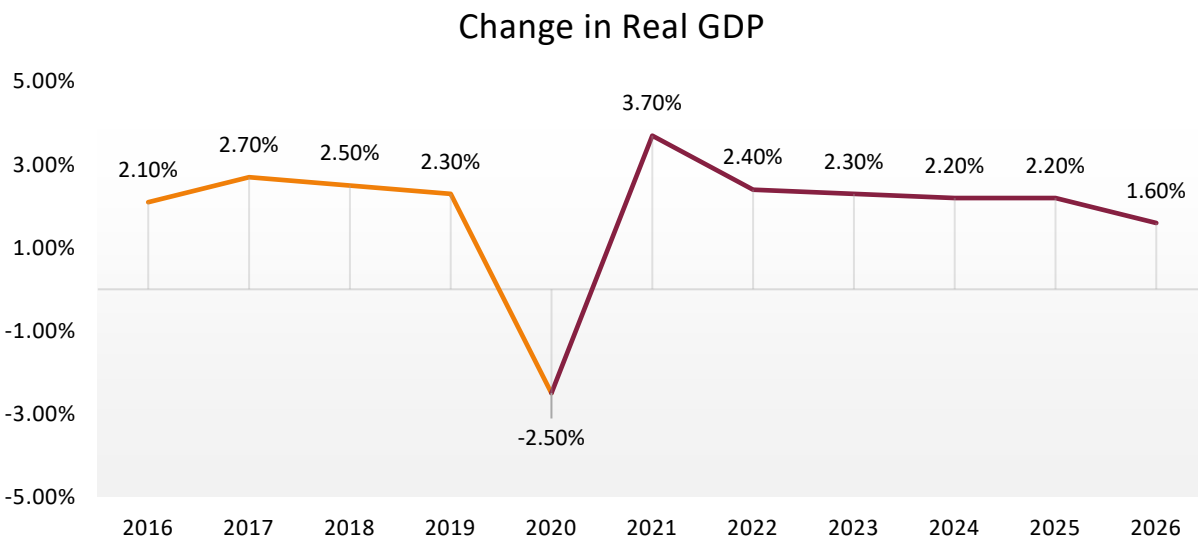


## REVENUE

### *National Economic Outlook*

Since March 2020, national, regional, and local economies have been shrouded in uncertainty. While 2021 has seen COVID-19 vaccinations, students returning to school, and another federal economic stimulus package, there is evidence that the US still has a long road ahead to full economic recovery. Following a 9.5% decline in gross domestic product in the second quarter of 2020, the United States Congressional Budget Office forecasts that real gross domestic product will reach its pre-COVID level in mid-2021 and continue at a level of sustainable growth until 2026 when the economy is projected to reach its full productive potential.



Source: United States Congressional Budget Office

Federal stimulus, expanded unemployment benefits, and other programs have contributed to steady economic activity throughout 2020, following the initial downturn. Over the course of 2021, widespread vaccinations are anticipated to reduce the need for some COVID-19 safety measures and facilitate a “return to normal” for many brick and mortar businesses which will further contribute to consumer activity that supports continued economic expansion.

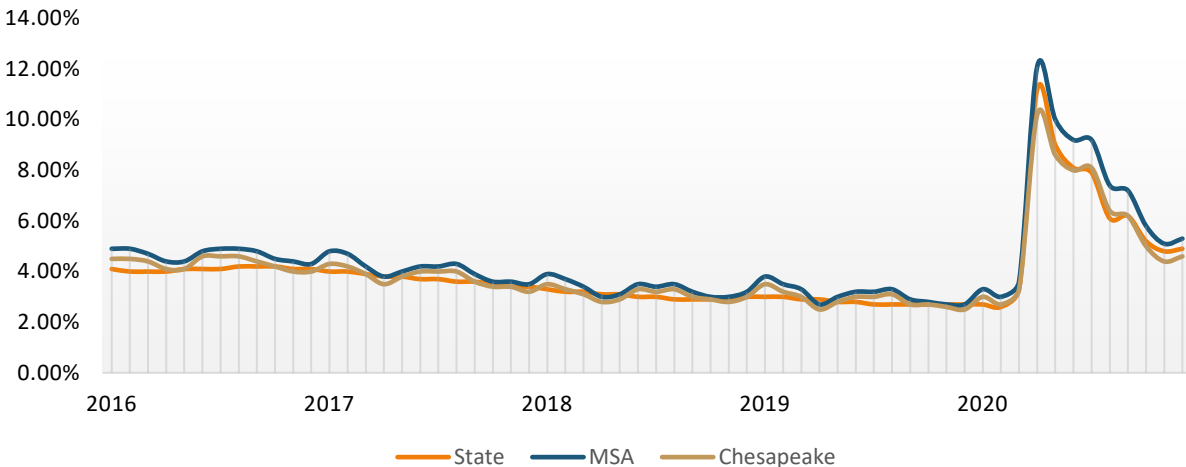
Unemployment at the national level reached a peak of 14.8% in April 2020. Since then, unemployment has slowly declined as establishments adapted to mandatory safety measures imposed by States and the Federal Government. The Congressional Budget Office forecasts that national unemployment will continue to slowly decline and return to pre-COVID levels in 2024.

However, measures taken at the federal level to prop up the national economy in the face of COVID-19 have had a profound impact on the national debt. After the addition of the most recent stimulus package, the American Rescue Plan, the national debt will climb to over 130% of current national gross domestic product. The FY 2022 budget will be impacted by changing fiscal policies and practices at the federal level that align with the financial goals of the current administration.

## Regional Economic Outlook

Throughout the COVID-19 pandemic, the labor market has struggled to stabilize amidst constantly changing stay at home orders and COVID-19 work guidelines. In Hampton Roads, unemployment levels soared following the closure of most public facilities and stay at home orders issued in spring of 2020. Unemployment in the City of Chesapeake reached a peak of 10.2% in April 2020 and has since declined to 4.6% as of December 2020. As shown in the chart below, unemployment in the City has remained below that of Hampton Roads, signifying that employment levels in Chesapeake have fared better than in the region as a whole.

### Regional Unemployment Rates



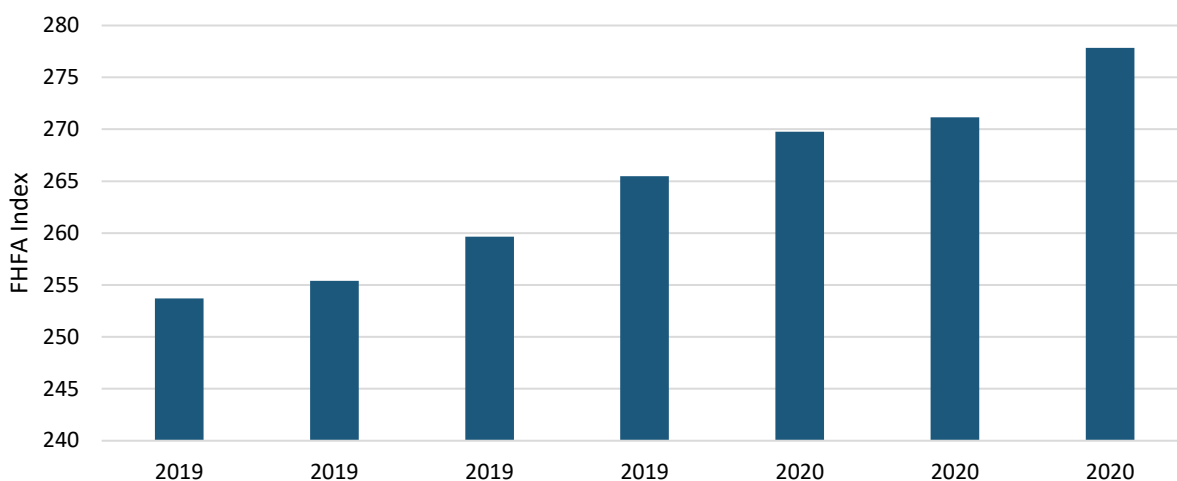
Source: Bureau of Labor Statistics

Despite significant increases in unemployment across Hampton Roads, many revenues dependent on consumer spending have performed well, despite the economic downturn caused by the pandemic. While travel and hospitality industries were crippled at the start of the pandemic, online businesses and food and grocery delivery companies thrived. Economic nexus legislation that took effect in Virginia last year insulated local sales tax revenue from the effects of in-person business closures. In addition, recent popularity of third-party food delivery services like DoorDash, Grubhub, and Uber Eats paved the way for a resilient food service industry.

Thus far, regional consumer spending amidst the COVID-19 pandemic has outperformed expectations. However, 2020 was characterized by significant boosts to household income in the form of stimulus payments, tax credits, and increased unemployment benefits and financial assistance to businesses like the Paycheck Protection Plan. Without supplemental income provided by these programs, it is unlikely consumers and businesses would have fared as well. While the availability of vaccinations is expected to reduce the need for social distancing and other COVID-19 safety measures beginning in 2021, regional economic dependency on federal and state supplements and the long-term impacts of the COVID-19 related economic downturn remains to be seen.

Though many segments of the regional economy have suffered negative impacts during the pandemic, sales of new and existing homes have significantly increased. A pandemic driven decrease in the supply of housing for sale in the spring of 2020 amidst constant demand for housing across Hampton Roads has had a lasting impact on home sale prices. The following graph displays the FHFA housing price index for the Hampton Roads MSA and indicates that the cost of housing has risen over 7% from 2019 to 2020.

## FHFA Quarterly Housing Price Index



Source: Federal Housing Finance Agency

According to the ODU Dragas Center for Economic Analysis and Policy, the median sale price of homes in Chesapeake increased 6.4% from 2019 to 2020. Regionally, the median sale price of homes increased 9.0% over the same time period. While there is uncertainty surrounding the duration of the current housing market, recent increases in median sale prices impact real estate assessments included in the FY 2022 budget.

### *Major Impacts to Local Revenue*

#### The COVID-19 Pandemic

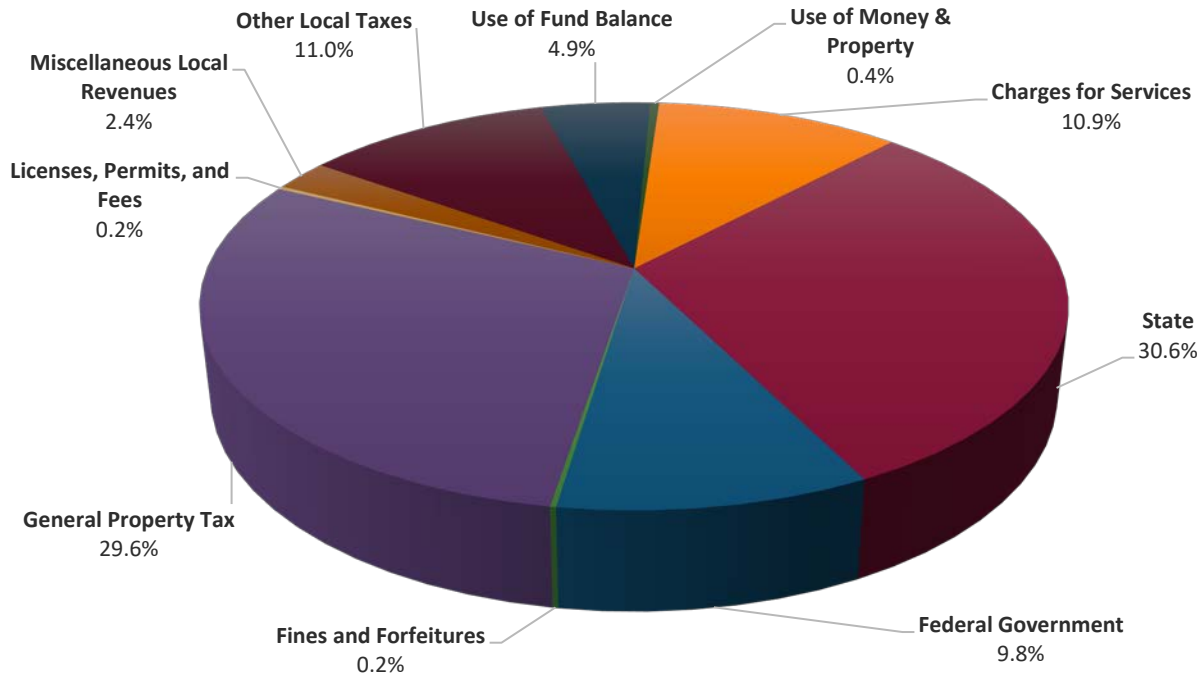
Revenue in the FY 2022 budget is impacted by a multitude of external factors, the most prominent of which are the long-term impacts of the COVID-19 Pandemic which began in March of 2020. Uncertainty surrounding the length and severity of the Pandemic spurred local governments, including Chesapeake, to adjust FY 2021 budgets to reflect anticipated revenue shortfalls and necessary expenditures on pandemic related supplies like personal protective equipment (PPE).

The impacts of COVID-19 on FY 2022 revenues are two-fold. After the beginning on the pandemic, the City of Chesapeake reduced the FY 2021 budget by \$66.4 million. For this reason, growth in some revenue sources in the FY 2022 budget are inflated in comparison to their actual performance. This is because growth rates are calculated using FY 2021 budgeted revenues, which in many cases were drastically reduced from normal levels. Therefore, revenue sources, like General Sales and the Restaurant Food Tax, that have recovered quickly from the impacts of the pandemic appear to be significantly increasing in FY 2022. In truth, budgeted amounts for these revenues are returning to normal levels following reductions made due to the pandemic.

However, for some revenue sources, the impacts of COVID-19 have not been equally short-lived. Notably, revenues driven by tourist and indoor entertainment activities have experienced continued revenue declines due to COVID-19 restrictions and economic downturn. The impacts of COVID-19 on specific revenue sources are discussed in the Revenue by Type section.

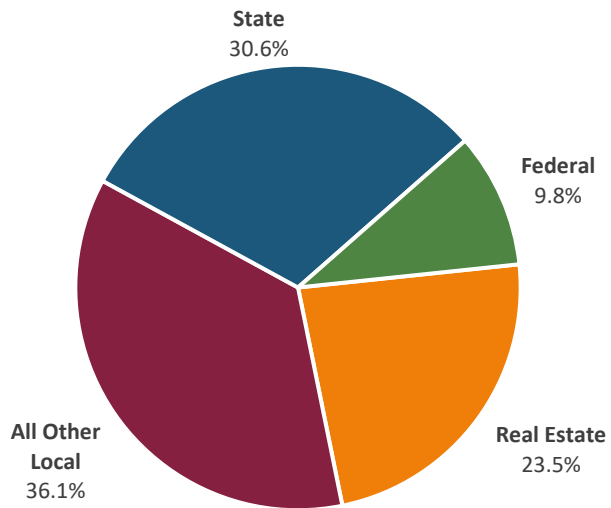
### Total Revenue in FY 2022

Total Net Revenue in the FY 2022 budget is \$1,344,827,671, a 14.4% increase from the FY 2021 Adopted budget. Of this amount, \$671,906,645 is revenue for the City of Chesapeake and \$672,921,026 is revenue for Chesapeake Public Schools.



### Sources of Local Revenue

Revenue in the City of Chesapeake is derived from a multitude of sources. The graph to the right shows total Revenue from all sources in FY 2022 broken down by category. The largest single revenue source is the Real Estate Tax, which makes up 23.5% of total City revenue. Revenue from all other local sources is comprised of revenue from major taxes like the general sales and restaurant food taxes, as well as revenue from charges, fees, and interest income. The City also receives revenue from the State and Federal Government, which make up 40.4% of total City revenue. Revenue from local sources is the City's primary source of funding, making up 59.6% of total revenue.



## Revenue by Type

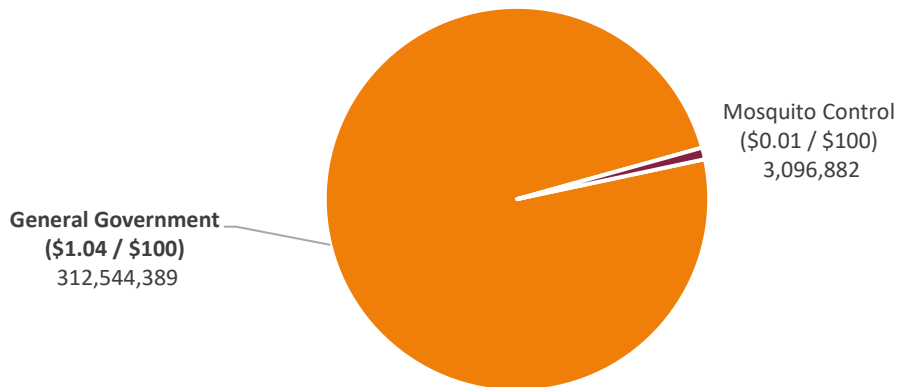
The sections below offer a brief summary of the City's major revenue sources.

### Real Estate

In FY 2022, revenue from the Real Estate Tax is expected to increase as a result of assessment increases and new construction. The Real Estate Assessor estimates that in FY 2022, citywide assessments will increase by 4.0%.

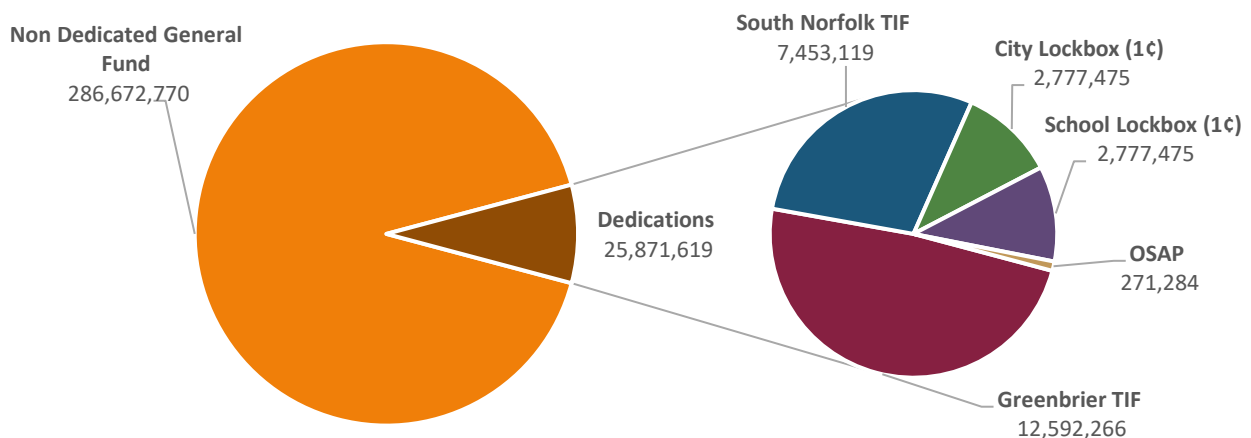
In FY 2022, the total real estate tax rate will remain \$1.05 per \$100 of assessed value. This is comprised of a general rate of \$1.04 per \$100 of assessed value, with an additional rate of \$0.01 dedicated to Mosquito Control.

### Real Estate Tax Rate



The majority of real estate tax revenue is used to support general government operations; however, City Council has dedicated portions of the real estate tax to fund initiatives that align with the City's strategic anchors. The graphic below outlines the breakdown of real estate tax dedications.

### Real Estate Dedications (\$1.04 / \$100)



In May 2021, City Council modified the frequency of real estate supplements from annual to quarterly. In accordance with this policy change, budgeted real estate revenue was increased by \$300,000.

Total real estate revenue in FY 2022, including Mosquito Control, the Greenbrier TIF, and the South Norfolk TIF is projected to be \$315,641,271. Of this amount, \$292,227,720 is retained by the General Fund. This is a 6.1% increase in general fund real estate tax revenue from the FY 2021 budget. In FY 2022, real estate tax revenue represents 43.2% of total General Fund revenue.

The City of Chesapeake, in compliance with state law, offers real estate tax relief for some disabled veterans. Qualifying veterans must be certified by the U.S. Department of Veteran Affairs (VA) to be totally and permanently disabled due to a service-connected disability. In addition, the surviving spouse of a qualified veteran is eligible for the tax exemption if the death of the Veteran occurred on or after January 1, 2011 and the surviving spouse does not remarry and continues to occupy the home as his or her principal place of residence.

The City also provides real estate tax relief to eligible elderly citizens and surviving spouses of public safety personnel. Qualifying elderly individuals must be at least 65 years of age and have a combined household income of no more than \$62,000 per year, among other income related requirements. In 2017, the City Council approved a real estate tax exemption for the surviving spouse of a member of the Virginia Line of Duty Act (LODA) who was killed in the line of duty. Eligible members include surviving spouses of state and local government employees including law enforcement officers, firefighters, and emergency medical services personnel.

### Personal Property

The Personal property tax is levied on various types of physical property, including but not limited to automobiles, privately owned recreation vehicles, boats, and business property. Personal property taxes on automobiles make up the largest portion of the personal property tax and are levied at a rate of \$4.08 per \$100 of assessed value.

In addition to revenue from local personal property taxes paid by citizens, the City of Chesapeake receives revenue related to the personal property tax from the Commonwealth of Virginia. The Personal Property Tax Relief Act (PPTRA) of 1998 provides tax relief for citizens with qualifying automobiles. The City of Chesapeake receives a flat amount of \$28,590,001 annually to support this tax relief program. Revenue from the Commonwealth for PPTRA is reflected in the state revenue category.

Personal property tax relief is also provided to qualifying veterans certified as permanently and totally disabled by the Department of Veterans affairs. Qualifying veterans pay a reduced rate of \$0.09 per \$100 of assessed value on a single motor vehicle registered in their name. In the November 2020 election, Virginia voters approved an amendment to the state constitution which would allow for exemption of one automobile or pickup truck from state and local property taxes for qualifying veterans who are certified as permanently and totally disabled. Beginning January 1, 2021, personal property exemptions will be administered to qualifying veterans by the Commissioner of the Revenue, in accordance with state law. In May 2021, City Council voted to maintain the local program allowing qualifying veterans to pay a lowered personal property tax rate in addition to the new State mandate requiring the exemption of personal property tax for qualifying veterans. To account for revenue loss related to this policy change, budgeted personal property tax revenue was reduced by \$349,013.

In FY 2022, total budgeted personal property tax revenue is \$67,707,969.

## Public Service Property Tax

Real Estate and Personal Property Taxes are also levied on property owned by Public Service Corporations. Real Property for Public Service Corporations includes depreciable equipment and structures such as pipelines, transmission lines, pump stations, transmission stations, and various machinery & tools. Personal Property includes only qualifying vehicles owned and operated by Public Service Corporations. Instead of being assessed at the local level, real and personal property owned by Public Service Corporations are assessed by the Virginia Department of Taxation and other outside agencies.

In FY 2022, total revenue from Public Service Corporation Real Estate and Personal Property Taxes is \$11,741,900. This is a \$1,237,405, or 11.8%, increase from FY 2021.

## Utility

Utility revenue is derived from taxes on electric and gas utilities for residential and commercial properties. Virginia state law maintains that residential utility taxes shall not be imposed at a rate more than 20% of the monthly amount charged to consumers of the utility service and are not applicable to any amount charged in excess of \$15 per month for residential customers. For this reason, there is very little real growth in revenue from residential utility bills and only some fluctuation from year to year. There is also a ceiling applied to commercial utility billings by the State of Virginia, though these restrictions are less stringent than those applied to residential billings. Because of these restrictions, growth in utility revenues is almost exclusively derived from increases in the number of residential and commercial utility customers in total.

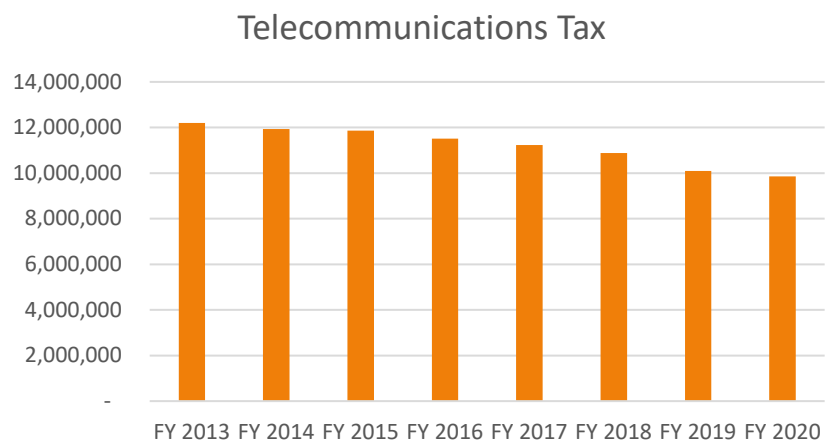
In FY 2022, total revenue from taxes on electric and gas utilities is \$10,899,000, a 0.2% increase from FY 2021.

## Telecommunications Tax

The Virginia

Telecommunications tax is a statewide 5% tax and \$1.20 right-of-way fee per line. Prior to 2006, this tax was collected by the state and distributed to localities based on their proportional tax collections in the current year. However, a state policy which took effect on July 1, 2006 froze each localities' percentage share of the total

tax at time the policy was adopted. This means that each year, all localities in Virginia share the same proportional increase or decrease in the statewide telecommunications tax.



Over the past decade, revenue from the Virginia Telecommunications tax has been in consistent decline. This is widely attributable to decreasing demand for traditional entertainment and communications services, as citizens transition to data based cellular plans and streaming services like Netflix, Hulu, Disney+, Sling TV, and YouTube TV. Current tax policy applies only to cable and satellite TV, internet phone service, Voice-Over-Internet Protocol (VOIP), and satellite radio. Until tax policies are changed at

the state level to incorporate relevant communication and entertainment services, this revenue source is expected to continue to decline.

Total telecommunications revenue in FY 2022 is projected to be \$9,423,037. Of this amount, \$4,475,039 is retained by the General Fund and \$4,947,998 is dedicated to the E-911 Operations Fund.

### Business Professional and Occupational License (BPOL)

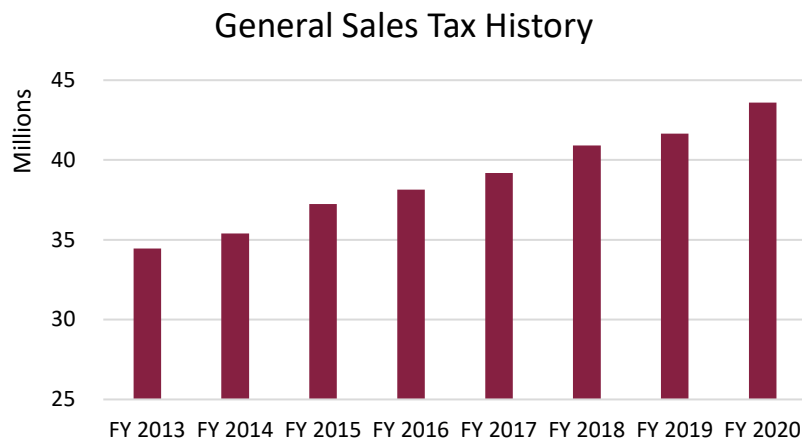
Business Professional and Occupational License (BPOL) taxes are levied on all business activity conducted in the City of Chesapeake. While most BPOL taxes are based on a business' gross receipts, the tax rate varies slightly based on the classification of each business. Business Licenses expire and must be renewed annually by March 1.

In FY 2022, total revenue from BPOL taxes is estimated to be \$27,781,280. This is an increase of 11.4% from the FY 2021 Adopted Budget. Over the past five fiscal years, BPOL revenue has demonstrated a consistently high rate of growth. This growth trend and current economic conditions are the basis for the FY 2022 revenue estimate.

### General Sales

The combined sales and use tax rate in the City of Chesapeake is 6.0%. This rate is comprised of a 5.0% sales and use tax for the Hampton Roads area imposed by the Commonwealth of Virginia and 1.0% local option sales and use tax. The sales and use tax is imposed on the gross receipts from retail sales in the City of Chesapeake.

Beginning in FY 2020, economic nexus legislation enacted by the General Assembly in 2019 dictates that the sales and use tax will be applied to all entities that sell or facilitate the sale of \$100,000 in gross sales or engage in 200 transactions annually in the Commonwealth of Virginia. This is a modernization of previous legislation that tied the sales and use tax to a



seller's physical presence in the Commonwealth. This policy change will have a permanent effect on the magnitude of sales and use tax collected by the City of Chesapeake, as previously non-taxable online sales are now included in the sales and use tax.

In FY 2022, budgeted sales and use tax revenue for the City of Chesapeake is \$48,160,274. This is a 17.37% increase from the FY 2021 Adopted Budget. Projected growth in this revenue is primarily based on retail sales activity that has been resilient to the economic impacts of COVID-19 despite an anticipated decline.

### Automobile License

An automobile license fee is charged for each vehicle registered or garaged within the City of Chesapeake. This license fee is determined by the Commissioner of the Revenue and billed by the City Treasurer as a separate item on each year's annual personal property tax bill. A summary of common vehicle license fees is show in the table below.



<b>Vehicle Type</b>	<b>License Fee</b>
<i>Passenger Vehicles and Trucks</i>	\$23.00
<i>Vehicles over 4,000 lbs.</i>	\$24.00
<i>Motorcycles</i>	\$8.00

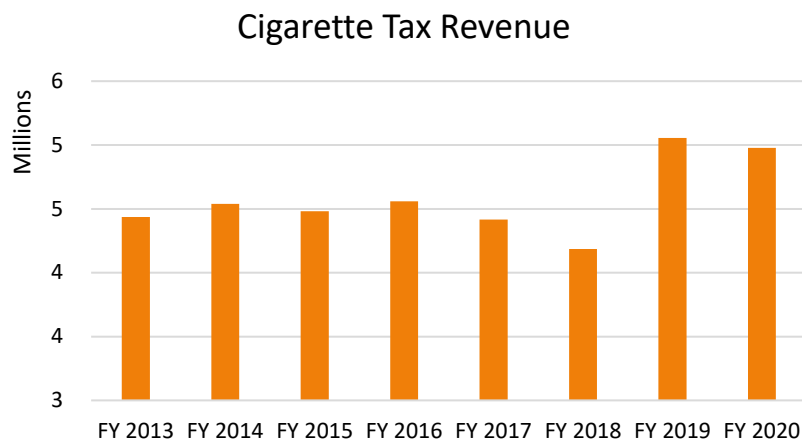
In addition to the Automobile License Fee, a late fee of \$10.00 is charged for any license fee not paid by June 5<sup>th</sup> or otherwise indicated due date. Seventy percent (70%) of the revenue from vehicle license late fees are dedicated to the City Treasurer.

In FY 2022, total revenue from Automobile licenses is \$5,822,632, a \$243,947 increase from FY 2021. Total revenue from automobile license late fees, dedicated to the City Treasurer, in FY 2022 is \$531,614.

### Tobacco Tax

The City of Chesapeake levies a 65¢ per pack tax on all cigarette sales within the City. A total of 45¢ of this tax is dedicated to various programs and priorities identified by City Council. A complete list of tax dedications is located in the Appendix. In August of 2018, City Council increased the tax rate on tobacco products from 50¢ to 65¢. The increase in tobacco tax revenue after FY 2018 reflects this increase to the tobacco tax rate.

Over the past several decades, increasing public awareness of the long-term health effects of cigarette smoking has resulted in consistently declining tobacco usage. Moreover, the recent introduction of alternative tobacco products, like e-cigarettes and vapes, which are not taxed at the local level, has contributed to overall declines in cigarette smoking. For these reasons, revenue from the Tobacco Tax is expected to continue slowly declining for the foreseeable future.



In FY 2022, total revenue from the Tobacco Tax is \$4,883,400. This is a \$71,600, or 1.45%, decrease from FY 2021.

### Lodging Tax

The City of Chesapeake levies an 8% tax on lodging within the City. Of this 8%, 1% is dedicated to the Conference Center Fund.

Revenue from the 8% tax on lodging is dependent on both hotel occupancy and room prices. Over the course of the pandemic, decreased demand for hotel rooms has driven both occupancy and prices down, creating a compounding, negative effect on revenue from the Lodging Tax. Demand within the

current price structure has increased, given hotel compliance with COVID-19 safety guidelines and recent availability of vaccinations to some consumers. However, a sustained period of increasing demand is necessary to return room prices to their pre-COVID level and for revenue from the lodging tax to fully recover from the impacts of the pandemic.

Unlike the flat tax, the 8% lodging tax's dependency on room prices means this revenue will have a longer recovery period than other consumer driven revenues. In FY 2022, Total revenue from the Lodging Tax is \$4,841,886, a 7.32% increase from FY 2021. Of this amount, \$605,236 is dedicated to the Conference Center Fund and \$4,236,650 is retained by the General Fund.

### Lodging Flat Tax

There is an additional \$1 per room night tax levied on all hotel rooms throughout the City. In August of 2007, the City Council adopted this flat tax and dedicated all revenues from the \$1 per room night tax to the Conference Center Fund for operation of the conference center facility. As a flat tax, the \$1 per room night fee is solely influenced by hotel occupancy and is not impacted by room prices.

In FY 2022, total revenue from the \$1 flat tax is \$731,926, a 17.6% increase from FY 2021. Increases in budgeted revenue from the flat tax on lodging are attributable to the current and anticipated recovery of hotel tax revenue since the height of the COVID-19 Pandemic. This revenue is fully dedicated to the Conference Center Fund. The General Fund receives no revenue from the \$1 flat tax.

### Restaurant Tax

Revenue from the Restaurant Food tax is a significant source of local consumer driven revenue, second only to the sales and use tax. The City of Chesapeake levies a 5.5% tax on all prepared meals sold at restaurants and grocery establishments in the City. Of the total rate, 0.5% of the Restaurant Food Tax is dedicated to the Conference Center Fund.

In anticipation of impacts to consumers' ability to pay for prepared meals, budgeted tax revenue from the Restaurant Food tax in FY 2021 was reduced by \$7,171,275, or 25%. However, realized revenue from this tax has over performed projections which anticipated negative impacts from COVID-19. This is likely attributable to benefits enacted at the federal and state level to supplement consumers' disposable income and rapid adaptation of the restaurant industry to COVID-19 friendly, limited contact food service models.

In FY 2022, Total revenue from the Restaurant Food tax is \$26,795,480, a 24.6% increase from FY 2021. Of this amount, \$2,435,953 is dedicated to the Conference Center Fund and \$24,359,527 is retained by the General Fund.

### State and Federal Revenue

In addition to revenue from local taxes and fees, the City of Chesapeake receives revenue from the Commonwealth of Virginia and Federal Government that varies each year. The majority of all state and federal revenues received by the City are earmarked to fund specific departments or programs, like Public Safety and CIBH.

In FY 2022, total revenue from the Commonwealth of Virginia is \$118,489,800. This is an increase of 7.0% from the FY 2021 budget.

Total FY 2022 revenue from the Federal Government is \$12,451,300. This is a decrease of 2.9% from FY 2021 budget.

## *Special Revenue Funds*

### Virginia Public Assistance Fund

The Virginia Public Assistance Fund is used to provide economic aid to qualifying citizens. Primary revenue sources for this fund are state and federal public assistance grants. This fund also receives some revenue from court ordered fees and recovered costs.

Total FY 2022 revenue for the Virginia Public Assistance Fund is \$23,165,574. This is an increase of \$1,155,343, or 5.3%, in budgeted revenue from FY 2021.

### Interagency Consortium Fund

The Interagency Consortium Fund was established to support the City of Chesapeake's Interagency Consortium Program. This program provides services to children with severe emotional or behavioral problems outlined in the Virginia Children's Services Act. The primary source of revenue for the Interagency Consortium Fund is from the Commonwealth of Virginia's Interagency Consortium Pool.

Total FY 2022 revenue for the Interagency Consortium Fund is \$5,444,246. This is an increase of \$10,348, or 0.2%, from the FY 2021 Adopted Budget.

### Fee Supported Activities Fund

The Fee Supported Activities Fund was established in FY 1999 to account for revenues and expenditures related to various fee supported activities. Current programs including Development & Permits charges for demolition of buildings, grass cutting on neglected properties, Police Department red light enforcement program, Fire Department permits, fines and cost recovery in connection with the Chesapeake Hazardous Environmental Action Team, and Fire Department inspections and permits.

In FY 2022, \$1,275,000 in revenue was added to this fund for a new School Zone Speed Enforcement program. This program will add cameras to school zones throughout the City that allow for photo enforcement of school speed limits.

Total FY 2022 revenue for the Fee Supported Activities Fund is \$3,127,989. This is a \$1,282,656 increase from FY 2021.

### Integrated Behavioral Healthcare Fund

The Chesapeake Integrated Behavioral Healthcare (CIBH) Fund receives support from the City and the Virginia Department of Behavioral Health and Developmental Services to operate the Mental Health, Intellectual Disability, and Substance Abuse Programs. Revenues in this fund come primarily from State and federal sources. Revenues in this fund also include Charges for Services provided by CIBH. Expected increase in fees for services are primarily from Medicaid expansion and revenue generating positions.

Total FY 2022 revenue for the Integrated Behavioral Healthcare Fund is \$31,467,659. This is a \$2,223,215, or 7.6%, increase from FY 2021.

### Conference Center Fund

The Chesapeake Conference Center Fund was established to support operation of the Chesapeake Conference Center and the promotion of the local tourism industry. Funding is derived from a dedicated portion of the restaurant and hotel taxes, and charges for services at the Convention Center.

Total FY 2022 revenue for the Conference Center Fund is \$5,338,584. This is a \$675,360, or 14.5%, increase from FY 2021. This increase is primarily due to an increase in budgeted meal tax revenue as the local economy recovers from the impacts of the COVID-19 pandemic.

### Emergency Communications Fund

The Emergency Communications Fund was established in FY 2004 to support operation of the Emergency Operations Center (EOC). In FY 2007, policy changes at the state level centralized collections to the Virginia Department of Taxation and developed a formula for distributing tax revenue to localities after deducting administrative and program expenses. The Virginia Department of Taxation recalculates the distribution percentage of Wireless E911 Funding for each PSAP (public safety answering point) based on the cost and call load data of the PSAP for the previous five fiscal years. Chesapeake's share declined from 4.95% to 3.42% effective FY 2019, a reduction of 30.8%. This funding distribution will be recalculated in FY 2023.

The Emergency Communications Fund also receives a \$4,947,998 of the state telecommunications tax to support EOC operations.

Total FY 2022 revenue for the Emergency Communications Fund is \$8,028,088. This is a \$809,279, or 11.2%, increase from FY 2021.

### Juvenile Services Fund

This fund was established in FY 2004 to account for operation of the Juvenile Detention Facility. These activities were previously budgeted under the General Fund. Primary sources of revenue for this fund are payments from other localities for juveniles served by the center and state categorical aid.

Total FY 2022 revenue for the Juvenile Services Fund is \$6,854,132. This is an \$876,332, or 14.7%, increase from FY 2021.

### Open Space Agricultural Preservation (OSAP) Fund

The Open Space Agricultural Preservation Fund was established to account for transactions related to the acquisition of conservation easements and other efforts to preserve open space. Beginning in FY 2011, \$271,284 of General Fund real estate taxes were dedicated to this fund. There is no other budgeted revenue in the OSAP Fund.

Total FY 2022 revenue for the Open Space Agricultural Preservation is \$271,284.

### City-Wide Debt Fund

This fund was established to service all of the City's general government debt payments. The fund's primary source of revenue is transfers from other city funds to service their debt obligations. However, the Debt Fund does receive some revenue from interest earnings on unspent bond issues and other cash balances, as well as federal interest subsidies on "Build America" bonds and qualifying school construction bonds.

Total FY 2022 revenue for the Debt Fund is \$39,052,121. This is a \$4,223,279, or 9.8%, decrease from FY 2021 and reflects the City's total debt service obligations in FY 2022.

### *Tax Increment Financing (TIF) District Funds*

The use of Tax Incremental Financing (TIF) is authorized in the Code of Virginia (Section 58.1-3245). Tax Increment Financing can serve as a means of financing the cost of public improvements in a designated district. Financing of a TIF district works as follows: for the geographical area covered by the TIF, real estate assessments in the year the TIF district is established are held constant, and any subsequent increases in real estate taxes derived from increases in assessments are earmarked to the Tax Increment Financing Fund and used to support public improvements in that area. TIFs are often created for predetermined time limits, which are usually associated with the cost of anticipated improvements.

#### *Greenbrier TIF*

The Greenbrier TIF Fund was established in FY 2005 to finance economic development activities and infrastructure improvements in the Greenbrier area. The Greenbrier TIF receives revenue solely from increases in taxable real estate assessments within the TIF district.

Total FY 2022 revenue for the Greenbrier TIF Fund is \$21,655,140. This is a \$10,478,820, or 93.8%, increase from FY 2021 attributable to increases in real estate tax assessments within the TIF and a \$9,062,874 use of fund balance.

In FY 2022, \$9,062,874 of surplus TIF funding will be transferred to the General Fund. Of this amount, \$4,531,437 will be transferred to the Schools Capital Projects Fund.

#### *South Norfolk TIF*

A second TIF district located in the South Norfolk area of Chesapeake was added in FY 2006. The South Norfolk TIF receives revenue solely from increases in taxable real estate assessments within the TIF district.

Total FY 2022 revenue for the South Norfolk TIF Fund is \$8,514,609. This is a \$1,837,192, or 27.5%, increase from FY 2021 attributable to increases in real estate tax assessments within the TIF and a \$1,061,490 use of fund balance.

In FY 2022, \$1,061,490 of surplus TIF funding will be transferred to the General Fund. Of this amount, \$530,745 will be transferred to the Schools Capital Projects Fund.

### *Enterprise/Utility Funds*

Enterprise funds are self-supporting and primarily funded through charges for the services they provide.

#### *Public Utilities Funds*

Public Utilities is a self-supporting enterprise fund. Their operating budget consists of the Public Utilities Operating Fund (501), Capital Projects (504), and Revenue Bond Fund (509), and Debt Service Fund (512). These funds account for revenues and expenditures related to the various aspects of operating the Public Utilities Department.

Primary sources of revenue for the Department include Sale of Water, Sewer Service Charges, Sewer Connection Fees, and Water Connection Fees. The FY 2022 operating budget for Public utilities includes revenue from a scheduled 2% rate increase to water and sewer charges which will take effect on January 1, 2022.

Total FY 2022 gross revenue for Public Utilities is \$101,490,298, while net revenue totals \$81,090,054. This is a \$1,761,648, or 1.8%, increase from FY 2021.

### Stormwater Management Funds

The Stormwater Operations Fund (520) and Stormwater Capital Projects Fund (521) account for revenues and expenditures related to the operation of the Comprehensive Stormwater Management Program (CSMP) by the Public Works Department. The program is required under the Clean Water Act of 1987, and subsequent related State and Federal legislation, which requires cities of 100,000 or more to reduce pollution before it gets to the Chesapeake Bay.

The primary source of revenue for Stormwater Management is from stormwater utility Fees assessed on developed real estate. The fee is based on the equivalent residential unit (ERU), the amount of stormwater runoff from an average single-family property. The current monthly rate is \$7.35 per Equivalent Residential Unit (ERU). Stormwater Management also receives revenue from Interest Income on unspent cash balances, Interest and service charges on delinquent stormwater utility Fees, and land disturbance permits.

Total FY 2022 revenue for Stormwater Management is \$20,044,766. This is a \$2,233,293, or 12.5%, increase from FY 2021.

### Chesapeake Transportation System Funds

The Chesapeake Transportation System Operating Fund (525) Toll Facility Renewal Fund (526) account for revenues and expenditures related to operation and maintenance of the Chesapeake Transportation System. Supporting revenues are primarily from the cash and electronic (prepaid) tolls. These funds also receive a small amount of revenue from Interest, recovered costs and service charges.

Total FY 2022 revenue for the Chesapeake Transportation System Funds is \$42,297,742. This is a \$11,197,819, or 36.0%, increase from FY 2021. This increase is due to increased revenue from toll charges and contributions to the Toll Facility Renewal Fund.

### *Internal Service Funds*

The City of Chesapeake maintains internal service funds to supply the needs of departments within the city. The revenues in each fund are related to the services that they provide to other departments and are primarily internal charges.

### Central Fleet Fund

The Central Fleet fund was established to account for the operation of the City Garage and the activities of the Sheriff's inmate work crews. The fund is used to maintain the vehicles and equipment owned by the City. Sources of revenue include vehicle lease charges to City departments and sales of fuel to Chesapeake Public Schools. Also reflected in the revenues are supervisory, vehicle, and equipment costs of Sheriff's work crews that primarily mow right-of-ways and City parks and clear stormwater ditches for Public Works.

Total FY 2022 revenue for the Central Fleet Fund is \$20,754,126. This is a \$3,086,750, or 13.4%, increase from FY 2021. This increase is largely attributable to the restoration of funding for public safety vehicle replacements that were eliminated in the FY 2021 budget.

### Information Technology Fund

The Information Technology internal service fund was established to account for the operation of the City's Information Technology Department. The Department services and maintains the City's computer and communication systems. Primary sources of revenue for Information Technology are rent of space

on the City's communications tower and computer services charges to City departments and Chesapeake Public Schools.

Total FY 2022 revenue for the Information Technology Fund is \$17,225,079. This is a \$2,593,703, or 17.7%, increase from FY 2021. This growth reflects increased revenue from internal information technology charges to departments, which will support several new initiatives included in the FY 2022 budget, including four new positions and funding for various software upgrades.

### Health Care Fund

This fund provides resources for the operation of the City's Employee Health Care Insurance Plan. Primary sources of revenue are health care premiums, including payments from participating internal funds and billings to current and former employees.

Total FY 2022 revenue for the Health Care Fund is \$53,357,400. This is a \$3,487,400, or 7.0%, increase from FY 2021.

### Risk Management Fund

This fund was established to account for the operation of the City's Risk Management program. Risk Management is responsible for supplying the various insurance needs of the City. This fund is primarily supported through internal charges to departments.

Total FY 2022 revenue for the Risk Management Fund is \$10,694,536. This is a \$1,540 increase from FY 2021.

### *Mosquito Control*

The Mosquito Control Fund was established for the operation of the Mosquito Control Commission of the City of Chesapeake. The primary source of revenue for the Mosquito Control Commission includes general property taxes on real estate (\$0.01/\$100), personal property (\$0.08/\$100), and public service corporation real estate and personal property taxes. The Commission also receives some interest income on unspent cash balances.

Total FY 2022 revenue for the Mosquito Control Fund is \$ 5,267,282. This is a \$389,931, or 8%, increase from FY 2021.

### *School Funds*

There are seven funds that account for revenues related to the operation of the City's public school system. Revenues in these funds come primarily from the City through the revenue sharing formula, State agencies for operations, and Federal agencies for grants. The major revenue sources are Basic Aid, Sales Tax Revenue, and Special Education funding from the State. The School Funds also receive revenues from Grants such as National School Lunch and Breakfast Programs, Title I and Section 611 Federal Grants, as well as from Charges for Services such as sale of meals and tuition for summer school, adult education, and driver education. For a breakdown of these revenues by source, please see the School Superintendent's Proposed Budget (<http://www.cpschools.com>).

Total FY 2022 gross revenue for Chesapeake Public Schools is \$703,103,676. This is a \$131,867,896, or 23.1% increase from FY 2021. A breakdown of revenue by fund is included on the following page.

<b>Fund</b>	<b>FY 2021 Adopted</b>	<b>FY 2022 Proposed</b>	<b>FY 2022 Adopted</b>	<b>Change</b>
<b>CPS Operating Fund</b>	477,287,635	508,186,252	510,734,444	33,446,809
<b>CPS Grant Fund</b>	38,642,667	63,844,756	116,167,945	77,525,278
<b>CPS Textbook Fund</b>	6,359,680	2,775,592	2,775,592	(3,584,088)
<b>CPS Nutrition Fund</b>	13,505,798	13,505,798	13,505,798	-
<b>CPS Cell Tower Fund</b>	10,440,000	10,440,000	10,440,000	-
<b>CPS Athletic Fund</b>	-	9,235,065	9,235,065	9,235,065
<b>CPS Self-Insurance Fund</b>	25,000,000	-	28,182,650	3,182,650
<b>CPS Activity Fund</b>	-	-	7,000,000	7,000,000
<b>CPS Capital Projects Fund</b>	-	-	5,062,182	5,062,182
<b>Total</b>	<b>\$571,235,780</b>	<b>\$607,987,463</b>	<b>\$703,103,676</b>	<b>\$131,867,896</b>