

CITY OF VIRGINIA BEACH

FIVE YEAR FORECAST

FY 2027-28 TO FY 2031-32

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Introduction

In accordance with City Code, each November, the City of Virginia Beach's Department of Budget and Management Services, together with Virginia Beach City Public Schools, delivers a Five-Year Forecast to a joint session of the School Board and City Council. The Forecast outlines the City's current financial conditions and projects revenues and expenditures for the next five fiscal years, providing both bodies with a foundation for the upcoming budget process. This year's report includes regional economic indicators, demographic trends, major revenue sources, policy considerations, a review of selected City funds, and the School's Operating Fund. Between this presentation and the adoption of the FY 2027-28 Budget, revenue estimates and expenditure needs will be updated and influence the final budget adopted by City Council.

Forecast projections rely on current policies, including existing tax rates and the Revenue Sharing Formula, which allocates roughly half of General Government revenue to Virginia Beach City Public Schools. In addition, typically no recommendations are made to address the closure of a 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 are determined during the budget development process by the City Manager and the City Council.

As with any Forecast, the numbers may change as economic conditions and City Council priorities evolve. Key cost drivers for the Forecast period include compensation, fringe benefits, capital projects, and federal and state funding for programs, such as Supplemental Nutrition Assistance Program (SNAP) and Medicaid.

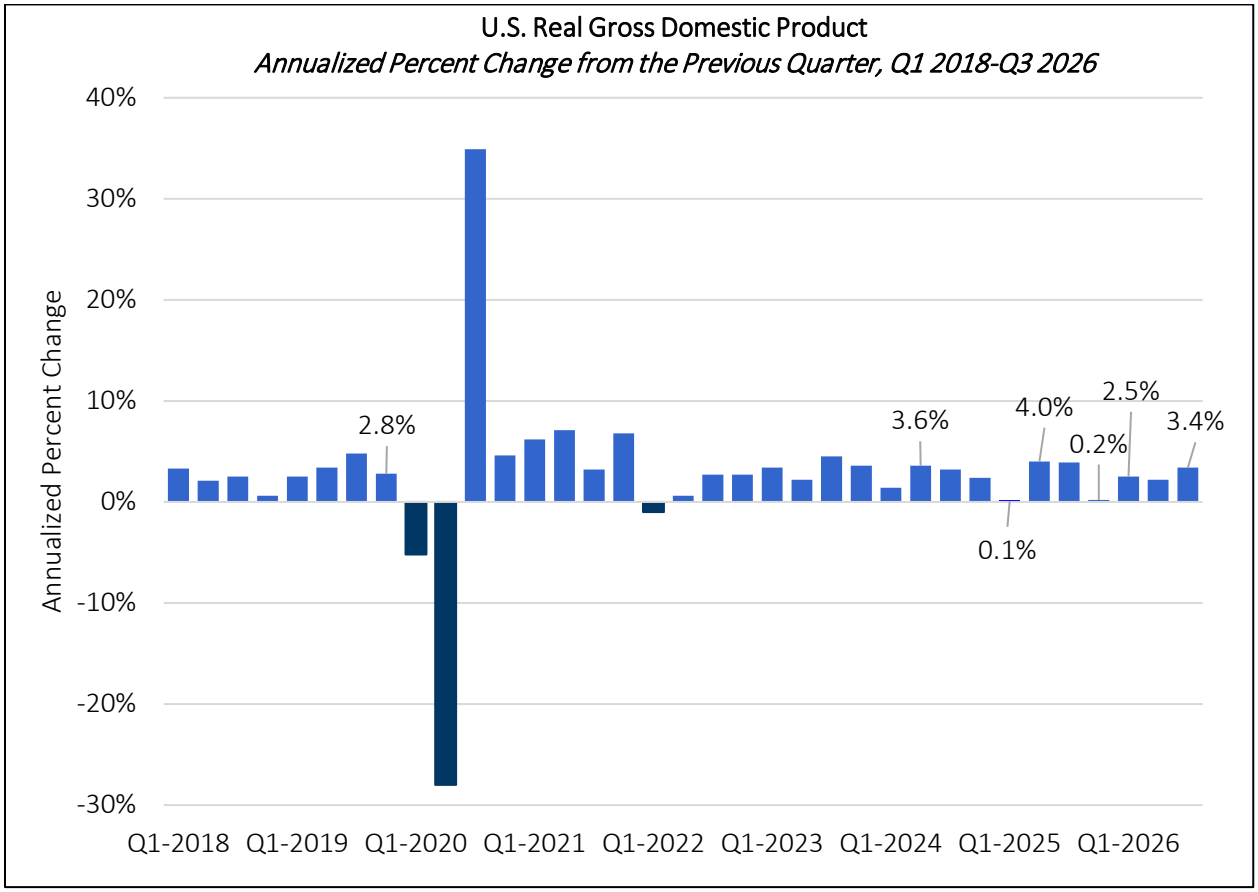
Economic Overview

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

National Economic Conditions

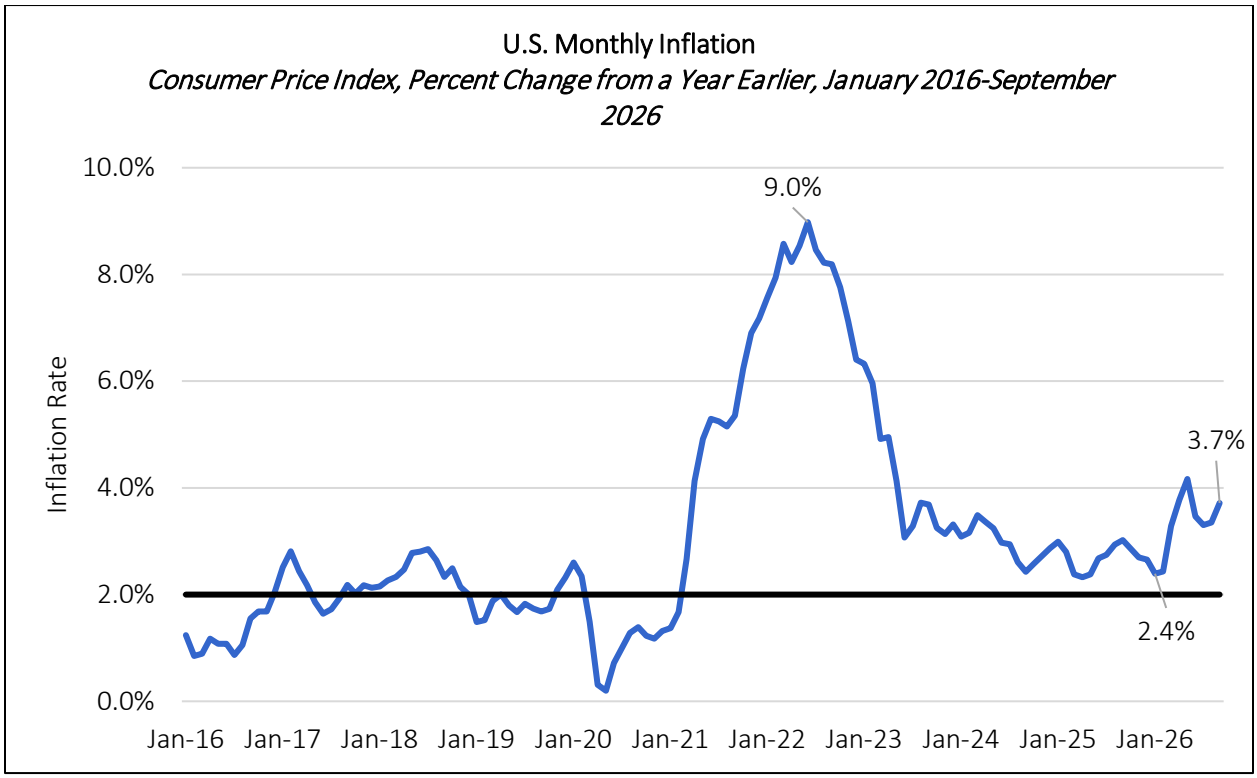
The Hampton Roads economy has historically mirrored national economic trends, with inflation, energy prices, and interest rates all shaping local conditions. Understanding the national context is essential to understanding the regional economy.

After nearly stalling at the end of 2025, the U.S. economy regained momentum in the first half of 2026. Inflation-adjusted GDP grew at an annual rate of 2.5% in the first quarter and 2.2% in the second, up from 0.2% in the fourth quarter of 2025. Consumer spending, the largest component of the economy, has remained resilient despite rising prices and accounted for most of the second-quarter gain. Business investments also contributed supported by continued spending on data centers and other Artificial Intelligence related infrastructure. These gains were partly offset by a widening trade deficit, which subtracted more than a full percentage point from growth. In the third quarter, GDP grew at an annual rate of 3.4%, according to the advance estimate. Overall, despite trade policy uncertainty, higher energy prices, and rising interest rates, the national economy has continued to expand at a steady pace.



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

Higher energy prices continue to push inflation upward. In September 2026, consumer prices rose 0.3% from the prior month and 3.7% from a year earlier, the fastest annual pace since May 2026. Core prices, which exclude volatile food and energy, rose 0.2% for the month and 2.6% over the year. Gasoline and diesel remain the main drivers, but price increases have spread to a range of other categories, including airfare, recreation, and used cars. Rising prices have also eroded household purchasing power. Since January 2025, average hourly earnings have increased 5.5%, while consumer prices have risen 5.4%, leaving workers with almost no gain in real wages. Although inflation remains well below its earlier peak, the recent acceleration suggests the path back to price stability will be uneven. In response, the Federal Reserve raised interest rates in September for the first time since 2023, a move that will put upward pressure on borrowing costs throughout the economy, including mortgage rates.

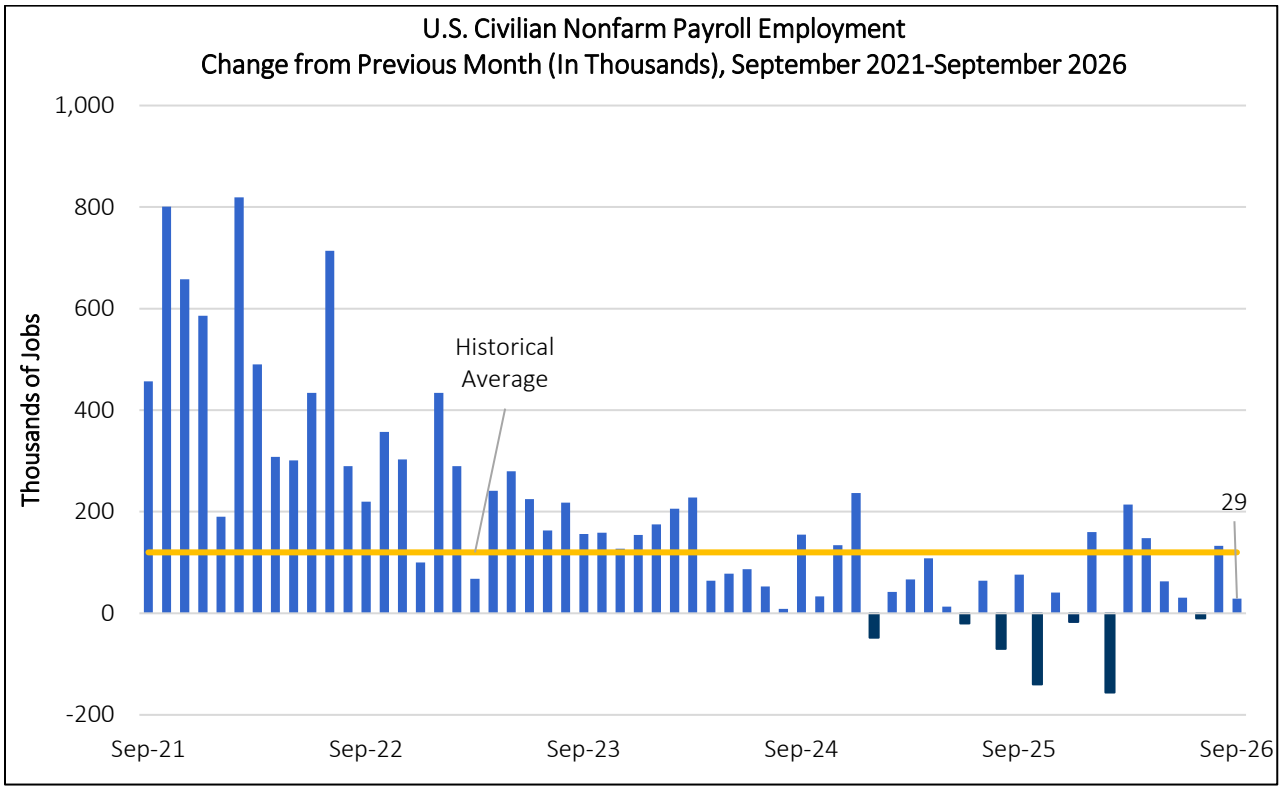


Source: Bureau of Labor Statistics CPI-U and HRPDC, seasonally adjusted data.

Nonfarm payrolls rose by 29,000 jobs in September, a modest gain by historical standards. Because monthly estimates swing considerably and are frequently revised, any one report offers only a partial view of the labor market. The broader trend is more encouraging. Through the first nine months of 2026, payrolls grew by an average of 68,000 jobs per month, a meaningful improvement over 2025, when average monthly gains fell to just 10,000 from 122,000 in 2024.

Slower job growth, however, does not necessarily signal a deteriorating labor market. With baby boomers continuing to retire and net immigration down sharply, the labor force is growing far more slowly than it did a few years ago, meaning the economy needs fewer new jobs each month to keep unemployment steady. Estimates of this "breakeven" pace have dropped from well above 100,000 jobs per month in 2023 and 2024 to roughly 40,000 or less today. Measured against that lower bar, recent job gains have been enough to keep the labor market broadly in balance. Even so, the labor market remains stuck in a low-hire, low-fire pattern. Employers are bringing on new workers at one of the slowest rates in over a decade, but

layoffs remain historically low. Workers who have jobs are largely holding onto them, while those looking for work face a longer search.

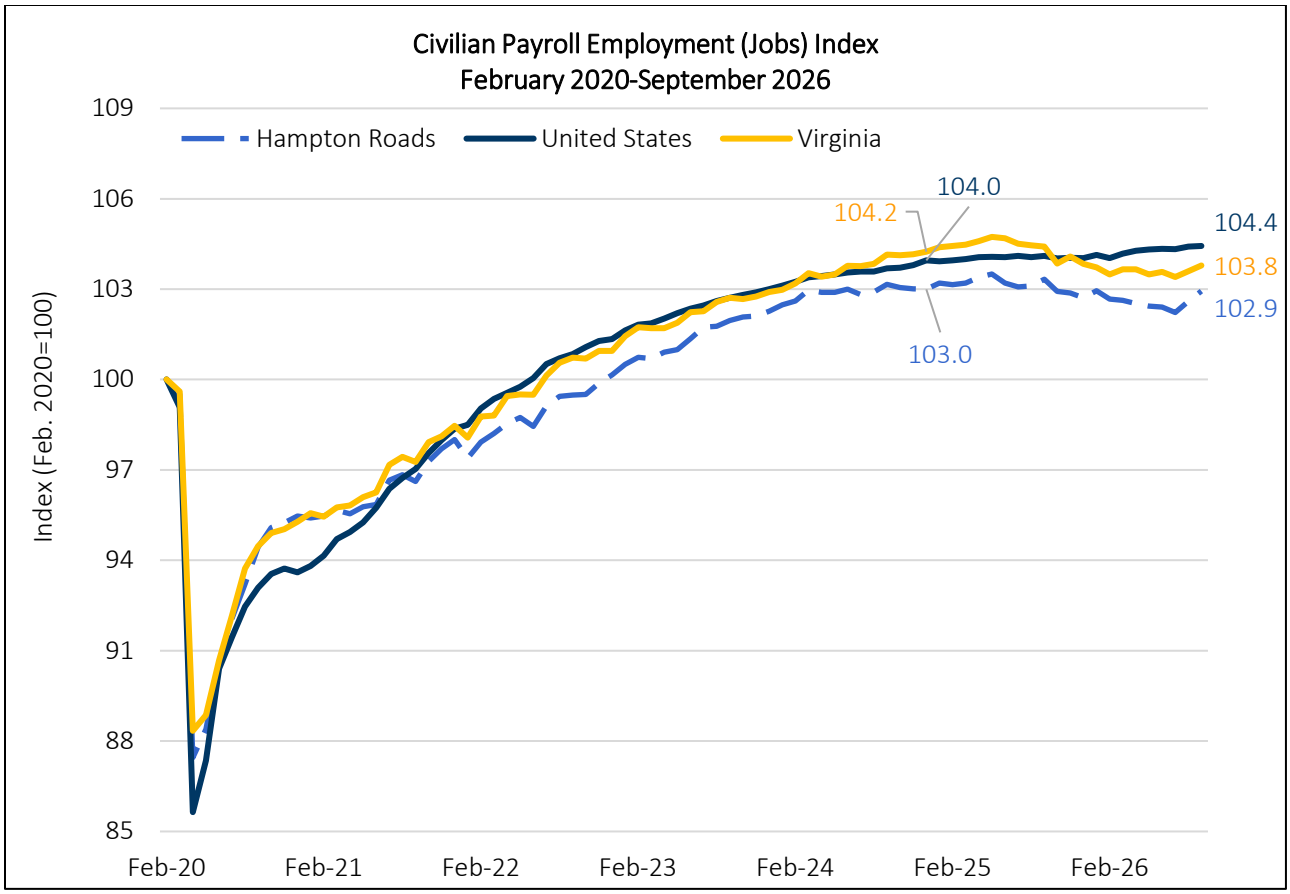


Source: Bureau of Labor Statistics and HRPDC, seasonally adjusted data.

Regional Economic Conditions

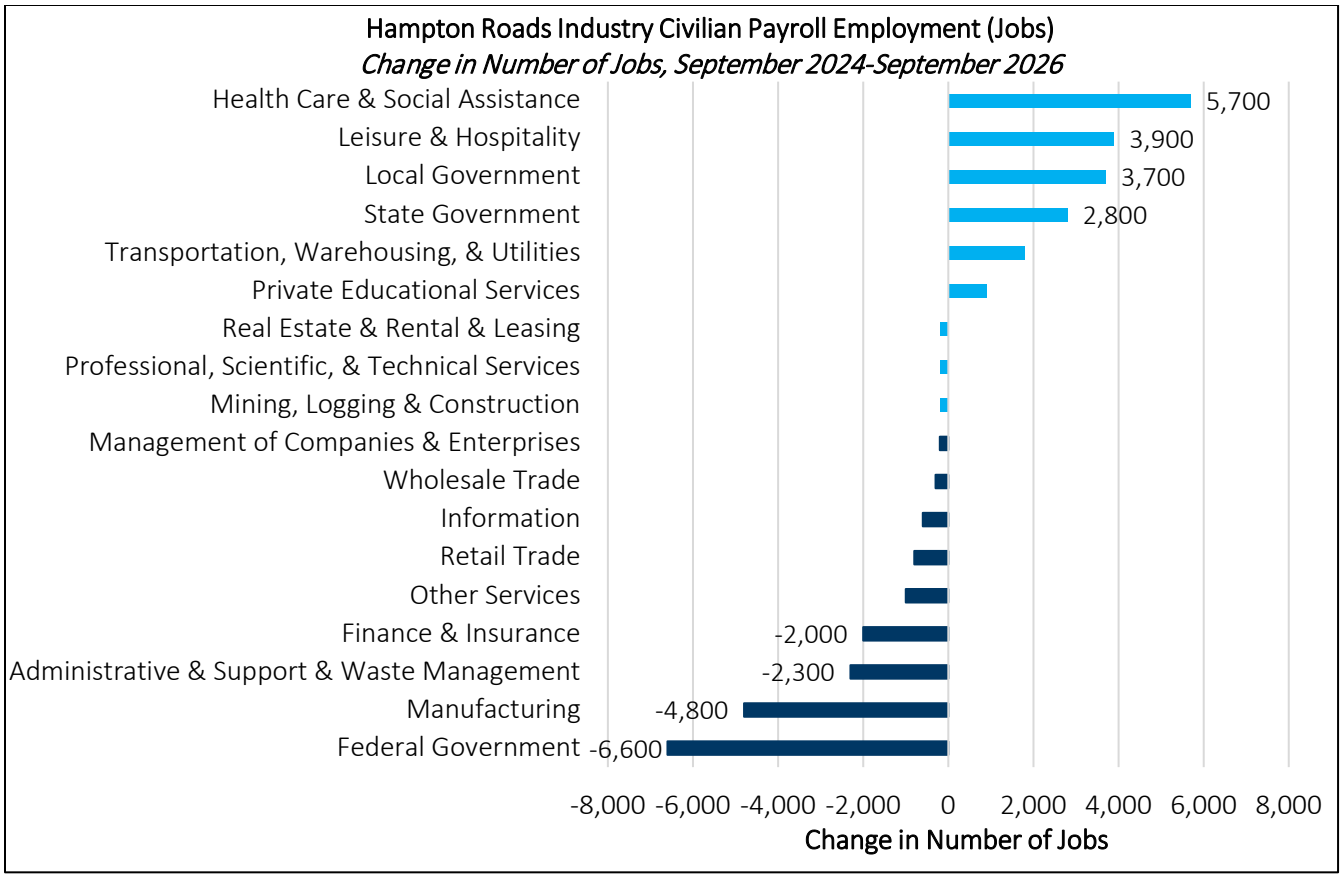
Hampton Roads has been shedding jobs for more than a year, driven in large part by federal workforce and spending cuts. Regional employment peaked in May 2025 and declined through July 2026, falling to its lowest level since late 2023, a loss of more than 10,000 jobs. The region lost jobs in six consecutive months before a rebound in August and September recovered more than half of that decline. Because metro estimates are often revised substantially, it is too early to say whether this marks a turning point. As the chart below shows, the federal cuts have weighed far more heavily on Hampton Roads and Virginia than on the nation.

In December 2024, the month before cuts began, jobs in Hampton Roads stood 3.0% above pre-pandemic levels, compared with 4.2% in Virginia and 4.0% nationally. By September 2026, national employment had climbed to 4.4% above its February 2020 level, a gain of 0.4 percentage points. Hampton Roads, by contrast, has made no progress, slipping slightly to 2.9%, while Virginia fell 0.4 points to 3.8%, dropping below the national trend for the first time since early 2024.



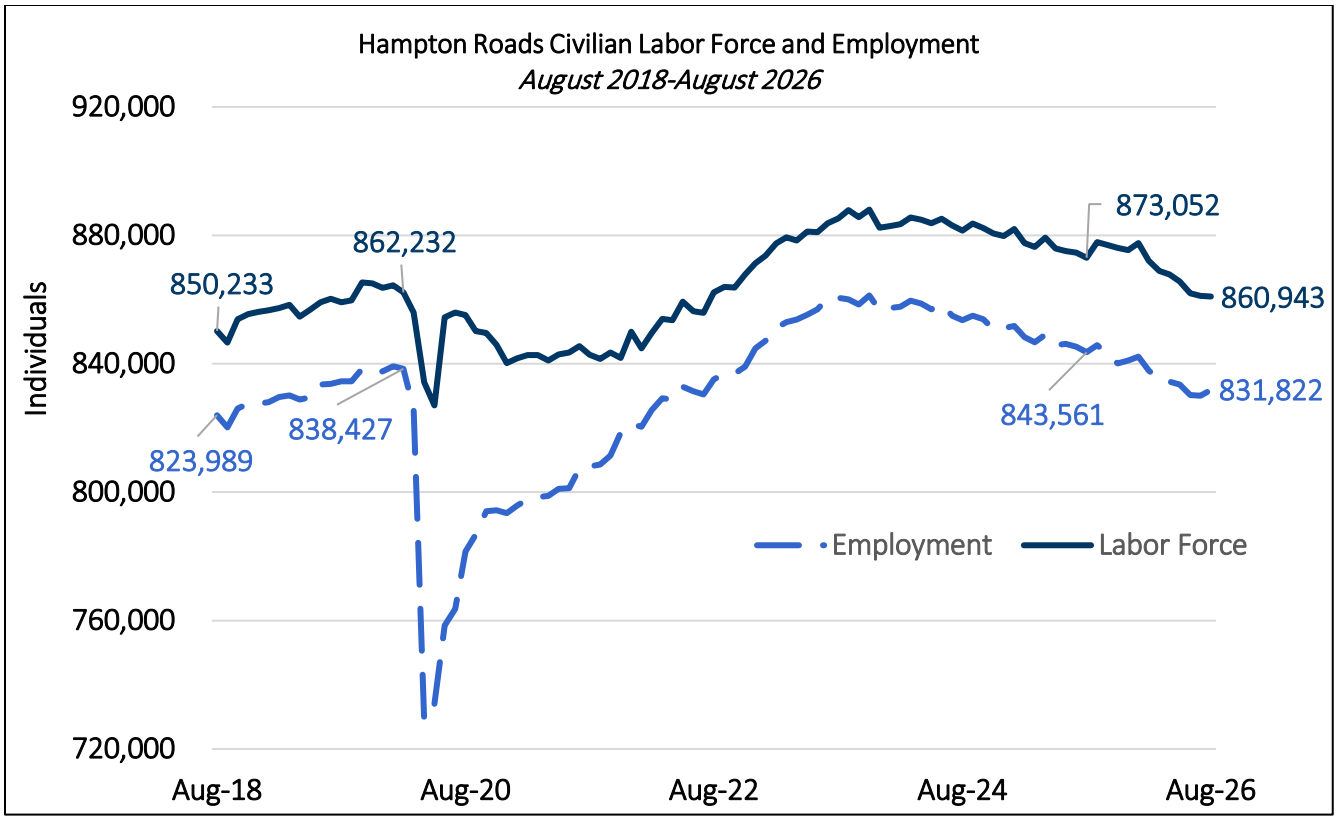
Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data.

Over the past two years, the federal government has gone from one of the region's steadiest employers to its largest source of job losses. Between September 2024 and September 2026, federal civilian employment in Hampton Roads fell by 6,600 jobs, roughly one in every nine positions. Manufacturing posted the next largest decline (-4,800), followed by Administrative and Support Services (-2,300) and Finance and Insurance (-2,000). In all, two-thirds of the region's industries shed jobs over the period. Growth, meanwhile, was concentrated in a handful of sectors. Health Care and Social Assistance led all industries with 5,700 new jobs, mirroring national trends, where health care has been one of the few consistent sources of job growth. Leisure and hospitality followed with 3,900 jobs, and state and local government added a combined 6,500 jobs, nearly offsetting federal losses within the public sector. Without these gains, the region's overall job losses would have been considerably deeper.



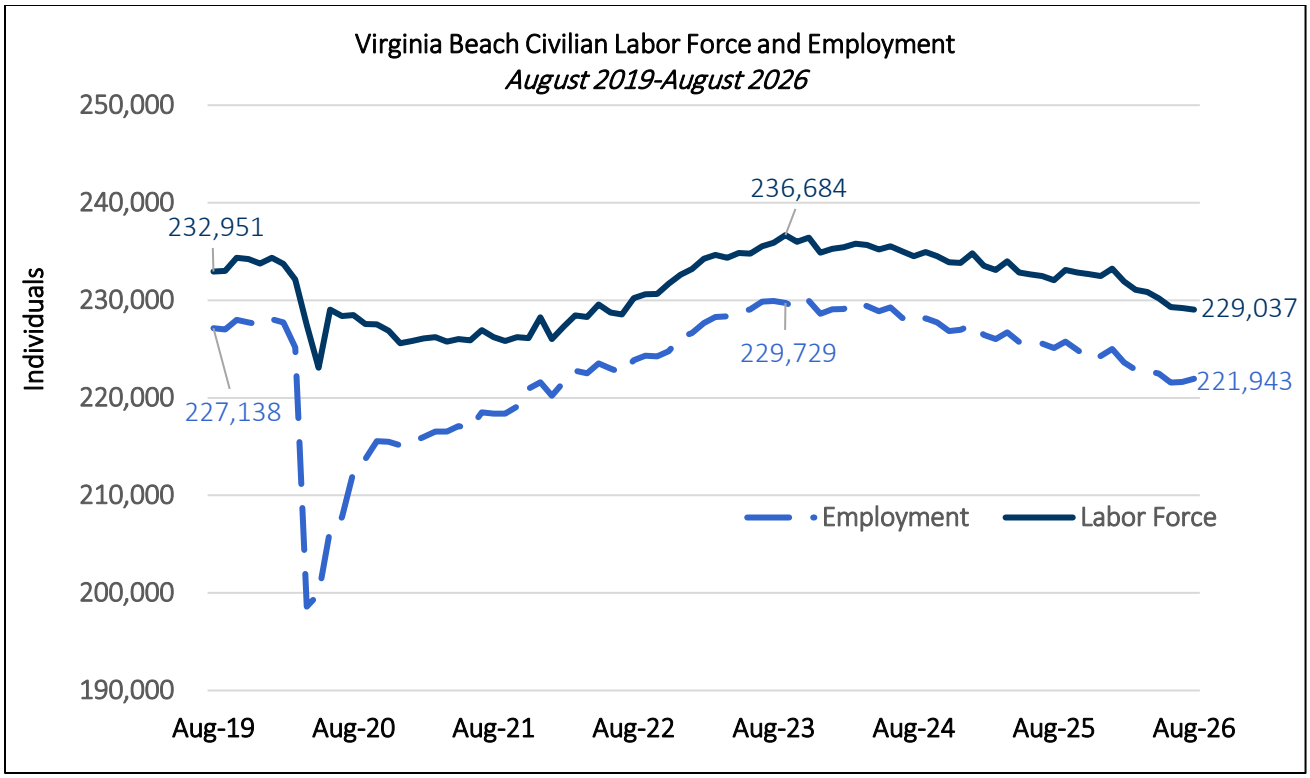
Source: Bureau of Labor Statistics, HRPDC. Non-seasonally adjusted data.

While payroll employment comes from a survey of employers and estimates the number of jobs located in the region, the household survey measures the employment status of the region's residents, whether they are working, looking for work, or out of the labor force. By this measure, the region's labor force has been shrinking for nearly three years, and both the labor force and the number of employed residents have now fallen below their pre-pandemic levels. As of August 2026, employment was 1.4% lower than a year earlier, with the labor force down by the same amount. The pace of decline has also accelerated. In the first eight months of 2026, the region's labor force shrank by more than 14,000, more than three times the loss for all of 2025. Retirements, slower population growth, and federal workers leaving the region or the workforce after the cuts have all likely contributed. Nationally, the labor force and employment have also edged down over the past year as slower immigration has reduced population growth. But the national figures remain well above pre-pandemic levels, while Hampton Roads has given back all of the gains made since 2020.



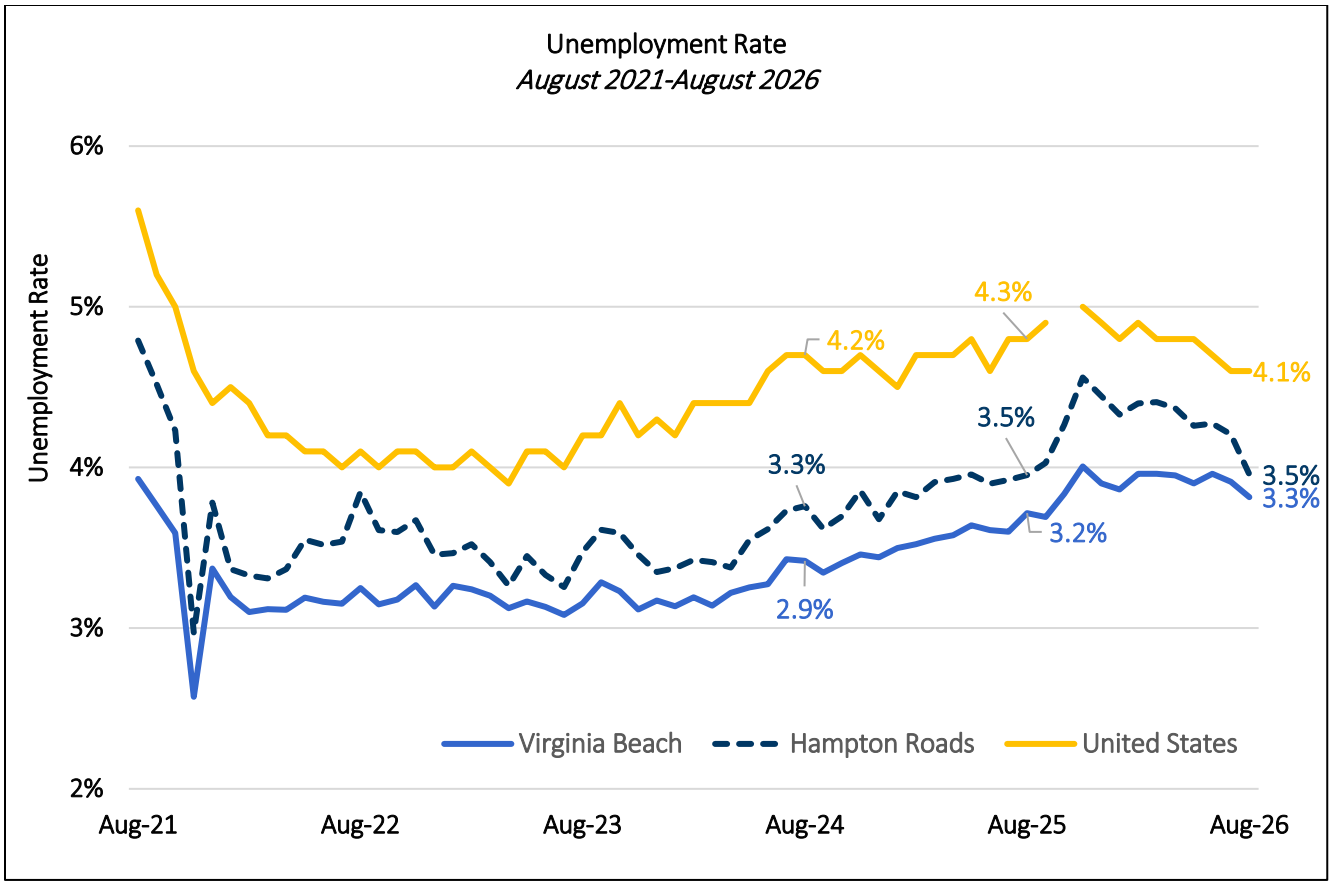
Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data.

Virginia Beach has followed the same downward path as the region, but from a weaker starting point. The City's labor force and employment returned to pre-pandemic levels in early 2023 but peaked only about 1% above them, compared with roughly 3% for Hampton Roads overall. Both measures have declined since late 2023 and now sit further below their pre-pandemic levels than the region's, with employment down 2.5% and the labor force down 2.0%. Over the past year, the City's losses have matched the region's pace, with employment falling 1.4% and the labor force 1.3%. And as in Hampton Roads, the decline has accelerated in 2026, with the City's labor force shrinking by more than 3,400 so far this year, about two and a half times the loss for all of 2025.



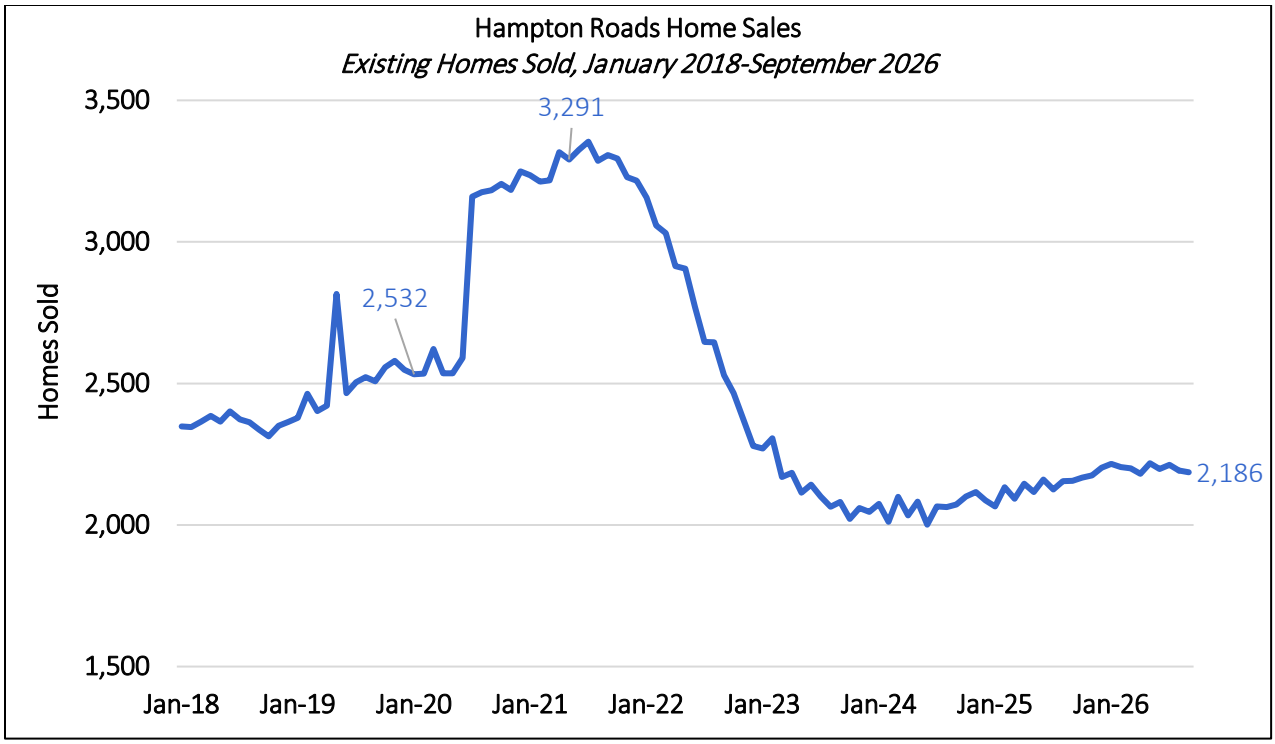
Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data.

The unemployment rate represents the share of the labor force who are actively seeking work but unable to find employment. Because the region's labor force has been shrinking alongside employment, the unemployment rate tells a more muted story than the job numbers. Unemployment in Hampton Roads and Virginia Beach rose steadily through 2025, then jumped in the fall, coinciding with the departure of federal workers who accepted deferred resignation. Rates peaked in November at 4.1% in the region and 3.5% in the City. They have since eased to 3.5% in Hampton Roads and 3.3% in Virginia Beach as of August 2026, roughly where they stood a year earlier. That improvement, however, owes more to people leaving the labor force than to new hiring. So far this year, the region's labor force has shrunk faster than employment, pulling the unemployment rate down even as the number of employed residents continued to fall. Nationally, the unemployment rate followed a similar arc, rising to 4.5% late last year before settling at 4.1%. Both the City and the region remain below the national rate, but the gap has narrowed since the cuts began. In December 2024, unemployment in Hampton Roads was nearly a full point below the nation's, compared with about 0.6 points today.



Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data. October 2025 national data is not available due to the federal government shutdown. Missing data for Hampton Roads and Virginia Beach interpolated.

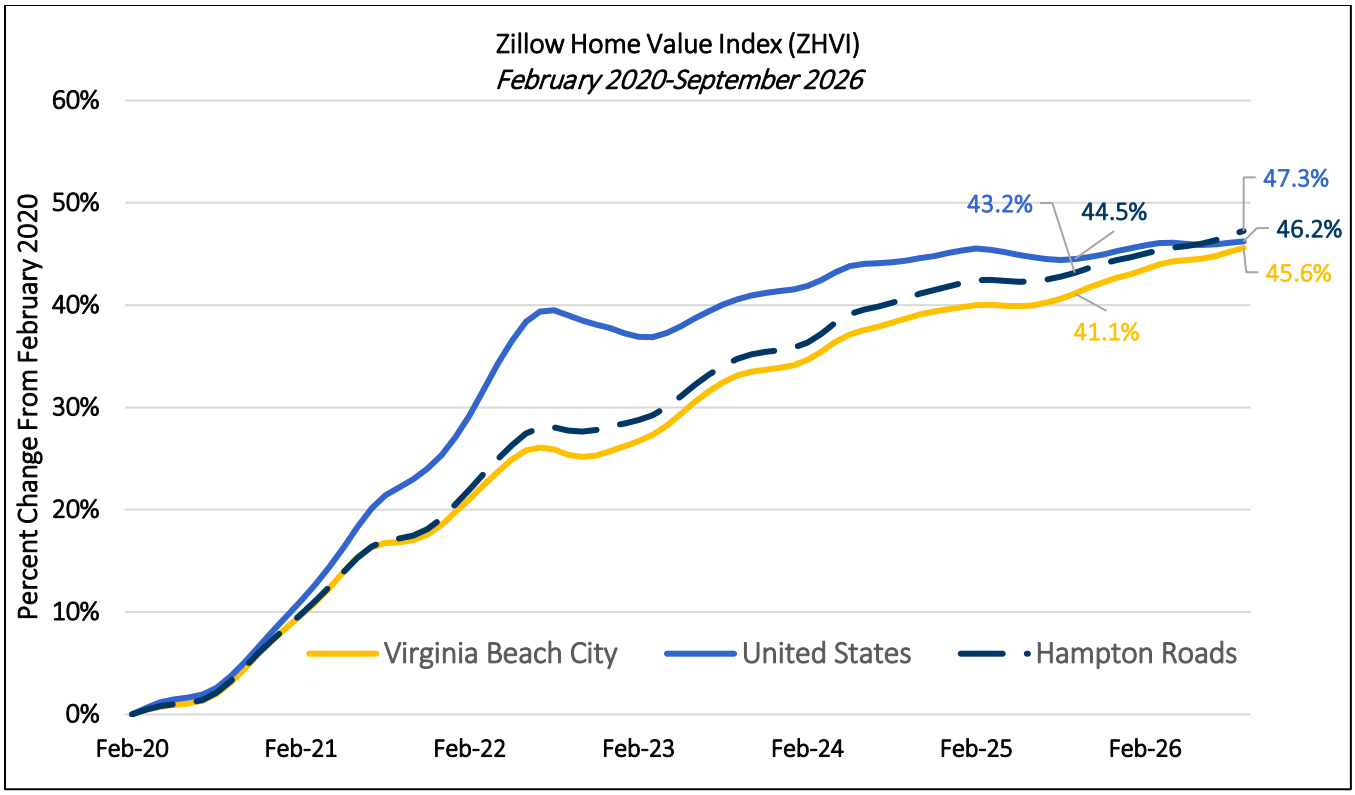
Home sales in Hampton Roads have slowly recovered from their 2023 lows, rising 3.4% through the first nine months of 2026 compared with the same period last year, though activity remains about 12% below 2019 levels. That steady improvement sets the region apart from the nation where existing home sales have slipped below levels observed in the prior year. The Hampton Roads metro is one of only a handful of large metros where sales are still higher than a year ago. Still, the region has not been immune to higher borrowing costs. Sales have leveled off since the start of the year as mortgage rates rose steadily, climbing back above 7% in late September and reaching 7.32% in late October, more than a full point higher than a year ago. Until rates ease, higher borrowing costs are likely to continue weighing on sales.



Source: Redfin and HRPDC. Seasonally adjusted data.

Home prices in Hampton Roads and Virginia Beach are rising faster than the national average. Over the past year, home values increased 2.9% in the region and 3.2% in Virginia Beach, more than double the 1.2% gain nationally. That is a departure from the region's historical pattern, in which home prices have typically grown more slowly than the nations. As a result, home values in Hampton Roads are now 47.3% above February 2020 levels, exceeding the national increase of 46.2%, with Virginia Beach close behind at 45.6%.

Limited inventory is a key reason the region has held up better. Across much of the country, the number of homes for sale has grown, giving buyers more leverage and slowing price gains. In Hampton Roads, inventory remains scarce. At the current sales pace, it would take about 2.7 months to sell all homes on the market in the region, compared with 4.1 months nationally. Before the pandemic, the two were nearly identical. That widening gap means buyers in the region still face more competition for fewer homes, keeping upward pressure on prices even as higher mortgage rates have cooled sales.



Source: Zillow Research Data and HRPDC. Smoothed Seasonally adjusted data. HRPDC.

Concluding Remarks

The national economy has proven more resilient than many expected in 2026, with GDP growth accelerating to 3.4% in the third quarter, even as job growth remains slow. That resilience has not extended evenly to Hampton Roads. Federal workforce and spending cuts contributed to more than a year of regional job losses and a shrinking labor force. Federal job losses have now largely leveled off, and a late-summer pickup in regional hiring is encouraging, but it is too early to say whether the region has turned a corner. The region nonetheless shows signs of stability. Unemployment remains below the national rate, and the housing market has held up better than in much of the country, with home sales and prices both outpacing national trends.

Virginia Beach has followed the same general path, with a few notable differences. The City's unemployment rate remains below the regional average, and its home values have grown faster than both the region and the nation over the past year, reflecting continued demand to live in the city. At the same time, its labor force has fallen further below pre-pandemic levels than the region's, suggesting that workforce availability may become a growing constraint.

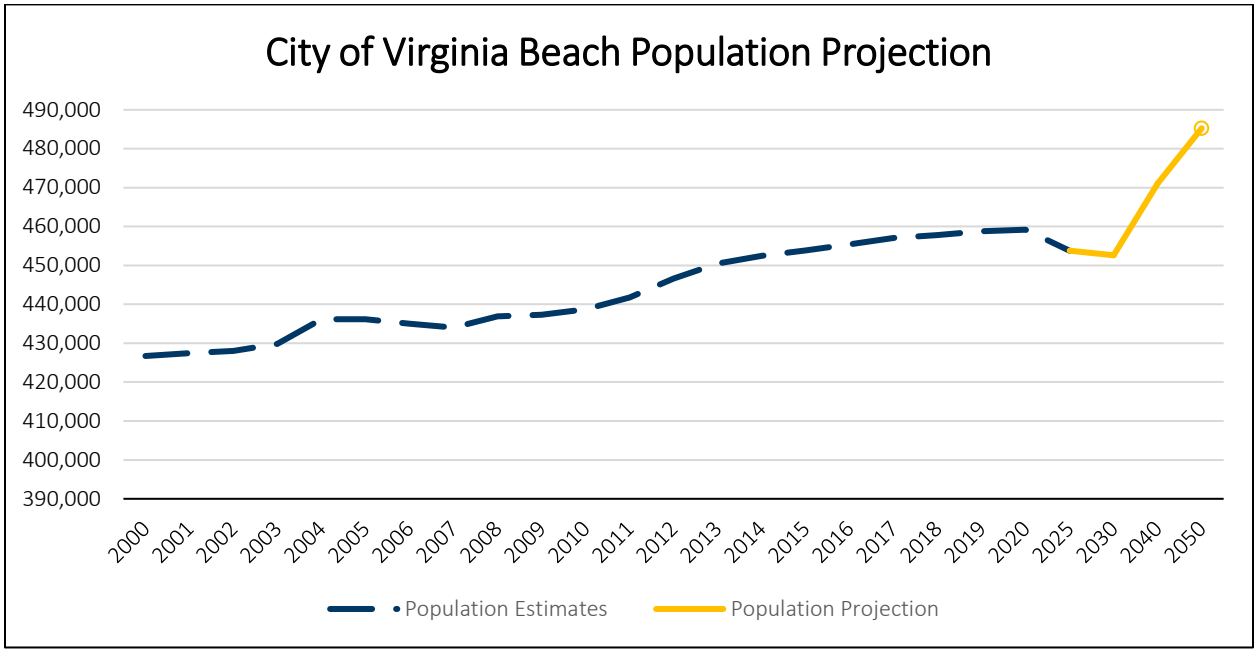
Looking ahead, rising inflation, the Federal Reserve's first rate hike since 2023, and mortgage rates above 7% are likely to weigh on households and businesses nationwide. For Hampton Roads, those headwinds come on top of a smaller labor force and a reduced federal presence, which points to slower growth in the near term. Over the longer term, the path for both the region and Virginia Beach will depend largely on whether other industries can make up for lost federal jobs and whether the labor force begins to recover.

Comparative Indicators & Demographics

The comparative indicators and demographics section examines how Virginia Beach compares to other localities across a range of indicators: population, budget, education, public safety, housing affordability, poverty, taxation, and flood risk. The section also highlights demographic changes and forecasting through data on Virginia Beach trends including aging, race and ethnicity, educational attainment, housing, and military and veterans' issues.

Population

Virginia Beach is the largest city in the Commonwealth of Virginia, with a population of 453,788 residents, according to the University of Virginia's Weldon Cooper Center for Public Service's July 2025 estimates. Since the 2020 Census, the population of Virginia Beach has decreased by 1.2% overall. The City's population is projected to continue to decrease to 452,604 in 2030, then increase to 471,056 by 2040, and to 485,257 by 2050.



Source: University of Virginia Weldon Cooper Center for Public Service
Note: Non-Zero Axis

The population of Virginia Beach has marginally decreased following the 2020 COVID-19 Pandemic. 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.

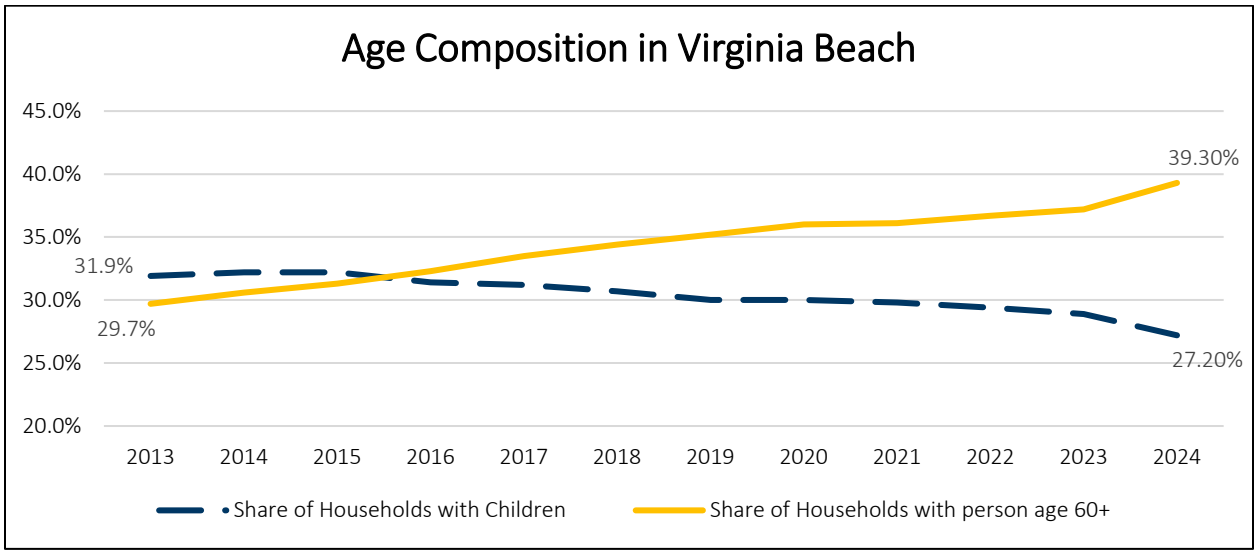
According to the University of Virginia's Weldon Cooper Center for Public Service, the population throughout the Commonwealth of Virginia is expected to increase by 5.8% over the current decade, meaning by 2030 close to 500,000 additional people will make Virginia their home. The rural-urban divide is expected to continue to grow with over 70% of the state's population residing in Northern Virginia, Hampton Roads, and Richmond areas.

Locality	2025 Population Estimates	Population Percent Change 2020-2025
Chesapeake	256,222	2.73%
Hampton	136,591	-0.41%
Newport News	182,835	-1.83%
Norfolk	240,183	0.92%
Portsmouth	97,117	-0.81%
Suffolk	104,251	10.52%
Virginia Beach	453,788	-1.24%

Source: Weldon Cooper Center

Aging

Like most localities in the Commonwealth, there is an identifiable shift in population towards older ages. Medical advancements have improved life expectancy and Americans are living longer. According to the United Nations, a society is classified as an "aging society" when more than 10% of its population is aged 60 and older. The 2020 Census reported that approximately 1 in 5 Virginians living in Hampton Roads (21.6%) were aged 60 and older, placing Hampton Roads in the "aging society" category.



Source: Hampton Roads Alliance

In Virgina Beach since 2013, the share of households with a person over age 60 has increased by 7.4 percentage points while the share of households with children has decreased by 4.7 percentage points. This change reflects a shift toward a population that is aging, while Virginia Beach residents in prime working age and under 18 populations are slowly falling. 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 of 2026, the median age of residents in Virginia Beach is 39.3 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 the increased share of Virginia Beach residents older than 60 grows significantly over the coming years, the City may consider the subsequent impacts on sectors like housing and human services. While maintaining a high quality of life for older adults, 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 made efforts to address affordable housing shortages, such as the recent Attainable Housing Performance Grant program. In addition, the City's Economic Development team is focused on 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 59.1% of residents identify as White, while Black or African American residents account for 16.9%, Asian residents about 7.1%, and Hispanic or Latino residents around 13.8%. 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	Virginia Beach Persons	Virginia Beach % of Population	Virginia Persons	Virginia % of Population
White	268,190	59.10%	5,162,688	58.10%
Black/African American	76,518	16.90%	1,610,320	18.10%
American Indian/Alaskan Native	2,248	0.05%	40,667	0.50%
Asian	32,112	7.10%	683,100	7.70%
Native Hawaiian/Pacific Islander	453	0.10%	9,370	0.10%
Some Other Race	11,623	2.60%	427,463	4.80%
2+ Races	62,593	13.80%	946,499	10.70%

Source: 2025 American Community Survey 1-Year

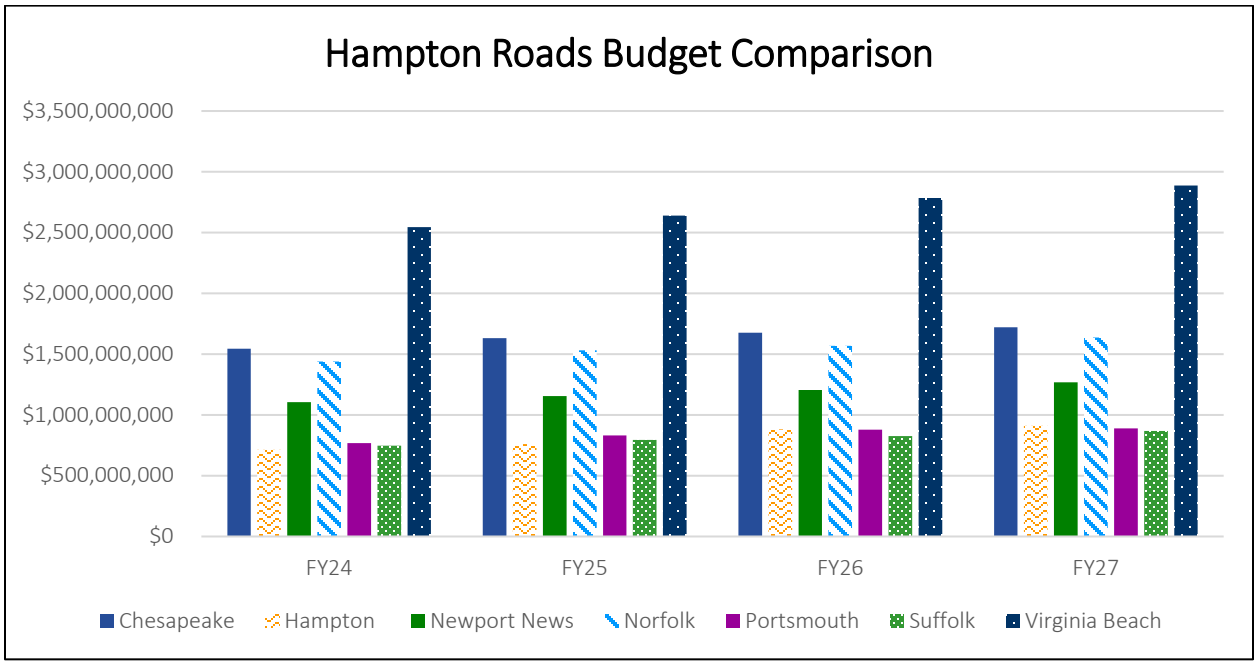
As the population becomes more multicultural, demand will grow and change public services, such as language access in schools, healthcare, and municipal communications. Change in demographics could lead to different housing needs, workforce participation patterns, and preferences for transportation and 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.

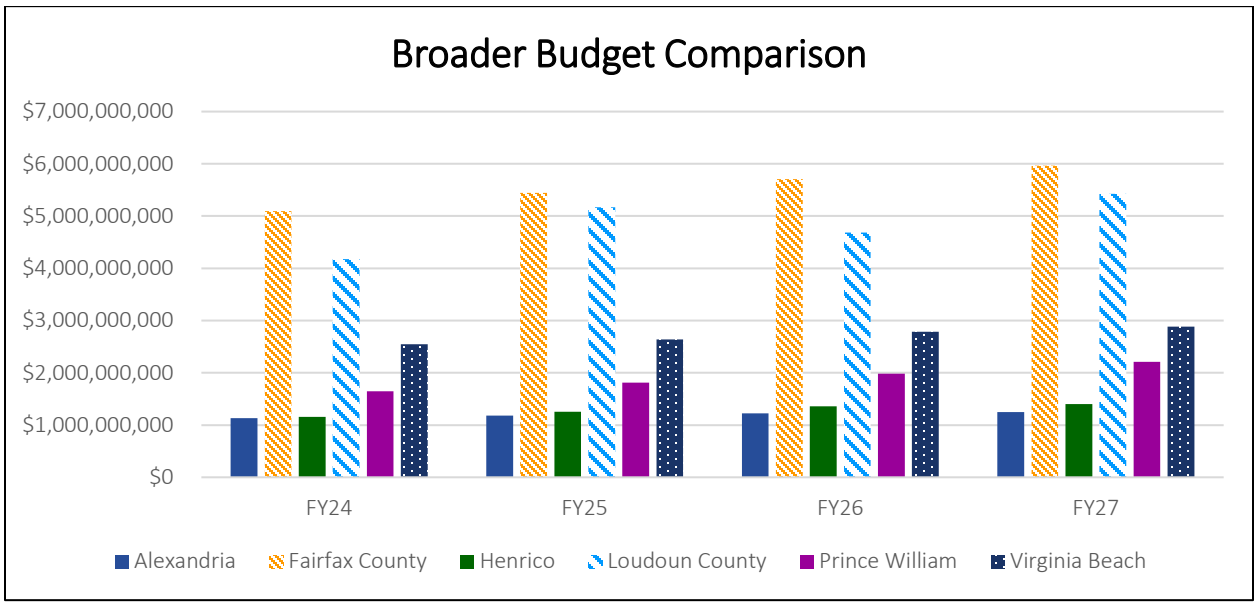
Operating Budget

Virginia Beach's operating budget has grown steadily year-over-year through the FY 2023-24 to FY 2026-27 period. Relative to the larger Northern Virginia localities, Virginia Beach's budget is considerably smaller than Fairfax County's and trails Loudoun County's as well, while running ahead of Alexandria, Henrico County, and Prince William County.

Within Hampton Roads, Virginia Beach carries the largest total operating budget (including schools) of any city in the region. This is largely a function of scale: Virginia Beach's population is nearly double that of

Chesapeake and Norfolk, so its budget reflects a larger resident and service base rather than markedly higher per-resident spending.





Source: Individual Locality Government Websites

Full-Time Equivalent (FTE) Positions

Virginia Beach reports the highest number of full-time equivalent positions of any locality in the Hampton Roads comparison set, well ahead of Norfolk (5,127), the next largest, and more than four-times Portsmouth's total (1,981). This aligns with the fact that Virginia Beach being the region's largest city by population.

Against the Northern Virginia comparison group, Virginia Beach's FTE count is again the highest apart from Fairfax County (13,755), which stands well above the rest given its much larger population. Virginia Beach outpaces Prince William, Loudoun, Henrico, and Alexandria.

Education

The Virginia Department of Education uses a Framework Score to evaluate school performance. A Framework Score provides an overall measure of school performance based on areas such as student mastery, academic growth, readiness, and graduation, with each area weighted differently depending on the school level to provide a comprehensive picture of student success. Scores range from 0 to 100 and are used to assign the following performance categories: Distinguished: 90+, On Track: 80-89, Off Track: 65-79, and Needs Intensive Support: below 65. Compared with Northern Virginia localities, Virginia Beach has the highest high school graduation rate in the group, while its elementary, middle, and high school average Framework Scores remain competitive, generally falling within the "on track" to "distinguished" range alongside Loudoun and Fairfax.

School Framework Scores and Number of Schools

Locality	Elementary	Middle	High School
Chesapeake	84.1 (26)	84.98 (10)	88.0 (7)
Hampton	84.0 (20)	86.6 (5)	96.1 (4)
Newport News	80 (24)	78.9 (7)	84.9 (6)
Norfolk	79.1 (30)	76.3 (6)	81.1 (5)
Portsmouth	76.6 (13)	78.0 (3)	89.4 (3)
Suffolk	81.9 (11)	83.7 (5)	89.7 (3)
Alexandria	80.9 (14)	77.9 (2)	82.8 (1)
Fairfax County	86.9 (141)	87.4 (24)	88.5 (28)
Henrico County	80.2 (46)	78.2 (12)	86.6 (9)
Loudoun County	87.0 (62)	87.9 (18)	93.4 (18)
Prince William County	85.7 (65)	83.5 (17)	88.5 (13)
Virginia Beach	84.5 (55)	86.6 (15)	91.8 (12)

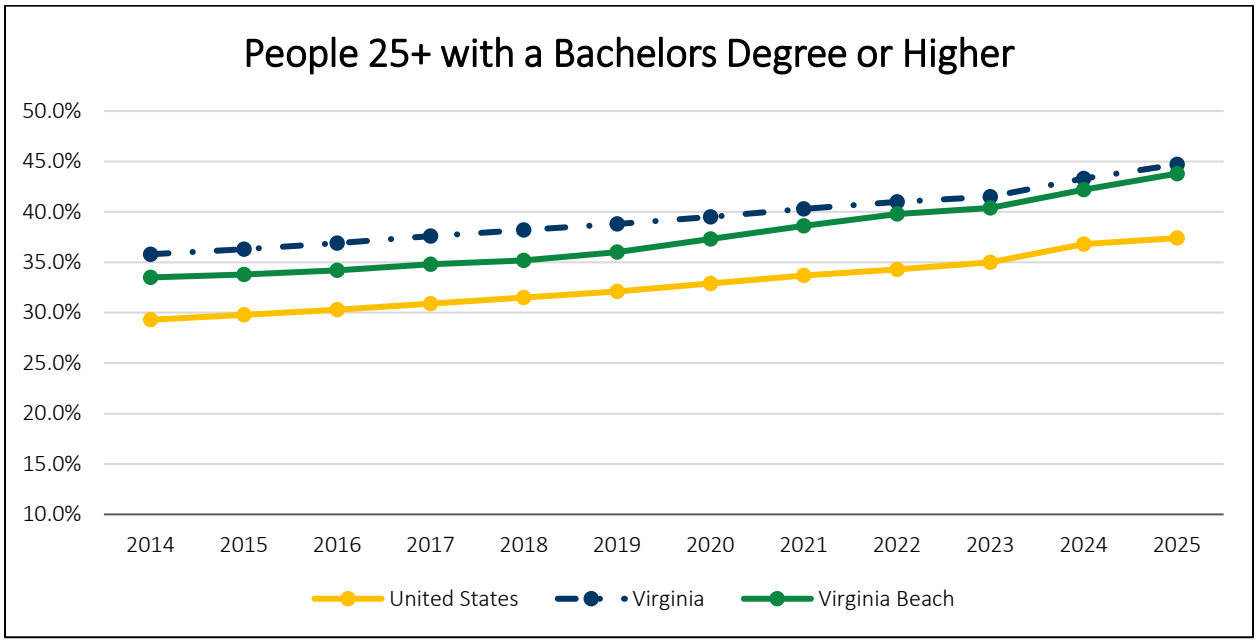
Source: Virginia Department of Education

Within Hampton Roads, Virginia Beach leads the region across all education measures shown, with the highest high school graduation rate, strongest average Framework Scores across all three school levels, and highest share of residents with a bachelor's degree or higher among the seven cities. When compared to broader localities in adult educational attainment, Virginia Beach has a lower share of residents holding a bachelor's degree or higher than in Loudoun, Fairfax, Alexandria, and Henrico.

Population 25+ by Education Attainment	Virginia Beach Persons	Virginia Beach % of Population Age 25+	Virginia Persons	Virginia % of Population Age 25+
Less than 9th Grade	3,246	1.00%	147,541	2.4%
Some High School, No Diploma	8,821	2.8%	312,557	5.0%
High School Graduate	67,244	21.0%	1,393,718	22.5%
Some College, No Degree	74,073	23.1%	1,070,635	17.3%
Associate's Degree	26,702	8.3%	506,629	8.2%
Bachelor's Degree	87,401	27.3%	1,525,604	24.6%
Graduate or Professional Degree	53,184	16.6%	1,248,729	20.1%

Source: 2025 American Community Survey 1-Year

Educational attainment in Virginia Beach is strong and shows relative advantage compared to many neighboring localities. Among residents aged 25 and older, about 96.3% have at least a high school diploma or equivalent, which is higher than both the Virgina average and the national average. Roughly 27% hold a bachelor's degree, slightly higher than the Virgina rate (24%), but still above other comparable municipalities. There is also a substantial share of the population (31%) who have begun post-secondary education or hold associate degrees but have not completed a four-year degree.



Source: 2025 American Community Survey 1-Year

In Virginia Beach, the percentage of people 25 and over with a bachelor's degree or higher has steadily increased from about 34% in 2014 to around 44% in 2025. Virginia Beach remains close to the Virginia

average and consistently above the national average, showing higher levels of educational attainment over time.

Public Safety

Virginia Beach reports the lowest overall crime rate per 1,000 residents of any city in Hampton Roads, well below Norfolk, Portsmouth, Newport News, and Hampton. This holds across both major crime categories tracked here: property crime (offenses where someone unlawfully takes another person's property, including Burglary, Larceny/Theft, Fraud, and Motor Vehicle Theft) and violent crime (Murder and Nonnegligent Manslaughter, Aggravated Assault, Rape, and Robbery). Compared with the Northern Virginia/Commonwealth peer group, Virginia Beach's crime rate is more middle-of-the-pack, when compared to Henrico, Alexandria, and Prince William, but higher than Loudoun County and roughly comparable to Fairfax County.

Locality	Property Crime	Violent Crime	Crime Rate Per 1,000 residents
Chesapeake	5,577	823	25.05
Hampton	4,528	380	35.80
Newport News	5,272	1,457	37.04
Norfolk	8,026	924	38.53
Portsmouth	3,746	750	47.14
Suffolk	1,626	384	19.03
Alexandria	3,204	228	21.57
Fairfax County	20,598	1,346	18.79
Henrico County	7,998	550	24.94
Loudoun County	4,632	401	11.01
Prince William County	8,774	1,075	19.82
Virginia Beach	8,151	444	19.0

Source: Virginia State Police 2025

Poverty and Homelessness

Virginia Beach reports the lowest poverty rate of any locality in the Hampton Roads comparison set, well below Norfolk and Portsmouth in particular, which post the highest rates in the region. For context, the federal U.S. poverty rate is 10.6% (35.9 million people), while Virginia's statewide rate is approximately 9.7%, meaning Virginia Beach comes in well below both national and state averages. These figures reflect the federal poverty threshold used by the Census Bureau.

Percentage of People Below the Federal Poverty Level

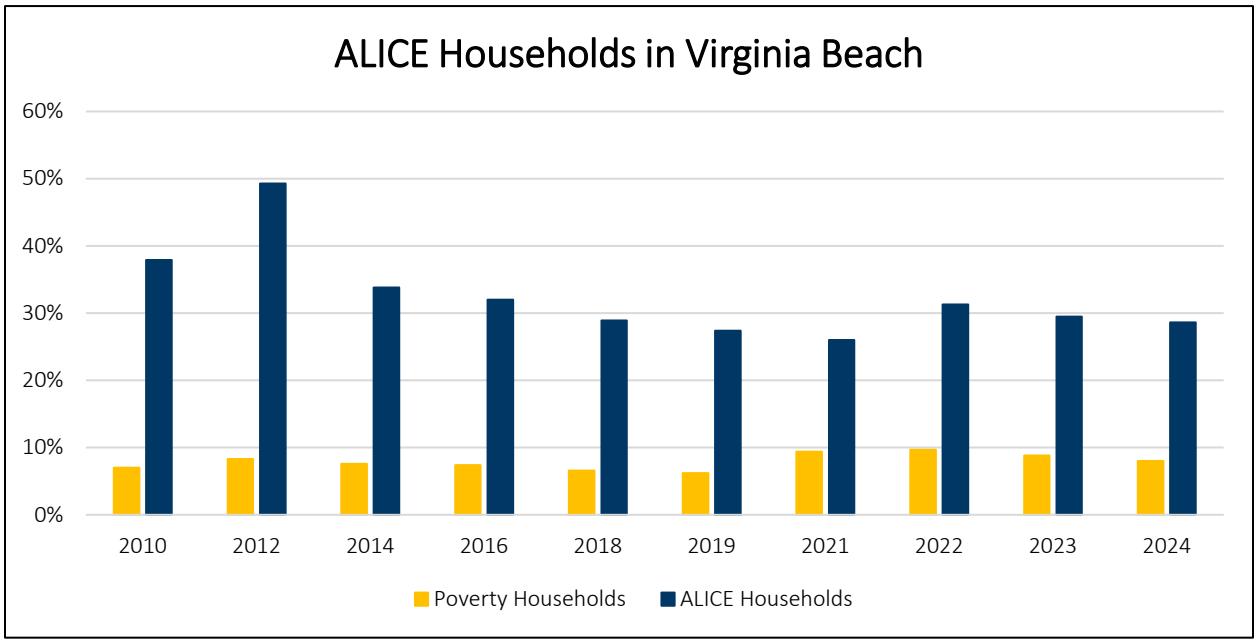
The Federal Poverty Line for individuals is $15,960 and $33,000 for a family of four. As of 2024, 7.8% of Virginia Beach households live below the poverty level, which is lower than the state level of 9.7%.

Locality	% Below Poverty
Chesapeake	9.4%
Hampton	12.7%
Newport News	10.4%
Norfolk	14.1%
Portsmouth	17.3%
Suffolk	10.8%
Alexandria	5.9%
Fairfax County	5.8%
Henrico County	11.0%
Loudoun County	5.0%
Prince William County	6.7%
Virginia Beach	7.8%

Source: 2024 American Community Survey 1-Year

ALICE Households

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.



Source: 2024 American Community Survey 1-Year, 2024 ALICE Threshold

As of 2024, 28.4% of all households in Virginia Beach fell under the ALICE threshold. However, the 28.4% is not equally distributed amongst the diverse Virginia Beach population, as Black, Hispanic, American Indian, and Alaskan Native peoples see the largest amount households within the ALICE threshold. The data from 2026 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.

Point-in-Time Homelessness Count

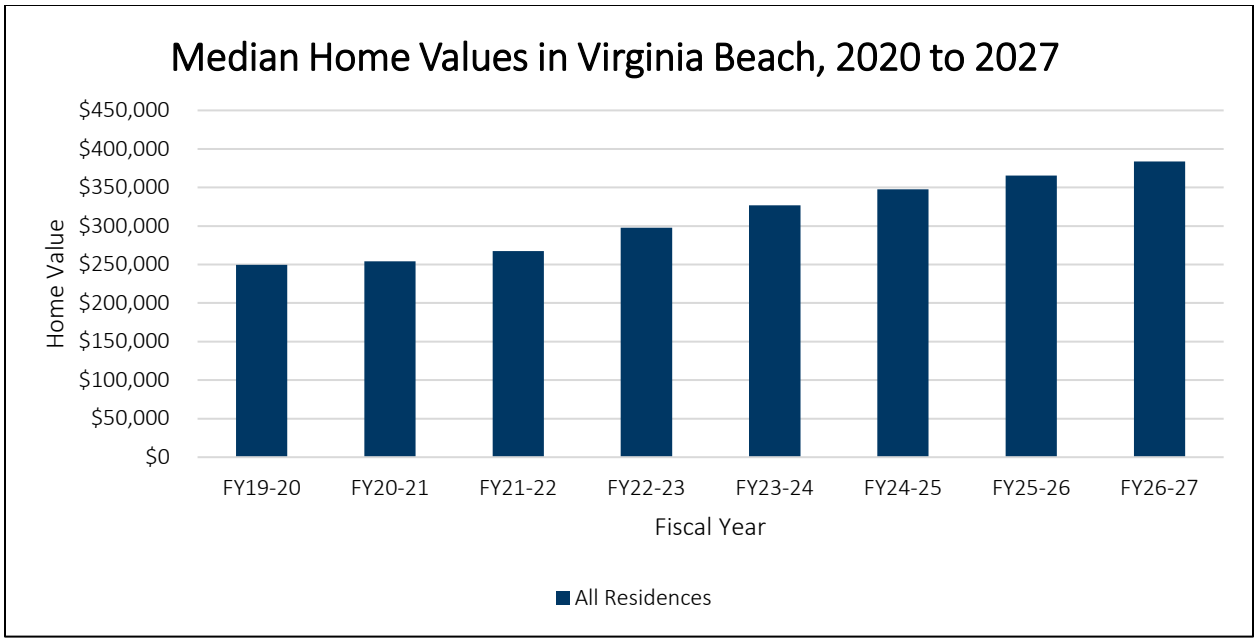
On Point-In-Time (PIT) homelessness counts, which are conducted under federal Housing and Urban Development (HUD) guidelines, Virginia Beach's raw count is higher than most other Hampton Roads cities (behind only Norfolk), though this should be read alongside its much larger population base. Once adjusted for population, Virginia Beach's rate (0.72 per 1,000 residents) is one of the lowest in the region, below Newport News (1.00), Hampton (1.21), Portsmouth (1.27), and Norfolk (1.78). Against the Northern Virginia comparison group, Virginia Beach's rate is comparable to Loudoun (0.56) and Prince William (0.77), and below Alexandria (1.06) and Fairfax County (1.13).

Locality	PIT Count
Chesapeake	151
Hampton	116
Newport News	224
Norfolk	541
Portsmouth	80
Suffolk (Western Tidewater)	74
Alexandria	189
Fairfax County	1,365
Loudoun County	315
Prince William County	387
Virginia Beach	325

Source: 2024 U.S. Department of Housing and Urban Development, Regional Continuums of Care (CoCs)

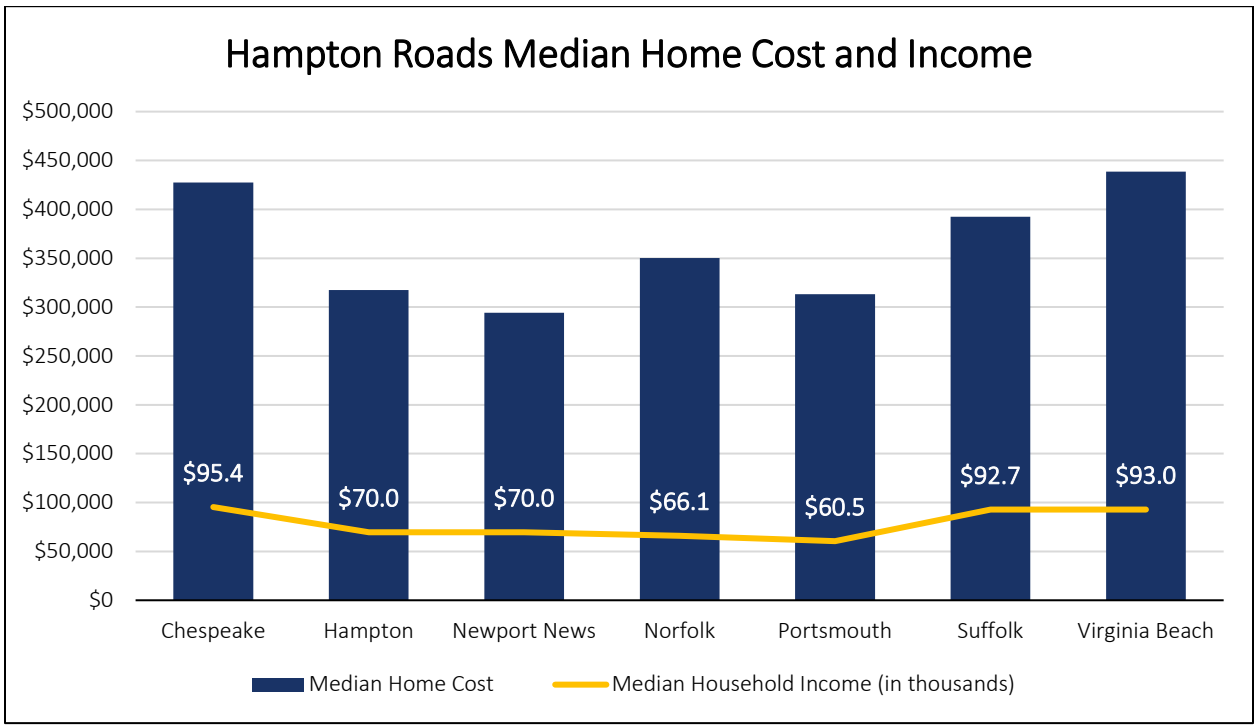
Median Home Value

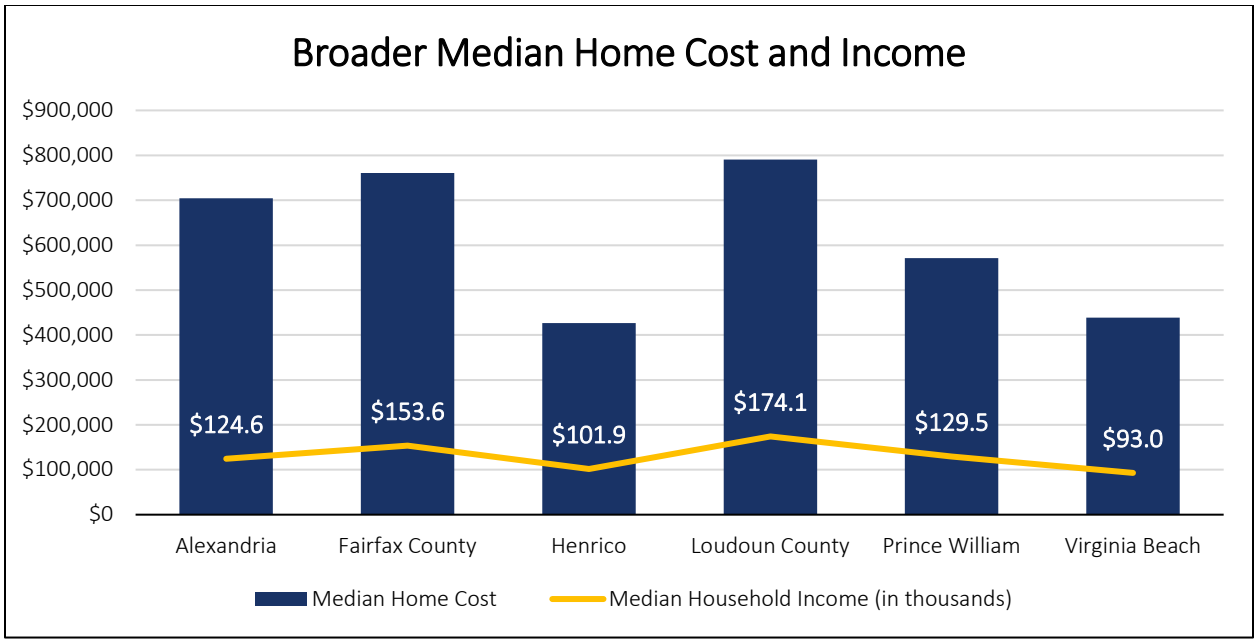
According to the City Real Estate Assessor's FY 2026-27 Annual Report, the median assessment for all residence types is $383,600, a 5.01% increase from the year prior. Real estate tax is the largest source of revenue for the City of Virginia Beach, making up nearly half of all revenue citywide, supporting city and school services. The real estate tax remains at 97¢ per $100 of assessed value, the lowest in the Hampton Roads region, adding further appeal to homeowners. In 2025, the City of Virginia Beach added 1,062 new housing units, a decrease of 13% from the 1,221 units added in 2024.



Source: City of Virginia Beach Real Estate Assessor

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 costal lifestyle, strong school system, and the presence of a large military community. In comparison to Northern Virginia localities, Virginia Beach's median home cost and median household income both sit in the middle of the range — well below Loudoun and Fairfax County on both cost and income, but above Henrico. Relative to Hampton Roads peers, Virginia Beach's home costs are roughly in line with Chesapeake and Suffolk, while its median household income is among the highest in the region, second only to Chesapeake.



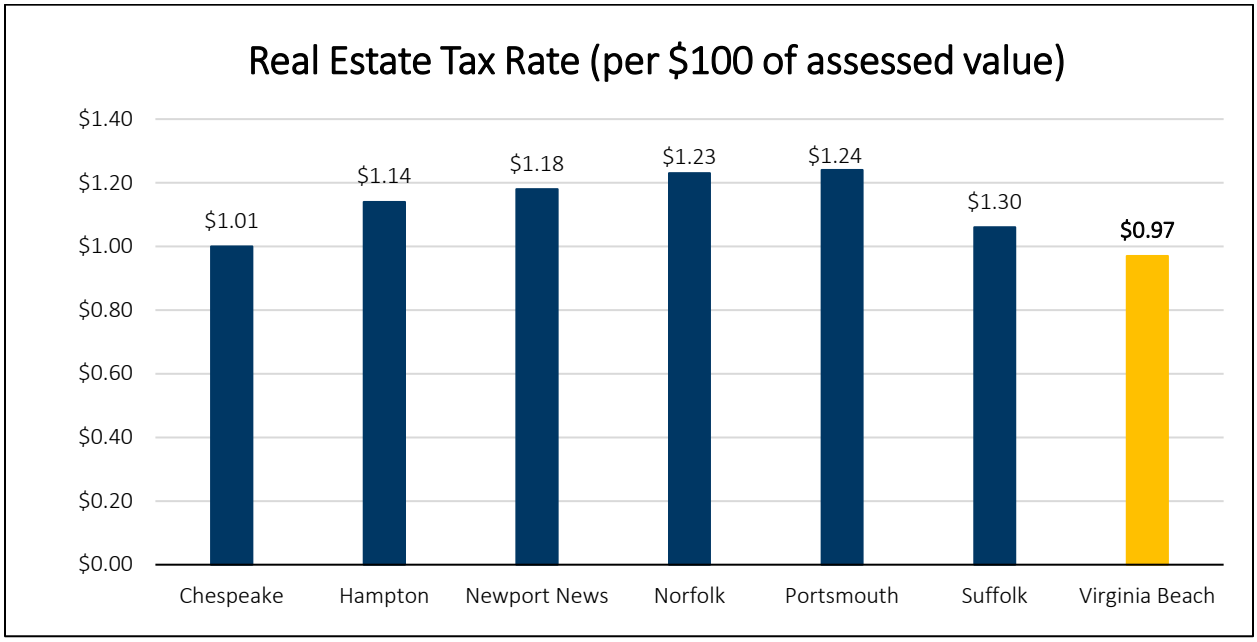


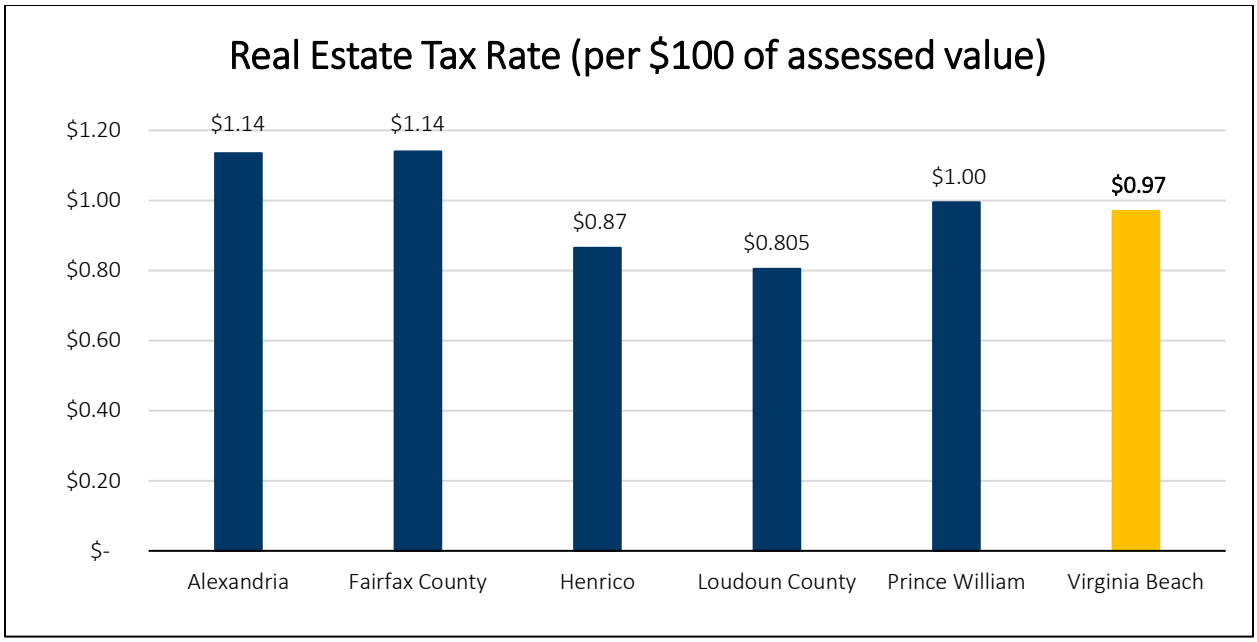
Source: Individual Government Websites & https://www.redfin.com/

Taxes

Real Estate Tax

Virginia Beach has the lowest real estate tax rate per $100 of assessed value among all seven Hampton Roads cities. Measured against the broader Commonwealth comparison group, its rate is more competitive and sits closer to the middle of the range, running higher than Henrico and Loudoun but lower than Fairfax and Alexandria.





Source: Individual City Budget Documents

Personal Property Tax

The same pattern holds for vehicle tax: Virginia Beach has the lowest rate in Hampton Roads, while landing in the middle of the range among the Commonwealth peer localities, higher than Loudoun and Prince William, but lower than Fairfax and Alexandria.

Locality	Per $100 of Assessed Value
Chesapeake	$4.08
Hampton	$4.50
Newport News	$4.50
Norfolk	$4.33
Portsmouth	$5.00
Suffolk	$4.25
Alexandria	$5.33
Fairfax County	$4.57
Henrico County	$3.35
Loudoun County	$3.09
Prince William County	$3.70
Virginia Beach	$4.00

Source: Individual City Budget Documents

Cigarette Tax

Virginia Beach's cigarette tax sits in the lower middle of the Hampton Roads range: higher than Portsmouth and Chesapeake on par with Suffolk, and below Hampton, Newport News, and Norfolk. Against the Northern Virginia/Commonwealth comparison group, its rate is well above Loudoun, Fairfax, and Prince William, which each tax cigarettes at a flat, comparatively low rate, and above Henrico, which does not levy a local cigarette tax at all. Alexandria is the outlier in the opposite direction, with the highest rate of any locality in either comparison group.

It is important to note that under Virginia Code § 58.1-3830(C), localities in the Commonwealth are not permitted to raise their cigarette tax rates. Counties and any city or town that had a rate at or below $0.02 per cigarette as of January 1, 2020, are capped at that $0.02 ceiling, while cities and towns that already had a higher rate on that date, such as Alexandria, are frozen at their 2020 level and cannot increase it further. This means every locality in both comparison groups, from the lowest-taxing to the highest-taxing, is currently locked at its existing rate with no legal path to raise it.

Locality	Cigarette Tax Rate
Chesapeake	$0.50
Hampton	$0.85
Newport News	$0.85
Norfolk	$0.95
Portsmouth	$0.35
Suffolk	$0.75
Alexandria	$1.26
Fairfax County	$0.40
Henrico	$0.00
Loudoun County	$0.40
Prince William County	$0.40
Virginia Beach	$0.75

Source: Individual City Budget Documents

Flooding and Stormwater

The First Street Foundation Flood Model, which captures any level of flood risk, a broader standard than FEMA's regulatory floodplain, identifies 570,800 Virginia properties at risk over the next 30 years, including 133,700 facing "almost certain" (99%) risk. Virginia Beach has the most at-risk properties of any city in the state: 28,943 today (20% of its housing stock), rising to 52,125 (37%) by 2050. That growth trajectory is shared across Hampton Roads, with Norfolk seeing the steepest increase, nearly tripling from 18,042 (27%) to 54,054 (80%). Virginia Beach's stormwater fee per equivalent residential unit is also the highest in the region, and when coupled with the real estate dedication of 6.6 cents, reflects the scale of its investment in flood prevention infrastructure.

Number and Percent of Properties at Risk of Flooding

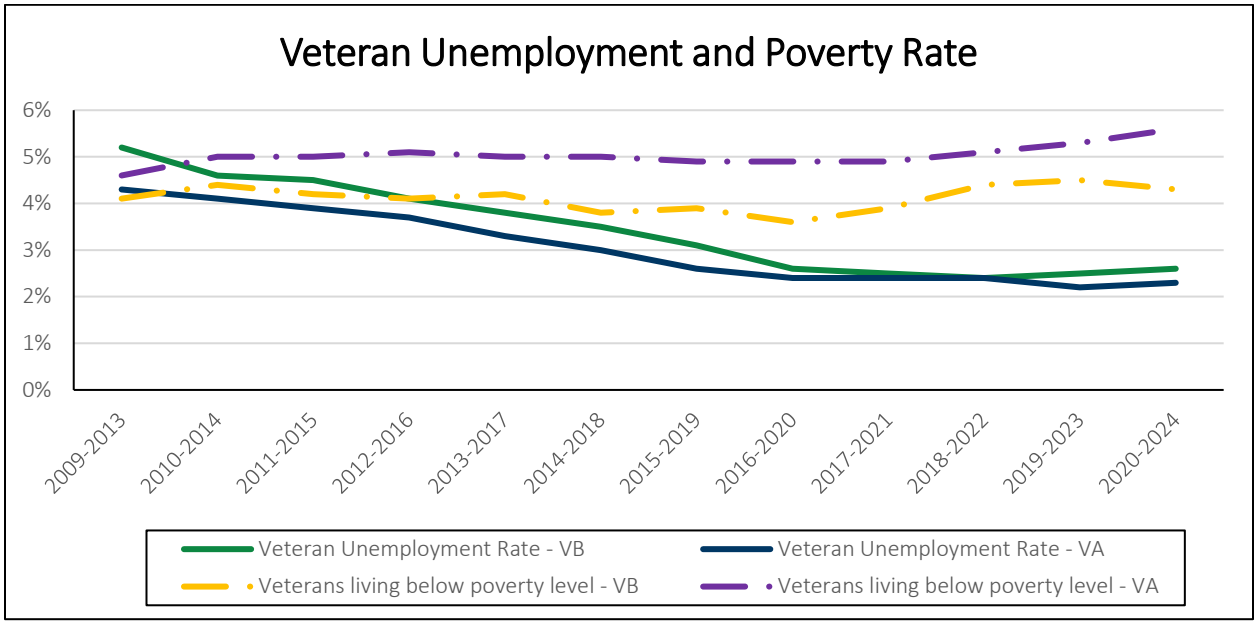
Locality	2020	2050	Stormwater Fees per ERU/Month
Chesapeake	16,543 (19%)	25,419 (29%)	$11.35
Hampton	16,820 (33%)	34,085 (67%)	$12.83
Newport News	7,285 (14%)	8,999 (17%)	$12.25
Norfolk	18,042 (24%)	54,054 (80%)	$15.12
Portsmouth	8,543 (24%)	21,736 (60%)	$17.00
Suffolk	1,758 (9.1%)	2,138 (13.9%)	$7.50
Virginia Beach	28,943 (20%)	52,125 (37%)	$17.70

Source: U.S. Federal Government Agencies

Military and Veterans

The City of Virginia Beach has a large military and veteran population. The veteran population makes up 11.5% of the total Virginia Beach population, while active duty is 6% of the total population, and military family members account for 2.2%. There are around 52,520 veterans currently living in Virginia Beach.

Many veterans struggle with mental and physical health after retiring from active-duty military service. Metrics like veteran unemployment and rate of veterans living below the poverty level provide insight into the health and well-being of the veteran population. Many veterans face hurdles that can impact their transition to civilian life, including employment. The veteran unemployment metric is important because it reflects the economic well-being, transition success, and policy needs of a large segment of the Virginia Beach population.



Source: 2024 American Community Survey 5-Year

The rates of veteran unemployment in Virginia Beach have decreased by 2.6 percentage points from 5.2% in 2009 to 2.6% in 2024. At the state level, the rates of veteran unemployment have decreased 2

percentage points from 4.3% in 2009 to 2.3% in 2024. Although these percentages have decreased over time, their existence points to a long-standing struggle for veterans entering the civilian workforce.

Another important metric, the rate of veterans living below the poverty level, highlights the share of veterans who struggle to afford necessities. In Virginia Beach, this rate has remained steady around 4% since 2009 but increased in 2020 likely due to the COVID-19 pandemic and unemployment rates rising around the country. For the state of Virginia, the rate of veterans living below the poverty level has remained steady around 5% since 2009 until a similar increase following 2020. The 2024 rate was 5.6%, the highest rate the state has recorded since 2009.

Concluding Remarks

Across the comparative indicators reviewed, Virginia Beach consistently distinguishes itself within Hampton Roads: it holds the region's lowest crime rate per 1,000 residents, the lowest real estate tax rate, the lowest personal property tax rate, and the lowest poverty rate of any locality in the group. These results position Virginia Beach as a regional leader in core cost-of-living and public-safety measures.

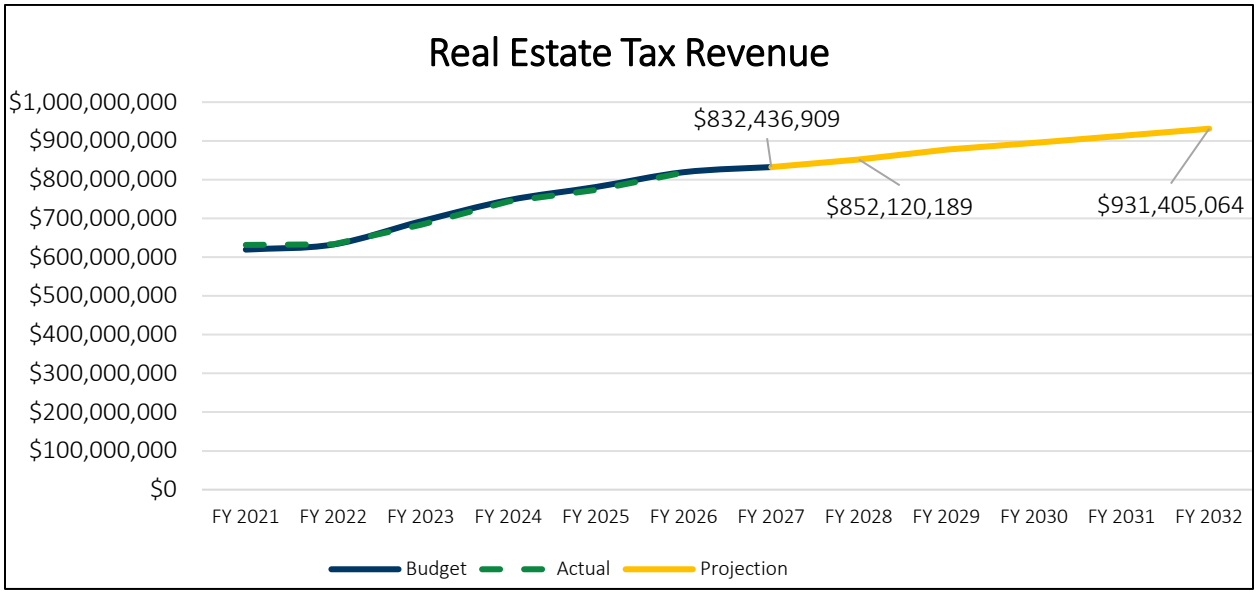
Overall, the City of Virginia Beach's demographic trends point to a city that is growing more diverse, more educated, and older, while continuing to experience a strong housing demand and comparatively stable economic conditions. These shifts highlight the need to balance investments in services for an aging population with strategies to attract and retain younger residents and working families, ensuring a sustainable tax base over the long term. Changing demographics will require continued attention to diversifying service delivery, education, and workforce development, while housing affordability, access to SNAP benefits, and the prevalence of ALICE households will remain central challenges for fiscal and social policy. At the same time, 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 Tax revenue is the single largest revenue source collected by the City of Virginia Beach. This revenue source is comprised of current year real estate taxes, public service real estate taxes, and penalties associated with late payments. As of the FY 2026-27 Adopted Budget, the base real estate tax rate for the City is 97¢ per $100 of assessed value. In addition to the base real estate tax, there are Special Service Districts (SSDs) with an additional real estate surcharge for enhanced services within a geographical boundary.

For FY 2027-28, the total projected Real Estate Tax revenue, including current taxes, public service taxes, penalties, and interest, is approximately $852 million. This represents an increase of 2.4% over the Adopted FY 2026-27 Operating Budget.



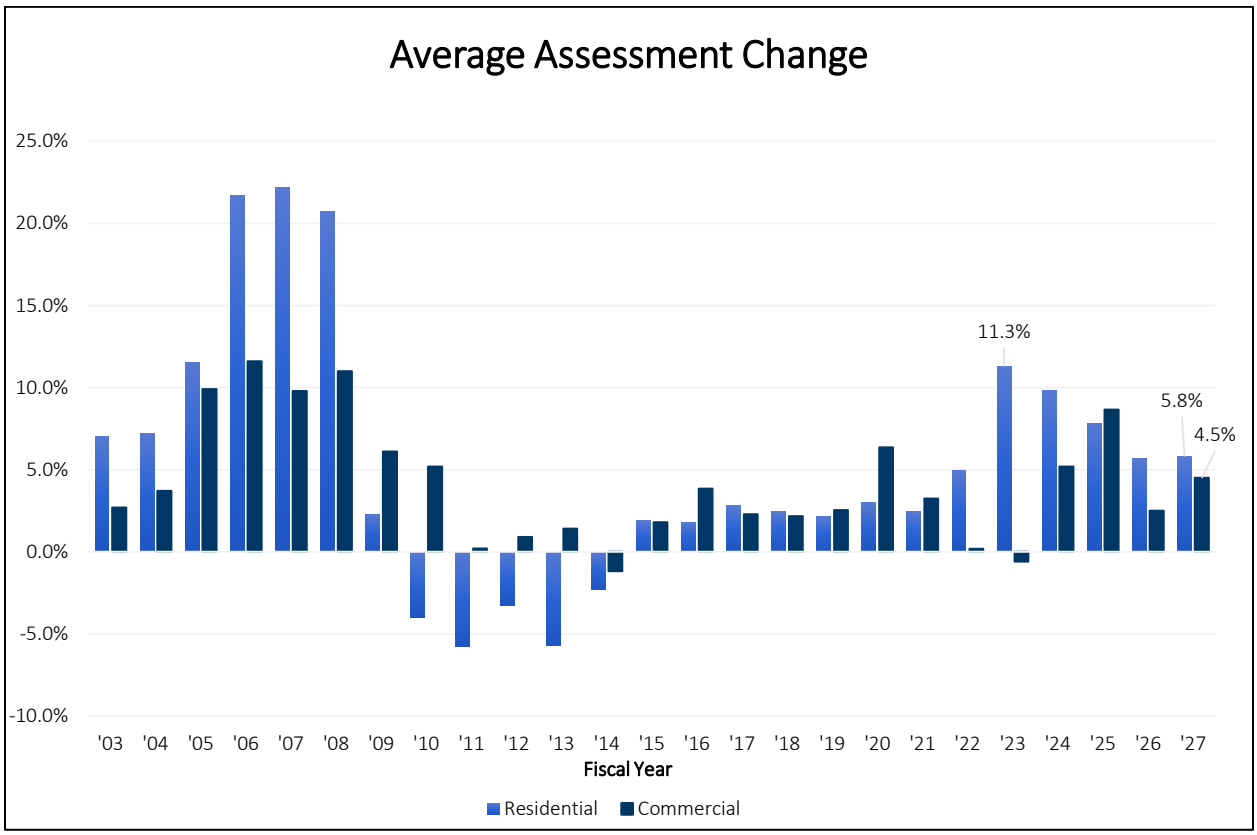
This increase is based on the City Real Estate Assessor's preliminary estimate of 3.0% growth in assessment values for FY 2027-28 combined with foregone revenue from elderly and disabled resident and veterans tax relief programs. The preliminary estimate is speculation based on current market activity and trends, and not a definitive conclusion. Estimates for FY 2027-28 will be finalized by the City Real Estate Assessor in February 2027, but over the forecast period, it is projected that the increased assessment rate will fall to 2.0% by FY 2031-32. The projected slowed growth in real estate assessments falls in line with historical averages seen prior to the pandemic.

Another factor typically impacting revenue generated by the Real Estate Tax is the number of foreclosures. As foreclosures increase, there becomes a downward pressure on home values, leading to a reduction of revenue.

	2018	2019	2020	2021	2022	2023	2024	2025
Foreclosures	548	497	193	99	164	199	82	99
Foreclosure Sales	447	341	212	61	85	100	72	73

The number of foreclosures and foreclosure sales increased from 2024 to 2025 by nearly 12% from a total of 154 to 172. This is still well below historic averages and there is no clear indication that foreclosures pose any immediate threat to the forecast period.

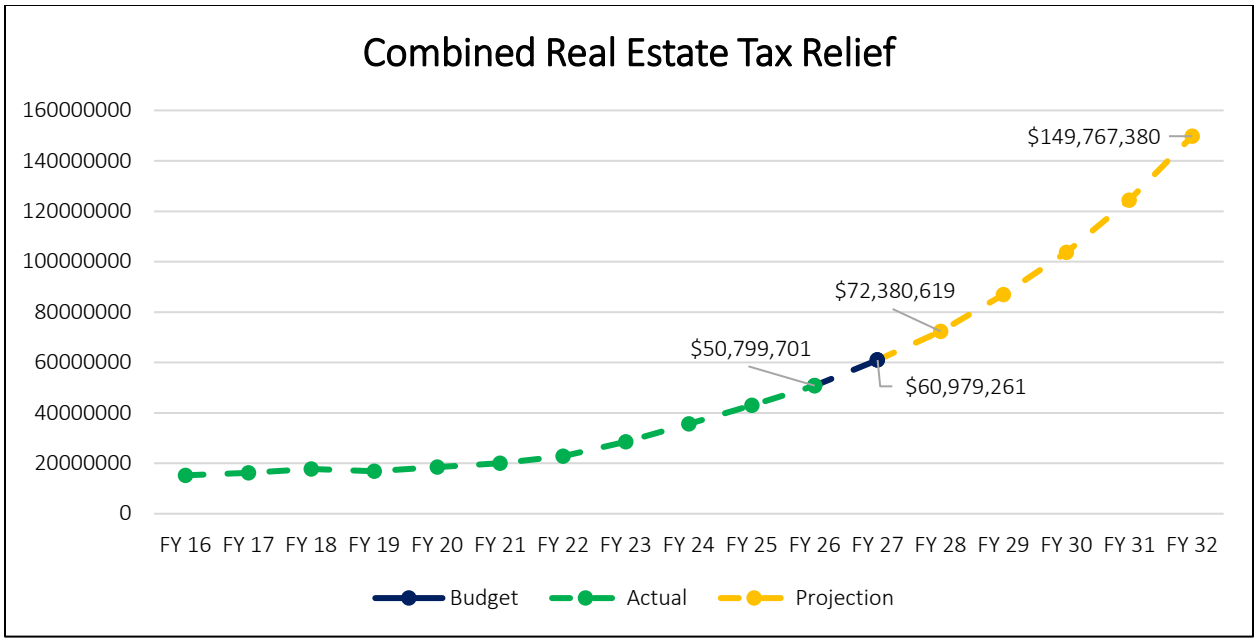
The following graph represents the average assessment change for residential and commercial property within the City since 2003. Growth in residential property assessments is trending down from the high of 11.3% in 2023 to the below 5% growth that has been seen in the past.



Real Estate Tax revenue is also heavily affected by tax relief programs for residents. The Disabled Veterans Tax Relief Program, mandated by the Commonwealth of Virginia continues to experience significant growth. Real property, including the joint real property of married couples, 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, is exempted from taxation by the Commonwealth of Virginia.

In FY 2027-28, it is expected that total relief for the Disabled Veterans Program will exceed $55.8 million or the equivalent of 6.39 cents of the Real Estate Tax rate. As this program grows, it continues to offset a portion of the revenue growth that the City experiences. Based on estimates, by the end of the forecast period, the program could surpass $131.3 million. These estimates are based on enrollment trends as well as real estate assessment growth estimates.

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. For FY 2027-28, it is projected that this relief will exceed $16 million. This relief is the equivalent of 1.89 cents of the Real Estate Tax rate. As this program continues to grow, it is expected that it will reach approximately $18.4 million by the end of the forecast period.



Combined relief for FY 2027-28 is projected to be $72.4 million, or 8.28 cents of the real estate tax. It is projected that by the end of the forecast period, both programs will be $149.8 million in Real Estate Tax relief.

Being the largest source of revenue for the City, real estate tax revenue is also dedicated between multiple City funds and City Council priorities, as reflected in the table below. In addition to the dedications below, real estate tax revenue is also shared with Virginia Beach City Public Schools through the Revenue Sharing Formula.

Dedication	Rate
Recreation Centers	3.467¢
Outdoor Initiative	0.631¢
City Council Priorities	1.85¢
Public Safety	1¢
School Funding Formula (Hold Harmless)	2.138¢
Major Projects Fund	0.3¢
Agricultural Reserve Program	0.6¢
General Fund Stormwater Operations	2.5¢
Flood Protection	4.1¢
Town Center TIF	Excess of base assessed value
Development Agreements	0.392¢

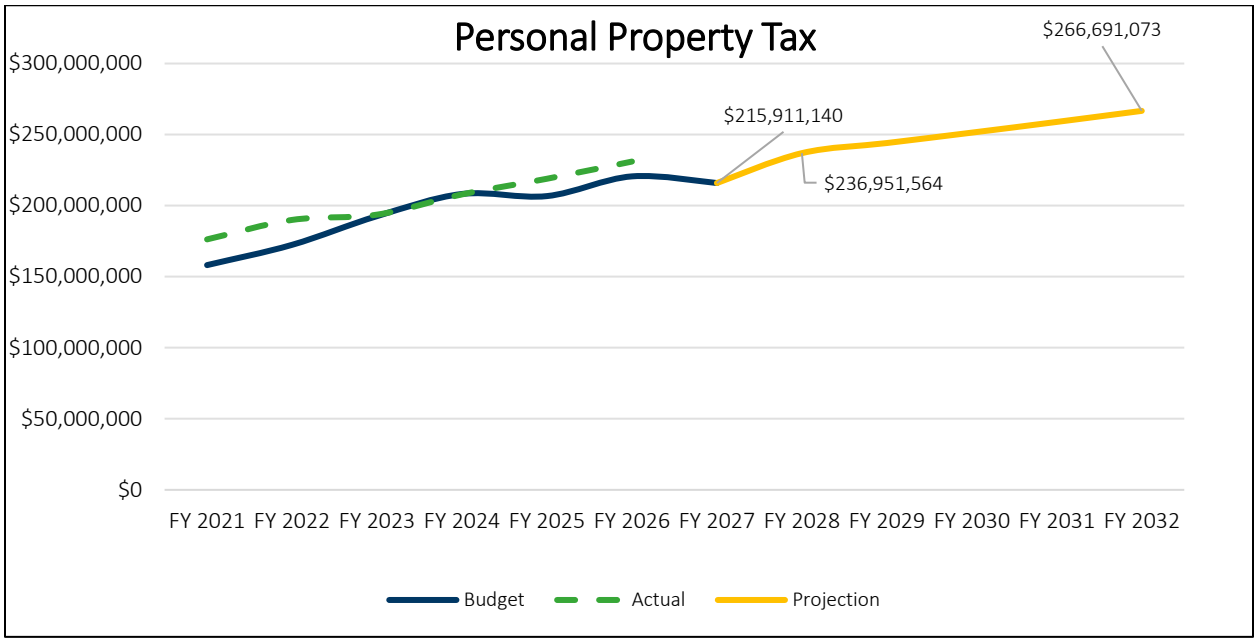
Personal Property

Personal Property Tax is assessed annually by the Commissioner of Revenue's Office for all personal property garaged within the City of Virginia Beach. This consists of all vehicles including cars, trucks, trailers, motorcycles, motor homes, aircraft, and watercraft. Mobile homes on temporary foundations are also

assessed to personal property. There are varying rates for each classification of property, but the standard tax rate for vehicles is $4.00 per $100 of assessed value.

The vast majority of personal property taxes are not due until the end of the fiscal year, in June, making it more difficult to project. Because of this, the City takes a conservative approach based on historical data and information from the Commissioner of Revenue's Office.

In FY 2027-28, the City is anticipating a 9.7% increase in Personal Property Tax revenue over the most recently adopted budget, with a 3% growth rate throughout the remainder of the forecast period. While the City takes a conservative approach to the projections for Personal Property Tax revenue, this increase is primarily due to growth in business personal property, resulting in a projection of nearly $237 million.



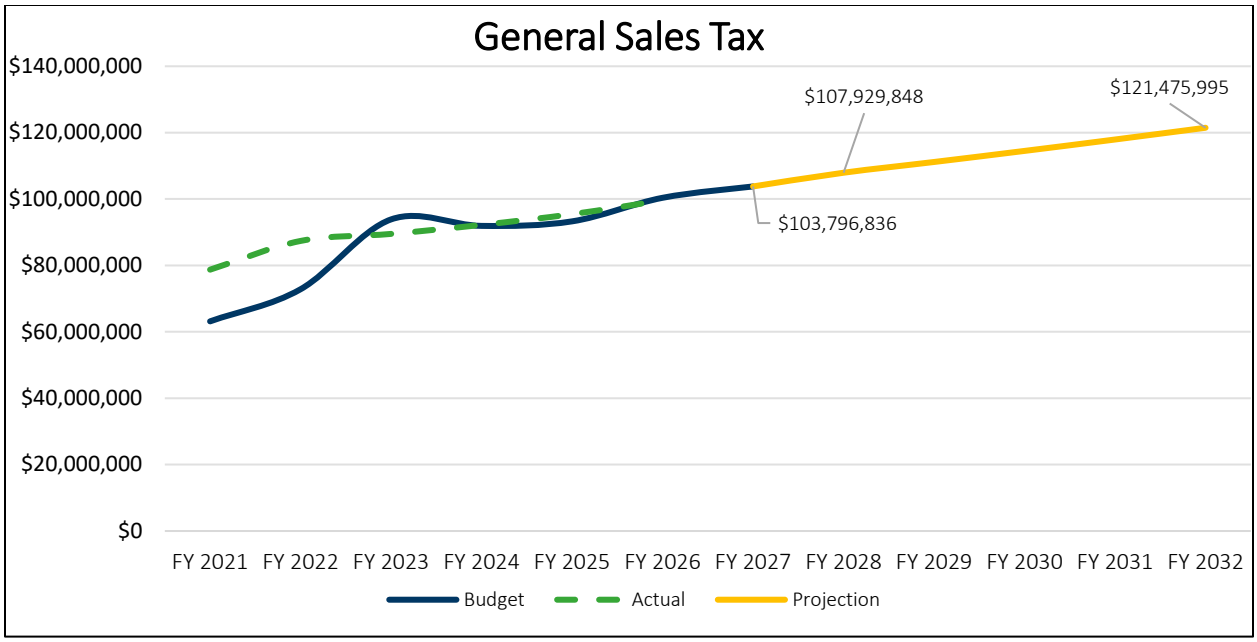
In FY 2026-27, the City Council provided a 10.1% personal property local tax credit for residents totaling $12.8 million in total relief. This credit applies to the first $20,000 in assessed value for each registered vehicle. This amounts to up to $80 in relief for each vehicle. This tax relief credit is expected to continue into the FY 2027-28 budget and is accounted for in the projections shown here.

This projection, however, does not take into account any potential changes in City code to update tax rate on any of the categories of personal property. Currently, certain machinery and tools are taxed at one millionth of a cent per hundred dollars in assessed value, and data center equipment is taxed at 40 cents per hundred dollars of assessed value.

General Sales Tax

The Commonwealth of Virginia imposes a 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 this 6%, the City retains 1.0%, and the remainder is retained by the Commonwealth.

As General Sales Tax is percentage of sales price, higher prices due to inflation growth contribute to higher tax collections. Alternatively, depending on impacts on consumer spending habits, higher inflation could reduce overall spending and impact revenue.



For FY 2027-28 General Sales Tax revenue is expected to come in at nearly $108 million. This is a 4% increase over the FY 2026-27 Adopted Budget. Revenue from General Sales Tax is retained by the General Fund and split with Schools through the Revenue Sharing Formula, except for a small portion ($2,533,278) that is collected at Atlantic Park and retained in the Community Development Authority Fund pursuant to the development agreement. Over the forecast period, it is expected that the revenue source will grow by 3% each year.

Much like personal property tax above, this projection, however, does not take into account any potential changes related to the potential of a referendum to increase the sales tax within the City for school construction. In the 2026 General Assembly session, the Commonwealth authorized localities to hold a referendum to increase sales tax by up to one percent for school capital needs. To date, there has not been a request by the School Board to include this item on the ballot.

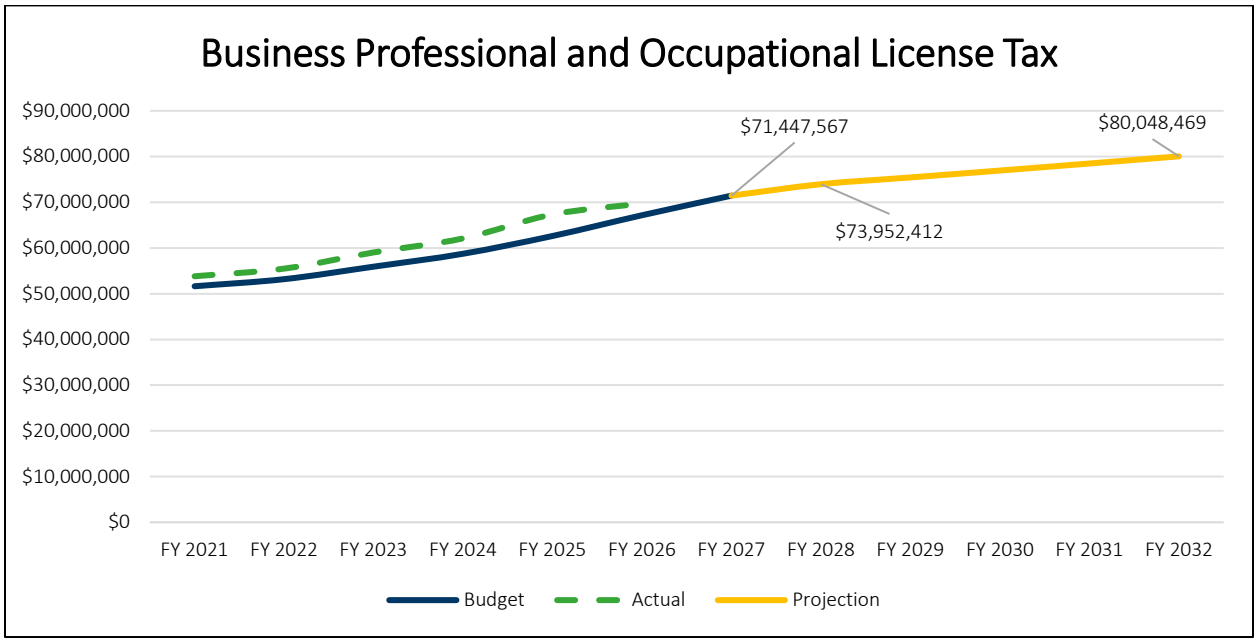
Business Professional Occupational License

Business Professional and Occupational License (BPOL) taxes are determined using a business's gross receipts between January 1st and December 31st of a given year, at the rates shown in the table below.

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

The City of Virginia Beach has a two-year exemption program for businesses that are 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 year. Because of this, there is a delay in how quickly the addition of new businesses will directly contribute to the growth of BPOL revenue.

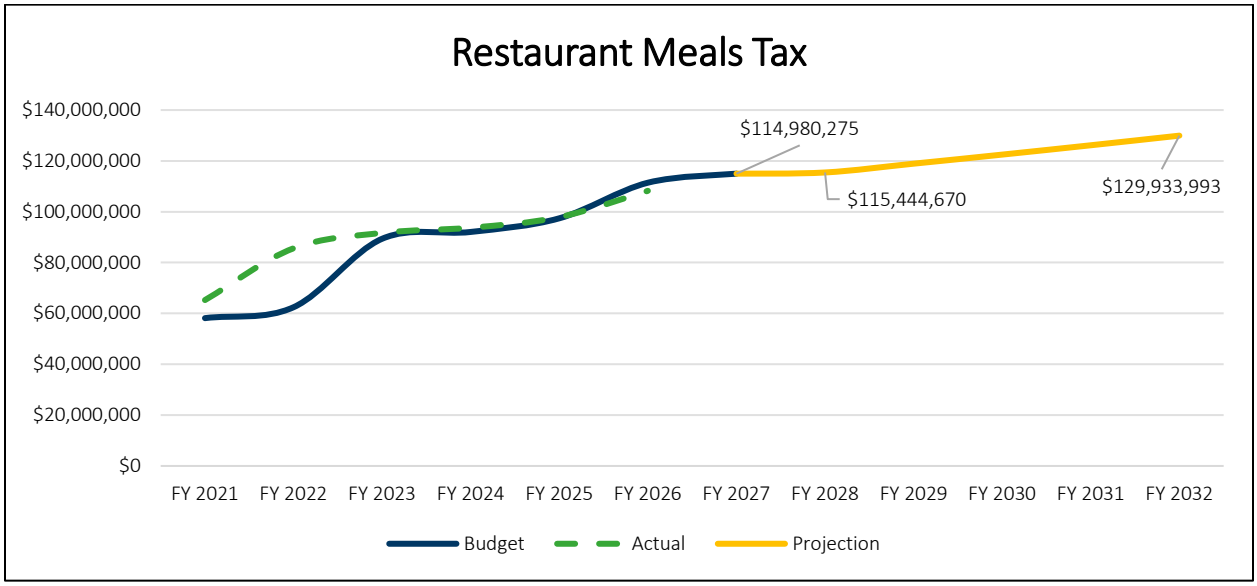
Similar to general sales tax revenue, BPOL revenue can be a key indicator of the overall health of the economy. Higher prices due to inflation can lead to overall higher gross receipts. Conversely, reduced consumer spending could limit the amount of growth.



The City is projecting growth of 3.5% over the FY 2026-27 Adopted Budget amount, totaling just under $74 million for FY 2027-28. This revenue is 100% dedicated to the General Fund and shared with Schools through the Revenue Sharing formula and is projected to grow 2% annually over the forecast period.

Restaurant Meals Tax

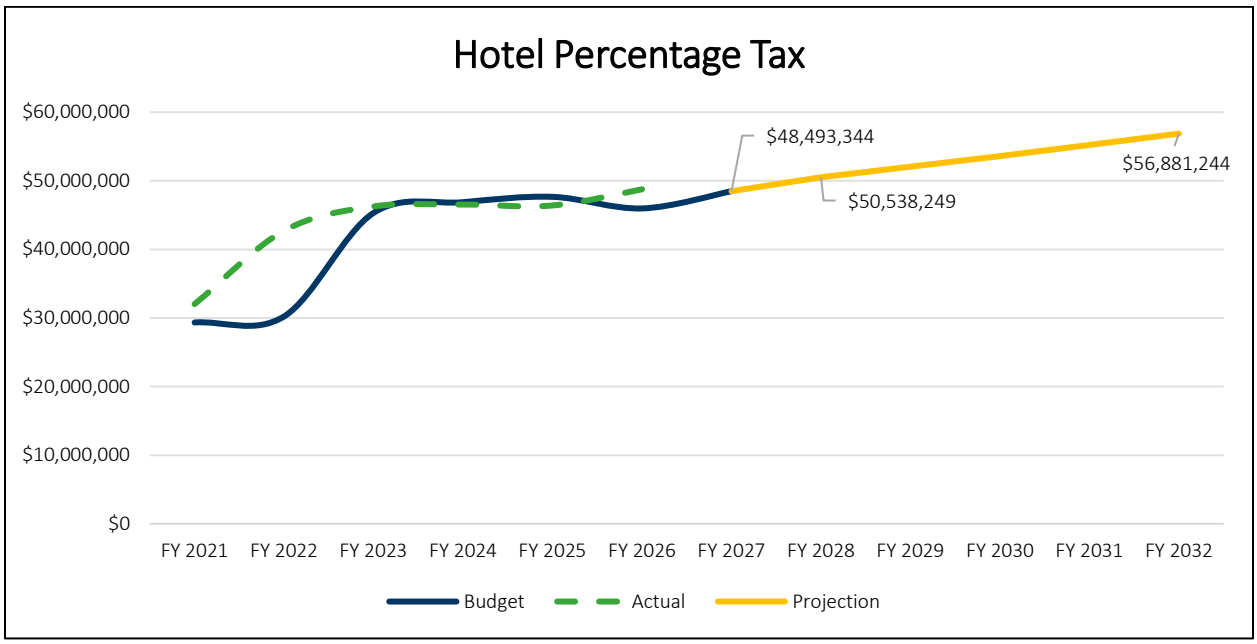
The Restaurant Meals Tax for the City of Virginia Beach is 6.0% on all prepared meals and drinks sold ready for consumption either on or off the seller's premises. This continues to be a significant revenue source for the City. This is another tax that is based on gross price, so as prices increase, revenue increases even if consumer spending does not.



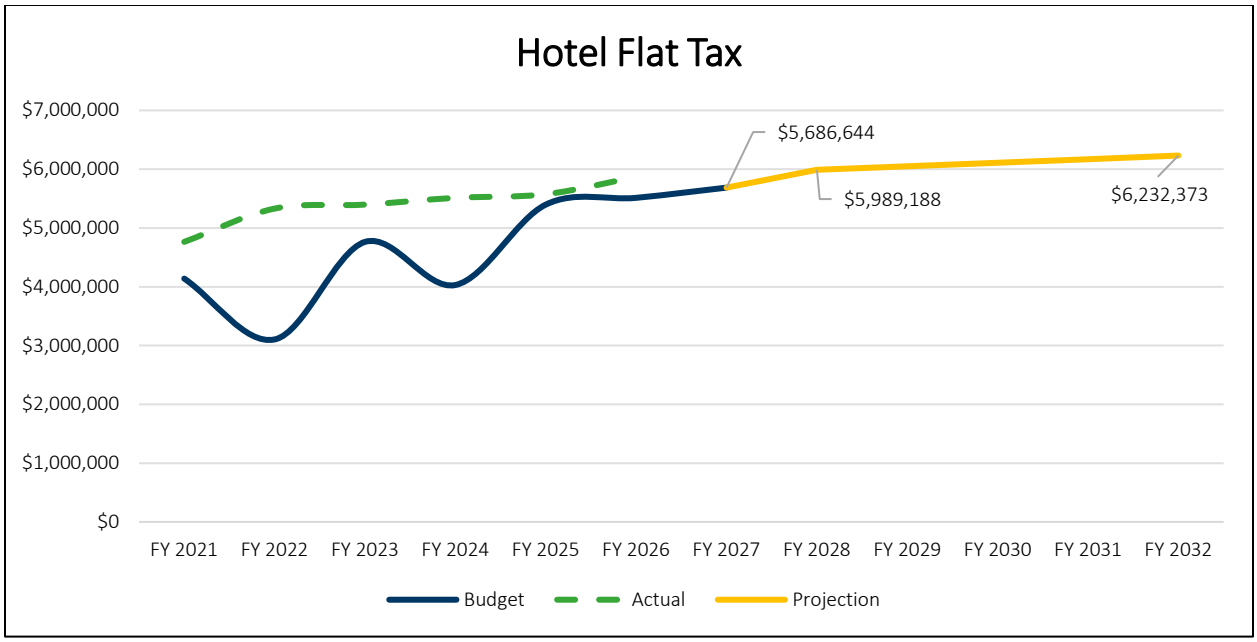
It is projected that FY 2027-28 Restaurant Meals Tax revenue will be $115 million, with an anticipated increase of 3% annually over the remainder of the forecast period. The majority of Restaurant Meals Tax revenue is retained by the General fund and shared with Schools. However, it is also split between the Tourism Investment Program (TIP) Fund, the Tourism Advertising Program (TAP) Fund, the Open Space Fund, and the Major Projects Fund.

Hotel Tax

Hotel Tax revenue for the City of Virginia Beach is comprised of an 8% tax on hotel stays, and a flat $2 per room, per night. The hotel percentage is driven primarily by the cost of a hotel room, while the flat tax is driven by the number of nights that rooms are booked. This revenue is highly dependent on the economic climate and the desirability of Virginia Beach as a tourist destination.



In the coming fiscal year, Hotel Percentage Tax revenue is projected to grow to $50.5 million, or 4.2% over the FY 2026-27 Adopted Budget. This projection also includes a 2% annual increase over the duration of the forecast period. As with the Restaurant Meals Tax, the Hotel Percentage Tax is dedicated to several different funds. It is partially retained in the General Fund and shared with Schools, with the remainder being split between the TIP Fund, TAP Fund, and the Sandbridge Special Service District (SSD) Fund.

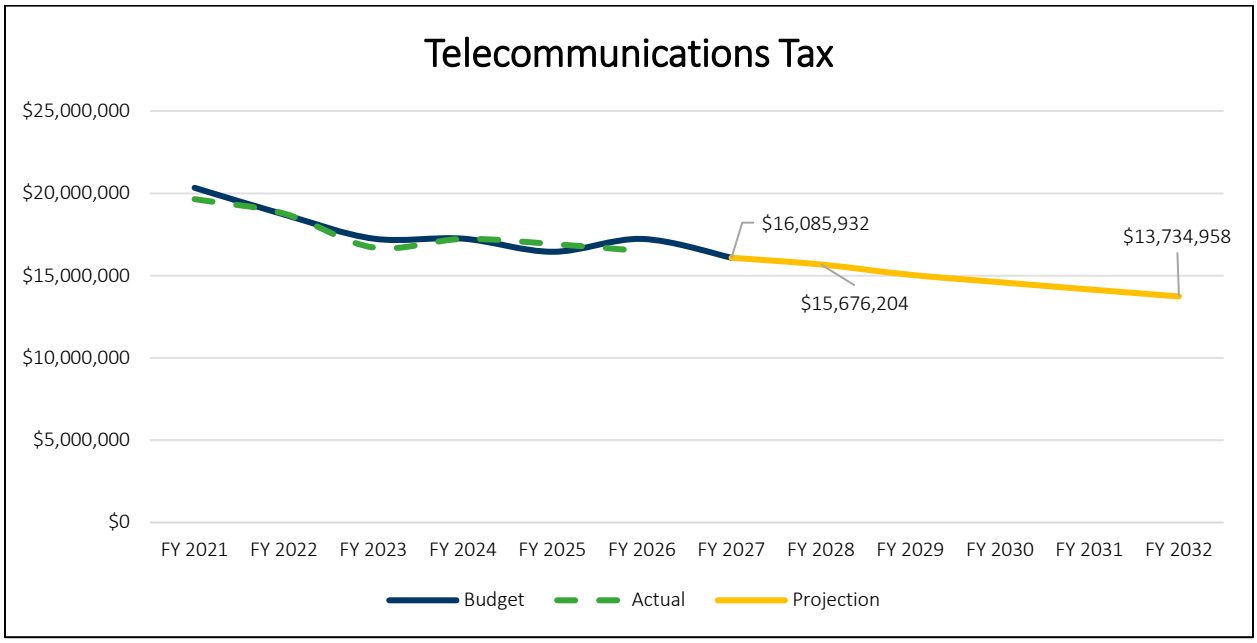


Hotel Flat Tax revenue is split evenly between the TIP Fund and the TAP Fund, except within the Sandbridge SSD, where it is split between the TIP Fund and the SSD. For FY 2027-28, the revenue is projected to grow to nearly $6 million, or 5.3% over the FY 2026-27 Adopted Budget. This projection serves to catch up with historical actual revenue received in FY 2025-26. Over the remainder of the forecast period, Hotel Flat Tax revenue is expected to grow at 1% annually, in line with historical annual growth.

In October 2025, the City of Norfolk voted to change their hotel flat tax from a per night basis to a per room, per night basis. This accounts for accommodations that have multiple rooms. There has been no similar change for the City of Virginia Beach, therefore the projected growth over the forecast period assumes that the tax rate remains at $2 per room night. If this rate or way the rate is calculated changes, projections will be adjusted accordingly.

Telecommunications Tax

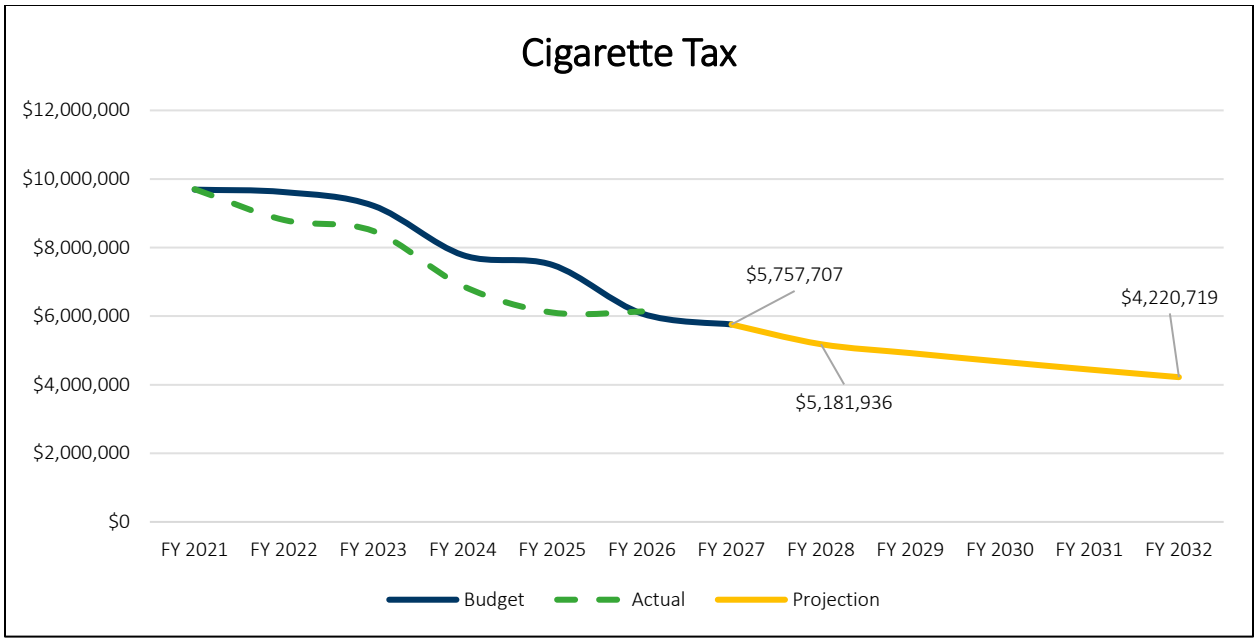
The Virginia Telecommunications Tax is a 5% tax and additional right-of-way fee per line. The tax applies to cable and satellite TV, landline and internet phone service, voice-over-internet-protocol (VOIP), and satellite radio. This tax does not apply to cell phone data plans or streaming services. As streaming services increase and landlines decrease in popularity, this source of revenue continues to decline. There has not been a statewide tax policy update to account for changes in technology on the market.



There is a projected decline in FY 2027-28 to $15.7 million, or a 2.5% decrease over the FY 2026-27 Adopted Budget. There is currently no indication that there will be a legislative policy change to allow for additional revenue collections. Because of this, Virginia Telecommunications Tax revenue is projected to continue to decline over the duration of the forecast period.

Cigarette Tax

Cigarette Tax, like Telecommunications Tax, is a revenue source that is declining. As new forms of tobacco consumption such as vaping and nicotine pouches become more popular, the City of Virginia Beach continues to lose a taxable base. Unless a change at the state level occurs to allow the City to levy a tax on these alternative products, it is projected that the tax revenue will continue to decline. Per the current 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 TIP Fund. The remainder is retained by the General Fund and shared with Schools through the Revenue Sharing Formula.



For FY 2027-28, it is projected that the revenue from Cigarette Tax will decrease 10% from the FY 2026-27 Adopted Budget to $5.2 million. Over the remainder of the forecast period, it is expected that the revenue source will continue to decline 5% annually.

Revenue Summary

Across all revenue sources, it is projected that General Fund General Government revenues will increase 2.8% from the FY 2026-27 Adopted Budget and approximately 2.3% annually over the remainder of the forecast period. This growth projection is in line with historical trends and does not account for any potential legislative changes at the local or state level. A full summary of all the City's General Fund revenue sources can be found in the Appendix section of this document.

Expenditure Assumptions Influencing the Forecast

Each year, City staff develops a five-year forecast of General Fund expenditures. This analysis draws on a broad range of resources, including current City policies, directives from the Commonwealth, economic conditions, and historical spending patterns.

The following sections outline the assumptions behind the expenditure estimates. Notably, the Forecast does not include cuts to services or spending to address any projected deficits, or to add additional staffing or services; its purpose is to show what it would take to maintain services as they exist today. A fully balanced budget will be presented by the City Manager in March 2027 for City Council's consideration.

Compensation

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

Salaries/Compensation Increases

As a part of the FY 2026-27 Adopted Operating Budget, the City Council implemented and adopted City-wide salary increases for all employees. A salary increase totaling 3.5% was implemented in July 2026 for both part-time and full-time City employees, including appointees within the Constitutional Offices and the five Constitutional Officers.

In addition to the pay increase of 3.5% in July 2026, a $7,500,000 reserve was established in the General Fund to adjust pay ranges of non-sworn classifications identified by Human Resources to be less competitive than the market. These increases will be effective January 2027. For the Forecast projections, this amount was annualized beginning with FY 2027-28.

This forecast also assumes that in FY 2027-28 salaries will increase following the approved step-plan by 3% to $523.2 million, and 3% every year following.

Attrition

The salary costs within the Forecast do not reflect the use of attrition savings, beyond the $10 million annually included in the adopted Operating Budget since FY 2018-19. This use of attrition to balance the budget means the City relies on positions not being filled 100% of the time. In addition, savings from unfilled positions allows City departments the flexibility to use for additional overtime and supplemental contracted manpower to meet operational needs and to fund the cost of unforeseen emergencies while maintaining a strong financial position.

As an example, major uses of General Fund attrition savings in FY 2025-26 included:

- $865,000 for Public Works for the purchase of capital equipment
- $150,000 for Police to partner with an advertising firm to assist with recruitment
- $725,981 for a special election on April 21, 2026
- $156,846 for Creeds Training Center change orders
- $1,500,000 for stormwater pump station repairs from a water service line break
- $1,213,358 for mandatory medical contract for the Sheriff's Office
- $803,063 for August Primary Elections

To further illustrate the use of attrition in the operations of the City, the table below demonstrates the amended budget 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 2023-24	FY 2024-25	FY 2025-26
Amended Budgeted Amount	$17,503,512	$22,918,129	$20,424,068
Actual Amount	$27,348,964	$27,319,193	$30,889,500

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.

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 2026-27 and FY 2027-28 is 15.92% of all full-time salaries. After FY 2027-28, it is anticipated that the VRS rate will increase 1.5% to 17.42% for the following two fiscal years, and to 18.92% for the remaining period. 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 to 2025 when the Schools lowered employee premiums below that of City employees. The FY 2026-27 Adopted Budget made premiums equal for both School and City employees through an added section of the Revenue Sharing Formula Policy.

Beginning in January 2027, employee premiums will rise for the first time in over six years, and additional incremental increases in premium rates are anticipated annually as costs continue to grow.

Over the last several years, the health insurance plan has faced higher-than-expected cost trends, and current indicators show that expenses will continue to rise. As a result, the health fund balance has fallen below desired reserve levels, requiring premium increases for the City as an employer, but also for employees. The Forecast annualizes the employer increase for 2027 as an expense to the General Fund in an amount of $8 million in FY 2027-28, and 3% annually each remaining year of the Forecast period.

Operating Expenses

Inflation

Based on projections from the Federal Reserve Bank of St. Louis, inflation is projected to lessen from recent peaks and return to an annual change of 2.5%. The Federal Reserve views 2% as a sign of a healthy economy, and 2.5% moves closer to that goal. The Forecast assumes an inflation rate of 2.5% for each of the next five fiscal years for operating and expense accounts. This assumption is coupled with increases or decreases in certain operating expenses, such as contracts for software services, or the removal of one-time costs.

Internal Service Charges

Certain support services are provided intra-governmentally through Internal Service charges. These charges include Risk Management, Information Technology, and City Garage services. In FY 2026-27, the total Internal Service charges for the City's General Fund totaled $64,782,634. In FY 2027-28, the total projected cost is $66,453,184 and through the forecast period they are anticipated to grow in line with inflation.

Fuel and Energy

The City experienced an increased overall electricity rate of 24.9% in July 2026 under the Virginia Energy Purchasing Governmental Association (VEGPA) contract with Dominion Energy. This increase was driven by rising grid demand, infrastructure upgrades, and inflation. The spike led to the City allocating an additional $4,700,000 to cover baseline utility costs in FY 2026-27. With another 12% rate hike projected for July 2027, it is anticipated that the ongoing rate changes will continue to impact FY 2027-28 budget development discussions. The Forecast assumes a $2.5 million increase in FY 2027-28, grown with inflation in the remaining years.

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 circumstances 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 forecasted 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 (CIP) as pay-as-you-go funding to support non-bondable projects, the School Operating 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 dedication 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 on 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.

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 both the amount and timing of the next bond sale is essential for budget development, ensuring that sufficient debt service is included in the operating budget for all applicable funds. Similar to a home mortgage, the required debt service must be paid in full each year. As existing debt is repaid, annual payments decline; however, new bond issuances can raise those payments back to prior levels or higher. For this reason, the General Fund's debts service budget is held at a consistent level throughout the five-year forecast period and reviewed annually to ensure adequate funding. The increase from FY 2026-27 to FY 2027-28 reflects a bond sale that occurred in October 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 City Council's adopted debt management policies.

Baseline Forecast Summary

Revenue growth throughout the Forecast for the General Fund is estimated to be between 2.0% and 2.8% 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 with the Proposed FY 2027-28 Budget in March 2027, with recommendations on how to sustainably balance the budget. A more detailed summary of expenses and revenues can be found within the Appendix section of this document.

Baseline	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Revenue	1,677,124,353	1,723,906,969	1,772,069,623	1,807,608,246	1,848,495,331
Expenditures	1,691,236,955	1,743,023,601	1,784,749,457	1,849,087,737	1,893,401,120
Difference	(14,112,602)	(19,116,632)	(12,679,833)	(41,479,490)	(44,905,789)

Policy Considerations in the Forecast Period

As the City develops its five-year forecast, several policy unknowns introduce uncertainty into long-term projections. These include pending decisions on service-level expectations, potential adjustments to revenue policies, and evolving priorities that may affect future resource allocations. While current estimates reflect the best information available, shifts in policy direction over the forecast period could significantly influence expenditure trends, capital planning, and overall fiscal capacity. Identifying these unknowns helps clarify areas where additional guidance or future decision-making will play a critical role in shaping the financial outlook.

Operating Expenditures

Compensation

Collective Bargaining

The Virginia General Assembly continues to evaluate and refine the framework for collective bargaining, and the evolving policy landscape introduces uncertainty for long-range financial planning. While enabling legislation has granted localities the authority to adopt collective bargaining ordinances, the Commonwealth is still working through questions related to how it is implemented, scope of bargaining, and fiscal impacts. As a result, future budget forecasts must remain flexible and account for potential changes in compensation models, negotiation timelines, and associated administrative costs. Clearer guidance from the General Assembly in upcoming sessions will help local governments better anticipate long-term obligations and incorporate them into fiscal projections.

Virginia Employment Commission Contributions

The Commonwealth of Virginia has enacted a Paid Family and Medical Leave (PFML) program, establishing a state-administered insurance fund managed by the Virginia Employment Commission (VEC). Eligible employees will be able to receive up to 12 weeks of paid leave per application year for qualifying family and medical circumstances, with benefits equal to 80% of the employee's average weekly wage, capped at 100% of the statewide average weekly wage. The program will be funded through payroll contributions shared equally between employers and employees. VEC's preliminary fiscal analysis estimates a total contribution rate of 0.72% of covered wages, resulting in an employer share of 0.36% and an employee share of 0.36%. This is estimated to add $835,000 in General Fund expenditures in FY 2027-28, as implementation would be for half of a year.

The VEC is expected to establish the official contribution rate by October 2027, with payroll contributions beginning in 2028 and benefit payments scheduled to begin in 2029. Because the final contribution rate has not yet been established, the City cannot determine the program's precise fiscal impact on future operating budgets. Accordingly, the estimated employer contribution has not been incorporated into the current budget forecast and will need to be evaluated once the VEC announces the official rate and provides additional implementation guidance.

Public Safety

City Council remains committed to providing the community with high-quality public safety services. Through continued investment in emergency response, preparedness initiatives, and collaborative partnership with local agencies, City Council works to ensure that residents, businesses, and tourists feel safe. This commitment continues to guide policy and budgetary decisions. These requests are not incorporated into the baseline forecast but are included here for policy discussion.

48-Hour Staffing

The Virginia Beach Fire Department (VBFD) is requesting a change in their schedule, going from a 56 hour to a 48-hour shift schedule. VBFD is looking to implement these changes to increase recovery times between shifts, reduce long exposure to harmful toxins during long shifts, and increase retention and workforce stability. This request is intended to be incorporated over the following fiscal year. FY 2027-28 would add 60 new full-time employees phased in over two hiring periods at a total cost of $3,600,000. This amount in the following fiscal year will be $5.5 million.

Commonwealth Attorney Positions

The Office of the Commonwealth's Attorney continues to face long-term workload and staffing pressures driven by felony caseload growth, increased body-worn camera (BWC) evidence, and the potential expansion of responsibilities to include all Class 1 and 2 misdemeanor prosecutions. Current Compensation Board staffing standards show a need for 41 felony attorneys, leaving a deficit of 10 positions, and assuming full misdemeanor responsibility would require 50 additional positions, including 25 attorneys and necessary support staff.

Rising BWC volumes from 926 Police Department cameras, 396 Sheriff's Office cameras, and 271 in-car cameras, also justify up to 22 attorney positions dedicated solely to video evidence review. Although the City has provided 33 positions from FY 2016-17 through FY 2026-27 to address caseloads and BWC impacts, needs continue to outgrow resources. First-year personnel costs to support expanded misdemeanor prosecution capacity are estimated at $4,815,655 and $443,000 for one time purchase of equipment, excluding an additional $750,000 to $2,000,000 in space build-out needs.

Shift Differential

Like many other police and sheriff departments across the country, Virginia Beach has difficulty recruiting and retaining officers. This is due to the fact that hiring process is significantly longer than traditional jobs, inherent danger in the job, negative media coverage, and public sentiment discourages many from pursuing law enforcement as a career choice, and Millennials and Generation Z value flexible hours with guaranteed holidays and days off.

Shift differentials would offer extra pay rates for officers and deputies working less desirable hours, further incentivizing officers to take less desirable shifts. The cost for implementing this program in FY 2027-28 is estimated to be $1,200,000.

Capital Improvement Program Needs

There remains a significant backlog of new construction and maintenance needs for City-owned buildings, stormwater, canals, and park infrastructure. The FY 2026-27 Adopted Capital Improvement Program (CIP) outlines $547,438,184 of unmet project needs (excluding Coastal Resilience, Schools, and Flood Protection), demonstrating that the funding demand for CIP projects is much greater than the resources provided each year. The annual budget will seek to continue to balance capital needs with day-to-day operations of the City.

Roadways

The Roadways section of the FY 2026-27 CIP outlined an investment in transportation infrastructure aimed at improving safety, capacity, and connectivity across the City. This is the largest single CIP section within the City, with total programmed costs in the Adopted FY 2026-27 CIP period of $966.4 million. Of this amount, approximately 20% of the funding comes from the State.

Currently, there is uncertainty with state funding for both road maintenance and construction. Shortfalls in expected revenue from the Commonwealth and continuing cost increases create added pressure to

refine the project list by delaying projects, reducing project scopes, or removing them from the planned CIP.

There are a total of 60 capital projects in the Roadways section, either fully or partially funded, in the most recently adopted CIP. Due to significant cost increases since the pandemic, keeping every project fully funded has not been financially feasible. Public Works staff consistently seek out additional state and federal funding on the projects, but even with outside funding, many projects need additional resources for completion. Over the last six years, the City has had to delay and/or remove projects from the program to set more realistic financial and project delivery expectations; however, the projects remain important to the City's overall quality of life, mitigating traffic congestion, and safety. Where feasible, local funding is being added to projects to advance them to full design and/or construction phases. Over the next five-year period, projects such as Nimmo Phase VII-B remain a top priority for funding.

Buildings & Assets

The Building and Assets section of the FY 2026-27 CIP highlights a comprehensive approach to maintain, modernize, and expand the City's critical facilities. Requested but not funded projects totaled $58.3 million in the FY 2026-27 CIP.

Over the next five years, the City will invest in new construction and major renovations for City facilities, a new law enforcement training academy and an updated courthouse. Significant funding is allocated for the rehabilitation and renewal of existing fire stations, the replacement of aging fire apparatus, and upgrades to public safety equipment to ensure operational readiness and safety.

CIP funding was identified as a top-level priority at the January 2026 City Council retreat, which was balanced along with other City Council priorities of compensation increases and tax relief. For this reason, the Adopted FY 2026-27 Budget invested heavily in the maintenance of existing City facilities including the municipal campus, libraries, and Human Services buildings.

In addition to the funded Buildings projects within the CIP, the City Council will have additional decisions to make during the Forecast period including the renovation of the Virginia Aquarium. The Adopted FY 2026-27 Capital Improvement Program established Capital Project #100749 Virginia Aquarium Modification for the development of a concept for the refurbishment, replacement, improvement, and/or renewal of the Virginia Aquarium North Building. Following this phase of the project, a joint committee comprised of City staff, Foundation members, and City Council liaisons will provide options on scope and project cost for City Council's consideration before design or construction funding is appropriated. In addition, City Council is awaiting more information from the Aquarium Foundation regarding the possible modifications to the partnership with respect to operating the Virginia Aquarium before committing future funding.

Flood Protection

The Flood Protection and Coastal Resiliency section of the FY 2026-27 CIP demonstrates a comprehensive and proactive approach to addressing flooding and sea level rise. Over the next five years, the City will continue to implement the 2021 Bond Referendum approved projects and invest in major flood protection projects, including Bow Creek Stormwater Park and the construction of new and upgraded stormwater pump stations and tide gates in neighborhoods such as Princess Anne Plaza, Windsor Woods, The Lakes, and around Eastern Shore Drive.

Like the Roadways section, there have been significant cost increases to Flood Protection projects since the pandemic, and since the approval of the Bond Referendum in 2021. The City has worked to ensure the projects remain funded and on schedule to the greatest extent possible and have prioritized full funding on projects that are the most "shovel ready" to ensure the best and most efficient use of resources

allocated to the program. Where financially feasible for debt repayment, additional bonds have been authorized and transfers have occurred between projects, including to issue the construction contract on the Windsor Woods projects.

In the Forecast period, several other Flood Protection projects, including the Pungo Ferry Road, the Central Resort District, and Lake Bradford/Chubb Lake master projects are reaching critical funding milestones and staff are evaluating the best ways to keep them funded and on schedule. The first of these projects is Pungo Ferry Road, the only east-west connector and an essential evacuation route in the southern part of the city. To address frequent flooding closures and safety issues, the City proposes raising the road 6.5 feet and constructing a retaining wall to limit environmental impacts and keep the project eligible for federal funding. Because project costs have increased, it is recommended to redirect available funding capacity in the Major Projects Fund to fully support the project and maintain a $19 million federal PROTECT Grant. This redirection of capacity will delay planned improvements to the Indian River Road/Speed Fentress area, further demonstrating the complexity of allocating resources.

Virginia Beach Costal Storm Risk Management Study

The Virginia Beach Coastal Storm Risk Management Study (CSRM) began in July 2022 and is a partnership between the City and the United States Army Corps of Engineers (USACE). CSRMs are a cost participation between the USACE, and a non-federal sponsor, in this case, the City of Virginia Beach. This study and eventual project implementation will address the risk caused by storm surge flooding, waves, and erosion to manage the impacts coastal storms have on the city as a whole. It builds upon the City's Flood Protection program by focusing on coastal storm impacts, not recurrent rainfall.

The study identified seven planning areas for future capital projects:

1. Back Bay
2. Elizabeth River
3. Little Creek
4. Lynnhaven Inlet
5. Rudee Inlet and the Oceanfront Floodwall
6. Southern Rivers
7. Sandbridge

Because it is not feasible to move forward with all seven projects simultaneously, in June 2026, the USACE requested that the City identify one early actionable element to move towards construction. Based on current conditions, the number of structures and residents protected, staff recommended with the Council's concurrence, the Lynnhaven Surge Barrier as the first project to advance. This project will create a barrier across the Lynnhaven Inlet and will construct floodwalls and fortified dunes along the bay and ocean, creating a continuous Chesapeake Bay to Fort Story protection line.

Currently, the USACE estimates the total project cost of the Lynnhaven Surge Barrier to be $3.4 billion, including 80% contingency, and dune replenishments through 2089. Once the initial study is completed in 2028, the project will be at 35% design, will advance to the Pre-Construction Engineering and Design phase, and will be eligible for congressional appropriation authorization. It is currently estimated that this phase will conclude in 2033 and will cost an estimated $207.6 million. Of this amount, the City's share will be $72.7 million, across five fiscal years, from FY 2028-29 to FY 2032-33. Currently, this is a manageable amount to program within the existing Capital Improvement Program within established debt metrics. As

amounts are refined for the acquisition and construction phases and the City's cost share is known, additional revenues will be needed to support the associated debt service of the project. Staff will continue to work with the USACE to have as up-to-date cost estimates and timelines as possible. With a project of this magnitude, the assumptions used in financial planning will have significant impacts on debt metrics, affordability of city services, etc.

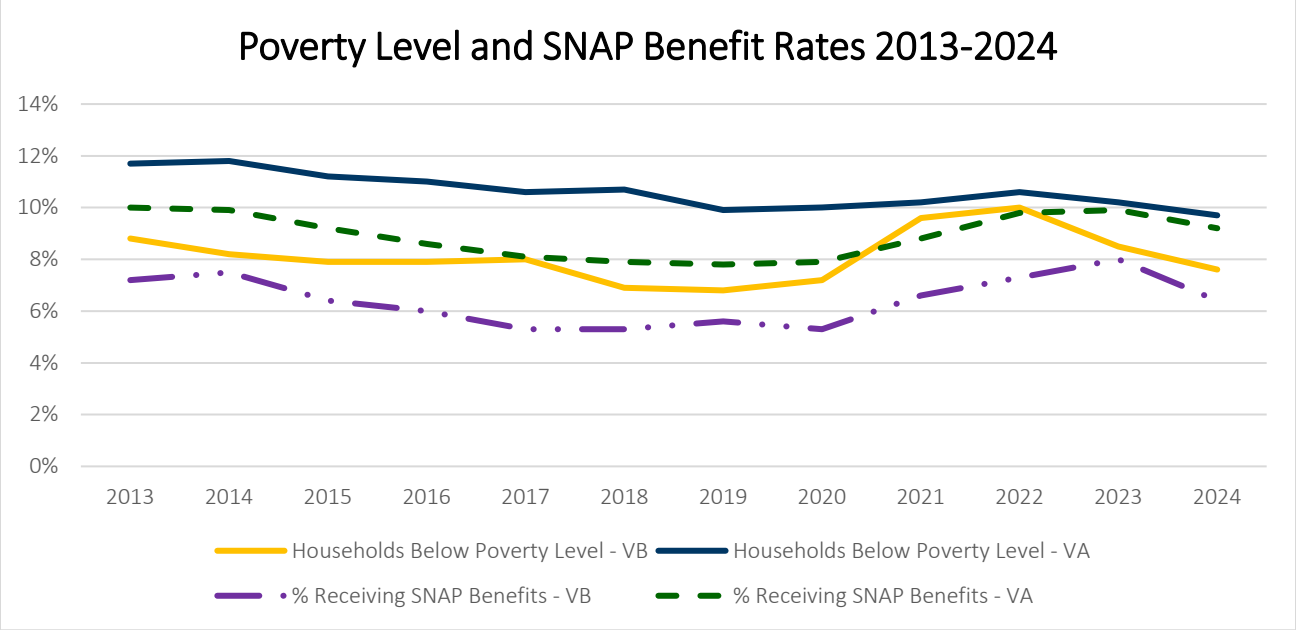
Federal and State Funded Programs

On May 22, 2025, the U.S. House of Representatives approved HR 1, followed by the U.S. Senate passage on July 1, 2025; the House then concurred with the final version on July 3, and the bill was signed 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 revenues or expenditures for Human Services currently, as too little information is available. Additional information will be provided to City Council as it is known.

Supplemental Nutrition Assistance Program (SNAP) Overview

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. In Virginia there are 120 different localities which aim 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.

In FY 2025-26, Virginia Beach served 46,000 customers in the SNAP program. One significant change introduced by the HR 1 bill involves the cost-sharing of benefits between federal, state, and local governments, based on payment error rates. This new requirement, along with higher administrative cost-sharing at the state and local levels, is expected to have an impact on the Human Services Department budget; however, exact amounts are unknown.



As shown in the graph above, 6.4% of Virginia Beach households received SNAP benefits in 2024, compared to 8.8% of total Virginians who receive these benefits. Federal cuts to SNAP benefits over the past year

have significantly impacted SNAP enrollment in Virginia. From July 2025 to July 2026, SNAP enrollment in Virginia decreased by 122,478 households or 14.19%. In Virginia Beach during the same period, SNAP enrollment decreased by 2,809 households or 16.64%. Although the percentage of SNAP enrollment in larger metropolitan cities like Virginia Beach is typically low, there are still high numbers of household enrollment. As of September 1st, 2026, the number of SNAP participants (not households) in Virginia Beach is 27,189.

Work Requirement Changes

Previously, individuals receiving SNAP had to meet work requirements unless they were under 18 or 55 and older. HR 1 bill has raised the upper-age exemption from 55 to 65, which will increase the number of residents required to verify employment activities and add to staff workload as more cases must be processed for compliance. The policy change also narrows exemptions for parents, now only excusing those with children under 14 instead of under 18, further increasing verification demands and the potential for case closures due to non-compliance. Additionally, the legislation removes exemptions for veterans, homeless individuals, and Foster Care recipients aged 18 or older, which may lead to vulnerable residents losing access to essential food assistance and experience greater nutritional instability.

Administrative SNAP Cost

In FY 2026-27, the United States Department of Agriculture (USDA) reduced its contribution to 25%, therefore requiring states and localities to cover the remaining 75% of administrative costs. This change could result in an additional cost for the City of Virginia Beach, depending on the percentage of the share that the Commonwealth of Virginia assumes. If the Commonwealth decides to "opt out" of providing the SNAP program due to increased costs, residents will be affected. Both the Commonwealth and City of Virginia Beach budgets will need to accommodate the projected cost increases associated with administering the SNAP program, if the state continues the program and does not opt out.

SNAP - Error Rate

Historically, there has not been a cost-share or a penalty for SNAP application errors which the States would need to cover. The HR 1 bill 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

The Commonwealth of Virginia currently has a reported SNAP error rate of 11%, meaning erroneous payments will no longer be covered by the federal government and will instead require repayment, potentially costing the state and localities millions of dollars if the error rate remains the same or increases. These changes have driven the need for policy adjustments and ongoing staff training to reduce processing errors at the local level. The introduction of the new cost-share requirement is expected to increase operational costs due to greater training needs, potential overtime to prepare staff for updated requirements and error types, expanded monitoring and quality control measures, and the likely need to hire additional quality control staff to proactively review cases for potential errors.

Medicaid Overview

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 July 2026, approximately 69,000 residents of Virginia Beach were enrolled in Medicaid, which included 24,000 individuals who joined through the Medicaid expansion program. The Behavioral Health Department of Human Services currently assists 750 Medicaid expansion recipients, creating a direct local revenue risk for the City if these individuals lose coverage.

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 training 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 enrollees 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 enrollees. More policy training will be required and there will be an increase in 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 24,000 Virginia Beach expansion enrollees, while other Medicaid recipients will only renew annually. The increased frequency of renewals for expansion enrollees will increase or double the time processing applications and could result in delays or termination of coverage if the individual is unable to provide proper verification for eligibility. This could lead to an increase in the number of uninsured individuals in the community, placing additional strain on other healthcare resources, 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 increases 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 thus incurring costs for the individual and other health care entities in the community. For low-income residents, these changes may lead to increases in their medical bills. Similar to 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 has a 90% federal match. Beginning in October 2026, the definition of a "qualified alien" has been 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 indigent 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 2028-29, Medicaid expansion enrollees will be required to pay $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.

Medicaid Behavioral Health Services Redesign

Virginia's Medicaid Behavioral Health Services Redesign is part of the state's Right Help, Right Now Plan. The current state direction is to replace a few of the Medicaid-funded community mental health rehabilitative services with new service models by July 2027. For the Department of Human Services (DHS), the change will impact the Beach House Psychosocial Rehabilitation program. The new model will shift toward Recovery Empowerment Centers, commonly referred to as a Clubhouse model. Clubhouse offers a collaborative, restorative environment where members can recover by gaining access to opportunities for employment, socialization, education, skill development, housing and improved wellness. The model is heavily regulated and will require significant changes to operations, including additional accreditation, increased staffing ratios, additional staff training requirements, and higher credentials for staff which will increase salary costs. It is projected that the City's annual expenses will increase by $270,000. The reimbursement rate will change as well, and it's anticipated annual revenue increase will only be $28,000.

Opioid Abatement

DHS continues to lead the management of opioid settlement funds received by the City of Virginia Beach through litigation with prescription opioid manufacturers and distributors. These funds are dedicated to preventing, treating, and reducing opioid use disorders and are distributed across three categories: direct distribution, individual distribution, and regional collaborative partnerships. Over the next five years, the City will continue to receive direct distribution funds and will also apply for funds through the Virginia Opioid Abatement Authority. Although funding amounts shift as settlements are finalized, Human Services anticipates approximately $3 million in direct distribution and to apply for $1,575,000 in Virginia Beach Individual Distribution funds over the next five years. As the funding is received, utilization plans will be developed and implemented based on stakeholder and community feedback.

Federal Housing and Urban Development Changes (HUD)

HUD previously announced reductions to federal grant programs for FY 2025-26. Although the federal government indicated it would provide states with additional flexible funding, those funds have not materialized to date.

Section 8 – Housing Choice Voucher (HCV) Program

The Section 8 HCV Program provides rental assistance and targeted allocations for groups such as disabled individuals, homeless veterans, youth transitioning out of foster care, and families in self-sufficiency programs. The Department of Housing and Neighborhood Preservation (DHNP) may face a 5.5-7.2% funding reduction, potentially decreasing available vouchers by about 150. The Rental Housing HCV Administrative Plan outlines how participants would be identified for removal from the program should this occur.

Homeless Resource Center – Continuum of Care (CoC) Program

The Homeless Resource Center delivers shelter, housing, meals, supportive services, community resources, learning opportunities, and on-site health services for families and individuals in Virginia Beach. DHNP also

leads the community-wide CoC grant application process and serves as the lead agency. This year's Notice of Funding Opportunity (NOFO) was released later than usual and includes major program changes, shifting from a Housing First approach to a transitional housing model with a stronger focus on mental health and substance use treatment. These changes could increase homelessness, strain partner agency funding, and increase reliance on local resources since transitional housing is not a permanent housing opportunity.

Entitlement Programs (ESG, CDBG, HOME, HOPWA)

These programs are not expected to face funding reductions over the next five years; flat funding is anticipated. These resources support eligible community development and affordable housing activities serving low- and moderate-income households. DHNP utilizes these funds to provide programs to serve and assist the homeless, create and preserve affordable housing development and include an owner-occupied rehabilitation program, Tenant-Based Rental Assistance and Security Deposit Programs, a new home buyer program and the Housing Opportunities for Persons with AIDs (HOPWA) grant to provide regional support to persons with AIDS.

Revenues

In order to sustainably support some of the potential expenditures mentioned in this section, there are revenue opportunities that could be explored by a future City Council should there be a desire to do so. This is not intended to be an all-inclusive list, but rather options for potential implementation.

Cannabis Tax

Virginia law provides local governments with a revenue opportunity from the regulated marijuana market beginning July 1, 2027. Implementation will occur in part which includes finalizing regulations in December 2026, publishing and implementing regulations in January 2027, opening certain license applications by February 1, 2027, and issuing initial licenses by May 1, 2027. State law limits the number of retail marijuana store licenses to 350 statewide.

New Virginia code states that each county, city, and town may impose a local tax on taxable marijuana sales at a rate of not less than 1% and not more than 3.5%. At a previous City Council meeting, staff indicated to City Council that it intends to recommend the maximum 3.5% local tax rate to City Council for its consideration. During this forecast period, this could provide a potential recurring revenue source that can be incorporated into long-range financial planning; however, it is not currently embedded within the baseline Forecast.

The tax structure includes a state marijuana excise tax of 6% through June 30, 2029, increasing to 8% beginning July 1, 2029, the existing Virginia retail sales and use tax, and a local marijuana sales tax of 1% to 3.5%. State law requires localities to establish their local tax rate by ordinance, which generally takes effect on the first day of the second month following enactment and must remain in effect for at least three years. The total tax burden will therefore depend on the applicable state taxes and the local rate adopted.

The amount of revenue ultimately realized will depend on the size and maturity of the cannabis market, the volume of taxable sales, the applicable tax rate, and the timing of implementation. There are, however, many unknown factors to this revenue, such as not having an established local tax rate within the City, the limit of 350 retail licenses statewide, and the unknown nature of the cannabis market. Combined with the lack of comparable data, the City cannot, at this time, include a revenue projection in this forecast.

Machinery & Tools Tax

The City of Virginia Beach currently has a tax on machinery and tools of one millionth of a cent per $100 of value. This rate is the lowest in Hampton Roads, at effectively zero. Machinery and tools included in this

category include those used in manufacturing, mining, water well drilling, processing or reprocessing, radio or television broadcasting, dairy, dry cleaning or laundry business, or a business primarily engaged in advanced recycling.

After Virginia Beach, the City of Suffolk has the next lowest effective tax rate on machinery and tools at 63 cents per $100 of value. If the City of Virginia Beach were to adopt a matching tax rate, based on the most recent assessments, that would produce approximately $11.6 million in additional revenue. Alternatively, if the City were to adopt a rate of $1.16 per $100 of assessed value, matching the average rate of the area while still being the third lowest, that would lead to an estimated $21.4 million in additional revenue for the City.

To mitigate an increased tax rate, the City of Virginia Beach, in partnership with the Economic Development Authority, could explore a grant program for businesses already established in the City. Through this grant program, established businesses in the City paying the increased machinery and tools tax would be able to apply to receive these funds back in the form of a grant. This grant would be either limited to a set number of years at the full amount remitted or phased out with a reduced rate each year.

Data Centers

The City of Virginia Beach separates business personal property tax on computer equipment and peripherals used in a data center and taxes it at a rate of 40 cents per $100 of assessed value. This includes computer and network systems, systems for monitoring and managing infrastructure performance, equipment used for the transformation, transmission, distribution, or management of electrical power and cooling, and other various computer equipment and systems. Similar to the machinery and tools tax, this is another source of revenue with which an increase could be explored.

Outside of Virginia Beach, the only other Hampton Roads locality with a separate data center personal property tax is the City of Chesapeake. The rate established for Chesapeake was recently increased from 48 cents per $100 of assessed value to $2.00 per $100 of assessed value. If the City were to match this rate, it would raise revenue for the City, while still remaining competitive with the surrounding cities. Similar to a machinery and tools tax increase, if this were implemented, a grant program could be explored in order to reduce the impact on businesses that are already established within the City.

Short-Term Rentals (Hotel Flat Tax)

In October of 2025, the City of Norfolk voted to change their hotel flat tax of $3 per room night to $3 per room per night. Effectively, this change increased the tax from a total of $3 per night to a multiple of $3 depending on the number of rooms. This change primarily affects short-term rentals that generally have more than one bedroom. The City of Virginia Beach currently has a rate of $2 per room night with it being flat regardless of the number of bedrooms.

If the City of Virginia Beach were to implement a similar change to the City of Norfolk, there could be another opportunity for revenue growth from short-term rentals. Using a conservate rate of 60% occupancy for each rental over the year, an updated flat tax policy could generate an additional $1.7 million in revenue.

General Sales Tax

Effective July 1, 2026, Virginia localities have been granted the authority to seek voter approval for an additional local sales tax of up to 1% for qualifying school capital projects. In portions of Northern Virginia, this revenue can also be used for transportation-related projects. As it currently stands, the tax would have to be approved through referendum and can only be used for qualified projects without reducing,

replacing, or offsetting existing funding for projects. The revenue would be collected by the state, as current general sales tax revenue is, and remitted back to the City. This revenue source is difficult to project with currently available data, as it would not include personal hygiene or grocery items like the existing 1% local sales tax. To date, there has not been a request by the School Board to include this item on the ballot.

Tourism Investment Program Fund

The Tourism Investment Program (TIP) Fund was created by City Council in May 2011 as a merger of two existing City funds: the Tourism Growth and Improvement Fund (originally established in FY 1993-94 and an older iteration of the Major Projects Fund (originally established in FY 2001-02). This Fund was designed to carry out the functions of both funds, which are to develop opportunities for strategic tourism related growth and economic development as well as to pay for debt and operating expenditures created by these activities. Revenues in this fund are primarily generated from 5% of the Hotel Tax and $1 of the $2 Hotel Flat Tax, 1.06% of the meal tax, 5¢ per pack of the cigarette tax, and 80% of the Admission Tax. Pursuant to its development agreement, 100% of the admission revenue generated by the Dome is retained by the TIP fund.

Operating Revenue

The two main sources of revenue for the Tourism Investment Program are the Hotel Tax and the Restaurant Meals Tax. Other revenues include the Admission Tax, Cigarette Tax, Permits Fees and Regulatory Licenses, and Interest Income. Tourism Investment Program revenues have been steadily increasing, outside of the Cigarette tax which continues to decline year-over-year. Revenue assumptions are consistent with the Revenue section of this Forecast provided earlier within the document.

Operating Expenditures

The primary cost drivers within the Tourism Investment Program are day-to-day operations, sponsorships, and debt service. While the Fund is expected to maintain a positive fund balance throughout the forecast period, expenditures are projected to increase significantly, primarily due to rising debt service. Based on currently authorized projects, debt service costs are projected to increase by $18 million by FY 2031-32 and could increase further if additional capital reinvestment is needed in the resort area. The TIP is jointly managed by seven departments; Cultural Affairs, Parks and Recreation, Public Works, Public Facilities, Convention and Visitors Bureau, Non-Departmental, and Emergency Medical Services. Below is a high-level summary of the operations associated with each department.

- Cultural Affairs
    - MOCA Advertising
    - Boardwalk Art Show
    - ViBe District Investment
- Parks and Recreation- Landscape Special Zone Management
- Public Works
    - Recycling
    - Beach Operations
    - Resort Area Street Sweeping
- Public Facilities- Resort Building Maintenance
- Convention and Visitors Bureau
    - Resort Management Office
    - Advertising, Marketing and Promotion
    - Management of the Entertainment Contract
    - Holiday Lights
    - Festival Contract Coordination and Management
- Non-Departmental- Hampton Roads Transit
- Emergency Medical Services- Lifeguard Services

TIP Fund Capital Improvement Projects

The TIP also provides funding for numerous Capital Improvement Projects throughout the Resort Area. To date, TIP funding has been allocated to several capital projects, supporting major investments in infrastructure, stormwater management, entertainment, parking, and public facilities. Some of the largest projects include the Atlantic Park Entertainment Venue ($55.0 million), Convention Center Capital Maintenance ($52.9 million), Resort Parking District ($51.1 million), 17th Street Improvements – Phase 1 ($48.8 million), Rudee Loop Park ($50 million), and Atlantic Park Parking ($46.0 million).

The TIP also provides ongoing annual funding for Oceanfront Capital Projects Reinvestment ($600,000) and Virginia Beach Amphitheater Capital Maintenance ($200,000) until FY 2029-30.

There are nine TIP funded CIP projects that are reaching 20 or more years in age, eight of which may need to be recapitalized. The year listed next to each project represents the last year the project was reflected in the CIP. These projects consist of Virginia Marine Science Museum Parking (2004), Atlantic Avenue Trolly Lanes (2003), Beach Erosion Control/Hurricane Protection (Seawall/Boardwalk) (2005), Convention Center Replacement (2007), Oceanfront Connector Parks (1996), Resort Streetscape Improvements (1996), Rudee Walk (2007), Sandler Center (2007), and the Virginia Marine Science Museum Expansion (1996). Of these nine projects, only two projects, the Resort Streetscape Improvements and Convention Center, are planned to be recapitalized in the currently approved Capital Improvement Program.

Fund Outlook and Capital Needs

The Tourism Investment Program Fund remains in a strong overall financial position. Revenue growth and projected fund balances indicate that the Fund has capacity to support additional capital investment beyond its existing commitments. However, future capital needs could place additional pressure on the Fund's financial resources. As previously mentioned, there are nine CIP projects, previously funded by the TIP, that are reaching more than 20 years in age with seven of the projects potentially needing to be recapitalized in the near future. If undertaken, these projects could significantly increase costs for the Fund and reduce its capacity to support other future investments. Overall, the TIP Fund is positioned to support its existing commitments and planned investments, although increasing debt service and the potential recapitalization of aging infrastructure will be important factors to monitor in future budget cycles.

Sandbridge Special Service District

The Sandbridge Special Service District (SSD) 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% additional hotel tax unique to the special service district as authorized by the Code of Virginia. Second, whereas other areas of the City dedicate 5% of the 8% Hotel Percentage Tax to the Tourism Investment Program Fund (TIP), the portion collected within the district are instead dedicated to the Sandbridge SSD Fund.

Most of the remaining revenue comes from interest earnings. This is a very recent development in the Fund's revenue. 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 two additional dedications. Within the district, there is a 1¢ real estate tax surcharge per $100 of assessed value. The district also receives $1 of the $2 hotel flat tax charged within its borders.

The ordinance establishing the Sandbridge SSD requires that any additional taxes levied on the district must be used for the purpose of "providing and maintaining facilities and services incident to beach and shoreline management and restoration within the special service district." This restriction applies to 1.5% of the Hotel Percentage Tax and 1¢ of the real estate tax. Other revenues, including the 5% Hotel Percentage Tax from the TIP, have greater flexibility in how they can be utilized, at the City Council's discretion.

The revenue forecast for the Fund assumes static tax rates, 3.0% annual real estate and hotel percentage tax revenue growth, 1.0% annual hotel flat tax growth, and flat revenue from interest.

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 is 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 annual transfers from the Sandbridge SSD Fund. In FY 2026-27, the project received $400,000 from the fund and is planned to receive the same amount annually for the foreseeable future.

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, in partnership with the US Army Corps of Engineers. 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. Funding will be distributed at the start of the renourishment cycle. 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 is planned to begin in November 2026, so Sandbridge Beach Restoration IV is budgeted 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 left over 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.

Summary

Due to consistent growth in the Hotel Percentage Tax, longer-than-planned gaps between renourishment cycles, and financial aid from the Army Corps of Engineers, the Sandbridge SSD Fund maintains a large and growing fund balance. The fund balance is anticipated to exceed that amount by the end of FY 2029-30. If a storm caused Sandbridge Beach to need out-of-cycle replenishment, the SSD will be able to fund the project without aid from the General Fund, depending on the scale of damage. Furthermore, the next renourishment cycle is planned to begin in FY 2031-32.

Aside from the SSD fund, the largest changes to the balance of SSD-related accounts will be due to replenishment cycles. The third replenishment cycle is planned to begin in 2026 and will spend $11.3 million of local funds. Additionally, the project will receive $22.2 million in federal revenue at the start of construction. Any remaining project balance will be used to support future phases. In FY 2031-32, the fourth replenishment cycle will begin and is projected to spend at the same rate. Beach Access Improvements will not affect the overall balance, as the project's expenditures are budgeted to perfectly match its annual transfer from the SSD fund.

Source	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
SSD Fund Balance	27,012,989	33,525,315	40,226,154	47,121,139	54,216,071
Balance Sandbridge Beach Restoration	41,711,707	41,711,707	41,711,707	41,711,707	7,921,783
SSD Balance	**68,724,696**	**75,237,022**	**81,937,861**	**88,832,846**	**62,137,854**

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 (SPSA)

One major factor impacting the Waste Management Fund during the forecasted period are the changes to the Use and Support Agreement with SPSA. 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 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 finalized 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. The City extended its contract with SPSA for the 25-year period, supporting a long term solution to manage Solid Waste for Virginia Beach through 2095. 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.

As a result of the shift to single-stream collection, the Collection Division of Waste Management Operations will require additional staff members and automated waste collection vehicles to manage the increased residential tonnage. SPSA tipping fees are also projected to rise as the sorting facility accepts more recycled material. The current municipal waste tipping fee of $71 per ton is projected to gradually increase to $85 by FY 2031–32.

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 and/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 full potential. To address this, Waste Management is modernizing the technology used to support waste collection and landfill operations. Planned investments include a new customer relationship management (CRM) platform, advanced routing and logistics software, vehicle telematics, mobile field technology, system integrations, and enhanced reporting and analytics. Together, these technologies will improve route efficiency, customer service, fleet and field visibility, service verification, and operational decision-making while providing the data needed to support future service and pricing models. Additional technology investments are also planned for the Landfill, including driver's license readers and license plate recognition to help verify residency and service eligibility, enhanced security cameras, and real-time surveying and monitoring technology to support operations and regulatory requirements.

These investments will replace fragmented and manual processes with a more integrated technology environment, improving efficiency, accountability, safety, and the overall delivery of Waste Management services.

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, followed by capping of cell 2A, design, and development between 2034 and 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.

Landfill 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, HHW 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. Capital improvements at the landfill also face numerous regulations and permitting requirements, which delay further progress. Most recently, a HAZMAT chemical storage locker was replaced; however, due to regulatory requirements, its use has been postponed.

Landfill 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.

Landfill Equipment

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 fund currently does not have allocated resources for equipment replacement. 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.

Water & Sewer Enterprise Fund

The Water and Sewer Fund operates as a self-supporting enterprise fund, with 94% of its revenue generated through water and sewer service charges. A five-year phased increase to fees was adopted in FY 2023-24 to address rising operation costs, including higher employee compensation, compliance with the EPA's revised Lead and Copper Rule, and inflation-driven increases in supplies. These adjustments support the continued provision of essential services, and revenue for FY 2026-27 is projected to be $163.3 million, a 3.1% increase over the FY 2025-26 Adopted Budget.

Revenue

Revenue projections for the Water and Sewer Enterprise Fund reflect a series of assumptions designed to align anticipated funding level with operational needs and long-term financial sustainability. Use of Money and Property is expected to decline over the next year as interest earnings decrease, followed by stabilization from FY 2028-29 through FY 2031-32. Sewer Charges incorporate all programmed rate increases through FY 2025-26, with no additional increases assumed beyond that point. Water Charges and Sale of Water both reflect the final year of approved rate adjustments in FY 2027-28, with no further rate increases included in the forecast period. Other revenue is adjusted to the three-year average beginning in FY 2027-28, excluding the FY 2025-26 Per-and Polyfluoroalkyl Substances (PFAS) Settlement payments, and this approach carried forward into the out-years. Other financing sources are based on the three-year average in FY 2027-28 and then increased annually using the City's general 2.5% inflation forecast. Transfers from other funds are adjusted to the three-year average, with the same 2.5% inflation factor applied in subsequent years.

A cost-of-service study now underway is expected to indicate the need for rate adjustments for Water and Sewer Charges, and the Sale of Water. However, no new increases are included in the Forecast beyond the previously adopted FY 2027-28 adjustments.

Operating Expenses

Operating expenses follow the standard budgeting assumptions for salaries and fringe benefits. Most operating expenses escalate at the City's 2.5% inflation rate during the forecast period. Exceptions include the Water Services Contract, which assumes water consumption of 32 million gallons per day at a cost of $3.12 per thousand gallons in FY 2027-28 based on prior biennial estimates from the City of Norfolk. This cost is increased by 3.5% annually through FY 2031-32. Addition Water Services costs escalate by 3% per year in alignment with CPI-adjusted contract terms.

Capital Outlay assumes a consistent $2 million annually to support ongoing rolling stock and equipment replacement. Transfers to the General Fund are projected using a blend of 2.5% inflation and historical trends. Following the most recently adopted Capital Improvement Program financing, Pay-as-you-go funding for capital projects is set at $8 million annually for FY 2027-28 through FY 2031-32. Remaining non-borrowed capital needs are funded through retained earnings and are not included in this five-year projection.

Debt Service estimates incorporate the latest debt schedule as well as planned bond issuances of $50 million in the outer years of the forecast.

Reserves include $1 million per year for unplanned expenses, payroll reserves, and $1 million annually for rolling stock replacement and energy related cost overruns.

School Operating Fund

Strategic Framework

Compass to 2030: Learning Today, Leading Tomorrow establishes a clear and unified direction for Virginia Beach City Public Schools (VBCPS). 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, 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 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

VBCPS is committed to providing the best possible experience to meet the needs of students and families.

The 2025-26 school year marked the introduction of *Compass to 2030*, 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. It provides the direction that guides work, aligns priorities, and keeps students at the center of every decision.

Developed through community engagement and grounded in shared values, the framework establishes a clear path forward focused on five goals. The information below includes examples of the major initiatives driving each goal.

Goal 1: Challenge and support each student to excel and be 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 2026 cohort year and a low dropout rate of 2%. Another indicator of the remarkable success of the school community is the Virginia Department of Education (VDOE) pass rates from the Standards of Learning Assessments for 2025-26. The data shows VBCPS exceeded the state level of performance in all subject areas.

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-5 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.

Since the industry credential program began in 2002, nearly 199,000 industry credentials have been earned by VBCPS students. Each year, students have access to over 140 different credentials that link to career fields free of charge. Students build their resume by collecting stackable credentials that prove the professional skills they can demonstrate. During the 2025-26 school year, high school students earned over 16,600 industry credentials.

VBCPS remains committed to preparing every student to be capable and responsible users of technology. Artificial intelligence (AI) is one of the emerging technologies shaping education, and high school 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.

Goal 2: Enhance student well-being, resilience, and responsibility:

The Office for Opportunity and Achievement (OOA) has focused on scaling up what has been working with students while expanding activities for staff and families. The CARE Continuum is a framework which guides stakeholders in implementing strategies to ensure that all students, staff, and families feel seen, known, and heard. To support this initiative, the CARE Collaborative, comprised of students, teachers, administrators, central office staff, and community members, identifies opportunities for growth, plans professional development, and reviews areas of concern. Additionally, the TIDE Coalition is a group of student leaders in middle and high school focused on solving school-based issues to create an environment that is inclusive of all students and staff.

VBCPS is committed to supporting the mental health and wellness of all students. Each school has a school counseling department along with an assigned behavior intervention specialist, psychologist, and social worker to assist students. In collaboration with community and national organizations, VBCPS offers a variety of mental health resources and programs at no cost to our families. Care Solace helps provide ease of access to the mental health care system to find community-based providers and secure appointments as quickly as possible. Additionally, a partnership with Uwill provides primary supports and interventions for students in grades 6-12. With parental consent, students can schedule an immediate appointment with a licensed therapist that is driven by specific needs and preferences.

Goal 3: Value and invest in staff:

Compass to 2030 reflects VBCPS's commitment to enhancing and sustaining a positive work culture and climate that values and invests in recruiting, supporting, and retaining a high-quality workforce. Personnel costs represent the largest share of the division's operating budget, making investments in employees a significant financial commitment and an essential component of the division's ability to provide high-quality programs and services to students.

Guided by the School Board's compensation philosophy, VBCPS remains committed to strengthening employee pay to remain competitive in a demanding labor market. For FY 2026-27, employees on the Instructional Experience-Based Step Pay Scale received an average salary increase of 5.23%, while employees on the Unified Experience-Based Step Pay Scale received an average increase of 4.17%. These investments continue the division's efforts to strengthen salary progression.

VBCPS continues to invest in strategies designed to strengthen pathways into the profession and address workforce needs. The division utilizes Grow Your Own programs, alternative licensure pathways, targeted recruitment, early hire offers, and state-expanded alternative preparation programs to broaden the pool of prospective educators. For the 2026-27 school year, VBCPS hired approximately 381 teachers to support the division's instructional staffing needs.

Investments in employees extend beyond recruitment and compensation to retaining an experienced and qualified workforce. Teacher retention averaged 90% or higher in each school year from 2022-23 through 2025-26. VBCPS remains committed to monitoring workforce and market conditions, reviewing pay scales for competitiveness, strengthening pathways into employment, and advocating for the resources necessary to recruit, support, and retain the employees who serve the division's students and schools.

VBCPS supports a high-quality workforce through relevant, sustained learning for all staff. Each year, instructional staff take part in required and choice-based professional learning focused on the knowledge and skills most important for the coming school year, including a comprehensive orientation and induction program for new teachers and support for National Board Certification. To increase access to learning for non-exempt employees, the division offers targeted opportunities such as the Service Stars series for school office professionals and Professional Learning Day for Assistants. The Office of Professional Growth and

Innovation coordinates these efforts with departments and schools to keep learning aligned to division priorities. To strengthen career pathways, leadership development is available to staff in every role and helps them build skills for their current positions and prepare for future ones.

Goal 4: Partner with families and the community to support students:

VBCPS remains deeply committed to student success by recognizing families as essential partners in the educational journey. A cornerstone of this commitment is the expansion of the Family Outreach Representative (FOR) program. FORs serve as trusted guides who help families navigate the educational system with clarity and confidence, offering direct support, resource navigation, and culturally responsive engagement. Through their efforts, families gain seamless access to critical services, including food assistance, mental health support, and academic resources, while high-impact outreach initiatives foster authentic communication and inclusive school communities.

To amplify these efforts, VBCPS is integrating high-impact strategic initiatives designed to elevate family engagement and staff capacity:

- The Beacon: Serving as a guiding light for student and family engagement, The Beacon initiative expands outreach to ensure every family, regardless of background, has direct access to district resources, equitable opportunities, and holistic support networks.
- Language Ambassadors Initiative: To support multilingual families, volunteer Language Ambassadors bridge communication gaps and foster welcoming, inclusive school environments.
- Expanded Community Partnerships: Deepened relationships with community partners continue to unlock vital student opportunities, including internships, mentorships, and enrichment programs.

Recent milestones highlight the power of these collaborative efforts. At the annual Back-to-School Care Fair, over 4,000 students received essential services, including backpacks, haircuts, health screenings, and vaccinations.

Meanwhile, the Family Connection webinar series delivers guidance on digital learning, mental health, and college readiness. To maintain consistent, equity-centered practices across the division, the Office of Family and Community Engagement (FACE) has also developed a comprehensive Digital Resource Guide for school leaders.

Together, these initiatives reflect VBCPS's unwavering commitment to building strong, informed, and inclusive partnerships with families and the community to empower every student to thrive academically, socially, and emotionally.

Goal 5: Advance organizational excellence:

The safety of students, staff, and visitors remains the highest priority of VBCPS. The school division continues to lead the Virginia Beach School Safety Task Force and partner with the Virginia Beach Police Department for the School Resource Officer (SRO) program. To ensure a consistent, effective, and coordinated response to emergencies, VBCPS has implemented the Virginia Department of Criminal Justice Services (DCJS) Standard Response Protocol (SRP) as the division's standardized emergency response framework. The Virginia SRP establishes a common language and standardized actions that can be immediately recognized by students, staff, first responders, and emergency management personnel.

VBCPS remains committed to ongoing capital improvements across the division, ensuring every student and staff member can learn and work in an environment designed and maintained for excellence. To support this goal, the Capital Improvement Program (CIP) allocates funding for the health, safety, maintenance, and replacement of our facilities and sites.

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 School Board's compensation philosophy guides how VBCPS plans for its largest budget commitment. Through a total employee compensation program, the division strives to attract and retain a highly qualified and diverse workforce, ensure fair and consistent pay practices, and balance compensation needs with available resources and educational priorities. Salaries and benefits account for approximately 85.7% of operating expenditures, making compensation decisions a significant driver of future budget needs.

VBCPS continues to operate within a demanding labor market. The Learning Policy Institute reported in July 2026 that approximately one in eight teaching positions nationwide were either vacant or filled with an educator not fully certified for the assignment. Virginia has made measurable progress, with the statewide teacher vacancy rate falling from 3.9% in the 2023-24 school year to 2.5% in the 2025-26 school year. Even with this improvement, VDOE identified ten critical shortage endorsement areas for the 2026-27 school year, including special education, elementary education, middle education, secondary science, mathematics, English, history and social science, career and technical education, world language, and health and physical education.

Despite improvement at the state level, workforce pressures continue to affect VBCPS. As of August 24, 2026, VBCPS opened the school year with 23 classroom teacher vacancies, compared with 14 at the start of the previous school year. Competition for qualified candidates, particularly in critical shortage areas, makes competitive compensation an important component of the division's ability to attract and retain employees.

The VBCPS compensation philosophy calls for a total compensation program that is competitive with institutions in Virginia, with market benchmarking used to identify areas that may require continued attention. According to the National Education Association's 2026 Rankings and Estimates, Virginia's average teacher salary was $69,254 in the 2024-25 school year, ranking 26th nationally and $5,241 below the national average of $74,495. VDOE data show that VBCPS provided cumulative salary increases of 25% from FY 2021-22 through FY 2025-26, compared with a statewide median of 24.8% over the same period. While these increases demonstrate continued investment in employee compensation, regional salary growth underscores the importance of ongoing market monitoring. Among the seven local school divisions competing for the same candidates, VBCPS ranks fifth in entry-level teacher pay, with starting salaries approximately 2% to 6% below several neighboring divisions.

Consistent with the compensation philosophy's emphasis on flexibility to respond to market conditions, the division took steps in FY 2026-27 to narrow this gap. Employees on the Instructional Experience-Based Step Pay Scale received an average salary increase of 5.23%, while employees on the Unified Experience-Based Step Pay Scale received an average increase of 4.17%. In addition, a midyear structural adjustment effective February 1, 2027, increases the difference between Steps 1 through 14 on the Unified Experience-Based Step Pay Scale from 1% to 1.25%. The adjustment addresses an existing imbalance in the scale, where earlier steps provide less salary progression than later steps, and moves the scale toward more consistent recognition of employee experience.

Critical shortage areas may require targeted compensation and workforce strategies. The compensation philosophy provides flexibility to address equity, market conditions, targeted needs, and consistency, including supplements for specific functions and annual evaluation of instructional pay ranges to identify areas where targeted adjustments may be warranted.

Taken together, these factors indicate that compensation costs will continue to place significant pressure on the operating budget throughout the forecast period. Salary increases compound over time, establishing a higher cost base for future years, while unresolved market gaps may become more costly to address. Although expanded pathways into the profession may strengthen the educator pipeline, competitive compensation remains crucial to attracting and retaining qualified employees.

Employee Benefits

The health plan experienced higher-than-projected cost trends during the five-year period ending in 2026, including double-digit increases for several years. Current market indicators continue to reflect upward trajectory in national healthcare costs, with VBCPS plan's medical and pharmacy trend projected to be approximately 9% annually over the forecast period. Key factors contributing to the projected cost increases include continued growth in specialty pharmacy, particularly high-cost gene therapy drugs, advances in medical technologies and treatment modalities, general inflationary pressures, the ongoing national behavioral health crisis, and the continued prevalence of high-cost claimants.

The cumulative impact of these cost trends, combined with the use of health fund reserves, contributed to a decline in the health fund balance. Since FY 2021-22, VBCPS has provided more than $42 million in additional employer contributions to help stabilize the health insurance fund. However, the fund balance remains below the desired reserve level for the self-insured plan. Maintaining adequate reserves is critical to the plan's long-term financial stability and provides a mechanism to manage claims volatility. Over the five-year forecast period, employee and/or employer funding may need to increase at a rate exceeding projected healthcare trend to achieve the recommended reserve level of two months of healthcare costs.

To address these funding requirements, premium increases will occur on January 1, 2027. The increases are intended to better align plan funding with projected healthcare cost growth while maintaining an appropriate employer-to-employee cost-sharing structure. They are also intended to support ongoing plan expenses without continued reliance on health fund reserves. These funding adjustments are expected to improve the plan's financial position, strengthen reserve adequacy, and support long-term sustainability while continuing to provide meaningful healthcare benefits to employees.

Additionally, updates to the City of Virginia Beach's City/Schools Revenue Sharing Formula support alignment of health insurance premiums for City and Schools employees and retirees to the greatest extent possible. Under the updated formula, Schools employee premiums are intended to be aligned with City employee premiums unless certain specified conditions are met. The premium increases taking effect January 1, 2027, reflect this updated approach to premium alignment.

The Benefits Executive Committee, comprised of leadership representatives from the City and Schools, in partnership with Mercer, the plan's health and benefits consulting firm, will continue to monitor plan utilization, healthcare cost trends, market conditions, workforce priorities, and applicable federal and state legislation. These factors may affect future healthcare costs, funding requirements, budget strategy, plan design, and premium contributions. Given the significant financial commitment associated with healthcare benefits and their importance within the overall employee compensation package, ongoing monitoring and proactive fiscal management will remain essential to maintain plan stability and supporting the organization's ability to attract and retain employees.

Princess Anne High School Replacement Project

Inclusion of the Princess Anne High School replacement project in the current six-year 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. Addressing these challenges through replacement or renovation represents a critical investment for both the City and the surrounding community.

The Princess Anne High School project is included in the approved CIP and is being advanced through a Progressive Design-Build delivery method. The project will continue to support students from the Princess Anne High School attendance zone, as well as the division-wide International Baccalaureate (IB) program and designated Career and Technical Education (CTE) and special education programs serving students from across the division. Three teams were shortlisted through the Request for Qualifications (RFQ) phase, and the project has advanced to the Request for Proposals (RFP) phase, with RFP-5209 issued this fall 2026. Construction is estimated to be completed in 2033-34.

VBCPS will continue to work closely with the City and Davenport, the division's financial advisor, to evaluate funding and debt capacity. VBCPS will also coordinate with the VDOE, which has approved a $20 million grant award for the Princess Anne High School Replacement (or Renovation/Modernization).

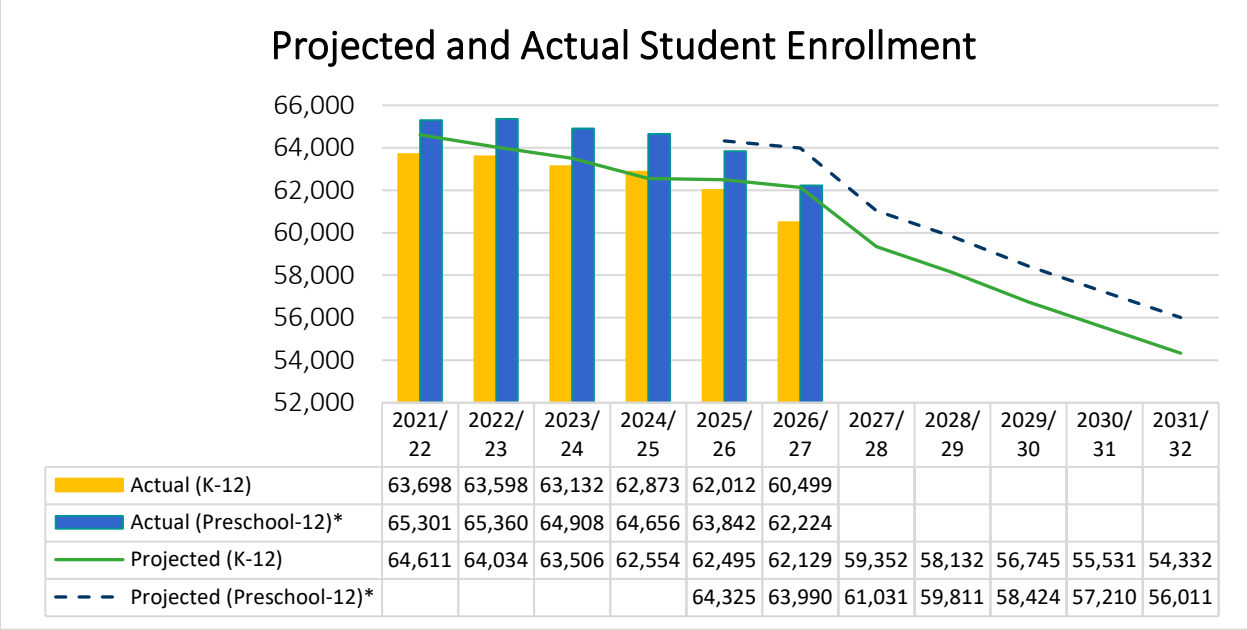
With competing budget priorities and other capital demands, VBCPS must carefully balance maintaining existing facilities with funding new construction, which may require increased School Operating contributions over the forecast period to meet CIP goals.

Enrollment and Student Learning Needs

The VBCPS FY 2026-27 School Operating budget was developed using the Governor's student membership projection of 61,298. As of September 30, 2026, the total average daily membership (ADM) was 61,507, accounting for 60,499 K-12 students and 1,725 students 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 overall enrollment has declined, the number of English Learners and students receiving special education services continues to rise. For FY 2026-27, English Learners represent 5.99% of enrollment, up from 4.05% in FY 2025-26, while students with disabilities account for 14.67%, compared with 14.20% in the prior year. Conversely, the percentage of economically disadvantaged students declined from 41.83% in FY 2025-26 to 41.11% in FY 2026-27, as of September 30. Despite this decline, economically disadvantaged students continue to represent a significant portion of the VBCPS student population, with more than four in ten students meeting this designation. These shifting student demographics, coupled with increasing demands for academic intervention, specialized services, and social-emotional support, are expected to place continued pressure on future operating budgets.

The graph below shows the historical September 30 student membership and projected membership for 2027-28 through 2031-32.



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Actual (K-12)	63,698	63,598	63,132	62,873	62,012	60,499					
Actual (Preschool-12)*	65,301	65,360	64,908	64,656	63,842	62,224					
Projected (K-12)	64,611	64,034	63,506	62,554	62,495	62,129	59,352	58,132	56,745	55,531	54,332
Projected (Preschool-12)*					64,325	63,990	61,031	59,811	58,424	57,210	56,011

**Includes projected and actual enrollment for K-12, Early Childhood Special Education (ECSE), Pre-K, and SECEP. Enrollment projections for ECSE, Pre-K, and SECEP were not forecasted prior to 2025/26.Sources: September 30th Historical Student Membership and Final Adjusted 2026/27 – 2030/31 Student Membership Projections Forecast, Department of School Division Services, Office of Facilities Services; September 30, 2026 K-12 Membership Figures with Building Utilization Enrollment (K-12, ECSE, PK-VPI & SECEP) as of Sept. 30, 2026, Department of School Division Services, Office of Facilities Services; Draft VBCPS Projected Student Membership received October 12, 2026, Department of School Division Services, Office of Facilities Services; School Enrollment Projections Virginia Beach City received October 29, 2026, University of Virginia Weldon Cooper Center for Public Service.*

Rising Fuel and Energy Costs

Fuel and energy costs are particularly susceptible to market volatility and broader economic conditions and represent a significant ongoing operating expense for VBCPS. The division's extensive transportation operations, facilities, and infrastructure create continued exposure to fluctuations in these costs. VBCPS continues to pursue energy credits, conservation efforts, and alternative fuel strategies to help mitigate these pressures.

Fuel and utilities are the largest cost drivers within the Other Charges expenditure category. While utility costs are expected to increase throughout the forecast period, fuel expenditures are projected to increase in FY 2027-28 to reflect current cost expectations and then remain flat for the remaining years. Given the uncertainty surrounding longer-term fuel prices, the Forecast does not assume continued escalation or future price declines. Driven by this anticipated expenditure growth, total expenditures for Other Charges are projected to increase 22.8% in FY 2027-28, followed by gradually moderating annual increases from approximately 14% in FY 2028-29 to 8.3% in FY 2031-32. These projections will continue to be evaluated as market conditions and costs evolve.

Categorical Grant Funding

Categorical grant funding is expected to experience greater stability over the forecast period following the expiration of temporary, nonrecurring initiatives, including Virginia ALL In state funding. With these temporary funding sources concluded, funding levels are expected to closely reflect ongoing federal and state grant programs. Federal K-12 funding also has greater near-term stability than anticipated in the prior forecast; however, potential reductions, restrictions, or elimination of certain federal education programs remain an area to monitor for impacts in the later years of the forecast.

Several factors may influence categorical grant funding and its ability to support existing programs. Allocations for formula-based grants can change with shifts in enrollment and student demographics, while rising compensation and other costs reduce the purchasing power of relatively level grant awards. As a result, maintaining grant-funded staffing and services may require adjustments to programs, additional grant resources, or increased support from the School Operating Fund. Competitive grants present additional uncertainty because funding is generally time-limited and continued awards are not guaranteed.

While categorical grants are managed separately from the School Operating Fund, they comprise approximately 54.1% of total VBCPS federal revenues and support a variety of instructional and student services. Reductions or changes in grant funding may therefore create pressure on local or state resources when programs or services are determined to remain a priority. VBCPS will continue to monitor changes in federal and state funding and evaluate their potential impact throughout the forecast period.

State and Federal Mandates

VBCPS must comply with state and federal mandates impacting division-wide needs and priorities. Mandates are not always funded, or are underfunded, 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. For FY 2026-27, VBCPS estimates the financial impact of unfunded and underfunded mandates at $126.2 million.

State Funding and SOQ Reform

In 2023, Virginia's Joint Legislative Audit and Review Commission (JLARC) completed a comprehensive review of the state's K-12 funding formula and found that the Standards of Quality (SOQ) formula did not fully reflect the actual costs incurred by school divisions. JLARC also found that Virginia provided less per-pupil funding than several national and regional benchmarks. Among its findings, JLARC identified concerns with the staffing and compensation levels recognized by the formula and the additional costs of serving higher-need students.

Since the report was issued, the Commonwealth has taken steps to address several recommendations, including increased support for students from low-income families, English Learners, and students receiving special education services. The Commonwealth also eliminated the SOQ support cap, allowing the state funding formula to recognize additional support positions beginning in FY 2026-27. However, several significant recommendations remain for future consideration, including changes to SOQ staffing ratios and improvements to salary and cost assumptions. VBCPS staffing standards consistently provide staffing above the levels recognized through the SOQ formula to meet the division's instructional and operational needs.

To guide future reforms, the General Assembly established a Joint Subcommittee on Elementary and Secondary Education Funding to review JLARC's recommendations and develop a long-range plan for potential changes to the funding formula. One significant proposal under consideration is transitioning from the current staffing-based formula to a student-based funding model, which would allocate resources based on student enrollment and provide additional funding for students with greater educational needs. The 2026-28 biennial budget includes funding for outside expertise to assist with developing a new formula. JLARC identified opportunities to phase in longer-term recommendations through the FY 2033-34 biennium, extending beyond the current Five-Year Forecast. These efforts reflect continued progress toward modernizing the state's approach to funding public education, although the timing and implementation of additional reforms remain uncertain.

Future changes to the SOQ formula could affect both the amount of state revenue VBCPS receives and the local resources needed to support public education. While the 2026-28 biennial budget continues investments in K-12 education, the timing, scope, and funding of additional SOQ reforms remain uncertain. Continued efforts to more closely align state funding with the actual costs incurred by school divisions therefore remain an important factor affecting the Five-Year Forecast.

School Safety

Providing a safe and secure learning environment remains a top priority for VBCPS and requires ongoing investment in personnel, technology, equipment, and security infrastructure. The Office of Security and Emergency Management (OSEM) oversees the safety and security of students, staff, and visitors; provides security and emergency management training; and supports more than 270 school security personnel across the division.

Over time, VBCPS has made significant investments to strengthen school security, including emergency notification and mass communication systems, surveillance and visitor management technology, building access controls, emergency communication equipment, security radios, metal detectors, perimeter fencing, and controlled-entry systems. Many of these investments carry ongoing costs for maintenance, licensing, replacement, upgrades, and continued operation that must be considered throughout the forecast period.

Personnel costs also represent an important consideration for FY 2027-28. Grant funding has been used to support the remaining 15 full-time security assistants needed to provide two security assistants at each elementary school. In coordination with the City, VBCPS receives funding from a Virginia DCJS School Security Officer Continuation Grant awarded for FY 2026-27, which provides a second year of funding for this initiative. However, funding beyond the current grant period is not guaranteed. If continuation funding is unavailable, the cost of these positions would shift to the School Operating Fund beginning in FY 2027-28 and become an ongoing operating expenditure.

As safety and security needs, technology, and associated costs continue to evolve, sustaining existing staffing and infrastructure while addressing emerging needs will remain an important consideration throughout the Five-Year Forecast.

Technology

Technology represents an ongoing operational commitment for VBCPS. The division maintains an extensive technology infrastructure supporting instructional and administrative operations, including student and employee devices, enterprise applications, telecommunications, cybersecurity, and classroom technology. While student enrollment is projected to gradually decline over the forecast period, much of the division's core technology infrastructure and enterprise systems must be maintained to support its instructional, administrative, and security needs, limiting opportunities for proportional cost reductions.

Software and cloud services will remain significant sources of future cost pressure as technology increasingly shifts towards recurring subscription and licensing models. Contract renewals, evolving service requirements, and emerging artificial intelligence capabilities may further influence costs, even when existing service levels remain unchanged. Technology lifecycle replacement also represents an ongoing financial requirement. While VBCPS works to distribute replacement expenditures across fiscal years where possible, annual costs will fluctuate as equipment reaches the end of its useful life at different intervals.

Cybersecurity and data protection will remain important budget considerations as cyber threats evolve and reliance on digital systems increases. Continued investment will be necessary to safeguard student and employee information, protect critical systems, and maintain continuity of operations.

Updated federal digital accessibility requirements under Title II of the Americans with Disabilities Act will create additional financial obligations. VBCPS must meet federal standards by April 26, 2027, to ensure its websites, mobile applications, and digital content are accessible to individuals with disabilities. With no dedicated federal funding provided for compliance, meeting and sustaining these requirements will place additional demands on existing resources.

Federal funding and major system modernization bring additional uncertainty. Potential changes to the federal E-Rate program could shift a greater share of eligible technology costs to local resources. Additionally, the planned replacement of the division's aging Human Capital Management system may introduce new licensing, integration, and ongoing support costs as implementation progresses.

Recruitment and retention of specialized technology personnel will also influence future budget needs. Competition for cybersecurity, network engineering, and other technical expertise may increase personnel costs or necessitate greater reliance on contracted services.

VBCPS continues to manage these financial pressures through technology standardization, application consolidation, competitive procurement, and lifecycle planning. Collaboration with the City on joint procurement and shared services, where feasible, also provides opportunities to manage costs while maintaining reliable and secure technology operations.

Five-Year Forecast

The Five-Year Forecast supports informed budgetary and operational decision-making by projecting future revenues and expenditures and identifying potential fiscal risks and opportunities. As a strategic planning tool, the Forecast does not include proposed budget balancing solutions or changes to service levels. These measures will be considered through the development of future annual budgets. VBCPS budget staff will continue to monitor revenue and expenditure trends and update the Forecast as conditions evolve.

The Five-Year Forecast is based on the adopted budget for FY 2026-27, historical data, and assumptions derived from various sources. Projections may be affected by factors such as enrollment, new programs, state and federal mandates, changes in state and federal funding, and School Board priorities. As uncertainty increases over the forecast period, projections in the later years are subject to greater variability and should be considered within the context of long-term financial planning.

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), state aid for public education, and federal sources. VBCPS also receives a small amount of revenue from tuition, fees, and other miscellaneous local sources. In total, revenues for the School Operating fund are estimated to increase by 3.1% in FY 2027-28, 2.7% in FY 2028-29, and by 2.4% annually over the remaining forecast periods.

Revenue Sharing Formula

Virginia school divisions do not have independent taxing authority and are fiscally dependent on their local governments for funding. Funding provided to VBCPS through the Revenue Sharing Formula (RSF) represents the largest source of revenue supporting school operations. Under the formula, local revenues are first allocated to school debt service and Pay-As-You-Go (PAYGO) funding approved for the CIP, with the remaining funds appropriated to the School Operating Fund.

Debt service supports the repayment of bonds issued for school capital projects, while PAYGO funding uses current revenues to support capital needs without incurring additional debt. After these obligations are funded, the remaining RSF revenue supports school division day-to-day operations, including salaries, instructional materials, utilities, transportation, and other operating expenses.

RSF revenue is projected to grow by 3.9% in FY 2027-28, followed by more moderate growth of 2.7% in FY 2028-29 and 2.2% annually for the remainder of the forecast period. As the rate of revenue growth moderates, the availability of local funding to support increasing operational costs will remain an important consideration throughout the forecast period.

State Revenue and Sales Tax

State revenue consists primarily of state aid and sales tax. State aid includes funding for the SOQ, as well as categorical programs and other initiatives. The Commonwealth operates under a biennial budget, which establishes funding for a two-year period. As part of each new biennial budget, state funding formulas are rebenchmarked using updated data and costs to more closely reflect current conditions. State funding is determined through formulas that consider factors such as enrollment, program participation, prevailing costs, and each locality's ability to pay. The Local Composite Index (LCI) is used to determine the state and local shares of SOQ-supported costs. VBCPS's LCI for the 2026-28 biennium is 0.4172.

For FY 2027-28, state aid is based on the Commonwealth's approved budget for the second year of the current biennium and reflects an increase of 1.7% over the prior year. For FY 2028-29 through FY 2031-32, state aid is projected to increase by 3% annually. These estimates are planning assumptions and may change as future biennial budgets, rebenchmarking, enrollment, and other formula factors are updated.

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 state sales tax revenue is allocated directly to public education. To distribute these revenues among school divisions, the Weldon Cooper Center for Public Service at the University of Virginia prepares annual estimates of the school-age population. Funds are distributed based on each school division’s share of the total statewide school-age population.

For FY 2027-28, sales tax revenue is projected to increase by approximately 2.6%, based on the Commonwealth's calculation for the second year of the biennium. For the remaining forecast period, statewide sales tax revenue is assumed to grow by 2% annually, adjusted downward for projected declines in VBCPS's share of the statewide school-age population. As a result, annual growth in VBCPS sales tax revenue is projected to gradually slow from approximately 1.8% in FY 2028-29 to 1.1% by FY 2031-32.

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 helps offset the loss of local property tax revenue resulting from the presence of federal tax-exempt property within the locality. Each fall, VBCPS conducts a federal card survey to identify federally connected students, which supports the division’s annual application to the U.S. Department of Education for Impact Aid funding.

The substantial federal presence in Virginia Beach and the number of federally connected students served by VBCPS makes Impact Aid a significant source of federal revenue. Historically, actual revenue has varied from budgeted amounts due in part to differences in the timing of federal payments and changes in federal funding and proration levels. For FY 2027-28, Impact Aid-related revenues are normalized based on historical collections and projected funding trends. Future funding remains dependent on federal appropriations and the number and characteristics of federally connected students. Therefore, no additional growth is assumed for the remainder of the forecast period.

Medicaid reimbursement is another substantial source of federal revenue. VBCPS receives reimbursement for qualifying health-related services provided to Medicaid-eligible students, including certain medical services and specialized transportation. Historically, the timing of Medicaid reimbursements has varied because final reconciliations and payments do not always occur in the same fiscal year that services are

provided. For FY 2027-28, Medicaid revenues are normalized based on historical reimbursement experience, expanded eligibility for school-based Medicaid services, and improvements in VBCPS processes for tracking and documenting specialized transportation costs. No additional growth is assumed for the remainder of the forecast period due to uncertainty surrounding future Medicaid enrollment, service utilization, reimbursement rates, and federal and state Medicaid policies.

Overall, federal revenue is projected to increase by approximately $2.5 million, or 16.2%, in FY 2027-28, primarily reflecting the normalization of Impact Aid and Medicaid revenues. Federal revenue is held flat for the remainder of the forecast period given the uncertainty associated with federal appropriations, student eligibility, enrollment, and reimbursement levels in the outer years.

Other Local Revenue

Other local revenue is generated from various sources, including the Stop Arm Enforcement Program, tuition, facility rentals, indirect costs of grants, and the sale of salvage. Revenue projections were updated based on historical trends, with additional adjustments to reflect current conditions and known changes. Revenues from the Stop Arm Enforcement Program are expected to benefit from a full year of expanded enforcement activity in FY 2026-27. However, the forecast maintains the current revenue assumption until additional collection data is available. Facility rental revenues are also expected to benefit from the implementation of a streamlined rental platform in April 2026 and a revised fee structure effective July 1, 2026. Given the limited trend data available for these changes, VBCPS has taken a conservative approach to projecting further growth. Overall, other local revenues are projected to increase 5.5% in the first year of the forecast and remain flat for years two through five.

Expenditure Assumptions

The Five-Year Forecast reflects projected expenditures required to sustain the current year's level of service throughout the forecast period. Expenditure growth is projected to outpace revenue growth due to compensation, rising healthcare costs, debt service, inflation, and volatility in fuel and energy costs. Projected expenditure does not incorporate potential strategies or budgetary actions that may be considered to address forecasted funding gaps.

Compensation and Fringe Benefits

VBCPS assumes a 4% salary increase for all full-time personnel, inclusive of step increases, in the first year of the forecast, followed by 3% annually thereafter. The 4% assumption aligns with the employee compensation increase provided for SOQ-funded positions in the second year of the state's biennial budget. These assumptions are included for planning purposes and do not represent guaranteed salary increases, as compensation decisions are considered annually by the School Board through the budget process.

The VRS retirement program sponsored by the Commonwealth includes both defined-benefit and hybrid defined-benefit/defined-contribution plans. All full-time VRS members are required to contribute 5% of their salary toward their retirement benefits. VBCPS also contributes toward the cost of retirement benefits on behalf of its employees.

The VRS employer contribution rate for professional employees is 12.2% for the current biennium. In addition to contributions made directly to VRS, VBCPS incurs mandatory and voluntary employer defined-contribution costs for employees participating in the Hybrid Retirement Plan. These costs are budgeted separately based on anticipated employer contributions for eligible employees.

VRS employer contribution rates are actuarially determined and generally established for each state biennium. For forecasting purposes, VBCPS applies the current 12.2% rate to projected salaries through FY 2027-28 and assumes a 0.5 percentage-point increase at the beginning of each subsequent biennium.

Accordingly, the Forecast assumes rates of 12.7% beginning in FY 2028-29 and 13.2% beginning in FY 2030-31. These assumptions are intended for long-term financial planning and will be updated as future VRS contribution rates are established.

The School Division's health insurance fund has experienced greater financial stability as increased employer contributions and improved claims trends have helped strengthen the fund's financial position. While these improvements are encouraging, health care costs and claims experience remain subject to fluctuations and continue to represent a significant budget consideration. Accordingly, VBCPS assumes a 9.4% annual increase in employer health insurance contributions for FY 2027-28, followed by annual increases of 9% through the remaining years of the forecast.

Inflation

The Forecast assumes a general inflationary rate of 2.5% annually for certain budgeted operating expenses, such as contracts and supplies.

Pay-As-You-Go (PAYGO)

VBCPS is projected to contribute $9.5 million in PAYGO funding into the CIP in FY 2027-28 followed by an increase of $1 million for FY 2028-29. For the remaining years of the forecast, contributions will increase by $500,000 annually, as outlined in Appendix G. In addition to these planned contributions, VBCPS has directed additional funding to PAYGO through the fiscal year-end reversion process and will continue to leverage these funds to supplement CIP funding. Additional analysis will occur during the budget development process that may influence this funding plan.

Future Capital Improvement Program Needs

Adequate capital funding is essential to maintaining and modernizing school facilities that support the educational needs of students. Starting in 1999, state lottery revenues were designated to support the construction and modernization of school facilities. However, following the economic downturn of 2008-2009, the state stopped the direct allocation of lottery funding directly to localities and school boards for school capital improvement programs. The loss of this dedicated funding source continues to impact school divisions across Virginia by limiting resources available to address ongoing facility needs.

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 over 62,000 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, VBCPS 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.

VBCPS continues to plan for student success while assessing facility needs and capital planning. Due to the number of 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, VBCPS implemented facility use initiatives that eliminated approximately $100 million in school replacement costs. These initiatives resulted in the modification of Capital Project #601028 "B.F. Williams/Bayside 6th (Grades 4-6) Replacement Project" to "Tri-Campus Additions". The first initiative consolidated the Bayside 6th Grade Campus with Bayside Middle School to serve grades 6-8, eliminating the need to replace the Bayside 6th Grade Campus on Jericho Road. The consolidation was completed in August 2025. The second initiative will reconfigure the Tri-Campus from three schools to two, eliminating the need to replace Williams Elementary School. Construction of additions at Diamond Springs and Newtown Elementary Schools began in June 2026.

Looking ahead, fully funding Capital Project #601015 "Princess Anne High School Replacement (or Renovation/Modernization)" remains a top priority in the FY 2027-28 through FY 2031-32 CIP, alongside the equally important priority of addressing capital renewal needs of existing facilities. The Princess Anne High School project is being advanced through a Progressive Design-Build delivery method, with construction estimated to be completed in 2033-34. Capital Project #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. VBCPS will be updating this master plan over the next two years, with community input.

In recent years, the School Division has expanded its use of reversion and PAYGO funding to support the CIP, reducing future reliance on debt. One-time pandemic-era federal funding, which has since expired, was also leveraged to address facility needs while limiting the need for additional debt financing. VBCPS has also been approved for a $20 million grant through the VDOE's School Construction Assistance Program (SCAP) to support the Princess Anne High School project.

Additional funding options may also be considered as part of long-range capital planning. The 2026-28 state budget provides localities the option to impose an additional local sales tax of up to one percent, subject to voter approval through a referendum, with revenues dedicated to eligible school construction and major renovation projects. While this authority provides another potential funding source for school capital needs, future discussions and collaboration with the City will help determine whether and how this option may be pursued, recognizing that continuation of the authority beyond the current biennium would be subject to future action by the General Assembly.

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.

Conclusion

Based on the revenue and expenditure assumptions discussed above, VBCPS projects the following financial outlook over the five-year forecast period. A more detailed summary of revenues and expenditures can be found within the Appendix section of this document.

Baseline	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Total Revenue	1,144,036,548	1,174,938,550	1,203,058,817	1,231,882,543	1,261,262,239
Total Expenditures	1,166,119,343	1,221,730,316	1,272,341,931	1,329,073,290	1,383,307,424
Surplus/Deficit	(22,082,795)	(46,791,766)	(69,283,114)	(97,190,747)	(122,045,185)

VBCPS is projecting a deficit in the School Operating Fund for each year of the forecast period, as expenditure growth is expected to outpace revenue growth. The projected gap grows over the forecast period, reflecting the cumulative effect of expenditure pressures that exceed anticipated available revenues. Although the projected deficits are significant, the School Board and community can be assured that balanced operating budgets will be presented each year for review and approval, as required by law.

The Five-Year Forecast does not include specific strategies to address the projected funding gaps or adjustments to service levels. Rather, the magnitude and continued growth of the projected deficits highlight the financial challenges that will need to be addressed through future annual budget processes and may require difficult decisions and consideration of a range of strategies. Many factors affecting future revenues and expenditures remain uncertain, including enrollment, state and federal funding, mandates, economic conditions, and future School Board priorities. As uncertainty increases over the forecast period, projections in the later years are subject to greater variability and should be considered within the context of long-term financial planning.

Budget development for the upcoming fiscal year will begin in December with workshops and a public hearing to gather 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 before the Proposed Operating Budget is finalized and submitted to City Council in April. Following 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 division's immediate financial and operational needs with the long-term objectives of fiscal sustainability and continued investment in VBCPS. While external challenges and economic uncertainty will continue to influence future budgets, VBCPS remains committed to proactive financial management and will remain flexible and adaptive as conditions evolve. Through continued monitoring and thoughtful long-term planning, the division will work to sustain its financial health while supporting its educational mission and the needs of students, employees, and the community.

Overall Conclusion

In summary, the Five-Year Forecast provides a comprehensive assessment of the financial outlook for both the City and Schools by evaluating the costs associated with maintaining essential programs and services. The forecast is based on key economic and operational assumptions, including compensation adjustments, healthcare and retirement expenses, inflationary pressures, internal service charges, and capital investment needs.

Several external factors may influence financial conditions during the forecasted period. Notably, changes to federal and state programs such as SNAP and Medicaid, including expanded recipient requirements and increased administrative cost-sharing, could significantly affect Human Services operations and the residents who rely on these programs. As a result, continued monitoring of legislative and funding changes will be critical.

Although inflation has come down from recent highs, the forecast assumes a 2.5% annual growth rate for operating and capital expenditures over the next five years. These ongoing cost pressures have required the City to prioritize critical capital projects, focusing available resources on projects already underway or nearing completion while limiting new investments.

Overall, the forecast addresses anticipated funding requirements for employee compensation, benefits, and infrastructure while supporting the City's long term commitment to fiscal sustainability. Through proactive planning and prudent financial management, the City and Schools remain positioned to respond to economic uncertainties and evolving service demands while maintaining financial stability throughout the forecast period.

Appendix A: City General Fund Projected Revenues

Revenue	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Admission Tax	2,239,470	2,261,865	2,284,483	2,307,328	2,330,401
Automobile License Tax	10,534,184	10,639,526	10,745,921	10,853,381	10,961,914
Bank Stock Capital Tax	4,363,647	4,450,919	4,495,429	4,540,383	4,585,787
Boat License Fee	2,359,470	2,359,470	2,359,470	2,359,470	2,359,470
Business License	73,952,412	75,431,460	76,940,089	78,478,891	80,048,469
Charges for Services	65,815,139	67,131,442	68,474,071	69,843,552	71,240,423
Cigarette Tax	4,836,474	4,594,650	4,364,918	4,146,672	3,939,338
Tax on Deeds and Wills	9,690,726	9,690,726	9,690,726	9,690,726	9,690,726
Federal Revenue	28,041,629	28,602,461	29,174,511	29,758,001	30,353,161
Fines and Forfeitures	5,274,112	5,379,594	5,487,186	5,596,930	5,708,868
General Sales Tax	105,396,570	108,558,467	111,815,221	115,169,677	118,624,768
Hotel Tax	12,479,630	12,729,223	12,983,807	13,243,484	13,508,353
Miscellaneous Revenue	8,717,336	8,891,683	9,069,517	9,250,907	9,435,925
Permits, Fees, Regulatory Licenses	9,184,355	9,368,043	9,555,403	9,746,511	9,941,442
Personal Property Tax	236,951,564	244,060,111	251,381,915	258,923,372	266,691,073
Real Estate	778,075,089	802,973,492	828,668,644	845,242,016	862,146,857
Restaurant Meals Tax	67,819,510	69,854,095	71,949,718	74,108,210	76,331,456
State Revenue	177,257,315	180,802,461	184,418,510	188,106,880	191,869,018
Transfer In	13,891,318	14,169,144	14,452,527	14,741,578	15,036,409
Use of Money & Property	34,274,676	35,988,410	37,787,831	39,677,222	41,661,083
Utility Tax	25,969,727	25,969,727	25,969,727	25,969,727	25,969,727
TOTAL	**1,677,124,353**	**1,723,906,969**	**1,772,069,623**	**1,807,608,246**	**1,848,495,331**

Appendix B: City General Fund Projected Expenditures

Expenditures	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Salaries	523,161,524	538,855,713	555,020,727	571,670,691	588,820,154
Fringe Benefits	189,709,501	202,620,363	208,294,121	222,202,920	228,747,994
Operating	273,570,177	280,409,431	287,419,667	294,605,159	301,970,288
Capital	8,273,031	8,479,857	8,691,853	8,909,150	9,131,879
Leases	6,839,959	7,010,958	7,186,232	7,365,888	7,550,035
Grants Fund Transfer	1,078,784	1,078,784	1,078,784	1,078,784	1,078,784
Pay-Go Transfer	41,751,231	39,648,690	38,848,406	44,370,003	44,028,162
Revenue Sharing Transfer	581,276,087	597,164,534	610,295,020	623,763,013	637,576,430
Debt Service	64,076,662	66,255,270	66,414,647	73,622,129	72,997,394
Reserves	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL	**1,691,236,955**	**1,743,023,601**	**1,784,749,457**	**1,849,087,737**	**1,893,401,120**

Appendix C: TIP Fund Projected Expenditures and Revenues

Revenue	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Hotel Tax	25,425,780	25,934,296	26,452,982	26,982,041	27,521,682
Hotel Tax Flat	2,900,473	2,900,473	2,900,473	2,900,473	2,900,473
Restaurant Meals Tax	20,395,225	21,007,082	21,637,294	22,286,413	22,955,005
Admission Tax	9,982,136	10,181,779	10,385,414	10,593,123	10,804,985
Miscellaneous Revenue	2,088,240	2,088,240	2,088,240	2,088,240	2,088,240
Cigarette Tax	345,462	328,189	311,779	296,191	281,381
Interest Income	3,078,619	2,578,619	2,078,619	1,578,619	1,078,619
Operational Revenues	1,188,028	1,188,028	1,188,046	1,188,064	1,188,082
TOTAL	**65,403,963**	**66,206,705**	**67,042,847**	**67,913,163**	**68,818,467**

Expenditures	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Operations	21,803,737	22,811,928	22,767,462	23,500,270	24,261,573
Debt Service	28,585,170	25,721,980	34,034,484	36,134,916	44,177,492
Atlantic Park – CDA Transfer	2,088,240	2,088,240	2,088,240	2,088,240	2,088,240
Performance Grant	3,000,000	3,000,000	-	-	-
Pay-Go Transfer	1,165,170	1,515,473	1,518,843	359,159	1,359,480
TOTAL	**56,642,317**	**55,137,621**	**60,409,029**	**62,082,585**	**71,886,785**

Appendix D: Sandbridge Special Service District Projected Expenditures and Revenues

Revenue	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Real Estate	229,208	236,084	243,167	250,462	257,976
Hotel Tax	6,744,265	6,946,593	7,154,991	7,369,640	7,590,730
Hotel Flat	112,212	113,334	114,467	115,612	116,768
Interest Income	553,000	553,000	553,000	553,000	553,000
TOTAL	**7,638,685**	**7,849,011**	**8,065,625**	**8,288,714**	**8,518,474**

Expenditures	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Pay-Go Transfer	400,000	400,000	400,000	400,000	400,000
Salaries	400,574	412,591	424,969	437,718	450,850
Fringe Benefits	117,932	121,470	125,114	128,867	132,734
Contractual Services	20,150	20,755	21,377	22,018	22,679
Internal Services	214,503	220,938	227,566	234,393	241,425
Other Charges	16,000	16,480	16,974	17,484	18,008
Supplies	113,757	117,170	120,685	124,305	128,035
Leases	10,000	-	-	-	-
TOTAL	**1,309,403**	**1,336,686**	**1,364,786**	**1,393,730**	**1,423,542**

Appendix E: Waste Management Enterprise Fund Projected Expenditures and Revenues

Revenue	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Interest Income	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Utility Fees	55,389,412	55,389,412	55,389,412	55,389,412	55,389,412
Sale of Salvage Materials	10,000	10,000	10,000	10,000	10,000
TOTAL	**57,699,412**	**57,699,412**	**57,699,412**	**57,699,412**	**57,699,412**

Expenditures	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Salaries	7,900,646	8,119,581	8,345,085	8,577,354	8,816,591
Fringe Benefits	2,860,309	3,071,963	3,188,857	3,419,012	3,548,852
Operating	51,299,761	49,702,286	51,431,299	51,650,875	54,016,342
Capital	1,537,500	1,575,938	1,615,336	1,655,719	1,697,112
TOTAL	**63,598,215**	**62,469,768**	**64,580,577**	**65,302,960**	**68,078,897**

Appendix F: Water & Sewer Enterprise Fund Projected Expenditures and Revenues

Revenue	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Interest Income	2,000,000	2,000,000	1,000,000	1,000,000	1,000,000
Charges for Service	158,671,401	158,550,090	158,434,117	158,323,512	158,218,305
Other Revenue	3,322,036	3,399,190	3,478,272	3,559,332	3,642,418
Transfers In	2,635,935	2,701,833	2,769,379	2,838,613	2,909,579
TOTAL	**166,629,372**	**166,651,113**	**165,681,769**	**165,721,457**	**165,770,302**

Expenditures	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Salaries	30,410,270	31,322,578	32,262,255	33,230,123	34,227,026
Fringe Benefits	11,072,590	11,907,215	12,350,269	13,257,250	13,749,630
Operating	77,719,265	80,026,120	82,403,381	84,853,256	87,378,019
Capital	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Transfers	17,376,635	17,511,051	17,648,828	17,790,048	17,934,800
Debt Service	19,640,206	20,027,769	23,601,942	23,592,567	21,164,667
Bad Debt Expense	500,000	500,000	500,000	500,000	500,000
Reserves	3,361,518	3,121,891	3,155,548	3,190,214	3,225,920
TOTAL	**162,080,485**	**166,416,624**	**173,922,222**	**178,413,457**	**180,180,062**

Appendix G: School Operating Fund Projected Expenditures and Revenues

Revenue	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Revenue Sharing Formula	581,276,087	597,164,534	610,295,020	623,763,013	637,576,430
State Revenue	440,146,865	453,351,271	466,951,809	480,960,363	495,389,174
State Shared Sales Tax	98,860,607	100,669,756	102,058,999	103,406,178	104,543,646
Federal Revenue	17,997,818	17,997,818	17,997,818	17,997,818	17,997,818
Other Local	5,755,171	5,755,171	5,755,171	5,755,171	5,755,171
TOTAL	**1,144,036,548**	**1,174,938,550**	**1,203,058,817**	**1,231,882,543**	**1,261,262,239**

Expenditure	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Salaries	670,107,133	691,679,530	711,477,885	731,870,191	752,874,266
Fringe Benefits	274,075,720	292,964,880	309,599,574	330,957,542	350,244,240
Contractual Services	59,279,753	60,761,747	62,280,791	63,837,811	65,433,756
Materials and Supplies	43,597,108	44,687,036	45,804,212	46,949,317	48,123,050
Other Charges	38,385,858	43,774,860	48,660,084	54,258,032	58,759,197
Capital Outlay*	688,275	688,275	688,275	688,275	688,275
Pay-Go Transfer	6,000,000	7,000,000	7,500,000	8,000,000	8,500,000
Debt Service	56,071,611	62,071,611	68,071,611	74,071,611	80,071,611
Transfers to Other Funds**	17,913,885	18,102,377	18,259,499	18,440,511	18,613,029
TOTAL	**1,166,119,343**	**1,221,730,316**	**1,272,341,931**	**1,329,073,290**	**1,383,307,424**

** 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 or City funds (i.e., Athletics, Categorical Grants, Green Run Collegiate, General Fund)*



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