

**Discount Rate**

Group Life Insurance, Virginia Local Disability Program, and Health Insurance Credit Program

The discount rate used to measure the City and School Board's GLI and VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the City and School Board for the VRS GLI and VRS VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI and VLDP OPEB plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI and VLDP OPEB liability.

Line of Duty Act Program

The discount rate used to measure the total LODA OPEB liability was 3.69%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rate equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

**Sensitivity Analysis**

The following presents the City and School Board's proportionate share of the Net OPEB liabilities using the current discount rate, as well as what the City and School Board's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current.

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>5.75%</b>	<b>6.75%</b>	<b>7.75%</b>
<b>Group Life Insurance:</b>			
City	\$ 28,179,745	\$ 19,365,964	\$ 12,243,224
School Board	39,655,833	27,252,676	17,229,227
<b>Virginia Local Disability Program - Political Subdivision:</b>			
City	\$ 11,932	\$ (112,589)	\$ (220,709)
School Board	2,770	(26,139)	(51,240)
<b>Virginia Local Disability Program - Teachers:</b>			
School Board	\$ 142,028	\$ (19,604)	\$ 159,397
<b>Health Insurance Credit Program:</b>			
School Board	\$ 72,899,224	\$ 64,816,758	\$ 57,958,194

**CITY OF VIRGINIA BEACH, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

Line of Duty Act Program

	<b>1% Decrease 2.69%</b>	<b>Discount Rate 3.69%</b>	<b>1% Increase 4.69%</b>
<b>Line of Duty Act</b>			
City	\$ 42,280,209	\$ 37,039,469	\$ 32,751,937

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurances premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer’s proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	<b>1% Decrease 6.00% decreasing to 3.75%</b>	<b>Current Trend Rates 7.00% decreasing to 4.75%</b>	<b>1% Increase 8.00% decreasing to 5.75%</b>
<b>Line of Duty Act:</b>			
City	\$ 31,213,809	\$ 37,039,469	\$ 44,351,575

***OPEB Plan Fiduciary Net Position***

Detailed information about the Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (ACFR). A copy of the 2022 VRS ACFR may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at PO Box 2500, Richmond, VA, 23218-2500.



**CITY OF VIRGINIA BEACH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**16. SUBSEQUENT EVENTS**

Management has evaluated all events subsequent to June 30, 2023 through December 6, 2023, which is the date these financial statements were available to be issued. Management has determined that there are no subsequent events that require disclosure pursuant to the GASB Accounting Standards Codification.



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**REQUIRED  
SUPPLEMENTAL  
INFORMATION  
(Unaudited)**



**REQUIRED SUPPLEMENTAL INFORMATION**

**GENERAL FUND - BUDGET TO ACTUAL**

**VIRGINIA RETIREMENT SYSTEM PENSION**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**(UNAUDITED)**

In accordance with the Governmental Accounting Standards Board, the following information is a required part of the Basic Financial Statements.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
General Property Taxes:				
Real Estate property taxes	\$ 649,703,623	\$ 649,703,623	\$ 642,486,762	\$ (7,216,861)
Personal property taxes	139,206,366	139,206,366	140,251,330	1,044,964
Other Local Taxes	295,112,104	294,052,312	289,645,377	(4,406,935)
Fines and Forfeitures	1,490,736	1,490,736	1,326,584	(164,152)
Permits, Privilege Fees, and Regulatory Licenses	9,001,577	9,001,577	9,190,870	189,293
From Use of Money and Property	8,338,756	8,338,756	21,432,482	13,093,726
Charges for Services	54,093,906	54,117,571	54,562,395	444,824
Miscellaneous	8,563,490	8,566,626	6,741,151	(1,825,475)
From Commonwealth	169,072,954	178,733,410	180,077,748	1,344,338
From Federal Government	24,306,319	25,212,055	25,974,231	762,176
Total Revenues	<u>1,358,889,831</u>	<u>1,368,423,032</u>	<u>1,371,688,930</u>	<u>3,265,898</u>
<b>EXPENDITURES</b>				
Legislative	1,305,561	1,419,572	1,267,998	151,574
Executive	6,247,994	7,467,707	6,669,070	798,637
Law	5,255,955	5,674,507	5,623,140	51,367
Finance	24,019,888	26,122,751	23,949,092	2,173,659
Human Resources	6,631,378	7,345,004	6,114,668	1,230,336
Judicial	18,032,331	19,644,768	18,811,256	833,512
Health	3,781,386	4,030,966	3,898,158	132,808
Police	113,277,278	119,474,733	119,029,333	445,400
Human Services	132,084,478	129,941,399	127,902,634	2,038,765
Public Works	92,445,296	100,493,424	88,737,824	11,755,600
Parks and Recreation	15,806,036	17,312,709	15,556,310	1,756,399
Library	19,035,350	20,584,930	19,089,613	1,495,317
Planning	13,111,456	14,354,127	12,257,895	2,096,232
Agriculture	987,715	1,069,591	907,229	162,362
Economic Development	6,704,341	9,105,380	7,069,218	2,036,162
Convention and Visitor Development	10,348,077	10,962,560	9,497,199	1,465,361
Cultural Affairs	3,229,524	5,577,017	2,957,549	2,619,468
Information Technology	23,742,094	25,932,369	25,013,855	918,514
Emergency Communications and Citizen Services	11,682,280	11,666,141	10,601,086	1,065,055
Fire	67,065,867	74,898,896	74,752,264	146,632
Budget and Management Services	1,384,854	1,469,484	1,229,516	239,968
Education	450,062,204	486,860,918	456,472,085	30,388,833
Housing and Neighborhood Preservation	6,645,411	7,812,856	7,137,522	675,334
Aquariums	14,502,760	15,294,469	13,058,273	2,236,196
General Registrar	2,517,777	3,439,001	3,340,831	98,170
General Government	51,394,390	58,886,075	50,871,645	8,014,430
Emergency Medical Services	17,643,540	18,806,963	18,011,224	795,739
Lease Payments	-	-	3,707,313	(3,707,313)
Subscription Payments	-	-	3,723,519	(3,723,519)
Contingencies	61,989,146	40,629,654	-	40,629,654
Debt Service:				
Principal Retirement	41,758,045	41,758,045	37,330,169	4,427,876
Interest and Fiscal Charges	17,553,254	17,553,254	14,330,454	3,222,800
Total Expenditures	<u>1,240,245,666</u>	<u>1,305,589,270</u>	<u>1,188,917,942</u>	<u>116,671,328</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>118,644,165</u>	<u>62,833,762</u>	<u>182,770,988</u>	<u>119,937,226</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	795,419	842,645	727,192	(115,453)
Transfers Out	(164,341,422)	(182,658,168)	(182,542,715)	115,453
Capitalized Leases	-	-	6,123,168	6,123,168
Capitalized Subscriptions	-	-	6,096,478	6,096,478
Use of Fund Balance	44,901,838	118,981,761	-	(118,981,761)
Total Other Financing Sources (uses)	<u>(118,644,165)</u>	<u>(62,833,762)</u>	<u>(169,595,877)</u>	<u>(106,762,115)</u>
Net Change in Fund Balance	-	-	13,175,111	13,175,111
Fund Balance at Beginning of Year	475,777,573	475,777,573	328,896,239	(146,881,334)
Fund Balance at End of Year	<u>\$ 475,777,573</u>	<u>\$ 475,777,573</u>	<u>\$ 342,071,350</u>	<u>\$ (133,706,223)</u>

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

City	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Total Pension Liability</b>									
Service Cost	\$ 35,838,242	\$ 35,932,562	\$ 36,304,048	\$ 36,385,569	\$ 38,749,786	\$ 39,607,023	\$ 42,513,760	\$ 41,628,460	\$ 41,392,422
Interest	114,650,965	119,573,242	122,642,141	127,496,045	132,764,815	137,584,382	141,392,693	147,077,745	159,269,191
Changes in assumptions	-	-	-	7,551,961	-	58,968,730	-	99,509,870	-
Differences between expected and actual experience	-	(24,723,400)	3,527,958	1,570,175	2,420,090	6,189,119	20,475,089	(22,225,698)	(37,192,336)
Benefit Payments, including refunds of employee contributions	(77,985,409)	(82,356,519)	(91,525,484)	(94,739,837)	(100,731,357)	(109,436,121)	(116,831,594)	(123,485,515)	(130,052,052)
<b>Net change in total pension liability</b>	72,503,798	48,425,885	70,948,663	78,263,913	73,203,334	132,913,133	87,549,948	142,504,862	33,417,225
<b>Total pension liability - beginning</b>	1,676,863,639	1,749,367,437	1,797,793,322	1,868,741,985	1,947,005,898	2,020,209,232	2,153,122,365	2,240,672,313	2,383,177,175
<b>Total pension liability - ending (a)</b>	\$ 1,749,367,437	\$ 1,797,793,322	\$ 1,868,741,985	\$ 1,947,005,898	\$ 2,020,209,232	\$ 2,153,122,365	\$ 2,240,672,313	\$ 2,383,177,175	\$ 2,416,594,400
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 45,827,648	\$ 48,703,360	\$ 49,521,364	\$ 43,305,500	\$ 44,514,635	\$ 47,363,487	\$ 48,245,963	\$ 52,734,089	\$ 54,688,523
Contributions - employee	14,813,559	14,937,006	15,185,917	15,780,809	16,102,282	16,153,428	16,422,289	16,143,295	16,674,134
Net investment income	194,451,721	64,442,330	24,961,833	175,963,733	117,134,461	109,869,540	33,123,371	463,673,957	(1,553,682)
Benefit Payments, including refunds of employee contributions	(77,985,409)	(82,356,519)	(91,525,484)	(94,739,837)	(100,731,357)	(109,436,121)	(116,831,594)	(123,485,515)	(130,052,052)
Administrative expenses	(1,053,309)	(887,459)	(910,017)	(1,029,901)	(1,022,764)	(1,110,715)	(1,141,131)	(1,174,234)	(1,328,173)
Other	10,242	(13,597)	(10,675)	(156,044)	(103,817)	(71,080)	(43,405)	17,203	34,333
<b>Net change in plan fiduciary net position</b>	176,064,452	44,825,121	(2,777,062)	139,124,280	75,893,440	62,768,539	(20,224,507)	407,908,795	(61,536,917)
<b>Plan fiduciary net position - beginning</b>	1,239,531,415	1,415,595,867	1,460,420,988	1,457,643,926	1,596,768,206	1,672,661,646	1,735,430,185	1,715,205,678	2,123,114,473
<b>Plan fiduciary net position - ending (b)</b>	\$ 1,415,595,867	\$ 1,460,420,988	\$ 1,457,643,926	\$ 1,596,768,206	\$ 1,672,661,646	\$ 1,735,430,185	\$ 1,715,205,678	\$ 2,123,114,473	\$ 2,061,577,556
<b>Net pension liability, ending</b>	\$ 333,771,570	\$ 337,372,334	\$ 411,098,059	\$ 350,237,692	\$ 347,547,586	\$ 417,692,180	\$ 2,123,114,473	\$ 260,062,702	\$ 355,016,844
<b>Net position as a percentage of the total pension liability</b>	80.9%	81.2%	78.0%	82.0%	82.8%	80.6%	76.5%	89.1%	85.3%
<b>Covered payroll</b>	\$ 292,873,927	\$ 299,462,518	\$ 305,412,468	\$ 317,193,072	\$ 328,337,502	\$ 333,558,319	\$ 342,477,093	\$ 335,108,903	\$ 347,939,147
<b>City's net pension liability as a percentage of covered payroll</b>	114.0%	112.7%	134.6%	110.4%	105.9%	125.2%	619.9%	77.6%	102.03%

\*Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	School Board Non Professional								
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Total Pension Liability</b>									
Service Cost	\$ 4,171,321	\$ 4,089,939	\$ 4,079,432	\$ 4,027,098	\$ 3,831,060	\$ 3,788,974	\$ 3,961,923	\$ 3,964,435	\$ 3,934,382
Interest	13,051,394	13,574,596	14,020,741	14,519,133	14,994,765	15,432,954	15,856,267	16,427,054	17,604,104
Differences between expected and actual experience	-	(747,303)	264,387	1,300,649	(114,972)	2,127,992	2,409,511	(808,663)	(4,908,939)
Changes in assumptions	-	-	-	(1,332,150)	-	6,306,405	-	8,249,072	-
Benefit Payments, including refunds of employee contributions	(9,473,141)	(10,023,655)	(11,063,812)	(11,425,531)	(12,014,444)	(12,468,334)	(13,083,421)	(13,991,919)	(14,113,284)
Refunds of contributions	(469,524)	(465,012)	(482,631)	(358,994)	(461,154)	(419,254)	(467,858)	-	(551,790)
<b>Net change in total pension liability</b>	7,749,574	6,893,577	7,300,748	7,089,199	6,696,409	14,768,737	8,676,422	13,839,979	1,964,473
<b>Total pension liability - beginning</b>	191,185,052	198,934,626	205,828,203	213,128,951	220,218,150	226,914,559	241,683,296	250,359,718	264,199,697
<b>Total pension liability - ending (a)</b>	\$ 198,934,626	\$ 205,828,203	\$ 213,128,951	\$ 220,218,150	\$ 226,914,559	\$ 241,683,296	\$ 250,359,718	\$ 264,199,697	\$ 266,164,170
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 3,646,317	\$ 3,739,486	\$ 3,876,348	\$ 2,959,847	\$ 2,967,419	\$ 2,880,916	\$ 2,906,100	\$ 3,376,047	\$ 3,605,284
Contributions - employee	2,000,972	2,041,468	2,113,676	2,124,981	2,121,653	2,161,296	2,209,656	2,129,012	2,294,774
Net investment income	25,850,848	8,507,018	3,214,427	22,825,346	15,092,474	14,049,158	4,171,983	58,169,277	(176,724)
Benefit Payments, including refunds of employee contributions	(9,003,617)	(9,558,643)	(10,581,181)	(11,066,537)	(11,553,290)	(12,468,334)	(13,083,421)	(13,601,312)	(14,113,284)
Refunds of contributions	(469,524)	(465,012)	(482,631)	(358,994)	(461,154)	(419,254)	(467,858)	(390,607)	(551,790)
Administrative expenses	(141,126)	(118,985)	(120,635)	(135,200)	(133,315)	(143,574)	(145,905)	(148,821)	(166,678)
Other	1,363	(1,792)	(1,394)	(20,191)	(13,321)	(8,810)	(4,932)	(312)	5,868
<b>Net change in plan fiduciary net position</b>	21,885,233	4,143,540	(1,981,390)	16,329,252	8,020,466	6,051,398	(4,414,377)	49,533,284	(9,102,550)
<b>Plan fiduciary net position - beginning</b>	166,226,515	188,111,748	192,255,288	190,273,898	206,603,150	214,623,616	220,675,014	216,260,637	265,793,921
<b>Plan fiduciary net position - ending (b)</b>	\$ 188,111,748	\$ 192,255,288	\$ 190,273,898	\$ 206,603,150	\$ 214,623,616	\$ 220,675,014	\$ 216,260,637	\$ 265,793,921	\$ 256,691,371
<b>Net pension liability/(asset) - ending</b>	\$ 10,822,878	\$ 13,572,915	\$ 22,855,053	\$ 13,615,000	\$ 12,290,943	\$ 21,008,282	\$ 34,099,081	\$ (1,594,224)	\$ 9,472,799
<b>Plan fiduciary net position as a percentage of total pension liability</b>	94.56%	93.41%	89.28%	93.82%	94.58%	91.31%	86.38%	100.60%	96.44%
<b>Covered payroll</b>	\$ 40,017,176	\$ 40,970,605	\$ 42,344,732	\$ 42,112,697	\$ 42,303,998	\$ 42,872,651	\$ 43,518,726	\$ 43,346,298	\$ 45,137,761
<b>Net pension liability/(asset) as a percentage of covered payroll</b>	27.05%	33.13%	53.97%	32.33%	29.05%	49.00%	78.35%	(3.68)%	20.99%

*Schedule is intended to show information for 10 years. Additional years will be included as they become available.*



**CITY OF VIRGINIA BEACH, VIRGINIA**

**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS  
JUNE 30, 2023**

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contributions (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
<b>City</b>					
June 30, 2014	\$ 45,827,648	\$ 45,827,648	\$ -	\$ 292,873,927	15.65%
June 30, 2015	48,703,360	48,703,360	-	299,462,518	16.26%
June 30, 2016	49,847,919	49,847,919	-	305,412,468	16.32%
June 30, 2017	43,919,386	43,919,386	-	317,193,072	13.85%
June 30, 2018	44,501,507	44,501,507	-	328,337,502	13.55%
June 30, 2019	47,366,085	47,366,085	-	333,558,319	14.20%
June 30, 2020	48,251,362	48,251,362	-	342,477,093	14.08%
June 30, 2021	52,803,308	52,803,308	-	335,108,903	15.76%
June 30, 2022	54,759,166	54,759,166	-	347,939,147	15.74%
June 30, 2023	67,629,663	67,629,663	-	384,216,743	18.25%
<b>School Board Non Professional</b>					
June 30, 2014	\$ 3,645,565	\$ 3,645,565	\$ -	\$ 40,017,176	9.11%
June 30, 2015	3,732,422	3,732,422	-	40,970,605	9.11%
June 30, 2016	3,857,605	3,857,605	-	42,344,732	9.11%
June 30, 2017	2,956,311	2,956,311	-	42,112,697	7.02%
June 30, 2018	2,969,741	2,969,741	-	42,303,998	7.02%
June 30, 2019	2,885,329	2,885,329	-	42,872,651	6.73%
June 30, 2020	2,928,810	2,928,810	-	43,518,726	6.73%
June 30, 2021	3,404,642	3,404,642	-	42,346,298	8.04%
June 30, 2022	3,629,076	3,629,076	-	45,137,761	8.04%
June 30, 2023	4,109,022	4,109,022	-	51,427,059	7.99%
<b>School Board Professional / Teacher</b>					
June 30, 2014	\$ 43,992,831	\$ 43,992,831	\$ -	\$ 377,297,007	11.66%
June 30, 2015	55,858,551	55,858,551	-	385,231,385	14.50%
June 30, 2016	54,463,409	54,463,409	-	387,364,218	14.06%
June 30, 2017	57,698,763	57,698,763	-	393,579,555	14.66%
June 30, 2018	65,402,518	65,402,518	-	400,750,722	16.32%
June 30, 2019	63,710,358	63,710,358	-	406,316,058	15.68%
June 30, 2020	65,059,491	65,059,491	-	414,920,223	15.68%
June 30, 2021	67,989,422	67,989,422	-	409,081,963	16.62%
June 30, 2022	70,274,556	70,274,556	-	422,831,265	16.62%
June 30, 2023	73,202,797	73,202,797	-	440,450,043	16.62%

Schedule is intended to show information for 10 years. Since 2015 is the first year of this presentation, not all data is available. However, additional years will be included as they become available.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Largest 10 – Non-LEOS:**

- Update mortality rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- No change to disability rate
- No change to salary scale
- No change to line of duty
- No change to discount rate

**All Others (Non 10 Largest) – Non-LEOS:**

- Updated mortality rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- No change to disability rate
- No change to salary scale
- No change to line of duty
- No change to discount rate

**Largest 10 –LEOS:**

- Update mortality rates to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70
- No change to disability rate
- No change to salary scale
- No change to line of duty
- No change to discount rate

**All Others (Non 10 Largest) – LEOS:**

- Updated mortality rates to a more current mortality table - RP 2014 projected to 2020
- Increased retirement 50 rates, and lowered rates at older ages
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Decreased line of duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**JUNE 30, 2023**

<b>School Board Professional / Teacher</b>					
<b>Date</b>	<b>Employer's Proportion of the Net Pension Liability (a)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (b)</b>	<b>Employer's Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the NPL as a % of its Covered Payroll (d)</b>	<b>Plan Fiduciary Net Position as a % of the Total Pension Liability (e)</b>
June 30, 2015	5.19364%	\$ 653,690,000	\$ 385,231,385	169.69%	70.68%
June 30, 2016	5.12286%	717,924,000	387,364,218	185.34%	68.28%
June 30, 2017	5.08685%	625,579,000	393,579,555	158.95%	72.92%
June 30, 2018	5.07577%	596,910,000	400,750,722	148.95%	74.81%
June 30, 2019	4.99839%	657,816,528	406,316,058	161.90%	73.51%
June 30, 2020	4.91130%	714,726,039	414,952,023	172.26%	71.47%
June 30, 2021	4.83003%	374,959,932	409,081,963	91.66%	85.46%
June 30, 2022	4.75530%	452,733,028	422,831,262	169.69%	82.61%

*\*Schedule is intended to show information for 10 years. Additional years will be included as they become available.  
The amounts presented have a measurement date of the prior fiscal year-end.*

**CITY OF VIRGINIA BEACH, VIRGINIA  
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY AND RELATED RATIOS**

	City						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Total OPEB Liability</b>							
Service Cost	\$ 2,092,692	\$ 1,452,138	\$ 2,038,460	\$ 2,124,026	\$ 1,568,824	\$ 1,741,329	\$ 1,788,393
Interest	5,784,254	5,558,785	6,656,348	6,702,911	5,331,978	5,305,431	5,770,588
Economic/Demographic Gains or Losses	-	(3,737,558)	-	-	-	7,501,875	-
Assumption Changes	-	15,718,896	3,781,224	(19,288,032)	-	271,399	2,718,654
Benefit Payments	(6,074,717)	(7,387,237)	(7,894,660)	(7,013,877)	(7,269,625)	(7,700,578)	(7,721,459)
<b>Net change in total OPEB liability</b>	<b>1,802,229</b>	<b>11,605,024</b>	<b>4,581,372</b>	<b>(17,474,972)</b>	<b>(368,823)</b>	<b>7,119,456</b>	<b>2,556,176</b>
<b>Total OPEB liability - beginning</b>	<b>83,525,542</b>	<b>85,327,774</b>	<b>96,932,798</b>	<b>101,514,170</b>	<b>84,039,198</b>	<b>83,670,375</b>	<b>90,789,831</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 85,327,771</b>	<b>\$ 96,932,798</b>	<b>\$ 101,514,170</b>	<b>\$ 84,039,198</b>	<b>\$ 83,670,375</b>	<b>\$ 90,789,831</b>	<b>\$ 93,346,007</b>

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Plan Fiduciary Net Position</b>							
Employer Contributions	\$ 6,074,717	\$ 7,387,237	\$ 7,894,660	\$ 7,013,877	\$ 7,269,625	\$ 7,700,578	\$ 7,721,459
Benefit Payments	(6,074,717)	(7,387,237)	(7,894,660)	(7,013,877)	(7,269,625)	(7,700,578)	(7,721,459)
Net Investment Income (Loss)	4,405,718	3,693,879	1,942,585	1,349,790	13,666,374	(5,452,397)	4,085,103
Administrative Expenses	(34,423)	(35,921)	(36,956)	(37,255)	(38,953)	(41,727)	(37,354)
<b>Net change in plan fiduciary net position</b>	<b>4,371,295</b>	<b>3,657,958</b>	<b>1,905,629</b>	<b>1,312,535</b>	<b>13,627,421</b>	<b>(5,494,124)</b>	<b>4,047,749</b>
<b>Plan fiduciary net position - beginning</b>	<b>34,212,904</b>	<b>38,584,199</b>	<b>42,242,157</b>	<b>44,147,786</b>	<b>45,460,321</b>	<b>59,087,742</b>	<b>53,593,618</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 38,584,199</b>	<b>\$ 42,242,157</b>	<b>\$ 44,147,786</b>	<b>\$ 45,460,321</b>	<b>\$ 59,087,742</b>	<b>\$ 53,593,618</b>	<b>\$ 57,641,367</b>

**Political subdivisions's net OPEB liability, ending (a) - (b)**      \$ 46,743,572      \$ 54,690,641      \$ 57,366,384      \$ 38,578,877      \$ 24,582,633      \$ 37,196,213      \$ 35,704,640

**Fiduciary net position as a percentage of the total OPEB liability**      45.22%      43.58%      43.49%      54.09%      70.62%      59.03%      61.75%

**Covered Payroll**      \$ 306,050,000      \$ 327,257,500      \$ 327,257,500      \$ 340,412,201      \$ 340,412,201      \$ 345,125,935      \$ 345,125,935

**City's OPEB liability as a percentage of covered payroll**      15.27%      16.71%      17.53%      11.33%      7.22%      10.78%      10.35%

**Net Money-Weighted Rate of Return**      12.89%      9.58%      4.60%      3.06%      30.08%      -9.23%      7.63%

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the middle of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

\* Schedules are intended to show information for 10 years. The first year for this presentation is 2017; additional years will be included as they become available

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY AND RELATED RATIOS**

	School Board						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Total OPEB Liability</b>							
Service Cost	\$ 1,529,672	\$ 1,239,627	\$ 2,429,766	\$ 2,566,620	\$ 1,934,661	\$ 2,049,213	\$ 2,072,937
Interest	4,928,893	5,027,382	6,508,729	6,616,759	5,305,457	5,360,537	5,812,560
Economic/Demographic Gains or Losses	-	1,400,273	-	2,340,909	-	7,289,849	13,394,219
Assumption Changes	-	20,370,070	3,705,597	(22,674,032)	-	(584,251)	3,487,727
Benefit Payments	(5,661,710)	(6,679,101)	(6,650,666)	(5,945,243)	(6,160,668)	(6,864,988)	(7,514,976)
<b>Net change in total OPEB liability</b>	796,855	21,358,251	5,993,426	(17,094,987)	1,079,450	7,250,360	17,252,467
<b>Total OPEB liability - beginning</b>	71,666,051	72,462,906	93,821,157	99,814,583	82,719,596	83,799,046	91,049,406
<b>Total OPEB liability - ending (a)</b>	\$ 72,462,906	\$ 93,821,157	\$ 99,814,583	\$ 82,719,596	\$ 83,799,046	\$ 91,049,406	\$ 108,301,873

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Plan Fiduciary Net Position</b>							
Employer Contributions	\$ 5,661,710	\$ 7,369,401	\$ 6,650,666	\$ 6,950,743	\$ 6,160,668	\$ 6,864,988	\$ 7,514,976
Benefit Payments	(5,661,710)	(6,679,101)	(6,650,666)	(5,945,243)	(6,160,668)	(6,864,988)	(7,514,976)
Net Investment Income (Loss)	3,098,316	2,597,704	1,397,854	997,100	10,143,922	(4,047,045)	3,032,165
Administrative Expenses	(24,357)	(25,409)	(26,592)	(27,508)	(29,042)	(31,102)	(27,865)
<b>Net change in plan fiduciary net position</b>	3,073,959	3,262,595	1,371,262	1,975,092	10,114,880	(4,078,147)	3,004,300
<b>Plan fiduciary net position - beginning</b>	24,060,265	27,134,224	30,396,819	31,768,081	33,743,173	43,858,053	39,779,906
<b>Plan fiduciary net position - ending (b)</b>	\$ 27,134,224	\$ 30,396,819	\$ 31,768,081	\$ 33,743,173	\$ 43,858,053	\$ 39,779,906	\$ 42,784,206

**Political subdivision's net OPEB liability, ending (a) - (b)** \$ 45,328,682 \$ 63,424,338 \$ 68,046,502 \$ 48,976,423 \$ 39,940,993 \$ 51,269,500 \$ 65,517,667

**Fiduciary net position as a percentage of the total OPEB liability** 37.45% 32.40% 31.83% 40.79% 52.34% 43.69% 39.50%

**Covered Payroll** \$ 426,884,300 \$ 444,517,100 \$ 444,517,100 \$ 466,464,228 \$ 466,464,228 \$ 481,013,873 \$ 481,013,873

**School Board's OPEB liability as a percentage of covered payroll** 10.62% 14.27% 15.31% 10.50% 8.56% 10.66% 13.62%

**Net Money-Weighted Rate of Return** 12.89% 9.56% 4.60% 3.04% 30.08% -9.23% 7.63%

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the middle of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money weighted rate of return is calculated net of investment expenses.

\* Schedules are intended to show information for 10 years. The first year for this presentation is 2017; additional years will be included as they become available

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF OPEB ANNUAL CONTRIBUTIONS**

City					
Fiscal Year Ending June 30	Actuarially Determined Contributions	Actual Employer Contribution 1	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percent of Covered Payroll
2014	\$ 7,101,900	\$ 7,101,900	\$ -	290,297,000	2.45%
2015	7,259,200	7,259,200	-	290,297,000	2.50%
2016	5,186,400	5,998,200	(811,800)	306,050,000	1.96%
2017	5,296,700	6,074,700	(778,000)	306,050,000	1.98%
2018	6,296,000	7,387,237	(1,091,237)	327,257,500	2.26%
2019	6,405,600	7,894,660	(1,489,060)	327,257,500	2.41%
2020	4,571,500	7,013,877	(2,442,377)	340,412,201	2.06%
2021	4,657,600	7,269,625	(2,612,025)	340,412,201	2.14%
2022	4,710,600	7,700,578	(2,989,978)	345,125,935	2.23%
2023	4,694,600	7,721,459	(3,026,859)	345,125,935	2.24%

School Board					
Fiscal Year Ending June 30	Actuarially Determined Contributions	Actual Employer Contribution 1	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percent of Covered Payroll
2014	\$ 5,700,900	\$ 5,700,900	\$ -	421,065,100	1.35%
2015	5,832,200	5,832,200	-	421,065,100	1.39%
2016	4,462,800	5,748,000	(1,285,200)	426,884,300	1.35%
2017	4,542,400	5,661,700	(1,119,300)	426,884,300	1.33%
2018	7,369,400	7,369,400	-	444,517,100	1.66%
2019	7,656,200	6,650,666	1,005,534	444,517,100	1.50%
2020	5,704,500	6,950,743	(1,246,243)	466,464,228	1.49%
2021	5,835,800	6,160,668	(324,868)	466,464,228	1.32%
2022	5,942,500	6,864,988	(922,488)	481,013,873	1.43%
2023	7,437,500	7,437,500	-	481,013,873	1.55%

*1 Employer contributions include trust contributions and explicit subsidy payments provided directly to retirees from the City and School Board own resources. They also include estimated implicit subsidy payments for retirees from the City and School Board own resources*

Valuation Timing	Actuarial valuations for OPEB funding purposes are performed biennially as of January 1. The most recent valuation was performed as of January 1, 2022.
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar
Amortization Period	23 Years Remaining as of January 1, 2023
Asset Valuation Method	5-year asset smoothing
Inflation	2.50%
Salary Increases	Inflation rate of 2.50%; productivity component 1.00%; and a variable merit component that is dependent on years of service
Discount Rate	6.50%
Healthcare Trend Rates	Please see 01/01/2022 OPEB valuation report

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF THE NET OPEB LIABILITY**

For Measurement Dates	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>City:</b>						
<u>Group Life Insurance (GLI)</u>						
Employer's Portion of the Net GLI OPEB Liability	1.60834%	1.62909%	1.66934%	1.70784%	1.72678%	1.71960%
Employers Proportionate Share of the Net GLI OPEB Liability	\$ 19,365,964	\$ 18,967,028	\$ 27,858,552	\$ 27,791,102	\$ 26,225,000	\$ 25,877,000
Employer's Covered Payroll	\$ 349,853,870	\$ 336,346,740	\$ 343,539,339	\$ 334,796,183	\$ 328,337,502	\$ 317,193,072
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.54%	5.64%	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	54.00%	52.00%	51.22%	48.86%
<u>Line of Duty Act (LODA)</u>						
Employer's Portion of the Net LODA OPEB Liability	9.78701%	9.98391%	9.91526%	10.27005%	10.29832%	9.48107%
Employers Proportionate Share of the Net LODA OPEB Liability	\$ 37,039,469	\$ 44,028,199	\$ 41,526,639	\$ 36,847,507	\$ 32,288,000	\$ 24,916,000
Employer's Covered Employee Payroll	\$ 107,833,520	\$ 107,799,200	\$ 109,959,120	\$ 110,370,707	\$ 110,808,888	\$ 103,532,167
Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered Payroll	34.35%	40.84%	37.77%	33.39%	29.14%	24.07%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%
<u>Virginia Local Disability Program (VLDP) - Political Subdivision</u>						
Employer's Portion of the Net VLDP OPEB Liability	19.14947%	19.71247%	19.99173%	19.66871%	19.35404%	18.65503%
Employers Proportionate Share of the Net VLDP OPEB Liability/(Asset)	\$ (112,589)	\$ (199,534)	\$ 657,261	\$ 398,444	\$ 156,000	\$ 100,000
Employer's Covered Payroll	\$ 89,713,494	\$ 79,188,866	\$ 74,495,268	\$ 60,780,141	\$ 46,992,859	\$ 34,255,962
Employer's Proportionate Share of the Net VLDP OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-0.13%	-0.25%	0.88%	0.66%	0.33%	0.29%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	107.99%	119.59%	76.84%	49.19%	51.39%	38.40%

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF THE NET OPEB LIABILITY**

For Measurement Dates	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<b>School Board:</b>						
<u>Group Life Insurance (GLI)</u>						
Employer's Portion of the Net GLI OPEB Liability	2.26333%	2.29054%	2.32010%	2.36880%	2.39294%	2.41666%
Employers Proportionate Share of the Net GLI OPEB Liability	\$ 27,252,676	\$ 26,668,100	\$ 38,718,670	\$ 38,546,680	\$ 36,342,000	\$ 36,367,000
Employer's Covered Payroll	\$ 492,331,588	\$ 472,910,695	\$ 477,484,009	\$ 464,367,468	\$ 455,011,974	\$ 435,693,000
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.54%	5.63%	8.11%	8.30%	7.99%	8.35%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
<u>Health Insurance Credit (HIC)</u>						
Employer's Portion of the Net HIC OPEB Liability	4.73288%	4.80573%	4.87922%	4.96761%	5.04954%	5.06312%
Employers Proportionate Share of the Net HIC OPEB Liability	\$ 59,115,873	\$ 61,684,868	\$ 63,650,230	\$ 65,030,846	\$ 64,113,000	\$ 64,231,000
Employer's Covered Payroll	\$ 441,111,818	\$ 425,016,085	\$ 427,749,309	\$ 416,667,852	\$ 408,375,692	\$ 393,580,000
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	13.40%	14.51%	14.88%	15.61%	15.70%	16.32%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	15.08%	13.15%	9.95%	8.97%	8.08%	7.04%
<u>Virginia Local Disability Program (VLDP) - Political Subdivision</u>						
Employer's Portion of the Net VLDP OPEB Liability	4.44580%	4.35422%	4.54891%	4.62460%	4.93874%	5.20662%
Employers Proportionate Share of the Net VLDP OPEB Liability/(Asset)	\$ (26,139)	\$ (44,077)	\$ 45,409	\$ 93,686	\$ 38,000	\$ 30,000
Employer's Covered Payroll	\$ 20,828,092	\$ 17,491,581	\$ 16,950,791	\$ 14,290,947	\$ 11,991,585	\$ 9,515,500
Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of its Covered Payroll	-0.13%	-0.25%	0.27%	0.66%	0.32%	0.31%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	107.99%	119.64%	78.28%	49.19%	51.39%	38.40%
<u>Virginia Local Disability Program (VLDP) - Teachers</u>						
Employer's Portion of the Net VLDP OPEB Liability	17.43607%	17.50814%	17.32958%	16.94127%	16.82241%	16.44512%
Employers Proportionate Share of the Net VLDP OPEB Liability/(Asset)	\$ (19,604)	\$ (123,258)	\$ 139,032	\$ 98,486	\$ 127,000	\$ 98,000
Employer's Covered Payroll	\$ 140,335,596	\$ 117,813,537	\$ 102,504,393	\$ 81,239,317	\$ 62,725,531	\$ 49,489,310
Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of its Covered Payroll	-0.01%	-0.10%	0.14%	0.12%	0.20%	0.21%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	101.57%	114.41%	78.28%	74.12%	46.18%	31.96%



**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF OPEB GROUP LIFE INSURANCE ANNUAL CONTRIBUTIONS**

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
Primary Government					
2014	\$ 1,552,232	\$ 1,405,795	\$ 146,437	\$ 292,873,827	0.48%
2015	1,587,151	1,437,420	149,731	299,462,518	0.48%
2016	1,618,686	1,465,980	152,706	305,412,468	0.48%
2017	1,649,404	1,649,404	-	317,193,072	0.52%
2018	1,707,355	1,707,355	-	328,337,502	0.52%
2019	1,740,935	1,740,935	-	334,796,183	0.52%
2020	1,786,400	1,786,400	-	343,539,339	0.52%
2021	1,786,400	1,786,400	-	336,346,740	0.53%
2022	1,821,273	1,821,273	-	349,853,870	0.52%
2023	1,889,213	1,889,213	-	349,845,259	0.54%
School Board - Nonprofessional					
2014	\$ 214,578	\$ 194,335	\$ 20,243	\$ 40,486,356	0.48%
2015	221,058	200,204	20,854	41,709,123	0.48%
2016	231,831	209,960	21,871	43,741,730	0.48%
2017	230,517	230,517	-	44,330,131	0.52%
2018	234,625	234,625	-	45,120,109	0.52%
2019	242,000	242,000	-	46,160,454	0.52%
2020	250,065	250,065	-	47,915,825	0.52%
2021	251,112	251,112	-	46,503,477	0.54%
2022	268,726	268,726	-	49,796,398	0.54%
2023	312,721	312,721	-	57,910,661	0.54%
School Board - Teachers					
2014	\$ 2,011,839	\$ 1,822,043	\$ 189,796	\$ 379,592,250	0.48%
2015	2,053,604	1,859,868	193,736	387,472,533	0.48%
2016	2,079,432	1,883,259	196,173	392,345,632	0.48%
2017	2,087,447	2,087,447	-	401,432,134	0.52%
2018	2,131,438	2,131,438	-	409,891,865	0.52%
2019	2,190,000	2,190,000	-	418,203,923	0.52%
2020	2,257,910	2,257,910	-	429,568,184	0.53%
2021	2,302,569	2,302,569	-	426,407,218	0.54%
2022	2,368,914	2,368,914	-	442,535,190	0.54%
2023	2,509,214	2,509,214	-	464,553,956	0.54%

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF OPEB LINE OF DUTY ANNUAL CONTRIBUTIONS**

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<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
Primary Government					
2013	\$ 849,069	\$ 849,069	\$ -	\$ 90,935,125	0.93%
2014	984,695	984,695	-	91,967,153	1.07%
2015	957,130	957,130	-	94,604,103	1.01%
2016	968,155	968,155	-	96,868,601	1.00%
2017	1,022,399	1,022,399	-	103,532,167	0.99%
2018	1,097,008	1,097,008	-	110,808,888	0.99%
2019	1,378,367	1,378,367	-	110,370,707	1.25%
2020	1,368,198	1,368,198	-	110,338,548	1.24%
2021	1,347,490	1,347,490	-	107,799,200	1.25%
2022	1,361,098	1,361,098	-	107,833,520	1.26%
2023	1,347,919	1,347,919	-	111,262,625	1.21%

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF OPEB VIRGINIA LOCAL DISABILITY PROGRAM ANNUAL CONTRIBUTIONS**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
Primary Government					
2014	\$ 8,612	\$ 8,612	\$ -	\$ 1,435,308	0.60%
2015	68,668	68,668	-	11,444,652	0.60%
2016	137,137	137,137	-	22,856,172	0.60%
2017	205,536	205,536	-	34,255,962	0.60%
2018	281,957	281,957	-	46,992,859	0.60%
2019	376,838	376,838	-	60,780,141	0.62%
2020	536,372	536,372	-	74,495,268	0.72%
2021	536,612	536,612	-	79,188,866	0.68%
2022	657,963	657,963	-	89,713,494	0.73%
2023	744,614	744,614	-	101,528,389	0.73%
School Board - Nonprofessional					
2014	\$ 1,611	\$ 1,611	\$ -	\$ 268,436	0.60%
2015	18,242	18,242	-	3,040,304	0.60%
2016	40,146	40,146	-	6,691,000	0.60%
2017	57,365	57,365	-	9,560,850	0.60%
2018	71,950	71,950	-	11,991,585	0.60%
2019	102,908	102,908	-	14,290,947	0.72%
2020	122,065	122,065	-	16,950,791	0.72%
2021	145,229	145,229	-	17,491,581	0.83%
2022	172,623	172,623	-	20,828,092	0.83%
2023	240,208	240,208	-	28,259,774	0.85%
School Board - Teachers					
2014	\$ 2,253	\$ 2,253	\$ -	\$ 776,969	0.29%
2015	14,772	14,772	-	15,383,610	0.10%
2016	80,152	80,152	-	27,638,756	0.29%
2017	143,865	143,865	-	46,408,200	0.31%
2018	194,449	194,449	-	62,725,531	0.31%
2019	333,000	333,000	-	81,239,317	0.41%
2020	423,008	423,008	-	102,504,393	0.41%
2021	553,806	553,806	-	117,813,537	0.47%
2022	659,550	659,550	-	140,335,596	0.47%
2023	778,254	778,254	-	165,580,452	0.47%

\*\*FY 2014 was the first year for the Virginia Local Disability Program

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF OPEB HEALTH INSURANCE CREDIT PROGRAM ANNUAL CONTRIBUTIONS**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
School Board - Nonprofessional					
2013	N/A**	N/A**	N/A**	N/A**	N/A**
2014	N/A**	N/A**	N/A**	N/A**	N/A**
2015	N/A**	N/A**	N/A**	N/A**	N/A**
2016	N/A**	N/A**	N/A**	N/A**	N/A**
2017	N/A**	N/A**	N/A**	N/A**	N/A**
2018	N/A**	N/A**	N/A**	N/A**	N/A**
2019	N/A**	N/A**	N/A**	N/A**	N/A**
2020	N/A**	N/A**	N/A**	N/A**	N/A**
2021	\$ 400,904	\$ 400,904	\$ -	\$ 46,081,028	0.87%
2022	430,973	430,973	-	49,466,229	0.87%
2023	588,631	588,631	-	57,416,545	1.03%
School Board - Teachers					
2013	\$ 4,440,741	\$ 4,213,011	\$ 227,730	\$ 379,550,508	1.11%
2014	4,417,613	4,191,068	226,545	377,573,722	1.11%
2015	4,556,498	4,093,125	463,373	386,143,862	1.06%
2016	4,609,056	4,140,339	468,717	390,598,006	1.06%
2017	4,914,862	4,435,363	479,499	399,582,254	1.11%
2018	5,023,021	5,023,021	-	408,375,692	1.23%
2019	4,997,000	4,997,000	-	416,667,852	1.20%
2020	5,148,298	5,148,298	-	427,749,309	1.20%
2021	5,143,628	5,143,628	-	425,016,085	1.21%
2022	5,398,393	5,398,393	-	441,111,818	1.22%
2023	5,603,990	5,603,990	-	463,002,968	1.21%

\*\* FY 2021 was the first year for the Health Insurance Credit Program for School Board Nonprofessional.

Detailed information about the individual Cost sharing OPEB plans are available in the separately issued VRS 2022 Annual Comprehensive Annual Financial Report (ACFR). A copy of the VRS ACFR may be downloaded from the VRS website at <https://www.varetire.org>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF OPEB HEALTH INSURANCE CREDIT PROGRAM ANNUAL CONTRIBUTIONS**  
**(POLITICAL SUBDIVISION)**

	6/30/2022	6/30/2021	6/30/2020
<b>Total HIC OPEB Liability</b>			
Service Cost	\$ 58,118	\$ 63,751	\$ -
Interest on Total OPEB Liability	390,927	354,375	-
Changes Of Benefit Terms	-	-	5,249,993
Difference between actual and expected experience	(167,281)	-	-
Change in Assumptions	475,946	149,910	-
Benefit Payments	(169,274)	-	-
<b>Net Change in Total HIC OPEB Liability</b>	<b>588,436</b>	<b>568,036</b>	<b>5,249,993</b>
Total HIC OPEB Liability, Beginning	5,818,029	5,249,993	-
Total HIC OPEB Liability, Ending (a)	<u>\$ 6,406,465</u>	<u>\$ 5,818,029</u>	<u>\$ 5,249,993</u>
<b>Fiduciary Net Position</b>			
Employer Contributions	\$ 430,973	\$ 400,904	\$ -
Net Investment Income	(5,734)	47,594	-
Benefit Payments	(169,274)	-	-
Administrative Expenses	(1,280)	(1,754)	-
Other	4,151	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>258,836</b>	<b>446,744</b>	<b>-</b>
Fiduciary Net Position, Beginning	446,744	-	-
Fiduciary Net Position, Ending (b)	<u>\$ 705,580</u>	<u>\$ 446,744</u>	<u>\$ -</u>
Net HIC OPEB Liability, Ending (a) - (b)	<u>\$ 5,700,885</u>	<u>\$ 5,371,285</u>	<u>\$ 5,249,993</u>
Net HIC OPEB Liability, Ending (a) - (b)	<u>\$ 5,700,885</u>	<u>\$ 5,371,285</u>	<u>\$ 5,249,993</u>

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required and until a 10-year trend is complied, OPEB plans should present information for those years for which information is available.



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**FORM OF BOND COUNSEL OPINION**

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**FORM OF BOND COUNSEL OPINION**

June \_\_, 2024

City of Virginia Beach, Virginia  
2401 Courthouse Drive  
Virginia Beach, Virginia 23456

**City of Virginia Beach, Virginia**

**\$ \_\_\_\_\_ General Obligation Public Improvement Bonds, Series 2024A**  
**\$ \_\_\_\_\_ General Obligation Public Improvement Bonds,**  
**Series 2024B (Flood Mitigation)**  
**\$ \_\_\_\_\_ General Obligation Public Improvement Refunding Bonds, Series 2024C**

Ladies and Gentlemen:

We have acted as bond counsel to the City of Virginia Beach, Virginia (the “City”) in connection with the issuance by the City of its \$ \_\_\_\_\_ General Obligation Public Improvement Bonds, Series 2024A (the “Series 2024A Bonds”), \$ \_\_\_\_\_ General Obligation Public Improvement Bonds, Series 2024B (Flood Mitigation) (the “Series 2024B Bonds”) and its \$ \_\_\_\_\_ General Obligation Public Improvement Refunding Bonds, Series 2024C (the “Series 2024C Bonds,” and together with the Series 2024A Bonds and Series 2024B Bonds, the “Bonds”), dated June \_\_, 2024. We have examined the applicable law and certified copies of such proceedings and other papers, including pertinent authorizing ordinances adopted by the City Council (the “Ordinances”), and a resolution adopted by the City Council on April 16, 2024 (the “Bond Resolution”), as we have deemed necessary to render this opinion.

The Bonds recite that they are authorized and issued pursuant to the Ordinances, the Bond Resolution, the City Charter (Chapter 147, Acts of Assembly of 1962, as amended) and the Public Finance Act of 1991 (Chapter 26, Title 15.2, Code of Virginia of 1950, as amended). The proceeds of the Bonds are being used to fund or reimburse certain capital projects of the City and to refund certain previously issued bonds of the City (the “Refunded Bonds”) and may also be used to pay issuance costs of the Bonds.

Without undertaking to verify the same by independent investigation, we have relied on (a) certifications by representatives of the City and other public officials furnished to us as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), including (i) the proceedings authorizing the issuance of the Bonds and Refunded Bonds, (ii) the use, investment and expenditure of the proceeds of the Bonds and Refunded Bonds, and (b) computations provided by Davenport & Company LLC, as financial advisor to the City, the mathematical accuracy of which has been verified by Bingham Arbitrage Rebate Service, as verification agent, relating to the yield of investments in the escrow fund established in connection with the refunding and defeasance of the Refunded Bonds, the sufficiency of such investments to pay when due the principal of and interest on such Refunded Bonds and the yield on the Bonds. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted

to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals.

Based upon the foregoing, we are of the opinion that, under existing law:

(1) The City is a political subdivision of the Commonwealth of Virginia (the “Commonwealth”) and has all necessary power and authority to enter into and perform its obligations under the Ordinances, the Bond Resolution and the Bonds.

(2) The Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the Commonwealth, including the City Charter and the Public Finance Act of 1991, and constitute valid and legally binding general obligations of the City, for the payment of which the City's full faith and credit have been irrevocably pledged. The City is authorized and required, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect annually on all locally taxable property in the City an *ad valorem* tax over and above all the taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds when due.

(3) All proceedings for the issuance of the Bonds have been held and adopted in due time, form and manner as required by the laws of the Commonwealth.

(4) Interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion set forth above is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

(5) Interest on the Bonds is exempt from income taxation by the Commonwealth.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights generally, heretofore or hereafter enacted, and by equitable principles, whether considered at law or in equity.

Our services as bond counsel to the City have been limited to a review of the legal proceedings required for the authorization of the Bonds and to rendering the opinions set forth above. We express no opinion herein as to the accuracy, adequacy or completeness of the City's Preliminary Official Statement, dated \_\_\_\_\_, 2024, and its Official Statement dated \_\_\_\_\_, 2024 relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

Our opinion is based upon statutes, regulations, rulings and court decisions in effect on the date hereof. We undertake no obligation to update this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT dated as of \_\_\_\_\_, 2024 (the “Disclosure Agreement”), is executed and delivered by the City of Virginia Beach, Virginia (the “City”), in connection with the issuance by the City of its \$ \_\_\_\_\_ General Obligation Public Improvement Bonds, Series 2024A, \$ \_\_\_\_\_ General Obligation Public Improvement Bonds, Series 2024B (Flood Mitigation) and its \$ \_\_\_\_\_ General Obligation Public Improvement Refunding Bonds, Series 2024C (together, the “Bonds”). The City hereby covenants and agrees as follows:

**Section 1. Purpose.** This Disclosure Agreement is being executed and delivered by the City for the benefit of the holders of the Bonds and in order to assist the purchasers of the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) by providing certain annual financial information and event notices required by the Rule (collectively, “Continuing Disclosure”).

### Section 2. Annual Disclosure.

(a) The City shall provide annually certain financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) audited financial statements of the City, prepared in accordance with generally accepted accounting principles; and

(ii) the operating data with respect to the City of the type described in the subsection of Section Five of the City’s Official Statement dated \_\_\_\_\_, 2024, entitled “Operating Data.”

If the financial statements filed pursuant to Section 2(a)(i) are not audited, the City shall file such statements as audited when available.

(b) The City shall provide annually the financial information and operating data described in subsection (a) above (collectively, the “Annual Disclosure”) within 180 days after the end of the City’s fiscal year, commencing with the City’s fiscal year ending June 30, 2024, to the Municipal Securities Rulemaking Board (the “MSRB”) utilizing its Electronic Municipal Market Access (“EMMA”) System or such other system designated by the MSRB.

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; *provided*, that any final official statement incorporated by reference must be available from the MSRB.

(d) The City shall provide in a timely manner to the MSRB notice specifying any failure of the City to provide the Annual Disclosure by the date specified.

**Section 3. Event Disclosure.** The City shall provide in a timely manner not in excess of ten (10) business days after the occurrence of the event to the MSRB through the EMMA system notice of the occurrence of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancement reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of Bond holders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the City;

Note to paragraph (l): For the purposes of the event identified in paragraph (l), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(m) the consummation of a merger, consolidation or acquisition involving the City or sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(o) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City, any of which reflect financial difficulties.

The term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.



**Section 4. Termination.** The obligations of the City will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

**Section 5. Amendment.** The City may modify its obligations hereunder without the consent of Bondholders, provided that this Disclosure Agreement as so modified is supported by an opinion of independent counsel with expertise in federal securities laws to the effect that such amendment complies with or does not violate the Rule as it exists at the time of modification. The City shall within a reasonable time thereafter send to the MSRB a description of such modification(s).

**Section 6. Defaults.**

(a) If the City fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Agreement, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the City, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the City's covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the City to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Agreement (i) shall not be deemed to constitute an event of default under the Bonds or the resolution providing for the issuance of the Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

**Section 7. Additional Disclosure.** The City may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the City shall not incur any obligation to continue to provide, or to update, such additional information or data.

**Section 8. Counterparts.** This Disclosure Agreement may be executed in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 9. Governing Law.** This Disclosure Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

**CITY OF VIRGINIA BEACH, VIRGINIA**

By \_\_\_\_\_  
City Manager,  
City of Virginia Beach, Virginia

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**INFORMATION REGARDING  
THE DEPOSITORY TRUST COMPANY  
AND ITS BOOK-ENTRY SYSTEM**

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**INFORMATION REGARDING  
THE DEPOSITORY TRUST COMPANY  
AND ITS BOOK-ENTRY SYSTEM**

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of, premium, if any, and interest on the Bonds to The Depository Trust Company, New York, New York (“DTC”), its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds and notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate for the Bonds will be issued for each maturity as set forth on the cover page of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade-settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to issuers of obligations such as the Bonds as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, either a successor securities depository will be selected by the City or Bond certificates will be prepared, executed and delivered as set forth in the Indenture of Trust.

In the event of insolvency of DTC, if DTC has insufficient securities in its custody (e.g., due to theft or loss) to satisfy the claims of its Direct Participants with respect to deposited securities and is unable by application of (i) cash deposits and securities pledged to DTC to protect DTC against losses and liabilities, (ii) the proceeds of insurance maintained by DTC and/or its Direct Participants or Indirect Participants, or (iii) other resources, to obtain securities necessary to eliminate the insufficiency, no assurances can be given that Direct Participants will be able to obtain all of their deposited securities.

THE CITY HAS NO RESPONSIBILITY OR OBLIGATION TO THE DIRECT OR INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (B) THE PAYMENT BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; OR (D) ANY OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS BONDHOLDER, INCLUDING THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Resolution.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository relating to the book-entry system to be maintained with respect to the bonds without the consent of Beneficial Owners or Bondholders.

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**SUMMARY OF REFUNDED BONDS**

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**CITY OF VIRGINIA BEACH, VIRGINIA**  
**SUMMARY OF REFUNDED BONDS\***

<b>Bonds</b>	<b>Maturity Date</b>	<b>CUSIP Number**</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>Call Date</b>	<b>Call Price</b>
General Obligation Public	05/01/2025	927734 ZH9	5.000%	\$4,295,000	08/28/2024	100%
Improvement Bonds, Series 2014 A	05/01/2026	927734 ZJ5	5.000	4,295,000	08/28/2024	100%
	05/01/2027	927734 ZK2	5.000	4,295,000	08/28/2024	100%
	05/01/2028	927734 ZL0	3.000	4,295,000	08/28/2024	100%
	05/01/2029	927734 ZM8	4.000	4,295,000	08/28/2024	100%
	05/01/2030	927734 ZN6	4.000	4,295,000	08/28/2024	100%
	05/01/2031	927734 ZP1	4.000	4,295,000	08/28/2024	100%
	05/01/2032	927734 ZQ9	4.000	4,295,000	08/28/2024	100%
	05/01/2033	927734 ZR7	4.000	4,295,000	08/28/2024	100%
	05/01/2034	927734 ZS5	4.000	4,295,000	08/28/2024	100%

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\* Preliminary, subject to change.

\*\* A registered trademark of the American Bankers Association (“ABA”), used by Standard & Poor’s in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, and the Authority is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Authority has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

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**NOTICE OF SALE**

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**NOTICE OF SALE**

**CITY OF VIRGINIA BEACH, VIRGINIA**

**\$146,085,000\***  
**GENERAL OBLIGATION PUBLIC**  
**IMPROVEMENT BONDS,**  
**SERIES 2024A**

**\$118,000,000\***  
**GENERAL OBLIGATION PUBLIC**  
**IMPROVEMENT BONDS,**  
**SERIES 2024B (Flood Mitigation)**

**\$39,435,000\***  
**GENERAL OBLIGATION PUBLIC**  
**IMPROVEMENT REFUNDING BONDS,**  
**SERIES 2024C**

Electronic bids only for the purchase of all, and not less than all, of the (a) \$146,085,000\* preliminary aggregate principal amount of City of Virginia Beach, Virginia, General Obligation Public Improvement Bonds, Series 2024A (the “Series 2024A Bonds”), (b) \$118,000,000\* preliminary aggregate principal amount of City of Virginia Beach, Virginia, General Obligation Public Improvement Bonds, Series 2024B (Flood Mitigation) (the “Series 2024B Bonds”), and the (c) \$39,435,000\* preliminary aggregate principal amount of City of Virginia Beach, Virginia, General Obligation Public Improvement Refunding Bonds, Series 2024C (the “Series 2024C Bonds” and together with the Series 2024A Bonds and the Series 2024B Bonds, the “Bonds”) will be received by the City of Virginia Beach, Virginia (the “City”), in accordance with this Notice of Sale on **Wednesday, May 15, 2024** (the “Date of Sale”) until **(i) 10:00 a.m. Eastern Time respecting the Series 2024A Bonds, (ii) 10:30 a.m. Eastern Time respecting the Series 2024B Bonds and (iii) 11:00 a.m. Eastern Time respecting the Series 2024C Bonds.** Immediately thereafter, the bids may be publicly announced, and the City Manager anticipates acting upon the bids by 5:00 p.m., Eastern Time on the Date of Sale.

**Principal Redemption**

The Bonds will be general obligation bonds of the City, dated the date of delivery (the “Dated Date”). The Bonds will mature serially or be subject to mandatory sinking fund redemptions on February 1 in the years and amounts shown below.

**Series 2024A Bonds**

<b>Year</b>	<b>Amount*</b>	<b>Year</b>	<b>Amount*</b>
2025	\$7,300,000	2035	\$7,300,000
2026	7,310,000	2036	7,300,000
2027	7,310,000	2037	7,300,000
2028	7,310,000	2038	7,300,000
2029	7,310,000	2039	7,300,000
2030	7,310,000	2040	7,300,000
2031	7,310,000	2041	7,300,000
2032	7,310,000	2042	7,300,000
2033	7,310,000	2043	7,300,000
2034	7,305,000	2044	7,300,000

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\* Preliminary, subject to change.

**Series 2024B Bonds**

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$5,900,000	2035	\$5,900,000
2026	5,900,000	2036	5,900,000
2027	5,900,000	2037	5,900,000
2028	5,900,000	2038	5,900,000
2029	5,900,000	2039	5,900,000
2030	5,900,000	2040	5,900,000
2031	5,900,000	2041	5,900,000
2032	5,900,000	2042	5,900,000
2033	5,900,000	2043	5,900,000
2034	5,900,000	2044	5,900,000

**Series 2024C Bonds**

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$4,505,000	2030	\$3,875,000
2026	3,840,000	2031	3,900,000
2027	3,820,000	2032	3,925,000
2028	3,795,000	2033	3,945,000
2029	3,855,000	2034	3,975,000

**Serial Bonds, Term Bonds and Mandatory Sinking Fund Redemption**

Bidders may provide for all of the Bonds of a particular series to be issued as serial bonds or may designate consecutive annual principal amounts of thereof to be combined into not more than two Term Bonds. In the event that a bidder chooses to specify a Term Bond, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Bond, *which may not be earlier than February 1, 2034*, and continuing on February 1 in each year thereafter until the stated maturity of such Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the amortization schedule above. The Bonds of a particular series to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from among the maturities of the Term Bond being redeemed. The City shall be entitled to reduce its mandatory sinking fund redemption obligation in any year with respect to Term Bonds of any maturity by the principal amount of such Term Bonds theretofore optionally redeemed by the City.

**Adjustment of Principal Amounts Prior to Opening of Bids**

The preliminary aggregate principal amount of the Bonds and the preliminary annual principal amounts of the Bonds, each as set forth in this Notice of Sale, may be revised by the City before the receipt of bids. Any such revisions made prior to receipt of bids will be posted on [www.munios.com](http://www.munios.com) no later than 9:30 a.m. (Eastern Time) on the Date of Sale. In the event that no such revisions are made, the preliminary amounts will constitute the amounts that shall be used for the bid and award of the Bonds, subject to further adjustment, as described herein.

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\* Preliminary, subject to change.



## **Adjustment of Principal Amounts After Award**

The City reserves the right, after the award of the Bonds to the successful bidder, to increase or decrease, by up to fifteen percent (15%), the aggregate principal amount of the Bonds being offered hereby. Any such increase or decrease in the principal amount of particular maturities of the Bonds will be communicated to the successful bidder by 5:00 p.m., Eastern Time, on the Date of Sale. The dollar amount bid for the principal of the Bonds by the successful bidder will be adjusted, as necessary, to reflect any increase or decrease in the principal amount of the applicable maturities of the Bonds so adjusted, but the interest rates specified by the successful bidder for each maturity will not be altered. Such adjusted dollar amount bid will not change the successful bidder's compensation per \$1,000 of par amount of the Bonds from that which would have resulted from the bid submitted. The successful bidder may not withdraw its bid as a result of any change made within the foregoing limits.

## **Description of the Bonds; Book-Entry Only System**

The Bonds will be issued by means of a book-entry system with no distribution of physical Bond certificates made to the public. One Bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), or its nominee, and immobilized in its custody. The book-entry system will evidence beneficial ownership of the Bonds in principal amounts of \$5,000 or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Bond certificates registered in the name of Cede & Co. will be deposited with DTC. Interest on the Bonds will be paid semiannually on February 1 and August 1, beginning February 1, 2025. Principal on the Series 2024A Bonds and Series 2024B Bonds will be paid annually on February 1, from February 1, 2025 through February 1, 2044 to DTC or its nominee as registered owner of thereof. Principal on the Series 2024C Bonds will be paid annually on February 1, from February 1, 2025 through February 1, 2034 to DTC or its nominee as registered owner of thereof. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be prepared, executed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that case, either a successor depository will be selected by the City or Bond certificates will be prepared, executed and delivered.

## **Optional Redemption**

The Series 2024A Bonds and Series 2024B Bonds that mature on or before February 1, 2034, are not subject to optional redemption prior to their stated maturities. The Series 2024A Bonds and Series 2024B Bonds that mature on and after February 1, 2035, will be subject to redemption beginning February 1, 2034, in whole or in part at any time, at the option of the City, upon payment of the par amount of principal so redeemed plus interest accrued and unpaid to the redemption date. The Series 2024C Bonds are not subject to optional redemption prior to maturity.

## **Selection of Bonds for Redemption; Notice of Redemption**

If less than all of the Bonds are called for optional redemption, the Bonds to be redeemed shall be selected by the City's Director of Finance in such manner as may be determined to be in the best interest of the City. If less than all of the Bonds of a particular maturity are called for redemption, DTC or any successor securities depository will select the Bonds to be redeemed pursuant to its rules and procedures or, if the book-entry system is discontinued, the Bonds to be redeemed will be selected by the City Treasurer, who has been appointed registrar (the "Registrar"), by lot in such manner as the Registrar in its discretion may determine. In either case, each portion of the \$5,000 principal amount is counted as one Bond for such purpose.

The City will cause notice of the call for redemption identifying the Bonds or portions thereof to be redeemed to be sent by facsimile or electronic transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner thereof. The City shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. If a portion of a Bond is called for redemption, a new Bond in principal amount equal to the unredeemed portion shall be issued to the registered owner upon the surrender thereof.

### **Security**

The Bonds will be general obligations of the City, secured by a pledge of the City's full faith and credit and unlimited taxing power.

### **Use of Bond Proceeds**

As described in more detail in the City's Preliminary Official Statement, dated May 7, 2024, the Series 2024A Bonds will provide funds for various public improvements. The Series 2024B Bonds will provide funds for the City's flood mitigation improvement program. The Series 2024C Bonds will provide funds to refund certain previously issued bonds. Proceeds of the Bonds may also be used to pay all or a portion of the costs of issuance of the related Series of Bonds.

### **Bid Submission**

Electronic bids via PARITY® Competitive Bidding System ("PARITY®") will be accepted in accordance with this Notice of Sale. The City is using PARITY® as a communication mechanism to conduct the electronic bidding for the sale of the Bonds, as described herein. To the extent any instructions or directions set forth in PARITY® conflict with this Notice of Sale, the terms of this Notice of Sale shall control. Each bidder submitting an electronic bid agrees (i) that it is solely responsible for all arrangements with PARITY®, (ii) that PARITY® is not acting as the agent of the City, and (iii) that the City is not responsible for ensuring or verifying bidder compliance with any of the procedures of PARITY®. The City assumes no responsibility for, and each bidder expressly assumes the risks of and responsibility for, any incomplete, inaccurate or untimely bid submitted by such bidder through PARITY®. Each bidder shall be solely responsible for making necessary arrangements to access the PARITY® for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the City nor PARITY® shall have any duty or obligation to provide or assure such access to any bidder, and neither the City nor PARITY® shall be responsible for proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, PARITY®. For further information about PARITY®, potential bidders may contact PARITY® at (212) 849-5021.

**Any bid submitted pursuant to this Notice of Sale shall be considered a firm bid for the purchase of the Bonds. By submitting a bid for the Bonds, a bidder represents and warrants to the City that the bidder has an established industry reputation for underwriting new issuances of municipal bonds and such bidder's bid is submitted for and on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds. Once the bids are communicated electronically via PARITY® to the City, each bid will constitute an irrevocable offer to purchase the Bonds on the terms herein and therein provided.**

### **Bidding Rules; Award of Bonds**

Bidders on a particular series of Bonds may only bid to purchase all of such series. Bidders are invited to name the rate or rates of interest per annum which the Bonds are to bear in multiples of one-twentieth (1/20th) or one-eighth (1/8th) of one percent. Each bidder must specify in its bid a single rate for each maturity of Bonds.

Any number of rates may be named provided that for each series of Bonds (a) the highest rate of interest may not exceed the lowest rate of interest by more than 3.0 percentage points and (b) no interest rate for any maturity may

exceed 5.0%. In no event shall the “true” interest cost of the Series 2024A Bonds, Series 2024B Bonds or Series 2024C Bonds exceed 5.0%, calculated as described in the paragraph below.

No bid for less than 100% of the par value of the principal amount of the Bonds shall be considered. No bond of any maturity may be reoffered at a price less than 97% of the principal amount of such bond. The City reserves the right to reject any or all bids (regardless of the interest rate bid), to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity or informality with respect to any bid or the bidding process. If the City determines any bid respecting the Series 2024C Bonds will not result in net present value savings of at least 3.0% relative to the bonds to be refunded, such bid will be rejected. Each bid must be unconditional.

Unless all bids are rejected, the Bonds will be awarded to the bidder complying with the terms of this Notice of Sale and submitting a bid which provides the lowest “true” interest cost to the City for the Bonds. True interest cost shall be determined for each bid by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the Dated Date and to the aggregate bid price for the Bonds. If more than one bid offers the same lowest true interest cost, the successful bid will be selected by the City by lot.

As promptly as reasonably possible after the bids are received, the City will notify the bidder to whom the Bonds will be awarded, if and when such award is made. Such bidder, upon such notice, shall advise the City of the initial offering prices or yields to the public of each maturity of the Bonds, and details regarding the anticipated used of a municipal bond insurance policy, if any, in connection with the Bonds. All bids will remain firm until the award of the Bonds. An award of the Bonds, if made, will be made by the City by 5:00 p.m., Eastern Time, on the Date of Sale.

#### **Good Faith Deposit**

The successful bidder for the Bonds is required to submit a Good Faith Deposit in the amount of (i) \$1,460,850 for the Series 2024A Bonds, (ii) \$1,180,000 for the Series 2024B Bonds and (iii) \$394,350 for the Series 2024C Bonds. Each such Good Faith Deposit is payable to the order of the City in the form of a wire transfer in federal funds, as instructed by the City’s Financial Advisor, Davenport & Company LLC. The successful bidder must submit its Good Faith Deposit not later than 4:00 p.m., Eastern Time, on the Date of Sale. The successful bidder shall provide the federal funds reference number upon request of the City. If the successful bidder fails to comply with the terms of its bid, the Good Faith Deposit shall be retained by the City as full liquidated damages; otherwise, the amount thereof will be applied to the purchase price of the respective series of Bonds at the time of delivery. No interest on the Good Faith Deposit will accrue to the successful bidder. Wiring instructions for the Good Faith Deposit may be obtained from Andrew T. Oliver, Deputy Director of Finance (telephone (757) 385-8228; email [atoliver@vb.gov](mailto:atoliver@vb.gov)).

#### **Delivery of the Bonds**

The Bonds will be delivered at the expense of the City in New York, New York, through the facilities of DTC on or about June 4, 2024.

Concurrently with the delivery of the Bonds, the City will furnish to the successful bidder without cost (a) a certificate dated the date of delivery of the Bonds, signed by the appropriate City officials and stating that no litigation of any kind is then pending or, to the best of their information, knowledge and belief, threatened against the City to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of ad valorem taxes and (b) certificates dated the date of delivery of the Bonds, stating that the descriptions and statements in the Official Statement (except in the sections entitled “Book-Entry System” and “Tax Exemption” and in the columns “Price/ Yield” and “CUSIP No.” on the inside cover), on the date of the Official Statement and on the date of delivery of the Bonds, were and are true and correct in all material respects, did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading. Such certificates will also state, however, that such City officials did not independently verify the information indicated in the Official Statement as having been obtained or derived from sources other than the City and its officers but they have no reason to believe that such information is not accurate.

## **Establishment of Issue Price**

The City expects and intends that the bid for the Bonds will satisfy the federal tax requirements for a qualified competitive sale of bonds, including, among other things, receipt of bids for the Bonds from at least three underwriters, who have established industry reputations for underwriting new issuances of municipal bonds (a “Qualified Competitive Bid”). The City will advise the successful bidder as promptly as possible after the bids are opened whether the bid constitutes a Qualified Competitive Bid, or, in the alternative, a bid that fails to satisfy such requirements (a “Nonqualified Competitive Bid”).

If the bid is a Qualified Competitive Bid, as promptly as possible after the bids are opened, the City will notify the successful bidder, and such bidder, upon such notice, shall advise the City within 30 minutes of the reasonably expected initial offering price to the public of each maturity of the Bonds. In addition, the winning bidder shall be required to provide to the City information to establish the initial expected offering price for each maturity of the Bonds for federal income tax purposes by completing a certificate acceptable to Bond Counsel to the City, on or before the date of issuance of the Bonds, substantially in the form set forth in Exhibit A to this Notice of Sale, with appropriate completions, amendments and attachments.

If the bid is a Nonqualified Competitive Bid, as promptly as possible after the bids are opened, the City will notify the successful bidder, and such bidder, upon such notice, shall advise the City within 30 minutes of the initial sale price or initial offering price to the public, as applicable, of each maturity of the Bonds. In addition, the winning bidder shall be required to provide to the City information and assurances to establish the initial sale price or the initial offering price to the public, as applicable, for each maturity of the Bonds for federal income tax purposes by completing a certification acceptable to Bond Counsel in substantially the form set forth in Exhibit B to this Notice of Sale, with appropriate completions, omissions and attachments. It is noted that procedures for a Nonqualified Competitive Bid may require the winning bidder and, if applicable, other underwriters of the Bonds, to hold the initial offering prices for certain maturities of the Bonds for up to five business days after the sale date, as further specified in the form of such certification.

## **Undertakings of the Winning Bidder**

The successful bidder must, by electronic transmission received by the City within 2 hours after notification of final principal amounts of the Bonds, furnish the following information to the City to complete the Official Statement in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriter expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields described above.
- B. Any desired combination of annual principal installments of the Bonds bearing the same interest rate into term bonds with mandatory sinking fund redemption requirements.
- C. The identity of the underwriters if the successful bidder is a part of a group or syndicate.
- D. Any other material information necessary to complete the Official Statement in final form but not known to the City.

After the award of the Bonds, the City will prepare copies of the Final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the City will not include in the Final Official Statement a “NRO” (“not reoffered”) designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the City in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The City expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board (“MSRB”). The successful bidder will be required to acknowledge receipt of such Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB and such repositories, to acknowledge that the City expects the successful bidder

to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

### **CUSIP Numbers**

Davenport & Company LLC, municipal advisor to the City, will timely apply for CUSIP numbers with respect to the Bonds as required by MSRB Rule G-34. It is anticipated that CUSIP numbers will be printed on the Bonds, but the failure to print such numbers on any bond or any error with respect thereto shall not constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Bonds.

### **Official Statement**

The City will furnish the successful bidder at the expense of the City a reasonable number of copies of the final Official Statement by the earlier of the closing date and seven business days from the date of the award of the Bonds, as specified in Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC") and the rules of the Municipal Securities Rulemaking Board ("MSRB") provided that minor delays in furnishing such final Official Statement will not be a basis for failure to pay for and accept delivery of the Bonds. Additional copies will be made available at the successful bidder's request and expense. The City assumes no responsibility or obligation for the distribution or delivery of the Official Statement to anyone other than the successful bidder.

The City expects the successful bidder to deliver copies of such Official Statement in final form (the "Final Official Statement") to persons to whom such bidder initially sells the Bonds and the MSRB via the MSRB's Electronic Municipal Market Access System ("EMMA"). The successful bidder will be required to acknowledge receipt of such Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB via EMMA, to acknowledge that the City expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal. The successful bidder shall notify the City as soon as practicable of (1) the date which is the end of the underwriting period (such "underwriting period" is described in the Rule), and (2) the date of filing the Official Statement with the MSRB or its designee.

If the Bonds are awarded to a syndicate, the City designates the senior managing underwriter of the syndicate as its agent for purposes of distributing copies of the Official Statement to each participating underwriter.

### **Legal Opinion**

The approving opinion of Kutak Rock LLP, Richmond, Virginia, with respect to the Bonds will be furnished to the successful bidder at the expense of the City and will state that the Bonds constitute valid and legally binding obligations of the City and that its Council is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay the principal of and interest on the Bonds as the same become due.

### **Federal and State Securities Laws**

No action has been taken to qualify the Bonds under the federal and Commonwealth securities laws.

### **Tax Exemption**

The Official Statement relating to the Bonds contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the Bonds and a discussion of the opinion of Kutak Rock LLP insofar as it concerns such exclusion.

**Continuing Disclosure**

To assist the successful bidder in complying with the Rule, the City will agree, pursuant to the Continuing Disclosure Agreement, to provide certain annual financial information and operating data and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement for the Bonds and will also be set forth in the final Official Statement for the Bonds (See Appendix C of the Preliminary Official Statement dated May 7, 2024). Except as otherwise noted in the Preliminary Official Statement, within the last 5 years, the City has not failed to comply in all material respects with any previous continuing disclosure undertaking.

**Right to Change the Notice of Sale and Change of Date and Time for Receipt of Bids**

The City reserves the right to make changes to this Notice of Sale and reserves the right to change the date and time established for the receipt of bids. Any such changes will be posted on [www.tm3.com](http://www.tm3.com), or any other such service not later than 9:30 a.m. (Eastern Time) on the Date of Sale. If the date and time fixed for receipt of bids is changed, any alternative date and time for receipt of bids will be posted on [www.tm3.com](http://www.tm3.com), or any other such service. Any bidder must submit a bid for the purchase of the Bonds on such alternative sale date and time in conformity with the provisions of this Notice of Sale, except for any changes posted on [www.tm3.com](http://www.tm3.com), or any other such service, as described therein.

**Additional Information**

For further information relating to the Bonds and the City, reference is made to the City's Preliminary Official Statement. The City has deemed the Preliminary Official Statement to be final as of its date within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule. The Notice of Sale and the Preliminary Official Statement may be obtained from the City's Financial Advisor, Davenport & Company LLC (telephone 804-697-2900).

CITY OF VIRGINIA BEACH, VIRGINIA

By: Patrick A. Duhaney  
City Manager

Dated: May 7, 2024

**Exhibit A To Notice of Sale**

**Form of Issue Price Certificate  
For Qualified Competitive Sale**

\$ \_\_\_\_\_  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT BONDS,  
SERIES 2024A**

\$ \_\_\_\_\_  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT BONDS,  
SERIES 2024B (Flood Mitigation)**

\$ \_\_\_\_\_  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT REFUNDING BONDS,  
SERIES 2024C**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of \_\_\_\_\_ (the "Initial Purchaser"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Initial Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Initial Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Initial Purchaser to purchase the Bonds.

(b) The Initial Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Initial Purchaser constituted a firm offer to purchase the Bonds.

**2. Defined Terms.**

(a) "*Issuer*" means the City of Virginia Beach.

(b) "*Maturity*" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "*Public*" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(d) "*Sale Date*" means the date that the Bonds are awarded by the Issuer to the successful bidder. The Sale Date of the Bonds is [DATE].

(e) "*Underwriter*" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Initial Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Arbitrage and Other Tax Matters and with respect to compliance with the federal income tax rules affecting the Bonds, and by Kutak Rock LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the City of Virginia Beach time to time relating to the Bonds.

[INITIAL PURCHASER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_

Dated: [ISSUE DATE]

**SCHEDULE A**

Expected Initial Offering Prices of the Bonds

[Insert]

**SCHEDULE B**

Copy of Bid

[Insert]



**Exhibit B To Notice of Sale**

**Form of Issue Price Certificate  
For Nonqualified Competitive Sale**

\$ \_\_\_\_\_  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT BONDS,  
SERIES 2024A**

\$ \_\_\_\_\_  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT BONDS,  
SERIES 2024B (Flood Mitigation)**

\$ \_\_\_\_\_  
**GENERAL OBLIGATION PUBLIC  
IMPROVEMENT REFUNDING BONDS,  
SERIES 2024C**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of \_\_\_\_\_ (the "Initial Purchaser") and other Underwriters, if any, as defined below, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

***Sale of the General Rule Maturities.*** As of the date of this Certificate, for each Maturity of the General Rule Maturities, the first price at which 10% of such Maturity was sold by the Initial Purchaser to the Public is the respective price listed in Schedule A.

***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Initial Purchaser offered the Hold-the-Offering Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the Initial Purchaser has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to the foregoing, no Underwriter has offered or sold any Maturity of the Hold-the-Offering Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

**3. *Defined Terms.***

"*General Rule Maturities*" means those Maturities of the Bonds shown in Schedule A hereto as the "General Rule Maturities."

"*Hold-the-Offering-Price Maturities*" means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) "*Holding Period*" means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the

date on which the Initial Purchaser has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *“Issuer”* means the City of Virginia Beach.

*“Maturity”* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

*“Public”* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

*“Sale Date”* means the date that the Bonds are awarded by the Issuer to the successful bidder. The Sale Date of the Bonds is [DATE].

*“Underwriter”* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Initial Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Arbitrage and Other Tax Matters and with respect to compliance with the federal income tax rules affecting the Bonds, and by Kutak Rock LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[INITIAL PURCHASER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: [ISSUE DATE]

SCHEDULE A

Sale Prices of the General Rule Maturities

[Insert]

Initial Offering Prices of the Hold-The-Offering-Price Maturities

[Insert]

SCHEDULE B

Pricing Wire or Equivalent Communication

[See Attached]

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