

## Summary of Financial Goals and Objectives

The City Council adopted a Vision Statement in 2004 focusing upon six Vision components. The adopted budget aligns the funding within the vision components focusing on education, financial strategies, improving the City's economic prosperity, transforming neighborhoods and communities, investing in our employees, leveraging technology to improve services, improving public safety capabilities, and strategically marketing Portsmouth.

These eight areas serve as strategic initiatives to strengthen the City's infrastructure needs and the citizenry's quality of life. They also serve as the framework for developing the annual operating and capital improvement budgets. Utilizing the City's overall broad goals and specifically the City Council's financial objectives, the budget-spending plan has been evaluated. We propose this budget with the City Council's Vision as the incentive for change. The following six vision components were revisited and finalized with minor revisions based on City Council's Retreat in the fall of FY2007

1. *Bold New Directions*
2. *Lifelong Learning Community*
3. *Thriving Neighborhoods and a Sense of Community*
4. *Robust and Prospering Economy*
5. *World Class Maritime Center*
6. *Pride of Past, Promise of Future*

The vision components have been considered and incorporated throughout the FY 2008-2009 operating budget development stages.

### Financial Management Policies and Practices

1. *General Fund supported Debt Services as a percent of General Fund revenues should not exceed twelve percent.*
2. *General Fund supported debt as a percent of assessed valuation should not exceed 5 percent.*
3. *To achieve an unreserved undesignated General Fund balance of 15% of General Fund revenues after the cash flow deficits in the Internal Service funds are eliminated.*
4. *Maintain contributions to the pension trust funds to fully fund the City's annual required contribution.*
5. *Develop a plan for converting the Public Utility General Obligation Bonds to Public Utility Revenue Bonds.*
6. *Increase annual funding from the General Fund to eliminate cash flow deficits in the Risk Management and Insurance fund.*

*\*\*Finance drafted a series of more detailed financial policies which will be vetted through City Council and as necessary, codified to ensure continuity and stability of financial operations.*

## How to Read the Document

### ***Reader's Guide to the Budget Document***

The purpose of the budget document is to provide information, data, and statistics pertaining to the City of Portsmouth's financial plans and operations to its citizens, elected officials, and interested parties.

The budget document is a summary document pertaining to all City government public service programs. The budget is the annual plan for coordination of revenues and expenditures. The FY2008- 2009 budget represents the period of July 1, 2008 to June 30, 2009.

### ***Section Explanation***

#### Executive Summary:

The FY2008-2009 budget overview includes the City Manager's Report to City Council outlining the adoption of all ordinances related to the FY2008-2009 budget and the City Manager's Budget Message.

#### Budget Overview:

Information pertaining to the financial goals and objectives, fund structure, the relationship between budgeting and basis of accounting, legal requirements for adopting the budget, tax rates and fees, General Fund position summary, fund balance (budgetary basis) and the City's indebtedness schedules.

#### Revenues:

Revenue summary provides information regarding historical trends and projected impact of the City's General fund revenues.

#### Expenditures:

Expenditure summary provides information regarding comparative trends of the major expenditure categories per the "Comparative Report of Local Government Revenues and Expenditures" in the General Fund and includes the Fiscal Year 2009 Adopted Budget Fund Summary.

#### General Government:

Departmental detail pertaining to the general administration of the City.

#### Nondepartmental:

Non-specific functional department services.

#### Judicial:

Civil and criminal detail pertaining to prosecution and adjudication.

#### Public Safety:

Departmental detail pertaining to citizenry protection.

#### Public Works:

Departmental detail pertaining to maintaining the City's infrastructure.

#### Public Health and Welfare:

Departmental detail pertaining to the health and welfare of the citizenry.

#### Parks, Recreation and Cultural:

Departmental detail pertaining to the City's recreation and cultural services.

#### Community and Economic Development:

Departmental detail pertaining to the City's community and economic development services.

## How to Read the Document

### Education:

Departmental detail pertaining to Portsmouth's public education system.

### Capital Improvement Program:

Major CIP projects within the five year plan. A plan for financing and construction of major municipal facilities and infrastructure such as roads, schools, buildings, and water and sewer lines are included in this section.

### Ordinances:

Official budget ordinances reflecting City Council's formal actions for the adoption of the FY2008-2009 budget.

### Supplementary Information:

Statistical and comparative data about the City of Portsmouth.

## ***Revenue Category Explanation***

### General Property Taxes:

Taxes on real and personal property. This includes both tangible and intangible property such as vehicles, real estate, and business equipment. Also included in this category are delinquent tax interest and penalties.

### Other Local Taxes:

Approved Commonwealth taxes for use by municipalities to derive and collect revenues. Examples are sales tax, business licenses, vehicle registration fees, cigarette taxes, and lodging.

### Utility Taxes:

Utility service taxes paid by citizens. The rates vary according to the type of utility including revenue from land line, cable TV, cellular telephone, E-911, electricity, gas, telephone, and water taxes.

### State Aid:

Funding received from the Commonwealth of Virginia:

- *State Non-Categorical Aid* includes the municipality's tax share received by the State of Virginia. This would include, for example, vehicle rental taxes.
- *State Categorical Aid – Shared Costs* are contributions to municipalities for State mandated services. This would include the Constitutional Offices of the City Sheriff, Clerk of Circuit Court, Commonwealth Attorney, Commissioner of the Revenue and the City Treasurer.
- *State Other Categorical Aid* includes all other funding received from Virginia (funding for library books and street/highway maintenance).

### Other Governments:

Funding from governments other than the Commonwealth of Virginia.

### Federal Direct:

Federal Government funding such as FEMA reimbursements.

### Charges For Services:

City fees charged to government service users such as recreation fees, court costs, and library fines.

### Interest:

Interest received from investment of idle cash and other investment accounts.

## How to Read the Document

### Recovered Costs:

Expenditure reimbursements received by a department.

### Fines and Forfeitures:

Law Enforcement fees collected for law violations.

### Licenses And Permits:

Fees charged to obtain a license or permit such as yard sale permits, building inspection fees, and sign permits.

### Use Of Property:

Rent charged for use of City property.

### Miscellaneous Revenue:

Donations and contributions made to the City and other non-recurring revenue.

### Payment In Lieu Of Taxes (PILOT):

Revenue received in lieu of taxes under a contractual agreement.

### Operating Transfers In:

Cash transfer from another City fund.

## ***Expenditure Category Explanation***

### Salaries:

All full and part-time employee payrolls including overtime, supplemental pay and allowances.

### Benefits:

City paid contributions for employee fringe benefits. This includes the City's portion of social security, retirement, health, and life insurance plans.

### Other Operating Expenses:

Required expenses to include contractual services, printing, postage, stationery and books, telephone, computer software and travel expenses.

### Internal Service Charges and Expenses:

In order to capture the full cost of certain specific functions, services are provided to departments by other departments at a set rate. These include risk management costs, fleet charges, information technology charges, and healthcare.

### Capital Outlay:

Expenditures which result in the acquisition of, or addition to, fixed assets such as buildings.

### Debt Service:

Scheduled annual principal and interest payments for outstanding debt.

### Transfers:

Funds transferred between departments.

## ***Financial Reporting Model and Fund Structure***

### **Financial Reporting Model**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, directs municipal financial information preparation and presentations. For state and municipal government annual financial reports, GASB Statement No. 34 established new requirements and a new reporting model. Statement No. 34’s objective was to develop easily understood annual reports and make them more useful to decision makers using governmental financial information.

Based on GASB Statement No. 34, budget methods have not changed substantially, but there have been changes to the underlying fund structure.

### **Budgetary Basis:**

The budgets of the Governmental funds (for example, the General Fund, Enterprise Funds, Internal Service Funds) are prepared on a modified accrual basis. The expenditures/obligations of the City (purchase orders, direct payment, etc.) are budgeted as expenditures; however, revenues are recognized when they can be measured and are available.

In cases where goods and services are not received by year end, encumbrances are reviewed for valid year end adjustment entries. Based on the date of the purchase order for contractual services, encumbrances are carried over into the next fiscal year.

The Comprehensive Annual Financial Reports (CAFR) displays the City’s expenses and revenues according to General Accepted Accounting Principles (GAAP). This also conforms to the methodology in which the City prepares the annual budget.

Exceptions are identified below:

- Principal payments on long-term debt are applied to the outstanding liability on a GAAP basis, as opposed to being expended on a budgetary basis.
- Capital outlay within the Enterprise Funds are recorded as assets on a GAAP basis as opposed to being expended on a budgetary basis.
- Depreciation expense is recorded on a GAAP basis only.
- Governments typically liquidate their accrued liabilities with expendable available financial resources. Accordingly, an expenditure is normally recognized in a governmental fund at the same time that a liability is incurred. Such is not the case with compensated absences. Under modified accrual accounting, these expenditures and liabilities are recognized when they mature (when due).
- The accrual basis of accounting is used to determine the amount of the liability related to compensated absences that should be presented on the balance sheet of a proprietary fund. In determining the amount, the total amount of the estimated debt should be presented as a liability (not just the portion of the debt that will use expendable financial resources).

# Budget Process

## ***Governmental Fund Types***

Municipal functions are financed through the use of governmental funds. The municipality's acquisition, use, and balance of expendable financial resources and related liabilities are accounted for through governmental funds. This excludes proprietary funds and similar trust funds.

The municipality budgets the following major governmental funds:

General Fund - The general fund is the municipality's general operating fund. With the exception of financial resources required to be accounted for in another fund, the general fund is used to account for all financial resources.

Capital Projects Fund (Capital Improvement Fund) – With the exception of capital improvements financed by proprietary funds, the capital improvement fund accounts for major capital facility acquisition or construction financial resources.

The City budgets the following minor governmental funds:

Special Revenue Funds - Special revenue funds are used as legally restrictive revenue sources for expenditures having specified purposes.

Capital Projects Fund (Community Development Fund) – Pursuant to the 1974 Housing and Community Development Act, the community development fund is used to implement various capital project programs.

Permanent Fund (Cemetery Fund) – Cemetery fund revenues are derived from the sale of cemetery lots, perpetual care payments, donations and legacies. These funds are designated for the care of cemetery lots. The principal of such funds shall not be expended for any other purpose.

The City budgets the following major proprietary funds:

Enterprise Funds - Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. Upon providing goods or services to the general public on a continual basis, the governing body intent is to recover expenses, including depreciation, through user charges where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has two major enterprise funds: Public Utility Fund and Golf Fund.

The City budgets the following minor proprietary funds:

Enterprise Fund (Port Facility and Economic Development Fund) – The port facility and economic development fund is used to account for the lease to a marine terminal facility and lease-purchase land sale to the Virginia Port Authority.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments, City agencies, or some agencies external to the City on a cost-reimbursement basis. The City has three internal service funds: City Garage Fund, Computer Services Fund and Risk Management and Insurance Fund.

### ***Fiduciary Fund Types***

When the City holds assets in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds, fiduciary funds are used to account for the assets. The City maintains pension trust and agency funds. The Pension Trust Funds account for the City's retirement plan assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve operational measurement results. Fiduciary funds are minor funds and are not included in the government-wide financial statements.

### ***Formulation of the City Manager's Proposed Budget***

According to the City Charter, the City Manager is required to prepare and submit to the City Council an annual budget. The annual budget process begins in the fall of the preceding fiscal year. In November, the department heads and the City Manager meet to discuss the upcoming year's priorities. The budget calendar is developed at this time. It establishes the budget development schedule and the formal schedule for City Manager presentations, public work sessions, public hearings, and the budget adoption.

Departmental requests are developed on a "needs" basis and must be related to the organization's program objectives. These requests are received and compiled by the budget staff. When developing proposals, due to revenue constraints, rather than seek additional funding, departments are encouraged to trade or shift expenditures. During the "balancing" effort, the Budget Office provides targeted amounts.

### ***City Manager's Authorization***

By City Code, during the course of the fiscal year, provided there is no increase in expense, the City Manager is authorized to effect office consolidations or make other changes for the City's betterment. Also, at any time during the fiscal year, the City Manager may transfer, within the same fund, any unencumbered appropriations less than \$100,000 from one department, project, or purpose to another department, project, or purpose.

### ***Budget Implementation***

Once the budget is adopted for the fiscal year, on July 1, it becomes each department's financial legal basis. No department or other City government agency may spend in excess of approved and appropriated amounts. To ensure conformity with the adopted budget, financial and programmatic monitoring of departmental activities occurs throughout the year. Copies of the Adopted Budget can be found in the Library and all City offices. A copy may be obtained from the Department of Finance ([budget@portsmouthva.gov](mailto:budget@portsmouthva.gov)), or accessed on the Web at [www.portsmouthva.gov/Finance/2009Adopted budget/index.htm](http://www.portsmouthva.gov/Finance/2009Adopted%20budget/index.htm)

### ***Amendment of the Budget***

As prescribed by Section 15.2-2507 of the Code of Virginia (1997), amendments to the final adopted budget must follow the legal process. Any such amendment which exceeds one percent (1%) of the total revenue shown in the currently adopted budget must be preceded with a published notice of a meeting and a public hearing. The newspaper must have a general circulation in the locality and must be circulated seven days prior to the meeting date.

# Budget Process

The notice must state Portsmouth's intent to amend the budget and include a brief synopsis of the proposed budget amendment. After first providing a public hearing, the amendment may be adopted at the advertised meeting.

## **Audit**

In accordance with Generally Accepted Accounting Principles (GAAP), as set forth in the pronouncement of the Governmental Accounting Standards Board (GASB), the Specifications for Audit of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia, Government Auditing Standards, issued by the Comptroller General of the United States and Audits of States, Local Governments, and Non-Profit Organizations as required by the U. S. Office of Management and Budget Circular A-133, the City's financial records will be audited each year by a firm of independent Certified Public Accountants.

## **Capital Improvement Program**

The Capital Improvement Plan (CIP) adoption, by City Council, coincides with the Annual Operating Budget adoption. The process runs concurrently with the development of the Operating Budget.

Departments submitted FY2009 Annual Operating Budget requests, including capital requirements, to the Finance Department.

November – December, 2007

City Manager presented FY2009 Annual Operating Budget and Capital Improvement Program to City Council

April 1, 2008

Council and Citizen Work Sessions for FY2009 Annual Operating Budget and Capital Improvement Program

January and February, April and May 2008

Public Hearings - FY2009 Annual Operating Budget and Capital Improvement Program including Tax , and Fee Rate Changes

April 8, 15, and May 13, 2008

Adoption of FY2009 Annual Operating Budget and Capital Improvement Program including Tax Ordinances and Appropriation Ordinances

May 13, 2008

**Legal Requirements for Adopting and Amending the Budget and CIP**

Subject	Code Sections	Hearing Requirement	Public Notice Requirement	Adoption Requirements and Limitations
Presentation by the City Manager of Proposed Operating Budget and Capital Improvement Program	VA§ 15.2-2503 City Code 2-29	None	None	City Manager shall submit a proposed budget to City Council on or before April 1.
Adoption and Appropriation of the Operating Budget and Capital Improvement Program	VA§ 15.2-2506 City Charter 3.15 City Code 2-29	One hearing, 7 days prior to adoption.	One notice, at least 7 days before the hearing, to include a brief synopsis of the proposed budget	The City Council shall approve a budget and fix a tax rate no later than July 1. Requires 4 votes.
Adoption and Appropriation of the Schools' Budget	VA§ 15.2-2506 and 22.1-93 City Charter 3.15 City Code 2-29	One hearing, 7 days prior to adoption.	One notice, at least 7 days before the hearing, to include a brief synopsis of the proposed budget	The City Council shall adopt an annual budget for education by May 15 <b>or</b> within 30 days of receipt of State's funding estimates (whichever occurs later). Requires 4 votes.
General Taxing Powers, Including Real Estate Tax and Personal Property Tax, and Excise: Amusement, Cigarettes, Admissions, Room Rentals, Meals, and Campgrounds	VA§ 15.2-107, 15.2-1104, 58.1-3007, 58.1-3840 City Charter 3.15 City Code 2-29	One hearing, 7 days after notice.	Once, at least 7 days before the hearing (specific advertising requirements found in statute: including the actual dollar amount or percentage increase, the specific state code providing authorization, and the designation of a place for viewing the completed	A City may raise annually by taxes and assessments on property, such sums of money as in the judgment of the City are necessary to pay the debts, defray the expenses, accomplish the purposes and perform the functions of the City.

Legal Requirements for Adopting and Amending the Budget and CIP

Subject	Code Sections	Hearing Requirement	Public Notice Requirement	Adoption Requirements and Limitations
			ordinance and other relevant information; all to be available no later than the time of the first publication).	Requires 4 votes.
Real Estate Assessments which result in an increase of 1% or more in the total real property tax levied	VA§ 15.2-1104, 58.1-3007, 58.1-3321 City Charter 3.15 City Code 2-29	One hearing, 30 days after notice.	Once, at least 30 days before hearing (specific advertising requirements found in statute: including the actual dollar amount or percentage increase, the specific state code providing authorization, and the designation of a place for viewing the completed ordinance and other relevant information; all to be available no later than the time of the first publication).	Hearing cannot be held at the same time as the annual budget hearing but hearing and adoption may occur at the same meeting. Requires 4 votes.
Increase of Certain Fees for zoning and planning ordinances	VA§ 15.2-107 and 15.2-2204 for zoning ordinances City Charter 3.15 City Code 2-29	Not less than 5 days and no more than 21 days after the second notice.	2 times, once a week for 2 successive weeks (dollar amount or percentage change, and other specific information is required for the ad).	Zoning ordinances have specific requirements for planning and zoning related fees. Requires 4 votes.
Amendment of the Budget and Capital Improvement Program	VA§ 15.2-2506 City Charter 3.15 City Code 2-29	One hearing, 7 days after notice.	Once, at least 7 days before the hearing; to include a brief synopsis of the proposed amendment.	Required for any amendment that exceeds 1% of the total expenditures shown in the adopted budget. Requires 4 votes.

Legal  
Requirements  
for Adopting  
and Amending  
the Budget  
and CIP

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## Rate Change Table

Description	FY 2007-08 Adopted	FY 2008-09 Adopted	\$ or % Change
Admissions and Amusement Tax	10%	10%	0%
Cable Franchise Fee	5% of gross receipts	5% of gross receipts	0%
Cigarette Tax	\$0.50 per pack	\$0.50 per pack	\$0.00
City Garage Fees:			
Basic Tow Fee	\$105	\$105	\$0.00
Storage Fees	\$20 per day	\$20 per day	\$0.00
Winching Fees	\$85/hr	\$85/hr	\$0.00
Guest Lodging Tax	8%	8%	0%
Machinery and Tool Tax	\$3.00 per \$100 of original cost at 50% value	\$3.00 per \$100 of original cost at 50% value	\$0.00
Motor Vehicle License Fees:			
Motorcyle	\$24.00	\$24.00	\$0.00
Automobile:			
Vehicles up to 4,000 pounds	\$25.00	\$25.00	\$0.00
Vehicles over 4,000 pounds	\$30.00	\$30.00	\$0.00
Personal Property Tax	\$5.00 per \$100 of assessed value	\$5.00 per \$100 of assessed value	\$0.00
Personal Property Tax-Boats	\$0.50 per \$100 of assessed value	\$.50 per \$100 of assessed value	\$0.00
Real Property Tax	\$1.26 per \$100 of assessed value	\$1.21 per \$100 of assessed value	(\$0.05)
Residential Sewer Charges	\$2.86 per 1,000 gallons	\$3.09 per 1,000 gallons	\$0.23
Residential Solid Waste Fee	\$31 per month	\$32 per month	\$1.00
Residential Water Charges	\$3.65 per 1,000 gallons	\$3.94 per 1,000 gallons	\$0.29
Restaurant Food Tax	6.5%	6.5%	0%
SPSA Municipal Tipping Fee	100.00 per ton	\$103.00 per ton	\$3.00
Stormwater Fees:			
Commercial	\$5.50 per equivalent residential unit	\$6.00 per equivalent residential unit	\$0.50
Residential	\$5.50 per equivalent residential unit	\$6.00 per equivalent residential unit	\$0.50
	<b>Note:</b> 1 ERU-1,877 sq.ft. of impervious area		
Utility Taxes:			
Commercial:			
Cable	20% of first \$2,000	20% of first \$2,000	0%
Electricity	20% of first \$2,000	20% of first \$2,000	0%
Gas	20% of first \$2,000	20% of first \$2,000	0%
Residential:			
Electricity	\$3.40	\$3.40	\$0.00
Gas	\$3.00	\$3.00	\$0.00

Description	FY 2007-08 Adopted	FY 2008-09 Adopted	\$ or % Change
Application Type:			
<b>Preliminary Subdivision</b>			
2 lots	\$50	\$55	\$5
3-5 lots	\$50	\$55	\$5
6 or more lots	\$10/lot;\$100 min	\$11/lot;\$110min	\$1/lot;\$10
Commercial	\$25/lot;\$100 min	\$27/lot;\$110 min	\$2/lot;\$10
<b>Final Subdivision</b>			
Residential - less than 6	\$50	\$55	\$5
Residential - greater than 6	\$10/lot;\$100 min	\$11/lot;\$110 min	\$1;\$10 min
Non residential	\$25/lot;\$100 min	\$27/lot;\$110 min	\$2;\$10 min
<b>Rezoning</b>			
Conditional	\$800	\$880	\$80
Regular	\$600	\$880	\$280
<b>Use Permits</b>			
For Profit Business	\$600	\$660	\$60
Non Profit	\$600	\$660	\$60
<b>Street Closure</b>	\$100	\$110	\$10
<b>CBPA Exception</b>			
Administrative	n/a	n/a	
Planning Commission	\$250	\$275	\$25
<b>Wetlands Permit</b>			
Residential	\$50	\$55	\$5
Commercial	\$150	\$165	\$15
After the fact	\$150	\$165	\$15
<b>Miscellaneous</b>			
Housing Project Review	\$30/unit; \$600 min	\$33/unit; \$660 min	\$3;\$60 min
Housing Project Ext or Mod	\$50	\$55	\$5
Parking Variance/Exception	\$100	\$110	\$10
Residential Opportunity Dist	\$50	\$55	\$5
Street Name Change	\$50	\$55	\$5
Subdivision Variance/Exception	\$200	\$220	\$20
Plat Vacation	\$50	\$55	\$5
Plat Modification	\$50	\$55	\$5



**City of Portsmouth**  
**Fiscal Year 2009 Adopted General Fund Position Summary**

<b>General Fund Positions</b>	<b>FY2007 Actual</b>	<b>FY2008 Approved</b>	<b>FY2008 Amended</b>	<b>FY2009 Adopted</b>
<b><u>01 General Government</u></b>				
City Council	7	7	7	7
City Clerk	5	5	5	5
City Manager	8	8	9	9
Office of Management Services	6	6	5	5
Registrar	5	5	5	5
City Attorney	11	11	11	11
Department of Human Resource Management	11	11	11	11
Commissioner of the Revenue	21	21	21	21
City Assessor	11	11	11	10
City Treasurer	23	23	25	25
Department of Finance	22	22	22	22
Procurement and Risk Management	8	8	8	8
Office of Communications	3	3	3	3
Office of Marketing	2	3	3	2
<b>Total General Government</b>	<b>143</b>	<b>144</b>	<b>146</b>	<b>144</b>
<b><u>03 Judicial</u></b>				
Circuit Court Judges	8	8	8	8
Circuit Court Clerk	24	24	24	24
Commonwealth's Attorney	29	30	38	38
Sheriff	181	180	182	182
<b>Total Judicial</b>	<b>242</b>	<b>242</b>	<b>252</b>	<b>252</b>
<b><u>04 Public Safety</u></b>				
Police Department	308	308	308	307
E-911	33	33	33	33
Security and Animal Control	15	15	15	14
Department of Fire, Rescue and Emergency	244	243	244	244
<b>Total Public Safety</b>	<b>600</b>	<b>599</b>	<b>600</b>	<b>598</b>

### 05 Public Works

Streets and Highways	19	19	19	18
Mosquito Control	5	5	5	5
Engineering	20	20	20	18
Traffic Engineering	14	14	14	14
Property Management	47	47	47	46
Harbor Center Pavilion	3	3	3	3
<b>Total Public Works</b>	<b>108</b>	<b>108</b>	<b>108</b>	<b>104</b>

### 07 Parks, Recreation, and Cultural

Department of Museums	27	27	27	26
Department of Public Library	29	30	30	30
Parks, Recreation and Leisure Services	69	69	69	64
<b>Total Parks, Recreation, and Cultural</b>	<b>125</b>	<b>126</b>	<b>126</b>	<b>120</b>

### 08 Community and Economic Development

Permits and Inspections	40	40	40	39
Department of Economic Development	9	9	9	9
Department of Planning	13	13	13	12
Convention and Visitor's Bureau	6	6	6	6
<b>Total Community and Economic Development</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>66</b>
<b>Total City Positions</b>	<b>1286</b>	<b>1287</b>	<b>1300</b>	<b>1284</b>

The total city positions for FY2009 in the amount of 1284 represents an additional 13 positions approved by City Council (State approved positions) in FY2008 and deletion of sixteen vacant positions in FY 2009.

<b>FUND BALANCE</b>									
<b>Budgetary Basis (Estimates)</b>	General	Special Revenue	Capital Improvements	Public Utility	Golf	Waste Management	Internal Service Funds	Total	
<b>FY2009</b>	Funds								
Total Revenues	\$ 225,234,475	\$ 53,421,409	\$ 40,960,279	\$ 37,306,460	\$ 1,781,291	\$ 13,280,850	\$ 44,666,775	\$ 416,651,539	
Total Expenditures	225,234,475	54,178,885	40,960,279	37,306,460	2,908,772	13,280,850	44,666,775	418,536,496	
Revenues over (under) expenditures	0	-757,476	0	0	-1,127,481	0	0	(1,884,957)	
Total Other Financing Sources (uses)	0	0	0	0	0	0	0	0	
Net Changes in Fund Balance/Net Assets	0	-757,476	0	0	-1,127,481	0	0	(1,884,957)	
Fund Balances/Net Assets, beginning of year	40,521,684	6,072,293	35,058,081	126,410,418	5,410,324	991,905	(5,387,393)	209,077,312	
*Per CAFR ending 06/30/2007 * FY08 Audit to be completed 11/2008									
Fund balances/Net Assets, end of year	40,521,684	5,314,817	35,058,081	126,410,418	4,282,843	991,905	(5,387,393)	207,192,355	

## City Indebtedness

The Virginia Constitution authorizes Virginia cities to issue general obligation bonds, secured by a pledge of full faith and credit. For the payment of such bonds, the city's governing body is required to levy, if necessary, an ad valorem tax on all property subject to local taxation. General obligation bond issuance is subject to a 10 percent limitation of the assessed value of taxable real property in the City. The City has a self-imposed debt service limit of 12% of general fund revenues.

In determining the debt limitation, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, referendum approved general obligation bonds payable from a specified revenue producing undertaking (as long as the undertaking is self-supporting), and revenue bonds. The City's Public Utility bonded debt is a self-supporting referendum-approved general obligation and excluded from the City's legal debt limit. In addition, the City's lease-purchase obligations which are subject to annual appropriation are excluded from the City's legal debt limit.

The following table shows the Legal Debt Margins for five Fiscal Years ending June 30.

As of	Taxable Real Property Assessed Value	Debt Limit: 10% of Assessed Value	Debt Applicable to Debt Limit	Legal Margin for Additional Debt
July 1, 2008*	\$7,422,683,650	\$742,268,365	\$223,157,851	\$519,110,514
July 1, 2007	6,512,832,200	651,283,220	253,990,848	427,955,746
July 1, 2006	5,635,990,780	563,599,078	208,400,716	355,198,362
July 1, 2005	4,492,154,728	449,215,473	176,609,660	272,605,813
July 1, 2004	3,960,731,140	396,073,114	171,991,936	224,081,178

\* Estimated

### ***Overlapping or Underlying Debt***

The City of Portsmouth is autonomous and entirely independent of any county or other political subdivision. It is not subject to taxation by any county or school district, nor is it liable for any county or school district indebtedness.

The City Council authorized the creation of the New Port Community Development Authority (the "New Port CDA") in August 2005 to finance certain infrastructure improvements, including road improvements, signage, updated and relocated utilities, lighting, fencing, sidewalks and streetscapes (the "Improvements"), related to the construction of a high-quality planned residential community. To fund the Improvements, the New Port CDA issued \$16,240,000 in revenue bonds in May 2006 (the "CDA Bonds"), which mature September 1, 2036. The CDA Bonds are secured by and payable from special assessments (the "Special Assessments") to be levied by the City on the taxable parcels within the New Port CDA District (the "District"). The CDA Bonds are also secured by funds held pursuant to an Indenture of Trust dated May 1, 2006, between the New Port CDA and Manufacturers and Traders Trust Company, as trustee. Pursuant to a Special Assessment Agreement dated February 15, 2006, the City is obligated, subject to appropriation, to pay over to the New Port CDA those Special Assessments collected by the City. However, such obligations do not constitute a general obligation of the City or a pledge of the City's full faith and credit. The City is not responsible for paying the debt service on the CDA Bonds.

### ***Statement of No Past Default***

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

### ***Outstanding Debt***

The City's bonded debt consists almost entirely of general obligation bonds which are supported by City general revenues. For the Golf Fund, the outstanding debt is secured solely by a general obligation pledge – the full faith and credit of the City. The proprietary fund debt, consisting of the Public Utility, Parking Fund, City Garage, Waste Management,

## City Indebtedness

and the Information Technology debt is expected to be paid from the revenues of the respective enterprise and internal service funds.

### **Debt Ratios**

The following table shows the General Debt to Property Value ratios for the fiscal years ended 2004 through 2008. The City's real estate assessed values are determined as of January 1, and those values are effective for taxation as of July 1. The ratio is determined by dividing the total sales by the total of all assessed values after the annual assessment is completed. The calculations include all City debt excluding proprietary fund debt which is recorded as debt of the respective proprietary funds.

<i>As of</i>	<b>Outstanding General Debt</b>	<b>General Debt as a % of Assessed Real Property Value</b>	<b>General Debt as % of Assessed Real and Personal Property Value</b>
July 1, 2008*	\$224,077,206	3.02%	2.75%
July 1, 2007	239,816,665	3.5%	3.1%
July 1, 2006	230,418,251	4.0%	3.6%
July 1, 2005	202,806,787	5.3%	5.1%
July 1, 2004	208,499,459	5.3%	5.1%

\*Estimated

### **Public Utility Debt**

All outstanding Public Utility bonds are general obligations of the City; however, as a matter of practice, the City pays such bonds from its Public Utilities Fund. This is a self-supporting Enterprise Fund. The revenues include water and sewer system fees. In the event Public Utilities Fund fees are not sufficient to pay the debt service on public utility bonds, the City is obligated to pay the debt service from the General Fund or other available revenues. Public Utility bond debt service coverage by net system revenues are shown in the following table.

<b>Fiscal Year</b>	<b>Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
July 1, 2008*	17,957,836	3,941,975	4,270,929	8,212,904	2.18%
July 1, 2007	19,396,888	3,831,246	4,440,071	8,271,317	2.26%
July 1, 2006	19,081,344	3,372,567	4,066,103	7,438,670	2.56%
July 1, 2005	18,946,486	2,895,000	2,217,381	5,112,381	3.71%
July 1, 2004	14,240,469	2,442,489	2,644,276	5,088,764	2.80%

\*Estimated

### **Impact of Capital Budget on Debt**

The Constitution of the Commonwealth of Virginia and related laws dictate the legal limits of debt for political subdivisions. As such, the City's only legal limit of debt is 10% of taxable real estate assessed value. The City has a debt service policy limit of 12% of general fund budgeted revenue. The City will retire \$14.7 million general debt principal maturities and \$3.9 million of Public Utility debt in FY2009.

City  
Indebtedness

**Computation of Legal Debt Margin**

**Computation of Legal Debt Margin**

June 30, 2008

Taxable real estate assessed value - July 1, 2008 (estimated)		\$ 7,422,683,650
Debt limit - 10 percent of assessed value (1)		742,268,365
Total debt - June 30, 2008 (estimated) (2)	341,271,084	
<u>Less amounts exempt from debt limit:</u>		
<u>Enterprise debt:</u>		
Golf bonds outstanding	6,577,815	
Public Utility bonds outstanding	94,196,483	
Parking bonds outstanding	6,853,476	
<u>Capital leases subject to appropriation:</u>		
General equipment and vehicles	919,355	
Waste Management equipment	2,232,135	
City garage equipment and vehicles	6,044,296	
Information Technology equipment	1,289,673	
Total exempt debt		118,113,233
Debt applicable to debt limit		223,157,851
Legal margin for additional debt		\$ 519,110,514

Notes:

- (1) The legal debt limit is established by State law as 10 percent of taxable real estate assessed value.
- (2) Includes general obligation bonds and notes, school literary loans and obligations under capital lease. Excludes compensated absences, net pension obligation, other post employment benefits closure and landfill closure and postclosure care liability.