CITY OF VIRGINIA BEACH

FIVE YEAR FORECAST

FY 2026-27 TO FY 2030-31

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Introduction

In accordance with the City Code, in November of each year, the City of Virginia Beach's Department of Budget and Management Services, along with the Virginia Beach City Public Schools, present a Five-Year Forecast to a joint meeting of the School Board and the City Council. The purpose of the Forecast is to provide an overview of the current financial conditions of the City, as well as a forecast of anticipated revenues and expenditures over the next five fiscal years. It provides the City Council and the School Board with an opportunity to begin discussions on the upcoming budget process. This year's Forecast includes regional economic trends, demographic data, the City's major revenue sources, an overview of select city funds, and the Virginia Beach City Public Schools' Operating Fund. Between the Forecast presentation and the adoption of the FY 2026-27 Budget nearly six months later, revenue projections are refined, and numerous decisions will be made that will impact the final Budget that is ultimately adopted by the City Council.

Projections are primarily based on existing policies such as current tax rates and revenue dedications, including the adopted Revenue Sharing Formula. Approximately half of General Government revenues are shared with Virginia Beach City Public Schools using the Revenue Sharing Formula. In addition, typically no recommendations are made relating to the closure of any budget gap, and the use of balancing tools, such as the use of attrition, are not included within the Forecast. Decisions to modify any policy or dedication, or to use balancing tools like attrition, are determined during the budget development process, by the City Manager and the City Council.

As with any Forecast, the projections contained within this document are subject to change with future economic conditions and/or policy decisions. There are several factors that are expected to influence the forecast period. Cost drivers will be discussed in detail throughout the document and consist of items such as internal service charges, compensation increases, retirement contribution increases, fringe benefits, and federal and state funding for programs such as Supplemental Nutrition Assistance Program (SNAP) and Medicaid.

Economic Overview

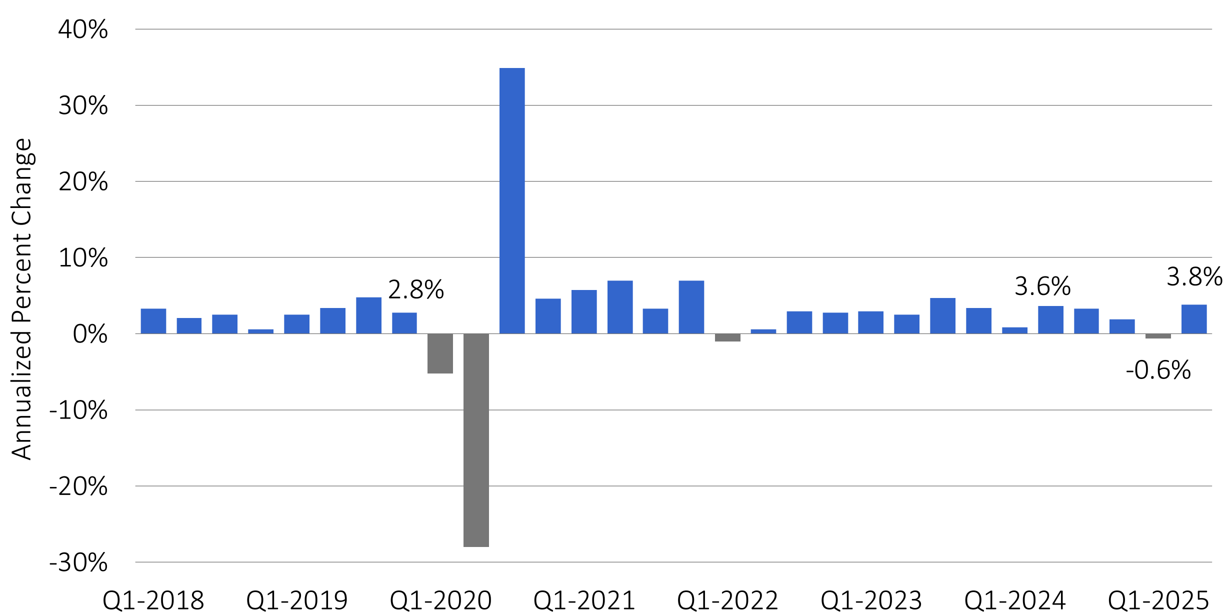
The following section was provided by Nikki Johnson, Regional Economist for the Hampton Roads Planning District Commission.

National Economic Conditions

The Hampton Roads economy has historically exhibited a strong link with national economic trends, with factors such as inflation, energy prices, and interest rates shaping local conditions. Understanding the national context is therefore essential when analyzing our regional economy.

U.S. economic growth softened in the first half of 2025 as tariffs and policy uncertainty disrupted business plans and household spending. After contracting in the first quarter of 2025, inflation-adjusted GDP rose at an annualized rate of 3.8% in the second quarter. Much of that swing reflected large shifts in trade and inventories as companies adjusted to changing tariff policies. It is important to note that while imports themselves do not directly reduce GDP, which measures domestic production, the rush to import goods ahead of new tariffs can indirectly slow growth by diverting resources from investment and production. Consumer spending, the largest component of GDP, continued to grow, though less steadily than earlier in the year, suggesting that households are still spending but more carefully. Taken together, the first half of the year points to an economy expanding at a slower and more uneven pace, shaped by ongoing adjustments to trade policy and continued uncertainty about costs and demand.

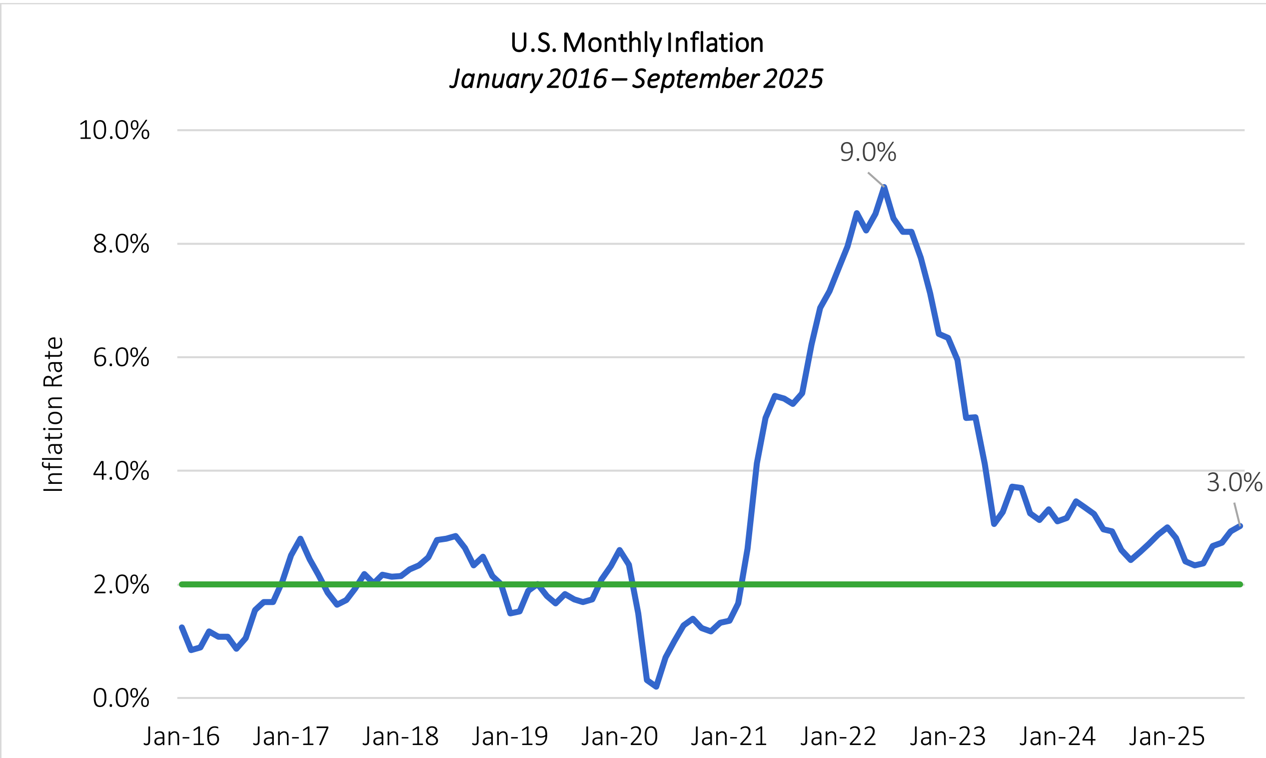
U.S. Real Gross Domestic Product
Annualized Percent Change from the Previous Quarter, Q1 2018 – Q2 2025



Source: Bureau of Economic Analysis, HRPDC. Seasonally adjusted annual rate.

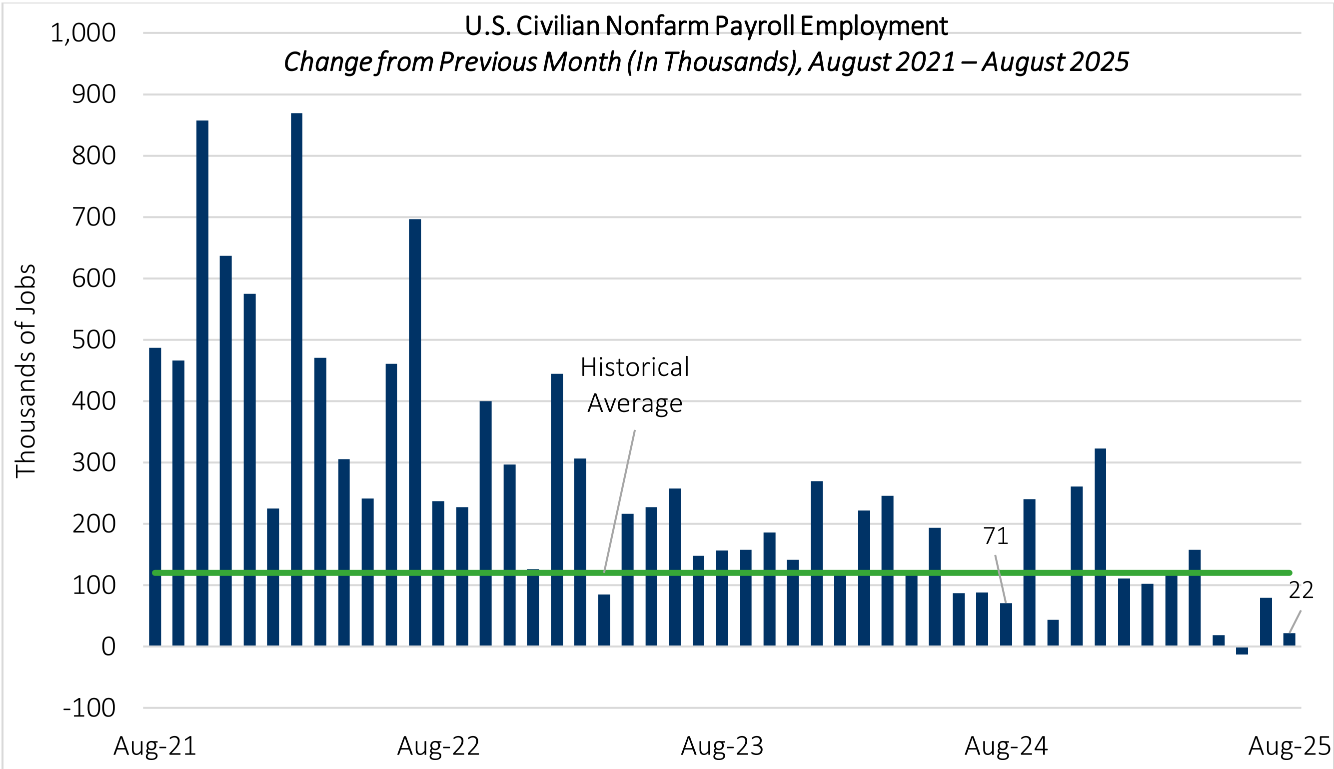
U.S. consumer prices rose 0.3% in September and were up 3.0% from a year prior. Core prices, which exclude the more volatile food and energy components, increased 0.2% over the month and 3.0% over the year. While inflation remains well below earlier highs, recent data suggest that the path back to price stability may be uneven.

The recent uptick in inflation has been concentrated on goods rather than services, reflecting higher import costs from new tariffs. Goods prices are rising at the fastest pace in more than two years, with durable goods up 1.8% over the past year. The most tariff-exposed categories such as furniture, appliances, and other household goods have seen some of the sharpest increases. Core goods inflation has now risen for four consecutive months, reversing much of the cooling that followed the pandemic. Services inflation has remained elevated, reflecting ongoing cost pressures in housing, health care, and transportation. While inflation overall is not necessarily surging, recent data points to an uptick linked in part to tariffs and trade disruptions. Since tariffs have yet to fully work their way through to prices, some additional upward pressure on inflation may still emerge in the months ahead.



Source: Bureau of Labor Statistics CPI-U and HRPDC, seasonally adjusted data.

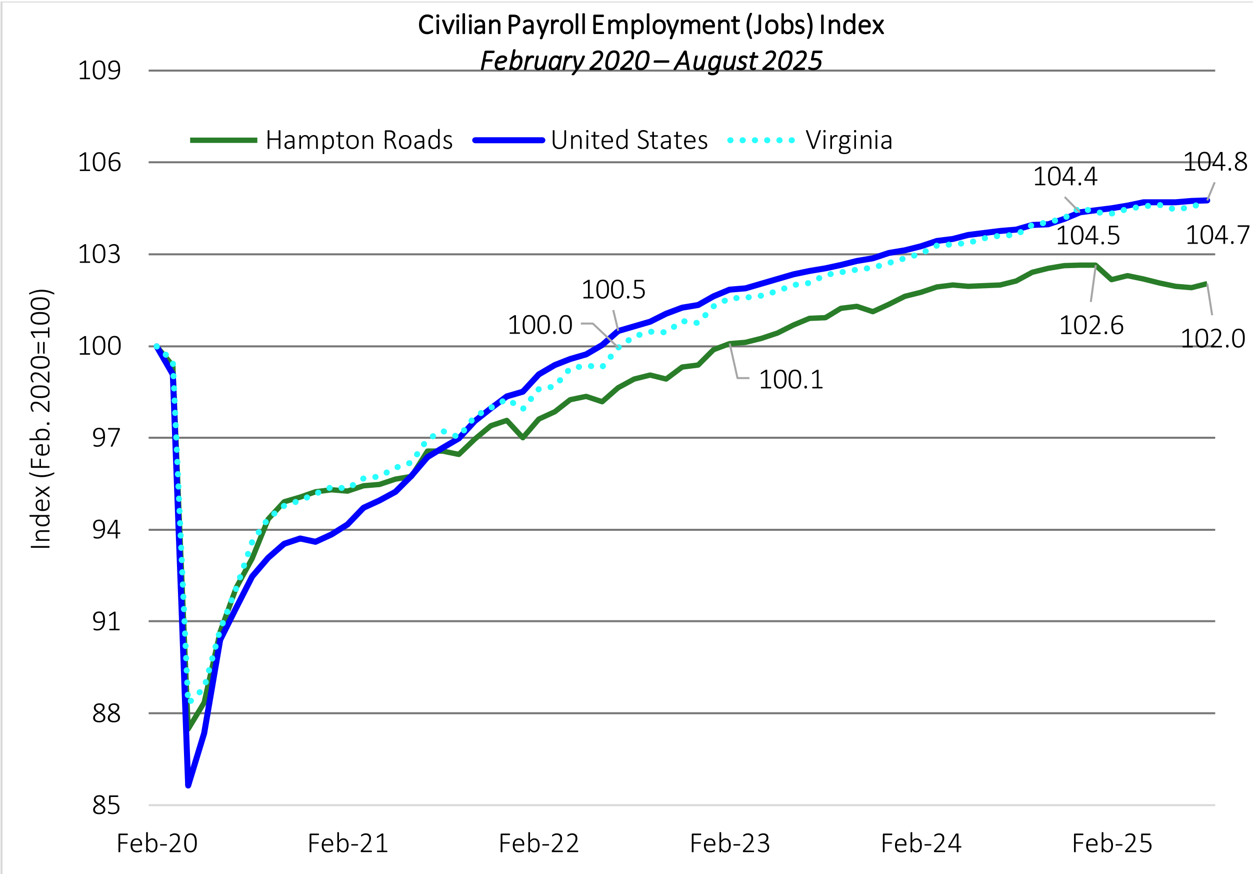
Job growth has slowed notably in 2025. In August, employers added just 22,000 jobs, and revised data for June showed the first monthly job loss since 2020. From August 2024 to August 2025, the nation added an average of 118,000 jobs per month, down from 158,000 during the prior year and slightly below the long-term monthly average of around 120,000. Outside the pandemic period, the current hiring rate is among the lowest since the early 2010s, suggesting that labor market momentum has weakened. Layoffs have increased slightly but remain low. This suggests the nation's labor market remains in "low-to-hire, low-to-fire" dynamic where firms are holding on to workers even as hiring slows. While the growth in individual employment has remained relatively stable despite the slowdown in job creation, it is not yet clear whether the weaker pace reflects softer labor demand, labor supply, or both. It could potentially be attributed to tighter immigration policies slowing population growth, which in turn reduces the number of new jobs needed each month to keep up.



Source: Bureau of Labor Statistics, seasonally adjusted data.

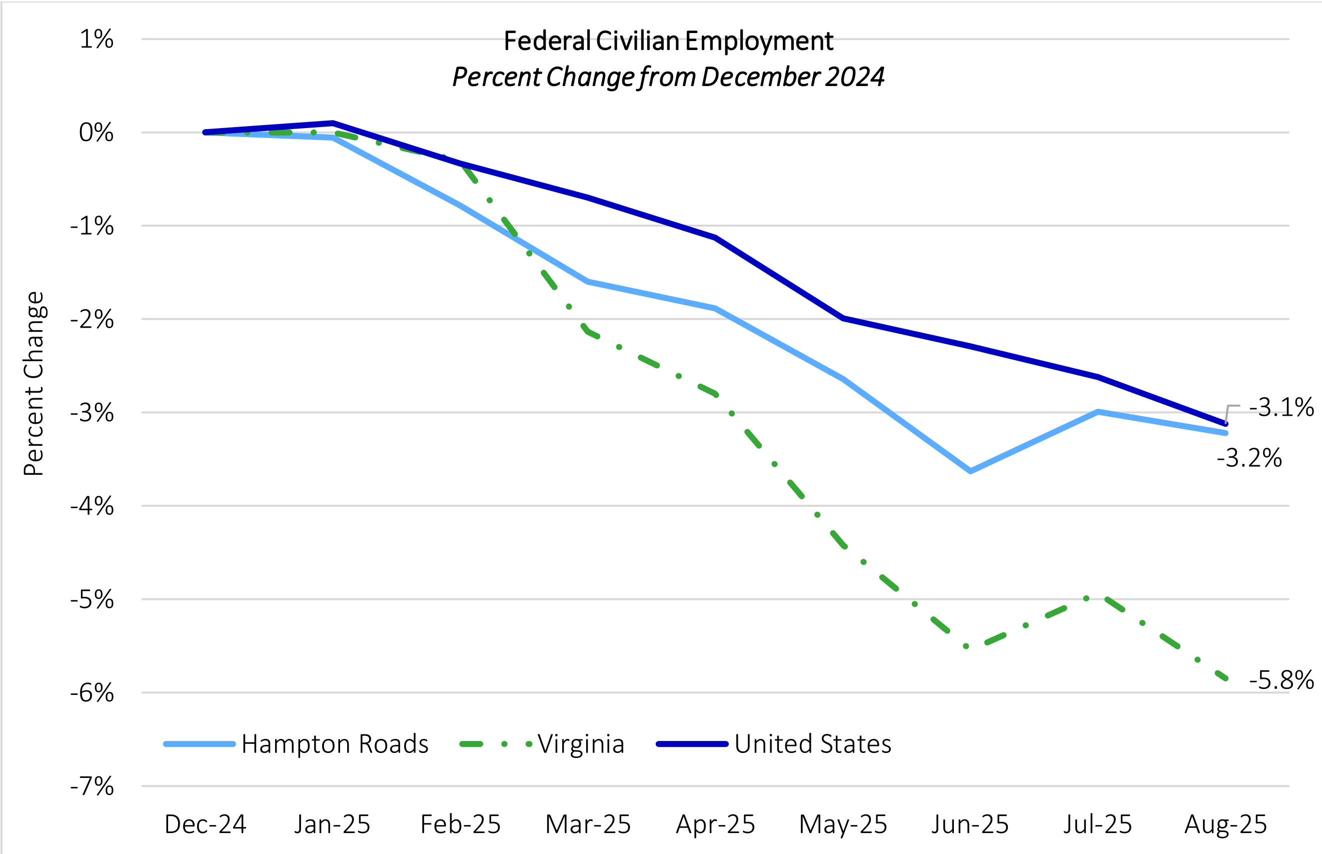
Regional Economic Conditions

In the decade prior to the pandemic, job growth in Hampton Roads trailed both the state and the nation. This was partly due to the federal budget sequestration of 2013, which cut federal spending locally and slowed economic momentum just as the recovery from the Great Recession was gaining strength. The region also experienced a slower rebound from the pandemic. While both Virginia and the nation regained all the jobs lost during the pandemic by the summer of 2022, jobs in Hampton Roads did not return to pre-pandemic levels until February 2023. Federal jobs and spending cuts in 2025 have again weighed more heavily on Hampton Roads just as the pandemic recovery was fully in the rearview. In January 2025, jobs stood 2.6% above February 2020 levels, compared with 4.5% in Virginia and 4.4% nationally. By August 2025, job growth in the region had declined 0.6 percentage points from January, in contrast to modest gains for the state (0.2) and the nation (0.4).



Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data.

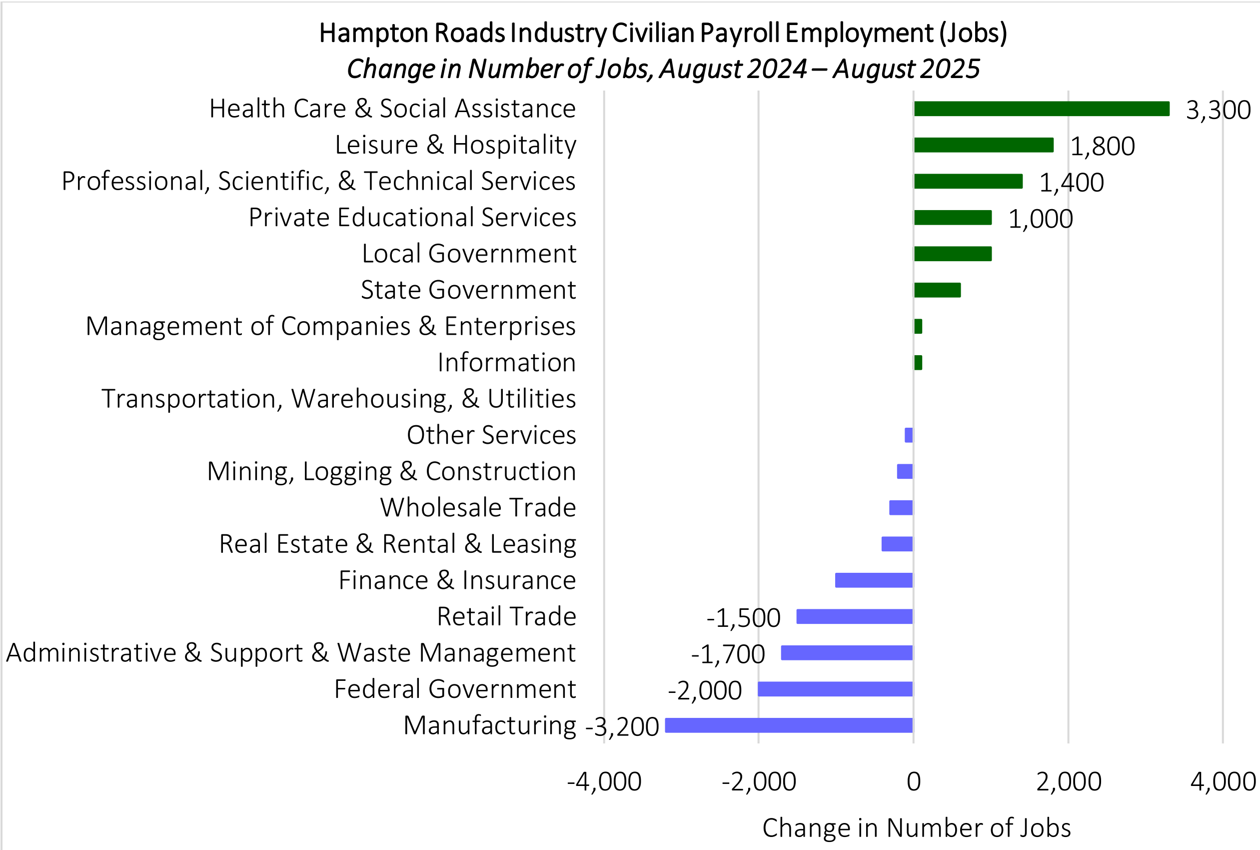
Home to the third-largest federal civilian workforce in the nation, Hampton Roads has been especially affected by ongoing efforts to reduce federal employment. From December 2024 to August 2025, federal civilian jobs in the region declined by 3.2%, slightly more than the national decrease of 3.1% but less than Virginia's 5.8% drop. While the statewide decline has been larger, Hampton Roads remains more exposed with a higher share of federal civilian employees. Federal civilian jobs account for 7.2% of total civilian jobs in Hampton Roads, a higher share than Virginia (4.3%) and the nation (1.8%). With federal cuts still underway and the federal government's over month long shutdown, the region faces additional strain on employment, income, and local spending in the months ahead.



Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data. Excludes federal civilian workers in national security roles.

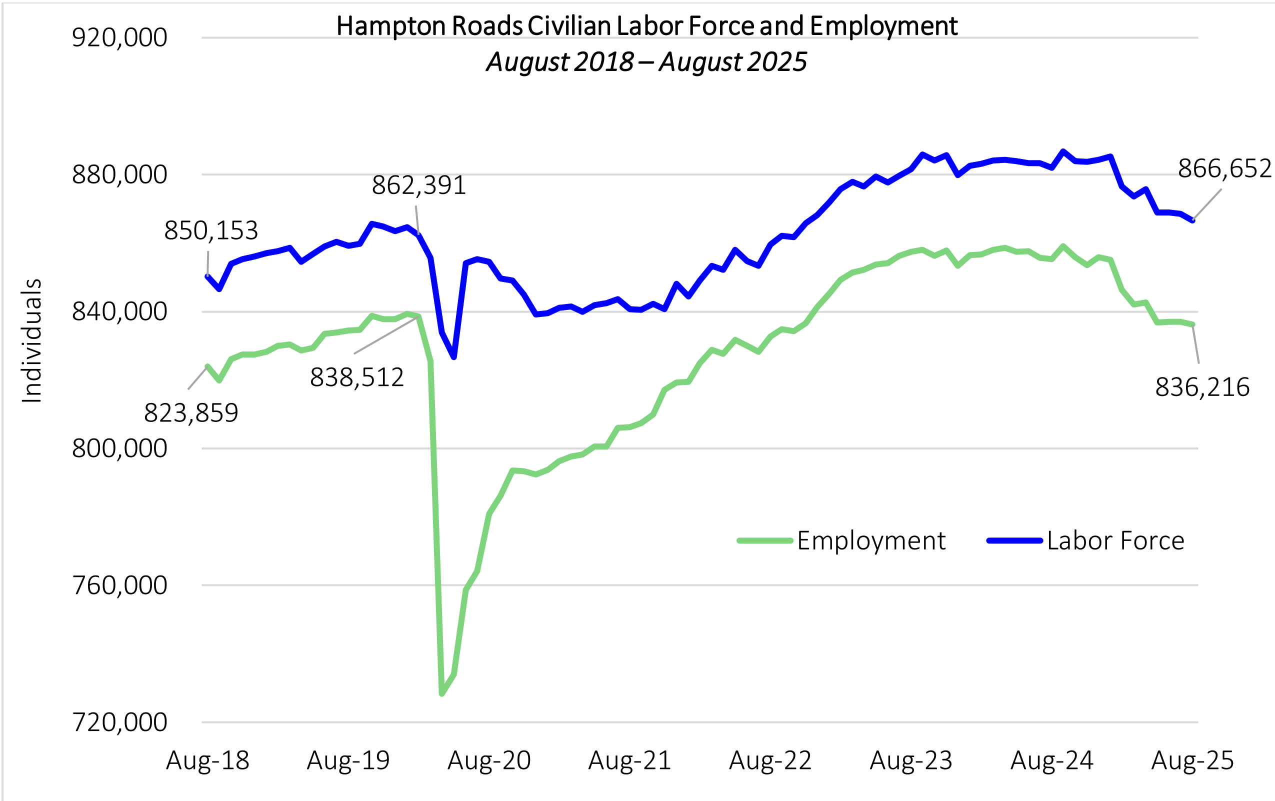
As of August 2025, roughly half of Hampton Roads' industry sectors had fewer jobs than a year earlier. Between August 2024 and August 2025, Healthcare and Social Assistance added 3,300 jobs, and Leisure and Hospitality gained 1,800, marking the largest increases. The steepest losses occurred in Manufacturing (-3,200) and the Federal Government (-2,000), reflecting the effects of both federal job cuts and trade-related slowdowns. Retail Trade, which accounts for nearly one in ten civilian jobs in the region, declined by 1,500 jobs over the year and remains 6,300 jobs below its pre-pandemic level.

For Hampton Roads, gains in Health Care and Hospitality have helped offset losses elsewhere, but overall growth remains narrow and uneven. With federal fiscal constraints and trade pressures still in place, the region's employment trajectory will depend on how quickly conditions stabilize across key industries.



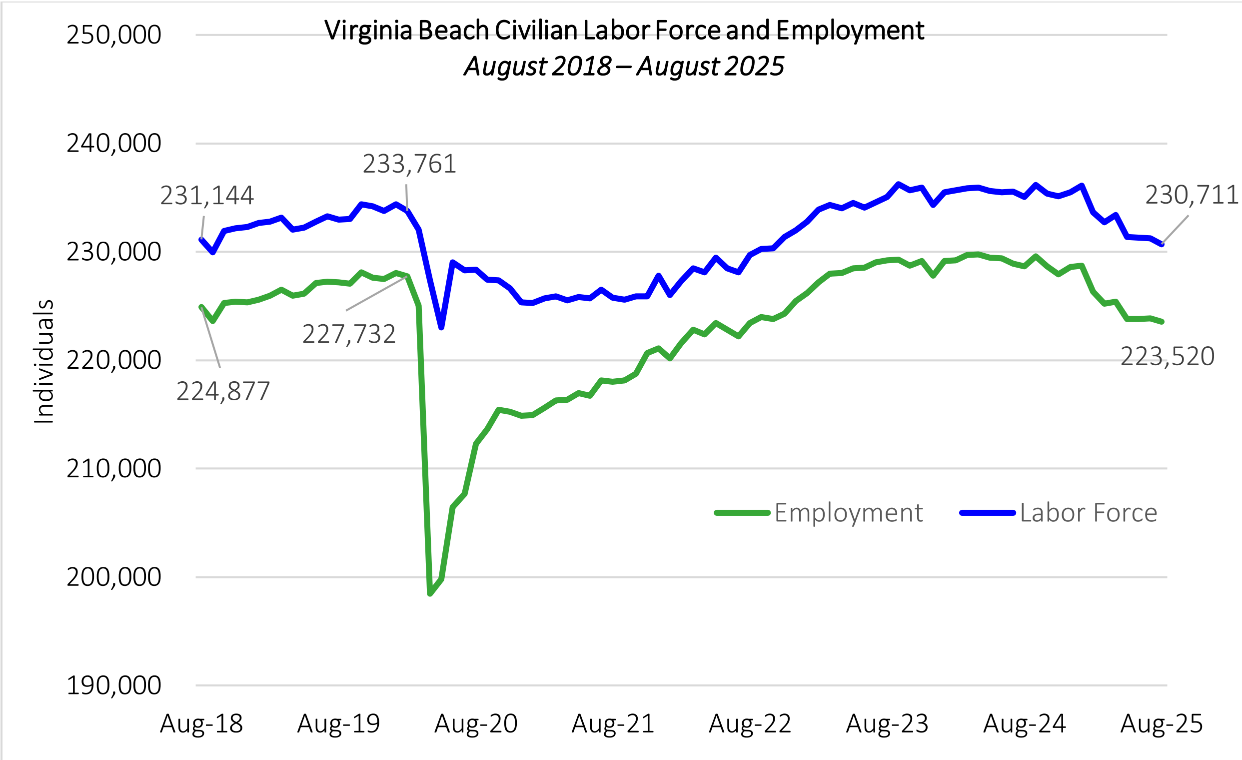
Source: Bureau of Labor Statistics, HRPDC. Non-seasonally adjusted data.

The region's civilian labor force and employment levels returned to pre-pandemic levels by January 2023. While growth began to slow in 2024, the pace of decline accelerated in 2025. From January to August 2025, civilian labor force and individual employment were down 2.1% and 2.2% respectively. Over the same period in 2024, both measures declined by only 0.1%. While civilian labor force and employment levels remain above pre-pandemic levels observed in February 2020, the declines in 2025 are cause for concern. Nationally, both civilian labor force and employment levels have continued to rise through 2025, reflecting a labor market that has slowed but remains resilient. The contrast highlights how factors such as federal workforce reductions have weighed more heavily on Hampton Roads. With the federal government now in its second month of a shutdown and tighter immigration policies limiting labor force growth, these headwinds could further strain the region's employment outlook.



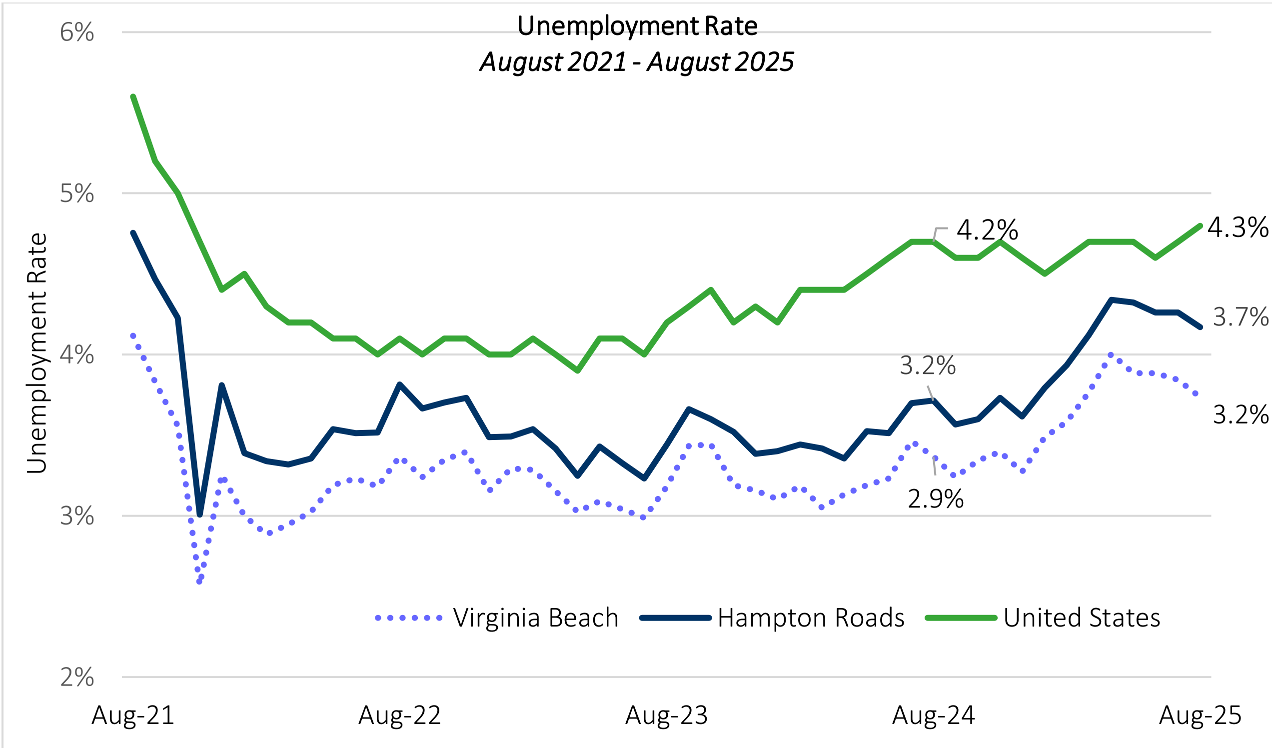
Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data.

The trend in civilian labor force and employment levels in Virginia Beach mirrors that of the region. The City's civilian labor force and employment fully recovered in 2023 before growth began to slow in 2024 and decline more sharply in 2025. Year to date, both measures are down 2.3%, compared with a 0.2% decline over the same period in 2024. The pace of decline in Virginia Beach is slightly steeper than in Hampton Roads overall, suggesting that the City is feeling the broader regional slowdown more acutely. As the largest locality in the region and home to a significant share of federal civilian employees, ongoing federal policy changes are likely amplifying these labor market pressures.



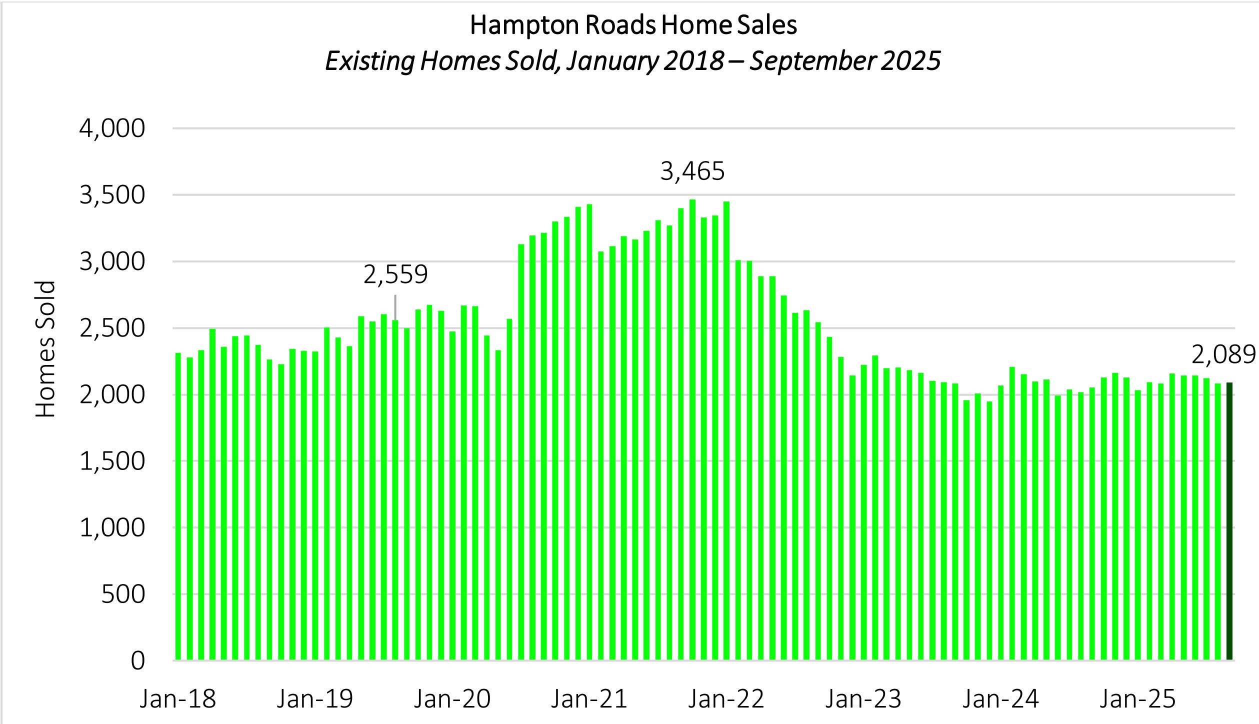
Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data.

The unemployment rate represents the share of individuals who are actively seeking work but unable to find employment. Nationally, the unemployment rate has edged higher over the past year but remains relatively stable. While job growth has slowed significantly, the broader labor market appears to be in a state of balance, with both labor demand and supply softening. In contrast, both Hampton Roads and Virginia Beach have seen a more pronounced uptick in unemployment, likely reflecting the region's greater exposure to federal policy changes. After peaking in May 2025, unemployment rates have eased slightly but remain higher than earlier in the year. As of August 2025, the unemployment rate was up 0.3 percentage points in Virginia Beach and 0.5 percentage points in Hampton Roads when compared to the same month in 2024. The effects of ongoing federal workforce reductions and the current government shutdown are not yet fully reflected in the data, suggesting that labor market conditions may soften further.



Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data.

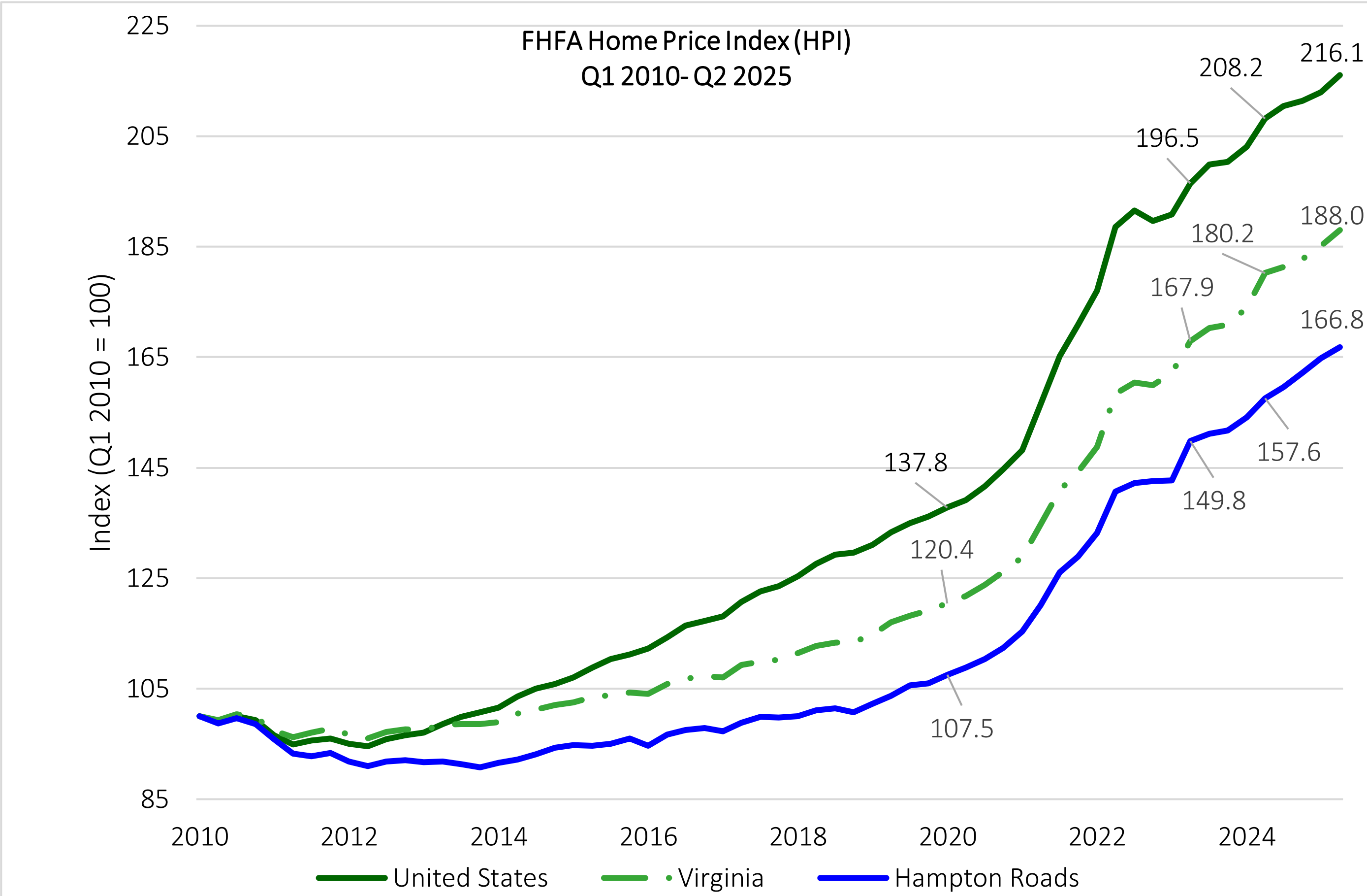
Residents continue to face a challenging housing market. The combination of limited supply, high home prices, and elevated mortgage rates has slowed homebuying and strained affordability. Following the pandemic surge in 2021, existing home sales in the region fell to near-decade low levels by 2023. While that weakness persisted through 2024, homes sold through September 2025 show a modest improvement, up 1.1% from 2024. Existing home sales, however, remain 21.7% below pre-pandemic levels. At the same time, trade, immigration policy changes, and higher borrowing costs are beginning to weigh on new construction. Building permits issued for all housing types fell in the second quarter of 2025 to their lowest level in more than a decade. On a positive note, mortgage rates have begun to ease, with the 30-year fixed rate averaging 6.28% in October, the lowest level in over a year. Whether these modest improvements will lead to stronger housing activity remains uncertain, but for now, limited supply and elevated prices continue to define the housing market.



Source: Redfin and HRPDC. Seasonally adjusted data.

The rise in home prices during the pandemic was substantial. The Home Price Index, which tracks home values through repeated property sales, highlights the scale of the surge. From the first quarter of 2010 to the first quarter of 2020, home prices in Hampton Roads rose 7.5%. Over the next three years, prices increased an additional 40 percentage points. The pace of home price growth has slowed since 2023 but remains elevated. In the second quarter of 2025, home prices rose an additional 7.9 percentage points nationally when compared with the same quarter in 2024. Hampton Roads, however, saw a slightly faster increase of 9.2 percentage points.

The primary factor keeping home price growth elevated is the persistent shortage of homes for sale. Inventories have yet to return to pre-pandemic levels. The months' supply of homes, which measures how long the current inventory will last at the existing sales pace, remains tight. Estimates from real estate brokerage Redfin show that in January 2020, Hampton Roads had a 3.1 months' supply of homes, roughly in line with the national average of 2.9 months. As of September 2025, months' supply stood at 2.3 months in Hampton Roads and 3.3 months nationwide. This ongoing shortage has kept competition for available homes high and continues to support elevated price growth even as overall sales activity has slowed.



Source: U.S. Federal Housing Finance Agency, All-Transactions house price index, HRPDC.

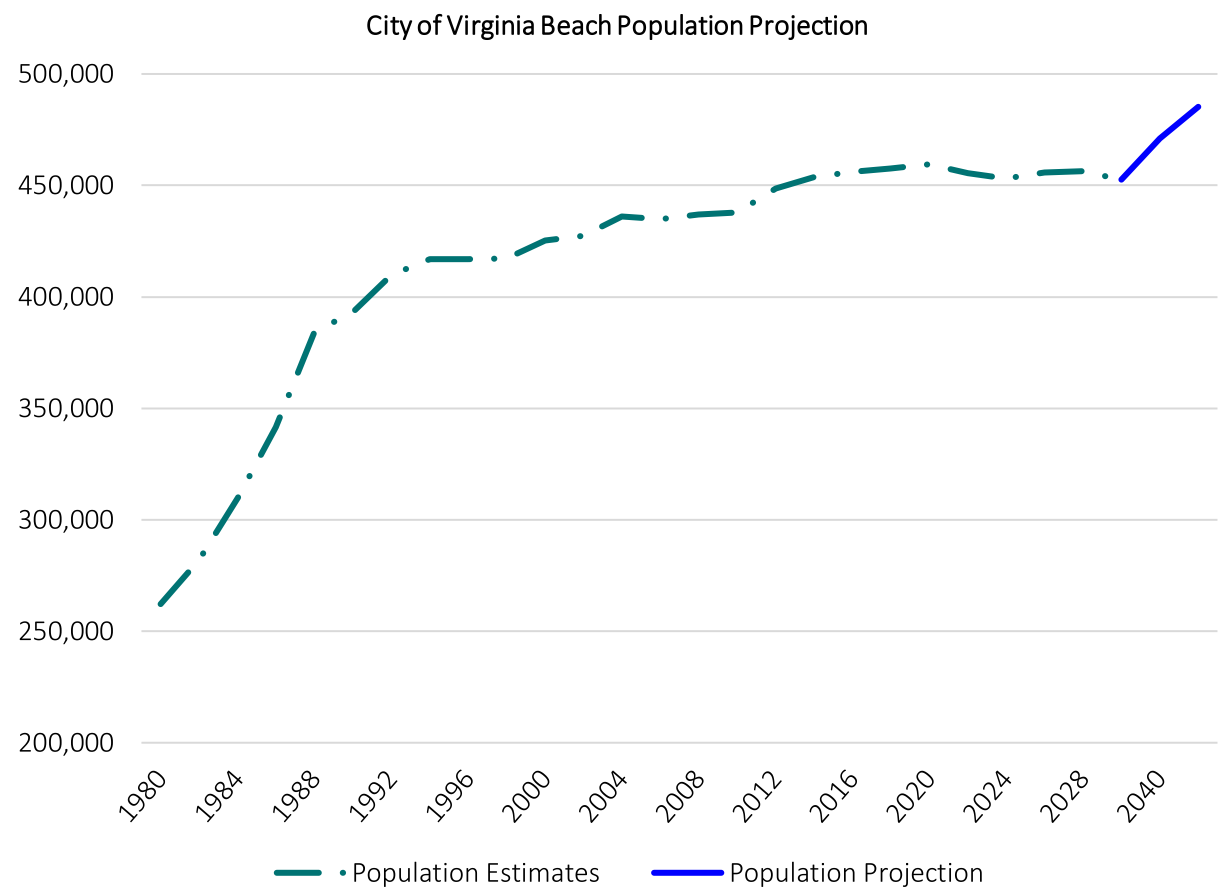
Economic Overview Concluding Remarks

The first half of 2025 has underscored the resilience of the U.S. and regional economies but also revealed clear signs of strain. Growth has continued, yet it has become increasingly uneven as federal policy changes weigh on economic activity. The government shutdown is likely to have an outsized impact on Hampton Roads, as in previous shutdowns, given the region's high concentration of federal employment and contracting. The absence of current federal data has also made it more difficult to gauge near-term conditions, leaving policymakers and local leaders operating with limited visibility. More broadly, policy uncertainty continues to breed economic uncertainty, complicating decisions for households, businesses, and local governments. While the region has demonstrated underlying stability, the latest trends point to slower growth in the near term as tariffs, the government shut down, federal workforce reductions, and high borrowing costs continue to shape the trajectory of both the national and regional economy.

City of Virginia Beach Demographic Overview

Population

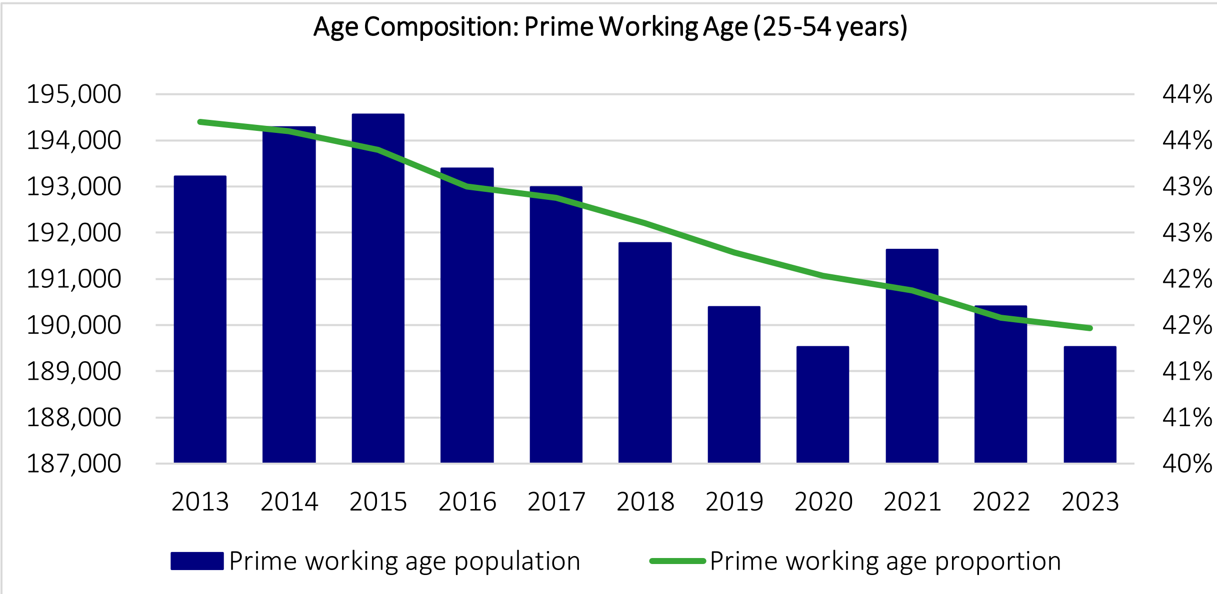
Virginia Beach is the largest city in the Commonwealth of Virginia, with a population of 452,965 residents, according to the University of Virginia's Weldon Cooper Center for Public Service (Weldon Cooper Center). The City's population is projected to decrease by 0.08% to 452,604 in 2030, then increase 4.07% to 471,056 by 2040, and 3.01% to 485,257 by 2050.



Source: Weldon Cooper Center

The Virginia Beach budget is impacted by a multitude of factors including fluctuations in population. In the 1980's, Virginia Beach experienced rapid population growth in a short amount of time, increasing the demands for City services significantly. An increase in population creates a demand for public services which requires greater revenue to support them. A decreasing population could relieve fiscal pressure caused by evolving public needs, but changing demand competes with the need to maintain aging infrastructure that was built in response to population growth in the 1980s and 1990s. Additionally, a population decrease does not necessarily correlate to reduced expenditures as services become increasingly more expensive to provide.

The population throughout the Commonwealth of Virginia is expected to continue to increase by 5.8% over the current decade, meaning by 2030 close to 500,000 more people will make Virginia their home. The rural-urban divide is expected to continue to grow with over 70% of the state's population residing in the three largest metropolitan areas. Projections predict Northern Virginia will be home to over a third of the state's residents with 37% of the population, the next largest would be Richmond with 18%, and Hampton Roads at 17%.



Source: Hampton Roads Alliance

The median age of residents in the City is 37.4 years old. Like many areas in the Commonwealth, the median age is expected to become older, as younger people move to more urban areas. As shown above, the proportion of the population within the prime working age range (25-54) is higher than the proportion of the population outside that range. This indicates that the population of Virginia Beach is becoming older and aging out. The data from 2025 population trends indicate that the overall population is expected to decrease in the coming years, but the oldest age groups are expected to see the most growth throughout the City of Virginia Beach.

From 2030 to 2050 the population of residents between the ages of 0-19 is expected to decrease 2.05% and the combined age group of 20-64 is expected to decline an additional 8.1%. When combining the age group 65-84 and 85+ into a single data point, this age group is expected to see the most significant amount of growth of 28.2% by 2050. As the retired population increases, the City may focus on talent retention, re-skilling, and attracting younger residents to sustain its economy.

To encourage population growth despite the shortage of available land, the City has commitments to address affordable housing shortages, such as the recently adopted Attainable Housing Performance Grant program. In addition, the City's Economic Development team is committed to attracting and retaining businesses to the community.

Race and Ethnicity

The racial and ethnic makeup of Virginia Beach is changing, with minority groups making up an increasing share of the population. Currently, about 59% of residents identify as White, while Black or African American residents account for 19%, Asian residents about 8%, and Hispanic or Latino residents around 8%. Multiracial and other groups make up the remainder. From 2026 to 2031, the City is expected to see an increase in its Hispanic, Asian, and multiracial population, especially among younger people, while the proportion of White residents is projected to slowly decline. The shift mirrors the broader demographic patterns across Virginia and the United States, signaling the importance of planning for a more culturally diverse community in areas such as education, workforce development, and city services.

Population by Race	Locality: City of Virginia Beach		State: Virginia	
	Persons	% of Population	Persons	% of Population
White	286,367	59.35%	5,113,579	58.25%
Black/African American	84,964	18.76%	1,635,510	18.63%
American Indian/Alaskan Native	1,966	0.43%	43,801	0.50%
Asian	35,795	7.92%	668,042	7.61%
Native Hawaiian/Pacific Islander	747	0.17%	7,511	0.09%
Some Other Race	14,697	3.25%	507,031	5.78%
2+ Races	45,659	10.10%	803,268	9.15%

Source: American Community Survey

As the population becomes more multicultural, demand will grow and change public services, such as language access in schools, healthcare, and municipal communications. Change in demographics could lead to different housing needs, workforce participation patterns, and preferences for transportation and recreational facilities. Ensuring that infrastructure and public engagement strategies reflect the City's changing demographics can help strengthen social cohesion and maintain Virginia Beach's competitiveness as an attractive place to live and work.

Educational Attainment

Educational attainment in Virginia Beach is strong and shows relative advantage compared to many neighboring localities. Among residents aged 25 and older, about 95% have at least a high school diploma or equivalent, which is higher than both the Virgina state average and the national average. Roughly 24% hold a bachelor’s degree or higher, slightly higher than the Virgina state rate (23%), but still well above other comparable municipalities. There is also a substantial share of the population who have begun post-secondary education or hold associate degrees but have not completed a four-year degree.

Population 25+ by Educational Attainment	Locality: City of Virginia Beach		State: Virginia	
	Persons	% of Population Age 25+	Persons	% of Population Age 25+
Less than 9th Grade	6,456	2.04%	216,441	3.55%
Some High School, No Diploma	11,195	3.53%	315,246	5.17%
High School Graduate	68,836	21.73%	1,455,422	23.89%
Some College, No Degree	70,872	22.38%	1,099,313	18.04%
Associate’s Degree	31,563	9.97%	465,585	7.64%
Bachelor's Degree	76,871	24.27%	1,423,155	23.36%
Master's Degree	37,264	11.77%	822,256	13.50%
Professional Degree	6,976	2.20%	167,697	2.75%
Doctorate Degree	6,691	2.11%	126,963	2.08%

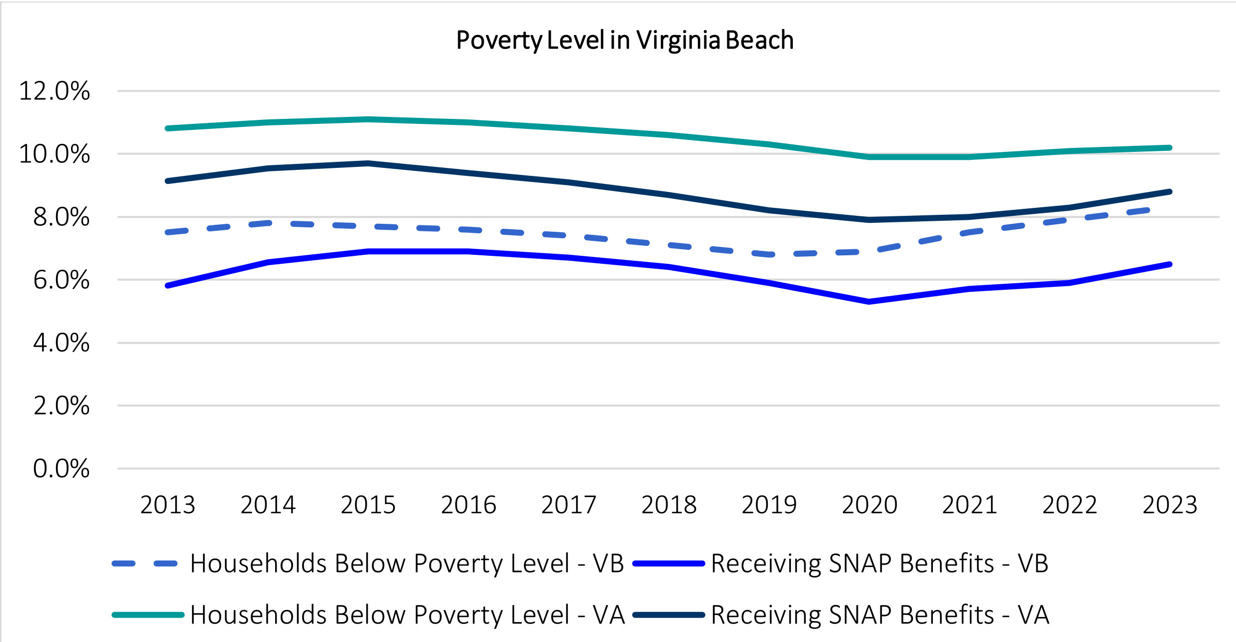
Source: American Community Survey

These patterns suggest an educated workforce with both strengths and gaps in higher-degree completion, which has implications for attracting employers, designing continuing education and workforce development programs, and ensuring sufficient local pathways from “some college” to degree completion. The City partners with higher education institutions and the Hampton Roads Workforce Council to enhance educational opportunities especially related to workforce readiness.

Income & Poverty

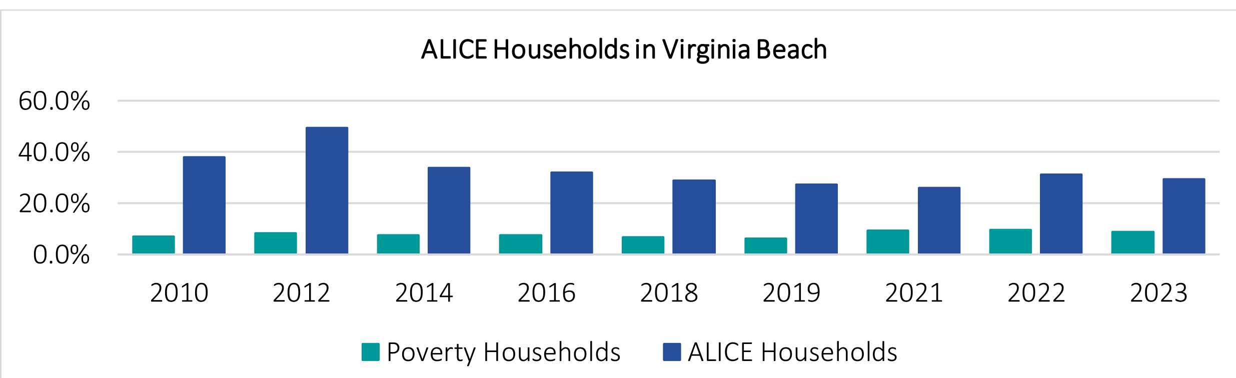
The median household income in Virginia Beach is $90,685, which is higher than surrounding Hampton Roads areas with the median being $80,535. The median household income in the Commonwealth of Virginia is $92,090, making Virginia Beach slightly below the state median.

The Federal Poverty Line for individuals is $15,650 and $32,150 for a family of four. In Virginia Beach 8.3% of households live below the poverty level, which is lower than the state level of 10.2%.



Source: Hampton Roads Alliance

The Supplemental Nutrition Assistance Program (SNAP) provides food benefits to low-income families to supplement their grocery budget. The program serves as an economic stabilizer, supports low-wage workers by supplementing their income, and helps vulnerable populations like children, the elderly, and people with disabilities. In Virginia Beach, 6.5% of households receive SNAP benefits, compared to the 8.8.% of total Virginians who receive these benefits, as of 2023. Additional information regarding SNAP is included later within this document.

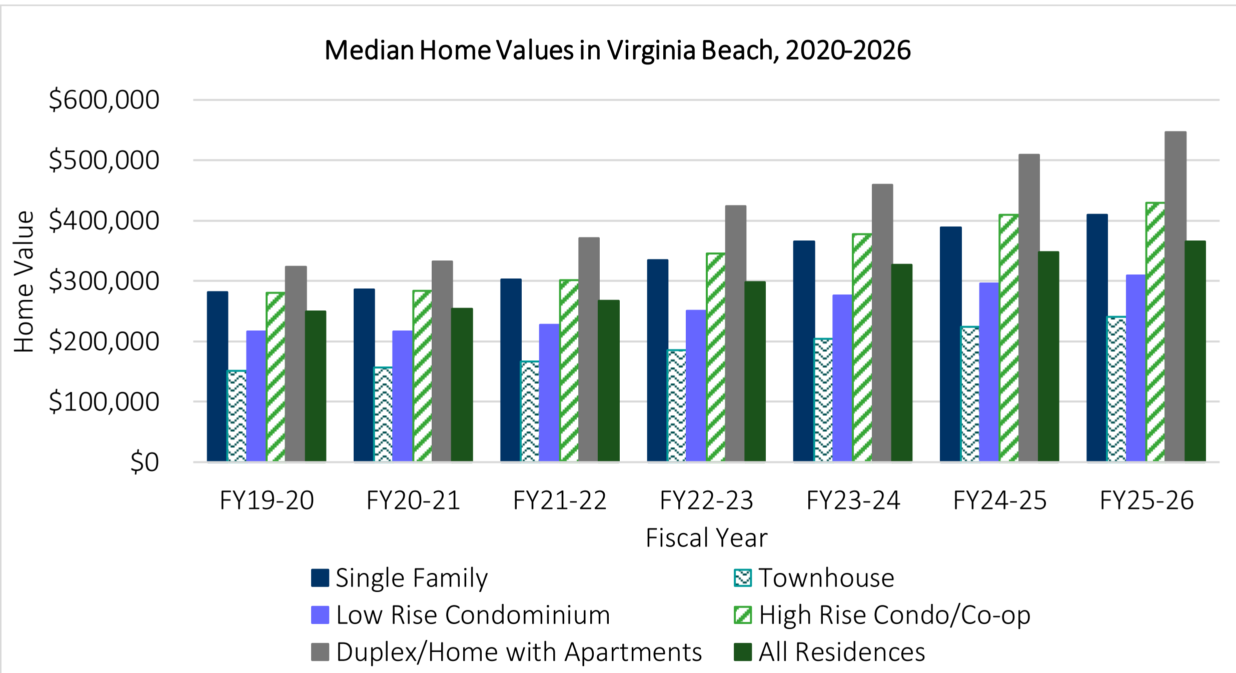


Source: Hampton Roads Alliance

ALICE (Asset Limited, Income Constrained, Employed) is a term for individuals that have an income higher than the Federal Poverty Line but struggle to afford the necessities. As circumstances change, households and individuals find themselves below or above the ALICE threshold at different times. As of 2023, 29.5% of all households in Virginia Beach fall under the ALICE threshold. Although, the 29.5% is not equally distributed amongst the diverse Virginia Beach population, as Black, Hispanic, and American Indian and Alaskan Native peoples see the largest number of households within the ALICE threshold. The data from 2025 population trends report indicates that housing affordability remains a prominent issue, making it easy for people to fall into the ALICE threshold or remain there.

Median Home Value

According to the City Real Estate Assessor's FY 2025-26 Annual Report, the median assessment for all residence types is $365,300. This is a 5.06% increase from the year prior. Real estate tax is the largest source of revenue for the City of Virginia Beach, making up nearly half of all revenue citywide, supporting City and School services. The real estate tax remains at $0.97 per $100 of assessed value, the lowest in the region, further adding appeal to homeowners.



Source: City of Virginia Beach Real Estate Assessor

In 2024, the City of Virginia Beach added 1,221 new housing units, an increase of 236 from the 985 units that were built in 2023. This upward trend suggests that the City is steadily approaching pre-pandemic levels of residential development. The increase in new constructions is largely driven by limited active listings, fewer overall sales, and continued high demand for housing. Home values in Virginia Beach are expected to remain above those in surrounding Hampton Roads localities, supported by the City's reputation for safety, its desirable coastal lifestyle, strong school system, and the presence of a large military community.

Demographics Concluding Remarks

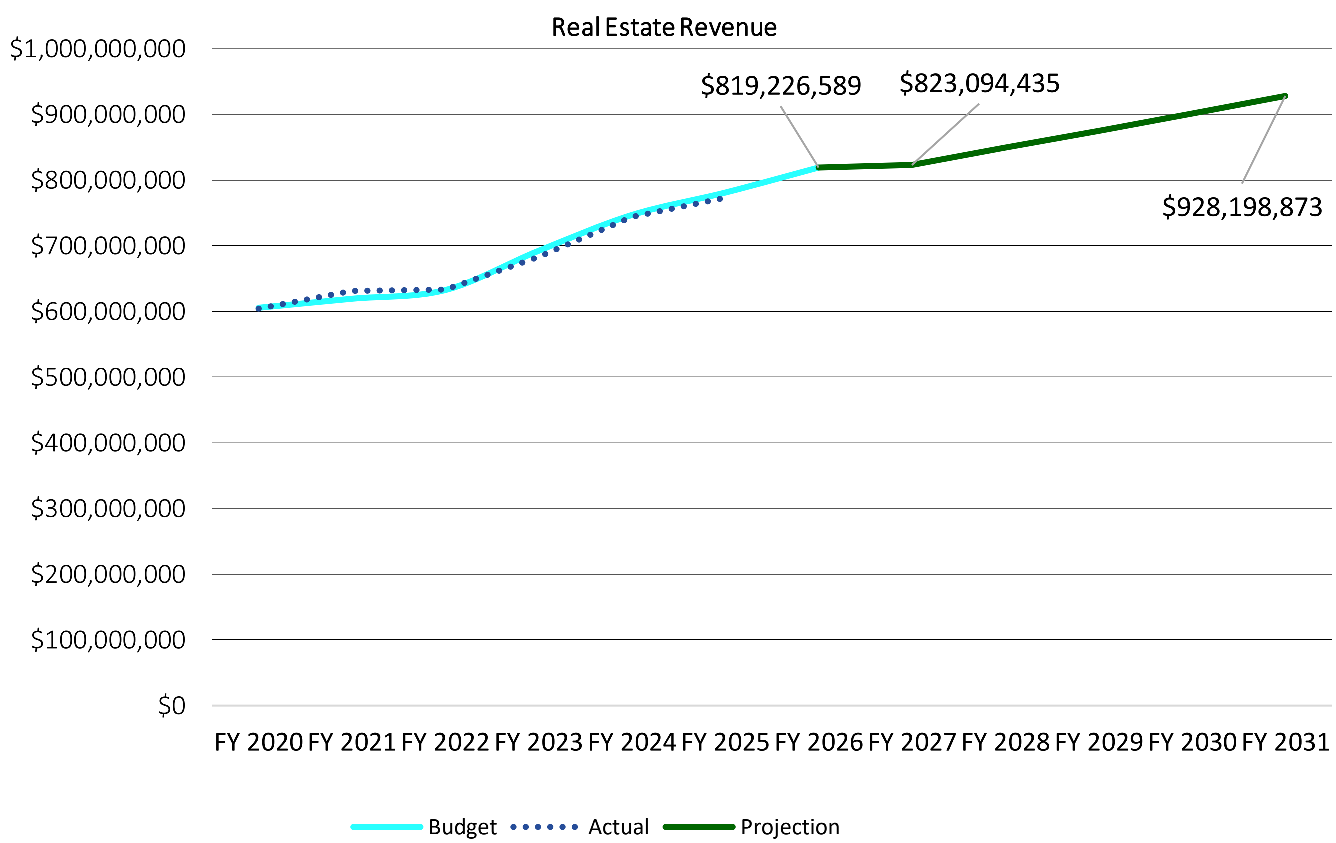
Overall, the City of Virginia Beach's demographic trends point to a city that is growing more diverse, more educated, and older, while continuing to experience strong housing demand and comparatively stable economic conditions. These shifts highlight the need to balance investments in services for an aging population with strategies to attract and retain younger residents and working families, ensuring a sustainable tax base over the long term. Demographic shifts will require continued attention to how services are delivered. Reliance on real estate tax revenues, the City's largest revenue source, underscores the importance of maintaining stable housing growth while managing infrastructure costs tied to population change. Moving forward, the City of Virginia Beach needs to ensure that future policy and budgetary needs align with the demographic trends to further enhance competitiveness, economic resilience, and high quality of life.

General Government Revenues

Real Estate

Real Estate revenue is the single largest local revenue source collected by the City of Virginia Beach. This revenue stream is comprised of current year real estate taxes, public service real estate, as well as penalties associated with late payments. As of the FY 2025-26 Adopted Budget, the real estate tax rate for the City is $0.97 per $100 of assessed value. In addition, there are ten Special Service Districts (SSDs) with real estate surcharges for enhanced services within a set geographical boundary.

For FY 2026-27, the total projected Real Estate Tax revenue, including SSDs and the Town Center Tax Increment Financing District, is approximately $823 million, as reflected in the graph below.



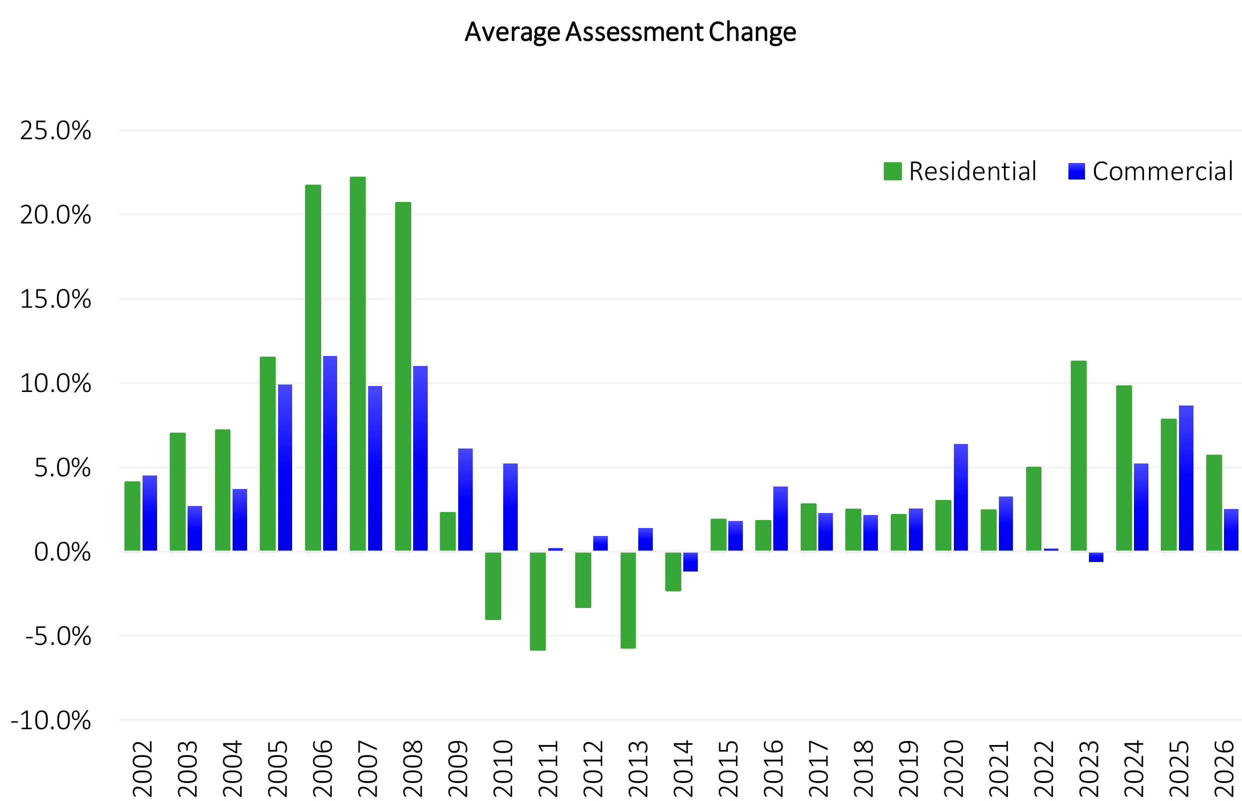
This slight increase can be attributed to a combination of the City Real Estate Assessor's preliminary estimate of 2.8% growth in assessment values in FY 2026-27 and continuing increases in tax relief for veterans and elderly and disabled residents. At this point in the budget process, projections are based on current market activity and trends and are educated judgements by the Real Estate Assessor. FY 2026-27 assessments will be finalized in February 2026. Over the forecast period, the assessment rate is expected to increase by approximately 3% annually.

While assessments are expected to continue growing, they have slowed compared to the last two fiscal years, which were between 7.3% and 5.6% annual growth, respectively. The market will likely remain stable through the projection period, as high interest rates continue to hinder affordability and supply. If interest rates ease, there could be more buyer activity.

Another factor that typically impacts revenue generated by the real estate tax is the number of foreclosures. In general, as the number of foreclosures increases, this puts downward pressure on home values, leading to a reduction in this revenue stream.

	2017	2018	2019	2020	2021	2022	2023	2024
Foreclosures	664	548	497	193	99	164	199	82
Foreclosure Sales	536	447	341	212	61	85	100	72

The number of foreclosures decreased 59% from 2023 to 2024 and are well below the historic figures reported since 2017. There is no indication at this time that foreclosures pose any threat to the five-year forecast.

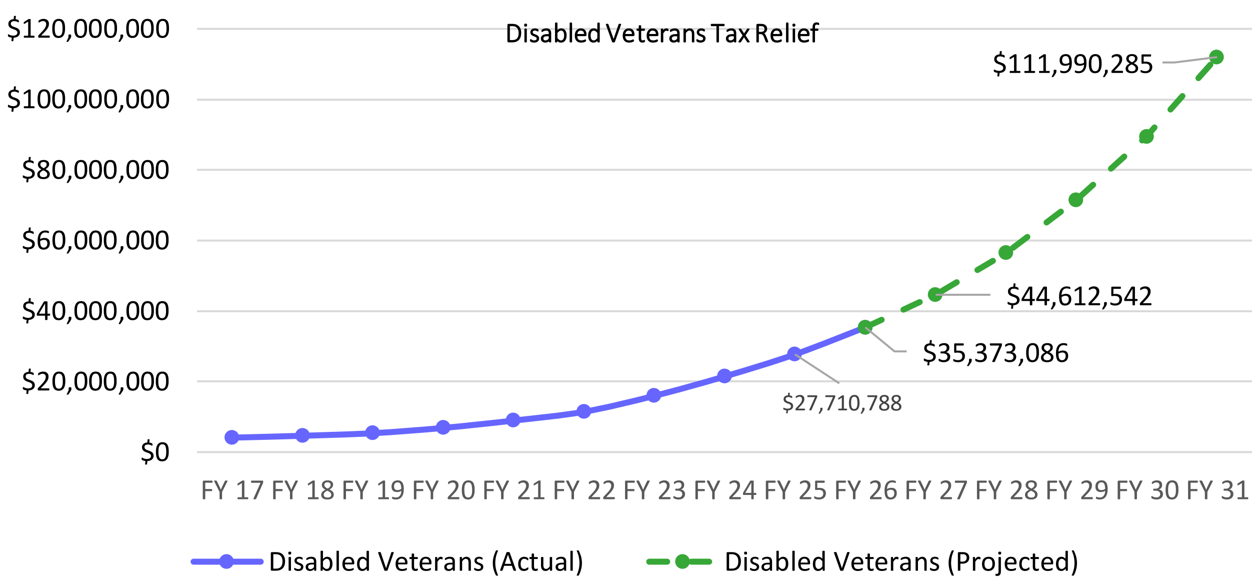


The chart above represents the average assessment change for residential and commercial property within the City dating back to 2002. The mid 2000's housing bubble had year over year growth of 20+%, then collapsed between 2010 and 2014 resulting in low to moderate assessment growth.

Residential property assessments grew by 7.8% in FY 2024-25, with a slight deceleration to 5.7% in FY 2025-26. Additionally, commercial property assessments, which increased by 8.7% in FY 2024-25, faced a sharp deceleration at 2.5% in FY 2025-26, indicating slower growth in the commercial sector. Although the level of growth in FY 2025-26 is less than annual growth experienced since the pandemic, it is in line with the historical growth average.

Tax relief programs are also monitored for their impact on real estate revenue. The Disabled Veterans Tax Relief Program, mandated by the Commonwealth of Virginia, has experienced significant growth in recent years. The Commonwealth of Virginia exempts from taxation the real property, including the joint real property of husband and wife, of any veteran who has been rated by the U. S. Department of Veterans Affairs or its successor agency pursuant to federal law to have a 100% service-connected permanent and total disability, and who occupies the property as his or her principal place of residence.

In FY 2026-27, total relief is anticipated to exceed $44.6 million, or the equivalent of 5.38 cents of the real estate tax rate. Should this program continue to grow at a steady pace, it will offset a portion of the revenue growth due to increased assessments. Based on estimates, by the end of the forecast period tax relief programs could surpass $111 million. These estimates are based on enrollment trends as well as real estate assessment growth estimates and accounts for the Constitutional Amendment that was passed in the November 2024 election that expands participation in the program to include spouses of service member killed in the line of duty.



In addition to the state mandated Disabled Veterans Tax Relief Program, the City of Virginia Beach has a locally administered real estate tax relief program for the elderly and disabled. Previously, the revenue associated with this program was estimated as part of the total real estate tax revenue, then treated as an expense to the General Fund, causing it to bear the full cost of the program and overstate the budgeted appropriations supporting general government services. Beginning in FY 2026-27, the program will be treated like the Disabled Veterans Tax Relief Program, and the revenue will not be estimated then expensed. As a result of this accounting change, budget to budget, growth only reflects a 0.5% increase.

This change will allow the cost of the program to be shared among all dedications and the Revenue Sharing Formula.

As noted above, real estate revenue is the single largest local revenue source for the City and is dedicated between multiple City funds and City Council priorities, as reflected on the table below. For the General Fund, real estate comprises 55% of all revenue and is shared with Virginia Beach City Public Schools through the adopted Revenue Sharing Formula.

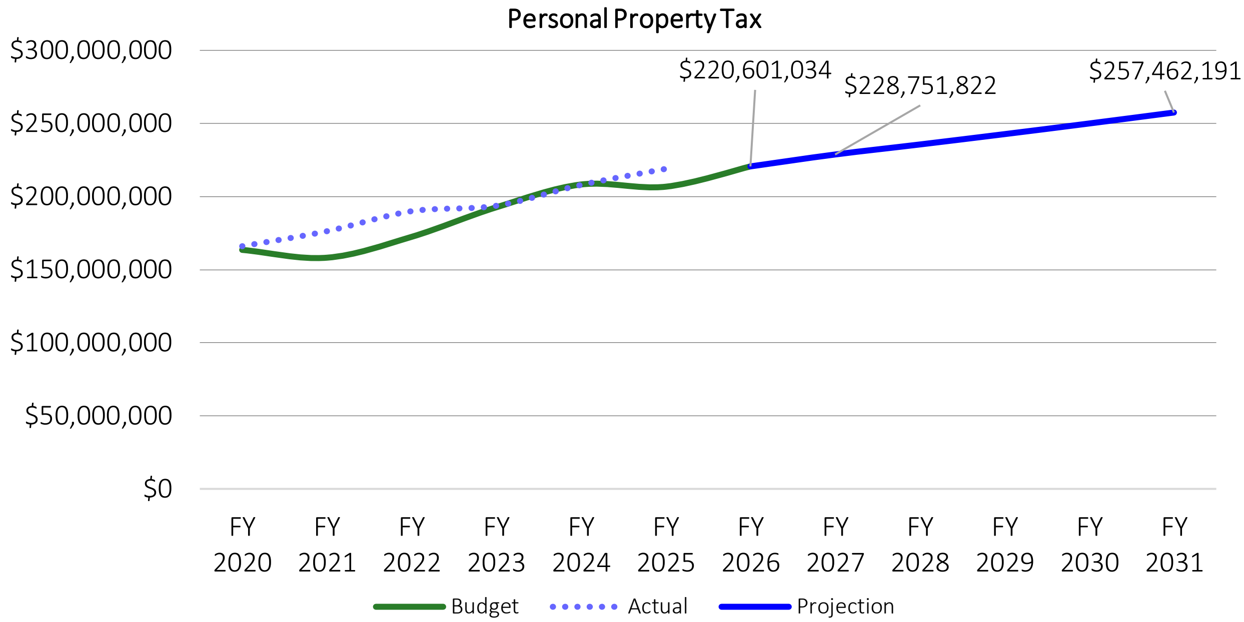
Dedication	Rate
Recreation Centers	3.467¢
Outdoor Initiative CIP	0.47¢
City Council Priorities	1.85¢
Public Safety	1¢
School Funding Formula Hold Harmless	2.138¢
Major Projects Fund	0.3¢ + 40% of TIF
Agricultural Reserve Program	0.60¢
General Fund Stormwater Operations	2.5¢
Flood Protection	4.1¢
Town Center TIF	Excess of base assessed value
Development Agreement	0.15¢

Personal Property

Personal Property taxes are assessed each year by the Commissioner of Revenue's Office for all personal property garaged within the City of Virginia Beach. The Office assesses all vehicles including cars, trucks, trailers, motorcycles, motor homes, aircraft, and watercraft. Mobile homes on temporary foundations are also assessed as personal property. In regard to collections, 90% personal property taxes are not due until June, near the end of the fiscal year. The timing of the due date for this tax and fluctuations in the vehicle market create some uncertainty and makes this revenue difficult to project; therefore, the City takes a conservative approach when budgeting personal property tax revenues.

In FY 2026-27, the City is anticipating a 3.7% increase in this revenue from the most recently adopted budget, and a 3.0% growth throughout the remainder of the forecast period. This forecast continues to be conservative due to the continued overvaluation of new and used cars.

In total, in FY 2026-27, the City is anticipating $228 million in Personal Property Tax revenue. This is a General Fund revenue that is shared with Schools through the Revenue Sharing Formula.

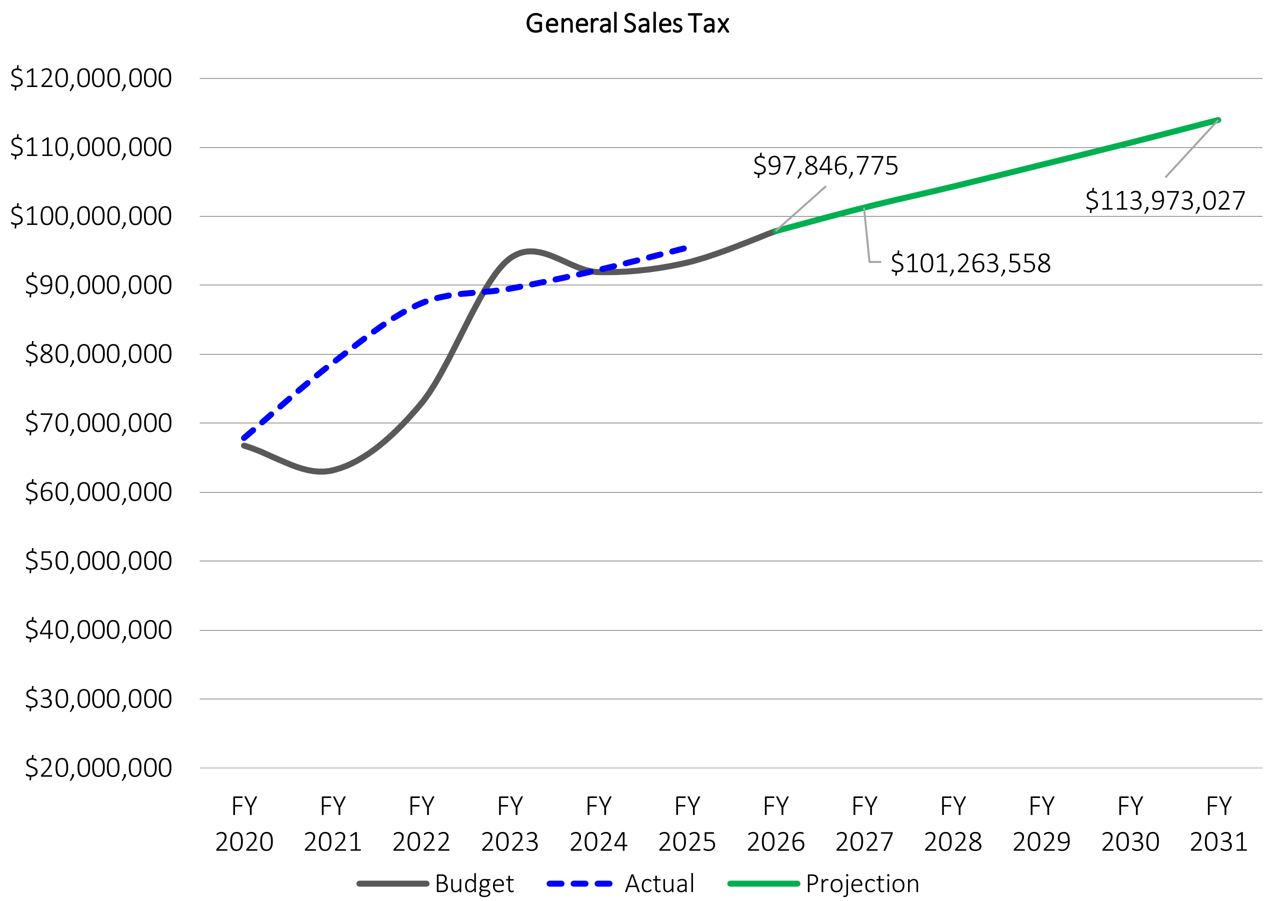


General Sales Tax

The Commonwealth of Virginia imposes 4.3% statewide sales and use tax and a 1.0% local option sales tax. In addition to these rates, 0.7% regional sales and use tax is applied in Northern Virginia and Hampton Roads, making the combined sales and use tax rate 6% in Virginia Beach, of which the City retains 1.0%. The remainder is returned to the Commonwealth.

General Sales tax revenue exceeded expectations during the pandemic. Economic stimulus increases in income, and deferment of student loan payments likely contributed to the performance of this revenue. During the same time period, online sales became taxable resulting in double digit percentage growth, not only for Virginia Beach, but for other Hampton Roads localities.

When prices of goods and services increase due to inflation, the total amount spent by consumers also rises. Since sales tax is usually a percentage of the sales price, higher prices lead to higher tax collections. Inflation can increase sales tax revenue in the short term by driving up prices, but its long-term effects depend on how inflation impacts consumer spending habits and economic conditions. In total, the City anticipates receiving $101.3 million in revenue from General Sales tax in FY 2026-27, a 3.5% increase from the current year budgeted amount. Throughout the forecast period, it is estimated this revenue will grow 3% each year, which is in line with pre-pandemic historical actuals. This revenue is 100% dedicated to the General Fund and shared with Schools through the Revenue Sharing Formula.



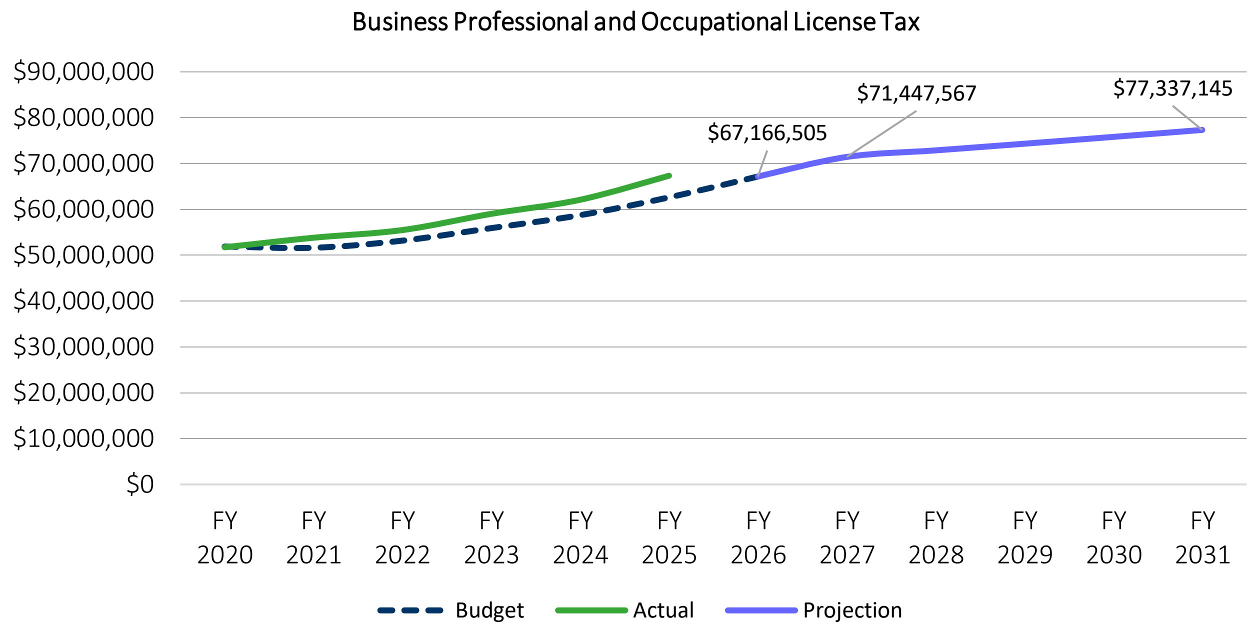
Business Professional Occupational License

Business Professional and Occupational License (BPOL) taxes are determined using a business's gross receipts, as demonstrated on the following table.

Gross Receipts	Rate
$0-25,000	$25
$25,001-$100,000	$40
$100,001-$200,000	$50
$200,001 +	Varied Based on Business Type

Gross receipts can serve as a key indicator of the overall health of the economy. An increase in gross receipts reflects robust economic activity, suggesting growth and expansion across various sectors, which typically signals a healthy and thriving economy. Although BPOL revenue is an important indicator, this revenue is a calendar year tax and is not due until March of each year. This makes it difficult to project early in the budget process.

An additional variable sometimes creating unpredictable growth trends in this revenue is due to the BPOL exemption program. The City has a two-year exemption program for businesses new to the City. This Business License Incentive Program allows any new business that is established in the City for the first time, and anticipates generating gross receipts of more than $100,000, to pay only the $50 business license fee for the first two calendar years. This means that there is a delay in how quickly the addition of new businesses will directly contribute to the growth in this revenue. In recent years, BPOL has shown steady growth and has consistently overperformed the budget. Just as General Sales exceeded expectations during the pandemic, BPOL revenues and the growth in business gross receipts also exceeded expectations.



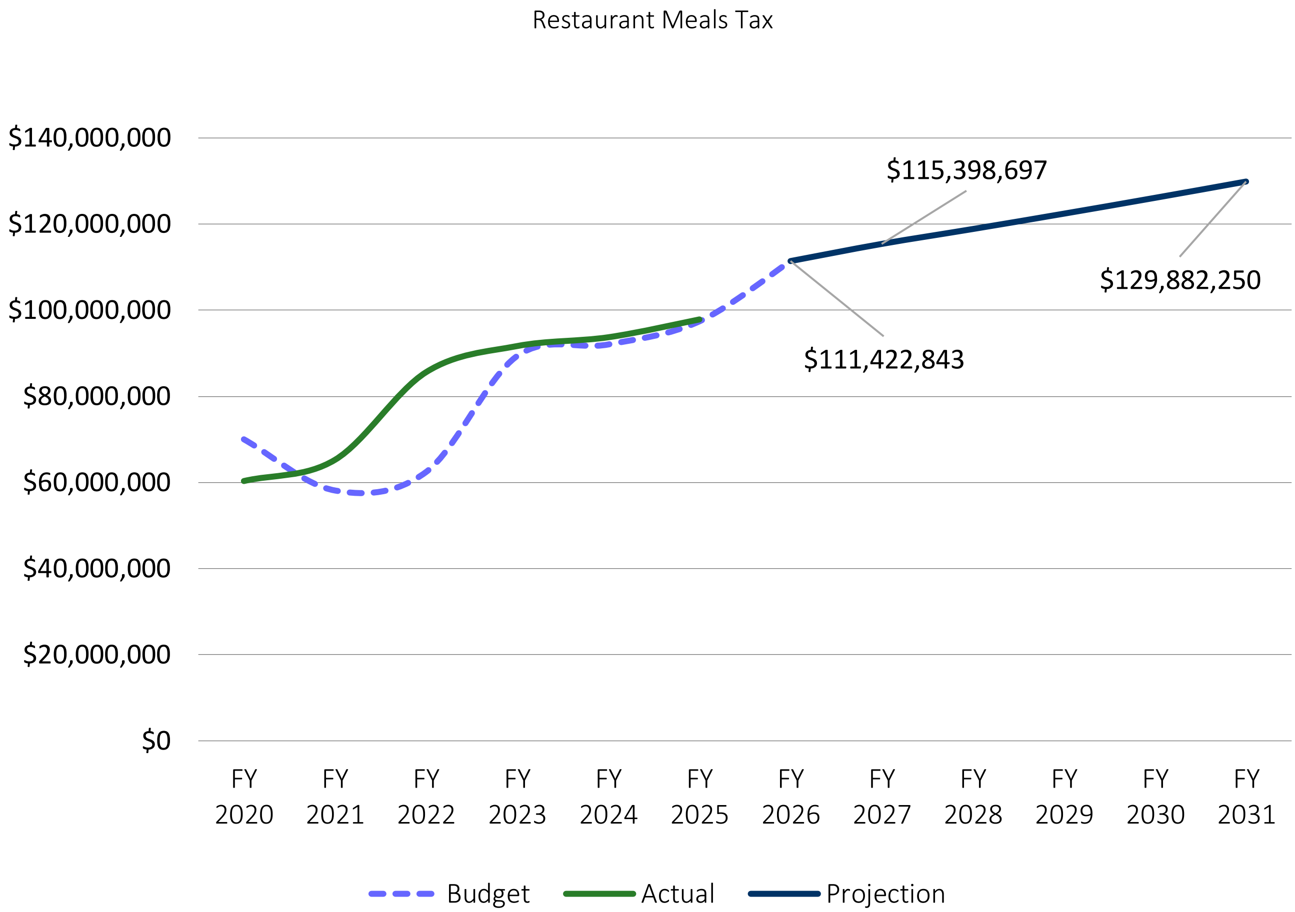
Based on long-term trends and the continued strength in the performance of this revenue, the City is anticipating FY 2026-27 revenue at this time to be $71 million, a 6.37% increase from FY 2025-26's Adopted Budget. Throughout the remainder of the five-year period, the forecast projects 2% growth annually.

This revenue is 100% dedicated to the General Fund and shared with Schools through the Revenue Sharing Formula.

Restaurant Meals Tax

The City's Restaurant Meals tax is a 6% tax on all prepared meals and drinks sold ready for consumption either on or off the seller's premises. This rate is among lowest in the region, as all other cities in Hampton Roads have tax rates between 6% and 7.5%.

The Restaurant Meals tax is a significant revenue source for the City, representing 40% of consumer-driven revenues. This revenue has remained resilient in recent years, despite the COVID-19 pandemic. As with all consumer-driven revenue, however, restaurant revenue growth has slowed slightly from pandemic-era growth. Higher food and supply prices for restaurants have been passed along to consumers in many cases, meaning that even if consumption were to decline, revenue may still increase. In the FY 2025-26 Adopted Budget the Restaurant Meals tax was increased from 5.5% to 6% to help support the newly established Major Projects Fund. This increase accounts for the sharper increase in the budgeted amount for FY 2025-26 as reflected in the following graph.



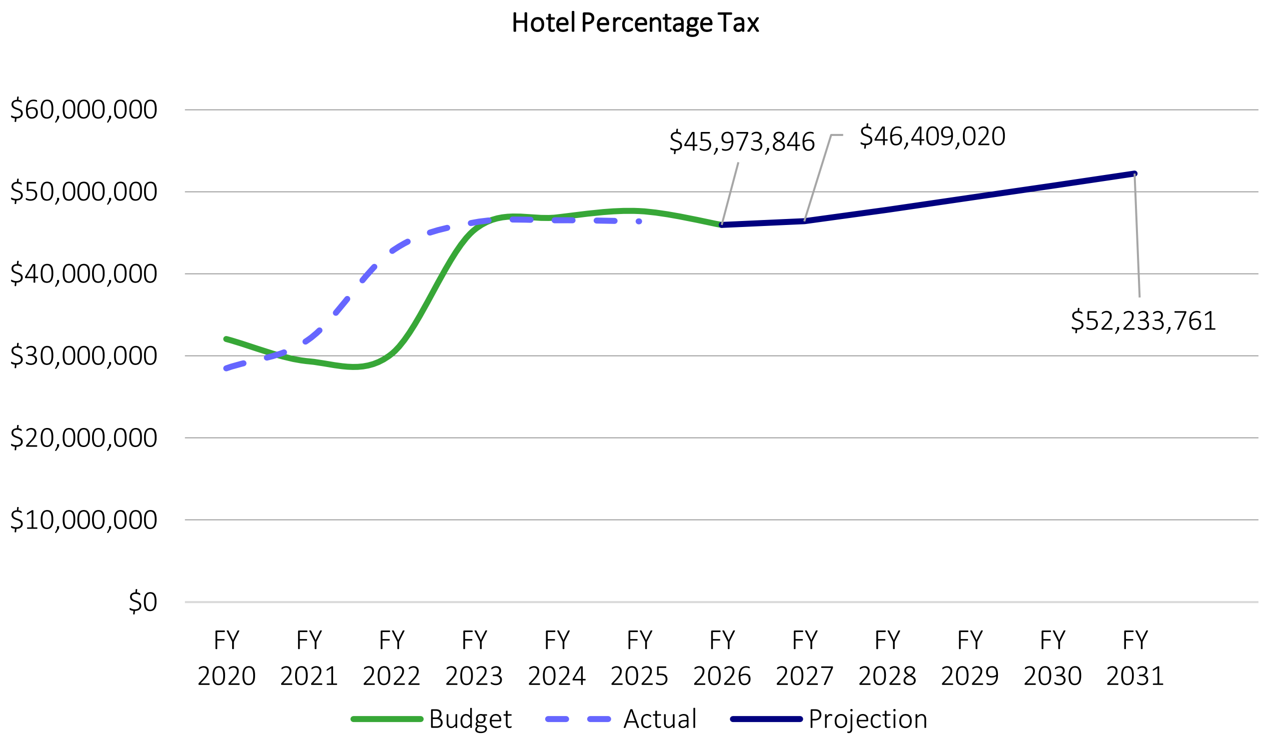
In FY 2026-27, the City anticipates receiving $115.4 million in Restaurant Meals tax revenue. Throughout the forecast period growth of 3% is expected, and by FY 2029-31, this is estimated to be a nearly $130 million revenue source.

The majority (58%) of the Restaurant Meals tax is dedicated to the General Fund and shared with Schools, 18% is allocated to the Tourism Investment Program (TIP), 8% to the Tourism Advertising Program (TAP) Fund, 3% to Open Space, and 13% to the Major Projects Fund, primarily for Public Safety initiatives.

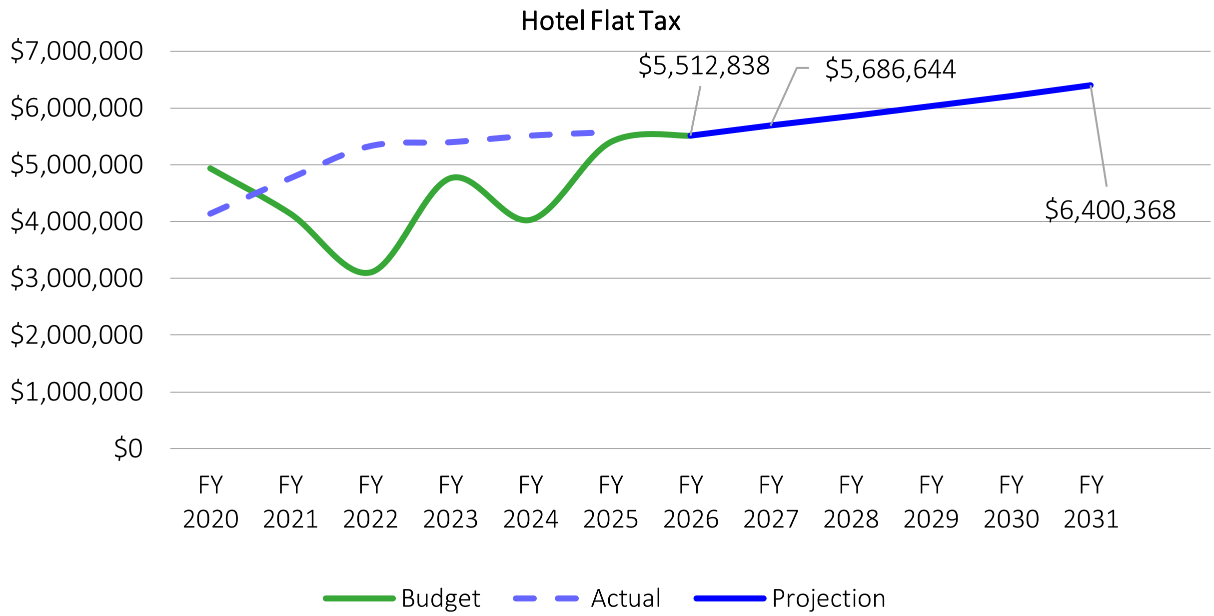
Hotel Tax

Much like the Restaurant Meals tax, after a marked downturn in FY 2019-20, Hotel tax revenue exceeded pre-pandemic levels from FY 2021-22 to FY 2023-24. The rebound of this revenue exceeded expectations due to stimulus and pent-up travel demands coming out of the pandemic; however, like General Sales tax, a change in State Code was also a driving factor. In the 2021 Special Session, the General Assembly passed a bill requiring third party booking sites to begin remitting transient occupancy (hotel) taxes.

Hotel tax revenue is comprised of two separate components, an 8% tax on hotel stays (reflected in the graph below) and a flat $2 tax per room night. The tax on hotel stays is driven primarily by the cost of a night's stay in a hotel, while the flat tax is driven by the number of nights a room is booked. This means that the hotel tax revenue is dependent on the economic climate and the desirability of Virginia Beach as a tourist destination. While there are projections of decreased international travelers visiting the country as a whole, as of the last Virginia Beach Economic Impact report, only about 2.7% of the visitors of Virginia Beach are international travelers.



In FY 2026-27, the City anticipates generating $46.4 million in revenue from the Hotel Percentage tax. The Forecast currently projects 0% growth in this revenue in FY 2026-27 Budget from the FY 2025-26 Adopted Budget and 3% growth for the remainder of the forecast period, in line with historical growth trends. The hotel percentage tax is dedicated to a variety of funds, with approximately 25% allocated to the General Fund and shared with Schools through the Revenue Sharing Formula. This revenue will continue to be monitored and updated throughout the budget process.

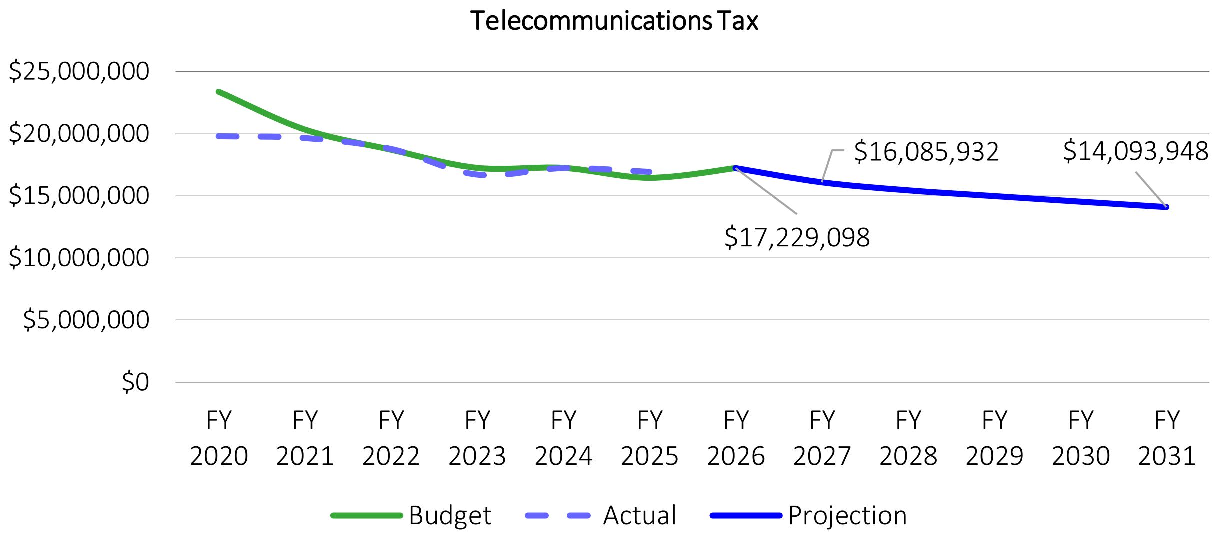


As noted above, the Hotel Flat Tax rate is $2. There is a $1 dedication to the Tourism Advertising Program Fund and $1 dedication to the Tourism Investment Program Fund; except within the Sandbridge Special Services District where $1 goes to the SSD. Year-over-year Hotel Flat Tax revenue has increased slightly as shown in the graph above while the percentage-based tax has remained flat, indicating more room nights for a lesser nightly rate. Hotel Flat Tax revenue in FY 2026-27, is projected at $5.7 million in revenue, a 3% increase from the FY 2025-26 adopted budget of $5.5 million.

Telecommunications Tax

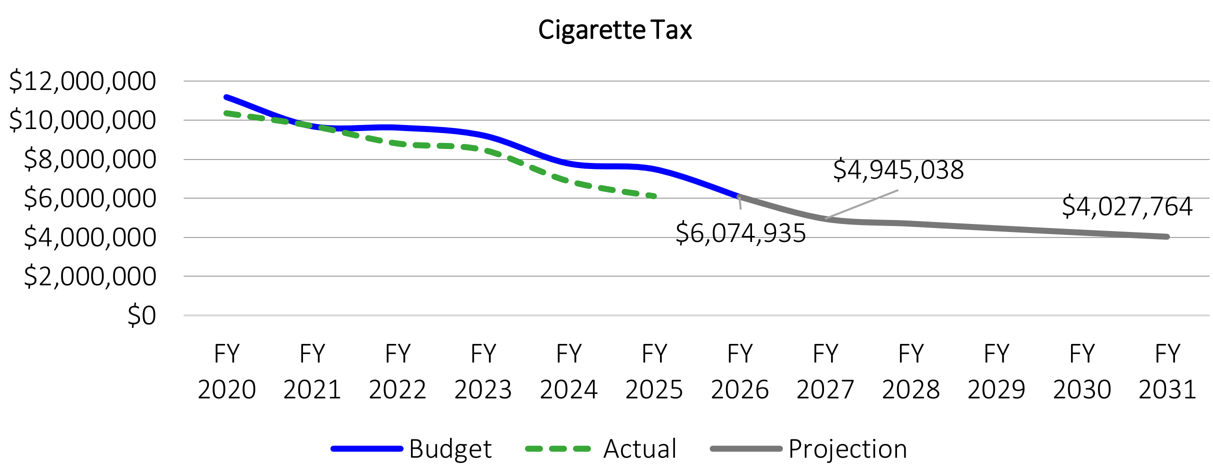
The Virginia Telecommunications tax is a 5% tax and additional right-of-way fee per line. The tax applies to cable and satellite TV, landline and internet phone service, voice-over-internet-protocol, and satellite radio but not to cell phone data plans or streaming services. As mentioned in prior Forecasts, this revenue source is steadily declining as streaming services increase in popularity, and as homeowners become less likely to purchase a landline telephone. Statewide tax policy has not been updated to account for changes in technology in the market.

There is a projected decline from $17.2 million in FY 2025-26 to $16.1 million in FY 2026-27. Currently, there is no indication that legislation and policy for this tax will change, allowing for additional revenue collections. For this reason, this decline is also expected to continue throughout the forecast period, with between 3% and 4% reduction projected each year during the next five years. Telecommunications tax is a General Fund revenue that is also shared with Schools through the Revenue Sharing Formula.



Cigarette Tax

During the last decade, Cigarette tax revenue has declined significantly. In July 2020, the legal age for purchasing tobacco products increased from 18 to 21 in the Commonwealth of Virginia. Much like Telecommunications tax policy, this revenue stream will continue to decline until changes are made in the General Assembly to allow local governments the ability to tax more popular forms of tobacco consumption, such as vaping. This Forecast assumes a decline of 18.6% in FY 2026-27 from the Adopted Budget for FY 2025-26, and a 5% decline for the remainder of the forecast period. In FY 2026-27, just under $5 million in revenue is projected to be generated from Cigarette taxes. The City is in support of legislation at the State level to modernize taxation policy to allow localities to tax vape product/e-cigarettes.



Per state code, the City's cigarette tax rate is capped at 75¢ per pack. Of this amount, 16¢ is dedicated to the Economic Development Investment Program, and 5¢ to the Tourism Investment Program fund. The remainder is allocated to the General Fund and shared with Schools through the Revenue Sharing Formula.

Federal Revenue

The City's General Fund typically receives just under $26 million in federal revenue annually. This revenue is mostly found in the Human Services and Housing Departments. For the duration of this reporting period, the revenue is estimated to remain flat with 0% growth. More information on federal revenue projections can be found in later sections of this document.

Revenue Summary

Across all revenue sources, at this time, it is anticipated that General Fund revenues will increase 1.3% between FY 2025-26 and FY 2026-27, and approximately 2.6% annually for the remainder of the forecast period. While this growth is significantly less than the most recent fiscal years, it is in line with historical trends and an indication that the City has "returned to normal" following the pandemic. A full summary of all the City's General Fund revenue sources can be found in the General Fund section of this document.

Expenditure Assumptions Influencing the Forecast

Each year, City staff forecast General Fund expenditures for the upcoming five-year period. A diverse and wide range of resources is used to develop these expenditures assumptions. Included among these sources are current City policies, directives from the Commonwealth, economic conditions, as well as historical expenditure trends. Additionally, various assumptions regarding organizational compensation changes are incorporated. In the following sections, the City's assumptions regarding projected expenditures are discussed. Notably, there is no reduction of expenditures or services in an effort to balance any forecasted deficit in order to demonstrate true need at current service levels. However, the City Manager's Proposed Budget, scheduled to be presented in March 2026, will reflect a sustainably balanced budget for the City Council's consideration.

Compensation

Compensation, including salaries and associated fringe benefits, accounts for more than one-third of the City's total expenditures. Accurate planning of these expenses is critical to the budget process.

Salaries/Compensation Increases

As part of the FY 2025-26 Adopted Operating Budget, the City Council partially implemented and adopted the recommendations from the 2025 Market Salary Survey. A $16,151,000 reserve was established within the General Fund for the additional pay increases for sworn City employees, sworn Constitutional Officers, and positions compensated at the lowest ranges of the pay plan. Due to funding limitations, full implementation of the findings from the market salary survey was not feasible. The total cost to implement the full salary survey recommendations would have been $27,713,500.

City staff not on the step plan, primarily managerial and administrative staff, are on an "open range" pay structure. Under the step pay plan, employees will advance a step each year, subject to City Council appropriation, which equates to an approximate 3% annual increase, provided they meet performance expectations. Accordingly, the baseline Forecast factors in a 3% compensation increase for City employees each year of the forecast period. Growth in salaries is solely driven by this assumption as new positions are not assumed in the baseline forecast.

The salary costs within the Forecast do not reflect the use of attrition savings. Attrition savings have been used in recent years to balance the budget; however, for the purpose of this report they are not reflected in the outer years of the Forecast. In the Adopted FY 2025-26 Operating Budget, $10 million in attrition savings was used to balance the General Fund, meaning the City relies on positions not being filled 100% of the time in order balance the budget. In addition, savings for unfilled positions allows City departments the flexibility to use additional overtime and supplemental contracted manpower to meet operational needs and to fund the cost of unforeseen emergencies (e.g., the tornado in April 2023). The table below demonstrates the amended budgeted amount compared to the actual amounts for overtime within the General Fund in the last three fiscal years. In many instances, the need for additional overtime is the result of the workload increases for filled positions due to the inability to fill every position 100% of the time.

Overtime – General Fund	FY 2023	FY 2024	FY 2025
Amended Budgeted Amount	$15,499,175	$17,503,512	$22,918,129
Actual Amount	$24,584,142	$27,348,964	$27,319,193

Attrition savings are also relied upon to fund the Capital Improvement Program (CIP) through the use of fund balance in the following fiscal year and, as more positions are filled or repurposed, there may be less attrition savings at the end of each fiscal year. Actual payroll expenditures are monitored throughout the fiscal year and as appropriate, the use of fund balance as a means of funding the CIP may be modified for the Proposed Budget during the development process. The FY 2026-27 CIP anticipates using $17.8 million of fund balance from the General Fund as a financing source, which will primarily be derived from vacancy savings. The use of vacancy savings must be purposeful and monitored closely, as more and more positions become filled. In recent years, year-end vacancy savings have dwindled from $31.6 million in FY 2021 to $14.8 million in FY 2025.

Virginia Retirement System (VRS) Rates

The VRS Board of Trustees establishes the contribution rate that the City must pay to cover its share of the retirement benefits for each full-time employee. The rate adjustment occurs every two years and is one of the primary drivers of rising personnel costs for the City. The rate for FY 2025-26 is 18.98%. The increased rate for FY 2026-FY 2027 is currently assumed to be set at 20.48% of all full-time salaries, a 1.5% increase. This increased rate has an estimated impact of $6.5 million to the General Fund.

This Forecast assumes that the employer's contribution rates for VRS will increase by 1.5% every other year as the General Assembly realigns pension contributions to meet the rising number of employees projected to retire and the unfunded pension liabilities. The true amounts should be known by late November/early December each biennium.

Health Insurance

Since FY 1994-95, the City's health insurance program has been administered by the Consolidated Benefits Office, a division of Virginia Beach City Public Schools (VBCPS). The plans offered to both sets of employees are identical; however, there was a divergence in employee premiums offered by each entity from 2023-2025 when the Schools lowered employee premiums below that of City employees. Due to a rapid decline in the School Health Fund balance, employer contributions increased by 25-32% over the last two years. The school division recently announced increased employee premiums effective January 2026 to be in line with City employees to help stabilize the Fund. To offset increased health insurance costs without impacting employees, the City has increased the employer contribution by 3% annually, approximately $1.5 million each year as opposed to reducing premiums. The City held premiums flat with a planned drawdown of fund balance.

While health insurance has seen some price increases, overall growth has been relatively low; however, changes in the market are indicating growth above the 3% assumed level of inflation. This Forecast also assumes the employer's share of insurance costs will continue to grow by a minimum 8% each year. The 8% trend forecasted in future years assumes that the City will draw from the fund balance of the Health Fund balance to cover some expenses for the health plan. It is likely that the City may need to consider additional employee or employer contributions or adjustments to premiums to ensure long-term sustainability of the Health Insurance Fund. FY 2025-26 marked the seventh year in a row that employee health premiums remained flat for City employees.

Operating Expenses

Inflation

Based on projections from the Federal Reserve Bank of St. Louis, inflation is projected to lessen from recent highs and return to an annual change of just under 3%. This is closer to the Federal Reserve's goal of 2%, which is viewed as a sign of a healthy economy. The Forecast assumes an inflation rate of 3% for each of the next five fiscal years for operating and capital accounts. This assumption is coupled with projected increases in certain operating expenses, such as contracts for software services, to account for known continuous cost escalations.

Internal Service Charges

Certain support services are provided intra-governmentally through Internal Service charges. These charges include Risk Management, Information Technology, Telecommunications, and City Garage services. In FY 2025-26, the total Internal Service charges for the City's General Fund totaled $53,596,928. In FY 2026-27, the total projected cost is $59,007,120.

There are a few primary drivers for this cost increase. In the case of City Garage, vehicle replacements, repairs, parts, maintenance, contracts, and labor are all increasing due to high level of inflation. The other major influence is the Information Technology Internal Service Fund (ISF). This fund consolidated IT charges that were being reflected in the IT Capital Improvement Program, IT Operating Budget, and the Non-Departmental Operating Budget and allocated the cost of service to individual departments as an internal service charge. The restructuring allowed the City to more accurately reflect the true cost of IT subscriptions and services needed by each department and fund. In FY 2026-27, a number of contracts for subscriptions accounted for a large amount of the needed funding increase for the IT ISF. For example, Microsoft increased by $710,275 and the citywide Printer Lease increased by $179,846. For the remaining Forecast years, there is an assumed 3% annual increase to all internal service fund charges, consistent with all other accounts.

Reserves

Per City policy, the City Manager may include in the budget a General Fund Reserve for Contingencies of 0.5% to 1% of the General Fund budget. Each year, the General Fund Regular Reserve for Contingency of $1.5 million is established to provide flexibility to address various unforeseen issues as they arise. These issues are typically smaller and one-time in nature, such as grant matches. Use of these may be authorized by the City Council or transferred by the City Manager. The annual budget ordinance authorizes the City Manager to transfer up to $250,000 administratively from this reserve to address unforeseen needs. The Forecast does not assume any change to this budgeted amount for any of the Forecast years. However, when the budget is adopted, there are often other reserves included within the budget. These are known as "dedicated reserves" and can only be transferred from to meet their original intent.

Transfers to Other Funds

Within the General Fund, "transfers to other funds" include transfers to the Capital Improvement Program as pay-as-you-go funding to support non-bondable projects, the School Operating Fund, the Sheriff Special Revenue Fund, and other minor transfers for grant matches.

For the purposes of the baseline Forecast, the transfers to the Capital Improvement Program are based on the most recently programmed CIP, updated to reflect revised revenue estimates for any dedications such as the Outdoor Initiative or the Economic Development Investment Program.

The transfer to the School Operating Fund, the largest expense for the General Fund, is based off of the Adopted School Revenue Sharing Formula, whereby the Schools share 46.75% of non-dedicated General Fund Revenues. The Forecast assumes the current Revenue Sharing Formula will remain in place for the next five years.

Transfers to the Sheriff and for grant matches are assumed to grow 3% in years two through five of the Forecast, consistent with projected compensation increases.

General Fund Debt Service

As part of the annual Operating Budget and Capital Improvement Program (CIP) development, the Department of Budget and Management Services collaborates with the Department of Finance on debt management. These departments work together to estimate the timing and amount of bonds for the next bond sale. Unlike many cities that issue debt before starting a project to secure funds for construction, the City of Virginia Beach typically uses a reimbursable approach to debt issuance. This means bonds are used to repay the City after project completion. While bonds finance nearly half of the CIP annually, the schedule of bond sales can vary based on project completion, cash flow needs, and market conditions.

Estimating the amount and timing of the next bond sale is crucial for budget preparation. This ensures that sufficient debt service is properly included in the operating budget for all relevant funds. Like a home mortgage, the debt service must be fully paid each year. As debt is repaid, the annual payments decrease; however, new bond sales can raise the debt payments back to previous levels or higher. Therefore, the debt service budget for the General Fund is maintained at a consistent level across the five-year period of the forecast and is reassessed annually to ensure adequate funding. The growth from FY 2025-26 to FY 2026-27 is related to a planned bond sale in the Spring of 2026.

To gauge the capacity of General Obligation Bonds as a funding source in each year of the CIP program, it is paramount to have an accurate estimate of the next bond sale. The City Charter allows for an increase to long-term general obligation debt by $10 million each year in addition to the amount of principal retired each year. For effective planning, bond sales are forecasted to plan for further principal retirement, leading to increased bonding authority in subsequent years of the CIP. It is important to not over allocate bonds as a financing source in the CIP, as to not over obligate debt service on the General Fund, and to not exceed the City's Charter, or adopted debt management.

Capital Improvement Program Needs

A significant backlog of new construction and maintenance needs for City-owned buildings, stormwater pipes, canals, and park infrastructure exist. General inflation has increased by 3%, and the construction sector has experienced double-digit inflation, causing project bids to exceed budgets by as much as 48%. The regional construction market is also stretched thin with many large projects such as the multi-billion-dollar bridge-tunnel expansion competing for resources. The combination of these inflationary challenges along with increased maintenance needs over the past year, has surpassed the budget's ability to fund all necessary projects. In the FY 2025-26 Adopted CIP, there was $1.07 billion in unfunded project requests. Additionally, several CIP projects were deleted or delayed based on their current construction state and overall priority. Some of these projects include Ferrell Parkway, Centerville III, and Burton Station Road Improvements.

In January 2025, the City Council held a two-day retreat primarily focused on the City's Capital Improvement Program. The main purpose of the retreat was to allocate time for the City Council to establish priorities and provide guidance to City staff as they developed the FY 2025-26 CIP. The Council ultimately agreed upon several guiding principles for CIP development which include: fulfilling promises while considering current needs, reviewing dedications with healthy balances for potential redirection, considering adjusting project scopes and/or delaying projects, setting realistic expectations, prioritizing public safety, transportation, and quality of life, maximizing the benefits to residents, being mindful of debt capacity, planning for the Law Enforcement Training Academy (LETA), and exploring new revenue sources while being mindful of the real estate tax rate.

Following direction provided at the CIP Retreat, the Major Projects Special Revenue Fund was established. This fund is intended to support critical capital projects and provide sustainability. It supports projects such as Virginia Beach Trail Phase I, LETA, Courthouse Modernization, and Indian River Road Safety Improvements. In addition to the funding strategy of the Major Projects Fund, several projects were able to be funded in the near term of the CIP through the use of General Fund pay-as-you-go funding and fund balance.

For the purposes of the baseline Forecast, additional/new projects being considered by the City Council are not included in baseline expenditure assumptions. The baseline Forecast also does not assume enhanced funding towards pay-as-you-go transfers to the CIP or additional debt service for potential bonds for then unfunded portion of these projects. Should additional projects be added to the CIP, additional funding will be needed as pay-go or to sustainably cover repayment of debt for projects within the operating funds.

Baseline Forecast Summary

Revenue growth throughout the Forecast for the General Fund is estimated to be between 1.36% and 2.59% annually, while expenditures are assumed to grow at a faster pace. As such, the General Fund is projecting a deficit across the five-year period. Despite this deficit, the City Manager will provide the City Council a balanced budget for FY 2026-27 in March 2026, with recommendations on how to sustainably balance the fund. A more detailed summary of expenses and revenues can be found within the Appendix section of this document.

Baseline	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Revenue	1,580,373,131	1,620,855,758	1,662,759,114	1,696,512,100	1,731,092,392
Expenditures	1,591,398,587	1,640,245,968	1,696,090,235	1,742,804,867	1,803,683,075
Difference	**($11,025,456)**	**($19,390,210)**	**($33,331,122)**	**($46,292,768)**	**($72,590,682)**

Federal SNAP and Medicaid Changes

On May 22, 2025, the House of Representatives approved the One Big Beautiful Bill Act (OBBB). The Senate passed its version on July 1, 2025. On July 3, 2025, the House concurred with the final version of the bill, and President Trump signed the One Big Beautiful Bill Act into law on July 4, 2025. The following provides an overview of key provisions in the bill and their anticipated impact on the Human Services Department (HSD) in two primary areas: Supplemental Nutrition Assistance Program (SNAP) and Medicaid services. The Forecast does not attempt to estimate changes to revenue or expenditures for Human Services currently, as too little information is available. Staff will update the City Council as more information is known.

Supplemental Nutrition Assistance Program (SNAP)

The Supplemental Nutrition Assistance Program is a federal initiative managed by state governments. Eligibility determination and benefit distribution are handled by local Social Services offices across 120 different locations. SNAP aims to provide food assistance to low-income individuals and families, thereby supplementing their grocery budgets. Beneficiaries utilize an Electronic Benefit Transfer (EBT) card to purchase eligible food items from authorized retailers.

As of August 2025, Virginia Beach had 33,000 residents receiving SNAP benefits. A significant change introduced by the Commonwealth's/U.S. Government's Office of Budget and Business Bureau involves the cost-sharing of benefits between the State, localities, and the federal government, based on payment error rates. This new requirement, along with higher administrative cost-sharing at the State and local levels, is expected to have a substantial impact on the Human Services Department budget.

Work Requirement Changes

Currently, individuals receiving SNAP must comply with the work requirement to receive benefits. Individuals under 18 or over 55 years old are exempt from this requirement. The OBBB moves the eligibility of this exemption from 55+ to 65+ years of age. This expansion will directly impact both residents and City staff. More residents will need to verify employment activities, potentially resulting in case closures if they do not comply or cannot comply with the requirements. Staff will experience an increase in processing work as more individuals will be subject to the work component.

At this time, parents of children in households with individuals under 18 years of age are exempt from work requirements. Under the new policy, only parents of children in households with individuals under 14 years of age will be exempt from these requirements. This policy change is anticipated to increase the number of residents required to verify employment activity, potentially resulting in case closures for non-compliance. Additionally, this change will augment the workload for staff, as more individuals will now need to participate in work activities, which will require verification.

Presently, exemptions exist for veterans, homeless individuals, and certain Foster Care recipients who aged out. The OBBB will eliminate exemptions for veterans, the homeless, and Foster Care recipients aged 18 or older. The removal of these exemptions for these vulnerable populations may result in these residents losing access to a valuable food resource, potentially creating nutritional instability.

Though the effective date has not been announced, these changes will necessitate policy adjustments and additional staff training to prevent processing errors at the local level.

Administrative SNAP Cost

Currently, the United States Department of Agriculture (USDA) funds 50% of administrative costs of SNAP programs to the states, with the state and locality responsible for the remaining 50%. However, beginning in October 2026, USDA will reduce its contribution to 25%, thereby requiring States and localities to cover the remaining 75% of administrative costs. This change could result in an additional cost of up to $3.4 million for the City of Virginia Beach, depending on the percentage of the cost share that the Commonwealth of Virginia assumes. If Virginia decides to "opt out" of providing the SNAP program due to increased costs, residents may be affected. Both the State and City of Virginia Beach budgets will need to accommodate the projected cost increases associated with administering SNAP programs.

SNAP - Error Rate

There are currently no cost-share and no penalties for errors on individual States. The OBBB establishes a new cost-share requirement based on payment error rates (PER) effective October 2027:

- Less than 6% PER: 0% State cost-share
- 6-7.99% PER: 5% State cost-share
- 8-9.99% PER: 10% State cost-share
- 10%+ PER: 15% State cost-share

Currently, the Commonwealth of Virginia has a reported error rate of 11%. This means that payment made in error will no longer be covered by the Federal government but require repayment. State and localities' shared costs could amount to millions of dollars if the error rate remains at the current 11% for the Commonwealth of Virginia. This change will increase the requirements for residents, potentially necessitating an attestation during the processing and application processes to verify additional income details.

The introduction of the new cost-share requirement is anticipated to result in increased operational costs, particularly related to staff training. To ensure staff are adequately prepared to handle the updated requirements and error types, additional overtime may be necessary. The increased complexity of the cost-share model will also require expanded monitoring efforts, the implementation of additional quality control measures, and the hiring of additional quality control staff to proactively review cases for potential errors.

Medicaid

Medicaid is a joint federal and state program that offers free or low-cost health coverage to low-income individuals and families, including children, pregnant women, seniors, and people with disabilities. Each state administers its own Medicaid program with various eligibility criteria for services such as doctor visits, hospital care, nursing home stays, and certain types of long-term care. The Department of Medical Assistance Services (DMAS) reported that, as of August 2025, the Commonwealth of Virginia had 609,000 expanded Medicaid enrollees. In the same period, approximately 77,000 residents of Virginia Beach were enrolled in Medicaid, which included 26,000 individuals who joined through the Medicaid expansion program.

Work Requirements

Effective January 2027, newly established work requirements for adults aged 19-64 within the expansion covered group will mandate enrollees to demonstrate monthly compliance by fulfilling any of the following criteria:

a. Employment for at least 80 hours.
b. Completion of 80 hours of community service.
c. Participation in a work program for a minimum of 80 hours.
d. Enrollment in an educational program on at least a “half-time” basis.
e. Engagement in any combination of the aforementioned activities totaling 80 hours.

This new requirement for individuals will require additional verification and could result in more case closures if the resident does not provide verification of the work requirement. Expansion clients will need to provide verification information and be reassessed for the benefit every six months instead of annually. These new requirements will increase the amount of application monitoring and tracking of employment for Medicaid recipients. More policy training will be required, which will increase overtime costs as processing for expansion clients will occur twice a year instead of once annually.

Changed Renewal Period

Currently, annual renewals for Medicaid are required for all enrollees. Beginning in January 2027, Medicaid renewals will be required every six months for the 26,000 Virginia Beach expansion enrollees, while other Medicaid recipients will still only renew annually. The increased frequency of renewals for expansion enrollees will increase administrative burden and may result in delays or termination of coverage. This could lead to an increase in the number uninsured individuals in the community, placing additional strain on other healthcare resources, including private agencies, emergency rooms and Behavior Health services within the Human Services Department. The additional volume of work for staff to track and complete renewals twice annually for the expansion population will increase the need for overtime and additional staff. This will be necessary to complete the application process within the allotted time restraints to remain in compliance. Additional staff training will also be necessary for changes in policy to be applied.

Retroactive Coverage

Currently, a Medicaid application can determine eligibility, and the applicant can enroll three months prior to the application being processed. Beginning January 2027, the retroactive coverage period will be reduced from three months to one month for the expansion population and two months for all other individuals. The reduction of the retroactive coverage period could result in individuals being uninsured potentially for a longer period. For low-income residents, these changes may lead to increases in their medical bills. Like all other changes, additional staff training will be necessary for changes in policy to be applied.

Immigrant Eligibility

Currently, certain individuals meet the definition of a “qualified alien.” For these individuals, payments for services for an emergency medical condition have a 90% federal match. Beginning in October 2026, the definition of a “qualified alien” will be narrowed, and the federal match will be reduced to 50%. This will result in fewer individuals being enrolled, which will increase the number of uninsured individuals requiring services and care in the community. Increases in State and/or local funds will be needed to make up the 40% increased match.

Co-Pay

Starting in FY 2029, expansion enrollees will be required to pay a $35 co-pay for any item or service received. Total cost sharing for all individuals in a family may not exceed 5% of the family’s income. This additional expense may be financially impactful for residents as many individuals on Medicaid have multiple services rendered.

Federal Housing and Urban Development Changes

The U.S. Department of Housing and Urban Development (HUD) has proposed significant reductions to federal grant programs in FY2026. To help offset potential shortfalls, the federal government has announced plans to provide states with additional funds, allowing each state to allocate the money as it deems necessary. This support is particularly important because the majority of local housing programs rely heavily on federal funding. If the Commonwealth chooses not to make the City whole, these cuts will directly impact multiple divisions within the Virginia Beach Department of Housing and Neighborhood Preservation (DHNP), affecting services, staffing, and the City's ability to support vulnerable residents. Initial estimates point to a potential $13 million reduction in federal funding for housing programs and initiatives, though the exact impact remains uncertain.

Section 8 - Housing Choice Voucher Program

The Federal Section 8 Housing Choice Voucher (HCV) program provides rental assistance and special allocations for groups such as disabled and homeless veterans as well as a family self-sufficiency program, portability program, fostering youth initiatives vouchers, and project-based vouchers. It is estimated that the DHNP HCV program could experience a 31% reduction in funding, decreasing the number of available vouchers from 2,126 to 659. This cut would leave approximately 1,467 households in need of alternative means to cover their rent.

Homeless Resource Center (Continuum of Care Program)

The Homeless Resource Center (HRC) provides shelter, housing, meals, supportive services, community resources, learning facility, and a health center for families and individuals in Virgina Beach. The HRC also coordinates the communitywide application for funds under the Continuum of Care (CoC) grant. It is estimated that the HRC could experience a $126,000 funding reduction to its CoC planning funds for homeless services programing. The potential consequences of this reduced funding are an increase in homelessness, increased funding strains for community partners, and increased reliance on local resources.

Owner-Occupied Rehabilitation Program (OORP)

The Owner-Occupied Rehabilitation Program (OORP) provides assistance for home rehabilitation to remove an existing or imminent health and/or safety hazard and to make necessary modifications to allow a physically disabled resident to remain in the dwelling. The OORP also provides grants for home rehabilitation assistance to correct code violations. Due to predicted reductions to federal grant programs, the OORP estimates a reduction in households served from 25 to 10 annually, these services would have gone towards roofing, plumbing, HVAC and other repairs for qualified residents. This program is strongly geared towards serving older adult populations, with 80% of applicants in the program being older adults.

Special Service Districts (SSD) Overview

Town Center Special Service District

The Town Center Special Service District (SSD) was established in May 2002 with a real estate surcharge rate of 57¢ per $100 of assessed value. The purpose of the fund is to support the operation and maintenance of parking garages, enhanced maintenance and cleaning of public streets and sidewalks, more frequent garbage removal, enhanced lighting, additional beautification and landscaping for public spaces, as well as extra security in Town Center. These services under the current standard are funded through an equal taxation rate and under the assumption that services through this contract are equally beneficial to all commercial and residential stakeholders. The current real estate surcharge for this SSD is 45¢ per $100 of assessed value. Over time, the rate was adjusted down to the current rate to remain in line with operational needs of the Fund.

As a special service district fund with a dedicated purpose, funding within the Town Center SSD is managed to ensure funding exists to cover existing and future obligations. This results in the planned accumulation and draw down of fund balance. For that reason, this forecast reflects a cumulative fund balance projection.

Operating Revenue

The main source of revenue for the Town Center SSD is the real estate surcharge on the district. Other revenues include parking fees, valet franchise fees, rental income, and a transfer from the Town Center Tax Increment Financing (TIF) fund. These revenues historically have remained flat, and this forecast assumes that same trend, with the exception of the real estate tax revenue, which is anticipated to grow the historical rate within the SSD boundary of 1.9% annually. In general, revenues have lagged the current expenditures over the last few fiscal years. Slowed revenue growth is likely attributable to the lack of recent expansion/development within Town Center. A new hotel is anticipated to be operational in FY 2026-27 and will likely create a one-year growth in Real Estate revenue above the 1.9% average as estimated in the table below.

Revenue

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Real Estate	2,850,041	2,904,192	2,959,371	3,015,599	3,072,895
Charges for Service	194,300	194,300	194,300	194,300	194,300
Use of Money and Property	365,500	365,500	365,500	365,500	365,500
Transfer In	150,000	150,000	150,000	150,000	150,000
Total Revenue	**$3,559,841**	**$3,613,992**	**$3,669,171**	**$3,725,399**	**$3,782,696**

Operating Expenditures

The main cost drivers within Town Center centers around parking garage maintenance and parking enforcement. At the end of FY 2024-25, the contract to maintain the parking garages in Town Center increased. Due to the contract cost being adjusted after the FY 2025-26 budget was adopted, FY 2026-27 will be the first year with this increased cost reflected. The maintenance cost increase will be $694,784 for a total planned budgeted amount of $1,544,784.

Expenditures

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Professional Services	2,054,438	2,116,071	2,179,553	2,244,940	2,312,288
Parking Maintenance	1,544,784	1,591,128	1,638,861	1,688,027	1,738,668
Other Charges	389,340	401,020	413,051	425,442	438,206
Supplies	13,390	13,792	14,205	14,632	15,071
Transfer to General Fund	75,000	75,000	75,000	75,000	75,000
PAY-GO to CIP	502,726	502,726	502,726	502,726	502,726
Transfer to Parking Fund	72,000	72,000	72,000	72,000	72,000
Total Expenditures	**$4,651,678**	**$4,771,737**	**$4,895,397**	**$5,022,767**	**$5,153,958**
*Surplus/Deficit	**($1,091,837)**	**($1,157,745)**	**($1,226,225)**	**($1,297,368)**	**($1,371,262)**
Cumulative Fund Balance	**$47,035**	**($1,110,710)**	**($2,336,935)**	**($3,634,303)**	**($5,005,565)**

As a part of the FY 2025-26 budget process, two significant changes occurred that have aimed to address long term sustainability of the Town Center SSD. City Council declared a surplus in the Town Center TIF in the amount of $1,000,000 to provide sufficient time to develop a sustainable funding plan for continued maintenance of Town Center. This is reflected in the revenue table above in the amount for FY 2025-26.

City Council also amended the Town Center TIF establishing ordinance to expand the scope of the fund to include capital maintenance and beautification. This expansion includes items with an expected cost above $50,000 to any existing facilities within Town Center financed by the Town Center TIF. The beautifications are allowable as an incidental component of new construction or capital maintenance of public facilities within Town Center.

Based on expenditure assumptions, a significant amount of fund balance is expected to be used to balance the fund unless revenue or expenditure significantly changes. While this is not a positive trend, there are other considerations that can soften the use of fund balance in the future, including further development within Town Center which will increase revenue. However, future development will take time, and a more immediate solution is needed to extend the sustainability of the fund.

On October 16, 2025, SpeakUp VB added a Town Center Experience and Priorities Survey to better understand citizens experiences. This survey closed on November 5, 2025, and the data collected will be provided to City Council as a part of future discussions and decision making with the Town Center SSD.

Sandbridge Special Service District

The Sandbridge Special Service District was established in November 1994 to be a sustainable funding source for shoreline restoration and management of Sandbridge Beach. Fund operations are intended to support both the regular maintenance of the beach, as well as emergency restoration following erosion from major storms.

Operating Revenue

Nearly 90% of the district's revenue comes from the Hotel Percentage Tax. This source comes in two parts. First, there is a 1.5% surcharge unique to the special service district. Citywide, the hotel rate is 8%, State Code authorizes the additional levy in Sandbridge. Second, whereas other areas of the City dedicate 5% of the Hotel Percentage Tax to the TIP, the portions collected within the district are instead dedicated to the Sandbridge SSD Fund.

Most of the remaining revenue comes from interest income. Starting in FY 2019-20, the City changed its budgeting practices to allow the Fund to accumulate a greater fund balance, which has in turn provided the Fund with interest on that balance as it grows. The remainder of the Fund's revenue comes from real estate revenue as there is a 1¢ real estate tax surcharge, per $100 of assessed value.

The revenue forecast for the Fund assumes static tax rates, 3.0% annual real estate and hotel percentage tax revenue growth, and flat revenue from interest and the hotel flat tax.

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Real Estate	209,819	216,114	222,597	228,275	236,153
Hotel Percentage	6,498,014	6,692,954	6,893,743	7,100,555	7,313,571
Hotel Flat	112,247	112,247	112,247	112,247	112,247
Interest	515,789	515,789	515,789	515,789	515,789
Total Revenue	**7,335,869**	**7,537,104**	**7,744,376**	**7,957,866**	**8,177,761**

Operating Expenses

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Transfer to Coastal CIP	400,000	400,000	400,000	400,000	400,000
Salaries	390,911	402,639	414,718	427,159	439,974
Fringe Benefits	109,220	112,497	115,872	119,348	122,928
Contractual Services	17,665	18,194	18,740	19,302	19,882
Internal Services	133,262	137,260	141,378	145,619	149,988
Other Charges	10,300	10,609	10,927	11,255	11,593
Supplies	127,126	130,940	134,868	138,914	143,081
Leases	-	-	-	-	-
Total Expenditures	**1,188,484**	**1,212,139**	**1,236,503**	**1,261,598**	**1,287,466**
Cumulative Fund Balance	**19,974,819**	**26,299,784**	**32,807,657**	**39,503,924**	**46,394,239**

All expenditures except transfers to the Coastal CIP are for the day-to-day operations of the Department of Public Works Beach Operations division within the boundaries of the SSD. These expenses are required to be funded through the Sandbridge SSD Fund following a City code change in FY 2017-18. The largest non-capital expense is personnel, which covers five employees responsible for maintaining the beach. The next largest category, Internal Services, is primarily for equipment maintenance and fuel through the City Garage. The third largest is supplies, which are primarily used for construction materials.

Capital Improvement Projects

There are currently three capital projects related to the maintenance of Sandbridge Beach. Though the balance for these projects is housed in the General Government Capital Projects Fund, transfers from the Sandbridge SSD Fund are their only funding source. These projects are 100349 “Sandbridge Beach Access Improvements II,” 100636 “Sandbridge Beach Restoration III,” and 100510 “Sandbridge Beach Restoration IV.” This section will provide a brief overview of the projects and their funding, but more information can be found in the City’s Capital Improvement Plan.

Sandbridge Beach Access

This project is an ongoing effort to install walkways at every public beach access in Sandbridge in order to provide easier access to pedestrians, protect natural areas and dunes, and protect public and private infrastructure. Since 2012, over 20 access improvements have been completed. The project also funds the collection and reuse of wind-blown sand in right-of-ways.

The project’s sole funding source is an annual transfer from the Sandbridge SSD Fund. In FY 2026, the project received $400,000 from the fund and is planned to receive the same amount annually for the forecast period.

Sandbridge Beach Restoration

Beach restoration is the largest function of the Sandbridge SSD and receives the most long-term funding. Renourishment involves the acquisition and distribution of approximately 1.7 million cubic yards across the beach per cycle. This is done to counteract erosion, protecting the five-mile-long public beach and the public and private investments that rely on it.

Renourishment is funded and implemented in cycles. When the SSD was first founded, cycles were every three years. However, due to the growth of dunes and Beach Operations' maintenance, the rate of erosion is typically lower than it was in 1994. Consequently, renourishment cycles now occur on an as-needed basis, ranging between three and seven years. The projection model for the SSD assumes one cycle occurs every five years.

Each renourishment cycle receives its own capital project. The City maintains a policy of fully funding two renourishment projects at once – one for the upcoming cycle and one for the cycle after that. If a large storm causes massive erosion on Sandbridge Beach, as was the case in the early 1990s, one of these projects can immediately be utilized to repair the damage and the second project ensures that future renourishment cycles are relatively unaffected by the emergency.

Renourishment cycles are typically funded in full by revenue from the Sandbridge SSD; however, "Sandbridge Beach Restoration III" will receive $22.2 million from the Army Corps of Engineers through the Infrastructure and Investment Jobs Act of 2022. Because of federal assistance and a longer-than-average cycle (the last renourishment was completed in July 2020), both renourishment projects are fully funded and neither requires an annual transfer from the Sandbridge SSD. Sandbridge Beach Restoration III has a balance of $21,239,390 (not including the anticipated federal funding) and Sandbridge Beach Restoration IV has a balance of $31,955,465.

The next renourishment cycle (Restoration III) is planned to begin in November 2026, as such "Sandbridge Beach Restoration IV" is planned to begin in 2031. Once the upcoming renourishment cycle is completed, a new project, "Sandbridge Beach Restoration V," will be created for the following cycle. Any funding remaining in "Sandbridge Beach Restoration III" will be moved into projects IV and V and the new project will receive annual transfers from the Sandbridge SSD as needed. When budgeting for future restoration projects, the model assumes that each cycle will use approximately 1.7 million cubic yards of sand and that the cost of sand increases by an average of 2.0% annually. Budget and Management Services works with Public Works to ensure that these figures remain accurate annually.

Enterprise Fund Workplace Needs

During the FY 2025-26 Budget Reconciliation, the City Council directed the City Manager to report on Enterprise Fund workplace facility, fleet, equipment, and personal protective equipment needs. Per the guidance provided, the report was to include an analysis of the funds' ability to absorb any additional investments in lieu of rate adjustments. The City has the following enterprise funds:

- **Water & Sewer -** The Department of Public Utilities provides water and sanitary sewer services. The water distribution system receives potable water from Norfolk's Moore's Bridges Water Treatment Facility. The sanitary sewer system collects and conveys wastewater from individual properties to the Hampton Roads Sanitation District for sewer treatment and disposal. Water and Sewer fees are currently in year three of a five-year rate increase adopted by the City Council in FY 2023-24. Fees for service vary by consumption, property type, etc.

- **Stormwater -** Provides funding for the maintenance and operation of existing stormwater infrastructure such as pump stations, ditches, lakes, and stormwater pipes. The stormwater fee was last increased as a part of the FY 2025-26 Operating Budget and is 58.2¢ daily.

- **Waste Management -** Provides reliable and environmentally friendly solutions for managing household waste and recycling for the residents of Virginia Beach. Waste Management provides weekly residential refuse and yard debris collection, biweekly collection of recyclables, on-call collection of household bulky items and yard debris container rentals. Waste Management operates the City's Landfill and West Neck Recycling Center. Waste Management also provides education and outreach programs for its residents and serves City Council initiatives through the VB Clean Community Commission. The waste management fee was last increased in FY 2024-25 to $30.55 monthly. There is no separate charge for the landfill, recycling, bulk item pickup, or yard debris. Additional information regarding this fund can be found in the Watse Management section of this document.

- **Parking -** This fund is supported by revenues generated through the operations of the Parking Systems Management Office, which the parking lots and garages at the Oceanfront, Sandbridge, and Town Center. Fees for service vary depending on location, time of year, etc.

Water and sewer, stormwater, and waste management are billed to residents and businesses on a monthly "combined services" bill. Parking fines and fees are charged at the time of service, when and where applicable.

By definition, enterprise funds are used to account for the operations of city services that are financed and operated in a manner similar to private business enterprises where the costs of providing goods or services to the general public are financed primarily through user charges. To this end, the City maintains policies in support of the sustainable operations of the fund from both a financial and programmatic perspective including:

- Fees and user charges for each self-supporting enterprise fund are adopted at a level that fully supports the costs of the fund to include operation, maintenance, capital replacement, indirect cost, depreciation, renewals, and debt service.
- The City will seek to provide adequate maintenance and replacement of capital equipment and facilities over time.

The implementation of these two policies with the desire to ensure the affordability of the service to the residents and businesses of Virginia Beach can be a delicate balance. For this reason, City staff work to include not only day-to-day operational costs, but also the capital replacement of facilities, vehicles, and equipment into short, medium, and long-range financial plans, especially when undergoing periodic rate analyses.

Staff within the enterprise (and other City funds) have opportunities for salary stipends such as commercial driver's license stipends, uniform allowances, hiring bonuses, etc. The departments, in partnership with Human Resources, actively work to fill all vacant positions to ensure both excellent service delivery and workplace safety.

Each of the enterprise funds annually budgets to replace vehicles and equipment. As a result of supply chain issues stemming from the pandemic, along with inflation, the cost of goods has dramatically increased in a short period of time. Each of the funds may not be able to replace as many items in a given year due to affordability concerns, but annual replacement cycles remain ongoing.

Facility maintenance and replacements are the largest financial hurdles for each of these funds, especially given inflationary pressures on construction. Despite this, the annual Capital Improvement Program includes funding for several facility replacements to be funded by the enterprise funds or other dedications including:

- Project 100676 Mosquito Control Replacement
- Project 100681 Stormwater Operations Control Center
- Project 100677 Waste Management Facility Replacement
- Projects 100238 and 100525 and Landstown Yard Improvements

Facility needs across the City outweigh available resources. Each year, during budget development, staff work to balance the competing priorities not only within the General Fund, but also within the various enterprise and special revenue funds.

Waste Management Enterprise Fund

The Waste Management Fund was established as a special revenue fund in FY 2011-12 and has since transitioned to an enterprise fund. The Waste Management Enterprise Fund is primarily supported by a $30.55 monthly fee for residential waste and refuse collection. The Fund is responsible for covering its own operating and capital replacement costs, including payments to the Southeastern Public Service Authority (SPSA) for waste disposal, residential recycling disposal, and operation of the City's landfill.

FY 2017-18 marked the last year that the Waste Management Fund received annual assistance from the General Fund for the purpose of the City's annual payment to SPSA. The Waste Management Enterprise Fund has absorbed tipping fee increases in previous years. Effective July 1, 2024, it was necessary to increase the fee by $3.05, changing the monthly rate from $27.50 to $30.55, to cover the cost associated with the renewal of the recycling contract with Tidewater Fibre Corps (TFC). The recent rate increase was not planned to support future cost increases related to recycling services or future SPSA tipping fee increases. In future budgets, the rate will need to be reassessed to ensure the fee collected adequately supports all enterprise fund operations. Every $1 addition to the monthly fee generates approximately $1.5 million.

Waste Disposal Southeastern Public Service Authority

One major factor impacting the Waste Management Fund during the five-year forecast is the projected changes to the Use and Support Agreement with SPSA. The SPSA serves as the regional solid waste management authority, responsible for providing waste disposal services to its member communities. This includes the operation of a network of transfer stations and a regional landfill. It is important to note that the SPSA does not provide curbside waste collection services for residents; this responsibility is managed by the City of Virginia Beach. To ensure SPSA's ability to provide Municipal Solid Waste for the length of the proposed Waste Supply and Services Agreement, SPSA has requested that each SPSA Member Locality amend their individual Use and Support Agreements to extend their term for twenty-five (25) years.

In 2024, SPSA issued a Request for Proposal for Solid Waste Disposal Services to extend the useful life of the Regional Landfill in Suffolk. As a result, SPSA and Commonwealth Sortation LLC are currently finalizing negotiations for a long-term Waste Supply and Services Agreement under which Commonwealth Sortation LLC will provide Solid Waste Disposal Services for a period of at least twenty-five (25) years. Commonwealth Sortation will provide a mixed waste sorting facility using AI robotics to remove recyclables and organics. This alternative waste disposal is expected to divert 50% of SPSA's waste from the Regional Landfill in Suffolk and extend the landfill capacity through 2095.

Currently, TFC, a third-party vendor, collects and sorts all recyclables. The current term of this contract expires in 2028. While the contract will be available for renewal, the City is not anticipating continuing with recycling services in their current format as SPSA will utilize a single stream waste collecting and disposal services. SPSA tipping fees are anticipated to increase to accommodate the additional tonnage from recycling accepted at the sorting facility. Current SPSA tipping fee for municipal waste is $65 per ton. In addition, the Waste Management Fund may need additional staff and equipment to collect the increased residential waste.

Personnel

Waste Management has historically seen high levels of vacancies; however, the fund has not realized significant personnel savings as it has had to rely on increased amounts of overtime and contracted manpower to keep up with demand for services for both refuse collection and the City-owned landfill. To avoid staffing shortages and rely on contracted staff, Waste Management has partnered with the City's Human Resources Department to develop creative solutions for attracting and retaining permanent staff. As a result, Waste Management has reduced vacancy rates to approximately 3%. In addition, recent changes in salary structures and commercial driver's license stipend increases implemented in FY 2022-23 have increased salary expenses in all divisions of Waste Management, further burdening the enterprise fund as no General Fund support was provided for these new initiatives.

Capital

Another factor impacting the future expenditures of the Fund is the growing need for vehicle and equipment replacement as well as critical site improvements. The office buildings and site structures at the Holland Road and City Landfill locations need excessive repairs or replacements. To accommodate this growing need, the Fund will propose a capital improvement project for the next five years to implement necessary repairs and upgrades to structures. The Fund may need an additional rate increase or transfer from the General Fund to cover the project's cost, if approved.

Technology

The Waste Management Fund is not currently utilizing available technology to its potential. Various technologies are available to explore dynamic fees based on services provided, as well as routing software. In addition, there is no way for staff to verify Virginia Beach residency for customers visiting the Landfill. A driver's license reader and license plate scanner would help assure that only licensed Virginia Beach residents who pay the waste collections fee are allowed to utilize the Landfill. Additional cameras for enhanced security and real time surveying required for Landfill permit are some of the technologies solutions that could be utilized for safer and more efficient operations at the Landfill.

Landfill

The City of Virginia Beach Landfill 2 was developed in 1971 and has taken in several different types of waste over the years, including Hazardous Household Waste (HHW). Residents of the City can utilize the Landfill facility free of charge for item disposal. This service provides a valuable option for decluttering at no cost. The Landfill has permitted capacity to last until approximately 2085 at the current fill rate. In addition, the landfill has an unpermitted area that could secure the City's future disposal needs for the next 100+ years. The permitting process was started in the early 1990's; however, it is only partially permitted, due to wetland delineation issues. The Landfill's next cell design and development is expected to begin in 2030-2031, followed by capping of cell 2A, design, and development in 2034-2038. This project is estimated to cost approximately $22.1 million at present value. While waste disposal comes at a cost, owning and operating a landfill helps the City secure future waste disposal needs and independence.

Capital Needs

The original Landfill office was demolished in the 1990s and replaced with office trailers. The current office trailer, employee muster room trailer, HHW trailer, and scale house trailer all have served their useful life and have increasing maintenance requirements. There is not enough office space or adequate conference room space for personnel to hold meetings or training classes.

In addition, the Household Hazardous Waste facilities have outgrown their operational area which puts constraints on working areas and public and employee safety. A larger HHW facility is needed with more capacity for receiving residents' discarded materials, clearance distances for proper safety, and updated equipment to increase efficiency.

Personnel

After the financial downturn of 2008, the Landfill lost about 50% of its full-time employees. To compensate for staff shortages, the landfill relies heavily on contractual employees. While hiring temporary contracted manpower helps in the short term, it creates issues with training and retaining staff. Additional positions to manage the increasing needs placed on various functions at the Landfill may be requested in future budgets to meet the needs of citizens utilizing the service.

Equipment

A majority of the landfill equipment is well beyond its useful life. With equipment replacement valued at over $12 million dollars and an average life expectancy of eight years, the current budget falls short of expectations. Additional equipment like a wheel loader, material handler, replacement excavator, are just some of the anticipated needs for the next five years.

Gas Extraction

In 1995, the City of Virginia Beach Landfill was the first landfill in the Commonwealth of Virginia to have a gas to energy plant that extracted methane gas, a byproduct of waste decomposition, to create electricity for distribution. Methane is a greenhouse gas, and the landfill is environmentally responsible for keeping the system operating. In 2024, the Landfill methane levels dropped to a level that was not financially feasible for the third-party vendor to keep producing electricity. As a result, the vendor ceased operation in May 2024. The Landfill had to assume operating and maintenance of the over 100 extraction wells, condensate knockout tank and candlestick flare. This maintenance was not planned, and costly repairs had to be made covered by the Waste Management Fund. Future costs to maintain the existing system and install gas extraction wells in the current cell are estimated at additional $300,000 annually.

Revenues

Revenues	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Use of Money & Property	515,000	515,000	515,000	515,000	515,000
Charges for Services	46,606,207	46,606,207	46,606,207	46,606,207	46,606,207
Other Revenue	810,020	810,020	810,020	810,020	810,020
State Revenue	100,000	100,000	100,000	100,000	100,000
Revenue	**48,031,227**	**48,031,227**	**48,031,227**	**48,031,227**	**48,031,227**

Expenditures

Expenditures	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Salaries	10,302,481	10,593,070	11,092,378	11,406,664	11,730,379
Full-Time	9,075,701	9,347,972	9,828,412	10,123,264	10,426,962
Overtime	610,621	628,940	647,808	667,242	687,259
Contracted Manpower	616,158	616,158	616,158	616,158	616,158
Fringe Benefits	4,257,309	4,385,028	4,722,905	4,864,592	5,166,935
Operating	35,381,006	35,899,064	28,614,531	29,081,056	29,393,863
Capital	1,534,500	3,069,794	3,140,399	3,212,628	3,286,518
Total Expenditures	**61,777,776**	**64,540,026**	**58,662,591**	**59,971,604**	**61,308,074**

The Waste Management Enterprise Fund will continue to be faced with future salary increases, attracting, recruiting, and retaining CDL drivers, increased costs for vehicle and equipment replacement, recycling and disposal fee increases, and site improvements that the enterprise fund cannot sustainably absorb, without the rate increases or support from the General Fund.

School Operating Fund

Strategic Framework

Compass to 2030: Learning Today, Leading Tomorrow establishes a clear and unified direction for Virginia Beach City Public Schools. Developed through extensive collaboration with students, staff, families, and community members, the framework reflects a shared commitment to ensuring that every student is prepared for the challenges and opportunities of tomorrow.

Grounded in the mission to empower every student to be future ready, *Compass to 2030* is anchored by the **Future-Ready Profile,** which defines the essential skills knowledge, and dispositions students need for success in school, career, and life. This framework guides strategic investments and decision-making to enhance academic achievement, support student well-being, value and invest in staff, strengthen partnerships with families and the community, and advance organizational excellence.

This work also reflects the values the division holds dear and underscores the vital role that each member of the community plays in shaping the future of Virginia Beach City Public Schools.

Mission

The Virginia Beach City Public Schools (VBCPS), in partnership with the entire community, will empower every student to become a life-long learner who is a responsible, productive, and engaged citizen within the global community.

Vision

Every student is achieving at his or her maximum potential in an engaging, inspiring and challenging learning environment.

Core Values

VBCPS is committed to creating a culture of growth and excellence for our students, staff and community. We strive to make this culture evident to all by actively reflecting on and engaging in behaviors that demonstrate our core values.

We Put Students First

Student-Centered Decision Making - Choosing actions that, above all else, benefit and support student learning, growth and safety.

We Seek Growth

Continuous Learning - Pursuing formal and informal learning opportunities to foster personal growth and improvement for all.

We Are Open to Change

Innovation - Encouraging new ideas or improved ways of teaching, learning and working together to achieve our mission.

We Do Great Work Together

Collaboration - Working together and building partnerships that will benefit our students, division and community.

We Value Differences

Respect - Fostering a trusting, open, ethical, honest, and inclusive environment where diversity of thought and individual contributions are prized.

Goals

Developed through a collaborative process, the goals of *Compass to 2030* are to:

- Challenge and support each student to excel and be future-ready
- Enhance student well-being, resilience, and responsibility
- Value and invest in staff
- Partner with families and the community to support students
- Advance organizational excellence

These goals provide a clear and unified direction for the division, ensuring that every student is ready to learn today and lead tomorrow.

Programmatic Priorities and Major Initiatives

Virginia Beach City Public Schools is committed to providing the best possible learning experience to meet the needs of each student on their path to becoming Future Ready.

VBCPS has continued to maintain record levels with respect to the on-time graduation (OTG) rate, with a preliminary rate of 96.9% for the 2025 cohort year and a low dropout rate of 2.2%. Another indicator of the remarkable success is the Virginia Department of Education (VDOE) pass rates from the Standards of Learning Assessments for 2024-25. The data shows VBCPS exceeded the state level of performance in all subject areas and outperformed all local divisions in reading, writing, science, and history. The division also outperformed six of seven other comparable divisions with over 20,000 students in Virginia in reading, writing, math, science, and history. As of the writing of this Forecast, the VDOE has again delayed the release of school division and school ratings under the new School Performance and Support Framework. However, VBCPS is confident that when released, the new ratings will further support and distinguish VBCPS among the top school divisions in the Commonwealth.

Ensuring all learners access high-quality Tier 1 instruction remains a strategic priority for VBCPS. The division is fully compliant with the Virginia Literacy Act requirements for K-8 core curriculum and will continue to strengthen instructional delivery by leveraging Virginia Language and Literacy Screening System (VALLSS) data and investing in the review, selection, and procurement of approved high-quality instructional materials. These resources support supplemental instruction and intervention in grades K-8 and provide student-specific, evidence-based literacy instruction.

The Virginia Language and Literacy Screening System (VALLSS) is a state-mandated assessment that helps schools identify students who may be at risk for reading difficulties and provide timely support.

- Grades K-3: VALLSS screens all students to monitor foundational reading and language development.
- Grades 4-8: Beginning with the Virginia Literacy Act, VALLSS has been expanded to continue monitoring reading growth and ensure students receive targeted intervention if difficulties persist.

This expansion ensures that schools can provide ongoing support beyond the early grades, giving students every opportunity to build strong literacy skills for future success.

To support the adoption and implementation of the updated Mathematics Standards of Learning (2023), VBCPS will complete a K-5 textbook adoption during the current fiscal year. This initiative includes both the acquisition of high-quality instructional materials and comprehensive professional development designed to reinforce Tier 1 instructional practices and ensure compliance with all VDOE requirements.

VBCPS remains committed to preparing every student to be future-ready. Artificial intelligence (AI) is one of the emerging technologies shaping education, and students are learning that while AI can support their thinking, it cannot replace it. Within digital literacy and digital citizenship, VBCPS emphasizes using AI safely, ethically, and purposefully. Currently, the use of AI by students is only allowed at the high school level under the supervision of an instructor. Employees may use AI to help them become more efficient and effective in their respective roles.

Academic and Career Planning (ACP) is mapped from elementary school through graduation. This highlights the intentionality of VBCPS in ensuring students can become more aware of careers and how their educational choices shape opportunities throughout their K-12 journey. In elementary schools, teachers expose students to career paths through virtual exploration and learning experiences that further a student's imagination about future possibilities. Middle school teachers deliver ACP lessons to highlight careers, supporting choices for courses and available pathways across career clusters for secondary students. High school programs delve deeper into specific pathways and VBCPS believes that providing work-based learning experiences paired with these courses is vital to prepare all students. The Office of Career and Technical Education (CTE) FIELD-X program for work-based learning supports entrepreneurship, school-based enterprise, and internships for all high school students looking for a field experience is one such example.

Students enrolled in CTE electives also participate in the industry credential program, where they build their resume by collecting stackable credentials demonstrating the professional skills acquired in their high school CTE classes. Since the industry credential program began in 2002, over 182,265 industry credentials have been earned by VBCPS students. Each year, students have access to over 131 different credentials that link to career fields free of charge. During the 2024-25 school year, high school students earned a total of 14,540 industry credentials. To further ensure that students have a strong start, VBCPS continues to support robust CTE dual-enrollment offerings. These include Accounting, Aviation Maintenance, Business Management, Emergency Medical Services, Virginia Teachers for Tomorrow, Early Childhood Education, Medical Assisting, Welding, Veterinary Assisting, and Hotel Management.

Advancement Via Individual Determination (AVID) is a schoolwide approach that promotes access to the skills and experiences students need to be future-ready. Through professional learning focused on writing, inquiry, collaboration, organization, and reading (WICOR), teachers implement Tier 1, research-based practices to support all learners.

VBCPS is deeply committed to student success and recognizes families as essential partners in that journey. A key strategy in strengthening this partnership has been the expansion of the Family Outreach Representative (FOR) program. These professionals serve as trusted guides, helping families navigate the educational system with clarity and confidence. FORs provide direct support across the division through resource navigation and culturally responsive engagement. Since the program's growth, they have facilitated access to critical services including food assistance, mental health support, and academic resources, while hosting outreach events that connect families to what they need most. Their work fosters authentic communication, promotes inclusive practices, and equips both families and staff with tools to support student achievement. This collaborative approach strengthens school communities and drives improved outcomes.

To further support multilingual families, VBCPS launched the Language Ambassadors initiative, engaging volunteers to bridge communication gaps and create a more welcoming environment. The division has also deepened its community partnerships, unlocking access to internships, mentorships, and enrichment opportunities. At the Back-to-School Care Fair, approximately 7,000 attendees, representing over 4,000 families received essential services from backpacks and haircuts to health screenings and vaccinations. Additionally, the Family Connection webinar series has delivered timely, relevant content on digital learning, mental health, and college readiness. To ensure consistent and family-centered engagement, the Office of Family and Community Engagement (FACE) is developing a Digital Resource Guide for school leaders. Together, these efforts reflect VBCPS's unwavering commitment to building strong, informed, and inclusive family-school partnerships that empower students to thrive academically, socially, and emotionally.

The 2024-25 school year marked a pivotal transition for VBCPS. While the division's work during the year was guided by the strategic plan *Compass to 2025*, significant effort was also devoted to shaping the next chapter in its strategic journey. *Compass to 2025*, with its six division-wide goals, provided a strong foundation for student success, emphasizing high expectations, innovation, and continuous improvement. Building on this progress, VBCPS engaged students, staff, families, and community members throughout 2024-25 in a collaborative process to design a new strategic framework.

That work culminated in the School Board's adoption of *Compass to 2030*, which now serves as the division's strategic framework. *Compass to 2030* builds on the strengths of its predecessor while setting a clear course for preparing every student to thrive in a rapidly changing world.

VBCPS remains committed to ensuring that each student experiences engaging instruction, meaningful relationships, and the support needed to develop the knowledge, skills, and habits that will prepare them for long-term success.

Factors Impacting Future Budgets

Several factors unique to school divisions can cause education costs to rise faster than inflation. For example, changes in student enrollment, staffing requirements, and benefit rates can significantly affect school budgets since K–12 education is highly labor-intensive. Understanding these factors helps explain the financial challenges schools face today and the context in which budgeting decisions are made.

Employee Compensation and Workforce Challenges

The nationwide teacher shortage continues to pose a significant challenge for school divisions across the country, including VBCPS. Each year, divisions work to staff schools with educators and non-instructional personnel in a market where demand outweighs supply.

The U.S. Department of Education reported a slight increase in teacher preparation program enrollment in 2024. Approximately 8,700 individuals entered preparation programs in Virginia, but only 3,135 completed licensure requirements by year's end. With 134 divisions statewide, that averages 23 licensed teachers per division.

Critical shortage areas in Virginia remain widespread, spanning elementary and middle school education, special education, mathematics, secondary science, English, career and technical education, history, social sciences, and foreign language. These shortages continue to strain divisions already competing for a dwindling workforce. Nationally, non-competitive salaries, housing costs, and intensifying job market competition threaten the quality of education for millions of students.

Teacher salaries nationwide have not kept pace with the rising demands of the profession, leading many educators to seek careers with higher pay. Remote work opportunities in other industries have intensified this challenge, offering greater flexibility and financial reward. Compounding the issue, many educators face significant student loan debt and rising living costs. In Virginia Beach, high housing prices further complicate recruitment and retention, often forcing employees into longer commutes and contributing to higher attrition.

Despite these challenges, staffing schools for the 2024–2025 school year was a notable achievement, reflecting the dedication of VBCPS teachers, administrators, and staff. As of August 25, 2025, VBCPS opened with 14 classroom teacher vacancies, 11 fewer than the previous year. Over the past four years, including

2024–2025, the division's teacher retention rate has remained at 90% or higher on average. This demonstrates VBCPS's commitment to fostering an environment where educators choose to stay and grow.

Although teachers received an overall 4.5% salary increase, entry-level salaries in VBCPS have ranked last in the local market for two consecutive years, trailing neighboring divisions by 2% to 8.7%. The division has sustained its ability to recruit teachers through its strong reputation and the proactive issuance of Letters of Intent, a strategy that remains essential to securing teachers ahead of competitors despite salary disparities. However, concerns remain about the long-term sustainability of this approach as compensation gaps continue to widen.

Employees on the Unified Experience-Based Step Pay Scale received an average salary increase of 4.1%, which included a 3% adjustment to entry-level salaries. As a result, the minimum hourly wage rose to $15.75 on July 1, 2025, benefiting the division's lowest-paid workers such as bus assistants, cafeteria assistants, and custodians.

Health care costs continue to be a significant concern for employees. For the 2025 benefit year, VBCPS ranked third place for employee-only coverage on Point of Service (POS) plans, down slightly from second place last year, and maintained first place for family coverage on POS plans among the seven school divisions surveyed.

Effective January 1, 2026, employees will experience an increase in health insurance premiums, potentially impacting the overall competitiveness of total compensation. Many employees may choose the high-deductible plan to keep premiums manageable. While VBCPS continues to offer employee-only Consumer Driven Health Plan (CDHP) coverage and employer contributions to Health Savings Accounts, this option may result in higher out-of-pocket costs when care is needed. As healthcare expenses continue to rise, employees may need to carefully consider their options for coverage and when seeking care.

Aligned with goal three of the strategic framework, *Compass to 2030*, VBCPS remains committed to recruiting, hiring, supporting, and retaining high-quality staff. This includes strengthening compensation and benefits, reviewing pay scales for greater competitiveness, and advocating for the resources our workforce needs. By prioritizing both tangible and intangible support, the division will continue to attract and retain exceptional educators and staff, ensuring students not only receive the education they deserve but also benefit from a thriving, innovative school community. In doing so, VBCPS will not only sustain its long-standing reputation for excellence but also build an even brighter future for schools and the community.

Employee Benefits

The health insurance plan experienced higher than projected trend for several years during the five-year period ending in 2025, and current indicators suggest that the national trend for healthcare costs is continuing to rise, with key drivers that include growth in specialty pharmacy prescriptions (including high-cost gene therapy drugs), advances in medical technologies, overall inflation, the national behavioral health crisis, and an increased prevalence of high-cost claimants. Subsequently, the health fund balance declined and is below the desired reserves for our self-insured plan, necessitating premium increases beginning in the 2026 plan year to help stabilize the health fund.

The Benefits Executive Committee (a group of leadership members from the City and Schools), along with Mercer, a health and benefits consulting firm, will continue to closely monitor health plan utilization data, market trends, workplace priorities, and federal and state legislation that may influence costs, budget strategy, plan design, and premium contributions. Health fund reserves play a vital role in supporting the long-term sustainability of our employee benefits program. They provide flexibility to offset short-term cost increases while serving as a key risk management tool that promotes financial stability for VBCPS. The use of health fund reserves will be thoughtful, strategic, and forward-looking, ensuring the continued optimization of the value and effectiveness of the employee benefits program.

Princess Anne High School Replacement Project

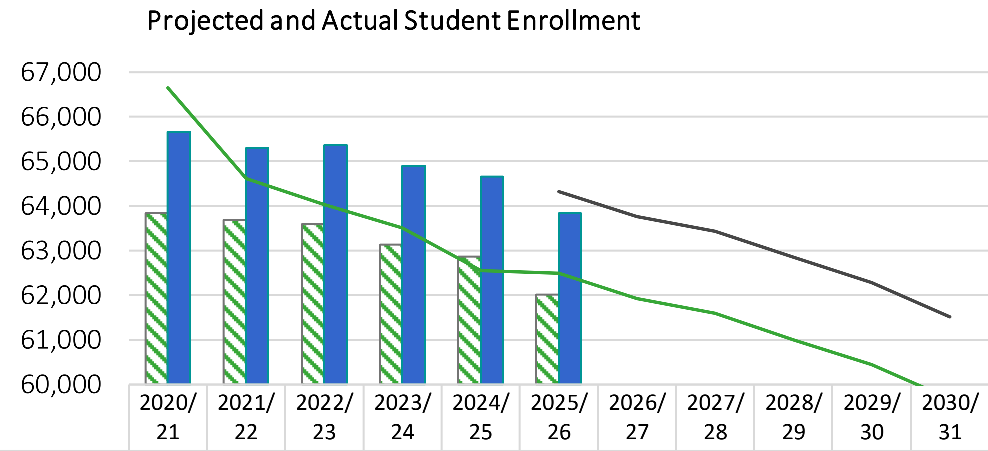
Inclusion of the Princess Anne High School replacement project in the current six-year Capital Improvement Program (CIP) is a priority consideration impacting future budgets. As the City's oldest operating high school, the facility faces significant infrastructure, capacity, and modernization challenges that limit its ability to support today's instructional and operational needs. Replacing the building represents a critical investment for both the City of Virginia Beach and the surrounding community. VBCPS is working closely with the City and Davenport, the division's financial advisor, to evaluate funding options, debt capacity, and project timelines. With competing budget priorities and other capital demands, VBCPS must carefully balance maintaining existing facilities with funding new construction, which may require increased School Operating contributions over the forecast period to meet CIP goals.

Enrollment and Student Learning Needs

The VBCPS FY 2025-26 School Operating budget was developed using the Governor's student membership projection of 62,503. As of September 30, 2025, the total average daily membership (ADM) was 63,842, accounting for 62,012 K-12 students and 1,830 participating in early childhood special education (ECSE), Pre-K, or enrolled in Southeastern Cooperative Educational Programs (SECEP). Enrollment is projected to decline each year of the forecast. The future impact of declining enrollment will depend on several factors, including economic conditions, shifts in the federal workforce, and evolving student needs.

While ADM has decreased, the number of English Learners and students receiving special education services continues to rise. The percentage of economically disadvantaged students has declined slightly, by approximately 1% each of the last two fiscal years but remains 3.3% higher than 2022–2023 and 9.6% higher than 2021–2022. Approximately 45.5% of VBCPS were identified as economically disadvantaged for school year 2024-2025. September 30, 2025, enrollment data indicate a continued decline in this population, approaching 2021–2022 levels. However, this trend is being monitored closely, as economic conditions and changes in federal policy could reverse these gains. Increasingly complex student needs, including greater demands for academic intervention, specialized services, and social-emotional support, are expected to drive future budget pressures.

The graph below shows the historical September 30 student membership and projected membership for 2026-27 through 2030-31.



	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Actual (K-12)	63,836	63,698	63,598	63,132	62,873	62,012					
Actual (Preschool-12)	65,659	65,301	65,360	64,908	64,656	63,842					
Projected (K-12)	66,651	64,611	64,034	63,506	62,554	62,495	61,928	61,591	61,007	60,440	59,678
Projected (Preschool-12)						64,325	63,771	63,434	62,848	62,281	61,517

Source: September 30th Historical Student Membership and Draft 2026/27 – 2030/31 Student Membership Projections, Department of School Division Services, October 15, 2025. Please note that enrollment projections for ECSE, Preschool or SECEP were not forecasted prior to 2025/26.

Categorical Grant Funding

With the expiration of federal Elementary and Secondary School Emergency Relief (ESSER) funds in September 2024, VBCPS continues to address the lasting impacts of the COVID-19 pandemic on student achievement, learning recovery, and mental health. The division remains focused on strategic planning and targeted resource allocation to sustain critical support despite the loss of temporary federal funding. Supplementary state funding through the Virginia ALL In initiative has been vital in bridging this gap—supporting high-impact tutoring in reading and math, extended summer learning opportunities, implementation of the Virginia Literacy Act (including textbooks and professional development), and initiatives to reduce chronic absenteeism. As this three-year program is set to expire on June 30, 2026, the conclusion of ALL In funding will place additional pressure on the operating budget to maintain priority initiatives.

Uncertainty surrounding future federal K–12 education funding and potential reforms within the U.S. Department of Education continues to pose challenges for long-term financial planning. Proposed reductions in appropriations, program eliminations, and consolidation of funding streams have created ambiguity around the continuation of key grants. Shifting federal interpretations of existing legislation have also required program adjustments with fiscal implications, further complicating planning efforts. While categorical grants are managed separately from the School Operating Fund, they comprise roughly 56.9% of total VBCPS federal revenues. Local or state resources may be required to sustain service delivery for priority programs and initiatives if federal grant revenue is reduced. As the educational landscape continues to evolve, VBCPS is committed to being responsive to emerging needs while ensuring that every student continues to receive high-quality educational services.

State and Federal Mandates

VBCPS must comply with state and federal mandates impacting division-wide needs and priorities. Mandates are not always funded and place additional financial burdens on localities and school divisions. They may include new reporting requirements, policy and procedural changes, or unfunded equipment requirements. VBCPS opposes any new state or federal mandates that impose additional responsibilities or require expanded services without providing the corresponding share of federal or state funding necessary for implementation.

School Safety

It is well established that education in a safe and secure environment promotes effective learning. The safety and security of VBCPS students remains a top priority and is continually assessed and strengthened at every opportunity.

The VBCPS Office of Security and Emergency Management (OSEM) is charged with overseeing the safety and security of all students, staff, and visitors. To fulfill this mission, OSEM provides security and emergency management training for school leaders and staff, equips and trains more than 270 school security officers, and facilitates the installation and maintenance of security infrastructure and emergency notification systems.

The following programs and equipment represent significant and continued financial investment that underscores the division's unwavering commitment to safeguarding students, staff, and the learning environment.

- Deployment of the RAVE Emergency Notification and Mass Communication System
- Implementation and maintenance of the Genetec Surveillance Suite
- Raptor Visitor and Emergency Management Program
- Purchase and installation of building Access Control Systems
- Installation of Public Address Interface Consoles and Mass Notification Devices
- Installation of LED digital messaging boards in every school to facilitate emergency communications
- Purchase and distribution of two-way, digital radios to support security efforts
- Installation of camera-equipped entry or "buzz in" systems at every campus
- Purchase of Virginia Beach Police Department encrypted police radios for OSEM security officer operations
- Purchase and distribution of hand-held wand metal detectors to support school administrators and VBCPS security personnel during searches
- Completion of perimeter fencing upgrades at school campuses
- Purchase of additional walkthrough metal detectors to enhance security at school events
- Creation and distribution of a comprehensive VBPCS Emergency Procedures Guidebook

Technology

VBCPS is at the forefront of educational innovation, harnessing technology to enhance teaching and learning throughout the City. With a robust fiber network stretching 160 miles across Virginia Beach, VBCPS supports over 120,000 computers and digital devices, making it one of the largest technology infrastructures in Hampton Roads.

Guided by *Compass to 2030*, VBCPS is committed to personalizing education for every student. The division's technology initiatives include a one-to-one device program, ensuring each student receives a Chromebook for use in school and at home. The Department of Technology provides dedicated support for these devices, making sure every learner can stay connected and engaged.

Classrooms are equipped with interactive displays, funded through a combination of local, state, and federal resources. These tools help teachers create dynamic lessons and give students more opportunities to participate and collaborate. VBCPS also invests in adaptive software, designed to meet the diverse needs of its students and help every child succeed.

By leveraging technology, VBCPS continues to find new ways to streamline operations, boost productivity, and create richer learning experiences for students and staff alike. The division's commitment ensures that every classroom, every child, and every educator across Virginia Beach is empowered for success in a digital world.

Five-Year Forecast

The Five-Year Forecast aims to help make informed budgetary and operational decisions by anticipating future revenues and expenditures and highlighting anticipated fiscal risks and opportunities. The Forecast is a strategic planning tool for financial sustainability and includes no proposed balancing solutions or revised service levels. Instead, the Forecast is a planning tool that identifies opportunities and challenges over a longer time frame. Budget-balancing measures will be brought forward with the development of future budgets. VBCPS's budget staff will continue to monitor revenue and expenditure trends and adjust the Forecast as needed.

The Five-Year Forecast is based on the approved amended budget for FY 2025-26, historical data, and assumptions derived from various sources. Many unpredictable factors affect the projection of revenue and expenditures, such as enrollment, new programs, state and federal mandates, changes in the level of state and federal funding, and new School Board priorities. As is typical, projections may lose some validity further into the future.

Revenue Assumptions

VBCPS receives operating budget revenue from three primary sources – funds transferred from the City of Virginia Beach through the local Revenue Sharing Formula (RSF) agreement, state aid for public education, and federal sources. VBCPS also receives a small amount of revenue from tuition, fees, and other miscellaneous sources. In total, revenues for the School Operating fund are estimated to increase by 2.09% in FY 2026-27 and by an annual average of 2.59% over the remainder of the forecast period.

Revenue Sharing Formula

Virginia school divisions do not have taxing authority and are fiscally dependent on the local government. As such, local contributions calculated using the RSF continue to be the most substantial source of revenue for VBCPS. Funds are first distributed to debt service and Pay-As-You-Go (PAYGO) for CIP from the local appropriation received. Debt service refers to the repayment of bonds that have been issued for various capital projects (e.g., renovating existing facilities or constructing new schools). PAYGO is a funding method that allows VBCPS to invest in capital projects without incurring additional debt.

After the allocation for debt service and PAYGO for the CIP, the remaining funds are then appropriated into the School Operating Fund. This Fund is used for day-to-day operations, including salaries, instructional materials, utilities, transportation, and other expenses. For FY 2026-27, funds generated through the RSF are projected to grow by 1.5%. Growth is expected to continue, with a 2.8% increase projected through FY 2028–29, slowing to 2.2% for the remainder of the forecast period.

State Revenue and Sales Tax

State revenue consists of two main sources: state aid and sales tax. State aid includes funding for basic aid to support the Standards of Quality (SOQ) and categorical aid for special programs and initiatives. The state operates under a biennial budget, meaning State aid is generally calculated for a two-year period. In the first year of the biennium, adjustments are made resulting from rebenchmarking, the process of updating baseline cost estimates in the funding formula to more closely reflect current realities. This process determines statewide prevailing salaries for instructional and support staff, non-personnel support costs, and other factors. Rebenchmarking builds off the prior years' education budget and adjusts for changes in overall and specialized categories such as student enrollment, free and reduced lunch, staffing standards, inflation, and the local composite index. Because rebenchmarking impacts the total cost of the Direct Aid formulas, it impacts state cost and the required local share that localities must fund for the SOQ and other Direct Aid programs with a local match.

One factor used to determine the State's level of support for education is the local composite index (LCI). The LCI formula uses many variables, including net income and assessed property values, to calculate a local community's ability to pay for education. The state minimum LCI is 0.2000, and the maximum is 0.8000. Localities with a lower LCI receive more state funding than those with a higher index. The LCI for VBCPS is currently 0.4138, which means that the City of Virginia Beach is required to contribute about 41.4% of the cost of the minimum education program set by the state SOQ. The LCI is recomputed with every new biennial budget as part of the rebenchmarking process; FY 2026-27 will be the start of the new state biennium.

It is important to note that through the RSF, the support received by the City of Virginia Beach significantly exceeds the state minimum SOQ program requirements. State revenue is also distributed to school divisions based on their average daily membership. VBCPS projects that state revenues will increase by 3% for each year of the forecast period.

State sales tax is a formula-driven allocation based on the number of children between the ages of five and 19 who reside in Virginia Beach. One and one-eighth percent of the state sales tax revenue is allocated directly to public education. To distribute the sales tax dollars across the state, an annual census is collected by the Weldon Cooper Center for Public Services at the University of Virginia to determine the school-age population. VBCPS projects a 0.5% increase in sales tax revenue for each year of the forecast period

State Funding Deficiencies

Virginia's nonpartisan research agency, the Joint Legislative Audit and Review Commission (JLARC) has provided a blueprint for how policymakers can improve the State K-12 funding formula to ensure that the state pays its fair share. The report issued in July 2023 by the JLARC study highlighted significant disparities in funding for Virginia school divisions compared to several benchmarks, including the 50-state average, the regional average, and three of Virginia's neighboring states.

The JLARC report noted that Virginia school divisions receive substantially less funding per K-12 student when compared to other states. This underfunding is a critical issue, as it has far-reaching implications for the quality of education that students receive.

A significant factor contributing to the underfunding is the inadequacies of the SOQ formula. The SOQ formula substantially underestimates the staffing requirements necessary to ensure a high-quality education for students, as it fails to account for the workforce needed to meet educational standards accurately. Furthermore, the formula underestimates salaries and related compensation costs for most SOQ-recognized positions.

Compounding these challenges, the SOQ formula does not fully address the needs of students who require additional support, including at-risk students, those in special education, and English Learners. Current state funding for these student populations falls well below the levels identified as necessary by comprehensive cost studies conducted in other states. This shortfall limits Virginia schools' ability to provide the resources and support essential for an equitable and inclusive education.

In November 2024, the Joint Subcommittee to Study Elementary and Secondary Education Funding presented its initial recommendations and implementation plan to the Governor and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees. The 2024 budget process made notable progress in implementing JLARC's recommendations, including updates and increased support for students from low-income families. These efforts continued through the 2025 budget process, resulting in significant investments in public education, such as technical updates to the SOQ, additional funding for English Learners and special education, and an increase to the support cap that historically limits the state's share of funding for certain local support categories.

While these actions represent meaningful progress, much work remains to fully realize JLARC's near- and long-term recommendations. These recommendations provide a clear roadmap for addressing funding gaps and ensuring that every student receives the support necessary to reach their full potential. By continuing to follow this guidance and implementing the recommended changes, policymakers can establish a more equitable and effective funding system, guaranteeing that all students have access to the quality of education they deserve.

Federal Revenue

Impact Aid is the primary federal revenue source in the School Operating fund, providing funding to support the education of children whose parents live on federal property or work on federal installations. This aid offsets the loss of local property tax revenue due to federal exemptions, a gap addressed by Congress through the Impact Aid Program. Each fall, a federal card survey identifies the number of federally connected students in VBCPS, which determines the division's application to the U.S. Department of Education for funding.

Due to the substantial presence of federal property in Virginia Beach and the number of federally connected students served, actual Impact Aid revenue has historically exceeded budget projections. However, this funding source is highly sensitive to population changes and enrollment trends. Continued declines in regional federal civilian employment and local demographics could reduce future funding.

Another source of federal revenue is Medicaid reimbursement. VBCPS invoices the state Medicaid program for partial reimbursement for health-related services provided to special education students (e.g., nursing services, occupational therapy, specialized transportation). These services must be documented in the child's Individualized Education Program (IEP). Billing public insurance for special education services is an important funding source for public school divisions. It is too early to determine the long-term funding impact on VBCPS if the proposed federal changes to Medicaid eligibility and funding are implemented.

VBCPS conservatively projects an increase of $750,000 for FY 2026–27, with funding assumed to remain flat for the remainder of the forecast period.

Other Local Revenue

Other local revenue comes from various sources such as the Stop Arm Enforcement Program, tuition, facility rentals, indirect costs of grants, and the sale of salvage. Expansion of the Stop Arm Enforcement Program, which was delayed until late FY 2024–25, had limited prior-year revenues but is expected to grow significantly during the forecast period. In addition, the implementation of a streamlined school facility rental platform and a revised fee structure later this fiscal year is anticipated to boost future local revenues. Overall, other local revenues are projected to increase by $1 million in the first year of the forecast, with incremental growth of $100,000 annually for years two through five.

Expenditure Assumptions

The Five-Year Forecast reflects the annual projected expenditures required to sustain the current year's level of service. Expenditures are projected to increase faster than revenues due to compensation, rising healthcare costs, debt service, and inflation. As previously mentioned, projected expenditures do not include strategies to close financial gaps.

Compensation and Fringe Benefits

VBCPS is assuming a 3% salary increase, inclusive of step increases, each year of the Forecast for all full-time personnel. These increases are not a guarantee but a placeholder for future consideration by the School Board as part of the annual budget process.

The Virginia Retirement System (VRS) is a mandatory retirement program sponsored by the Commonwealth of Virginia that includes both a defined-benefit plan and a hybrid defined-benefit/defined-contribution plan. All full-time VRS members are required to contribute 5% of their salary towards their retirement benefits. VBCPS shares in the cost of retirement benefits by making contributions to VRS on behalf of its employees.

Currently, the employer contribution share for VRS is 15.23%. The state's budgeted SOQ funding is based on this rate and includes recognition of the employer match for hybrid plan employees that divisions began paying directly to Defined Contribution (DC) plans on July 1, 2024. The state accounts for this cost through an additional 1.02% combined with the 14.21% defined benefit rate approved by VRS, resulting in the total 15.23% rate used for funding purposes. While divisions receive state funding based on this rate, they must budget for the actual employer contribution costs for their DC Hybrid employees, which may vary by division. This percentage is not fixed and is subject to adjustment every two years. For planning purposes, the Forecast assumes a 1% increase in the employer contribution rate every other year, consistent with the state's biennial budget cycle.

The school's health fund is experiencing financial pressure as claims continue to outpace available revenues, resulting in the fund balance falling below the targeted reserve for a self-insured plan. To support the long-term stability of the fund, employee premiums will increase effective January 1, 2026, aligning with the start of the new plan year. VBCPS also projects a 13.5% increase in employer health insurance contributions for FY 2027-2028, followed by a 9% annual increase for the remaining years of the forecast period.

Inflation

The Forecast assumes an inflation rate of 3% for each of the next five fiscal years for certain budgeted operating expenses, such as those for contracts and supplies.

Pay-As-You-Go (PAYGO)

PAYGO funding into the CIP is projected to increase by $1 million each year of the forecast period through FY 2028-2029, followed by $500,000 annual increases thereafter, as outlined in Appendix A. Additional analysis will be performed during the budget development process that may influence this funding plan.

Future Capital Improvement Program Needs

Supporting the financial needs of public education is vital to sustaining the future of the City of Virginia Beach and ensuring all students are prepared to thrive in a rapidly changing world. Starting in 1999, revenue generated from the State lottery was designated for the construction and modernization of school facilities. However, following the economic downturn of 2008–09, the State stopped allocating lottery funds directly to localities and School Boards for the Capital Improvement Program (CIP). This decision significantly impacted the ability to maintain adequate capital funding, leaving school divisions across Virginia struggling to meet facility needs with fewer resources.

VBCPS operates 85 schools and specialty centers, in addition to administrative buildings, encompassing more than 11 million square feet of building space across 1,900 acres in Virginia Beach. These facilities serve nearly 64,000 students in programs ranging from regular and special education to advanced academic, technical, and career pathways. Maintaining and modernizing these facilities is essential to achieving the Division's strategic goals outlined in *Compass to 2030*, ensuring students are future ready in an evolving 21st-century world.

The School Division's Long Range Facility Master Plan, completed in 2017, evaluated school facilities' total condition index, including educational adequacy and physical condition. Developed with extensive public input, the plan established priorities for replacement schools in future CIPs and emphasized the need to plan for deterioration of existing building systems through capital renewal maintenance funding. The plan also recognized that construction costs historically escalate 5.9%–8.2% annually and recommended adjusting funding scenarios accordingly. Without such adjustments, the Division risked a backlog of projects as facilities aged.

Hampton Roads has experienced a significant increase in construction costs since 2019, driven by inflation, supply chain disruptions, labor shortages, and other factors. These increases in prices have had a significant impact on construction costs and delivery. The funding for the School Division's CIP has remained relatively flat over the past decade, despite these growing costs.

The School Division continues to plan for student success while assessing facility needs and capital planning. Due to the number of VBCPS aging facilities, the extent of capital renewal maintenance needs continues to grow over time, including maintaining the integrity of facilities' building envelopes and HVAC systems. In over 30 school facilities, roofing assessments and HVAC assessments of unsatisfactory conditions alone have an estimated replacement need of over $200 million, as these assets are either past or nearing their life expectancies.

Following a series of School Board workshops and community meetings, the School Division eliminated approximately $100 million in replacement school costs through facility use initiatives that resulted in modifying 601028 "B.F. Williams/Bayside 6th (Grades 4–6) Replacement Project" into 601028 "Tri-Campus Additions," reducing the need for full school replacements. The first initiative eliminated the need to replace the Bayside 6th Grade Campus on Jericho Road by consolidating Bayside 6th Grade Campus with Bayside Middle School to accommodate grades 6–8, completed in August 2025. The second initiative eliminated the need to replace Williams Elementary School with the planned reconfiguration of the Tri-Campus schools from three schools to two. Construction of additions at Diamond Springs and Newtown Elementary Schools are planned to begin in summer 2026.

Looking ahead, fully funding the 601015: Princess Anne High School Replacement Project remains a top priority in FY 2027 to 2032 CIP budget process, alongside the equally important priority of funding capital renewal needs of existing facilities. 601029 "Bayside High School Replacement" also remains included in the six-year CIP, reflecting its continued importance in the Division's long-range facility planning.

In recent years, the Division has expanded its use of reversion funding and PAYGO funding to support the CIP, reducing future reliance on debt. Additionally, federal grant opportunities, including federal ESSER and Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), have been leveraged to address facility needs. Through continued strategic planning, in collaboration with the City and the financial consultant Davenport, the Division aims to carefully balance debt service requirements and inflationary impacts.

School and City staff will continue this important work throughout the budget development process, with a shared goal of sustaining effective funding strategies to maintain quality learning environments for all students across the City of Virginia Beach.

Conclusion

VBCPS is projecting the following over the forecast period using the above revenue and expenditure assumptions. A more detailed summary of expenses and revenues can be found within the Appendix section of this document.

Baseline	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Total Revenue	1,087,831,763	1,117,606,390	1,148,417,417	1,176,341,149	1,205,095,645
Total Expenditures	1,107,831,266	1,145,493,727	1,191,957,858	1,236,868,269	1,294,261,592
Surplus/Deficit	(19,999,503)	(27,887,337)	(43,540,441)	(60,527,120)	(89,165,947)

VBCPS is projecting a deficit in the School Operating fund for each year of the forecast period, as expenditures are expected to outpace revenue growth. Although the projected deficits are significant, the School Board can be assured that balanced operating budgets will be presented each year for their review and approval, as required by law.

The Five-Year Forecast serves as a strategic planning tool to guide long-term financial sustainability. It does not include proposed balancing strategies or adjustments to service levels at this stage. Any potential deficits may necessitate VBCPS taking unprecedented actions to ensure adoption of a balanced budget. Expenditures within the Operating Fund are projected to increase moderately throughout the forecasted period, driven by increases in compensation, employer health insurance costs, inflationary pressures, debt service, and \capital financing. The forecast is based on the approved amended budget for FY 2025-26 and historical data, using assumptions drawn from multiple external and internal sources.

It is important to recognize that many unpredictable factors affect the projection of future revenues and expenditures, including enrollment fluctuations, new programs, state and federal mandates, changes in state funding, and evolving School Board priorities.

Budget development for the upcoming fiscal year will begin in December with workshops and a public hearing to collect stakeholder input for the Superintendent’s Estimate of Needs (SEON). In February, the Superintendent will present a balanced SEON to the School Board, followed by additional workshops and a second public hearing to facilitate discussion before the Proposed Operating Budget is finalized and submitted to City Council in April. After City Council deliberations, VBCPS and City staff will coordinate final adjustments to projected revenues and complete the budget reconciliation process.

Overall, the Five-Year Forecast seeks to balance the immediate needs of employee compensation, health insurance costs, and capital improvements with the long-term objectives of fiscal sustainability and infrastructure investment. External challenges such as inflation, workforce shortages, and economic uncertainty remain, VBCPS is committed to proactive financial management and will remain flexible and adaptive to sustain the division’s financial health and educational mission in the year ahead.

Overall Conclusion

In summary, the Five-Year Forecast is designed to assess the financial outlook of the City and Schools by considering their programs and services. This forecast is grounded in a thorough set of assumptions and key factors that consider both external economic conditions and internal fiscal policies. These factors include compensation increases, health insurance, retirement costs, inflation, internal service charges, and Capital Improvement Program needs, all of which play a critical role in shaping the City's financial trajectory over the five-year period.

Given the notable changes in programs like SNAP and Medicaid, it will be crucial to monitor alterations in federal and state spending throughout the forecast period. The most notable changes include new requirements for recipients, along with increased administrative cost-sharing at the State and local levels. These changes are expected to substantially impact specific departments such as Human Services. Such changes will also affect the City’s population that relies on the benefits of SNAP and Medicaid. The City must remain flexible and adaptive in addressing these evolving priorities.

Inflation is expected to decline from recent peaks and stabilize at an annual rate just below 3%, aligning more closely with the Federal Reserve's target of 2%, which is indicative of a healthy economy. The forecast anticipates an inflation rate of 3% for each of the next five fiscal years, impacting both operating and capital accounts. These trends have prompted the City to prioritize high-importance projects and projects that are the closest to closing within the Capital Improvement Program while mostly deferring new investments.

The Five-Year Forecast effectively addresses the immediate requirements for compensation, health insurance, retirement benefits, and capital improvements, while aligning with the long-term objectives of fiscal sustainability and infrastructure development. Despite various external factors such as changes in federal and state spending, inflation, and uncertainties in tourism presenting challenges, the City's proactive financial management strategy ensures it is well-positioned to navigate these complexities. Going forward, the City and Schools must remain adaptable and responsive to emerging priorities to secure the long-term financial stability of their operations and infrastructure.

Appendix A: School Operating Fund Revenue

Revenue	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Revenue Sharing Formula	550,980,269	559,011,803	574,819,435	591,189,303	604,186,545	617,517,720
State Revenue	401,073,914	413,106,131	425,499,315	438,264,294	451,412,223	464,954,590
State Shared Sales Tax	94,290,730	94,762,184	95,235,995	95,712,175	96,190,736	96,671,690
Federal Revenue	14,744,107	15,494,107	15,494,107	15,494,107	15,494,107	15,494,107
Other Local	4,457,538	5,457,538	6,557,538	7,757,538	9,057,538	10,457,538
Total Revenue	**1,065,546,558**	**1,087,831,763**	**1,117,606,390**	**1,148,417,417**	**1,176,341,149**	**1,205,095,645**

Appendix B: School Operating Fund Expenditures

Expenditure	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Personnel Services	616,300,415	634,789,427	653,833,110	673,448,103	693,651,546	714,461,092
Fringe Benefits	249,672,707	274,464,653	289,070,413	311,432,592	328,367,460	353,648,556
Contractual Services	52,626,473	54,205,267	55,831,425	57,506,368	59,231,559	61,008,506
Materials and Supplies	39,842,788	41,038,072	42,269,214	43,537,290	44,843,409	46,188,711
Other Charges	29,363,980	29,363,980	29,363,980	29,363,980	29,363,980	29,363,980
Capital Outlay*	1,401,441	1,401,441	1,401,441	1,401,441	1,401,441	1,401,441
PAYGO to CIP	8,954,741	5,000,000	6,000,000	7,000,000	7,500,000	8,000,000
Debt Service	50,071,611	50,071,611	50,071,611	50,419,187	54,489,191	61,955,272
Transfers to Other Funds**	17,312,402	17,496,815	17,652,533	17,848,897	18,019,683	18,234,034
Total Expenses	**1,065,546,558**	**1,107,831,266**	**1,145,493,727**	**1,191,957,858**	**1,236,868,269**	**1,294,261,592**

** Outlays that result in the acquisition of or additions to capital assets with a unit cost of $10,000 or more (i.e., machinery, vehicles, buses).*

*** Funds are budgeted in the School Operating fund for subsequent transfer to other School Board funds (i.e., Athletics, Categorical Grants, Green Run Collegiate)*

Appendix C: City General Fund Revenue

Revenue	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Property Taxes	220,601,034	228,751,822	235,614,376	242,682,808	249,963,292	257,462,191
Real Estate	734,375,613	737,944,368	761,558,588	785,928,463	801,647,032	817,679,973
Amusement Tax	1,894,641	2,373,091	2,373,091	2,373,091	2,373,091	2,373,091
General Sales Tax	97,846,775	101,263,558	104,301,465	107,430,509	110,653,424	113,973,027
Utility Tax	25,879,291	26,011,784	26,011,784	26,011,784	26,011,784	26,011,784
Business License	67,166,505	71,447,567	72,876,519	74,334,049	75,820,730	77,337,145
Telecommunications Tax	17,229,098	16,085,932	15,442,495	14,979,220	14,529,843	14,093,948
Boat License Fee	2,359,470	2,359,470	2,359,470	2,359,470	2,359,470	2,359,470
Automobile License Tax	10,639,555	10,299,928	10,402,928	10,506,957	10,612,027	10,718,147
Bank Stock Capital Tax	4,437,248	4,666,586	4,759,918	4,807,517	4,855,592	4,904,148
City Tax on Deeds	7,898,238	8,470,496	8,470,496	8,470,496	8,470,496	8,470,496
City Tax on Wills	125,488	126,704	126,704	126,704	126,704	126,704
Hotel Tax	11,274,805	11,439,159	11,667,943	11,901,301	12,139,327	12,382,114
Meal Tax	65,149,968	67,104,467	69,117,601	71,191,129	73,326,863	75,526,669
Cigarette Tax	5,669,939	5,329,743	5,009,958	4,759,460	4,521,487	4,295,413
Use of Money or Property	19,345,214	20,312,475	20,515,599	20,720,755	20,927,963	21,137,243
Fines and Forfeitures	2,611,008	2,637,118	2,663,489	2,690,124	2,717,025	2,744,196
Permits & Fees	11,269,972	11,382,672	11,496,498	11,611,463	11,727,578	11,844,854
Charges for Services	57,313,725	57,886,862	58,465,731	59,050,388	59,640,892	60,237,301
Miscellaneous Revenue	8,931,381	9,020,695	9,110,902	9,202,011	9,294,031	9,386,971
State Revenue	144,200,422	145,642,426	148,555,275	151,526,380	154,556,908	157,648,046
Federal Revenue	25,944,328	25,944,328	25,944,328	25,944,328	25,944,328	25,944,328
Transfer In	13,734,535	13,871,880	14,010,599	14,150,705	14,292,212	14,435,134
Fund Balance	3,293,657	0	0	0	0	0
TOTAL	**1,559,191,910**	**1,580,373,131**	**1,620,855,758**	**1,662,759,114**	**1,696,512,100**	**1,731,092,392**

Appendix D: City General Fund Expenditures

Expenses	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Salaries	**434,364,642**	**456,971,281**	**470,679,762**	**484,799,497**	**499,342,825**	**514,322,452**
Full-Time	386,615,506	406,585,619	418,783,187	431,346,683	444,287,083	457,615,696
Part-Time	16,621,947	17,166,642	17,681,642	18,212,091	18,758,454	19,321,207
Overtime	20,404,068	22,387,590	23,059,218	23,750,994	24,463,524	25,197,430
Contracted Manpower	9,827,636	10,038,236	10,339,383	10,649,565	10,969,052	11,298,123
Board Member Compensation	21,913	21,913	21,913	21,913	21,913	21,913
Salary Supplements	873,572	771,281	794,419	818,252	842,800	868,084
Fringe Benefits	**161,725,088**	**177,603,278**	**185,450,320**	**200,174,849**	**209,130,458**	**225,490,122**
FICA	26,304,394	27,709,849	28,541,103	29,345,206	30,225,562	31,132,329
FICA Med	6,151,834	6,480,529	6,674,935	6,862,992	7,068,881	7,280,948
Health	48,101,508	51,949,629	56,105,599	60,594,047	65,441,571	70,676,896
Life	5,099,727	5,366,930	5,527,938	5,693,776	5,864,589	6,040,527
VRS	73,327,888	83,268,735	85,766,797	94,810,001	97,654,301	107,448,165
Other Fringe Benefits	2,739,737	2,827,607	2,833,947	2,868,828	2,875,554	2,911,257
Operating	**240,930,668**	**237,621,709**	**244,750,360**	**252,092,871**	**259,655,657**	**267,445,327**
Professional Services	76,034,093	78,315,116	80,664,569	83,084,506	85,577,042	88,144,353
Internal Services	53,596,928	59,007,120	60,777,334	62,600,654	64,478,673	66,413,033
Other Charges	90,931,117	79,319,887	81,699,484	84,150,469	86,674,983	89,275,232
Supply Expenditure	20,368,530	20,979,586	21,608,973	22,257,243	22,924,960	23,612,709
Capital	**10,397,327**	**9,951,222**	**10,249,759**	**10,557,251**	**10,873,969**	**11,200,188**
Leases	**7,223,955**	**7,150,289**	**7,364,798**	**7,585,742**	**7,813,314**	**8,047,713**
Transfers	**647,954,352**	**637,505,697**	**657,155,859**	**676,284,915**	**691,393,534**	**712,582,162**
Consolidated Grants Fund	1,078,784	1,111,148	1,144,482	1,178,816	1,214,181	1,250,606
Federal Section 8 Fund	76,000	78,280	80,628	83,047	85,539	88,105
GG Capital Project Fund	51,238,973	29,469,069	31,840,854	33,085,175	33,636,339	39,886,569
MH Grant Fund	369,228	369,228	380,305	391,714	403,465	415,569
School Operating Fund	550,980,269	559,011,803	574,819,435	591,189,303	604,186,445	617,517,720
Sheriff's Office Fund	44,211,098	47,466,170	48,890,155	50,356,860	51,867,565	53,423,592
Debt Service	**55,095,110**	**63,095,110**	**63,095,110**	**63,095,110**	**63,095,110**	**63,095,110**
Reserves	**1,500,768**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**
Total	**1,559,191,910**	**$1,591,398,587**	**$1,640,245,968**	**$1,696,090,235**	**$1,742,804,867**	**$1,803,683,075**

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