

**NEW ISSUE  
BOOK-ENTRY**

**RATINGS: Moody's: Aa2  
S&P: AA+  
(See "INTRODUCTION – Ratings" herein)**

*In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants by and the accuracy of certain representations and certifications of the City and other persons and entities described in the section herein entitled "THE 2024 Bonds – Legal Opinion and Tax Matters – 2024 Bonds," interest on the 2024 Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. Interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Bond Counsel is further of the opinion that interest on the 2024 Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See "THE 2024 Bonds – Legal Opinion and Tax Matters – 2024 Bonds" herein regarding certain other tax considerations.*



**\$41,100,000  
CITY OF PORTSMOUTH, VIRGINIA  
General Obligation Capital Improvement Bonds,  
Series 2024**

**Dated: Date of Delivery**

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

The \$41,100,000 General Obligation Capital Improvement Bonds, Series 2024 (the "2024 Bonds") are issued as fully registered bonds and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the 2024 Bonds. So long as Cede & Co., as the nominee for DTC, is registered owner of the 2024 Bonds, (i) references herein to the Bondholder or registered owner shall mean Cede & Co., as nominee for DTC and (ii) principal and interest shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the 2024 Bonds. Individual purchases will be made in book-entry-only form in denominations of \$5,000 or any integral multiple thereof, and individual purchasers will not receive physical delivery of note certificates. See "THE 2024 Bonds – Book-Entry-Only System" and **Appendix D** herein.

The 2024 Bonds will be general obligations of the City of Portsmouth, Virginia (the "City"), for the payment of which the full faith and credit and unlimited taxing power of the City is pledged. The City is authorized and required by law to levy *ad valorem* taxes without limitation as to rate or amount upon all taxable property within the City for the payment of the 2024 Bonds unless other funds are lawfully available and appropriated for such purpose.

The 2024 Bonds are subject to optional redemption prior to their stated maturities as more fully set forth herein.

The 2024 Bonds are offered for delivery when, as, and if issued, subject to approval of their validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, as described herein. Certain legal matters will be passed upon for the City by the City Attorney, Lavonda Graham-Williams, Esquire. The City has retained Davenport & Company LLC, Richmond, Virginia, as its financial advisor in connection with the City's preparation for issuance of the 2024 Bonds. It is expected that the 2024 Bonds will be available for delivery through DTC on or about September 12, 2024.

*This cover page contains certain information for quick reference only. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

**Dated: August 28, 2024**

**\$41,100,000**  
**CITY OF PORTSMOUTH, VIRGINIA**  
**General Obligation Capital Improvement Bonds,**  
**Series 2024**

**Dated: Date of Delivery**

**Due: July 15**

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES**

**Base CUSIP Number: 73723R\*\***

<b><u>Year</u></b> <b><u>(July 15)</u></b>	<b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Initial</u></b> <b><u>Offering</u></b> <b><u>Price</u></b>	<b><u>CUSIP</u></b> <b><u>Suffix</u></b>
2026	\$1,335,000	5.000%	104.469%	P98
2027	1,405,000	5.000	106.813	Q22
2028	1,480,000	5.000	109.099	Q30
2029	1,555,000	5.000	111.330	Q48
2030	1,635,000	5.000	113.215	Q55
2031	1,715,000	5.000	114.747	Q63
2032	1,805,000	5.000	116.076	Q71
2033	1,900,000	5.000	117.549	Q89
2034	1,995,000	5.000	118.806	Q97
2035	2,095,000	5.000	118.146*	R21
2036	2,205,000	5.000	117.583*	R39
2037	2,320,000	5.000	116.930*	R47
2038	2,435,000	5.000	116.005*	R54
2039	2,560,000	5.000	114.725*	R62
2040	2,695,000	5.000	113.911*	R70
2041	2,815,000	4.000	102.203*	R88
2042	2,930,000	4.000	101.625*	R96
2043	3,050,000	4.000	101.133*	S20
2044	3,170,000	4.000	100.562*	S38

\* Prices to first optional redemption date of July 15, 2034.

See **"The 2024 Bonds – Redemption of the 2024 Bonds"** for a description of the redemption provisions of the 2024 Bonds.

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\*\* See the last paragraph on page ii regarding the use of CUSIP numbers in this Official Statement.

## **CITY OF PORTSMOUTH, VIRGINIA**

### **CITY COUNCIL**

Shannon E. Glover, *Mayor*  
Lisa L. Lucas-Burke, *Vice Mayor*  
De'Andre A. Barnes  
Mark A. Hugel  
William E. Moody, Jr.  
Vernon L. Tillage, Jr.  
Dr. Mark M. Whitaker

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### **CERTAIN CITY OFFICIALS**

Steven Carter, *City Manager*  
Flora Berisha, *Interim Chief Financial Officer*  
Lavonda Graham-Williams, *City Attorney*

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### **BOND COUNSEL**

McGuireWoods LLP  
Richmond, Virginia

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### **FINANCIAL ADVISOR**

Davenport & Company LLC  
Richmond, Virginia

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The 2024 Bonds will be exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the Commonwealth of Virginia, the 2024 Bonds will also be exempt from registration under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the City or the 2024 Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2024 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the 2024 Bonds.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by any of such sources as to information provided by any other source.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or in any other matters described herein since the date of this Official Statement or, as in the case of certain information incorporated herein by reference to certain publicly available documents, since the date of such documents.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City's business and financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The underwriter participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the 2024 Bonds, including transactions to (i) over allot in arranging the sales of the 2024 Bonds and (ii) make purchases in sales of 2024 Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the underwriter may determine.

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

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## OFFICIAL STATEMENT

**\$41,100,000**  
**CITY OF PORTSMOUTH, VIRGINIA**  
**General Obligation Capital Improvement Bonds,**  
**Series 2024**

### SECTION ONE: INTRODUCTION

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is hereby made for all purposes.

#### **The Issuer**

The City of Portsmouth, Virginia (the "City" or "Portsmouth"), lies in Hampton Roads, one of the world's great natural harbors, situated at the confluence of the James and Elizabeth Rivers where they empty into the Chesapeake Bay. The City is over 260 years old, and its approximately 33.65 square miles are mostly developed with an estimated population of 96,085 in 2023.

#### **The 2024 Bonds**

The City is issuing its (i) \$41,100,000 General Obligation Capital Improvement Bonds, Series 2024 (the "2024 Bonds"). The 2024 Bonds are dated the date of their delivery and will mature on July 15 in each of the years and in the principal amounts set forth on the inside front cover page of this Official Statement. The 2024 Bonds will be issued in authorized denominations of \$5,000 and multiples thereof and will be held by The Depository Trust Company ("DTC") or by its nominee as securities depository with respect to the 2024 Bonds. See "**THE 2024 Bonds – Description of the 2024 Bonds**" for a more complete description.

Interest on the 2024 Bonds will be payable on each January 15 and July 15, commencing January 15, 2025, until the earlier of maturity or redemption. As long as the 2024 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date.

#### **Security for the 2024 Bonds**

The 2024 Bonds are general obligations of the City, to which the full faith and credit and unlimited taxing power of the City are pledged for the payment thereof. The City is authorized and required by law to levy *ad valorem* taxes without limitation as to rate or amount upon all taxable property within the City for the payment of the 2024 Bonds unless other funds are lawfully available and appropriated for such purpose. See "**THE 2024 Bonds – Security for the 2024 Bonds**" for a more complete description of the pledge.

#### **Use of Proceeds**

The City will apply net proceeds of the 2024 Bonds (i) to finance the costs of the City's Capital Improvement Program, including the costs associated with the purchase of the Hampton Roads Regional Jail, and (ii) pay the costs of issuing the 2024 Bonds. See "**THE 2024 Bonds**" for a complete description of the use of proceeds.

## **Optional Redemption**

The 2024 Bonds maturing on or before July 15, 2034, are not subject to optional redemption. The 2024 Bonds maturing on or after July 15, 2035, will be subject to redemption at the option of the City, in whole or in part at any time on and after July 15, 2034, at a redemption price equal to 100% of the principal amount of the 2024 Bonds to be redeemed together with the interest accrued thereon to the date fixed for redemption.

If less than all of the 2024 Bonds of a maturity are called for redemption, the particular bonds or portions thereof in increments of \$5,000 of such maturity to be redeemed shall be selected by lot.

## **Delivery**

The 2024 Bonds are offered for delivery, when, as, and if issued, subject to the approval of validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the City by the City Attorney, Lavonda Graham-Williams, Esquire. It is expected that the 2024 Bonds will be available for delivery, at the expense of the City, through the facilities of DTC on or about September 12, 2024.

## **Ratings**

The 2024 Bonds have been rated "Aa2" by Moody's Investors Service, Inc. and "AA+" by S&P Global Ratings, respectively.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials provided to it by the City and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2024 Bonds.

## **Bond Counsel**

McGuireWoods LLP serves as Bond Counsel ("Bond Counsel") to the City in connection with the issuance of the 2024 Bonds. The opinion of Bond Counsel will be dated and given on, and will speak only as of, the date of issuance and delivery of the 2024 Bonds. The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement, and Bond Counsel makes no representation that it has independently verified the same.

## **Financial Advisor**

The City has retained Davenport & Company LLC, Richmond, Virginia (the "Financial Advisor"), as its financial advisor in connection with the City's preparation for issuance of the 2024 Bonds. A portion of the financial advisor's compensation for services rendered with respect to the sale of the 2024 Bonds is contingent upon the issuance and delivery of the 2024 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

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



## **Auditors**

The City's financial statements for the fiscal year ended June 30, 2023, have been audited by CliftonLarsonAllen LLP to the extent and for the periods indicated in their report thereon and are included as **Appendix A – "Basic Financial Statements for the Fiscal Year ended June 30, 2023."** Such financial statements have been included in reliance upon the report of CliftonLarsonAllen LLP. CliftonLarsonAllen LLP will not be reviewing any matters in connection with the issuance and sale of the 2024 Bonds. Each fiscal year of the City ending June 30 shall be referred to as a "Fiscal Year."

## **Continuing Disclosure**

The City has agreed in its Continuing Disclosure Agreement dated the date of delivery of the 2024 Bonds to provide certain annual financial information and notice of the events listed in Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. Such undertaking requires the City to provide only limited information at specified times. See **"THE 2024 Bonds – Continuing Disclosure"** and **Appendix C – "Form of Continuing Disclosure Agreement."**

## **Relationship of Parties**

McGuireWoods LLP represents Davenport & Company LLC, the Financial Advisor, from time to time in matters unrelated to the 2024 Bonds.

## **Additional Information**

Any questions concerning the contents of this Official Statement should be directed to the following: Kyle Laux, Davenport & Company LLC, (804) 697-2913, or Arthur E. Anderson II, McGuireWoods LLP, (804) 775-4366.

*[Remainder of Page Intentionally Left Blank]*

## SECTION TWO: THE 2024 BONDS

### Plan of Finance

The City will apply the proceeds of the 2024 Bonds to (i) finance the costs of the City's Capital Improvement Program, including the costs associated with the purchase of the Hampton Roads Regional Jail, and (ii) pay the costs of issuing the 2024 Bonds.

### Estimated Application of Proceeds of 2024 Bonds

The following table summarizes the anticipated application of the proceeds of the 2024 Bonds to carry out the Plan of Finance described above.

	<u>Total</u>
Sources of Proceeds:	
Par Amount of Bonds	\$41,100,000.00
Net Original Issue Premium	<u>4,398,211.20</u>
Total:	<u>\$45,498,211.20</u>
Uses of Proceeds:	
Deposit to Project Fund	\$45,000,000.00
Costs of Issuance <sup>(1)</sup>	497,853.24
Additional Proceeds	<u>357.96</u>
Total:	<u>\$45,498,211.20</u>

<sup>(1)</sup> Includes underwriter's discount and rating agency, financial advisory, actuarial consulting, legal, printing, and other fees and expenses.

### Authority for Issuance

The City Council authorized the issuance of the 2024 Bonds pursuant to an ordinance of the City Council adopted on May 28, 2024, pursuant to and in conformity with the Constitution of Virginia and the statutes of the Commonwealth of Virginia (the "Commonwealth"), including Chapter 26 of Title 15.2 of the Code of Virginia, 1950 (the Public Finance Act of 1991).

### Description of the 2024 Bonds

The 2024 Bonds will be dated the date of their delivery and will mature on July 15 in each of the years and principal amounts and will bear interest from their date at the rates per year set forth on the inside front cover page of this Official Statement. Interest on the 2024 Bonds will be payable on each January 15 and July 15, commencing January 15, 2025 (each an "Interest Payment Date"). All interest payments will be made to the registered owners as such owners appear on the registration books kept by U.S. Bank Trust Company, National Association as a registrar for the 2024 Bonds (the "Registrar"), on the January 1 and July 1 before each Interest Payment Date (each the "Record Date"). Interest on the 2024 Bonds will be calculated on the basis of a 360-day year with 12 months of 30 days each.

The 2024 Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof in accordance with the book-entry-only system described below. U.S. Bank Trust Company, National Association will act as Registrar and Paying Agent for the 2024 Bonds.

The 2024 Bonds will be governed in all respects including validity, interpretation and effect by, and will be enforceable in accordance with, the laws of the Commonwealth.

## **Book-Entry-Only System**

Appendix D contains a description of DTC's procedures and recordkeeping with respect to beneficial ownership interests in the 2024 Bonds, payments of principal and interest on the 2024 Bonds to DTC, its nominee, Direct Participants, Indirect Participants or Beneficial Owners (each as defined in Appendix D), confirmation and transfer to beneficial ownership interests in the 2024 Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners. Such description is based solely on information furnished by DTC and the City makes no any representations about such information. **So long as DTC or its nominee, Cede & Co., is the registered owner of the 2024 Bonds, any such notices of redemption will be mailed solely to DTC and distribution of such notices to Direct Participants and Indirect Participants (each as defined in Appendix D) will be the sole responsibility of DTC, and distribution of such notices to Beneficial Owners (as defined in Appendix D) will be the sole responsibility of the Direct Participants and Indirect Participants.**

## **Redemption of 2024 Bonds**

The 2024 Bonds maturing on or before July 15, 2034, are not subject to optional redemption. The 2024 Bonds maturing on or after July 15, 2035, will be subject to redemption at the option of the City, in whole or in part at any time on and after July 15, 2034, at a redemption price equal to 100% of the principal amount of the 2024 Bonds to be redeemed together with the interest accrued thereon to the date fixed for redemption.

If less than all of the 2024 Bonds of a maturity are called for redemption, the particular bonds or portions thereof in increments of \$5,000 of such maturity to be redeemed shall be selected by lot.

*Notice of Redemption.* If any 2024 Bond (or portion of the principal amount thereof in installments of \$5,000) shall be called for redemption, notice of the redemption (which may be conditioned upon the occurrence of certain events) thereof, specifying the date, number and maturity of such 2024 Bond, the date and place or places fixed for its redemption, and if less than the entire principal amount of such 2024 Bond is to be redeemed, that such 2024 Bond must be surrendered in exchange for the principal amount thereof to be redeemed and a new 2024 Bond or 2024 Bonds issued equaling in principal amount that portion of the principal amount thereof not being redeemed, shall be mailed not less than 30 days nor more than 60 days prior to the date fixed for redemption by facsimile transmission, registered or certified mail or overnight delivery to the registered owner of such 2024 Bond at such owner's address as it appears on the books of registry kept by the Registrar as of the close of business on the 45<sup>th</sup> day next preceding the date fixed for redemption. If notice of the redemption of any 2024 Bond shall have been given as aforesaid, and payment of the principal amount of such 2024 Bond (or the portion of the principal amount thereof to be redeemed) and of the accrued interest payable upon such redemption shall have been duly made or provided for, interest on such 2024 Bond shall cease to accrue from and after the date so specified for the redemption thereof.

So long as the 2024 Bonds are in book-entry-only form, any notice of redemption shall be given only to DTC or to its nominee. The City shall not be responsible for providing any Beneficial Owner of 2024 Bonds any notice of redemption.

## **Security for the 2024 Bonds**

The 2024 Bonds constitute general obligations of the City, and the full faith and credit of the City are irrevocably pledged to the payment of principal of, premium, if any, and interest on the 2024 Bonds. The proceedings authorizing the issuance of the 2024 Bonds provide that the City Council shall, in each year while any of the 2024 Bonds shall be outstanding, levy and collect on all property in the City subject to local taxation an annual *ad valorem* tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and the interest on the 2024 Bonds, unless other funds are legally available and appropriated for the timely payment of the 2024 Bonds.

## **Bondholders' Remedies in the Event of Default**

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed by or on behalf of any owner of a general obligation bond, or by any paying agent therefor, in default as to payment of principal, premium, if any, or interest, the Governor shall immediately conduct a summary investigation. If it is established to the Governor's satisfaction that payment of the bond or interest thereon is in default, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply the amount so withheld to payment of the defaulted bonds and interest on them. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659 or its predecessor statute Section 15.1-225 has ever been issued. Although neither Section 15.2-2659 nor its predecessor statute has been considered by a Virginia court, the Attorney General of Virginia has opined that appropriated funds may be withheld by the Commonwealth pursuant to thereto.

Neither the 2024 Bonds nor the proceedings with respect thereto specifically provide any remedies to Bondholders if the City defaults in the payment of principal of or premium, if any, or interest on the 2024 Bonds, nor do they contain a provision for the appointment of a trustee to enforce the interests of the Bondholders upon the occurrence of such default. Upon any default in the payment of principal, premium, if any, or interest, a Bondholder could, among other things, seek from any appropriate court a writ of mandamus requiring the City Council to observe the covenants contained in the 2024 Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce.

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

Bankruptcy proceedings by the City could have adverse effects on Bondholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the 2024 Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claims or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

## **Approval of Legal Matters**

Certain legal matters relating to the authorization and validity of the 2024 Bonds are subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, whose opinion regarding the 2024 Bonds will be furnished at the expense of the City upon delivery of the 2024 Bonds. Bond Counsel has not verified the accuracy, completeness, or fairness of this Official Statement or any other information that may have been relied on by anyone in the decision to purchase the 2024 Bonds. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to pay debt service on the 2024 Bonds. Accordingly, Bond Counsel will express no opinion of any kind as to the Official Statement, and the opinions of Bond Counsel will be limited to matters relating to the authorization and validity of the 2024 Bonds and certain other matters described in **"THE 2024 BONDS – Legal Opinion and Tax Matters – 2024 Bonds"**. Certain legal matters will be passed on for the City by Lavonda Graham-Williams, Esquire, City Attorney.

The form of the proposed opinion of Bond Counsel for the 2024 Bonds is found in **Appendix B – "Form of Bond Counsel Opinion"** of this Official Statement.

## Legal Opinion and Tax Matters – 2024 Bonds

*Opinion of Bond Counsel – Federal Income Tax Status of Interest.* Bond Counsel's opinion regarding the federal income tax status of the interest on the 2024 Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the 2024 Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax under Section 55(b) of the Code.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the excludability of interest on the 2024 Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS") or the courts. The City has covenanted, however, to comply with the requirements of the Code.

Although Bond Counsel is of the opinion that interest on the 2024 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, 2024 Bonds may otherwise affect the federal tax liability of an owner of the 2024 Bonds. The nature and extent of these other federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the 2024 Bonds should consult their own tax advisors with respect thereto.

See "Form of Bond Counsel Opinion" in Appendix B.

*Reliance and Assumptions; Effect of Certain Changes.* In delivering its opinion regarding the federal income tax treatment of interest on the 2024 Bonds, Bond Counsel is relying upon certifications of representatives of the City, the underwriters of the 2024 Bonds, the financial advisor to the City and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2024 Bonds in order for interest on the 2024 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2024 Bonds and the use of the property financed by such 2024 Bonds, limitations on the source of the payment of and the security for such 2024 Bonds and the obligation to rebate certain excess earnings on the gross proceeds of such 2024 Bonds to the United States Treasury. The Tax Certificate to be entered into by the City (the "Tax Certificate") with respect to the 2024 Bonds contains covenants (the "Covenants") under which the City has agreed to comply with such requirements. Failure by the City to comply with the Covenants could cause interest on the 2024 Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. If such a failure occurs, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2024 Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2024 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificate. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2024 Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

*Certain Collateral Federal Tax Consequences.* The following is a brief discussion of certain collateral federal income tax matters with respect to the 2024 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2024 Bonds.

Prospective purchasers of the 2024 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

*Original Issue Discount.* 2024 Bonds purchased in the initial public offering with yields higher than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "original issue discount." Each such 2024 Bond is referred to below as an "OID Bond." The excess of (i) the stated amount payable at the maturity (excluding qualified stated interest) of any OID Bond over (ii) the issue price of the OID Bond as determined under Section 1273 of the Code (which may differ from the price shown on the inside front cover page of this Official Statement) constitutes the amount of original issue discount, which is treated in the same manner as interest on the 2024 Bonds for federal income tax purposes.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond, the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner's adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excludable from the gross income of the owner for federal income tax purposes.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial public offering may be determined according to rules that differ from those described above.

In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed in this section. Consequently, the owner of an OID Bond should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although such owner has not received cash attributable to such original issue discount in such year.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the original issue discount accrued upon sale or redemption of such OID Bonds (including OID Bonds not purchased in the initial public offering) and with respect to the state and local tax consequences of owning OID Bonds.

*Bond Premium.* 2024 Bonds purchased in the initial public offering with yields lower than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "bond premium." Each such 2024 Bond is referred to below as an "OIP Bond." The excess of (i) the owner's basis in the OIP Bond immediately after acquisition over (ii) the amount payable at maturity (excluding qualified stated interest) as determined under Section 171 of the Code constitutes the amount of the bond premium. Under the Code, the bond premium is amortized based on the owner's yield over the remaining term of the OIP Bond (or, in the case of certain callable OIP Bonds, to an earlier call date that results in a lowest yield on the OIP Bond). The owner of an OIP Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period against the bond premium allocable to that period. No deduction is allowed for such amortization of bond premium even though the owner is required to decrease the adjusted basis in the owner's OIP Bond by the amount of the amortizable bond premium, which will result in an increase in the gain (or decrease in the loss) recognized for federal income tax purposes upon a sale or disposition of the OIP Bond prior to its maturity.

Prospective purchasers of any OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of bond premium on, such OIP Bonds.

*Information Reporting and Backup Withholding.* Prospective purchasers should be aware that the interest on the 2024 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the 2024 Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an "exempt recipient" and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the 2024 Bonds from gross income for federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

*Internal Revenue Service Audits.* The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2024 Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the 2024 Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the 2024 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the 2024 Bonds.

*Opinion of Bond Counsel – Virginia Income Tax Consequences.* Bond Counsel will also opine that, under existing law, interest on the 2024 Bonds is excludable from gross income for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (a) other Virginia tax consequences arising with respect to the 2024 Bonds or (b) any consequences arising with respect to the 2024 Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding the tax status of interest on the 2024 Bonds in a particular state or local jurisdiction other than Virginia.

*Changes in Federal and State Tax Law and Regulations.* Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes.

The U.S. Department of the Treasury and the IRS and state regulatory authorities are continuously drafting regulations and other guidance to interpret and apply the provisions of the Code and state law. Proceedings affecting tax-exempt obligations may be filed in federal or state courts at any time. Such guidance and the outcome of such court proceedings could modify the federal or state tax treatment of tax-exempt obligations.

There can be no assurance that legislation proposed or enacted after the date of issue of the 2024 Bonds, regulatory interpretation of the Code or state laws or actions by a court involving either the 2024 Bonds or other tax-exempt obligations will not have an adverse effect on the 2024 Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the 2024 Bonds.

Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding the potential consequences of any such proposed or pending federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

### **Litigation**

The City, in the course of its activities, has been named as defendant various lawsuits, including lawsuits related to wrongful termination, torts, and zoning issues.

These suits are being defended by the City Attorney and associated independent counsel retained by the City Attorney. It is not anticipated that the possible losses in connection with the lawsuits will materially or adversely affect the City's ability to pay principal and interest on any outstanding general obligation bonds, including the 2024 Bonds. For additional information, see **Appendix A – "Basic Financial Statements for the Fiscal Year ended June 30, 2023"** including the information regarding contingencies.

There is no litigation of any kind now pending or, to the best of the City's knowledge, threatened against the City to restrain or enjoin the issuance or delivery of the 2024 Bonds or in any manner questioning the proceedings and authority under which the 2024 Bonds are issued or affecting the ability of the City to levy or collect ad valorem taxes without limitation as to rate or amount for the payment of the principal of or interest on the 2024 Bonds.

### **Sale at Competitive Bidding**

The 2024 Bonds were offered for sale at competitive bidding on August 28, 2024, and were awarded to J.P. Morgan Securities LLC (the "2024 Winning Bidder"). The 2024 Winning Bidder supplied the information as to the initial offering prices of the 2024 Bonds as set forth on the inside front cover of this Official Statement. The 2024 Winning Bidder will be purchasing the 2024 Bonds at a purchase price equal to the aggregate original principal amount of the 2024 Bonds of \$41,100,000.00, less a winning bidder's discount of \$72,853.24, plus net original issue premium of \$4,398,211.20, resulting in a purchase price of \$45,425,357.96.



## Certificate Regarding Official Statement

Concurrently with the delivery of the 2024 Bonds, officials who signed the 2024 Bonds will certify that, to the best of their knowledge (i) the Final Official Statement did not as of its date, and does not as of the date of delivery of the 2024 Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Final Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading and (ii) that no litigation is pending or threatened against the City (A) to restrain or enjoin the issuance or delivery of any of the 2024 Bonds, (B) in any way contesting or affecting any authority for the issuance or validity of the 2024 Bonds or (C) in any way contesting the existence or powers of the City. Such certificate will also state, however, that such officials did not independently verify the information in the Final Official Statement from sources other than the City, but that they have no reason to believe that such information contains any untrue statement of a material fact or omits to state a material fact which should be included therein for the purpose for which the Final Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

## Continuing Disclosure

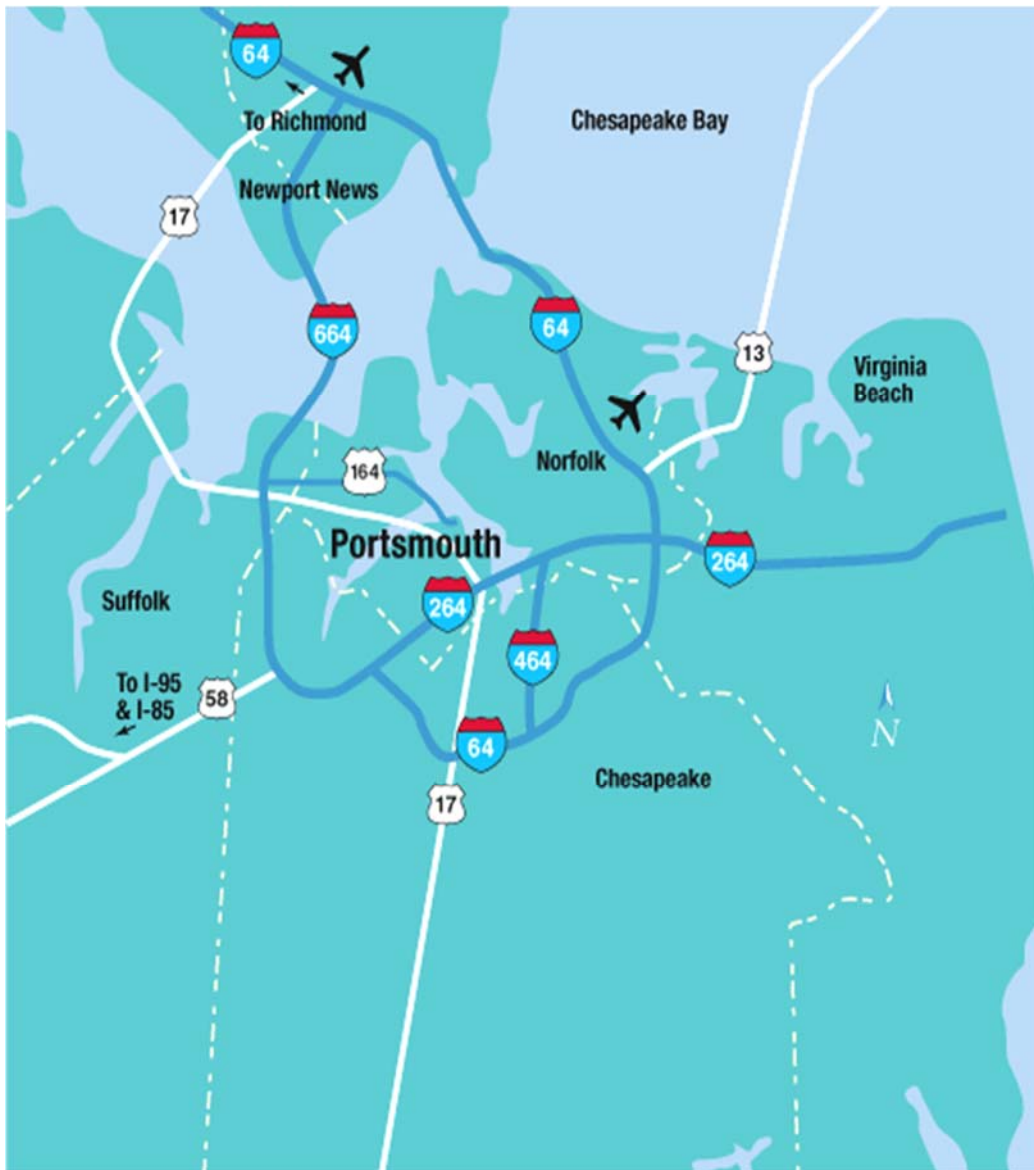
*Current Undertaking.* The City will execute and deliver in connection with the 2024 Bonds a Continuing Disclosure Agreement, the form of which is set forth as **Appendix C** to this Official Statement, pursuant to which the City will covenant and agree to provide certain annual financial information and notices of the events specified in Rule 15c2-12. As described in **Appendix C**, the Continuing Disclosure Agreement requires the City to provide only limited information at specific times, and the information provided may not be all the information necessary to value the 2024 Bonds at any particular time. The City may from time to time disclose certain information and data in addition to that required by the Continuing Disclosure Agreement. If the City chooses to provide any additional information, the City shall have no obligation to continue to update such information or to include it in any future disclosure filing. The City may amend its undertakings if such amendment complies with Rule 15c2-12 at the time of the amendment and will promptly disclose such amendment on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). See **Appendix C – "Form of Continuing Disclosure Agreement."**

The continuing obligation of the City to provide annual financial information and notices pursuant to such Continuing Disclosure Agreement will terminate with respect to any 2024 Bond when such 2024 Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the 2024 Bonds.

*Prior Undertakings.* The City failed to comply with certain provisions of the Rule when it failed to make separate filings of some of its financial and statistical information as required by prior continuing disclosure undertakings. The information was available in official statements of the City posted to EMMA but not cross-referenced in any annual filing. In addition, the City failed to file notices of certain ratings changes affecting its bonds and related bond insurers. The City has established procedures to promote future compliance with its continuing disclosure undertakings.

In the course of reviewing its prior continuing disclosure undertakings, the City became aware that it failed to file its annual financial information and operating data for the City's fiscal year 2020 and failed to timely file notice of its late filing, which the City subsequently remediated. Further, the City failed to timely file its annual financial information and operating data for the City's fiscal year 2022, but the City has since filed its fiscal year 2022 materials. The City also filed its annual financial information and operating data for the City's fiscal year 2023 after the deadline, but the City did promptly file notice of its late filing and has since filed its fiscal year 2023 materials. The City also became aware that it did not file in a timely manner notice of a ratings downgrade for the City's general obligation bonds, but the City has since filed notice thereof in August 2024.

## MAP OF HAMPTON ROADS AREA



## **SECTION THREE: GENERAL INFORMATION REGARDING THE CITY**

### **Introduction**

The City was settled in 1752 and incorporated by the Virginia General Assembly in 1858. The City lies in Hampton Roads, one of the world's great natural harbors, situated at the confluence of the James and Elizabeth Rivers where they empty into the Chesapeake Bay. The City is located in the center of the Hampton Roads region, bordered by the cities of Suffolk, Chesapeake, and Norfolk. The City's land area of approximately 33 square miles is mostly developed, with an estimated population of 96,085 in 2023.

The City includes 90 miles of shoreline at the official zero-mile post of the Atlantic Intercoastal Waterway from Portsmouth down into the Florida Keys, which connects to northern channels allowing passage from Boston to Florida. Portsmouth's location on navigable waterways has proven a dominant force in the City's history and economy. Its location on the 40 plus foot deep Hampton Roads shipping channel, and the presence of both the CSX and Norfolk Southern Railroads, supports the national and international port commerce activities and military presence in the region.

Portsmouth is home to the Norfolk Naval Shipyard, a government facility with approximately 12,000 people on base, the Atlantic Area Command and United States Coast Guard (USCG) Fifth District Headquarters with approximately 2,500 employees, and the Naval Regional Medical Center (U.S. Naval Hospital) with approximately 4,300 employees. The USCG Atlantic Area command provides the operational leadership for all USCG missions from the Rocky Mountains to the Arabian Gulf, spanning across five Coast Guard Districts and 40 states.

Although economic activity in the City has been historically associated with the port and military activities in the region, the City's economy has diversified in recent years with increasing employment in the service, manufacturing, and professional sectors.

The City is an independent, full-service city with sole local governmental taxing power within its boundaries. It derives its governing authority from a charter granted by the General Assembly of the Commonwealth.

The City Council is the governing body of the City, which formulates policies for the administration of the City. The City operates under the Council-Manager form of government, with the City Council consisting of a mayor and six other council members. The mayor is elected directly by the voters on an at-large, nonpartisan basis, as are the remaining members of the City Council. The City Council is the legislative policy-making body, and the City Manager, who is appointed by the City Council, serves as the City's chief executive officer. The City Manager reports directly to the City Council, appoints department heads, conducts the financial business of the City, and performs other duties as required by the governing body.

The operation of public schools in City is the responsibility of the School Board (the "School Board"), consisting of nine members elected by the citizens at-large for four-year terms. By state law, the School Board operates independently from the City Council but is fiscally dependent on it.

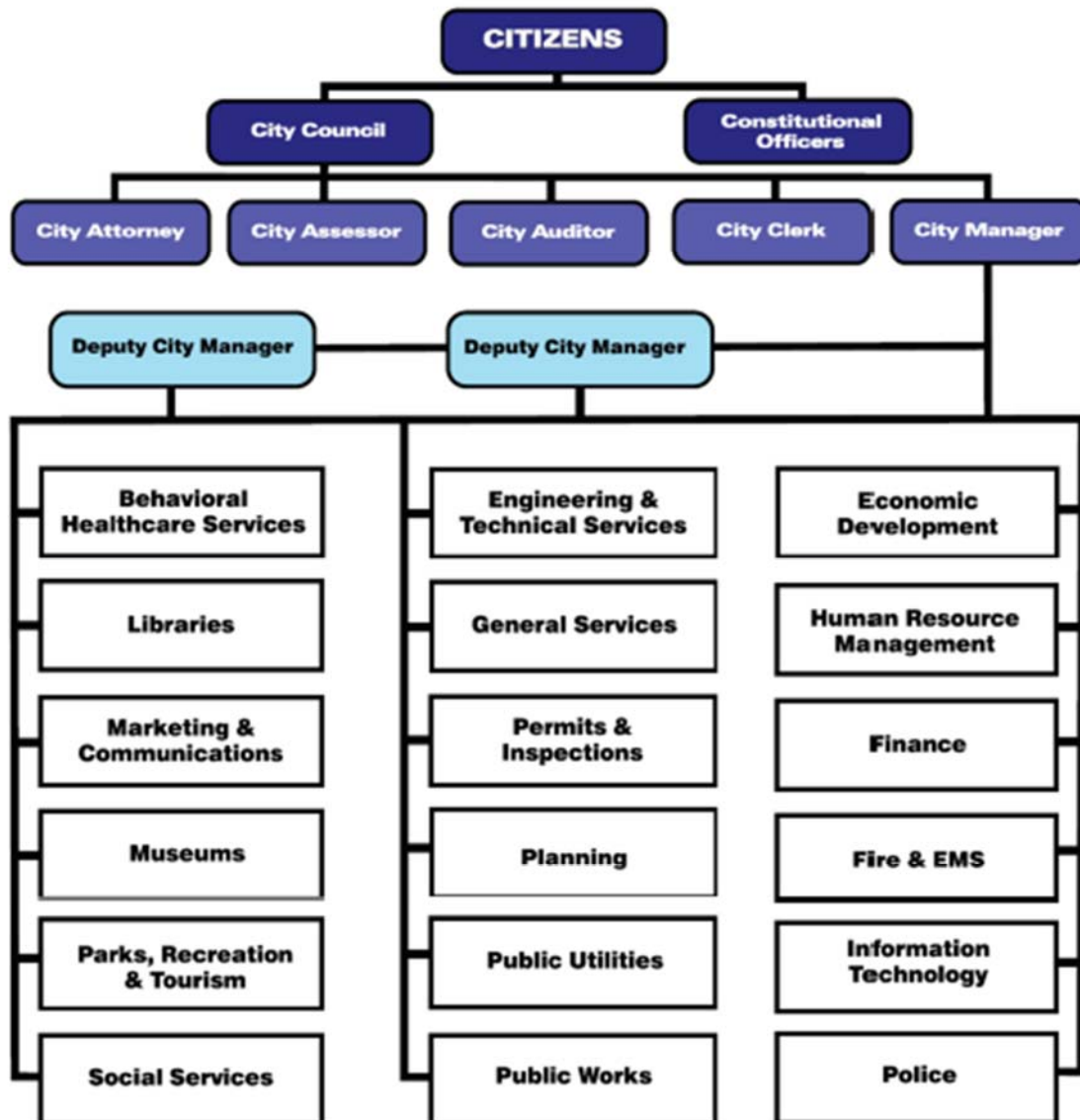
The City Council appropriates an annual sum for education by category. The School Board determines how the funds are spent. Taxing and appropriation authority remain with the City Council.

The City provides a full range of municipal services to meet the needs of its citizens including police and fire protection, collection and disposal of refuse and recycling, water, sewer and storm water services, street and highway maintenance, parks and recreation, libraries and cultural resources, city planning, health and social services, parking, and general administration.

## Organizational Chart



### THE MUNICIPAL ORGANIZATION OF THE CITY OF PORTSMOUTH, VA



## **Certain Elected and Appointed Officials**

### **Shannon E. Glover, Mayor**

Elected as the Mayor on November 2, 2020 for a term of four years ending on December 31, 2024. Mr. Glover was born in Erie, Pennsylvania and moved to Portsmouth in 1990. Councilman Glover served in the U.S. Navy. He worked at the Portsmouth Naval Medical Center after graduating from the Naval School of Health Sciences. Mr. Glover currently owns two businesses: Commonwealth Employee Benefits Solutions, Inc. and Creative Learners Educational Center, LLC. He is married to Paula Rochella Meadows and has two children Denzel and Alana.

### **Lisa Lucas-Burke, Vice Mayor**

Re-elected to the City Council in 2020 for a term of four years ending on December 31, 2024. Mrs. Lucas-Burke is a product of Portsmouth Public Schools, graduating from Manor High School in 1981 where she was a member of the Concert and Marching Mustangs Band. Mrs. Lucas-Burke attended Norfolk State University (NSU) and was active with the Institute of Electronic and Electrical Engineers (IEEE) for two years. She served as an Engineering Aide intern with NASA (Hampton, VA – Summer 1985). Mrs. Lucas-Burke earned a Bachelor of Science Degree in Electronics Engineering (NSU - May 1987) and a Bachelor of Arts in Psychology (NSU – December 2016). The Master of Arts, Community Psychology is a future goal. Mrs. Lucas-Burke began employment as a Computer Operator with the City's Data Processing Department in January 1988 and was promoted to Programmer (July 1993) and Analyst (July 1998). During that time, Mrs. Lucas-Burke was the only African American female to obtain the position of Computer Programmer Analyst in the City's Information Technology Department. Mrs. Lucas-Burke joined her family business as Program Director (October 2000) and currently serves as Executive Director and partner with her mother and sister with Lucas Lodge Entities operating at Lucas Professional Center in Portsmouth.

### **De'Andre A. Barnes, Councilman**

Elected to the City Council in 2020 for a term of four years ending December 31, 2024. Mr. Barnes was raised in the City and graduated from the I.C. Norcom High School. He went on to graduate from Virginia State University with a Bachelor's in Political Science and a Master's in Urban Affairs from Norfolk State University. Mr. Barnes worked as a Legislative Assistant for Congressman Robert C. "Bobby" Scott for nearly six years. He left Congressman Scott's office in 2015 to return to the City to serve as a Youth Service Coordinator with Portsmouth Redevelopment and Housing Authority. He currently runs a successful nonprofit organization, known as the Portsmouth City Sports Club, Incorporated., which has operated for nearly seven years. The Portsmouth City Sports Club has served more than 4,000 children through various programs. Mr. Barnes was elected to the Portsmouth School Board in 2018. Mr. Barnes is married to his wife of 25 years, Lisa, and they have three children who attend Portsmouth Public Schools.

### **Mark A. Hugel, Councilman**

Elected to the City Council in 2022 for a term of four years ending December 31, 2026. Mr. Hugel was commissioned as an Ensign in The United States Navy in June 1977 after earning a Bachelor of Science degree in Systems Engineering from the United States Naval Academy. He was accepted by Admiral Rickover into the Navy Nuclear Propulsion Program and was subsequently assigned to sea tours in nuclear-powered aircraft carriers and a nuclear-powered cruiser. He earned a Navy Surface Warfare Officer qualification and was later accepted for lateral transfer into the Navy's Engineering Duty Officer Program.

In June 1992, Mr. Hugel completed his graduate education at the Massachusetts Institute of Technology, earning a Master of Science degree in Naval Architecture and Marine Engineering and a Master of Science degree in Mechanical Engineering. He subsequently served in acquisition, shipbuilding, and ship maintenance tours as Supervisor of Shipbuilding, Newport News, Virginia, and Norfolk Naval Shipyard, Portsmouth, VA.

In his third tour of duty at Norfolk Naval Shipyard, Mr. Hugel was the 100th Shipyard Commander. After promotion to Flag rank, he was Deputy Director for Fleet Readiness on the Chief of Naval Operations staff in the Pentagon. Mr. Hugel's last active duty assignment was as Deputy Commander, Logistics, Maintenance, and Industrial Operations at the Naval Sea Systems Command, where he oversaw more than 26,000 civil service employees in the nation's shipyards.

After retiring from the Navy in 2009, Mr. Hugel returned to Portsmouth and began his employment with CACI International, Inc., where he was selected to lead CACI's Norfolk, Virginia office. During his tenure at CACI, he has been the Senior Vice President managing Navy logistics and, subsequently, the company's entire Logistics and Materiel Readiness market. He has recently moved to part-time employment with CACI, providing strategic and business development advice and continuing his lifelong work as a Navy logistics and maintenance professional.

Mr. Hugel and his wife, Luana, built their first home in Portsmouth in 1986 and returned there when he retired from the Navy. In 2016, they moved to their current residence in the Sterling Point section of Churchland. Mr. Hugel represented Portsmouth on the Tidewater Community College Board of Directors, is a voluntary board member of Starbase Victory, and is Chairman of the Board of Directors at The Up Center. He serves on the Portsmouth Mayor's Military Affairs Committee and the Portsmouth Public Schools Career & Technical Education Advisory Committee. He also serves as the American Society of Naval Engineers' National President.

#### **William E. Moody, Jr., Councilman**

Re-elected to City Council in 2022 for a sixth term of four years ending December 31, 2026. Mr. Moody is a veteran of the U.S. Air Force and previously served as Vice President of Sales for Doughtie's Foods in Portsmouth for 29 years. He is the former Vice Mayor and former Chairman, Portsmouth Division of the Hampton Roads Chamber of Commerce.

#### **Vernon L. Tillage, Jr., Councilman**

Elected to the City Council in 2022 for a term of four years ending December 31, 2026. A life-long resident of Portsmouth, Mr. Tillage graduated from Churchland High School and Old Dominion University (ODU). Upon graduating from ODU, he began his career as a Chief of Staff in the Virginia General Assembly and a Regional Outreach Representative in the United States Senate. He currently serves as the Community Affairs Coordinator for Virginia Natural Gas.

In 2020 at the age of 26, Mr. Tillage was elected to the Portsmouth School Board, becoming the youngest person to serve in public office in the City of Portsmouth. In 2021, Mr. Tillage received the Inaugural Old Dominion University Alumni Association's Top 40 Under 40 award, awarded to individuals who have forged exceptional achievements and will leave an indelible mark before age 40.

Mr. Tillage made history again in 2022 at 28, becoming the youngest person to be elected to the Portsmouth City Council.

#### **Dr. Mark M. Whitaker, Councilman**

Elected to City Council in 2020 for a term of four years ending December 31, 2024. Dr. Whitaker graduated from Manor High School in 1983. He has a Bachelor's of Science in Management Services from Virginia Tech, a Master of Business Administration from the Pennsylvania State University, and a Juris Doctor from the Ohio State University. In 1992, Dr. Whitaker was licensed as a minister and ordained in June of 1995. He serves as the Assistant Pastor of New Bethel Baptist Church in the City where his father, Bishop James M. Whitaker has served as the Pastor since June of 1964 and his mother, Otelia McIntyre Whitaker, is the Minister of Music. For 25 years, Dr. Whitaker taught on the collegiate level at Virginia Tech in the R. B. Pamplin School of Business from 1993-1999 and at Hampton University from 1999 – 2018 where he earned tenure and

the rank of Associate Professor of Management in the School of Business. In May 2002, Dr. Whitaker was elected to the Portsmouth Public School Board and served until December 2014. As a School Board Member, Dr. Whitaker chaired the Minority Contracting Committee and the Corporate Sponsorship Committee. Moreover Dr. Whitaker was very instrumental in the School Board implementing a Minority and Women Business Enterprises Program, Middle School Athletics Program, Pay Equity Study, and in advocating for a culture of fairness and respect for all. He is married to Dr. Ingrid Whitaker, who serves as a Tenured Associate Professor of Sociology at Old Dominion University. They are the proud parents of four children.

## **Appointed Officials**

### **Steven Carter, City Manager**

Appointed as City Manager in March 2024. Mr. Carter is a dedicated leader with over 35 years of experience in strategic leadership and information technology, including serving as a US Air Force veteran. With a steadfast commitment to achieving success, he serves as the City Manager of the City, providing expert management oversight for all city departments. Before becoming the City's City Manager, Mr. Carter served as the City Manager in Albany, Georgia, a community similar to the City.

Throughout his more than two decades in local government service, Mr. Carter has demonstrated exceptional leadership through challenging times, including navigating natural disasters and the complexities of the COVID-19 pandemic. His leadership style is characterized by resilience, adaptability, and a strong focus on serving the community's needs while developing an environment of excellence in customer service.

Mr. Carter has served as Chief Information Officer (CIO) in the public, private, and academic sectors, making significant contributions to corporate values, project management, and cybersecurity. Under his leadership, Mr. Carter spearheaded initiatives to expand telecommunication fiber infrastructure, implement telephony and communications upgrades, and develop comprehensive disaster recovery plans to ensure business continuity. Mr. Carter has managed technology services spanning the globe, with responsibility for networks with more than 500,000 users.

Mr. Carter's extensive experience includes leading high-performing teams, driving organizational change, and fostering a culture of collaboration and innovation. He holds an MBA and a bachelor's degree (Summa Cum Laude) in Computer Information Systems with a minor in Business. Additionally, he is a Certified Government Chief Information Officer (CGCIO) through the Georgia Municipal Association and the Carl Vinson Institute of Government at the University of Georgia.

With a passion for community involvement and servant leadership, Mr. Carter is dedicated to positively impacting and driving meaningful change in the City.

### **Lavonda Graham-Williams, Esq., City Attorney**

Appointed as City Attorney in April 2022, Portsmouth native Mrs. Lavonda Graham-Williams, Esquire's job includes but is not limited to providing legal services to the City Council, the City Manager, and many other City Officials. Mrs. Graham-Williams is a graduate of George Washington University in Washington, D.C. and received her Juris Doctor from William & Mary's Marshall-Wythe School of Law.

Mrs. Graham-Williams began her law career as a litigation associate with Huff, Poole, and Mahoney, PC in Virginia Beach, Virginia. Her practice involved criminal and civil defense in the State and Federal court systems. Upon her return to the Washington, DC Metropolitan area, Mrs. Graham-Williams served as a Hearing Officer for the District of Columbia Department of Motor Vehicles. She would later leverage this broad experience as a defense attorney for many more years while serving as a managing partner and owner of her own law firm. She also served as a deputy prosecutor in the Commonwealth of Virginia.

Mrs. Graham-Williams serves on the board of many civic advocacy and philanthropic organizations, such as the American Civil Liberties Union, Virginia Affiliate, Go Grow & Be for Families of Special Needs Children, the Portsmouth General Hospital Foundation Board, and the Portsmouth Law Library Board. She enjoys networking, mentoring the youth with special needs, and giving back to the communities statewide. Mrs. Graham-Williams' professionalism, drive, hunger for knowledge, and kind spirit have allowed her to become an effective unifier and respected pioneer of change.

#### **Flora Berisha, Interim Chief Financial Officer**

Mrs. Berisha serves as the Interim Chief Financial Officer for City, bringing over 30 years of experience in public and private sector financial management. In this role, she is responsible for overseeing the financial operations of the municipality, including but not limited to financial reporting, budgeting, accounting, risk management, procurement. Mrs. Berisha has a proven track record of implementing strategic financial initiatives that enhance fiscal stability and transparency. She leads a dedicated team committed to maintaining the financial health of the municipality and ensuring compliance with all relevant regulations and standards. Before joining the City, Mrs. Berisha held various financial leadership positions as controller, chief financial officer and management roles for a variety of organizations located overseas, and in the U.S.

In addition to her professional duties, Mrs. Berisha is a Licensed Certified Public Accountant and actively participates at AICPA, VSCPA, GFOA, VGFOA, reflecting her commitment to both professional excellence and community engagement.

#### **Brian Donahue, Director of Economic Development**

Mr. Donahue serves as Director of Economic Development for the City. Mr. Donahue has 20 years of experience in economic development, community development and real estate across the Commonwealth. Prior to joining the Portsmouth Economic Development team in 2018, Mr. Donahue was the Director of Development for the Portsmouth Redevelopment and Housing Authority, overseeing residential and commercial redevelopment and revitalization initiatives throughout Portsmouth. He also spent three years in planning and community development roles with the City of Suffolk, Virginia. Mr. Donahue began his career with a privately held real estate development firm based in Richmond, Virginia. He has proudly called the Hampton Roads region home since 2006.

Mr. Donahue holds a Bachelor of Science in Urban Studies and Planning from Virginia Commonwealth University.

#### **Dr. Elie Bracy III, Superintendent of Schools**

Dr. Bracy was appointed School Superintendent in February 2015. Dr. Bracy earned a bachelor's degree in political science from Kentucky State University, a master's degree in public administration and guidance and counseling from North Carolina Central University, a master's degree in education administration and supervision from North Carolina Agricultural and Technical State University, and a doctorate in educational leadership from Nova Southeastern University. Dr. Bracy brings to Portsmouth 20 years of experience as a classroom teacher and a school administrator from North Carolina. A native North Carolinian, Dr. Bracy was superintendent of the Weldon City School District in Weldon, where he commenced his career as a guidance counselor and teacher. Dr. Bracy served as an assistant principal and a principal in North Carolina's Wayne County. In addition, he held two key leadership positions with the Northampton County Schools before assuming his assignment: director of elementary education and assistant superintendent for curriculum and instruction. Dr. Bracy is a member of several professional associations at the state and national levels, including the National School Boards Association, the Virginia School Boards Association, the American Association of School Administrators, the Virginia Association of School Superintendents, the College Board, and the District Administration Leadership Institute. This veteran school administrator has presented at national conferences; namely, the National Alliance of Black School Educators and the Urban Superintendents Association of



America. He has received a number of honors and awards; chief among them are the North Carolina Northeast Regional Superintendent of the Year Award, 2013; and the Presidential Partnership Award presented by Halifax Community College, 2009.

**Trey Burke, Budget Officer**

Mr. Burke has served the City as Budget Officer since October 2018. For the five years prior to joining the City, he worked in planning and management services for numerous small towns in southeastern North Carolina as an employee for the Cape Fear Council of Governments. In his six budget cycles with the City, Mr. Burke has continued the City's tradition of achieving the GFOA Distinguished Budget Award, and expanded the Budget Office's public communication offerings to include numerous annual charrettes, online polls and a comprehensive visual proposal of the budget document. Beginning in 2021, Mr. Burke has been leading the City's efforts to relocate the City Jail, which has resulted in closing the Hampton Roads Regional Jail and acquiring its property. He holds a Bachelor of Science in Political Science from Mississippi State University.

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## Overview of Selected Governmental Services and Functions

The City provides general governmental services to meet the needs of its citizens including police and fire protection, collection and disposal of refuse, water and sewer services, parks and recreation, libraries and cultural resources, health and social services, and street and highway maintenance. Services provided by the City that receive partial funding from the Commonwealth include public education in grades kindergarten through twelve, and certain technical and special education, mental health assistance, social services, and judicial activities.

### *Portsmouth Public Schools*

The Portsmouth Public Schools program provides quality instruction to all children who enroll. For fiscal year 2024 the School System has approximately 2,247 employees, including approximately 959 teachers and 1,288 support staff and administrative staff. The system operates 24 public education facilities as described in the following table. The City's three high schools are operated as magnet schools with each school focusing on one of the following areas: math, science and technology, performing arts, and international studies.

#### **Public Education Facilities 2023-2024**

3	Preschools
13	Elementary Schools
3	Middle Schools
3	High Schools
<u>1</u>	Centers
<u>24</u>	Total

#### **Average Daily Membership of Portsmouth Public Schools**

<u>School Year</u>	<u>Enrollment</u>
2023	13,370
2022	13,517
2021	13,991
2020	13,255
2019	13,254
2018	13,476
2017	13,713
2016	14,003
2015	14,168
2014	14,079

*Source:* Virginia Department of Education, Superintendent's Annual Reports.

### *Public Safety*

The Police Department is a large, urban, full service municipal law enforcement agency responsible for enforcing the law, maintaining public order, protecting the constitutional rights of individuals, and providing a wide variety of public services in partnership with the community. The Department currently has authorized approximately 259 sworn officers, 25 auxiliary police officers and 66 civilian employees. The sworn officers handle a wide variety of service requests in both emergency and routine categories. Uniform Patrol Bureau personnel are deployed on a 24/7 basis to provide the immediate response to the daily calls for police services in the City. In addition, the Police Department has several support positions filled by both sworn and civilian personnel who are assigned various tasks that include animal control, security guards, communications

dispatchers, administrative, and property/evidence personnel. These support functions play a major role in providing effective police services to the community. Executive Staff are charged with closely evaluating changing conditions internal and external to the city and react to and deploy personnel in an effective manner to maintain public order.

The Portsmouth Department of Fire, Rescue, and Emergency Services provides fire protection, emergency medical care, hazardous materials response, disaster preparedness services, arson investigation, fire prevention, inspection, and training for the citizens and businesses of Portsmouth. The department currently has authorized approximately 269 Firefighters, Paramedics, and support staff. The department also operates seven ambulances.

#### *Public Works/General Services*

The Department of Public Works has four divisions, which are Stormwater Management, Streets & Highways, Mosquito Control and Fleet and Properties Management.

The Stormwater Division maintains the ditches, outfalls, pipes, and lakes throughout the City. The City's Lake and Pond Management Program helps to improve water quality in the lakes and ponds that receive Stormwater from City streets and right-of-ways. The street sweeping operation falls under the Stormwater Division and is a part of the MS4 permit. The Stormwater Management Inspection Unit conducts routine site inspections on all construction projects that disturb a minimum of 2,500 square feet of land to ensure that the appropriate erosion and sediment control measures have been properly installed and maintained. The Public Works Department ensures that all storm drain maintenance and repairs throughout the City are in accordance with the current codes.

The Streets & Highways Division maintains approximately 398 miles of primary and secondary streets in the City. Public Works repairs potholes, shoulder of roads, public alleyways, and brick sidewalk and operates the City's animal incinerator. Public Works oversees and administers the paving and concrete contracts, which includes paving of streets and the repairs/replacement of concrete sidewalks, curbs and gutters, handicap ramps, etc., in accordance with the current codes.

The Mosquito Control Division monitors for potential mosquito breeding sites and uses a variety of traps and spraying to control the mosquito population. In addition, they track the amount of rainfall to help predict mosquito emergence.

The Department of Engineering and Technical Services' primary mission is to enhance public safety and maintain/improve the City's infrastructure by providing economical, responsive and effective engineering, along with surveying and project management support to City departments, developers, civic organizations and citizens.

#### *Social Services-Behavioral Healthcare Services-Public Health Departments*

The Department of Social Services, staffed by approximately 195 full-time employees, carries out responsibility for the administration of federal and state mandated human services programs for the City, including Child and Family Services (Child Protective Services, Foster Care, Adoption Services, Adult Services, Adult Protective Services and Generic Service Intake) and Financial Services Administration including initial and on-going case management for Temporary Assistance to Needy Families (TANF), Medicaid, Food Stamps, Energy Assistance Program (EAP), Virginia Independence Program (VIP), and Virginia's Initiative for Employment not Welfare (VIEW). Additionally, the Department of Social Services is responsible for eligibility determination for the Tax Relief and Tax Assistance Program.

The CSA Fund locally administers the Children's Services Act, a state mandated program established to provide and design services in response to the unique needs of youth and families and to increase interagency collaboration and family involvement in service delivery and management.

The Department of Behavioral Healthcare Services, staffed by approximately 126 full-time employees, is a Community Services Board that provides community based mental health, intellectual disability, substance abuse and prevention programming to the residents of the City.

The Department of Public Health provides health care services to the citizens of the City.

#### *Parks, Recreation and Cultural Business Center*

The Parks, Recreation and Cultural business center includes parks, recreation, tourism, museums, golf, public libraries, and landscape/cemetery maintenance.

#### *Community and Economic Development Business Center*

The Community and Economic Development business center services include the enforcement of the Commonwealth's building codes, local regulations, coordination of new programs to promote new business development, maintenance of existing businesses, and activities related to the physical development and use of land in the City.

#### *Department of Public Utilities*

The Portsmouth Department of Public Utilities ("DPU") operates the City-owned water and wastewater utilities, distributing water to over 150,000 customers in the City, Chesapeake and Suffolk. DPU also provides sewage collection and conveyance services to approximately 32,400 accounts. DPU is responsible for the installation, operation, and maintenance of the water and sewerage systems as well as billing and collection. In carrying out these responsibilities, DPU employs approximately 159 full-time personnel, distributed among its three major operating divisions: Administration and Fiscal, Water Treatment and Operations.

The water system includes approximately 6,000 acres of land including four interconnected reservoirs and five deep wells located in the City of Suffolk. In addition, the water system includes a water filtration plant, raw water and finished water pumping stations, elevated and ground storage reservoirs, and distribution systems with associated appurtenances and meters. The lakes and wells provide a total safe yield of 24.7 million gallons per day ("mgd") of water. The water is treated in a single treatment plant located in Suffolk with a 33 mgd capacity. The water system consists of approximately 400 miles of water transmission/distribution mains and storage tanks with 8.5 million gallons of capacity. The treatment plant facilities have undergone several modernizations and upgrades.

Currently, the City's Sanitary Sewer system operates and maintains approximately 436 miles of gravity mains and 50 miles of force mains. The Sanitary Sewer system currently serves approximately 32,400 accounts. Portsmouth has a wholesale contract with the City of Suffolk for the sale of 2.54 mgd through the end of 2040, and a wholesale contract with the City of Chesapeake for 3.3mgd through June 30, 2047.

#### *Information Technology*

The Department of Information Technology, staffed by approximately 40 full-time employees comprising 2 divisions of computer services and telecommunications has the responsibility of strategic technology leadership of inter-governmental departments and fostering technology services to citizens.

Information Technology recently completed a strategic fiber master plan, which will serve as the foundation of a municipal broadband network. The adopted capital improvement budget includes a 5-year

phased construction build out of a municipal network connecting all municipal facilities and operations. This municipal network will serve as the foundation of a connected smart city, further connecting municipalities, higher education, and public safety through regional partnerships.

### *Cybersecurity*

The City is actively working to enhance its cybersecurity practices through various initiatives. These efforts include annual enterprise-wide security training for new hires and existing employees, maintaining a good data recovery process, developing business continuity and disaster recovery plans, and conducting periodic data protection assessments. Additionally, the City is improving its IT infrastructure by implementing advanced security measures, ensuring compliance with state and federal guidelines, and participating in statewide cybersecurity planning and policy committees. These initiatives aim to protect critical information systems and enhance the overall cybersecurity posture of the City.

### **Independent Commissions & Authorities**

A number of independent commissions and boards participate in the performance of various governmental functions in the City, including housing and economic development. Information about many of these commissions and boards can be found in the City's Annual Comprehensive Financial Report attached hereto as Appendix A, specifically in Notes 1 and 16. Selected entities are also described below.

#### *Portsmouth Parking Authority*

The Portsmouth Parking Authority (the "Parking Authority"), a component unit of the City, was established in 1964 by the Virginia General Assembly for the purpose of providing and operating parking facilities within the corporate limits of the City. The Parking Authority currently operates five parking garages and six surface parking lots. These combined facilities provide 1,948 parking spaces for rental on a monthly basis. In addition, there are approximately 490 parking meters, all of which are operated and maintained by the Parking Authority. All parking facilities and parking meters are located in the City's downtown area.

The Parking Authority has outstanding debt obligations payable to the City of \$640,847 as of June 30, 2023. These obligations were incurred to reimburse the City for constructing certain parking garages.

#### *Hampton Roads Transportation Accountability Commission*

The Hampton Roads Transportation Accountability Commission ("HRTAC") was created effective July 1, 2014, as a political subdivision of the Commonwealth in accordance with the provisions of Chapter 26, Title 33.2 of the Virginia Code (the "HRTAC Act"). HRTAC's purposes include assessment and prioritization of regional transportation projects to be funded with, among other potential sources of funds, the Hampton Roads Transportation Fund ("HRTF"). HRTF is a fund generated by the assessment and collection of fuel and sales tax in the Hampton Roads region by the Commonwealth. HRTAC is comprised of 23 members, which include locally elected officials and ex-officio members of several state agencies. The Mayor of the City, as the City's chief elected officer, is a member of HRTAC. Repayment of any bonds issued by HRTAC is made from the sources described in the HRTAC Act, including without limitation the HRTF. Bonds of HRTAC are not obligations of the City or any other jurisdiction in the Hampton Roads region.

#### *Hampton Roads Regional Jail Authority*

The Hampton Roads Regional Jail Authority ("HRRJA") ceased operations in April 2024 at the direction of its member jurisdictions, which include the City and the Cities of Chesapeake, Hampton, Newport News, and Norfolk (collectively, the "Member Jurisdictions"). HRRJA currently has four full-time employees, who will serve statutorily required functions until the statute of limitations expires and any pending litigation

has been resolved, which is currently projected to be in April 2026. These minimal ongoing operations are to be funded with cash-on-hand. All debt obligations of the HRRJA have been defeased.

A portion of the proceeds of the 2024 Bonds will be used by the City to acquire all HRRJA property and facilities.

## **Economic and Demographic Factors**

### *Population*

<b><u>Year</u></b> <b><u>(as of July 1)</u></b>	<b><u>Population</u></b>
2023	96,085
2022	97,029
2021	97,840
2020	97,915
2019	94,398
2018	94,750
2017	94,838
2016	95,165
2015	96,336
2014	95,829

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*Source:* U.S. Census Bureau.

### *Income*

The following table shows per capita personal income in the City. Wealth levels in the City are impacted by the high proportion of military-related incomes which are characterized by low absolute levels of salaries and wages but offset by comprehensive benefits.

<b><u>Calendar</u></b> <b><u>Year</u></b>	<b><u>Per Capita</u></b> <b><u>Income</u></b>
2022	\$46,025
2021	45,825
2020	43,042
2019	42,605
2018	41,144
2017	39,535
2016	38,087
2015	38,216
2014	37,236
2013	36,377
2012	36,268

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*Source:* Bureau of Economic Analysis, U.S. Department of Commerce. 2022 is the most recent year for which this information is available from the Bureau of Economic Analysis for per capita income.

## Commercial and Residential Construction

The following table shows construction data in the City for the last ten Fiscal Years.

<b>Fiscal Year</b>	<b>Commercial Construction</b>		<b>Residential Construction</b>		<b>Total</b>	
	<b><u>Value of Permit</u></b>	<b><u>Percent Change</u></b>	<b><u>Value of Permit</u></b>	<b><u>Percent Change</u></b>	<b><u>Value of Permit</u></b>	<b><u>Percent Change</u></b>
2024	\$27,062,014	2.9%	\$27,396,858	(3.7)%	\$54,458,872	(0.5)%
2023	26,286,848	16.1	28,447,251	(2.8)	54,734,099	5.5
2022	22,639,647	(45.1)	29,256,422	(62.0)	51,896,069	(56.1)
2021	41,240,123	62.0	76,974,871	112.3	118,214,994	91.5
2020	25,458,940	(12.2)	36,258,755	48.4	61,717,695	15.5
2019	28,989,583	(14.7)	24,427,962	(38.0)	53,417,545	(27.2)
2018	33,989,583	(44.7)	39,409,466	(20.6)	73,399,049	(33.9)
2017	61,478,786	233.1	49,604,563	32.0	111,083,349	98.2
2016	18,454,757	(56.3)	37,591,846	(14.1)	56,046,603	(34.8)
2015	42,215,310	1.9	43,737,898	(7.0)	85,953,208	(2.9)
2014	41,446,347	-	47,037,715	-	88,484,062	-

Source: Department of Permits and Inspections.

## Employment

Historically, the employment base in the City has been composed of federal government positions related to the local military defense. The following table lists the principal employers in the City.

### Top Ten Principal Employers (As of Fiscal Year end June 30, 2023)

<b><u>Name</u></b>	<b><u>Nature of Business</u></b>	<b><u>Estimated Employment</u></b>
U.S. Department of Defense	National Security and International Affairs	1000+
Portsmouth Public Schools	Government	1000+
City of Portsmouth	Government	1000+
Aya Healthcare	Administrative and Support Services	1000+
Bon Secours Health System Inc.	Health Care	1000+
Portsmouth Gaming Holdings LLC	Amusement, Gambling & Recreation	1000+
Virginia International Terminal	Support Activities for Transportation	500 to 999
U.S. Department of Homeland Defense	Administration of Economic Programs	250 to 499
The Pines Residential Treatment Center	Health Care	250 to 499
Food Lion	Food and Beverage Stores	250 to 499

Source: Portsmouth Department of Economic Development.

The following table shows the average annual unemployment rate in the City compared to that of the Commonwealth and the United States for the past ten years.

### Unemployment Rate

<b>Calendar Year</b>	<b><u>Portsmouth</u></b>	<b><u>Virginia</u></b>	<b><u>United States</u></b>
2023	3.7%	2.9%	3.6%
2022	3.7	2.8	3.6
2021	6.4	3.9	5.3
2020	9.8	6.4	8.1
2019	3.9	2.8	3.7
2018	4.1	3.0	3.9
2017	5.3	3.7	4.4
2016	6.0	4.0	4.9
2015	6.1	4.4	5.3
2014	7.1	5.1	6.2

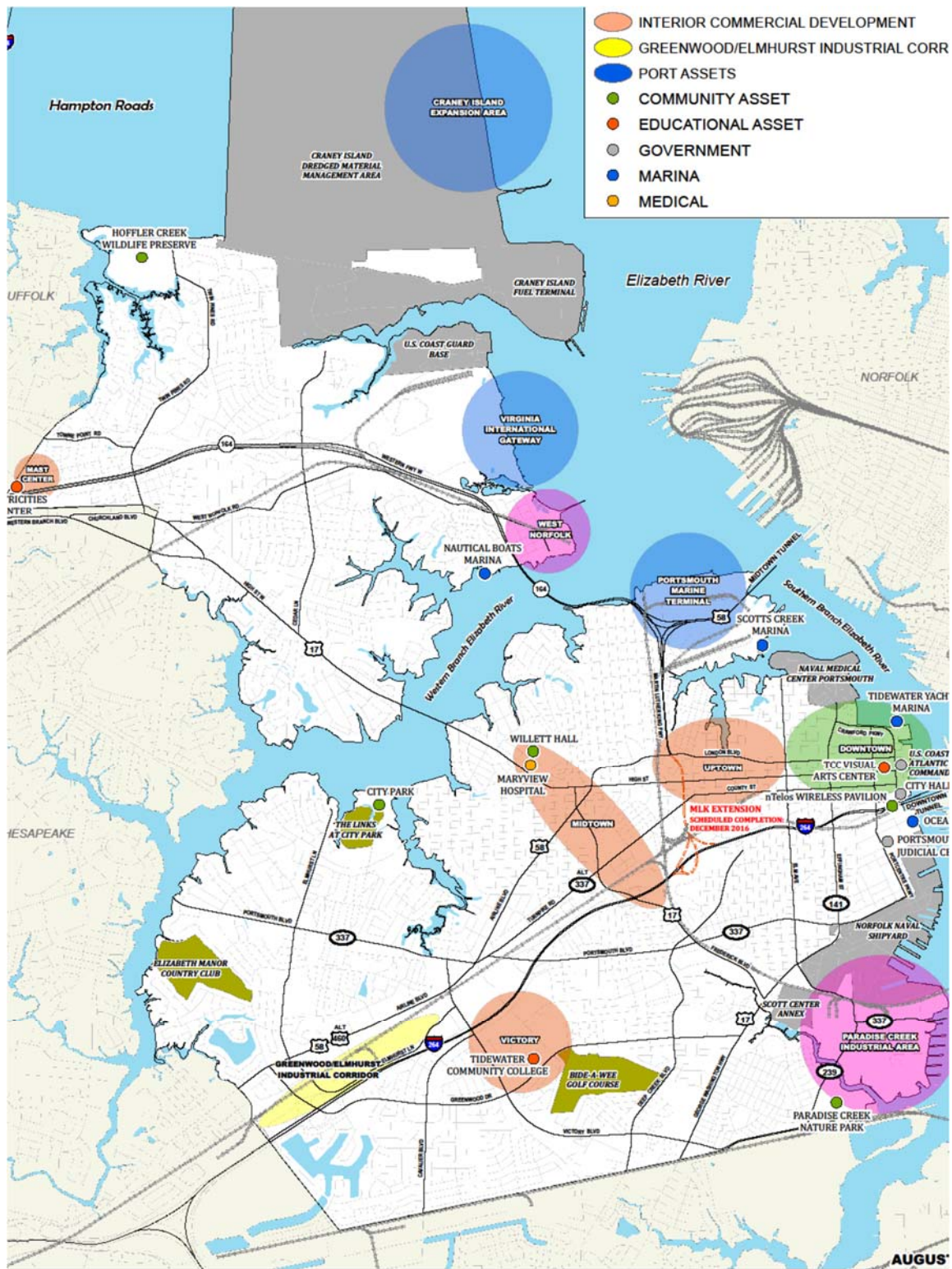
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Source: Bureau of Labor Statistics.

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## Map of Strategic Growth Areas in Portsmouth



## **Economic Development Activity**

The City continues to experience momentum in economic development, especially in target industries such as maritime, logistics and advanced manufacturing. In 2023, the City saw its sixth consecutive year of achieving over \$100 million in new capital investments, with \$120 million in private sector investment. Since 2018, the City has experienced a total of \$1.5 billion in investment and over 6,800 newly created or impacted jobs during this same period.

At the core of this economic resilience has been the City's position at the center of the Commonwealth's emerging New Blue Economy, providing critical support for new and growing industries in the maritime environment. Surging demands in defense related ship fabrication and repair, distribution and logistics and offshore wind have brought significant existing business growth and outside investment interest to the City. To capture this growth and momentum, the City's Economic Development Department has established a focus on the following targeted industry sectors:

- Maritime
- Transportation and Logistics
- Offshore Wind
- Unmanned Systems
- Advanced Manufacturing
- Small Business & Start Ups
- Residential Development

Below are examples of just a few of the projects currently being facilitated and driven by Portsmouth Economic Development in conjunction with the City's related private and public partners.

### *Maritime*

Fairlead Integrated – Fairlead Integrated, a cornerstone of the Hampton Roads maritime community, re-invested and expanded in the City beginning in 2020. The organization has invested an additional \$11 million in updating current facilities and is moving forward with an approximately \$12.5 million investment to acquire the North Pier facility on the downtown waterfront. The North Pier facility will create over 250 jobs in the City. In addition, the creation of a new auxiliary shipyard in the City in partnership with Huntington Ingalls Industries-Newport News Shipyard will support the fabrication of nuclear powered aircraft carriers and submarine fleets.

JRF Ship Repair – JRF, an existing minority-owned Portsmouth ship repair company recently completed its expansion and opening of a new operations facility and administrative headquarters representing an investment of \$2,395,000.

Crofton Industries – Portsmouth-based Crofton Industries recently celebrated its 75<sup>th</sup> year of business and completed a \$1,647,000 expansion of its Harper Ave. location providing an improved waterfront bulkhead to support its marine construction operations.

Mills Marine Ship Repair – Mills Marine, one of only two black-owned ship repair companies in the nation, expanded its Hampton Roads operations to the City. The first phase of investments totaled \$379,000 with additional expansions already in the planning stages. The new facility will specialize in fabrication and repair services in support of Naval operations.

### *Port-Centric Transportation & Logistics*

Virginia International Gateway ("VIG") is a privately owned marine container terminal located along the Elizabeth River in the City. The facility was commissioned in July 2007, and is the largest privately-owned

container terminal in the United States. In July 2010, the Virginia Port Authority ("VPA") and VIG entered into a 20-year lease agreement under which the VPA is now operating VIG.

VIG is one of the only functional automated container terminals in the Western Hemisphere. The facility is a U.S. Customs-designated port of entry, and the full range of customs functions is available to customers. VIG sits on a total footprint of 576 acres. Phase I of VIG's development, at 231 acres, can process over one million twenty-foot equivalent units ("TEUs") annually. Phase II added approximately 60 acres in additional space and another one million-plus TEUs in capacity. This second phase of development was recently completed in 2019 and represented an investment of \$320 million.

In addition to VIG, Portsmouth Marine Terminal ("PMT") occupies 287 acres of land and is located on the west bank of the Elizabeth River. The terminal has 3,540 feet of wharf, three berths, and has historically handled containers, break-bulk, and roll-on/roll-off cargo. The facility is served by CSX directly and Norfolk Southern via the Norfolk Portsmouth Beltline Railway.

PMT has 3,540 feet of marginal wharf with three berths and a roll-on/roll-off platform, with a water depth along the entire marginal wharf of 40 feet. Loading and unloading equipment consists of seven 50-foot gauge container cranes and a 110-ton multi-purpose gantry crane, which can travel the length of the wharf. Features of the PMT include refrigerated hook-ups, specialized warehouse space, fumigation facilities, and straddle-carrier container stacking. PMT also offers rail connections, direct access to federal and state highways and approximately 62 acres of paved storage area adjacent to the marginal wharf.

PMT recently underwent \$220 million in improvements to reconfigure its facilities to serve as a hub for offshore wind construction, maintenance, and management of Dominion Energy's Coastal Virginia Offshore Wind project under development off of Virginia's coast. Portsmouth Economic Development anticipates several project announcements within the coming years related to offshore wind and the reconfiguration of PMT.

The Port of Hampton Roads, to include all terminals in the City, is one of the world's largest natural harbors. The year-round, ice-free harbor covers approximately 25 square miles and is located 18 miles from the open sea. Over 75 international shipping lines serve the Port of Hampton Roads.

The City's unmatched access to world class terminals has resulted in the recent development of a number of logistics and distribution centers including: Lineage Logistics, a global leader in cold storage supply chains, which invested \$84 million in a new Portsmouth facility in 2021. Southeastern Freight Lines, a longtime Portsmouth-based freight forwarding company, expanded its Portsmouth location beginning in 2023, doubling its facility and investing \$20 million. UNIS, a new to market logistics provider, completed the construction of a new 70,000 square foot distribution center in 2024 representing a \$20 million investment.

### *Offshore Wind*

The City is uniquely positioned to be the East Coast hub for offshore wind. With the development of Dominion Energy's Coastal Virginia Offshore Wind project and future Kitty Hawk (NC) Offshore Wind project, Hampton Roads is now on a trajectory to lead offshore wind development in the U.S.

With \$220 million in recent improvements, Portsmouth Marine Terminal is the east coast's most advanced support facility for the construction and operation of offshore wind energy projects including the 2.6-gigawatt Coastal Virginia Offshore Wind ("CVOW") project that will consist of 176 wind turbines located 27 miles off the coast of Virginia. When completed, CVOW will deliver emissions-free wind power to 660,000 homes and businesses in the City.

Local opportunities abound for foreign investment in manufacturing, in addition to local supply chain development and continued maintenance and servicing.

### *Residential Development*

During the last six years, over \$100 million and nearly 1,000 new multi-family and single-family residential units have been constructed, announced, or are under contract throughout the City.

Recently completed developments include (i) Sterling King I & II Apartments, a \$15.5 million investment by The Whitmore Group, (ii) Harbor Vista, a \$17.1 million investment by The Breeden Company, (iii) Seaboard Apartments, a \$20 million investment by Monument Construction and Development, and (iv) Holley Pointe Apartments, a \$10 million investment by the Woda Cooper Companies.

Residential development projects currently under development and under construction include: (i) The Professional Building Apartments, a \$10 million investment with 42-residential units and ground floor mixed-use space, developed by Lightwell Development, (ii) Bains Pointe Apartments, a \$19 million investment with 50 affordable residential units, developed by the Woda Cooper Companies, (iii) Kings Landing, a \$20 million investment with 51 townhomes, developed by A4 Development, (iv) Harbor Vista II Apartments, a \$16 million investment with 44 units developed by The Breeden Company, and (v) The Port Apartments, a \$38.8 million investment with 232 units, developed by Ripley Heatwole.

### *Retail Development*

The City has recently welcomed a number of new retail and speciality retail developments since 2021. Seaboard Commons, a new \$8 million commercial development that includes Starbucks, Chipotle, Green Clean Car Wash and a Humana Health Care medical office opened in 2023. Ross Clothing opened in the Victory Crossing Shopping Center along the Victory Blvd. corridor in 2024. The City's Olde Towne district has experienced a surge in new small business openings including Dominion Drones, Arte Fabrics & Home, Hello Sweetie Cheesecakes, ELG Ice Cream, Olde Towne Public House, The Downtown Eatery & Deli, Post Secondary Brewing, Cure Coffee, and the Bloom Market.

Below is a chart for the City's retail sales for the most recent ten years.

<b><u>Calendar Year</u></b>	<b><u>Retail Sales</u></b>	<b><u>Percent Change</u></b>
2023	\$829,315,112	9.4%
2022	758,080,814	5.5
2021	718,802,762	7.6
2020	667,726,658	8.8
2019	613,457,381	(0.1)
2018	614,321,844	0.7
2017	609,799,751	(0.9)
2016	615,214,858	(0.6)
2015	619,199,126	0.9
2014	613,854,126	1.8

Source: University of Virginia, Weldon Cooper Center for Public Service.

### *Other Key Economic Development Initiatives*

Portsmouth Entertainment District – Rivers Casino Portsmouth – On January 23, 2023, Rivers Casino Portsmouth celebrated its grand opening, making history as the Commonwealth's first full-service permanent casino. Following the passage of a local referendum in 2020 with an overwhelming two-thirds approval, the City partnered with Rush Street Gaming to bring the premium 50-acre entertainment district to life. Rivers Casino Portsmouth is located on Victory Blvd in the heart of the City with immediate access to Interstate 264 and quick

travel to greater Hampton Roads region and beyond. The project had an initial investment of \$340 million in a casino and entertainment pavilion. Future plans include a casino hotel, and space for 20 to 30 different eateries and shopping experiences within the District. In Rivers Casino Portsmouth's first year of operations, tax revenues to the City totalled over \$18 million, exceeding projections and providing the City with a new catalyst for economic growth. In addition to its generated revenues, Rivers Casino Portsmouth created 1,300 new employment opportunities in the City.

**Innovation District** – The City was awarded a \$19.3 million Rebuilding American Infrastructure with Sustainability and Equity ("RAISE") grant from the U.S. Department of Transportation in 2022 and received an additional \$4.8 million from the Commonwealth that will bring about a transformation to the roadway infrastructure through the heart of the Innovation District area along High Street. The project will include the construction of a resilient storm water system, a reduction in the number of travel lanes, vehicular and pedestrian safety improvements, improved multi-modal transportation accommodations, connections to the South Hampton Roads Trail, sustainable tree plantings and landscaping, and improved lighting. An opportunity exists to leverage this energy and momentum that has been building along the High Street corridor to create a successful innovation district with the addition of new housing, mixed-use commercial development, small businesses locations, medical and healthcare offices, and light industrial space.

**Waterfront Development** – Development plans for Downtown and the Waterfront have been ongoing since the early 2000s. Recent efforts by the Portsmouth City Council and the Portsmouth Economic Development Authority have renewed focus on these areas, leading to progress in the solicitation of development interest for the city-owned Crawford Bay site. A second phase of development is planned for the Civic Center. New mixed-use developments are envisioned for each to include new housing, commercial and entertainment spaces and a hotel. The total projected investment for the Crawford Bay project is \$366 million.

#### *Incentive Programs*

Since 2021, Portsmouth Economic Development has connected businesses to over \$3 million in incentives and grants.

**Business Investment Grant Programs** – The Portsmouth Economic Development Authority (the "EDA") provides \$500,000 annually for a matching grant program to support new and existing business development. The programs include micro-grant funding for start-ups and existing business expansion as well as funding for interior and exterior property commercial improvements. Between 2021 and 2023 the EDA assisted over 189 small businesses with financing to grow their business with a Minority and Women owned business participation rate of 95%.

**Port Host Community Revitalization Fund** - The Port Host Community Revitalization Fund has provided \$1,000,000 in funding for brownfield projects throughout the five port host cities in the Commonwealth. Each of the five cities is eligible for at least \$350,000 for a project submitted, however for both of the years the program has been available, City projects have received half of the entire available funding allotment.

In 2021, International Flooring & Protective Coatings was awarded \$856,000 for improvements to Solomon Shipyard on Shipwright Street. The waterfront improvements will include new piers to support expansion of ship repair and servicing.

In 2022, Crofton Industries was awarded \$415,000 in grant funding for the replacement of its waterfront bulkhead at its Harper Avenue facility. The improvements will allow for increased operations in the marine construction sector.

### *Virginia Enterprise Zone*

The City has maintained its designation of two Enterprise Zones. A highly coveted designation, the Virginia Enterprise Zone Program is a state and local partnership and is one of the most effective methods of using incentives to stimulate economic development. The included zones cover geography to this statutory program and is utilized as a business attraction tool for the the City's industrial waterfront areas of West Norfolk and Pinners Point along the Western Branch of the Elizabeth River and the Paradise Creek/Elm Avenue Corridor along the Southern Branch of the Elizabeth River.

### *Military*

The Norfolk Naval Shipyard, founded in 1767, is one of the nation's oldest and largest continuously operating shipyards and the City's largest employer. Specializing in repairing, overhauling and modernizing ships and submarines, it is the most multi-faceted yard belonging to the U.S. Navy.

The City is home to the Atlantic Area and U.S. Fifth District commands of the U.S. Coast Guard. As a branch of the Department of Homeland Security, over 2,500 "coasties" are stationed at these commands. The City holds the prestigious designation as an official Coast Guard City in honor of its nearly 200 years of support to the military organization responsible for safeguarding our nations' maritime interests and environment.

At the U.S. Naval Medical Center, the City provides health care to military members and their families. The opening of a \$330 million facility, the Charette Health Care Center, expanded and dramatically improved health care access for more than 450,000 beneficiaries in the Commonwealth and in North Carolina. The Charette Health Care Center is a 320-bed tertiary care facility equipped with state-of-the-art medical technology. At the Naval Medical Center, the City employs over 6,500 military and civilian personnel and offers premier research and teaching programs designed to prepare new doctors, nurses and hospital corpsmen for the future. This patient driven facility is entrusted with the health readiness of the U.S. armed forces.

### *Medical Facilities*

The medical industry continues to influence economic growth in the City. Maryview Medical Center, owned by Bon Secours Health Systems, is the civilian hospital in the City. With approximately 346-acute care beds including a 54-bed behavioral medicine center, the hospital has a growing workforce of over 2,000 physicians, nurses, and medical professionals. The medical center is the #1 referral hospital in the region for colon and rectal surgery, has a surgical weight loss program rated as a Bariatric Surgery Center of Excellence, is certified as a Primary Stroke Center, and has received the Silver LifeLine Award for STEMI and Stroke Silver Plus Award from the American Heart Association.

### *Tourism and Museums*

Tourism is an important component of the City's economy. The City operates five museums and is also home to several cultural attractions, including the Portsmouth Pavilion at Harbor Center, a 6,500 seat performing arts center, and a Fresnel Lens. Annually, approximately 650,000 visitors enjoy the City's museums and Olde Towne shops. The Elizabeth River Ferry, which provides service between the City and Norfolk, records approximately 350,000 passengers using the ferry annually. City-sponsored festivals and activities are also an important source of visitor attraction.

The former courthouse for the City and Norfolk County, designed and built in 1846, has been preserved for adaptive re-use as the Portsmouth Art and Cultural Center. Listed in the National and Virginia Register of Historic Places, this museum is located in the Olde Towne business district and offers eight to ten changing exhibitions each year. The site also offers workshops and classes as well as lectures and performing arts programs.

The City is also home to the Children's Museum of Virginia. In existence since 1980, this museum has experienced three expansions. It opened in its current location, a former department store in the Olde Towne business district, in 1994, growing from 15,000 square feet to 72,000 square feet in 2011. The museum houses the Lancaster Antique Train and Toy Collection valued at nearly one million dollars. The museum features a wide variety of hands-on educational programs and events for families including a state-of-the-art planetarium.

Other museums in the City include the Portsmouth Naval Shipyard Museum which offers exhibits on local history as well as the region's maritime heritage, including artifacts from the Battle of the Ironclads. This museum also houses the Marshall Butt Research Library. The Lightship Portsmouth is on the National Register of Historic Places and interprets the history of the United States Lightship Service. The Portsmouth Colored Community Library is the newest addition and memorializes the library as it existed between 1945-1963. In recognition of the historical importance of the structure, the Portsmouth Colored Community Library is on the National Register of Historic Places.

The Portsmouth Historical Association owns and operates the Hill House, an original English Basement dwelling furnished and decorated by three generations of the Hill family. It is open on a seasonal schedule.

In addition, the City has hosted an annual outdoor art show, The Seawall Art Show, for over 35 years. The Portsmouth Community Concert Association is the oldest continuously operating concert company in the United States, in existence for more than 60 years.

### *Higher Education*

The City is centrally located in the Hampton Roads region with access to several regional higher education resources. The Portsmouth Campus of Tidewater Community College opened in Victory Village in January 2010. The campus enrolls over 15,000 students annually. The campus hosts the Beazley School of Nursing, four human simulator labs, a high-tech public library, and 183,000 square feet of academic and practical application training space to include 25 classrooms, 11 instructional computer labs, 20 instructional labs in biology, chemistry, anatomy, welding and air conditioning, a 57,500 square foot student center, and is a state-of-the-art wireless campus.

Old Dominion University's Tri-Cities Educational Center is a full-service facility offering upper level undergraduate 300 and 400 level degree completion classes, graduate and certificate programs, admissions, registration, advising and other student services for residents of the City, Chesapeake, Suffolk and surrounding areas. Located just east of the Suffolk-Portsmouth city line, the Old Dominion University campus is part of the MAST Center, a 30-acre facility designed for the modeling and simulation industry.

Program and individual class offerings are varied. Undergraduate degree completion programs at the MAST Center include various concentrations in engineering and engineering technology, teacher preparation, health sciences, criminal justice, business administration and others. Graduate programs available include Master of Science degrees in business, engineering, health sciences, education (special education, principal prep, reading, curriculum and instruction), and others.

### **Extreme Weather and other Environmental Factors**

As a city with a strong attachment and close location to the water, the City faces risks associated with sea level rise and flooding from extreme weather events. Firststreet.org reports that over 75% of the properties in the City are at risk from some type of flood over the next 30 years. The City recently partnered with Arcadis to secure over \$500,000 in grant funds that will supplement the City's commitment to focusing on physical infrastructure by allowing the City to expand resiliency programs to also address social, environmental and policy challenges that can arise from an extreme weather event. The City is in the process of developing a comprehensive Flood Resilience Strategy, which will be designed to create an action plan intended to reduce the

current risks associated with extreme weather events and build resilience to future risks. This plan will be designed to address the three main types of flooding that affect the City: storm surge, high tide and rainfall.

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## SECTION FOUR: CITY INDEBTEDNESS AND CAPITAL IMPROVEMENT PLAN

### Limitations on Incurrence of Debt

The Virginia Constitution authorizes a city in the Commonwealth to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds, the governing body of the City is required to levy, if necessary, an *ad valorem* tax on all property subject to local taxation. The issuance of general obligation bonds is subject to a limitation of 10% of the assessed value of taxable real property in the City.

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, for so long as the undertaking is self-supporting, and revenue bonds. The City's debt limit and margin for additional debt as of June 30, 2023, are shown in the tables below.

#### Computation of Legal Debt Margin as of June 30, 2023 (in thousands)

Taxable real estate assessed value – July 1, 2023	\$8,785,300
Debt limit – 10% of assessed value <sup>(1)</sup>	878,530
Total debt – June 30, 2023 <sup>(2)</sup>	505,422
Less amounts exempt from debt limit: <u>Enterprise debt:</u>	
GO Public Utility Taxable and Refunding Bonds, Series 2015A <sup>(3)</sup>	6,335
Water and Sewer System Revenue Bond, Series 2019 <sup>(4)</sup>	28,990
Water and Sewer System Revenue Bond, Series 2022B <sup>(4)</sup>	24,620
Water and Sewer System Revenue Bond, Series 2023 <sup>(4)</sup>	3,749
Total Exempt Debt	63,694
Debt applicable to debt limit	441,729
Legal margin for additional debt	<u>\$436,801</u>

Source: Department of Finance and City Assessor for assessed values. Figures may not foot due to rounding.

<sup>(1)</sup> The legal debt limit is established by state law as 10% of taxable real estate assessed value.

<sup>(2)</sup> Includes general obligation debt of the General Fund, Public Utility Fund, Parking Authority Fund, Golf Fund, and School General Fund. Excludes compensated absences, net pension obligation and landfill closure and post-closure care liability and capital leases subject to appropriation. Excludes the 2024 Bonds.

<sup>(3)</sup> Not included in legal debt limit as the series is self-supporting and referendum approved.

<sup>(4)</sup> Not included in legal debt limit as the series is secured solely by revenues of the water and sewer system.

### Overlapping or Underlying Debt

The City 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 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"). 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, and the Special Assessments are not a source of revenue for the payment of debt service on the 2024 Bonds.

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

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

#### **Outstanding Debt**

The City's bonded debt includes its Water and Sewer System Revenue Bond, Series 2019 ("2019 Revenue Bond") (\$28,990,000 outstanding as of June 30, 2023), Water and Sewer System Revenue Bond, Series 2022B ("2022B Revenue Bond") (\$24,620,000 outstanding as of June 30, 2023), and Water and Sewer System Revenue Bond, Series 2023 ("2023 Revenue Bond") (\$3,748,553 outstanding as of June 30, 2023), secured solely by revenues of the City's water and sewer system. The remainder of the City's bonded debt consists of general obligation bonds and notes, which are supported by the general revenues of the City. The City's general debt is intended to be funded from the City's General Fund. The debt of the proprietary funds, consisting of the Public Utility Fund, the City Garage Fund and the Information Technology Services Fund, is expected to be paid or has been paid from the revenues of the respective enterprise and internal service funds.

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The following table is presented to show the City's outstanding debt at the end of each of the last five Fiscal Years.

**Statement of Outstanding Debt<sup>(1)</sup>**

	<u><b>2019</b></u>	<u><b>2020</b></u>	<u><b>2021</b></u>	<u><b>2022</b></u>	<u><b>2023</b></u>
General Obligation Bonds Outstanding <sup>(2)</sup>	\$406,779	\$400,165	\$412,040	\$384,972	\$358,135
Capital Leases <sup>(3)</sup>	1,786	612	7,645	6,818	5,982
Loans	3,400	5,100	5,100	4,900	4,700
Public Utility Bonds Outstanding <sup>(4)</sup>	<u>124,913</u>	<u>145,978</u>	<u>140,443</u>	<u>126,838</u>	<u>147,287</u>
Total of All Debt	<u><b>\$536,878</b></u>	<u><b>\$551,855</b></u>	<u><b>\$565,228</b></u>	<u><b>\$523,528</b></u>	<u><b>\$516,104</b></u>

*Source:* Department of Finance.

<sup>(1)</sup> These numbers are exclusive of original issue premium, original issue discount and deferred amounts on prior refundings and are determined as of June 30 of the specified year.

<sup>(2)</sup> Includes general obligation debt of the General Fund, Parking Authority Fund, Golf Fund. Excludes compensated absences, net pension obligation and landfill closure and post-closure care liability. Also excludes general obligation bonds expected to be paid by enterprise revenues from the Public Utility Fund. Also excludes both general obligation and subject to appropriation capital leases. Also excludes the City's full faith and credit obligation under the guaranty agreement securing the payment of certain of the Southeastern Public Service Authority's indebtedness. See "Southeastern Public Service Authority" and the footnote thereto under "**CITY INDEBTEDNESS AND CAPITAL IMPROVEMENT PLAN – Commitments and Contingencies**" herein.

<sup>(3)</sup> Includes both general obligation leases and those that are subject to appropriation.

<sup>(4)</sup> The Public Utility Bonds are self-sustaining from enterprise revenues and further secured by the general obligation of the City, except for the 2019 Revenue Bond, 2022B Revenue Bond, and 2023 Revenue Bond.

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**Impact of the 2024 Bonds on Total  
Tax-Supported Debt Service<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Outstanding Tax-Supported Debt Service as of June 30, 2024<sup>(2)(3)(4)</sup></b>			<b>Less Refunded Debt Service</b>			<b>Plus the 2024 Bonds</b>			<b>Remaining Tax-Supported Debt Service</b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>		
2025	\$30,975,529	\$9,672,065	\$40,647,594	-	-	\$ 661,245	\$ 661,245	\$30,975,529	\$10,333,310	\$41,308,839		
2026	31,862,211	8,707,139	40,569,350	-	-	1,935,350	1,935,350	31,862,211	10,642,489	42,504,700		
2027	26,327,529	7,793,951	34,121,480	-	\$1,335,000	1,901,975	3,236,975	27,662,529	9,695,926	37,358,455		
2028	26,284,436	7,016,488	33,300,924	-	1,405,000	1,833,475	3,238,475	27,689,436	8,849,963	36,539,399		
2029	26,794,436	6,205,810	33,000,246	-	1,480,000	1,761,350	3,241,350	28,274,436	7,967,160	36,241,596		
2030	24,416,436	5,412,311	29,828,747	-	1,555,000	1,685,475	3,240,475	25,971,436	7,097,786	33,069,222		
2031	24,625,000	4,619,894	29,244,894	-	1,635,000	1,605,725	3,240,725	26,260,000	6,225,619	32,485,619		
2032	21,905,000	3,855,933	25,760,933	-	1,715,000	1,521,975	3,236,975	23,620,000	5,377,908	28,997,908		
2033	21,860,000	3,131,368	24,991,368	-	1,805,000	1,433,975	3,238,975	23,665,000	4,565,343	28,230,343		
2034	21,995,000	2,406,028	24,401,028	-	1,900,000	1,341,350	3,241,350	23,895,000	3,747,378	27,642,378		
2035	22,685,000	1,707,953	24,392,953	-	1,995,000	1,243,975	3,238,975	24,680,000	2,951,928	27,631,928		
2036	16,380,000	1,138,844	17,518,844	-	2,095,000	1,141,725	3,236,725	18,475,000	2,280,569	20,755,569		
2037	14,340,000	723,675	15,063,675	-	2,205,000	1,034,225	3,239,225	16,545,000	1,757,900	18,302,900		
2038	3,770,000	334,500	4,104,500	-	2,320,000	921,100	3,241,100	6,090,000	1,255,600	7,345,600		
2039	3,865,000	241,105	4,106,105	-	2,435,000	802,225	3,237,225	6,300,000	1,043,330	7,343,330		
2040	3,965,000	144,955	4,109,955	-	2,560,000	677,350	3,237,350	6,525,000	822,305	7,347,305		
2041	2,300,000	72,438	2,372,438	-	2,695,000	545,975	3,240,975	4,995,000	618,413	5,613,413		
2042	2,345,000	24,350	2,369,350	-	2,815,000	422,300	3,237,300	5,160,000	446,650	5,606,650		
2043	-	-	-	-	2,930,000	307,400	3,237,400	2,930,000	307,400	3,237,400		
2044	-	-	-	-	3,050,000	187,800	3,237,800	3,050,000	187,800	3,237,800		
2045	-	-	-	-	3,170,000	63,400	3,233,400	3,170,000	63,400	3,233,400		
<b>Total</b>	<b>\$326,695,577</b>	<b>\$63,208,803</b>	<b>\$389,904,380</b>	<b>-</b>	<b>\$41,100,000</b>	<b>\$23,029,370</b>	<b>\$64,129,370</b>	<b>\$367,795,577</b>	<b>\$86,238,173</b>	<b>\$454,033,750</b>		

Source: Department of Finance.

<sup>(1)</sup> Figures may not sum due to rounding. Figures are unaudited.

<sup>(2)</sup> Includes debt service of the General Fund, Parking Authority Fund, Golf Fund, City Garage Fund, and School General Fund. Excludes compensated absences, net pension obligation and landfill closure and post-closure care liability.

<sup>(3)</sup> Excludes general obligation bonds expected to be paid by enterprise revenues from the Public Utility Fund.

<sup>(4)</sup> Excludes the City's \$5,100,000 VDOT bridge loan.

**Public Utility Debt Service<sup>(1)</sup>**

<b>Outstanding Self-Supporting Debt Service As of June 30, 2024<sup>(2)</sup></b>				<b>Less Refunded Debt Service</b>	<b>Plus the 2024 Bonds</b>			<b>Remaining Self-Supporting Debt Service</b>		
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2025	\$7,895,565	\$4,761,951	\$12,657,515	-	-	-	-	\$7,895,565	\$4,761,951	\$12,657,515
2026	8,226,167	4,432,988	12,659,156	-	-	-	-	8,226,167	4,432,988	12,659,156
2027	6,276,773	4,157,202	10,433,975	-	-	-	-	6,276,773	4,157,202	10,433,975
2028	7,027,382	3,950,263	10,977,646	-	-	-	-	7,027,382	3,950,263	10,977,646
2029	7,202,994	3,744,920	10,947,914	-	-	-	-	7,202,994	3,744,920	10,947,914
2030	7,453,609	3,524,573	10,978,183	-	-	-	-	7,453,609	3,524,573	10,978,183
2031	7,679,227	3,298,809	10,978,036	-	-	-	-	7,679,227	3,298,809	10,978,036
2032	5,234,849	3,080,796	8,315,644	-	-	-	-	5,234,849	3,080,796	8,315,644
2033	5,015,473	2,889,620	7,905,093	-	-	-	-	5,015,473	2,889,620	7,905,093
2034	5,211,100	2,691,812	7,902,913	-	-	-	-	5,211,100	2,691,812	7,902,913
2035	5,406,731	2,491,723	7,898,454	-	-	-	-	5,406,731	2,491,723	7,898,454
2036	5,327,365	2,313,020	7,640,384	-	-	-	-	5,327,365	2,313,020	7,640,384
2037	5,508,002	2,136,619	7,644,621	-	-	-	-	5,508,002	2,136,619	7,644,621
2038	5,673,642	1,962,595	7,636,237	-	-	-	-	5,673,642	1,962,595	7,636,237
2039	5,854,285	1,785,155	7,639,440	-	-	-	-	5,854,285	1,785,155	7,639,440
2040	6,039,932	1,597,947	7,637,879	-	-	-	-	6,039,932	1,597,947	7,637,879
2041	4,815,582	1,420,671	6,236,253	-	-	-	-	4,815,582	1,420,671	6,236,253
2042	4,901,097	1,255,287	6,156,384	-	-	-	-	4,901,097	1,255,287	6,156,384
2043	2,441,753	1,121,435	3,563,188	-	-	-	-	2,441,753	1,121,435	3,563,188
2044	2,547,413	1,018,566	3,565,979	-	-	-	-	2,547,413	1,018,566	3,565,979
2045	2,653,076	909,356	3,562,432	-	-	-	-	2,653,076	909,356	3,562,432
2046	2,768,742	795,224	3,563,966	-	-	-	-	2,768,742	795,224	3,563,966
2047	2,889,412	675,811	3,565,223	-	-	-	-	2,889,412	675,811	3,565,223
2048	3,015,085	550,835	3,565,919	-	-	-	-	3,015,085	550,835	3,565,919
2049	3,140,761	422,393	3,563,154	-	-	-	-	3,140,761	422,393	3,563,154
2050	3,276,440	289,935	3,566,376	-	-	-	-	3,276,440	289,935	3,566,376
2051	1,542,123	186,887	1,729,010	-	-	-	-	1,542,123	186,887	1,729,010
2052	1,617,810	114,803	1,732,613	-	-	-	-	1,617,810	114,803	1,732,613
2053	1,693,500	39,004	1,732,504	-	-	-	-	1,693,500	39,004	1,732,504
<b>Total</b>	<b>\$138,335,891</b>	<b>\$57,620,199</b>	<b>\$195,956,090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$138,335,891</b>	<b>\$57,620,199</b>	<b>\$195,956,090</b>

Source: Department of Finance.

<sup>(1)</sup> Figures may not sum due to rounding. Figured are unaudited.

<sup>(2)</sup> Includes general obligation bonds that are self-supporting from Public Utility revenues and further secured by the general obligation of the City.

## Debt Ratios

The following tables summarize various debt ratios for the City during the last five Fiscal Years.

### Ratio of Tax-Supported Debt Service Expressed to Total General Revenues

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Tax-Supported Debt Service<sup>(1)</sup></u>	<u>Total General Revenues<sup>(2)</sup></u>	<u>Tax-Supported Debt Service as % of General Revenues</u>
2023	\$30,361,842	\$11,545,460	\$41,907,302	\$428,255,121	9.8%
2022	28,245,342	11,968,726	40,214,068	378,471,401	10.6
2021	27,202,616	13,095,422	40,298,380	358,008,560	11.3
2020	19,464,505	14,561,063	34,025,568	348,123,104	9.8
2019	22,947,316	15,514,100	38,461,416	345,360,491	11.1

Source: Department of Finance.

<sup>(1)</sup> Includes debt service of the General Fund, Parking Authority Fund, Golf Fund, Waste Management Fund, City Garage Fund, and Information Technology Fund and the City's 2019 General Obligation Public Improvement and Refunding Bonds. A portion of the 2013A/B Bonds were issued to increase the funding levels in the City's two closed pension funds. The City does not include debt service related to the pension portion of the 2019 Bonds (roughly \$11 million per year) in its capital debt policy guidelines but it has been included in the table above. Excludes debt service of general obligation bonds expected to be paid by enterprise revenues from the Public Utility Fund. Also excludes 2024 Bonds. Also excludes bond issuance expenses.

<sup>(2)</sup> Total General Revenues are comprised of General Fund Revenues, General Fund Transfers In, School General Revenues net of Transfer from City of Portsmouth, School Food Services Revenues, and School Textbook Revenues.

### Tax-Supported Debt Per Capita Ratio of Tax-Supported Debt Per Capita to Per Capita Income

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income<sup>(1)</sup></u>	<u>Tax-Supported Debt<sup>(2)</sup></u>	<u>Tax-Supported Debt Per Capita</u>	<u>Debt Per Capita as % of Per Capita Income</u>
2023	97,029	\$46,025	\$387,667,866	\$3,995	8.7%
2022	97,840	46,025	415,913,208	4,251	9.2
2021	97,915	45,825	449,672,100	4,592	10.0
2020	94,398	43,042	416,167,100	4,317	10.0
2019	94,750	42,605	423,410,116	4,469	10.5

Source: Department of Finance.

<sup>(1)</sup> U.S. Census. 2022 is the most recent year for which this information is available.

<sup>(2)</sup> Includes debt of the General Fund, Parking Authority Fund, Golf Fund, Waste Management Fund, City Garage Fund, and Information Technology Fund, fund including the City's 2019 General Obligation Public Improvement and Refunding Bonds. A portion of the 2019 Bonds were issued to increase the funding levels in the City's two closed pension funds. The City does not include debt service related to the pension portion of the 2019 Bonds (roughly \$120 million in principal outstanding) in its capital debt policy guidelines, but it has been included in the table above. Also excludes general obligation bonds expected to be paid by enterprise revenues from the Public Utility Fund. Also excludes 2024 Bonds.

### Tax-Supported Debt as a Percentage of Property Values

<u>July 1</u>	<u>Tax-Supported Debt<sup>(1)</sup></u>	<u>Tax-Supported Debt as % of Assessed Real Property Value<sup>(2)</sup></u>	<u>Tax-Supported Debt as % of Assessed Real and Personal Property Value<sup>(2)</sup></u>
2023	\$387,667,866	4.4%	3.9%
2022	415,913,208	5.2	4.6
2021	449,672,100	5.7	5.2
2020	416,167,100	5.5	5.0
2019	423,410,116	5.6	5.1

Source: Department of Finance.

<sup>(1)</sup> Includes debt of the General Fund, Parking Authority Fund, Golf Fund, Waste Management Fund, City Garage Fund, and Information Technology Fund, fund including the City's 2013A/B General Obligation Public Improvement and Refunding Bonds. A portion of the 2013A/B Bonds were issued to increase the funding levels in the City's two closed pension funds. The City does not include debt service related to the pension portion of the 2013A/B Bonds (roughly \$151 million in principal outstanding) in its capital debt policy guidelines, but it has been included in the table above. Excludes compensated absences, net pension obligation and landfill closure and post-closure care liability. Also excludes general obligation bonds expected to be paid by enterprise revenues from the Public Utility Fund. Also excludes 2024 Bonds.

<sup>(2)</sup> Total Assessed Values of real property and personal property are provided in Section Five: Financial Information.

### Public Utility Debt

The City's Public Utility Bonds consist of general obligation bonds and Water and Sewer System Revenue Bonds. However, as a matter of practice, the City pays such bonds from its Public Utility Fund, a self-supporting Enterprise Fund, the revenues of which include water and sewer system fees. A portion of the City's public utility bonds have been issued pursuant to the provisions of Article VII Section 10(a)(2) of the Virginia Constitution. Therefore, so long as the City can pay from system revenues its annual operating expenses and debt service due on such bonds, such bonds will not be included in the calculation of the City's outstanding general obligation indebtedness for determining the City's statutory debt limit. If moneys in the Public Utility Fund are not enough to pay debt service on public utility bonds, the City is obligated to pay such debt service from the General Fund or other available revenues for the general obligation bonds.

Debt service coverage of the public utility bonds by net revenues of the system is shown in the following table.

### Public Utility Debt Service Coverage

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Expenses Before Depreciation &amp; Interest</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest<sup>(1)</sup></u>	<u>Total</u>	
2023	\$50,756,850	\$35,525,117	\$18,231,733	\$6,730,138	\$4,641,727	\$11,371,865	1.60
2022	46,650,562	29,675,585	16,974,977	7,210,138	4,140,819	11,350,957	1.50
2021	48,787,624	28,685,585	20,101,935	6,385,138	4,203,580	10,588,718	1.90
2020	44,848,039	25,635,424	19,212,615	6,760,137	5,399,043	12,159,180	1.58
2019	42,883,155	23,214,385	19,668,770	6,575,137	5,201,897	11,777,034	1.67

Source: Department of Finance.

<sup>(1)</sup> Fiscal Year 2021 excludes capitalized interest in the amount of \$1,133,169.

## **Commitments and Contingencies**

### *Risk Management and Insurance Funds*

The City and the School Board are self-insured for workers' compensation, automobile and general liability claims. Claims processing and payments for all automobile and workers' compensation liability claims are made through a third party administrator. These claims are paid as reported and an actuarially determined liability has been accrued for known claims or claims which have been incurred but not reported. The activities of the City's self-insurance program are reflected in the Risk Management and Insurance Fund. The School Board's self-insurance program activities are reflected in the School Board Risk Management and Insurance Fund. As of June 30, 2023, the total assets of the risk management and insurance funds exceeded total liabilities by \$3.1 million.

### *Other Contingencies*

For a description of other contingencies, please see Note 14 in the Annual Comprehensive Financial Report attached as Appendix A.

## **Capital Improvement Plan**

The City annually prepares a five-year Capital Improvement Plan ("CIP"). It is a means of identifying short and long term needs as a guide for future spending, and a mechanism for establishing priorities and orderly development. The CIP does not represent a legislative commitment to expend capital funds for the projects indicated. Appropriations for capital expenditures are made by the City Council on a project-by-project basis. The CIP provides estimates of expenditures and funding sources for five years into the future.

The most recent CIP is for the period from Fiscal Year 2025 to Fiscal Year 2029 and is presented in the following table. Three of the capital projects being partially funded with the 2024 Bonds are the Dam Upgrades, Paradise Creek Bridge Replacement and the City Jail Relocation.

Dam Upgrades, \$45 million over five-year program – The Department of Conservation and Recreation ("DCR") has issued new regulatory requirements that require dam owners to enhance and strengthen earthen dams to meet new potential hazard requirements. These upgrades will improve City-owned dams located around downtown Suffolk. The City has already secured nearly \$25 million in federal support and is in the process of qualifying for a low-interest loan program administered by the Army Corps of Engineers.

Paradise Creek Bridge Replacement, \$5,500,000 – The Victory Boulevard Bridge over Paradise Creek, also known as the Paradise Creek Bridge, was built in 1944. It is an eight-span concrete slab bridge that is approximately 270 feet in length. The bridge is part of VA Route 239 (Victory Boulevard) near the Southern Branch of the Elizabeth River. The facility is structurally deficient and has a sufficiency rating of 18.7 out of 100. The replacement of the Paradise Creek Bridge addresses a critical link in the City's transportation network. The bridge serves as key access to the following: Norfolk Naval Shipyard (Gates 29 and 36), St. Juliens Creek Annex, South Norfolk Jordan Bridge, Wheelabrator Portsmouth Inc. (formerly SPSA), Historic Cradock neighborhood, and businesses in the George Washington Highway corridor.

City Jail Relocation, \$46,500,000 – The City Jail Relocation project involves the acquisition and construction of a 250-bed jail to replace the existing waterfront jail. The new jail would consolidate various services onto one site. The City recognizes its obligation to provide a jail for the City Sheriff to safely incarcerate individuals. Currently, maintenance costs are increasing and the costs of locating a large jail in the City's most dense population center and most valuable property. The City is in the process of purchasing the Hampton Roads Regional Jail to serve as its permanent City Jail. Relocating the jail would reduce maintenance costs and increase tax revenue.



**Five-Year Capital Improvement Program (Fiscal Years 2025 – 2029)**  
***Unappropriated Subsequent***

<b>Project Categories</b>	<b>Fiscal Year 2025</b>	<b>Fiscal Year 2026</b>	<b>Fiscal Year 2027</b>	<b>Fiscal Year 2028</b>	<b>Fiscal Year 2029</b>	<b>5-Year Total</b>
Sewer	\$14,000,000	\$14,000,000	\$14,000,000	\$14,000,000	\$14,000,000	\$70,000,000
Water	28,550,000	15,350,000	29,350,000	20,050,000	29,350,000	122,650,000
Drainage and Street Improvements	22,675,000	11,000,000	27,000,000	7,600,000	7,500,000	75,775,000
Education	8,150,000	1,650,000	1,650,000	1,650,000	1,650,000	14,750,000
Industrial and Economic Development	400,000	400,000	400,000	400,000	400,000	2,000,000
Leisure Services	3,845,000	675,000	675,000	675,000	350,000	6,220,000
Municipal Facilities	13,882,200	5,710,000	53,510,000	50,710,000	5,460,000	129,272,200
Parking Authority CIP	150,000	150,000	150,000	150,000	150,000	750,000
Equipment Replacement	11,460,000	7,500,000	7,800,000	5,800,000	5,800,000	38,360,000
<b>Total Project Cost</b>	<b>\$103,112,200</b>	<b>\$56,435,000</b>	<b>\$134,535,000</b>	<b>\$101,035,000</b>	<b>\$64,660,000</b>	<b>\$459,777,200</b>
<b>Means of Financing</b>						
Education Bonds – QZAB	\$5,000,000	\$ -	\$ -	\$ -	\$ -	\$5,000,000
Pavilion Ticket Sales	1,800,000	35,000	35,000	35,000	35,000	1,940,000
Local Funding General Government	41,630,000	24,100,000	71,700,000	66,800,000	21,125,000	225,355,000
Local Funding GO Bonds	3,132,200	150,000	150,000	150,000	150,000	3,732,200
Local Funding Revenue Bonds	31,200,000	12,000,000	12,000,000	16,700,000	12,000,000	83,900,000
Local Funding, Enterprise Functions	11,350,000	16,350,000	16,350,000	16,350,000	16,350,000	76,750,000
Planned Use of Fund Balance	325,000	-	-	-	-	325,000
Public Utilities Revenue Bonds	-	1,000,000	15,000,000	1,000,000	15,000,000	32,000,000
State Funding – Grants	75,000	-	-	-	-	75,000
State Funding – VDOT	8,600,000	2,800,000	19,300,000	-	-	30,700,000
<b>Total Funding</b>	<b>\$103,112,200</b>	<b>\$56,435,000</b>	<b>\$134,535,000</b>	<b>\$101,035,000</b>	<b>\$64,660,000</b>	<b>\$459,777,200</b>

*Source:* City of Portsmouth Fiscal Year 2025 Budget.

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## **SECTION FIVE: FINANCIAL INFORMATION**

### **Annual Financial Reports**

The City prepares a comprehensive annual financial report as of June 30, which is the end of its Fiscal Year. The Government Finance Officers Association has awarded the City a Certificate of Achievement for its comprehensive annual financial report for the last 47 consecutive Fiscal Years (Fiscal Years 1977 through 2023). This certificate is awarded only to those governmental units whose comprehensive annual financial reports are judged to conform substantially to high standards of public financial reporting.

### **Annual Audit**

An independent certified public accounting firm is engaged annually to audit the City's financial records. The firm of CliftonLarsonAllen LLP has conducted the annual audit for Fiscal Year 2023. The auditor's report on the City's 2023 financial statements is included in **Appendix A**. CliftonLarsonAllen LLP has not been engaged to perform, and has not performed, since the date of its report, included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this Official Statement.

The City's audited Annual Comprehensive Financial Report ("ACFR") for the Fiscal Year ended June 30, 2023, has been published and the basic financial statements have been reproduced therefrom and are included in **Appendix A** to this Official Statement. Prior audited financial reports are available on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board (MSRB).

### **Fund Accounting**

The accounts of the City are organized based on funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance (or net assets), revenues and expenditures or expenses. For a description of the funds, see Note 1 in **Appendix A – "Basic Financial Statements for the Fiscal Year Ended June 30, 2023."**

Governmental funds are those through which most governmental functions of the City are financed. The general fund, special revenue funds and permanent fund together account for the operating expenditures and revenues of the general government. The debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs on long-term debt of governmental funds. The capital improvements fund, is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds), and derives its revenues primarily from bond proceeds and transfers from other funds.

### **Budget Process**

The City Charter requires the City Manager to prepare and submit to the City Council an annual or biennial budget. As a matter of practice, the City budgets annually. The City Council is required by state law to adopt a balanced budget by June 30 for the ensuing Fiscal Year which begins July 1. Because state law also requires that the City Council adopt the School Budget by May 15th, the City Council, as a matter of course, adopts its total operating budget by that date. Based on the operating budget the City Council appropriates funds for anticipated expenditures and establishes tax rates enough to produce revenues to fund the anticipated expenditures.

The annual budget process for a Fiscal Year begins about the mid-point of the preceding Fiscal Year when departmental requests are received and reviewed by the City Manager and budget staff.

Upon receipt of the School Board's adopted budget (subject to appropriation by City Council), the City Manager submits to the City Council, on or before April 1<sup>st</sup> as required by the City Code, a proposed budget that includes proposed tax rates enough to produce revenues to meet the anticipated expenditures. Based on the City Manager's recommended budget, work sessions with the City Council and a public hearing on the proposed budget which is required by state law, changes may be made; and then, the final budget and tax rates are adopted by the City Council. These actions are taken prior to the beginning of the Fiscal Year for which the budget is prepared.

Quarterly reports of revenues and expenditures as compared to budget are prepared and submitted by the City Manager to the City Council. During the Fiscal Year, the City Council may revise appropriations as needed or desired. State law requires that if additional appropriations are to be approved more than \$500,000 (or 1% of total budget, whichever is less), advertisement and holding of a public hearing are required just as with the original budget adoption. Annual appropriations which have not been expended or lawfully encumbered, lapse at the close of the Fiscal Year.

The Government Finance Officers Association has instituted an Award for Distinguished Budget Presentation program. This award is the highest form of recognition in governmental budgeting and the program uses extensive criteria to determine the effectiveness of the budget as a policy document, an operations guide, a financial plan, and as a communications document. This recognition has been awarded to the City for the 25<sup>th</sup> consecutive year for its Fiscal Year 2024 Operating Budget.

### **Operating Budgets and Actual Results**

The table on the following page summarizes the budgeted funding sources and appropriations for the General Fund for Fiscal Years 2024 through 2025. The table also shows actual figures for Fiscal Years 2021 through 2023.

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## Operating Budgets and Actual Results

<b><u>General Fund</u></b>	<b>Fiscal Year 2025 <u>Budget</u></b>	<b>Fiscal Year 2024 <u>Budget</u></b>	<b>Fiscal Year 2023 <u>Actual</u></b>	<b>Fiscal Year 2022 <u>Actual</u></b>	<b>Fiscal Year 2021 <u>Actual</u></b>
Revenues <sup>(1)</sup>					
Taxes	\$229,414,764	\$213,815,717	\$212,669,224	\$194,485,314	\$188,208,646
Intergovernmental	61,043,158	53,891,788	49,788,037	40,644,446	39,628,347
Charges for services	4,346,820	4,692,717	4,836,429	4,300,089	3,791,895
Investment income	5,520,500	2,387,044	1,615,802	177,013	130,722
Recovered costs	3,832,203	3,916,613	3,612,937	3,460,999	3,340,305
Fines and forfeitures	228,000	192,500	214,775	173,169	199,968
Licenses and permits	1,299,145	1,075,643	1,319,623	1,670,001	1,125,063
Use of property	515,000	1,035,136	503,638	529,041	915,855
Miscellaneous	20,771,625	19,272,579	22,489,914	16,374,475	13,398,369
<b>Total Revenues</b>	<b>\$326,971,215</b>	<b>\$300,279,737</b>	<b>\$297,050,379</b>	<b>\$261,814,547</b>	<b>\$250,739,169</b>
Expenditures					
General Government	\$23,971,958	\$21,548,276	\$20,802,354	\$18,674,228	\$17,762,211
Non-Departmental	7,298,449	16,954,158	11,798,451	11,681,531	14,544,761
Judicial	26,938,367	23,846,289	20,137,281	18,890,832	18,493,198
Public Safety	81,451,446	73,082,413	64,149,359	60,817,771	59,442,307
Public Works	16,074,473	14,063,464	18,903,419	16,069,454	15,417,649
Health and Welfare	1,366,199	1,365,065	1,169,932	1,281,304	1,371,609
Parks, Recreation and Culture	19,639,271	16,714,901	14,299,973	12,869,262	9,715,380
Community Development	9,707,406	8,078,487	5,535,033	5,588,473	5,093,246
General Services	11,974,086	11,697,827	-	-	-
Education	75,642,160	63,671,284	59,901,284	59,901,284	59,622,845
Debt Service – Principal	-	-	835,752	833,871	-
Interest and fiscal charges	-	-	86,854	87,609	-
Costs of issuance	-	-	9,426	22,830	3,740
Capital Improvements & Outlay <sup>(2)</sup>	-	-	1,233,043	35,300	87,662
Transfers Out <sup>(2)</sup>	52,907,400	49,257,573	52,212,623	48,218,669	46,429,143
<b>Total Expenditures</b>	<b>\$326,971,215</b>	<b>\$300,279,737</b>	<b>\$271,074,784</b>	<b>\$254,972,418</b>	<b>\$247,983,751</b>

Source: Fiscal Year 2021, Fiscal Year 2022, and Fiscal Year 2023 Actuals from City Audited Financial Statements. Fiscal Year 2024 and Fiscal Year 2025 Budgets from City Budgets.

- (1) Annual ad valorem taxes are levied by the City on the assessed value of real property located within the City as of July 1, with quarterly supplemental assessments for new construction, and on the assessed value of certain tangible personal property located within the City as of January 1. Real property taxes are due in equal installments on September 30, December 31, March 31 and June 30 of the Fiscal Year in which they are levied. Personal property taxes are due annually on June 5. In addition, the City utilizes a monthly proration system for certain personal property (automobiles, boats and trailers) purchased or sold during the course of the year.
- (2) The Capital Improvements & Outlay line in the Fiscal Year 2024 Budget and Fiscal Year 2025 Budget consists of Transfer to CIP Fund. The Transfers Out line in the Fiscal Year 2024 Budget and Fiscal Year 2025 Budget consists of all other transfers.

## Management's Discussion of Operating Results for Fiscal Year 2023

For management's discussion analysis of the City's financial performance for Fiscal Year 2023, please see the section titled "Management's Discussion and Analysis" in the Annual Comprehensive Financial Report attached hereto as Appendix A.

### General Governmental Revenues

A description of the major sources of revenues for the General Governmental Funds follows:

- General Property Taxes – Annual *ad valorem* taxes are levied by the City on the assessed value of real property located within the City as of July 1, with quarterly supplemental assessments for new construction, and on the assessed value of certain tangible personal property located within the City as of January 1. Real property taxes are due in equal installments on September 30, December 31, March 31 and June 30 of the Fiscal Year in which they are levied. Personal property taxes are due annually on June 5. In addition, the City utilizes a monthly proration system for certain personal property (automobiles, boats and trailers) purchased or sold during the course of the year.
- Other Local Taxes – The City levies other local taxes to include: (i) local sales tax of 1%, collected by the State and remitted to the City; (ii) tax on consumer utility bills; (iii) tobacco tax of 95 cents per pack of 20 cigarettes; (iv) property transfer recordation tax; (v) automobile license tax; (vi) lodging tax of 8.0%; (vii) restaurant meal tax of 7.5%; (viii) various business, professional and occupational license taxes based on gross receipts; (ix) amusement tax; and (x) certain franchise taxes.
- Licenses, Permits, and Fees – The City requires that licenses or permits be obtained for the performance of certain activities within the City.
- Charges for Services – The City levies charges for services provided such as engineering services, greens fees at two golf courses, inspections, ambulance service and refuse collection. The residential refuse collection fee is \$58.32 per billing cycle, which is bi-monthly.
- Revenues from the Federal and State Governments – The Federal and State governments provide revenue for general and specific project grants, federally assisted programs, pro-rata shares of certain State revenues, highway maintenance payments, and reimbursement for a portion of certain shared expenses including certain expenditures for Social Services, the Sheriff's office, the courts system, and offices of the Commissioner of the Revenue, City Treasurer and Commonwealth's Attorney.
- Other Revenues – Other principal sources of revenue include fines and forfeitures, use of money and property, sale of commodities and property, transfers from the Public Utility Fund, and various other miscellaneous sources.

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The following table summarizes the amount of tax revenues by source for the last five Fiscal Years.

#### **Tax Revenues by Source**

<b><u>Fiscal Year</u></b>	<b><u>General Property Taxes</u></b>	<b><u>Other Local Taxes</u></b>	<b><u>Utility Taxes</u></b>	<b><u>Total Taxes</u></b>
2023	\$155,851,410	\$48,185,959	\$8,631,855	\$212,669,224
2022	140,101,545	45,725,087	8,658,682	194,485,314
2021	135,811,949	43,399,798	8,996,899	188,208,646
2020	131,326,464	37,688,861	8,168,579	177,183,904
2019	126,745,085	39,226,432	8,328,132	174,299,649

*Source:* ACFRs, Schedule I-1 for Fiscal Years 2019-2023.

#### **Property Taxes**

The principal property taxes levied and collected in the City are real property taxes and personal property taxes.

The City Charter, in accordance with laws of the Commonwealth, provides that real property will be assessed annually for taxation. Such assessments are to be accomplished by the City Assessor, who is appointed by the City Council. Tax levies based on these assessments are made on a Fiscal Year basis as of July 1 of the applicable year, with tax payments due in equal quarterly installments. State law requires all Virginia municipalities to assess taxable real estate at 100% of the estimated fair market value. The Virginia Department of Taxation conducts an annual assessment to sales survey in each locality to determine the existing ratio of the assessment values to actual sales prices. The most recent study for the year 2022 indicates that the City was at a 76% assessment to sales ratio. The Fiscal Year 2025 real property tax rate is \$1.25 per \$100 of assessed value.

The Commissioner of Revenue, an independently elected official under the Constitution of Virginia, is charged by the City Code and the laws of the Commonwealth with the responsibility of annually assessing personal property for taxation.

The City Treasurer, an independently elected official under the Constitution of Virginia, pursues collection of delinquent real and personal property taxes which remain unpaid one month after the close of the applicable tax year. Collection actions include personal contact with taxpayers through verbal and written communications, personal judgments against delinquent taxpayers, and the executing of additional collection actions permitted by law after judgments are obtained. In the event of continued delinquency of property taxes, legal actions may be initiated to obtain possession of the property. These actions are taken with the assistance and legal guidance of the City Attorney. The Treasurer also collects a penalty of 10% of the unpaid tax, plus interest. By state law, real property taxes more than twenty years delinquent are barred from collection, as are personal property taxes which are more than five years delinquent. Whenever a judgment has been obtained, the period of time for collecting it is prescribed by state law to be 20 years, plus unlimited renewals.

The procedures used in the foreclosing of tax liens are specifically described in the laws of the Commonwealth. These requirements include the advertising of the property for a period of 30 days, filing a petition in the local Circuit Court asking that the property be sold for delinquent taxes, a commissioner's hearing to determine status of title and priority of claims, public auction of property, and court approval of sale. By state law, real property taxes are given priority over other debts and claims against the taxpayer.

### Property Tax Rates

<b>Fiscal Year</b>	<b>Real Property<sup>(1)</sup></b>	<b>Personal Property<sup>(2)</sup></b>			<b>Manufacturer's Machinery and Tools<sup>(3)</sup></b>
		<b>Vehicles</b>	<b>RV's</b>	<b>Boats</b>	
2025	1.25	5.00	1.50	0.50	3.00
2024	1.30	5.00	1.50	0.50	3.00
2023	1.30	5.00	1.50	0.50	3.00
2022	1.30	5.00	1.50	0.50	3.00
2021	1.30	5.00	1.50	0.50	3.00
2020	1.30	5.00	1.50	0.50	3.00

Source: Department of Finance.

<sup>(1)</sup> As required by state law, real estate is assessed at 100% of estimated actual value. The real estate tax rate is per \$100 of assessed value.

<sup>(2)</sup> Most personal property, primarily vehicles and boats, is assessed at 100% of the National Automobile Dealer Association average loan values and BUC Boat Price Guide values. Business personal property is assessed using a predetermined depreciation schedule. The personal property tax rate is per \$100 of assessed value.

<sup>(3)</sup> The assessment basis for Manufacturer's Machinery and Tools is calculated on a straight 50% of original cost method. The manufacturer's machinery and tools tax rate is per \$100 of assessed value.

### Assessed Value of Taxable Property (in thousands)

<b>Year (As of July 1)</b>	<b>Real Property Assessed Value<sup>(1)(3)</sup></b>	<b>Personal Property Assessed Value<sup>(2)(3)</sup></b>	<b>Total Assessed Value</b>
2023	\$8,785,300	\$1,179,981	\$9,965,281
2022	7,924,166	1,052,808	8,976,974
2021	7,861,188	752,006	8,613,194
2020	7,624,965	657,549	8,282,514
2019	7,575,895	648,327	8,224,222

Source: Department of Finance.

<sup>(1)</sup> As required by state law, real estate is assessed at 100% of estimated fair market value as determined by the City Assessor.

<sup>(2)</sup> Vehicles are assessed at 100% of the National Automobile Dealer Association average loan value, all boats are assessed per the ABOS Marine Blue Book or a percentage of cost. All business personal property purchased after 1984 is assessed at 50% of original installed cost and business personal property purchased on or before 1984 is assessed at 25% of original installed cost.

<sup>(3)</sup> Real Property and Personal Property Assessed Values presented above include property assessed by the City and property assessed by the State Corporation Commission (SCC).

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### Real Estate and Personal Property Tax Levies and Collections to Date

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Taxes Collected (Year of Levy)</u>	<u>Percent of Taxes Collected (Year of Levy)</u>	<u>Delinquent Taxes Collected to June 30, 2023</u>	<u>Total Tax Collection to June 30, 2023</u>	<u>Adjustments to Levy</u>	<u>Outstanding Delinquent Taxes as of June 30, 2023</u>	<u>Percent of Adjusted Levy Collected as of June 30, 2023</u>
<b><u>Real Estate</u></b>								
June 30, 2023	\$114,112,408	\$109,545,623	96.00%	\$ -	\$109,545,623	\$(1,207,310)	\$3,359,475	97.02%
June 30, 2022	103,013,659	96,687,277	93.86	5,014,718	101,701,995	(1,216,249)	95,415	99.91
June 30, 2021	102,194,939	94,660,121	92.63	5,361,067	100,021,188	(2,173,751)	-	100.00
June 30, 2020	99,124,039	95,203,527	96.04	2,994,978	98,198,505	(925,534)	-	100.00
June 30, 2019	97,431,512	93,892,019	96.37	2,772,715	96,664,734	(610,460)	156,318	98.84
<b><u>Personal Property</u></b>								
June 30, 2023	\$36,894,985	\$24,146,377	65.45%	\$ -	\$24,146,377	\$(2,119,367)	\$10,629,241	69.43%
June 30, 2022	31,984,875	22,630,145	70.75	10,945,548	22,630,145	4,940,391	3,349,573	61.29
June 30, 2021	25,960,198	19,895,842	76.64	10,244,071	30,139,913	5,926,134	1,746,419	94.52
June 30, 2020	24,167,958	17,942,402	74.24	9,673,059	27,615,461	(6,278,239)	(9,725,742)	154.36
June 30, 2019	21,780,010	16,491,312	75.72	4,383,183	20,874,495	(65,283)	840,232	96.13

Source: Department of Finance.

<sup>(1)</sup> Personal property taxes are assessed on property owned as of January 1 and become due June 5 of each year. Because the due date falls so near the last day of the Fiscal Year, there is normally a substantial amount of delinquent taxes receivable as of the close of the Fiscal Year, the majority of which is collected early in the following Fiscal Year.

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**Principal Taxpayers  
as of June 30, 2023**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u> <sup>(1)</sup>
Virginia International Gateway Inc.	Shipping	\$525,077,260	4.84%
Rivers Portsmouth Gaming LLC	Entertainment	177,216,340	1.63
Dominion Virginia Power	Utilities	48,831,491	0.45
AP Preston Trails LLC	Real Estate	38,604,760	0.36
CSB Myrtles, LLC	Real Estate	38,016,480	0.35
Lineage VA Portsmouth RE LLC	Real Estate	33,948,200	0.31
Westwinds Property LLC	Real Estate	32,619,500	0.30
Columbia Gas of Virginia	Utilities	28,414,513	0.26
Metro Machine Corp.	Ship Repair	26,142,570	0.24
Lincoln Family Communities LLC	Military Housing	24,832,000	0.23
<b>TOTAL</b>		<b>\$973,703,114</b>	<b>8.98%</b>

*Source:* Portsmouth City Assessor and Portsmouth Commissioner of the Revenue.

<sup>(1)</sup> Fiscal Year 2023 total city taxable assessed value – \$10,840,510,106.

### **Intergovernmental Revenue**

A description of some of the major sources of intergovernmental revenue which comes to the General Governmental Funds from the Commonwealth, including some federal pass-through funds, follows:

- Sales and Use Tax Returned – The Commonwealth levies a retail sales tax which totals 6.0%. Of this amount, the Commonwealth pools 1% and returns that amount to local school systems based on their pro-rata share of the Commonwealth's school age population. This is in addition to 1% local option sales and use tax distributed to local governments.
- Categorical Aid – Shared Expenses – The City receives reimbursement for a portion of the expenses of the Commonwealth's constitutional offices that include the City Treasurer, Clerk of Circuit Court, Commissioner of Revenue, Commonwealth's Attorney, and Sheriff.
- Street and Highway Maintenance from the Virginia Department of Transportation – The City receives annually an amount per lane mile of primary roads and per lane mile of other roads. The City at the present time has 192.45 lane miles of arterial roads and 678.55 lane miles of collector/local roads. The per lane mile rate varies each year in accordance with rate escalation provisions of state law.
- Public Assistance – The City receives from the Commonwealth varying percentages of support to aid the City's Social Services Department in areas of administrative functions and welfare assistance programs. On a formula basis, the City receives approximately 80% funding from the Commonwealth (includes federal pass-through funds) matched by 20% local funding; however, the City does provide funds in excess of the matching requirements.
- Public Health – The City's Community Services Board submits an annual budget to the Commonwealth indicating what funds are needed in Commonwealth support for providing services in areas of mental health, mental retardation, and substance abuse. The Commonwealth may adjust, then approve, what funding levels it may deem appropriate to adequately support the City's needs. Also, certain costs for home health care are reimbursed to the City through the local public health agency.

A description of some of the major sources of intergovernmental revenue which come to the General Governmental Funds from the Federal Government follows:

- Grants – The City receives certain categorical funding from federal grants. The grants include such categories as community and human services, public safety, public works, recreation, judicial, and welfare.
- Education – The Federal Government pays to the City impact aid based on the number of people who work on federal installations and reside within the City. In addition, School federal funds are received by the Portsmouth Public School System through grants for special education.

### **General Fund Expenditures**

A description of the major expenditures of the General Governmental Funds follows:

- Costs of General City Government – General operating costs of the general government include administration, finance, personnel, justice, health, social services, public safety (fire, police, and Emergency Medical Services), public works, parks and recreation, libraries, public transportation, general services, planning, engineering and inspections, economic development and other functions.
- Costs of School Operations – The School Operating Fund accounts for the main financial activities of the Portsmouth Public Schools.

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## Public Utilities Financial Summary

The City's Department of Public Utilities operates as an enterprise fund. Payment of a return on investment plus a payment in lieu of property taxes resulted in Fiscal Year 2023 payments totaling \$1,161,598 from the Public Utility Fund to the City's General Fund and other funds. Currently all revenue derived from contractual water sales to other jurisdictions (See **"Overview of Governmental Services and Selected Functions – Department of Public Utilities"** in Section Three) is directed to the Public Utility Fund. The following table shows the revenues, expenses and changes in net assets for the Public Utility Fund for the last five Fiscal Years.

### Public Utility Fund

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>	<b>Fiscal Year 2021</b>	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>
Operating Revenues					
Charges for services	\$48,467,212	\$46,120,310	\$48,432,770	\$43,160,577	\$41,460,539
Use of property	15,741	55,094	60,366	55,094	65,245
Other	571,603	369,966	184,486	305,127	267,643
Total operating revenues	<u>\$49,054,556</u>	<u>\$46,545,370</u>	<u>\$48,677,622</u>	<u>\$43,520,798</u>	<u>\$41,793,427</u>
Operating expenses					
Personnel services	\$7,566,336	\$6,275,517	\$7,495,464	\$5,175,932	\$2,790,891
Contractual services	6,562,187	6,269,224	3,913,492	4,116,859	3,828,664
Supplies & materials	4,147,088	2,912,200	3,363,821	2,540,977	2,940,065
Utilities	1,701,482	1,374,218	1,218,695	1,489,027	1,368,271
Internal charges	1,361,969	1,466,128	1,337,086	1,071,885	1,168,553
Claims, settlements, and refunds	3,332	169,788	131,561	158,754	156,560
Payments in lieu of taxes	1,161,598	1,161,598	1,161,598	1,161,598	1,161,598
Depreciation & amortization	9,469,279	9,418,886	9,412,498	9,534,471	9,251,739
Bad debt expense	-	-	-	31,916	19,815
Other	820,444	830,353	863,147	702,384	593,770
Total operating expenses	<u>\$32,793,715</u>	<u>\$29,877,912</u>	<u>\$28,897,362</u>	<u>\$25,983,803</u>	<u>\$23,279,926</u>
Operating income	<u>16,260,841</u>	<u>16,667,458</u>	<u>19,780,260</u>	<u>17,536,995</u>	<u>18,513,501</u>
Non-operating revenues (expenses)					
Federal revenues	-	-	-	-	21,821
Investment income	1,702,294	105,192	110,002	1,288,201	1,067,907
Gain on Disposal of Capital Assets	-	-	-	39,040	-
Interest expense & fiscal charges	(4,969,117)	(4,230,702)	(4,988,406)	(5,087,951)	(4,890,699)
Net non-operating revenues (expenses)	<u>(3,266,823)</u>	<u>(4,125,510)</u>	<u>(4,878,404)</u>	<u>(3,760,710)</u>	<u>(3,800,971)</u>
Net income before operating transfers	12,994,018	12,541,948	14,901,856	13,776,285	14,712,530
Capital contributions	-	-	-	-	-
Transfers from other funds	-	-	-	400,000	400,000
Operating transfers to other funds	<u>(9,514,191)</u>	<u>(9,216,559)</u>	<u>(9,450,825)</u>	<u>(11,036,092)</u>	<u>(10,681,946)</u>
Change in net position	3,479,827	3,325,389	5,451,031	3,140,193	4,430,584
Net position at beginning of year,	<u>200,172,290</u>	<u>196,846,901</u>	<u>191,395,870</u>	<u>188,255,677</u>	<u>183,825,093</u>
Net position at end of year	<u>\$203,652,117</u>	<u>\$200,172,290</u>	<u>\$196,846,901</u>	<u>\$191,395,870</u>	<u>\$188,255,677</u>

Source: ACFRs Fiscal Years 2019-2023.

## Retirement Systems and Other Post-Employment Benefits

*Retirement Systems in General.* City and school employees are eligible for retirement benefits under the Virginia Retirement System or under one of the two City-administered plans, the Portsmouth Supplemental Retirement System (the "Supplemental System") and the Portsmouth Fire and Police Retirement System (the "Fire and Police System").

*The Supplemental System and the Fire and Police System.* Both the Supplemental System and the Fire and Police System are "closed" retirement systems because neither accepts new members. For both the Supplemental System and the Fire and Police System, benefits may be increased from time to time by percentage adjustments approved by City Council. Effective July 1, 1994, retirees that retire on Normal Service Retirement may be eligible to receive an additional allowance of \$200 per month until age 65. The married members shall be provided a 50% spousal option at no cost if the spouse is no more than 5 years younger than the member. In addition, the two systems provides death and disability benefits.

These benefit provisions and all other requirements are established by City Council. The City Code requires the City to annually contribute actuarially determined amounts. Employees and retirees do not contribute to these plans. Funding necessary to support post-retirement supplements which may be payable in addition to the basic benefits are determined separately.

Participation in the Supplemental System and the Fire and Police System consisted of the following as of June 30, 2023:

	<b>Supplemental System</b>	<b>Fire and Police System</b>
Retirees and beneficiaries	329	626
Vested terminated employees not yet receiving benefits	9	36
Current vested employees	7	1
Total	<u>345</u>	<u>663</u>

Source: Department of Finance.

The City accounts for the Supplemental System and the Fire and Police System as pension trust funds and does not separately issue financial reports for these plans. The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Contributions to each plan are recognized when paid or when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market value are reported at estimated fair value.

Total contributions to the Supplemental System and the Fire and Police System for Fiscal Year 2023 were \$1,602,512 and \$6,235,165. The net pension liability as of the end of Fiscal Year 2023 was \$18,524,780 and \$68,249,932 for the Supplemental System and the Fire and Police System, respectively. The actuarial assumptions underlying the most current valuation include an investment rate of return of 7.25% and annual increases of between 2.5% and 3.0% for salaries, social security wage bases, costs of living increases and statutory limits on compensation and benefits.

For additional information about the Supplemental System and the Police and Fire System, see Note 7 in **Appendix A – "Basic Financial Statements of the City for the Fiscal Year ended June 30, 2023."**

*Virginia Retirement System.* The City and the School Board contribute to the Virginia Retirement System, an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. All full-time, salaried, permanent employees of the City and the School Board are automatically covered by VRS upon employment. Benefits vest after five years of service. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers three benefit plans for local government employees – Plan 1, Plan 2 and Hybrid. For a description of the Virginia Retirement System and for a description of the City's unfunded liabilities with respect to its retirement benefits under the Virginia Retirement System, see Note 7 in **Appendix A – "Basic Financial Statements for the Fiscal Year ended June 30, 2023."**

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available from VRS.

Effective July 1, 2012, VRS members are required by law to contribute 5.00% of their annual reported compensation to the VRS. In addition, the City and the School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The City's contribution rate for Fiscal Year 2023 was 13.52% of the annual covered payroll and for the School Board nonprofessional, 10.75% and the School Board professional 16.62% of the annual covered payroll.

For Fiscal Year 2023, the City's contribution to the pension plan of \$10,463,248 was equal to the City's required contributions. The School Board's contribution was \$14,368,218.

For a further description of the Virginia Retirement System, the assumptions underlying the actuarial calculations and the actuarial accrual liability and related information regarding the City's obligations under the Virginia Retirement System, see Note 7 and Schedules I-4 and I-5 in **Appendix A – "Basic Financial Statements for the Fiscal Year ended June 30, 2023."**

*Other Post-Employment Benefits.* As of June 30, 2023, the City has a net OPEB liability of \$6,567,695 and the School Board has a net OPEB liability of \$(9,691,515).

The City began implementing a comprehensive OPEB reform strategy during Fiscal Year 2015. The comprehensive reform has significantly reduced the City's OPEB liability and annual cost, and it includes the following summary changes:

- Each group of participants is now rated separately so that their premiums reflect their true cost of coverage.
- Retirees pay at least 50% of separately rated premium cost.
- Employees must have at least 10 years of continuous service with the City as of January 1, 2014 to be eligible for retiree health coverage.
- After July 1, 2014, employees must have at least 15 years of continuous service with the City to be eligible for retiree health coverage with no fixed city contribution unless an employee has 25 years or more of continuous city service.
- Effective June 30, 2015 post-65 retirees' health coverage was eliminated for current and future retirees. Certain retirees were offered a \$1,400 annual health reimbursement account. For fiscal year 2018, health reimbursement accounts cost \$394,270.

- New employees and current employees with less than 10 years of continuous City service will need to have 25 years of service with Portsmouth to be eligible for retiree health coverage with a city fixed contribution.

For a description of the City's OPEB liabilities, the School Board's liabilities and the assumptions underlying the calculations thereof, see Note 8 and Schedules I-4 and I-5 in **Appendix A – "Basic Financial Statements for the Fiscal Year ended June 30, 2023."**

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

Through new legislation, effective May 1, 2021, Virginia localities were given the ability to collectively bargain or enter into collective bargaining contracts with unions or associations representing City employees through adoption of a local ordinance or by a resolution. The legislation does not permit employees to strike. The City has not negotiated and is not in the process of negotiating any collective bargaining contracts as of the date of this Official Statement.

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## **SECTION SIX: MISCELLANEOUS**

All summaries in this Official Statement of provisions of the Constitution of the Commonwealth, statutes of the Commonwealth, the City Charter or resolutions of the City, or other documents and instruments and of the 2024 Bonds are subject to the detailed provisions and judicial interpretations to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. This Official Statement and any advertisement of the 2024 Bonds are not to be construed as a contract with the purchasers of the 2024 Bonds. Any statements made in this Official Statement involving matters of opinions or estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

Any questions concerning the content of this Official Statement should be directed to the Chief Financial Officer, 801 Crawford Street, Portsmouth, Virginia 23704, (757) 393-8831. Copies of this Official Statement may be obtained from the City's Department of Finance and from the City's Financial Advisor, Davenport & Company LLC, 901 East Cary Street, Suite 1100, Richmond, Virginia 23219, (804) 697-2900.

The City Council has authorized the execution and delivery of this Official Statement. The City Council has deemed this Official Statement final as of its date within the meaning of Rule 15c2-12.

**CITY OF PORTSMOUTH, VIRGINIA**

/s/ Steven Carter

City Manager

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**APPENDIX A**

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

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## INDEPENDENT AUDITORS' REPORT

The Honorable of the City Council  
City of Portsmouth, Virginia

### Report on the Audit of the Financial Statements

#### **Opinions**

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

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

#### **Basis for Opinions**

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

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

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund statements and Capital Project Funds-Schedule of Expenditures and Encumbrances are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an

The Honorable of the City Council  
City of Portsmouth, Virginia

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Arlington, Virginia  
May 28, 2024

**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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This section of the city of Portsmouth's (city's) Annual Comprehensive Financial Report (ACFR) presents Management's Discussion and Analysis (MD&A) of the city's financial performance during the fiscal year ended June 30, 2023. The MD&A should be read in conjunction with the transmittal letter found in the Introductory Section of this report and the city's financial statements that follow this section.

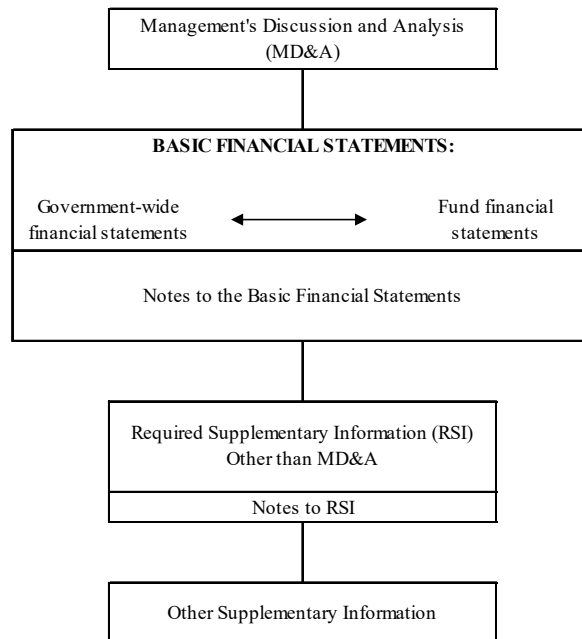
**FINANCIAL HIGHLIGHTS**

- ◆ The city's net position totaled \$468,158,513 at June 30, 2023, a change of \$68,027,339 over June 30, 2022.
- ◆ The city's unrestricted net position totaled \$(40.8) million, which was comprised of a deficit of \$(83.5) million resulting from governmental activities and \$42.7 million resulting from business-type activities.
- ◆ Government-wide current assets totaled \$339,607,296, of which \$247,420,727 was attributable to governmental activities and \$92,186,569 was attributable to business-type activities; while current liabilities totaled \$129,207,945, with \$106,796,852 from governmental activities and \$22,411,093 from business-type activities. The ratio of current assets to current liabilities was 2.6:1.0 overall – 2.3:1.0 for governmental activities and 4.1:1 for business-type activities.
- ◆ The city's long-term liabilities at June 30, 2023, totaled \$639,404,146, an increase of \$42,384,863 from the prior year. The long-term liabilities include \$491.4 million in bonds, \$4.5 million in other loans, \$22.2 OPEB liability, landfill closure and post-closure care of \$3.9 million, \$6.2 million in claims payable, compensated absences of \$3.9 million, lease liabilities of \$5.1 million, and net pension liabilities of \$102.3 million.
- ◆ The city's deferred outflows at June 30, 2023, totaled \$72.5 million, an increase of \$10.3 million from the prior year. The city's deferred inflows at June 30, 2023, totaled \$34.8 million, a decrease of \$66.0 million from the prior year. These deferred amounts primarily consist of amounts deferred for pensions and OPEB, which vary annually based on actuarial valuations performed by third-parties. Deferred amounts from bond refundings decreased from the prior year due to amortization as those amounts are amortized systematically over the remaining life of the refunded debt or the life of the new debt, whichever is shorter. Deferred amounts from leases decrease evenly over the life of the related lease.
- ◆ The city's governmental general revenues and transfers of \$246.4 million were \$64.2 million more than expenses, net of program revenues of \$182.2 million. Taxes funded 87.1% of general revenues and transfers.
- ◆ The General Fund total fund balance increased 28.99% during the current year to \$115.6 million from \$89.6 million in the prior year. Unassigned fund balance of \$105.0 million increased \$24.6 million from prior year.
- ◆ Total net position for the Public Utility Fund increased 1.74% from \$200,172,290 at June 30, 2022, to \$203,652,117 at June 30, 2023. The Public Utility Fund had Unrestricted Net Position of \$34.3 million which is a \$11.5 million decrease from June 30, 2022.

**FINANCIAL SECTION OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT**

This Annual Comprehensive Financial Report consists of four sections: introductory, financial, statistical, and compliance. As the following chart shows, the financial section of this report has four components – *management's discussion and analysis* (this section), the *basic financial statements*, the *required supplementary information*, and the *other supplementary information*. The basic financial statements have three components – *government-wide financial statements*, *fund financial statements*, and *notes to the basic financial statements*.

## **Components of the Financial Section**



The city's financial statements present two kinds of statements each with a different snapshot of the city's finances. The government-wide financial statements provide both long-term and short-term information about the city's overall financial status. The fund financial statements focus on the individual parts of the city government, reporting the city's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison, and enhance the city's accountability.

### **Government-wide Financial Statements**

The government-wide statements report information about the city as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the city's finances is, "Is the city, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the city as a whole and about its activities in a manner that provides an answer to this question. These statements include all assets and liabilities as well as deferred outflows/inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the city's net position and changes in net position. The city's net position, which is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the city's overall financial health and its current financial position. Over time, increases or decreases in the city's net position are one indicator of whether its financial condition is improving or deteriorating. Other non-financial factors will need to be considered, however, such as changes in the city's property tax base and the condition of the city's roads, to assess the overall health of the city.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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In the Statement of Net Position and the Statement of Activities, the city is divided into the following:

Governmental activities - The city's basic municipal services, such as public safety (police and fire), public works, parks and recreation, and general administration, are reported herein. Property taxes, other local taxes, and state and federal grants finance most of these activities.

Business-type activities - Activities for which the city charges customers to provide. The city's water and sewer system, waste management services, golf courses, parking services, and economic development provided to the city, citizens, and customers are reported herein.

Component units - The city includes three other separate legal entities in its report – the School Board, the Economic Development Authority (EDA), and the Portsmouth Port and Industrial Commission (PPIC), all of which are discretely presented. Although legally separate, these “component units” are important in that the city is financially accountable for providing operating and capital funding to them.

### **Fund Financial Statements**

The focus of the fund financial statement presentation is on the city's most significant funds. The fund financial statements provide more information about the city's most significant funds – not the city as a whole. Funds are accounting units that the city uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. Other funds are established to control and manage money for particular purposes or to demonstrate certain tax and grant revenues are properly used.

The city has three types of funds:

Governmental funds - Most of the city's basic services are included in governmental funds, which focus on (1) the inflows and outflows of cash and other financial assets that can readily be converted into cash and (2) the balances remaining at year end that are available for future spending. Consequently, the governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided on the subsequent page of the governmental funds financial statement that explains the relationship (or differences) between these statements. The city has four major governmental funds: the General Fund, the Debt Service Fund, the Capital Projects Fund, and the Grants Fund.

Proprietary funds - Services for which the city charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements, provide both long and short-term financial information.

In fact, the city's enterprise funds (one type of proprietary fund) are the same as business-type activities, but the fund financial statements provide more detailed and additional information, such as cash flows. The city has one major enterprise fund: the Public Utility Fund.

The city uses internal service funds (another type of proprietary fund) to report activities that provide supplies and services for other city programs and activities, such as the city Garage Fund, the Information Technology Fund, the Risk Management Fund, and the Health Insurance Fund.

Fiduciary funds - The city is the trustee, or fiduciary, for its employees' pension plans and Other Postemployment Benefit plan and is responsible for the plans' assets, which can be used only to benefit the trust beneficiaries as part of a trust arrangement. The city is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the city's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The city excludes these activities from the city's government-wide financial statements in that the city cannot use these assets to finance its operations.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**FINANCIAL ANALYSIS OF THE CITY ENTITY**

**Statements of Net Position**

The following table reflects the condensed Statements of Net Position:

Net position (assets plus deferred outflows minus liabilities plus deferred inflows) may serve over time as a useful indicator of a government's financial position. The city of Portsmouth's net position totaled \$468,158,513 at June 30, 2023. By far, the largest portion of the city's net position is reflected in its net investment in capital assets (land, buildings, improvements, etc. net of depreciation and amortization and debt-related to capital assets). The city uses these assets to provide services to its citizens and, consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources. \$41.6 million of the city's net position is currently subject to various external restrictions.

The net position of the city's governmental activities increased by \$64.2 million from \$171.3 million to \$235.5 million, as reflected in the Statement of Activities.

The net position of the city's business-type activities increased by \$3.8 million from \$228.8 million to \$232.6 million, as reflected in the Statement of Activities.

**Table 1**

**Summary of Statements of Net Position**

**As of June 30, 2023 and 2022 (in millions\*)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 250.4	226.6	92.2	70.5	342.6	297.1
Capital assets	541.1	522.2	315.4	309.1	856.5	831.3
Total assets	791.5	748.8	407.5	379.6	1,199.1	1,128.4
Deferred outflows of resources	67.2	57.1	5.3	5.1	72.5	62.2
Total assets and deferred outflows of resources	858.7	805.9	412.9	384.7	1,271.6	1,190.6
Current liabilities	106.8	78.3	22.4	14.2	129.2	92.6
Long-term liabilities	483.6	461.8	155.8	135.2	639.4	597.0
Total liabilities	590.4	540.1	178.2	149.5	768.6	689.6
Deferred inflows of resources	32.8	94.4	2.1	6.4	34.8	100.8
Total liabilities and deferred inflows of resources	623.2	634.5	180.3	155.9	803.4	790.4
Net position:						
Net investment in capital assets	296.0	258.6	176.6	174.4	472.5	433.0
Restricted	23.1	33.0	13.4	0.9	36.5	33.9
Unrestricted (deficit)	(83.5)	(120.3)	42.7	53.6	(40.8)	(66.7)
Total net position	\$ 235.5	171.3	232.6	228.8	468.2	400.1

\*please note some totals may not foot due to rounding differences

**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**Statements of Activities**

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

**Table 2**

**Summary of Changes in Net Position**

**Years ended June 30, 2023 and 2022 (in millions\*)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 17.5	17.0	61.1	58.4	78.5	75.4
Operating grants and contributions	84.2	83.0	-	-	84.2	83.0
Capital grants and contributions	2.5	7.1	-	-	2.5	7.1
General revenues:						
Taxes	214.6	194.0	-	-	214.6	194.0
Other	22.5	10.7	2.8	0.7	25.4	11.4
<b>Total revenues</b>	<b>341.3</b>	<b>311.8</b>	<b>63.9</b>	<b>59.1</b>	<b>405.2</b>	<b>370.9</b>
<b>Expenses</b>						
General government	35.7	35.6	-	-	35.7	35.6
Judicial	23.4	21.4	-	-	23.4	21.4
Public safety	67.2	54.1	-	-	67.2	54.1
Public works	33.3	28.8	-	-	33.3	28.8
Health and welfare	28.2	26.0	-	-	28.2	26.0
Parks, recreational, and cultural	16.2	15.8	-	-	16.2	15.8
Community development	8.2	7.3	-	-	8.2	7.3
Education	62.7	62.6	-	-	62.7	62.6
Public Utility	-	-	37.8	34.1	37.8	34.1
Golf	-	-	2.0	1.9	2.0	1.9
Parking Authority	-	-	1.0	1.0	1.0	1.0
Waste Management	-	-	10.0	9.3	10.0	9.3
Interest on long-term debt	11.4	12.0	-	-	11.4	12.0
<b>Total expenses</b>	<b>286.3</b>	<b>263.7</b>	<b>50.8</b>	<b>46.4</b>	<b>337.1</b>	<b>310.1</b>
<b>Excess before transfers</b>	<b>55.0</b>	<b>48.1</b>	<b>13.1</b>	<b>12.8</b>	<b>68.0</b>	<b>60.8</b>
<b>Transfers</b>	<b>9.3</b>	<b>8.6</b>	<b>(9.3)</b>	<b>(8.6)</b>	<b>-</b>	<b>-</b>
Change in net position	64.2	56.7	3.8	4.2	68.0	60.8
Net position, beginning of year	171.3	114.7	228.8	224.6	400.1	339.3
Net position, end of year	\$ 235.5	171.3	232.6	228.8	468.2	400.1

\*please note some totals may not foot due to rounding differences

**Governmental Activities**

The city's total revenues from governmental activities were \$341.3 million for the fiscal year ended June 30, 2023, which represents an increase of \$29.5 million from the prior year. The largest source of revenue is taxes, which represents 62.87% of the total and is comprised of property taxes, other local taxes, and utility taxes. The city's assessed real property value increased 10.87% from the prior year which is the primary driver of the \$18.1 million increase in property tax revenues. Additionally, the City experienced an approximate \$2.1 million increase in investment earnings due primarily to a better performing market, recognized \$2.4 million in Opioid Settlement revenues, and realized approximately \$6.1 million more in rebate revenues in 2023 than 2022, of which \$4.6 million is attributable to a return of unexpended funding from the Schools.

Program revenues are derived from the program itself and reduce the cost of the function to the city. Total program revenues for governmental activities were \$104.2 million. The largest component of program revenues for governmental activities is operating grants and contributions totaling \$84.2 million, representing 80.85% of total program revenues for governmental activities.

**CITY OF PORTSMOUTH, VIRGINIA**  
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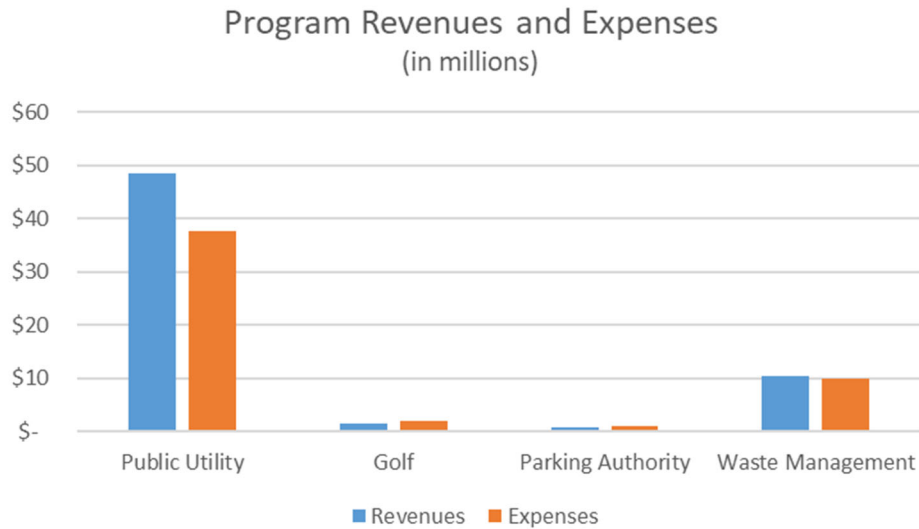
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**Governmental Activities (Continued)**

For the fiscal year ended June 30, 2023, expenses for the city's governmental activities totaled \$286.3 million. The city's expenses cover a wide range of services, with 23.5% related to public safety, 21.9% related to education, 12.5% general government, 11.6% public works, and 9.8% related to health and welfare. There was approximately \$22.6 million more spent in 2023 than in 2022, primarily due to increases in public safety and judicial due to the significant increase in those services required during 2023.

**Business-type Activities**

The total net position for business-type activities increased \$3.8 million from \$228.8 million in fiscal year 2022 to \$232.6 million in fiscal year 2023, primarily due to Public Utilities activities. Charges for services, including water and sewer utility fees, waste management fees, parking fees, and golf fees, represent 95.6% of total revenues for business-type activities. The following graph compares the program revenues and expenses of the business-type activities.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**FINANCIAL ANALYSIS OF THE CITY FUNDS**

**Governmental Funds**

The focus of the City's governmental funds is to provide information on current inflows, outflows, and balances of available resources. Such information is useful in assessing the city's financing requirements. For the fiscal year ended June 30, 2022, the governmental funds reflected a combined fund balance of \$160.1 million. The General Fund's fund balance totaled \$115.6 million at June 30, 2023, an increase of \$26.0 million from the prior year's \$89.6 million. The General Fund's unassigned fund balance totaled \$105.0 million at June 30, 2023.

**General Fund Budgetary Highlights**

**Fiscal Year Ended June 30, 2023 (in millions)**

	Original Budget	Final Budget	Actual
<b>Revenues and transfers</b>			
Taxes	\$ 201.4	201.4	212.7
Intergovernmental	41.7	42.4	49.8
Transfers	9.8	9.8	9.8
Appropriated fund balance	0.1	6.3	-
Other revenues	16.0	20.7	24.8
Total	\$ 269.0	280.6	297.1
<b>Expenditures and transfers</b>			
Expenditures	\$ 216.5	226.2	218.9
Transfers	52.4	54.5	52.2
Total	\$ 269.0	280.6	271.1

Actual expenditures in the above chart are shown on the budgetary basis (see Schedule I-2). The General Fund had a \$26.0 million increase in fund balance. Actual General Fund revenues and transfers were \$16.5 million more than final budgeted revenues and transfers during fiscal year 2023 primarily due to higher tax collections than originally anticipated. Actual General Fund expenditures and transfers were \$9.5 million less than the final budget primarily due to increased funding to the Capital Projects Fund in the form of transfers in excess of budget.

The city spent \$36.6 million in the Capital Projects Fund to fund major projects, including the City fiber network, seawall replacement, and the Churchland Bridge. The Capital Projects Fund has a \$17.4 million fund balance at June 30, 2023, all of which is restricted or committed for future capital project costs. The \$21.7 million decrease in fund balance during 2023 is primarily due to the expenditure of proceeds of bonds issued in a prior year for current year projects.

As of June 30, 2023, Debt Service fund has assets of \$5.1 million, an increase of \$0.2 million primarily due to transfers from the General Fund in excess of debt service requirements. Total expenditures were \$40.7 million, all of which was debt service.

The grant fund received \$7.5 million and spent \$8.3 million in restricted grants during the year. The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 provided funding for several different programs to address the COVID-19 pandemic during fiscal year 2021. The Grants Fund has a \$(0.2) million fund balance at June 30, 2023.

**Proprietary Funds**

Total net position of the Public Utility Fund increased \$3.5 million during fiscal year 2023 from \$200.2 million to \$203.7 million. Of the total net position, \$155.9 million represents its net investment in capital assets. Unrestricted net position totaled \$34.3 million.

**CITY OF PORTSMOUTH, VIRGINIA**  
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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2023, the city had invested \$856.5 million, net of depreciation and amortization, in a broad range of capital assets, including machinery and equipment, buildings, park and golf facilities, roads, bridges, water and sewer lines, and lease assets, as reflected in the following schedule:

<b>Capital Assets</b>						
<b>As of June 30, 2023 and 2022 (in millions)</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 20.5	20.5	13.6	13.6	34.1	34.1
Buildings*	210.6	218.9	5.9	6.3	216.5	225.3
Improvements other than buildings	178.5	182.0	152.4	160.2	330.9	342.2
Machinery, furniture, and equipment*	40.6	39.4	14.6	15.3	55.2	54.7
Intangibles	1.8	2.0	-	-	1.8	2.0
Subscriptions**	0.2	0.3	-	-	0.2	0.3
Construction in progress	89.1	59.4	128.8	113.7	217.9	173.1
Total	541.1	522.2	315.4	309.1	856.5	831.3

\*Includes right-of-use lease assets

\*\*2022 amounts have been restated for the implementation of GASB 96

Major capital asset activity for the fiscal year ended June 30, 2023, included:

- ◆ Capital asset changes for governmental activities totaled a decrease of \$8.3 million for buildings; a decrease of \$3.5 million for improvements other than buildings/infrastructure; an increase of \$1.2 million for machinery, furniture, and equipment, a decrease of \$0.2 million for intangibles, a decrease of \$0.2 million for subscriptions, and an increase of \$29.6 million for construction in progress in the fiscal year. There were additions of \$0.7 million, \$1.8 million, and \$6.8 million, to buildings, infrastructure, and machinery furniture and equipment, respectively. The remaining decreases are due to depreciation expense.
- ◆ Capital asset changes for business-type activities included (1) a decrease of \$0.4 million for buildings due to depreciation, (2) a net decrease of \$7.8 million for infrastructure due to depreciation, (3) a decrease of \$2.6 million for machinery, furniture and equipment due to depreciation, and (4) an increase of \$15.2 million for construction in progress in the fiscal year.
- ◆ Depreciation expense totaled \$20.3 million and \$10.8 million for governmental and business-type activities, respectively.
- ◆ Construction in progress totaled \$89.1 million for governmental activities at June 30, 2023.
- ◆ Construction in progress totaled \$128.8 million for business-type activities at June 30, 2023.

More detailed information about the city's capital assets is presented in Note 4 to the basic financial statements as well as Exhibit M in Other Supplementary Information.

The City's adopted fiscal year 2023-2027 Capital Improvement Program established a five year program totaling \$291.2 million. The major projects include \$110.4 million for water and \$82.6 million for sewer improvements, \$29.0 for education, \$36.4 million for drainage and street improvements, \$13.4 million for municipal facilities, \$10.0 million for fleet management, \$1.1 million for industrial and economic development projects, \$7.8 million for leisure services projects, and \$500,000 for parking authority projects.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**Long-term Debt**

At year-end, the city had \$510.5 million in outstanding debt, excluding premiums, claims payable, other post-employment benefit obligations, compensated absences, landfill closure and post-closure care costs, and net pension obligations. General obligation and revenue bonds outstanding represented \$445.8 and \$53.9 million, respectively, of this total, as reflected in the following schedule:

Outstanding Debt As of June 30, 2023 and 2022 (in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 355.9	385.0	89.9	97.8	445.8	482.8
Revenue bond	-	-	53.9	29.0	53.9	29.0
Other loans payable	4.7	4.9	-	-	4.7	4.9
Lease liabilities	6.0	6.8	-	-	6.0	6.8
Subscription liabilities	0.1		-		0.1	
Total	\$ 366.7	396.7	143.9	126.8	510.5	523.5

The state limits the amount of general obligation debt the city can legally issue to 10% of the assessed value of real property within the city. The city's outstanding debt, not all of which is applicable to the state limits, is below this limit, which is currently \$878.5 million. The city maintains bond ratings on general obligation debt of "Aa2", "AA," and "AA," from Moody's Investors Service, Standard & Poor's Ratings Services and Fitch, Inc., respectively.

More detailed information about the city's long-term liabilities is presented in Note 5 to the basic financial statements.

**ECONOMIC FACTORS**

The City's unemployment rate for 2022 was 3.9%, which compares to the national unemployment rate of 3.6%. The City's per capita personal income as of 2021 (latest data available from the Bureau of Economic Analysis) was \$47,944, an increase of 7% from what was reported for 2020. Average per capita income in 2021 was \$43,267 for Virginia and \$64,117 for the United States as a whole.

**FINANCIAL INQUIRIES**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the city's finances and to demonstrate the city's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Chief Financial Officer, 801 Crawford Street, Portsmouth, VA 23704.

## **Basic Financial Statements**

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**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2023**

**Exhibit A**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current assets:				
Cash and temporary investments (Note 3)	\$ 187,693,986	63,558,045	251,252,031	70,747,824
Restricted cash and investments (Note 3)	287,873	13,412,392	13,700,265	-
Receivables (net of allowance for uncollectibles):				
Taxes	19,631,395	-	19,631,395	-
Accounts	12,430,650	21,327,443	33,758,093	2,692,772
Internal balances	6,739,665	(6,739,665)	-	-
Due from fiduciary fund	271,000	-	271,000	-
Due from component units (Note 10)	91,836	-	91,836	-
Due from other governments (Note 11)	18,641,475	-	18,641,475	5,347,985
Deposits held by others	240,000	-	240,000	-
Prepaid expenses	47,855	-	47,855	-
Leases receivable (Note 6)	413,168	-	413,168	1,740,893
Inventory of supplies	931,824	628,354	1,560,178	1,832,692
Total current assets	247,420,727	92,186,569	339,607,296	82,362,166
Noncurrent assets:				
Net OPEB asset (Note 8)	-	-	-	9,700,419
Security deposit receivable	-	-	-	4,016
Leases receivable (Note 6)	2,957,827	-	2,957,827	-
Property held for resale	-	-	-	13,147,566
Capital assets (Note 4):				
Land	20,500,406	13,598,078	34,098,484	7,291,368
Buildings	374,368,166	23,331,180	397,699,346	93,535,749
Improvements other than buildings	578,095,567	310,640,086	888,735,653	-
Machinery, furniture and equipment	105,069,621	48,821,095	153,890,716	33,113,668
Intangibles	4,001,922	-	4,001,922	364,970
Subscriptions	318,137	-	318,137	1,103,324
Construction in progress	89,054,557	128,829,560	217,884,117	-
Total capital assets	1,171,408,376	525,219,999	1,696,628,375	135,409,079
Less - accumulated depreciation/amortization	(630,258,391)	(209,857,837)	(840,116,228)	(86,556,068)
Total capital assets, net	541,149,985	315,362,162	856,512,147	48,853,011
Total noncurrent assets	544,107,812	315,362,162	859,469,974	71,705,012
Total assets	791,528,539	407,548,731	1,199,077,270	154,067,178
Deferred outflows of resources:				
Deferred outflows from debt refundings	18,219,437	2,506,873	20,726,310	-
Deferred outflows related to pensions (Note 7)	41,200,850	2,563,632	43,764,482	26,006,679
Deferred outflows related to OPEB (Note 8)	7,751,101	277,494	8,028,595	6,865,422
Total deferred outflows of resources	67,171,388	5,347,999	72,519,387	32,872,101
Total assets and deferred outflows of resources	\$ 858,699,927	412,896,730	1,271,596,657	186,939,279

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2023**

**Exhibit A (continued)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities:				
Current liabilities:				
Accounts payable	\$ 19,327,561	9,605,838	28,933,399	7,181,482
Accrued payroll	1,616,787	265,399	1,882,186	9,280,210
Accrued interest payable	4,756,817	1,887,298	6,644,115	6,261
Deposits	-	1,420,741	1,420,741	3,900
Unearned revenue	39,830,614	-	39,830,614	-
Due to Primary Government (Note 10)	-	-	-	91,836
Due to component units (Note 10)	-	-	-	-
Due to other governments	2,092	-	2,092	-
Claims payable (Note 15)	5,035,605	-	5,035,605	1,119,000
Compensated absences (Note 5)	3,780,548	403,457	4,184,005	1,574,261
Workers' compensation claims (Note 15)	-	-	-	639,910
Bonds payable, net (Note 5)	31,298,105	8,828,360	40,126,465	-
Loans payable (Note 5)	200,000	-	200,000	-
Subscription liability (Note 5)	110,356	-	110,356	368,827
Lease liabilities (Note 5)	835,196	-	835,196	-
Total current liabilities	106,793,681	22,411,093	129,204,774	20,265,687
Noncurrent liabilities:				
Claims payable (Note 15)	6,161,065	-	6,161,065	-
Compensated absences (Note 5)	3,489,735	372,422	3,862,157	3,095,865
Noncurrent workers' compensation claims (Note 15)	-	-	-	657,195
Bonds payable, net (Note 5)	345,461,694	145,898,424	491,360,118	-
Landfill closure and postclosure care (Notes 5 and 13)	-	3,868,065	3,868,065	-
Loans payable (Note 5)	4,500,000	-	4,500,000	-
Lease liabilities (Note 5)	5,147,290	-	5,147,290	-
Subscription liabilities (Note 5)	-	-	-	334,827
Net OPEB liability (Notes 5 and 8)	21,215,241	976,459	22,191,700	17,736,979
Net pension liability (Notes 5 and 7)	97,631,412	4,685,510	102,316,922	94,970,141
Total noncurrent liabilities	483,606,437	155,800,880	639,407,317	116,795,007
Total liabilities	590,400,118	178,211,973	768,612,091	137,060,694
Deferred inflows of resources:				
Deferred inflows related to leases (Note 6)	3,315,170	-	3,315,170	1,725,643
Deferred inflows related to pensions (Note 7)	16,368,803	1,423,375	17,792,178	27,901,669
Deferred inflows related to OPEB (Note 8)	13,078,314	640,391	13,718,705	13,990,384
Total deferred inflows of resources	32,762,287	2,063,766	34,826,053	43,617,696
Net position:				
Net investment in capital assets	295,959,817	176,554,643	472,514,460	48,149,356
Restricted for:				
Grants and donations	21,778,551	-	21,778,551	11,304,530
Cemetery trust, nonexpendable	1,001,320	-	1,001,320	-
Other purposes	287,873	13,412,392	13,700,265	19,636,994
Unrestricted	(83,490,039)	42,653,956	(40,836,083)	(72,829,991)
Total net position	235,537,522	232,620,991	468,158,513	6,260,889
Total liabilities, deferred inflows of resources, and net position	\$ 858,699,927	412,896,730	1,271,596,657	186,939,279

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Activities**  
**Year Ended June 30, 2023**

**Exhibit B**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 35,719,213	653,200	22,219,726	-	(12,846,287)	-	(12,846,287)	-
Judicial	23,389,363	425,255	2,891,969	-	(20,072,139)	-	(20,072,139)	-
Public safety	67,235,021	2,947,638	15,366,787	-	(48,920,596)	-	(48,920,596)	-
Public works	33,339,557	10,457,803	15,659,504	27,907	(7,194,343)	-	(7,194,343)	-
Health and welfare	28,183,685	67,864	26,726,919	-	(1,388,902)	-	(1,388,902)	-
Parks, recreational and cultural	16,204,417	1,507,066	532,380	-	(14,164,971)	-	(14,164,971)	-
Community development	8,177,582	1,405,549	827,417	2,454,965	(3,489,651)	-	(3,489,651)	-
Education	62,657,231	-	-	-	(62,657,231)	-	(62,657,231)	-
Interest on long-term debt	11,424,658	-	-	-	(11,424,658)	-	(11,424,658)	-
Total governmental activities	286,330,727	17,464,375	84,224,702	2,482,872	(182,158,778)	-	(182,158,778)	-
Business-type activities:								
Public Utility	37,762,832	48,467,212	-	-	-	10,704,380	10,704,380	-
Golf	2,006,969	1,451,759	-	-	-	(555,210)	(555,210)	-
Parking Authority	1,022,836	795,149	-	-	-	(227,687)	(227,687)	-
Waste Management	10,021,411	10,352,608	-	-	-	331,197	331,197	-
Total business-type activities	50,814,048	61,066,728	-	-	-	10,252,680	10,252,680	-
Total primary government	337,144,775	78,531,103	84,224,702	2,482,872	(182,158,778)	10,252,680	(171,906,098)	-
Component Units:								
School Board	185,518,241	1,950,458	55,451,052	-	-	-	-	(128,116,731)
Economic Development Authority	811,452	248,177	-	20,000	-	-	-	(543,275)
Port and Industrial Commission	20,821	5,503	-	-	-	-	-	(15,318)
Total component units	\$ 186,350,514	2,204,138	55,451,052	20,000	-	-	-	(128,675,324)
General revenues:								
Taxes:								
General property taxes					159,461,502	-	159,461,502	-
Business and occupational license taxes					7,798,520	-	7,798,520	-
Restaurant food taxes					13,259,613	-	13,259,613	-
Sales and use tax					11,938,901	-	11,938,901	-
Telecommunications					5,770,936	-	5,770,936	-
Other local taxes					7,710,062	-	7,710,062	-
Utility taxes					8,631,855	-	8,631,855	-
Grants and contributions not restricted to specific programs					-	-	-	109,347,339
Investment earnings					2,334,618	2,062,045	4,396,663	1,024,409
Miscellaneous					20,208,481	756,904	20,965,385	2,633,867
Payment from Primary Government					-	-	-	55,259,761
Transfers (Note 10)					9,261,590	(9,261,590)	-	-
Total general revenues and transfers					246,376,078	(6,442,641)	239,933,437	168,265,376
Change in net position					64,217,300	3,810,039	68,027,339	39,590,052
Net position, beginning of year					171,320,222	228,810,952	400,131,174	(33,329,163)
Net position, end of year					\$ 235,537,522	232,620,991	468,158,513	6,260,889

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

**Exhibit C**

	General Fund	Debt Service	Capital Projects	Grants Fund	Other Governmental Funds	Total
<b>Assets:</b>						
Cash and temporary investments (Note 3)	\$ 77,781,740	5,069,307	22,939,080	40,278,433	22,006,433	168,074,993
Restricted cash and temporary investments (Note 3)	287,873	-	-	-	-	287,873
Receivables (net of allowance for uncollectibles):						
Taxes	19,631,395	-	-	-	-	19,631,395
Accounts	10,153,523	-	-	-	741,385	10,894,908
Leases receivable (Note 6)	3,370,995	-	-	-	-	3,370,995
Due from other funds (Note 10)	13,463,665	-	-	-	-	13,463,665
Due from component units (Note 10)	91,836	-	-	-	-	91,836
Due from other governments (Note 11)	14,815,118	-	-	-	3,826,357	18,641,475
Prepays	46,535	-	-	-	1,320	47,855
Inventory of supplies	145,008	-	-	-	-	145,008
<b>Total assets</b>	<b>139,787,688</b>	<b>5,069,307</b>	<b>22,939,080</b>	<b>40,278,433</b>	<b>26,575,495</b>	<b>234,650,003</b>
<b>Liabilities:</b>						
Accounts payable	8,661,558	-	5,566,478	747,495	1,249,950	16,225,481
Accrued payroll	1,083,449	-	-	48,715	395,476	1,527,640
Unearned revenue	18,939	-	-	39,811,675	-	39,830,614
Due to other funds (Note 10)	-	-	-	-	796,000	796,000
Due to other governments	-	-	-	-	2,092	2,092
Due to component units (Note 10)	-	-	-	-	-	-
<b>Total liabilities</b>	<b>9,763,946</b>	<b>-</b>	<b>5,566,478</b>	<b>40,607,885</b>	<b>2,443,518</b>	<b>58,381,827</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenues (Note 12)	11,143,398	-	-	-	1,707,927	12,851,325
Deferred lease amounts (Note 6)	3,315,170	-	-	-	-	3,315,170
<b>Total deferred inflows of resources</b>	<b>14,458,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,707,927</b>	<b>16,166,495</b>
<b>Fund balances (Note 2):</b>						
Nonspendable	191,543	-	-	-	1,001,320	1,192,863
Restricted	287,873	-	-	-	21,778,551	22,066,424
Committed	404,165	-	17,372,602	-	-	17,776,767
Assigned	9,600,000	5,069,307	-	-	-	14,669,307
Unassigned	105,081,593	-	-	(329,452)	(355,821)	104,396,320
<b>Total fund balances</b>	<b>115,565,174</b>	<b>5,069,307</b>	<b>17,372,602</b>	<b>(329,452)</b>	<b>22,424,050</b>	<b>160,101,681</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 139,787,688</b>	<b>5,069,307</b>	<b>22,939,080</b>	<b>40,278,433</b>	<b>26,575,495</b>	<b>234,650,003</b>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA****Exhibit C (continued)****Balance Sheet - Reconciliation of the Balance Sheet to the Statement of Net Position****Governmental Funds****June 30, 2023**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances, governmental funds	\$ 160,101,681
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Capital and other assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Internal Service Funds are included below.

Those assets consist of:

Land	20,485,358	
Buildings	366,315,521	
Machinery, furniture and equipment	78,830,837	
Intangibles	789,574	
Improvements other than buildings	578,095,567	
Leased assets	7,625,889	
Construction in progress	89,054,557	
Accumulated depreciation and amortization	(602,217,194)	538,980,109

Some of the city's taxes and other revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflow in the funds.

12,851,325

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Internal Service Funds are included below. Those liabilities consist of:

Compensated absences	(6,918,164)	
Accrued interest payable	(4,756,817)	
General obligation bonds	(376,759,799)	
Long-term loan payable	(4,700,000)	
Lease liabilities	(5,982,486)	
Deferred inflows related to pension	(15,479,194)	
Deferred inflows related to OPEB	(12,793,695)	
Net pension liability	(95,389,314)	
Net OPEB liability	(20,781,260)	(543,560,729)

Deferred outflows from debt refunding as a result of bond refunding, which is not reported on governmental funds

18,219,437

Deferred outflows related to OPEB, which is not reported on governmental funds

7,627,770

Deferred outflows related to pensions, which is not reported on governmental funds

39,825,795 65,673,002

Internal service funds are used by the city to charge costs of certain activities to individual funds. The assets, liabilities and deferred flows of resources of the internal service funds are reported as components of other governmental funds.

1,492,134

Net position of governmental activities	\$ 235,537,522
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The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2023**

**Exhibit D**

	General Fund	Debt Service	Capital Projects	Grants Fund	Other Governmental Funds	Total
Revenues:						
Taxes	\$ 212,669,224	-	-	-	-	212,669,224
Intergovernmental	49,788,037	-	27,907	7,405,190	27,031,475	84,252,609
Charges for services	4,836,429	-	-	-	10,589,910	15,426,339
Investment income	1,615,802	-	128,095	-	407,458	2,151,355
Recovered costs	3,612,937	-	-	-	115,257	3,728,194
Fines and forfeitures	214,775	-	-	-	-	214,775
Licenses and permits	1,319,623	-	-	-	-	1,319,623
Use of property	503,638	-	-	-	-	503,638
Program income	-	-	-	-	2,454,965	2,454,965
Miscellaneous	12,692,315	-	-	48,797	2,031,248	14,772,360
Total revenues	287,252,780	-	156,002	7,453,987	42,630,313	337,493,082
Expenditures:						
Current:						
General government	20,802,354	-	86,171	883,722	-	21,772,247
Nondepartmental	11,798,451	-	-	-	-	11,798,451
Judicial	20,137,281	-	-	1,956,438	-	22,093,719
Public safety	64,149,359	-	-	750,761	-	64,900,120
Public works	18,903,419	-	3,518,825	475,492	2,552,019	25,449,755
Health and welfare	1,169,932	-	-	934,287	26,971,238	29,075,457
Parks, recreational and cultural	14,299,973	-	4,585	464,657	24,749	14,793,964
Community development	5,535,033	-	-	-	1,403,955	6,938,988
Education	59,901,284	-	-	-	-	59,901,284
Debt service - principal	835,752	29,171,843	-	-	199,443	30,207,038
Interest and fiscal charges	86,854	11,478,404	-	-	28,593	11,593,851
Costs of issuance	9,426	45,073	-	-	-	54,499
Capital outlay	1,233,043	-	33,034,075	2,800,505	2,745,521	39,813,144
Total expenditures	218,862,161	40,695,320	36,643,656	8,265,862	33,925,518	338,392,517
Excess (deficiency) of revenues over (under) expenditures	68,390,619	(40,695,320)	(36,487,654)	(811,875)	8,704,795	(899,435)
Other financing sources (uses):						
Proceeds from debt issuance	10	-	117,810	-	-	117,820
Transfers from other funds (Note 10)	9,797,599	40,873,280	14,718,479	-	3,673,581	69,062,939
Transfers to other funds (Note 10)	(52,212,623)	-	-	-	(8,028,329)	(60,240,952)
Total other financing sources (uses), net	(42,415,014)	40,873,280	14,836,289	-	(4,354,748)	8,939,807
Net change in fund balances	25,975,605	177,960	(21,651,365)	(811,875)	4,350,047	8,040,372
Fund balance, beginning of year	89,589,569	4,891,347	39,023,967	482,423	18,074,003	152,061,309
Fund balances, end of year	\$ 115,565,174	5,069,307	17,372,602	(329,452)	22,424,050	160,101,681

The Notes to Financial Statements are an integral part of this statement.

## CITY OF PORTSMOUTH, VIRGINIA

## Exhibit D (continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Reconciliation  
of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the  
Statement of Activities  
Governmental Funds  
Year Ended June 30, 2023**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances, total governmental funds	\$ 8,040,372
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Donated assets and loss on disposal of assets are not reported in the governmental funds, but are reflected in the statement of activities.

Purchases of capital assets	38,974,426	
Depreciation and amortization expense (not including Internal Service Funds)	(19,664,432)	19,309,994

The issuance of long term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments and retirement of debt	30,207,038	
Issuance of long term debt, proceeds	(117,810)	
Amortization expense	1,387,658	31,476,886

Some revenues in the statement of activities do not provide the use of current financial resources and, therefore, are not reported as revenues in the governmental funds.	3,610,092
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Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in net pension asset	(9,276,032)	
Change in net OPEB asset	(42,614)	
Change in deferred outflows - debt	(1,568,033)	
Change in deferred outflows - pensions	12,242,934	
Change in deferred outflows - OPEB	(651,749)	
Change in deferred inflows - pensions	58,271,065	
Change in deferred inflows - OPEB	358,426	
Change in compensated absences	(482,800)	
Change in net pension liability	(55,788,602)	
Change in OPEB liability	2,762,210	
Change in accrued interest	406,776	6,231,581

Internal service funds are used by the City to charge costs of certain activities to individual funds. The net revenue of internal service funds is reported as a component of governmental funds.	(4,451,625)
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Change in net position of governmental activities	\$ 64,217,300
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The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2023**

**Exhibit E-1**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
<b>Assets:</b>				
Current assets:				
Cash and temporary investments (Note 3)	\$ 46,598,367	16,959,678	63,558,045	19,618,993
Restricted cash and temporary investments (Note 3)	13,412,392	-	13,412,392	-
Accounts receivable (net of allowance for uncollectibles)	16,081,705	5,245,738	21,327,443	1,535,742
Inventory of supplies	503,416	124,938	628,354	786,816
Deposits-held by others	-	-	-	240,000
Total current assets	76,595,880	22,330,354	98,926,234	22,181,551
Noncurrent assets:				
Capital assets (Note 4):				
Land	403,834	13,194,244	13,598,078	15,048
Buildings	692,687	22,638,493	23,331,180	693,083
Improvements other than buildings	310,041,505	598,581	310,640,086	-
Machinery, furniture and equipment	34,509,551	14,311,544	48,821,095	25,972,457
Intangible assets	-	-	-	3,212,348
Subscription assets	-	-	-	318,137
Construction in progress	128,829,560	-	128,829,560	-
Total capital assets	474,477,137	50,742,862	525,219,999	30,211,073
Less - accumulated depreciation/amortization	(181,216,354)	(28,641,483)	(209,857,837)	(28,041,197)
Total capital assets, net	293,260,783	22,101,379	315,362,162	2,169,876
Total noncurrent assets	293,260,783	22,101,379	315,362,162	2,169,876
Total assets	369,856,663	44,431,733	414,288,396	24,351,427
Deferred outflows of resources:				
Deferred outflows from debt refunding	2,457,134	49,739	2,506,873	-
Deferred outflows related to pensions (Note 7)	1,375,055	1,188,577	2,563,632	1,375,055
Deferred outflows related to OPEB (Note 8)	184,996	92,498	277,494	123,331
Total deferred outflows of resources	4,017,185	1,330,814	5,347,999	1,498,386
Total assets and deferred outflows of resources	\$ 373,873,848	45,762,547	419,636,395	25,849,813

The Notes to Financial Statements are an integral part of this statement.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2023**

**Exhibit E-1 (Continued)**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Liabilities:				
Current liabilities:				
Accounts payable	\$ 8,961,854	643,984	9,605,838	3,102,080
Accrued interest payable	1,866,648	20,650	1,887,298	-
Accrued payroll	161,696	103,703	265,399	89,147
Deposits	1,360,395	60,346	1,420,741	-
Due to other funds (Note 10)	-	6,739,665	6,739,665	5,657,000
Current compensated absences (Note 5)	233,948	169,509	403,457	183,102
Current bonds payable (Note 5)	8,125,225	703,135	8,828,360	-
Current subscription liabilities (Note X)	-	-	-	110,356
Current claims payable (Note 15)	-	-	-	5,035,605
Total current liabilities	20,709,766	8,440,992	29,150,758	14,177,290
Noncurrent liabilities:				
Noncurrent claims payable (Note 15)	-	-	-	6,161,065
Noncurrent compensated absences (Note 5)	215,952	156,470	372,422	169,017
Landfill closure and postclosure liability (Notes 5 and 13)	-	3,868,065	3,868,065	-
Noncurrent bonds payable (Note 5)	145,086,406	812,018	145,898,424	-
Net pension liability (Notes 5 and 7)	2,242,098	2,443,412	4,685,510	2,242,098
Net OPEB liability (Notes 5 and 8)	650,973	325,486	976,459	433,981
Total noncurrent liabilities	148,195,429	7,605,451	155,800,880	9,006,161
Total liabilities	168,905,195	16,046,443	184,951,638	23,183,451
Deferred inflows of resources:				
Deferred inflows related to pensions (Note 7)	889,609	533,766	1,423,375	889,609
Deferred inflows related to OPEB (Note 8)	426,927	213,464	640,391	284,619
Total deferred inflows of resources	1,316,536	747,230	2,063,766	1,174,228
Net position:				
Net investment in capital assets	155,918,678	20,635,965	176,554,643	2,059,520
Restricted	13,412,392	-	13,412,392	-
Unrestricted	34,321,047	8,332,909	42,653,956	(567,386)
Total net position	203,652,117	28,968,874	232,620,991	1,492,134
Total liabilities, deferred inflows of resources, and net position	\$ 373,873,848	45,762,547	419,636,395	25,849,813

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2023**

**Exhibit E-2**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Operating revenues:				
Charges for services	\$ 48,467,212	12,599,516	61,066,728	36,175,518
Use of property	15,741	-	15,741	-
Other	571,603	169,560	741,163	1,677,813
Total operating revenues	49,054,556	12,769,076	61,823,632	37,853,331
Operating expenses:				
Personnel services	7,566,336	3,986,692	11,553,028	4,157,219
Contractual services	6,562,187	3,772,823	10,335,010	8,276,111
Supplies and materials	4,147,088	490,354	4,637,442	4,471,156
Utilities	1,701,482	231,036	1,932,518	157,231
Internal charges	1,361,969	2,032,795	3,394,764	305,235
Claims, settlements and refunds	3,332	-	3,332	21,407,961
Insurance premiums	-	-	-	1,451,312
Payments in lieu of taxes	1,161,598	-	1,161,598	-
Rent	-	115,791	115,791	-
Depreciation and amortization	9,469,279	1,334,682	10,803,961	701,778
Closure/postclosure	-	315,448	315,448	-
Other	820,444	704,527	1,524,971	1,997,101
Total operating expenses	32,793,715	12,984,148	45,777,863	42,925,104
Operating income (loss)	16,260,841	(215,072)	16,045,769	(5,071,773)
Nonoperating revenues (expenses):				
Investment income	1,702,294	359,751	2,062,045	183,263
Interest expense and fiscal charges	(4,969,117)	(67,068)	(5,036,185)	(2,718)
Total nonoperating revenues (expenses), net	(3,266,823)	292,683	(2,974,140)	180,545
Income before operating transfers	12,994,018	77,611	13,071,629	(4,891,228)
Transfers from other funds (Note 10)	-	1,226,153	1,226,153	750,000
Transfers to other funds (Note 10)	(9,514,191)	(973,552)	(10,487,743)	(310,397)
Change in net position	3,479,827	330,212	3,810,039	(4,451,625)
Net position, beginning of year	200,172,290	28,638,662	228,810,952	5,943,759
Net position, end of year	\$ 203,652,117	28,968,874	232,620,991	1,492,134

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2023**

**Exhibit E-3**

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 48,606,394	13,203,472	61,809,866	36,971,215
Cash payments to suppliers for goods and services	(8,189,037)	(7,151,671)	(15,340,708)	(37,247,771)
Cash payments to employees for services	(7,869,591)	(4,233,900)	(12,103,491)	(4,885,744)
Net cash provided by (used in) operating activities	32,547,766	1,817,901	34,365,667	(5,162,300)
Cash flows from noncapital financing activities:				
Interfund loans	-	459,000	459,000	2,247,000
Transfers in from other funds	-	1,226,153	1,226,153	750,000
Transfers out to other funds	(9,514,191)	(973,552)	(10,487,743)	(310,397)
Net cash provided by (used in) noncapital financing activities	(9,514,191)	711,601	(8,802,590)	2,686,603
Cash flows from capital and related financing activities:				
Proceeds from issuance of long-term debt	25,846,061	-	25,846,061	-
Acquisition and construction of capital assets	(16,820,996)	(242,975)	(17,063,971)	(23,917)
Payments on long-term debt	(6,730,134)	(1,190,000)	(7,920,134)	(207,781)
Interest paid	(5,177,286)	(70,670)	(5,247,956)	(2,718)
Net cash used in capital and related financing activities	(2,882,355)	(1,503,645)	(4,386,000)	(234,416)
Cash flows from investing activities:				
Interest received	1,702,294	359,751	2,062,045	183,263
Net cash provided by investing activities	1,702,294	359,751	2,062,045	183,263
Net increase (decrease) in cash and temporary investments	21,853,514	1,385,608	23,239,122	(2,526,850)
Cash and temporary investments, beginning of year	38,157,245	15,574,070	53,731,315	22,145,843
Cash and temporary investments, end of year	\$ 60,010,759	16,959,678	76,970,437	19,618,993
Reconciliation of cash and temporary investments above to the Statement of Net Position:				
Cash and temporary investments	\$ 46,598,367	16,959,678	63,558,045	19,618,993
Restricted cash and temporary investments	13,412,392	-	13,412,392	-
Total cash and temporary investments	\$ 60,010,759	16,959,678	76,970,437	19,618,993
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 16,260,841	(215,072)	16,045,769	(5,071,773)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation/amortization	9,469,279	1,334,682	10,803,961	701,778
Landfill closure/postclosure	-	315,448	315,448	-
Pension expense (recovery), net of employer contributions	(377,840)	(201,175)	(579,015)	(377,841)
OPEB expense (recovery), net of employer contributions	(45,441)	(116,555)	(161,996)	(343,076)
Change in current assets and liabilities:				
Accounts receivable	(431,721)	586,645	154,924	(882,074)
Inventory of supplies	62,614	(13,961)	48,653	(118,485)
Accounts payable	7,506,449	209,616	7,716,065	696,277
Customer deposits	(16,441)	(152,249)	(168,690)	-
Accrued payroll and expense	55,114	38,801	93,915	16,980
Compensated absences	64,912	31,721	96,633	(24,588)
Claims payable	-	-	-	240,502
Total adjustments	16,286,925	2,032,973	18,319,898	(90,527)
Net cash provided by (used in) operating activities	\$ 32,547,766	1,817,901	34,365,667	(5,162,300)

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2023**

**Exhibit F-1**

	Custodial Funds	Pension and OPEB Trusts
Assets:		
Cash and temporary investments (Note 3)	\$ 417,146	8,925,433
Investments (Note 3):		
Stocks	-	134,487,435
Bonds	-	50,832,522
Real estate	-	7,920,767
Other investments	-	1,368,115
Total investments	-	194,608,839
Total assets	417,146	203,534,272
Liabilities:		
Due to general fund, payables	271,000	-
Accounts payable	89,696	-
Total liabilities	360,696	-
Net position -		
Held for:		
New Port Community Development Authority	56,450	-
Pensions	-	194,983,551
Postemployment benefits other than pensions	-	8,550,721
Total net position	56,450	203,534,272
Total liabilities and net position	\$ 417,146	203,534,272

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year ended June 30, 2023**

**Exhibit F-2**

	Custodial Funds	Pension and OPEB Trust Funds
Additions:		
Contributions -		
Employers' contributions	\$ -	10,611,034
Other receipts	49,440	-
Investment income -		
Gains	76	19,213,020
Taxes collections for other governments	238,848	-
Total additions	288,364	29,824,054
Deductions:		
Benefit payments	49,516	29,591,219
Administrative expenses	-	286,728
Payments of taxes to other governments	182,398	-
Total deductions	231,914	29,877,947
Change in net position	56,450	(53,893)
Net position, beginning of year	-	203,588,165
Net position, end of year	\$ 56,450	203,534,272

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Component Units**  
**June 30, 2023**

**Exhibit G-1**

	School Board	Economic Development Authority	Port and Industrial Commission	Total
Assets:				
Current assets:				
Cash and temporary investments (Note 3)	\$ 61,259,774	8,567,309	920,741	70,747,824
Lease receivable (Note 6)	-	1,740,893	-	1,740,893
Accounts receivables (net of allowance for uncollec	1,388,739	31,719	1,272,314	2,692,772
Due from other governments (Note 11)	5,347,985	-	-	5,347,985
Inventory of supplies	1,832,692	-	-	1,832,692
Total current assets	69,829,190	10,339,921	2,193,055	82,362,166
Noncurrent assets:				
OPEB assets (Note 8)	9,700,419	-	-	9,700,419
Security deposit receivable	-	4,016	-	4,016
Property held for resale	-	12,815,559	332,007	13,147,566
Capital assets (Note 4):				
Land	6,085,707	1,205,661	-	7,291,368
Buildings	93,535,749	-	-	93,535,749
Machinery, furniture and equipment	33,113,668	-	-	33,113,668
Intangibles	364,970	-	-	364,970
Right-to-use subscription asset	1,103,324	-	-	1,103,324
Total capital assets	134,203,418	1,205,661	-	135,409,079
Less - accumulated depreciation	(86,556,068)	-	-	(86,556,068)
Total capital assets, net	47,647,350	1,205,661	-	48,853,011
Total noncurrent assets	57,347,769	14,025,236	332,007	71,705,012
Total assets	127,176,959	24,365,157	2,525,062	154,067,178
Deferred outflows of resources:				
Deferred outflows related to pensions (Note 7)	26,006,679	-	-	26,006,679
Deferred outflows related to OPEB (Note 8)	6,865,422	-	-	6,865,422
Total deferred outflows of resources	32,872,101	-	-	32,872,101
Total assets and deferred outflows of resources	\$ 160,049,060	24,365,157	2,525,062	186,939,279

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**Component Units**  
**June 30, 2023**

**Exhibit G-1 (Continued)**

	School Board	Economic Development Authority	Port and Industrial Commission	Total
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	\$ 5,164,154	540,414	1,476,914	7,181,482
Accrued payroll	8,632,371	-	-	8,632,371
Deposits	-	3,900	-	3,900
Accrued payroll taxes	647,839	-	-	647,839
Accrued interest	6,261	-	-	6,261
Due to Primary Government (Note 10)	-	46,942	44,894	91,836
Claims payable (Note 15)	1,119,000	-	-	1,119,000
Compensated absences (Note 5)	1,574,261	-	-	1,574,261
Workers' compensation claims (Note 15)	639,910	-	-	639,910
Subscription liability	368,827	-	-	368,827
<b>Total current liabilities</b>	<b>18,152,623</b>	<b>591,256</b>	<b>1,521,808</b>	<b>20,265,687</b>
Noncurrent liabilities:				
Compensated absences (Note 5)	3,095,865	-	-	3,095,865
Noncurrent workers' compensation claims (Note 15)	657,195	-	-	657,195
Noncurrent subscription liability	334,827	-	-	334,827
Net pension liability (Note 7)	94,970,141	-	-	94,970,141
Net OPEB liability (Note 8)	17,736,979	-	-	17,736,979
<b>Total noncurrent liabilities</b>	<b>116,795,007</b>	<b>-</b>	<b>-</b>	<b>116,795,007</b>
<b>Total liabilities</b>	<b>134,947,630</b>	<b>591,256</b>	<b>1,521,808</b>	<b>137,060,694</b>
Deferred inflows of resources:				
Deferred inflows related to leases (Note 6)	-	1,725,643	-	1,725,643
Deferred inflows related to pensions (Note 7)	27,901,669	-	-	27,901,669
Deferred inflows related to OPEB (Note 8)	13,990,384	-	-	13,990,384
<b>Total outflows of resources</b>	<b>41,892,053</b>	<b>1,725,643</b>	<b>-</b>	<b>43,617,696</b>
Net position:				
Net investment in capital assets	46,943,695	1,205,661	-	48,149,356
Restricted for:				
Grants and donations	11,304,530	-	-	11,304,530
Other purposes	19,032,408	604,586	-	19,636,994
Unrestricted	(94,071,256)	20,238,011	1,003,254	(72,829,991)
<b>Total net position</b>	<b>(16,790,623)</b>	<b>22,048,258</b>	<b>1,003,254</b>	<b>6,260,889</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 160,049,060</b>	<b>24,365,157</b>	<b>2,525,062</b>	<b>186,939,279</b>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Activities**  
**Component Unit**  
**Year Ended June 30, 2023**

**Exhibit G-2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Economic Development Authority	Port and Industrial Commission	
School Board:								
Administration, attendance and health services	\$ 11,932,950	813,798	-	-	(11,119,152)	-	-	(11,119,152)
Instruction	125,090,131	79,430	45,947,046	-	(79,063,655)	-	-	(79,063,655)
Pupil transportation	8,437,568	135,632	-	-	(8,301,936)	-	-	(8,301,936)
Operations and maintenance	17,896,975	47,260	-	-	(17,849,715)	-	-	(17,849,715)
Information technology	11,448,354	-	-	-	(11,448,354)	-	-	(11,448,354)
Food services	9,618,335	874,338	9,504,006	-	760,009	-	-	760,009
School Activities	1,093,928	-	-	-	(1,093,928)	-	-	(1,093,928)
Total School Board	185,518,241	1,950,458	55,451,052	-	(128,116,731)	-	-	(128,116,731)
Economic Development Authority:								
Economic Development Authority	811,452	248,177	-	20,000	-	(543,275)	-	(543,275)
Port and Industrial Commission:								
Port and Industrial Commission	20,821	5,503	-	-	-	-	(15,318)	(15,318)
Total Component Units	186,350,514	2,204,138	55,451,052	20,000	(128,116,731)	(543,275)	(15,318)	(128,675,324)
General revenues:								
Grants and contributions not restricted to specific programs					109,347,339	-	-	109,347,339
Investment earnings					862,944	146,287	15,178	1,024,409
Miscellaneous, other					2,633,867	-	-	2,633,867
Payment from Primary Government					55,259,761	-	-	55,259,761
Total general revenues					168,103,911	146,287	15,178	168,265,376
Change in net position					39,987,180	(396,988)	(140)	39,590,052
Net position, beginning of year					(56,777,803)	22,445,246	1,003,394	(33,329,163)
Net position, end of year					\$ (16,790,623)	22,048,258	1,003,254	6,260,889

The Notes to Financial Statements are an integral part of this statement.



**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The city of Portsmouth, Virginia (the city) was established by act of the Virginia General Assembly in 1858. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. City Council consists of a mayor and six other council members. The city is not part of a county and has taxing powers subject to statewide restrictions and tax limits.

The city provides a full range of municipal services including police and fire, sanitation, health and social services, public improvements, planning and zoning, parks and recreation, public libraries, education, water, sewer and storm water systems, and general administrative services.

The following is a summary of the more significant policies:

**A. Financial Reporting Entity**

The city's financial reporting entity is defined and its financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), which defines the distinction between the city as a Primary Government and its related entities. The financial reporting entity consists of the Primary Government and its component units, which are legally separate organizations for which the elected officials of the Primary Government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability of the Primary Government to impose its will, or b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Primary Government. The Primary Government may also be financially accountable if the component unit is fiscally dependent on the Primary Government, regardless of whether the component unit has a separately elected governing board. The Primary Government is hereafter referred to as the "city" and the reporting entity, which includes the city and its component units, is hereafter referred to as the "reporting entity".

As required by GAAP, the accompanying financial statements include all activities of the city, such as general operation and support services. The governmental operations of the School Board are separately disclosed on Exhibit G-2.

***Discretely Presented Component Units***

The component unit columns in the basic financial statements includes the financial data of two of the city's three discretely presented component units. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. These component units are fiscally dependent on the city and provide services primarily to the citizens of Portsmouth. The component units have a year end of June 30. A description of the discretely presented component units follows:

1. Portsmouth Public Schools (PPS) - The School Board of PPS is a separate legal entity comprising the governing body responsible for providing public education in the city for grades kindergarten through twelve. The members of the board are elected by voters; however, the School Board is fiscally dependent on the city as the City Council must approve its annual budget and appropriations, as well as all tax levies and borrowings to support its financial operations. Since there is the possibility that the School Board may provide a financial benefit or impose a financial burden on the city, the School Board is reported herein as a discretely presented component unit. The audited financial statements for the School Board may be obtained at the following address:

Portsmouth School Board  
Department of Business Affairs  
City Hall Building, Third Floor  
801 Crawford Street  
Portsmouth, Virginia 23704

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2. Portsmouth Port and Industrial Commission (PPIC) - The PPIC was created by the General Assembly in 1954 as a political subdivision of the Commonwealth of Virginia and is authorized to acquire, own, lease, and dispose of properties in and around the various ports within the city to the extent that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Portsmouth. The PPIC has only one fund and the board is appointed by the City Council. Since there is the possibility that the PPIC may provide a financial benefit or impose a financial burden on the city, it is reported as a discretely presented component unit. The audited financial statements for the PPIC may be obtained at the following address:

Portsmouth Port and Industrial Commission  
c/o Department of Economic Development  
200 High Street, Suite 200  
Portsmouth, Virginia 23704

3. Economic Development Authority (EDA) - The EDA was established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia to facilitate economic development activity in the community and to provide financial benefits to the city of Portsmouth. The EDA is authorized to acquire, own, lease, and dispose of properties to the extent that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Portsmouth. The EDA has only one fund and the board is appointed by the City Council. Since there is the possibility that the EDA may provide a financial benefit or impose a financial burden on the city, it is reported as a discretely presented component unit. Prior to FY22, the EDA was reported as a blended component unit due to the issuance of new debt, the EDA entered into a Cooperative Agreement with the city. The terms of this agreement created circumstances whereby the EDA's total outstanding debt is expected to be repaid entirely or almost entirely with resources of the city and the EDA. That debt was paid off during FY21 and the EDA is now presented discretely as a component unit in the city's financial statements. The separately audited financial statements for the EDA may be obtained at the following address:

Economic Development Authority  
c/o Department of Economic Development  
200 High Street, Suite 200  
Portsmouth, Virginia 23704

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Basis of Financial Statement Presentation**

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

The basic financial statements include both government-wide (based on the city as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities are a) reported by columns, and b) reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that is otherwise being supported by general government revenues (property taxes, utility taxes, and other local taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by directly related program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not specifically restricted to the various programs are reported as general revenues. The city does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the city are organized on the basis of funds. Each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Major individual governmental funds and major individual enterprise funds, those comprising a significant portion of the city's financial activity, are reported in separate columns in the fund financial statements. The nonmajor funds are combined in a single column in the fund financial statements and detailed in the combining statements.

Internal service funds of the city (which traditionally provide services primarily to other funds of the government) are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the city's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (public safety, judicial, health and welfare, etc.).

The city's fiduciary funds are presented in the fund financial statements by type (pension and OPEB trust funds and custodial). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the city, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the city.

**Governmental Fund Types**

Governmental funds are those through which most governmental functions of the city are financed. The acquisition, use, and balances of the city's expendable financial resources and the related liabilities are accounted for through governmental funds, except those accounted for in proprietary funds and similar trust funds.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The city reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Improvements Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs on long-term debt of governmental funds.

Grants Fund - The Grants Fund is used to account for the proceeds of restricted grants, and the related expenditures for grant purposes.

The city reports the following nonmajor governmental funds:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of certain specific revenue sources that are restricted to expenditures for specified purposes.

Permanent Fund - Cemetery Fund - The Cemetery Fund is used to account for the sale of cemetery lots, perpetual care payments, and donations and legacies made for the care of cemetery lots. The principal of such funds shall not be expended for any purpose.

Proprietary Fund Types

Proprietary funds are used to account for the city's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues include charges for services, certain rental fees, and recovered costs. Operating expenses include the cost of sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Enterprise Funds - Enterprise funds are used to account for operations a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or b) where the governing body has decided that 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 one major enterprise fund, the Public Utility Fund, which accounts for the utility activity provided to the city.

The three nonmajor enterprise funds are: (1) the Golf Fund, which accounts for ownership and operation of three golf courses, (2) the Parking Authority, which is responsible for the operation and maintenance of parking garages, parking lots, and all street parking meters for the city, and (3) the Waste Management Fund, which accounts for waste disposal services and operation of the Craney Island landfill.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department to other departments or agencies of the city, or to some agencies external to the city, on a cost-reimbursement basis. The city has five nonmajor internal service funds: the City Garage Fund, the Information Technology Fund, the Health Insurance and the Other Postemployment Benefit Fund (OPEB), the Risk Management Fund, and the School Board Risk Management Fund.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The city maintains two pension trusts, an other-postemployment trust, and two custodial funds. The pension and OPEB trust funds account for the assets of the city's retirement and other post-employment benefit plans. Custodial funds are custodial in nature and do not measure the results of operations. The city's custodial fund accounts for assets held on behalf of Social Services Department clients and taxes collected by the City and passed through to the New Port Community Development Authority. Fiduciary funds are not included in the government-wide financial statements.

***Reconciliation of Government-Wide and Fund Financial Statements***

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds Balance Sheet and total net position for governmental activities as shown on the government-wide Statement of Net Position is presented in a schedule accompanying the governmental funds' Balance Sheet. A summary reconciliation of the differences between net change in total fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances. The reconciliation differences stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements (i.e., Statement of Net Position and Statement of Activities) are reported using a full economic resources measurement focus and the accrual basis of accounting and include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with governmental and business-type activities. Assets and liabilities associated with fiduciary activities are included on the Statement of Fiduciary Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The pension and OPEB trust funds' contributions from members are recorded when the employer makes payroll deductions from plan members. Nonexchange transactions, in which the city either gives or receives value without directly receiving or giving equal value in exchange, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized when the underlying exchange transaction takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

All governmental funds are accounted for using the current financial resources measurement focus wherein only current assets and current liabilities are included on the Balance Sheet in the fund statements and the focus is on the determination of, and changes in, financial position. Operating statements of governmental funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus and Basis of Accounting (Continued)**

The governmental funds utilize the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Measurable means the amount of the transaction can be determined; available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the city. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual eligibility criteria are met. Real estate and personal property taxes are recorded as revenues and receivables when levied and billed, net of allowances for uncollectible amounts. Property taxes levied but not collected within 45 days after year-end are reflected as unearned revenues. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the city, are recognized as revenues and receivables upon collection by the State or utility companies, which is generally in the month preceding receipt by the city, because they are generally not measurable until actually received. Licenses and permits, fines and forfeitures, charges for services (except those charges for services recognized when billed) and miscellaneous revenues (except interest on temporary investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Stormwater management fees are also recognized as revenue when earned. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt which is recorded when due.

The Custodial Funds use the economic resources measurement focus and accrual basis of accounting.

The accrual basis of accounting is followed by the proprietary funds, pension and OPEB trust funds. Accordingly, their revenues are recognized when earned and expenses are recognized when they are incurred. Unbilled utility service receivables are recorded in the enterprise funds when earned.

**D. Property Taxes**

The city's two major sources of property taxes are described below:

***Real Estate Taxes***

The city levies real estate taxes on all real estate within its boundaries, except those exempted by statute, each year as of July 1st on the estimated market value of the property. Real estate taxes become a lien on real property the first day of the levy year. The city, as required by state statute, follows the practice of reassessing all property annually. Real estate taxes are collected in equal quarterly payments due September 30, December 31, March 31, and June 30, and are considered delinquent after each due date. The real estate tax rate during 2023 was \$1.30 per \$100 of assessed value.

***Personal Property Taxes***

The city levies personal property taxes on motor vehicles and business and other tangible personal property. Personal property taxes do not create a lien on property. These levies are made each year as of January 1 with payment due the following June 5. Taxes on motor vehicles bought and sold after January 1 are prorated and the tax levies are adjusted. During the fiscal year, the personal property taxes reported as revenue are the adjusted levies less an allowance for uncollectible accounts. Personal property taxes are considered delinquent after the June 5 due date or, in the case of supplemental levies, thirty days after the taxes are levied and billed. The personal property tax rate for 2023, excluding machinery and tools, boats, and recreational vehicles, was \$5.00 per \$100 of assessed value. The personal property tax rate on machinery and tools, boats, and mobile homes was \$5.00, \$0.50, and \$1.50 per \$100 of assessed value, respectively.

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Allowance for Uncollectible Accounts**

Provision for uncollectible property taxes is based on a historical percentage of accounts written off applied to the total levies of all years carried in taxes receivable. Provision for uncollectible accounts receivable is based on an evaluation of delinquent accounts and adequacy of the allowance.

**Governmental Activities:**

General Fund:	
Allowance for uncollectibles (taxes)	\$ 4,702,590
Allowance for uncollectibles	2,605,441
Total General Fund	7,308,031
Special Revenue Funds:	
Stormwater Management Fund - allowance for uncollectibles	908,605
Behavioral Health Services Fund - allowance for uncollectibles	1,133,878
Total Special Revenue Funds	2,042,483
Total Governmental activities	\$ 9,350,514

**Business-type Activities:**

Enterprise Funds:	
Public Utility Fund - allowance for uncollectibles	\$ 1,514,338
Waste Management Fund - allowance for uncollectibles	1,080,264
Total Business-type activities	\$ 2,594,602

**F. Cash and Temporary Investments**

Cash and temporary investments from certain funds are combined and invested in local bank repurchase agreements and certificates of deposit. Each fund's share of the pooled cash is accounted for within the individual fund. Pooled cash overdrafts have been reclassified as interfund receivables and payables. The income from the pooled monies has been allocated to the respective funds based on the pooled cash balances of each fund at the end of each month. For purposes of the Statement of Cash Flows, investments with original maturities of three months or less from date of purchase are considered cash equivalents and are reported as cash and temporary investments.

**G. Investments**

Investments are carried at fair value. Fair value is determined by quoted market prices. Investments in corporate bonds and commercial paper are valued at amortized cost if the maturity date is less than one year.

**H. Inventories**

Inventories consist of expendable materials and supplies held for future consumption and are stated at cost using the first-in, first-out (FIFO) method. Inventory is accounted for under the consumption method.

**I. Property Held for Resale**

Property is stated at acquisition cost plus improvements, but not in excess of net realizable value. Capitalized costs of projects are assigned to individual components of the projects based on specific identification. If specific identification is not practicable, capitalized costs are allocated to each parcel benefited, based on relative fair value before construction. As property is sold, all costs associated with that property are charged to cost of land sold.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**J. Fund Balances**

Fund balance consists of five classifications based on the extent of the constraints imposed upon the use of the resources in the governmental funds. The fund balance classifications are as follows:

*Nonspendable* - Fund balance is reported as nonspendable when it is either a) not in spendable form or b) legally or contractually required to be maintained intact.

*Restricted* - Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

*Committed* - Fund balance is reported as committed when the use of amounts is constrained by limitations that the government imposes upon itself through formal action of City Council, the highest level of decision making authority for the city, and remains legally binding unless removed in the same manner. Limitations of spending imposed by the annual operating budget lapse with the passage of time and thus do not remain binding indefinitely and therefore is not sufficient to commit fund balance. Committed fund balance also incorporates contractual obligations to the extent existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Fund balance is reported as assigned when amounts are intended to be used for specific purposes. Assigned fund balance does not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, the reported assigned fund balance represents the amount of fund balance that is neither restricted nor committed. In the general fund, intent is expressed by the City Council or an official to whom the City Council has delegated this authority through the annual budget ordinance. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amounts (except for negative balances) that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned* - Fund balance is reported as unassigned in the General Fund for funds that are available for any purpose. The unassigned fund balance represents the residual classification for the General Fund and contains the amounts not specified in other classifications.

The city applies restricted resources first when expenditures are incurred for purposes for which either restricted or committed, assigned, and unassigned amounts are available. Following the restricted spending for expenditures, committed, assigned, and unassigned are utilized in that order for purposes of spending in all other fund balance classifications other than restricted.

Fund Balance Policy Minimum – The city will maintain in the General Fund an unassigned fund balance equal to 15% of total revenues in accordance with its fund balance policy as approved by City Council.

**K. Capital Assets**

Capital assets and improvements include substantially all land, buildings, equipment, water distribution and sewage collection systems, and other elements of the city's infrastructure having a useful life of more than one year with a cost of more than \$5,000 with the exception of infrastructure assets and intangibles, having a threshold of \$100,000 and internally generated computer software, which has a \$1,000,000 threshold.

Capital assets which are used for general governmental purposes and are not available for expenditure are accounted for and reported in the government-wide financial statements. Major infrastructure assets include the roads, bridges, curbs and gutters, streets and sidewalks, parks and improvements, and tunnels.



**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets (Continued)**

Capital assets are generally stated at historical cost, or at estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Donated capital assets are stated at their acquisition value. Accumulated depreciation and amortization are reported as reductions of capital assets.

Lease and subscription assets are amortized over the life of the related agreements. Other capital asset depreciation has been provided over the estimated useful lives using the straight-line method annually as follows:

	Estimated Useful Life in Years
<b>Primary Government:</b>	
Buildings	20 - 50
Improvements other than buildings	10 - 50
Machinery, furniture, and equipment	5 - 15
Intangibles	10 - 20
<b>Component unit – School Board:</b>	
Buildings and improvements	20 – 50
Machinery, furniture, and equipment	5 - 30

**L. Compensated Absences**

City employees are granted annual leave time in varying amounts based on length of service. They may accumulate unused annual leave earned and, upon retirement, termination, or death, may be compensated for the accumulated amounts at their current rates of pay not to exceed 44 days. City employees accrue sick leave at the rate of eight hours for each full calendar month of work completed. Sworn Fire employees who work a 27-day cycle accrue 12 hours of paid sick leave for each full calendar month worked. Sick leave may be accumulated and carried forward until the time of retirement, termination, or death when the leave is forfeited except for those employees eligible for retirement under the Portsmouth Supplemental or Portsmouth Fire and Police retirement systems. For employees eligible to retire under the Portsmouth Retirement Systems under regular service retirement and excluding deferred or vested retirement, one-half of unused sick leave as of the effective date of retirement shall be added to creditable service for retirement purposes.

The liability for compensated absences has been recorded in accordance with the provisions of GAAP. The cost of the compensated absences expected to be paid from future expendable financial resources is accounted for as a liability. In the governmental funds, the amount of compensated absences recorded as an expenditure in the General Fund and Special Revenue Funds is the amount used by and paid to employees during the fiscal year. In the government-wide and proprietary funds' financial statements, the amount of compensated absences recorded as an expense is the net amount earned during the fiscal year. A liability for compensated absences is reported in the governmental funds only if the compensated absences have matured as a result of employee resignations and terminations.

**M. Intra-entity Activity**

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as transfers. Such payments include transfers for debt service and capital construction. Resource flows between the Primary Government and the discretely presented component units are reported as if they were external transactions.

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Deferred Outflows/Inflows of Resources (continued)**

The city reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net assets by the government that is applicable to a future period.

- When the city refunds some of its existing debt, the difference between the funds required to retire the refunded debt and the net carrying amount of refunded debt results in a deferred amount on refunding. If there is an excess of the reacquisition price of refunded debt over its net carrying amount, it is treated as a deferred outflow of resources. If there is an excess net carrying value amount of refunded debt over its reacquisition price, it is treated as a deferred inflow of resources.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Differences resulting from a changes in proportion of the collective net pension and OPEB liabilities. This difference will be recognized in pension and OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Differences resulting from changes in assumptions on pension plan or OPEB investments. These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.
- Revenues deferred as asset recognition criteria have not yet been met (see Note 12).
- Lease-related amounts are recognized at the inception of the lease for a lease where the city is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

**O. Pensions**

For purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported within the fair value hierarchy established by GAAP.

**P. Other Postemployment Benefit (OPEB) Plans**

For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plans' fiduciary net position, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Q. Estimates and Assumptions**

A number of estimates and assumptions relating to the reporting of revenues, expenses, expenditures, assets, and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results may differ from those estimates.

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Budgets**

By City Charter and the *Code of Virginia*, the City Manager is required to present to City Council an operating budget on or before April 1 before the beginning of the next fiscal year on July 1. Prior to adoption of the budget by City Council, a public hearing is required to be conducted seven days prior to adoption of the budget and the public hearing is required to be advertised seven days prior to the public hearing. The City Council is required to adopt the budget on or before June 30. The legal level of budgetary control is set at the fund level with the exception of the General Fund, which is set at the activity or function level. The City Code provides that the City Manager may transfer any unencumbered appropriation balance less than \$100,000 from one department, project, program, or purpose to another within the same fund without City Council approval. The City Manager is required to make a monthly report to the City Council of all budget transfers greater than \$50,000. Also, the City Manager may transfer any or all of the unencumbered balance of the emergency contingency account budget to any item in the budget provided that any utilization of the emergency contingency account budget is reported to the City Council at its next regular meeting. The General, Special Revenue, and all proprietary funds have legally adopted annual budgets. Project length (multi-year) budgets are adopted for the Capital Projects Fund, the Community Development Fund, and the Grants Fund in lieu of annual budgets and appropriations.

**(2) FUND BALANCE**

The fund balances of the governmental funds at June 30, 2023, were composed of the following:

	General Fund	Debt Service	Capital Improvements	Grants	Other Nonmajor
Nonspendable:					
Inventory of supplies	\$ 145,008	-	-	-	-
Prepaid items	46,535	-	-	-	1,320
Permanent - cemetery care	-	-	-	-	1,000,000
Total nonspendable fund balances	191,543	-	-	-	1,001,320
Restricted:					
Restricted cash	287,873	-	-	-	-
Behavioral health services	-	-	-	-	16,367,298
Public law library	-	-	-	-	226,176
Social services	-	-	-	-	714,784
Stormwater management infrastructure maintenance	-	-	-	-	2,063,799
Grants	-	-	-	-	-
Children's services	-	-	-	-	368,152
Willett Hall	-	-	-	-	482,248
Asset forfeitures	-	-	-	-	504,001
Permanent - cemetery care	-	-	-	-	978,573
Total restricted fund balances	287,873	-	-	-	21,778,551
Committed:					
Capital projects	-	-	17,372,602	-	-
Various open purchase orders	404,165	-	-	-	-
Total committed fund balances	404,165	-	17,372,602	-	-
Assigned:					
Reassessment	3,600,000	-	-	-	-
Post-employment benefits	1,000,000	-	-	-	-
Capital projects	5,000,000	-	-	-	-
Debt service	-	5,069,307	-	-	-
Total assigned fund balances	9,600,000	5,069,307	-	-	-
Unassigned:					
Unassigned	105,081,593	-	-	(329,452)	(355,821)
Total unassigned fund balance	105,081,593	-	-	(329,452)	(355,821)
Total fund balances	\$ 115,565,174	5,069,307	17,372,602	(329,452)	22,424,050

**(3) DEPOSITS AND INVESTMENTS**

**Deposits and Restricted Cash**

At June 30, 2023, the carrying value of the city's deposits with banks and savings institutions was \$251,173,807, and the total of the bank balances for these deposits was \$231,320,386. All cash of the city except petty cash of \$78,224 is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Sec. 2.2-4400 et seq. of the *Code of Virginia* or covered by federal depository insurance. As of June 30, 2023, restricted cash totaled \$13,700,265, which primarily represents sheriff funds and bond proceeds.

**Investments**

State statutes authorize the city to invest in obligations of the United States or agencies thereof, securities unconditionally guaranteed by the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, certificates of deposit, and the State Treasurer's Local Government Investment Pool (LGIP). The pension and OPEB trust funds are also authorized to invest in common stocks and marketable debt securities which mature within twenty years with credit ratings no lower than Baa or BBB as measured by Moody's Investors Service, Inc., Standard and Poor's Financial Services, LLC, or Fitch Investors Service rating services.

**Investment Policy**

The primary goal of the investment policy is to maximize return on investment while minimizing risk to the investment. The city's investment policy addresses custodial credit risk, interest rate risk, concentration of risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. The city's policy does not address foreign currency risk. The city's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Investment *Code of Virginia* and the guidelines established by the State Treasury Board and the Governmental Accounting Standards Board. The policy specifically states that the city shall limit investments to those allowed under the Virginia Security for Public Deposits Act, Sec. 2.2-4400 et seq. of the *Code of Virginia*. The City Treasurer is responsible for diversifying the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. It is the policy of the city to concentrate its investment efforts to banks located in the Commonwealth of Virginia which are under the Virginia statutes for public funds and all banks must be approved by depositories by the State Treasury Board. The city's policy is to invest only in "prime quality" commercial paper, with a maturity of two hundred seventy days or less, or issuing corporations organized under the laws of the United States, or any state thereof including paper issued by banks and bank holding companies. Prime quality shall be as rated by the Moody's Investors Services, Inc. within its ratings of prime 1 or prime 2, by Standard and Poor's, Inc. within its ratings of A-1 or A-2, or by Fitch Investors Service within its ratings of F-1 and F-2. The maximum percentage of funds to be invested in any one issue shall not exceed 5% of the total portfolio.

As of June 30, 2023, the city's investment balances were as follows:

	Carrying Amount	Actual Credit Ratings	Required Credit Ratings	Average Days/Years to Maturity
LGIP	\$ 21,547,055	AAAm	N/A	1 day

**(3) DEPOSITS AND INVESTMENTS (CONTINUED)**

**Pension Investments - Common Collective Retirement Trust Fund**

As of June 30, 2023, the pension investments in the city's common collective retirement trust fund were professionally managed by John Hancock Trust Company LLC and primarily invested in equity funds. The fair value of the pension investments are primarily determined by the quoted prices of securities on the various exchange markets. The allocation of the investment accounts are authorized between the Board of Trustees of the Portsmouth Supplemental Retirement System (which acts on behalf of and administers the retirement plan for the Portsmouth Fire and Police Retirement System), Morgan Stanley PWM (Private Wealth Management), and John Hancock Trust Company LLC. The target allocation for all pension investment funds is 65.0% for equity securities, 30.0% for fixed income (bond) securities, 2.0% for real estate trust securities, and 2% for alternative investments. None of the city's pension investments have credit ratings.

At June 30, 2023, the fair value of the pension investment in the city's retirement trust fund was as follows:

Name of Brokerage Account or Mutual Fund	Investment Type	Weighted Average Maturity/Liquidation	Fair Value
<b>John Hancock Trust Company LLC:</b>			
Morgan Stanley Advisory Holding	MF Equity	1 day	\$ 189,661,690
PIMCO Government Money Market	MF Equity	1 day	2,960,928
			<b>\$ 192,622,618</b>

Included in the amounts above are \$6,564,500 in funds that are reported as cash and temporary investments on the Statement of Fiduciary Net Position.

At June 30, 2023, the fair value of the OPEB Investments was as follows:

Investment Type	Fair Value
Fixed Income	\$ 1,710,144
Stocks	4,189,854
Real Estate	1,282,608
Alternative Investments	1,368,115
	<b>\$ 8,550,721</b>

**Fair Value Measurement**

The city categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and, Level 3 inputs are significant unobservable inputs (the city does not currently value any of its pension investments using Level 3 inputs).

**(3) DEPOSITS AND INVESTMENTS (CONTINUED)**

The recurring fair value measurement hierarchy (by fair value level of valuation inputs) and the readily determinable fair value amount (by type of security or asset) of the pension and OPEB investments in the city's retirement trust funds as of June 30, 2023, are as follows:

	Fair Value at 6/30/2023	Fair Value (FV) Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at FV Level:	6/30/2023			
Debt securities				
Bonds in mutual funds	\$ 4,671,072	4,671,072	-	-
Equity securities				
Common stock in mutual funds	193,851,544	193,851,544	-	-
Other assets (futures contracts, etc) in mutual funds	2,650,723	2,650,723	-	-
Total investments by fair value	\$ 201,173,339	201,173,339	-	-

Included in the amounts above are \$6,564,500 in funds that are reported as cash and temporary investments on the Statement of Fiduciary Net Position

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees' policy for managing its exposure to fair value loss arising from increasing interest rates is to consult with its investment advisor regarding the options available for limiting the remaining term to maturity of the investment(s) with such an exposure as the circumstances of each situation warrants.

**Credit Risk**

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Board of Trustees' policy for reducing its exposure to credit risk is to consult with its investment advisors to determine whether or not to hold or liquidate the investment(s) with such an exposure as the circumstances of each situation warrants. At June 30, 2023, the Board of Trustees' pension investments had no quality ratings.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single credit issuer. The Board of Trustees' policy for reducing risk is to consult its investment advisors and implement mutually agreeable strategies aimed at minimizing or eliminating the risk as the circumstances of each situation warrants.

**Custodial Credit Risk**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Board of Trustees will not be able to recover the value of its investments or collateral securities that are in the possession of an outside third party. The Board of Trustees does not have a policy for custodial credit risk.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Board of Trustees does not have a formal policy for foreign currency risk.

**(3) DEPOSITS AND INVESTMENTS (CONTINUED)**

**Component Unit - School Board**

All of the deposits of the School Board, a discretely presented component unit, of \$61,259,774 are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by Federal depository insurance. The School Board has \$17,099,869 invested in the School OPEB Trust Fund. The City Treasurer's policies on deposits and investments, as noted above, also apply to the School Board.

**Component Unit - Economic Development Authority**

At year end, the carrying value of deposits with banks for the Economic Development Authority, a discretely presented component unit, was \$8,567,309. All cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

**Component Unit - Portsmouth Port and Industrial Commission**

At year end, the carrying value of deposits with banks for the Portsmouth Port and Industrial Commission, a discretely presented component unit, was \$920,741. All cash of the Commission is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

**Exhibit H (continued)**

**(4) CAPITAL ASSETS**

**Primary Government -  
Governmental Activities**

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 20,500,406	-	-	20,500,406
Construction in progress (CIP)	59,424,494	29,630,063	-	89,054,557
Total capital assets not being depreciated or amortized	79,924,900	29,630,063	-	109,554,963
Capital assets being depreciated:				
Buildings	366,322,771	685,833	-	367,008,604
Buildings, lease asset	7,359,562	-	-	7,359,562
Improvements other than buildings	8,822,652	30,633	-	8,853,285
Improvements other than buildings (Infrastructure)	567,457,042	1,785,240	-	569,242,282
Machinery, furniture, and equipment	97,976,294	6,827,000	-	104,803,294
Machinery, furniture, and equipment, lease asset	285,249	-	(18,922)	266,327
Intangibles	3,962,348	357,711	-	4,001,922
Subscriptions*	318,137	-	-	318,137
Total capital assets being depreciated or amortized	1,052,504,055	9,368,280	(18,922)	1,061,853,413
Less accumulated depreciation and amortization for:				
Buildings	(153,818,950)	(8,059,587)	-	(161,878,537)
Buildings, lease asset	(953,421)	(953,421)	-	(1,906,842)
Improvements other than buildings	(5,115,448)	(411,103)	-	(5,526,551)
Improvements other than buildings (Infrastructure)	(389,147,190)	(4,950,956)	-	(394,098,146)
Machinery, furniture, and equipment	(58,833,066)	(5,517,488)	-	(64,350,554)
Machinery, furniture, and equipment, lease asset	(67,565)	(66,116)	18,922	(114,759)
Intangibles	(1,975,463)	(245,931)	-	(2,221,394)
Subscriptions	-	(161,608)	-	(161,608)
Total accumulated depreciation and amortization	(609,911,103)	(20,366,210)	18,922	(630,258,391)
Total capital assets being depreciated or amortized, net	442,592,952	(10,997,930)	-	431,595,022
Governmental activities capital assets, net	\$ 522,517,852	18,632,133	-	541,149,985

\*Balances as of July 1, 2022, include items related to the implementation of GASB Statement 96.

Under Virginia Law, localities have a tenancy-in-common with the School Board whenever a locality incurs a financial obligation for school property which is payable over more than one fiscal year. The School Board and city have agreed that such property, with a net book value of \$71,613,151, will be carried on the city's financial statements until the outstanding debt is repaid.

	CIP June 30, 2023	Outstanding Commitments	Unobligated Balance
Governmental Activities Projects	\$ 89,054,557	\$ 26,361,544	\$ 62,693,013

**(4) CAPITAL ASSETS (CONTINUED)**

Governmental activities' depreciation/amortization expense was charged to functions as follows:

General government	\$	2,448,923
Judicial		2,140,432
Public safety		1,788,549
Public works		7,491,453
Health and welfare		516,707
Parks, recreation and cultural		1,569,377
Community development		953,044
Education		2,755,947

Total governmental activities, excluding internal service funds 19,664,432

Depreciation/amortization on capital assets of internal service funds (see Exhibit E-2)  
charged to various functions based on usage of capital assets. 701,778

Total governmental activities \$ 20,366,210

**Primary Government -  
Business-type Activities**

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 13,598,078	-	-	13,598,078
Construction in progress	113,655,660	15,173,900	-	128,829,560
Total capital assets not being depreciated	127,253,738	15,173,900	-	142,427,638
Capital assets being depreciated:				
Buildings	23,331,180	-	-	23,331,180
Improvements other than buildings	598,581	-	-	598,581
Improvements other than buildings (Infrastructure)	310,041,505	-	-	310,041,505
Machinery, furniture, and equipment	46,944,924	1,890,071	(13,900)	48,821,095
Total capital assets being depreciated	380,916,190	1,890,071	(13,900)	382,792,361
Less accumulated depreciation for:				
Buildings	(16,984,246)	(464,445)	-	(17,448,691)
Improvements other than buildings	(419,589)	(10,711)	-	(430,300)
Improvements other than buildings (Infrastructure)	(150,009,598)	(7,747,048)	-	(157,756,646)
Machinery, furniture, and equipment	(31,654,343)	(2,581,757)	13,900	(34,222,200)
Total accumulated depreciation	(199,067,776)	(10,803,961)	13,900	(209,857,837)
Total capital assets being depreciated, net	181,848,414	(8,913,890)	-	172,934,524
Business-type activities capital assets, net	\$ 309,102,152	6,260,010	-	315,362,162

Depreciation expense was charged to business-type activities as follows:

Public utilities	\$	9,469,279
Parking authority		369,191
Golf		101,737
Waste management		863,754

Total Business-type activities \$ 10,803,961

	CIP 6/30/2023	Outstanding Commitments	Unobligated Balance
Business-type activities	\$ 128,829,560	\$ 6,064,160	\$ 122,765,400

**CITY OF PORTSMOUTH, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

**Exhibit H (continued)**

**(4) CAPITAL ASSETS (CONTINUED)**

<b>Primary Government - Major Enterprise Fund</b>				
	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<b>Public Utility Fund</b>				
Capital assets not being depreciated:				
Land	\$ 403,834	-	-	403,834
Construction in progress	113,655,660	15,173,900	-	128,829,560
Total capital assets not being depreciated	114,059,494	15,173,900	-	129,233,394
Capital assets being depreciated:				
Buildings	692,687	-	-	692,687
Improvements other than buildings (Infrastructure)	310,041,505	-	-	310,041,505
Machinery, furniture, and equipment	32,876,355	1,647,096	(13,900)	34,509,551
Total capital assets being depreciated	343,610,547	1,647,096	(13,900)	345,243,743
Less accumulated depreciation for:				
Buildings	(282,276)	(17,158)	-	(299,434)
Improvements other than buildings (Infrastructure)	(150,009,598)	(7,747,048)	-	(157,756,646)
Machinery, furniture, and equipment	(19,918,037)	(1,691,173)	13,900	(23,160,274)
Total accumulated depreciation	(171,760,975)	(9,455,379)	13,900	(181,216,354)
Total capital assets being depreciated, net	171,849,572	(7,822,183)	-	164,027,389
Public Utility Fund capital assets, net	\$ 285,909,066	7,351,717	-	293,260,783
<b>Discretely Presented Component Unit - School Board</b>				
	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 6,085,707	-	-	6,085,707
Total capital assets not being depreciated	6,085,707	-	-	6,085,707
Capital assets being depreciated:				
Buildings	93,535,748	-	-	93,535,748
Machinery, furniture, and equipment	28,807,344	4,314,201	(7,877)	33,113,668
Intangibles	364,970	-	-	364,970
Right-to-use assets being amortized:				
Subscriptions	-	1,103,324	-	1,103,324
Total capital assets being depreciated/amortized	122,708,062	5,417,525	(7,877)	128,117,710
Less accumulated depreciation/amortization for:				
Buildings	(58,288,757)	(2,476,506)	-	(60,765,263)
Machinery, furniture, and equipment	(23,953,622)	(1,311,974)	7,833	(25,257,763)
Intangibles	(364,970)	-	-	(364,970)
Right-to-use subscriptions	-	(168,072)	-	(168,072)
Total accumulated depreciation/amortization	(82,607,349)	(3,956,552)	7,833	(86,556,068)
Capital assets being depreciated/amortized, net	40,100,713	1,460,974	(44)	41,561,643
School Board capital assets, net	\$ 46,186,420	1,460,974	(44)	47,647,350

**(5) LONG - TERM LIABILITIES**

**Details of Long-Term Indebtedness**

At June 30, 2023, the long-term indebtedness of the city consisted of the following:

		<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Outstanding</b>
<b>Governmental Activities</b>				
General obligation bonds, net:				
2006B	VPSA School Financing Bonds	7/15/2026	4.40 - 4.60%	\$ 1,427,543
2009	VPSA Qualified School Construction Bonds	9/1/2026	0.00%	5,371,429
2011	G.O. Refunding Bonds	7/15/2024	5.00%	3,010,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	6,899,154
2015B	Taxable G.O. Refunding Bonds	8/1/2028	3.00 - 3.30%	16,185,000
2016A	G.O. Refunding Bonds	8/1/2035	2.00 - 5.00%	28,940,000
2016B	Taxable G.O. Refunding Bonds	8/1/2025	2.00 - 2.20%	7,315,000
2016QZAB	Virginia G.O. Qualified Zone Academy Bonds	9/15/2031	0.00%	4,185,000
2017QZAB	Virginia G.O. Qualified Zone Academy Bonds	9/15/2029	0.00%	1,865,052
2017A	G.O. Refunding Bonds	7/15/2034	3.00 - 5.00%	59,315,000
2017B	G.O. Taxable Refunding Bonds	7/15/2035	2.35 - 3.90%	4,665,000
2018	G.O. New Money Vehicle Financing	7/15/2028	3.010%	5,782,000
2019	G.O. Bonds	7/15/2039	3.00 - 5.00%	22,025,000
2019B	Taxable G.O. Refunding Bonds (Pensions)	2/1/2037	2.00 - 3.00%	127,265,000
2021A	G.O. Bonds	7/15/2041	2.00 - 5.00%	30,700,000
2021B	Taxable G.O. Refunding Bonds	7/15/2041	0.19 - 2.6%	30,850,000
2023	Stormwater G.O. Bonds	1/1/2044	0.00%	117,810
Total general obligation bonds				<u>\$ 355,917,988</u>
Leases:				
	Building 1725 Green Street	6/30/2026	1.0590%	\$ 236,794
	Building Portsmouth Business Center, Suite 300C	11/30/2025	0.8930%	430,874
	Building 700 Port Centre Parkway	5/31/2030	1.5270%	4,897,243
	Building 200 High Street, Suite 200	12/31/2028	1.4510%	264,932
	Equipment Copiers, various	2 - 5 years	1.06% - 0.51%	152,643
				<u>\$ 5,982,486</u>
Subscriptions:				
		17-27		
	Software	months	1.71% - 2.89%	<u>\$ 110,356</u>

General obligation bonds are stated exclusive of premiums and discounts.

**(5) LONG – TERM LIABILITIES (CONTINUED)**

**Details of Long-Term Indebtedness (continued)**

		<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Outstanding</b>
<b>Business-Type Activities</b>				
Public Utilities:				
General obligation bonds:				
2009E	Prentis Park Bonds	7/15/2041	0.00%	\$ 1,442,479
2011	G.O. Refunding Bonds	7/15/2024	5.00%	2,380,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	11,040,000
2015B	Taxable G.O. Refunding Bonds	8/1/2028	3.00 - 3.30%	4,075,000
2017A	G.O. Refunding Bonds	7/15/2041	3.00 - 5.00%	39,675,000
2021A	G.O. Refunding Bonds	7/15/2025	5.00%	390,000
2021B	Taxable G.O. Bonds	7/15/2041	0.12 - 2.60%	29,420,000
Total general obligation bonds				<u>88,422,479</u>
Revenue bonds:				
2019C	Infrastructure Revenue Bonds	10/1/2049	2.974 - 5.125%	28,990,000
2022B	Water and Sewer System Revenue Bond	10/1/2052	4.777 - 5.226%	24,620,000
2023	Water and Sewer System Revenue Bond	3/1/2053	0.300%	320,604
Total revenue bonds				<u>53,930,604</u>
Total Public Utilities				<u>142,353,083</u>
Parking Authority:				
2011	G.O. Refunding Bonds	7/15/2024	5.00%	10,000
2013B	Taxable G.O. & Refunding Bonds	2/1/2024	2.839 - 3.939%	480,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	10,847
2017B	G.O. Taxable Refunding Bonds	7/15/2025	2.20-3.90%	45,000
2017A	G.O. Refunding Bonds	7/15/2026	5.00%	35,000
2021B	Taxable G.O. Bonds	7/15/2030	0.12 - 1.65%	60,000
Total Parking Authority				<u>640,847</u>
Golf:				
2015A	G.O. Refunding Bonds	8/1/2028	3.00 - 5.00%	385,000
2017B	G.O. Taxable Refunding Bonds	7/15/2035	2.35 - 2.85%	480,000
Total Golf				<u>865,000</u>
				<u>\$ 143,858,930</u>

General obligation bonds are stated exclusive of premiums and discounts.

At June 30, 2023, the long-term indebtedness of the School Board component unit consisted of the following:

	<b>Amount Outstanding</b>
<b>School Board:</b>	
Compensated absences	\$ 4,670,126
Medical claims payable	1,119,000
Workers' compensation claims payable	1,297,105
Subscription liability	703,654
Net pension liability	94,970,141
Net OPEB liability	17,736,979
Total long-term liabilities	<u>\$ 120,497,005</u>

**CITY OF PORTSMOUTH, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

**Exhibit H (continued)**

**(5) LONG – TERM LIABILITIES (CONTINUED)**

The following is a summary of changes in long-term indebtedness of the city for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
<b>Primary Government -</b>					
<b>Governmental Activities:</b>					
General obligation bonds	\$ 384,972,020	117,810	(29,171,842)	355,917,988	29,910,447
Bond premiums/(discounts)	22,229,469	-	(1,387,658)	20,841,811	1,387,658
	407,201,489	117,810	(30,559,500)	376,759,799	31,298,105
Lease liabilities	6,817,682	-	(835,196)	5,982,486	838,367
VDOT loans	4,900,000	-	(200,000)	4,700,000	200,000
Compensated absences	6,812,071	4,732,052	(4,006,181)	7,270,283	3,780,548
Subscription liabilities*	318,137	-	(207,781)	110,356	110,356
Net OPEB Liability	24,153,779	-	(2,2938,538)	21,215,241	-
Net pension liability	40,257,504	57,373,908	-	97,631,412	-
<b>Total Governmental Activities</b>	<b>\$ 490,142,525</b>	<b>62,223,770</b>	<b>(39,014,855)</b>	<b>513,669,577</b>	<b>36,227,376</b>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 97,848,460	-	(7,920,134)	89,928,326	7,645,138
Bond premiums/(discounts)	7,648,311	-	(546,531)	7,101,780	546,532
Total general obligation bonds, net	105,496,771	-	(8,466,665)	97,030,106	8,191,670
Revenue bond	28,990,000	24,940,604	-	53,930,604	500,000
Bond premium	2,982,216	905,457	(121,599)	3,766,074	136,690
Total revenue bond, net	31,972,216	25,846,061	(121,599)	57,696,678	636,690
Landfill closure and post-closure care	3,552,617	315,448	-	3,868,065	-
Compensated absences	679,246	509,240	(412,607)	775,879	403,457
Net OPEB Liability	976,494	-	(36)	976,459	-
Net pension liability	1,459,538	3,225,972	-	4,685,510	-
<b>Total Business-type Activities</b>	<b>\$ 144,136,882</b>	<b>29,896,721</b>	<b>(9,000,907)</b>	<b>165,032,697</b>	<b>9,231,817</b>
<b>Major Enterprise Funds:</b>					
<b>Public Utility Fund</b>					
General obligation bonds	\$ 95,152,613	-	(6,730,134)	88,422,479	6,945,138
Bond premiums/(discounts)	7,635,871	-	(543,397)	7,092,474	543,397
Total general obligation bonds, net	102,788,484	-	(7,273,531)	95,514,953	7,488,535
Revenue bond	28,990,000	24,940,604	-	53,930,604	500,000
Bond premium	2,982,216	905,457	(121,599)	3,766,074	136,690
Total revenue bond, net	31,972,216	25,846,061	(121,599)	57,696,678	636,690
Compensated absences	384,988	317,070	(252,158)	449,900	233,948
Net OPEB Liability	610,309	40,664	-	650,973	-
Net pension liability	656,792	1,585,306	-	2,242,098	-
Total Public Utility Fund	\$ 136,412,789	27,789,101	(7,647,288)	156,554,602	8,359,173

\*Balances as of July 1, 2022, include items related to the implementation of GASB Statement 96.

**(5) LONG – TERM LIABILITIES (CONTINUED)**

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the government-wide Statement of Net Position. Pension and OPEB liabilities, in addition to the amount due within one year for compensated absences, which has been estimated, are generally liquidated by the fund for which the employee works.

Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The city has calculated the rebate due as of June 30, 2023, the settlement date, and reflected the liability, if any, in either the Public Utility Fund or the governmental activities column of the Statement of Net Position, depending on the bond issue and timing of payment.

The following is a summary of changes in long-term indebtedness of the School Board component unit for the year ended June 30, 2023:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>July 1, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2023</b>	<b>One Year</b>
<b>School Board:</b>					
Compensated absences	\$ 4,759,626	2,285,203	(2,374,703)	4,670,126	1,574,261
Claims payable	1,767,615	19,550,082	(18,901,592)	2,416,105	1,758,910
Subscription liability	-	1,103,323	(399,669)	703,654	368,827
Net OPEB Liability	*18,855,896	-	(1,118,917)	17,736,979	-
Net pension liability	80,916,931	14,053,210	-	94,970,141	-
Total School Board	\$ 106,300,068	36,991,818	(22,794,881)	120,497,005	3,701,998

\*Adjusted July 1, 2022, balance to remove the effect of a net OPEB asset.

The debt recorded in the enterprise and internal service funds is paid from revenues earned in those funds. General obligation debt is paid from the General Fund for which the primary funding sources are general property taxes and other local taxes.

**Debt Limit**

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of the general obligation borrowings, which may be issued by the city without referendum. At June 30, 2023, the City's debt limit was \$878,530,000 of which \$432,684,000 is available for the issuance of additional debt. There are no overlapping tax jurisdictions. However, the City has adopted three debt affordability policies that restrict the amount of debt beyond the amount indicated by the legal debt margin. These policies require that the ratio of all net tax supported Debt Service to combined General Fund and School revenues should not exceed 10%, the ratio of net tax supported Debt to Market Value should not exceed four percent, and the 10 year debt payout ratio of net tax supported Debt should be greater than or equal to 50%.

**(5) LONG – TERM LIABILITIES (CONTINUED)**

**Debt Compliance and Repayment**

The annual requirements to pay all outstanding long-term bonds as of June 30, 2023, including interest payments, are summarized as follows:

**Governmental Activities:**

Fiscal Year Ending	General Obligation Bonds		Leases	
	Principal	Interest	Principal	Interest
2024	\$ 29,910,447	\$ 10,541,455	\$ 838,367	\$ 81,448
2025	30,795,529	9,651,607	857,044	70,362
2026	31,682,211	8,691,787	743,911	59,332
2027	26,322,529	7,781,343	560,397	50,125
2028	26,269,436	7,004,084	711,917	40,852
2029-2033	119,175,026	23,218,286	2,270,850	38,287
2034-2038	79,170,000	6,310,999	-	-
2039-2043	12,475,000	482,848	-	-
2044-2048	117,810	-	-	-
	<u>\$ 355,917,988</u>	<u>\$ 73,682,398</u>	<u>\$ 5,982,486</u>	<u>\$ 340,406</u>

**Business-type Activities:**

Fiscal Year Ending	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 7,645,138	\$ 2,737,689	\$ 500,000	\$ 2,365,931
2025	7,410,138	2,424,663	545,000	2,339,153
2026	7,695,138	2,120,282	590,000	2,310,069
2027	5,525,138	1,873,748	635,000	2,278,678
2028	5,730,138	1,713,980	1,190,000	2,231,913
2029-2033	25,426,533	6,304,833	6,965,000	10,166,281
2034-2038	17,750,688	3,132,861	8,740,000	8,403,963
2039-2043	12,745,418	662,256	10,655,000	6,475,378
2044-2048	-	-	13,205,000	3,923,422
2049-2053	-	-	10,905,604	1,043,559
	<u>\$ 89,928,326</u>	<u>\$ 20,970,312</u>	<u>\$ 53,930,604</u>	<u>\$ 41,538,347</u>

**Authorized but Unissued Bonds**

The total of general obligation bonds authorized but unissued for governmental funds as of June 30, 2023, was \$61,234,289.

The total of bonds authorized but unissued for enterprise funds as of June 30, 2023, was \$169,990,561.



**(6) LEASE RECEIVABLES**

The City, as the lessor, has entered into the following lease arrangements:

Cell Site - I-264 Exit 2A: An initial lease receivable was recorded in the amount of \$89,518. As of June 30, 2023, the value of the lease receivable is \$57,578. The lessee is required to make monthly fixed payments of \$1,400 through December, 2026. The lease has an interest rate of 1.1770%. The value of the deferred inflow of resources as of June 30, 2023, was \$56,966, and the City recognized lease revenue of \$16,276 during the fiscal year.

Cavalier Manor Recreation Center: An initial lease receivable was recorded in the amount of \$62,289. As of June 30, 2023, the value of the lease receivable is \$37,735. The lessee is required to make monthly fixed payments of \$1,231 through June, 2026. The lease has an interest rate of 1.0590%. The value of the deferred inflow of resources as of June 30, 2023, was \$37,374, and the City recognized lease revenue of \$12,458 during the fiscal year. The lessee has 4 extension option(s), each for 12 months.

Recreation Center - John F. Kennedy: An initial lease receivable was recorded in the amount of \$132,394. As of June 30, 2023, the value of the lease receivable is \$80,205. The lessee is required to make monthly fixed payments of \$2,529 through June, 2026. The lease has an interest rate of 1.0590%. The value of the deferred inflow of resources as of June 30, 2023, was \$79,436, and the City recognized lease revenue of \$26,479 during the fiscal year. The lessee has 4 extension options, each for 12 months.

Recreation Center - Joseph E. Parker: An initial lease receivable was recorded in the amount of \$28,990. As of June 30, 2023, the value of the lease receivable is \$17,562. The lessee is required to make monthly fixed payments of \$542 through June, 2026. The lease has an interest rate of 1.0590%. The value of the deferred inflow of resources as of June 30, 2023, was \$17,394, and the City recognized lease revenue of \$5,798 during the fiscal year. The lessee has 4 extension options, each for 12 months.

4690 Greenwood Drive: An initial lease receivable was recorded in the amount of \$320,900. As of June 30, 2023, the value of the lease receivable is \$258,909. The lessee is required to make monthly fixed payments of \$2,554 through August, 2030. The lease has an interest rate of 0.3160%. The value of the deferred inflow of resources as of June 30, 2023, was \$250,779, and the City recognized lease revenue of \$35,060 during the fiscal year. The lessee has 1 extension option of 60 months.

1701 High Street - Suite 102: An initial lease receivable was recorded in January, 2022, in the amount of \$3,363,359. As of June 30, 2023, the value of the lease receivable is \$2,919,005. The lessee is required to make monthly fixed payments of \$30,987 through December, 2031. The lease has an interest rate of 1.8800%. The value of the deferred inflow of resources as of June 30, 2023, was \$2,873,221, and the City recognized lease revenue of \$338,026 during the fiscal year. The lessee has 1 extension option for 60 months.

The Economic Development Authority, as the lessor, has entered into the following lease arrangements:

Hotel: Previously, the city redeveloped a tract of land to further economic development and enhancement of the city's downtown and waterfront areas through the development of a hotel and conference center with accompanying parking. A 250-room, first class, full-service destination hotel is currently owned and operated by 425 Water LLC. The owner is paying the Authority for air rights (intangible) and management of the conference center. The parking garage is operated by the hotel, no payments are made to the Authority. The agreement for the air rights and conference center expires on June 1, 2049, with the right to extend for four 10-year terms and one 9-year term. The lease has an interest rate of 0.89%. The Economic Development Authority recognized lease revenue of \$66,584 during the fiscal year.

**(6) LEASE RECEIVABLES (CONTINUED)**

The City and Economic Development Authority expect the following principal and interest payments on these leases through maturity:

Fiscal Year Ending	Primary Government		Economic Development Authority	
	Principal	Interest	Principal	Interest
2024	\$ 413,168	\$ 54,712	\$ 59,754	\$ 15,228
2025	421,002	47,877	60,290	14,694
2026	428,993	40,917	60,830	14,155
2027	382,589	34,072	61,376	13,611
2028	381,840	27,514	61,926	13,062
2029-2033	1,343,403	43,153	318,059	56,906
2034-2038	-	-	332,576	42,432
2039-2043	-	-	347,757	27,297
2044-2048	-	-	363,629	11,472
2049-2049	-	-	74,696	332
	<u>\$ 3,370,995</u>	<u>\$ 248,245</u>	<u>\$ 1,740,893</u>	<u>\$ 209,191</u>

**(7) RETIREMENT PLANS**

Most full-time employees of the city are eligible for benefits in the event of retirement, death, or disability under the State administered Virginia Retirement System (VRS) or under one of the two retirement systems administered by the city.

In addition, professional and nonprofessional employees of the school board are covered by VRS. All professional employees participate in the statewide teacher ("cost-sharing pool") retirement system, and nonprofessional employees participate as a separate group in the agent multiple-employee retirement system.

The policies and plans for all three retirement systems are described below.

**Portsmouth Retirement Systems**

***Summary of Significant Accounting Policies***

*Measurement focus and basis of accounting.* The city accounts for the Portsmouth Supplemental Retirement System (PSRS) and the Fire and Police Retirement System (FPRS) as pension trust funds and does not separately issue financial reports for these plans. The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Contributions to each plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

*Method used to value investments.* Investments are reported at fair value in accordance with GAAP. Investments are measured using fair value hierarchy. Securities traded on a national exchange are reported at fair value based on the closing market prices quoted each business day, which are published and represent verifiable valuation (Level 1) inputs. Securities that do not have a readily determinable fair value are reported at estimated fair value based on appropriate market valuation measurement techniques (using a market, cost or income approach), which are recognized and represent observable valuation (Level 2) inputs.

***Plan Description - Portsmouth Supplemental Retirement System***

*Plan description and membership.* The Portsmouth Supplemental Retirement System (PSRS) is a single-employer non-contributory retirement system that was established on October 1, 1953. It was designed to provide retirement, death, or disability benefits for all regular full-time, permanent employees who were not eligible for membership in VRS or the Portsmouth FPRS. On December 1, 1984, the city offered an option to all employees of the PSRS to either remain with their current system or transfer to VRS. All regular full-time employees hired after December 1, 1984, with the exception of City Council members, are members of VRS as required by State statutes. City Council members are no longer eligible for membership as of December 31, 2016, except for former City Council members returning to service. Therefore, the PSRS has become a "closed" system.

*Benefits provided.* All regular full-time permanent employees (except those eligible for membership in the Virginia Retirement System and the Portsmouth Fire and Police Retirement System as noted above) who were hired prior to December 1, 1984 were eligible to participate in the PSRS. Employees who have attained age 50 with five years of service are eligible for a retirement benefit payable monthly during the lifetime of the member that is equal to 2% of their average final compensation (AFC) multiplied by their years of creditable service. AFC is the average annual compensation during the 36 consecutive months of creditable service that yields the highest average.

Benefits may be increased from time to time by cost of living adjustments approved by City Council. Effective July 1, 1994, retirees who retire on Normal Service Retirement may be eligible to receive an additional allowance of \$200 per month until age 65. The married member shall be provided a 50% spousal option at no cost if the spouse is no more than 5 years younger than the member. The PSRS plan also provides death and disability benefits. These benefit provisions and all other requirements of the PSRS are established by City Council. The city (employer) is required by city code to contribute the amounts necessary to fund the system based on an actuarially determined percentage of payroll. There are no required contributions due from employees.

**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

***Plan Description - Portsmouth Fire and Police Retirement System***

*Plan description and membership.* The FPRS is a single-employer retirement system that was established on January 1, 1957. Its membership is comprised of every firefighter or police officer, hired prior to July 1, 1995, who is a full-time permanent employee. All full-time firefighters and police officers hired after June 30, 1995 are members of the VRS Law Enforcement Officers (LEO) retirement system as required by State statutes. Therefore, the FPRS has become a “closed” system.

*Benefits provided.* Benefits vest after five years of service. Employees may retire at any time with 20 years of service, regardless of age. Employees 50 or older may retire at any time with less than 20 years of service provided the vesting requirement has been satisfied. Employees are entitled to an annual retirement benefit payable in an amount equal to 3% of the average final compensation (AFC) for the first 20 years and 2% for each of the next 5 years of service and 1% for each year thereafter multiplied by their years of creditable service. AFC is defined as the highest consecutive 36 months of compensation. Benefits begin at age 60, upon written request, for members who terminate employment prior to age 50 with less than 20 years of creditable service.

Benefits may be increased from time to time by percentage adjustments approved by City Council. Effective July 1, 1994, retirees receive a supplement of \$200 per month until age 65. In addition, an automatic 50% survivor option has been added for all retirees at no cost to the retirees. The FPRS also provides death and disability benefits. These benefit provisions and all other requirements of the FPRS are established by City Council.

The city (employer) is required by city code to contribute the amounts necessary to fund the system based on an actuarially determined percentage of payroll. There are no required contributions due from employees.

***Plan Participants***

Participation in the Portsmouth Supplemental Retirement System and the Fire and Police Retirement System consisted of the following as of June 30, 2023:

	<u>Total</u>	<u>PSRS</u>	<u>FPRS</u>
Retirees and beneficiaries	955	329	626
Vested terminated employees not yet receiving benefits	45	9	36
Current vested employees	8	7	1
	<u>1,008</u>	<u>345</u>	<u>663</u>

***Contributions***

The funding policy of PSRS and FPRS provides for periodic employer contributions at actuarially determined rates which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Rates necessary to support post-retirement supplements which may be payable in addition to the basic benefits are determined separately on a pay-as-you-go basis.

Total employer contributions to the PSRS and FPRS for fiscal year 2023 were \$1,602,512 and \$6,235,165, respectively or \$7,855,677 in total.

***Plan Investments***

*Investment policy.* This Statement of Investment Policy defines the investment policies for the management and oversight of the Portsmouth Retirement System (the “Plan”). It establishes objectives, strategies to achieve them, procedures for monitoring and control, and identifies responsibilities for the oversight and management of Plan assets.

The Board of Trustees of the city of Portsmouth Fire Supplemental Retirement Systems (the Board) is responsible for the Investment Policy of both systems and may amend it from time to time.

**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

*Plan Investments (continued)*

*Responsibilities.* Responsibilities for the oversight and management of Plan assets are specified as follows:

1. The Board establishes investment policy, makes asset allocation decisions, determines asset class strategies and retains investment managers to implement asset allocation and asset class strategy decisions.
2. The Board has engaged Graystone Consulting to assist the Board in areas of asset allocation, investment policy, portfolio strategy implementation, performance monitoring and evaluation, and rebalancing policy implementation.
3. Graystone Consulting is responsible for investing Plan assets in a manner consistent with the Plan's Investment Policy within the John Hancock Retirement Plans Services Investment Platform.

*Objectives.* Objectives of the Investment Policy are as follows:

1. Invest Plan assets prudently to provide retirement benefits for qualified participants.
2. Maximize long-term return by investing to achieve the rate of return specified by the Plan's actuarial assumptions.
3. Diversify investments by asset type, class, capitalization, and style to minimize risk.
4. Minimize management and custodial costs.

*Performance Objectives.* In achieving the Plan's objectives, the Plan's performance objective is to outperform the Policy Portfolio return after fees at a comparable level of risk. This investment objective is expected to be achieved over the long term and is measured over rolling five-year periods.

*Policy Portfolio.* Asset allocation policy is the principal method for achieving the investment objectives stated above. The Plan's policy targets and ranges are as follows:

	<u>Target</u>	<u>Range</u>
Equities	66%	50% - 90%
Fixed Income	30%	10% - 50%
Real Estate	2%	0% - 5%
Alternatives	2%	0% - 5%

US equities are held for their long-term expected return premium over fixed income investments and inflation. Non-US equities are held for their expected return premium (along with US equities), as well as diversification relative to equities. Cash equivalents are held solely to meet the Plan's liquidity requirements.

The asset allocation policy is reviewed by the Board at a high level regularly. A detailed review may be conducted if significant changes occur in the Plan's financial position or spending policy.

*Rebalancing policy.* The portfolio shall be rebalanced by John Hancock Retirement Plan Services quarterly to reflect target asset allocation percentages by fund manager listed on the approved lineup.

(7) **RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

*Plan Investments (continued)*

*Monitoring and control.* The Investment portfolio shall be reviewed on demand and at a minimum of once each quarter. Specific guidelines by investment medium include:

1. Equities:
  - A. Investments shall be diversified by number within each approved class.
  - B. Management employed shall have demonstrated historical performance and risk proficiency.
  - C. Performance review shall include third-party publications.
  - D. Performance review shall include peer comparisons.
  - E. Appropriate benchmarks for returns comparisons include, but are not limited to, the following:

U.S. Large Cap Value	Russell 1000 Value Index
U.S. Large Cap Growth	Russell 1000 Growth Index
U.S. Large Cap Core	Russell 1000 Index and S&P 500 Index
U.S. Mid Cap Value	Russell Mid Cap Value Index
U.S. Mid Cap Growth	Russell Mid Cap Growth Index
U.S. Small Cap Value	Russell 2000 Value Index
U.S. Small Cap Growth	Russell 2000 Growth Index
International Equity	MSCI EAFE Index
2. Fixed Income:
  - A. Investments shall be diversified by type and number.
  - B. Average duration of the portfolio shall not exceed 10 years.
  - C. U.S. guaranteed issues shall constitute the largest percentage of holdings.
  - D. Credit quality shall average a minimum of an S&P "A" rating.
  - E. Performance review shall include third-party publications.
  - F. Performance reviews shall include peer comparisons, when possible.
  - G. A benchmark for returns comparisons includes, but is not limited to the Barclays Capital Aggregate Bond Index.
3. Alternative Investments:

As the name implies, this general investment classification includes markets other than the traditional markets, such as Equities, Fixed Income, and Cash Equivalents. Extensive research and empirical evidence has verified that investment diversification among a number of different, non-correlated asset classes has the potential to reduce overall portfolio volatility and improve returns. Rather than taking direct positions in alternative markets, such as Real Estate, Agricultural Products, Energy, Metals, Currencies, etc. or, investing in Limited Partnerships, which can lack liquidity and/or transparency, latitude will be retained to access these markets/assets through Mutual Funds.

  - A. Real Estate:
    1. The investment medium shall be equity real estate.
    2. Investments shall provide asset class diversification to reduce portfolio standard deviation.
    3. The funds will be invested publicly traded real estate mutual funds and not in real estate limited partnerships.
    4. Investments shall be diversified and of high quality; core assets will comprise a majority of the allocation.
    5. A benchmark for returns comparisons includes, but is not limited to, the Russell Open-End Real Estate Universe.

**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

***Plan Investments (continued)***

B. Managed Futures:

1. Fund Managers shall access the respective markets via Managed Futures, which eliminates such concerns as storage and insurance costs, or, unwanted delivery.
2. Investments shall provide asset class diversifications to reduce portfolio standard deviation.
3. The funds will be invested in Managed Futures Mutual Funds and not Managed Futures Limited Partnerships.
4. Investments shall be diversified and of high quality. Fund Managers have the latitude to take long or small positions in the representative markets, based upon their professional evaluation of relevant trends.
5. A benchmark for returns comparisons includes, but is not limited to, the Morningstar Diversified Futures Index TR.

Underperformance of investments in any of the above media, as measured by comparisons with peers and benchmarks for two consecutive quarters, shall trigger a review by the Investment Committee. This review shall continue quarterly until either performance has improved or management has been replaced.

Any recommended changes to investment management shall include comparisons of management and custodial costs.

***Concentrations***

There are no significant investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represent 5% or more of net assets available for benefits.

***Rate of Return***

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.05% and 9.99%, for FPRS and PSRS, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Net Pension Liability of the Portsmouth Retirement Systems***

The FPRS and PSRS net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2022, using updated actuarial assumptions. As of June 30, 2022, the net pension liability amounts for the FPRS and PSRS are as follows:

	PSRS	FPRS
Total Pension Liability	\$ 68,028,620	\$ 221,823,153
Less: Fiduciary Net Position	48,418,725	148,660,265
Net Pension Liability	\$ 19,609,895	\$ 73,162,888
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.17%	67.02%

**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

***Changes in Net Pension Liability - FPRS***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2021	\$ 225,607,023	\$ 191,187,668	\$ 34,419,355
Change for the year:			
Service Cost	96,414	-	96,414
Interest	15,588,902	-	15,588,902
Differences between expected and actual experience	1,447,947	-	1,447,947
Contributions - employer	-	8,199,999	(8,199,999)
Net investment income	-	(29,189,401)	29,189,401
Benefit payments, including refunds of employee contributions	(21,219,756)	(21,219,756)	-
Administrative expenses	-	(318,245)	318,245
Changes of assumptions	302,623	-	302,623
Net changes	(3,783,870)	(42,527,403)	38,743,533
Balance at June 30, 2022	\$ 221,823,153	\$ 148,660,265	\$ 73,162,888

***Changes in Net Pension Liability - PSRS***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2021	\$ 70,152,716	\$ 62,855,029	\$ 7,297,687
Change for the year:			
Service Cost	27,467	-	27,467
Interest	4,815,010	-	4,815,010
Differences between expected and actual experience	213,717	-	213,717
Contributions - employer	-	2,517,941	(2,517,941)
Net investment income	-	(9,512,540)	9,512,540
Benefit payments, including refunds of employee contributions	(7,332,578)	(7,332,578)	-
Administrative expenses	-	(109,127)	109,127
Changes of assumptions	152,288	-	152,288
Net changes	(2,124,096)	(14,436,304)	12,315,208
Balance at June 30, 2022	\$ 68,028,620	\$ 48,418,725	\$ 19,609,895



**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

*Actuarial Assumptions.*

The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal - Level Percentage of Pay
Interest Rate	7.25%
Annual Rates of Salary Increase:	
Salaries	3.00%
Future Social Security Wage Bases	3.00%
Future Social Security Cost of Living Increases	2.50%
Statutory Limits on Compensation and Benefits	2.50%

Mortality rates were based on the RP-2014 Mortality Table Adjusted to 2006 with Generational Projection (Scale MP-2021).

The long-term expected rate of return on pension plan investments was derived using estimates of hypothetical average returns from statistical models. Actual returns may vary from the expected returns.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the city's pension plans, calculated using the discount rate of 7.25 percent, as well as what the city's net pension liability would be if it were calculated on a sensitivity basis using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount 7.25%	1% Increase 8.25%
<b>PSRS</b>			
Total Pension Liability	\$ 73,031,490	68,028,620	63,630,250
Less: Fiduciary Net Position	48,418,725	48,418,725	48,418,725
Net Pension Liability	\$ 24,612,765	19,609,895	15,211,525
<b>FPRS</b>			
Total Pension Liability	\$ 241,765,961	221,823,153	204,782,302
Less: Fiduciary Net Position	148,660,265	148,660,265	148,660,265
Net Pension Liability	\$ 93,105,696	73,162,888	56,122,037

**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

***Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension***

For the year ended June 30, 2023, the City recognized total pension expense of \$9,826,861 (\$2,058,385 for PSRS and \$7,768,476 for FPRS). At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for both the PSRS and the FPRS:

	<b>PSRS</b>		<b>FPRS</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 4,889,355	\$ -	\$ 15,203,701	\$ -
Employer contribution subsequent to the measurement date	1,602,512	-	6,235,165	-
Total	<u>\$ 6,491,867</u>	<u>\$ -</u>	<u>\$ 21,456,866</u>	<u>\$ -</u>

Deferred outflows of resources for contributions subsequent to measurement date will be recognized in net pension liability/collective net pension liability in fiscal year ended 2024. The amounts reported as deferred outflows of resources related to PSRS and FPRS pensions will be recognized in pension expense as follows:

Year ended June 30,	<b>PSRS</b>	<b>FPRS</b>
2024	\$ 786,566	\$ 2,459,422
2025	788,728	2,485,612
2026	543,460	1,759,960
2027	2,770,601	8,498,707
	<u>\$ 4,889,355</u>	<u>\$ 15,203,701</u>

***Plan Financial Statements***

John Hancock does not provide any independently verified audited statements for the pension plans. Below is the financial statement for the City's plans. Additional information can be seen on Exhibit F-1 and F-2 and Exhibit N-1 and N-2.

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System
Assets		
Cash equivalents	\$ 2,163,371	\$ 6,762,062
Investments		
Stocks	31,581,882	98,715,699
Real estate	1,608,975	5,029,184
Fixed income	11,906,416	37,215,962
Total investments	<u>45,097,273</u>	<u>140,960,845</u>
Total assets	<u>47,260,644</u>	<u>147,722,907</u>
Net position restricted for pension	<u>\$ 47,260,644</u>	<u>\$ 147,722,907</u>

**(7) RETIREMENT PLANS (CONTINUED)**  
**Local Plans (Continued)**

*Plan Financial Statements (continued)*

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System
Additions:		
Contributions		
Employers' contributions	\$ 1,602,512	\$ 6,253,165
Investment gain	4,538,679	14,125,480
Total additions	6,141,191	20,378,645
Deductions:		
Benefit payments	7,229,061	21,106,801
Administrative expenses	70,211	209,202
Total deductions	7,299,272	21,316,003
Change in net position	(1,158,081)	(937,358)
Net position restricted for pensions, beginning of year	48,418,725	148,660,265
Net position restricted for pensions, end of year	\$ 47,260,644	\$ 147,722,907

As of June 30, 2023, the net pension liability amounts for the FPRS and PSRS are as follows:

	PSRS	FPRS
Total Pension Liability	\$ 65,785,424	\$ 215,972,839
Less: Fiduciary Net Position	47,260,644	147,722,907
Net Pension Liability	\$ 18,524,780	\$ 68,249,932
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.84%	68.40%

(7) RETIREMENT PLANS

**Virginia Retirement System**

**Plan Description**

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing, Multiple Employer Defined Benefit Pension Plan  
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of the City and School Board are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded service

Within the VRS Plan, the System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and eligibility for covered groups within each plan are set out below:

**VRS PLAN 1**

***About VRS Plan 1***

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

***Eligible Members***

Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

***Hybrid Opt-In Election***

VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.

***Retirement Contributions***

Members contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

***Service Credit***

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

(7) **RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

**VRS PLAN 1 (continued)**

***Vesting***

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

***Calculating the Benefit***

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

***Average Final Compensation***

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

***Service Retirement Multiplier***

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

***Retirement Age***

Normal retirement: Age 65. Political subdivision hazardous duty employees: Age 60.

***Earliest Unreduced Retirement Eligibility***

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years (60 months) of service credit or age 50 with at least 25 years of service credit.

***Earliest Reduced Retirement Eligibility***

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. Political subdivision hazardous duty employees may retire with a reduced benefit as early as age 50 with at least five years of service credit.

***Cost-of-Living Adjustment (COLA) in Retirement***

The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

**(7) RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

**VRS PLAN 1 (continued)**

*Exceptions to COLA Effective Dates:*

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death- in-service benefit.
- The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

***Disability Coverage***

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.

***Purchase of Prior Service***

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

**VRS PLAN 2**

***About Plan 2***

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

***Eligible Members***

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.

***Hybrid Opt-In Election***

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an ORP and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

***Retirement Contributions, Service Credit, Vesting, and Calculating the Benefit***

Same as Plan 1.

***Average Final Compensation***

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

***Service Retirement Multiplier***

Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. Sheriffs, regional jail superintendents and political subdivision hazardous duty employees: Same as Plan 1.

(7) **RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

**VRS PLAN 2 (continued)**

***Normal Retirement Age***

Normal Social Security retirement age. Political subdivision hazardous duty employees: Same as Plan 1.

***Earliest Unreduced Retirement Eligibility***

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service credit equal 90. Political subdivision hazardous duty employees: Same as Plan 1.

***Earliest Reduced Retirement Eligibility***

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of service credit. Political subdivision hazardous duty employees: Same as Plan 1.

***COLA in Retirement***

The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

***Eligibility:***

Same as Plan 1.

***Exceptions to COLA Effective Dates:***

Same as Plan 1.

***Disability Coverage***

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

***Purchase of Prior Service***

Same as Plan 1.

**VRS HYBRID RETIREMENT PLAN**

***About VRS Hybrid Retirement Plan***

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.

***Eligible Members***

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees\*
- School division employees
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

\*Non-Eligible Members – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an ORP must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

(7) **RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

**VRS HYBRID RETIREMENT PLAN (continued)**

***Retirement Contributions***

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan and the employer is required to match those voluntary contributions according to specified percentages.

***Service Credit***

***Defined Benefit Component:***

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

***Defined Contributions Component:***

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

***Vesting***

***Defined Benefit Component:***

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

***Defined Contributions Component:***

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

***Calculating the Benefit***

***Defined Benefit Component:***

See definition under Plan 1.

***Defined Contribution Component:***

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

***Average Final Compensation***

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.



(7) **RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

**VRS HYBRID RETIREMENT PLAN (continued)**

***Service Retirement Multiplier***

*Defined Benefit Component:*

The retirement multiplier for the defined benefit component is 1.0%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

*Defined Contribution Component:*

Not applicable.

***Normal Retirement Age***

*Defined Benefit Component:*

Same as Plan 2.

*Defined Contribution Component:*

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Earliest Unreduced Retirement Eligibility***

*Defined Benefit Component:*

Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.

*Defined Contribution Component:*

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Earliest Reduced Retirement Eligibility***

*Defined Benefit Component:*

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of service credit.

*Defined Contribution Component:*

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***COLA in Retirement***

*Defined Benefit Component:* Same as Plan 2.

*Defined Contribution Component:* Not applicable.

*Eligibility:* Same as Plan 1 and Plan 2.

*Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.

***Disability Coverage***

Eligible political subdivision and school division (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer- paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one- year waiting period before becoming eligible for non-work related disability benefits.

***Purchase of Prior Service***

*Defined Benefit Component:* Same as Plan 1, except Hybrid Retirement Plan members are ineligible for ported service.

*Defined Contribution Component:* Not applicable.

**(7) RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

***Employees Covered by Benefit Terms***

As of the June 30, 2021, actuarial valuation, the following City and School Board employees were covered by the benefit terms of the city's and School Board's VRS pension plans:

	City	School Board - Non- Professional
Inactive members or their beneficiaries currently receiving benefits	1,238	373
Inactive members:		
Vested inactive members	395	58
Non-vested Inactive members	730	171
LTD	1	-
Inactive members active elsewhere in VRS	831	87
Total inactive members	1,957	316
Active members	1,477	299
Total covered employees	4,672	988

***Contributions***

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The city's contractually required employer contribution rate for the year ended June 30, 2023, was 13.52 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the VRS pension plan from the City were \$10,463,248 and \$9,624,231 for the years ended June 30, 2023, and June 30, 2022, respectively.

The School Board (Non-Professional) VRS pension plan's contractually required contribution rate for the fiscal year ended June 30, 2023, was 10.75 percent of annual covered payroll. The actuarial rate for this plan was 11.75 percent. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the Non-Professional VRS pension plan were \$833,154 and \$766,929 for the years ended June 30, 2023, and June 30, 2022, respectively.

The School Board Professional VRS plan's contractually required contribution rate for the fiscal year ended June 30, 2023, was 16.62 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the Professional VRS plan were \$13,535,064 and \$13,558,488 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

**(7) RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

***Net Pension Liability***

The net pension liability is calculated separately for each employer participating in the VRS Political Subdivision Retirement Plan and represents that particular employer's total pension liability determined in accordance with U.S. generally accepted accounting principles, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

The net pension liability is calculated separately for each system participating in the VRS Teacher Employee Retirement Plan and represents that particular system's total pension liability determined in accordance with U.S. generally accepted accounting principles, less that system's fiduciary net position. As of June 30, 2022, net pension liability amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b><u>Teacher Employee Retirement Plan</u></b>
Total pension liability	\$ 54,732,329
Plan fiduciary net position	<u>45,221,731</u>
Employer's net pension liability	<u>\$ 9,520,598</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with U.S. generally accepted accounting principles in the System's notes to the financial statement and required supplementary information.

At June 30, 2023, the School Board reported a liability of \$88,937,624 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was also determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion was 0.93416% as compared to 0.98770% at June 30, 2021.

***Actuarial Assumptions - General Employees***

The total pension liability for general employees in the city's VRS plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return plan investment	6.75 percent, net of pension plan investment expenses, including inflation

**Mortality rates:**

General Employees – Non-Hazardous Duty: 15% of deaths are assumed to be service-related

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

(7) **RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

*Actuarial Assumptions - General Employees (continued)*

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Non-Hazardous Duty:

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvements Scale MP-2020.

Retirement rates: Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age

Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability rates: No change

Salary scale: No change

Line of Duty disability: No change

Discount rate: No change

*Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits*

The total pension liability for public safety employees with hazardous duty benefits in the City's VRS plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return plan investment	6.75 percent, net of pension expense, including inflation

Mortality rates: Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.

**(7) RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

***Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (continued)***

**Mortality Improvements:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

**Hazardous Duty:**

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement rates: Adjusted rates to better fit experience and changed final retirement age from 65 to 70.

Withdrawal rates: Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty

Disability rates: No change

Salary scale: No change

Line of Duty disability: No change

Discount rate: No change

***Actuarial Assumptions - Teachers***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.95 percent
Investment rate of return plan investment	6.75 percent, net of pension plan investment expenses, including inflation

**Mortality rates:**

**Pre-Retirement:**

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.

**Post-Retirement:**

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

**Post-Disablement:**

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

**Mortality Improvement:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

**(7) RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

*Actuarial Assumptions - Teachers (continued)*

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement rates: Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all

Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability rates: No change

Salary scale: No change

Discount rate: No change

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS	6.00%	3.73%	0.22%
PIP	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.83%

\* The above allocation provides a one year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11% including expected inflation of 2.50%

**(7) RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

***Discount Rate***

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2022, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in Net Pension Liability - City VRS Plan***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2021	\$ 412,407,692	423,069,797	(10,662,105)
Change for the year:			
Service Cost	10,502,224	-	10,502,224
Interest	27,872,655	-	27,872,655
Differences between expected and actual experience	(5,494,049)	-	(5,494,049)
Contributions - employer	-	9,624,231	(9,624,231)
Contributions - employee	-	3,740,529	(3,740,529)
Net investment income	-	(436,565)	436,565
Benefit payments, including refunds of employee contributions	(19,963,379)	(19,963,379)	-
Administrative expenses	-	(262,909)	262,909
Other changes	-	9,300	(9,300)
Net changes	12,917,451	(7,288,793)	20,206,244
Balance at June 30, 2022	\$ 425,325,143	415,781,004	9,544,139

**(7) RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

***Changes in Net Pension Liability - School Board Non-Professional VRS Plan***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2021	\$ 42,369,023	38,128,204	4,240,819
Change for the year:			
Service cost	603,768	-	603,768
Interest	2,807,161	-	2,807,161
Differences between expected and actual experience	(575,577)	-	(575,577)
Changes in assumptions	-	-	-
Contributions – employer	-	764,944	(764,944)
Contributions - employee	-	319,984	(319,984)
Net investment income	-	(18,013)	18,013
Benefit payments, including refunds of employee contributions	(2,770,447)	(2,770,447)	-
Administrative expenses	-	(24,166)	24,166
Other changes	-	855	(855)
Net changes	64,905	(1,726,793)	1,791,698
Balance at June 30, 2022	\$ 42,433,928	36,401,411	6,032,517

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the City and School Board using the discount rate of 6.75%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
City VRS Plan	\$ 65,221,647	\$ 9,544,139	\$ (36,184,973)
School Board Professional VRS Plan	\$ 158,949,406	\$ 88,937,624	\$ 32,014,061
School Board Non-Professional VRS Plan	\$ 10,685,837	\$ 6,032,517	\$ 2,158,104



**(7) RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2023, the City recognized pension expense of \$2,085,843.

For the year ended June 30, 2023, the School Board recognized for its Professional VRS plan pension expense of \$2,330,039. Since there was a change in proportionate share between the measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022, measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

The School Board recognized for its Non-Professional VRS plan pension expense of \$122,336.

At June 30, 2023, the City's and School Board's Professional and Non-Professional VRS plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City		School Board Professional		School Board Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,835,553	\$ -	\$ 6,132,601	\$ -	\$ 375,344
Change in assumptions	5,352,501	-	8,385,026	-	152,196	-
Net difference between projected and actual earnings on pension plan investments	-	11,956,625	-	11,595,604	2,662,853	3,805,645
Changes in proportion	-	-	438,386	5,992,475	-	-
Employer contributions subsequent to the measurement date	10,463,248	-	13,535,064	-	833,154	-
Total	\$ 15,815,749	\$ 17,792,178	\$ 22,358,476	\$ 23,720,680	\$ 3,648,203	\$ 4,180,989

**(7) RETIREMENT PLANS (CONTINUED)**  
**Virginia Retirement System (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

Deferred outflows of resources for contributions subsequent to measurement date will be recognized in pension expense in fiscal year 2024. Amounts reported as deferred outflows and inflows of resources related to both the city and School Board VRS plans and will be recognized in pension expense as follows:

Year ended June 30,	City	School Board Professional	School Board Nonprofessional
2024	\$ (3,424,178)	(4,612,528)	(620,885)
2025	(6,654,118)	(5,482,228)	(490,107)
2026	(8,113,882)	(8,876,409)	(761,748)
2027	5,752,501	4,073,897	506,800
2028	-	-	-
	<u>\$ (12,439,677)</u>	<u>(14,897,268)</u>	<u>(1,365,940)</u>

***Payables to the Pension Plan***

At June 30, 2023, the City and the School Board reported a liability of \$0 for legally required contributions to the pension plan.

**Combining Schedule of Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Primary Government	Local - PSRS	Local - FPRS	VRS	Total
Governmental activities				
Deferred outflows	\$ 5,193,494	\$ 21,456,866	\$ 14,550,490	\$ 41,200,850
Net pension liability	15,687,916	73,162,888	8,780,608	97,631,412
Deferred inflows	-	-	16,368,803	16,368,803
Pension expense	1,646,708	7,768,476	1,918,976	11,334,160
Business-type activities				
Deferred outflows	1,298,373	-	1,265,259	2,563,632
Net pension liability	3,921,979	-	763,531	4,685,510
Deferred inflows	-	-	1,423,375	1,423,375
Pension expense	411,677	-	166,867	578,544
Total Primary Government				
Deferred outflows	6,491,867	21,456,866	15,815,749	43,764,482
Net pension liability	19,609,895	73,162,888	9,544,139	102,316,922
Deferred inflows	-	-	17,792,178	17,792,178
Pension expense	2,058,395	7,768,476	2,085,843	11,912,704
		VRS		Total
Discretely presented component unit - School Board		Prof	Non-Prof	
Deferred outflows		\$ 22,358,476	\$ 3,648,203	\$ 26,006,679
Net pension liability		88,937,624	6,032,517	94,970,141
Deferred inflows		23,720,680	4,180,989	27,901,669
Pension expense		2,330,039	122,336	2,452,375

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**City of Portsmouth Retired Employees Health Care Program**

***Plan Description***

The City of Portsmouth Retired Employee Health Care Program is a single-employer defined benefit healthcare program administered by the City of Portsmouth. The defined benefit plan for the city's Program was established to provide post employment benefits other than pensions as defined by and in accordance with Section 15.2-1545 of the *Code of Virginia*.

In accordance with Article 8, Chapter 15, subtitled II of Title 15.2 of the Virginia Code, the city has elected to establish a trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. The City joined the Virginia Pooled OPEB Trust Fund (Trust), which was established by the Virginia Municipal League and the Virginia Association of Counties in 2018.

The Trust's Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Trust pursuant to the Trust Agreement. The Board of Trustees is composed of nine members. Trustees are members of Local Finance Boards of participating employers and are elected for staggered three-year terms by the participants in the Trust.

The Portsmouth City Public Schools School Board administers a similar defined benefit healthcare plan.

***Plan Membership***

The membership as of January 1, 2022, includes:

	City	School Board
Active Participants	1,409	1,766
Retirees and Spouses	753	24

***Benefits Provided***

The Program provides medical (health) and dental insurance benefits to eligible retirees and their families through the same self-insured program that provides coverage to active City employees. Effective, July 1, 2014, the City established the eligibility requirement of 10 years of continuous City service as of July 1, 2014, for employees to be eligible for retiree health coverage and a fixed monthly City contribution. After that date, the requirement is 15 years of continuous City service for employees to be eligible for retiree health coverage with no City contribution unless an employee has 25 years or more of continuous City service. In addition, post-65 retiree health coverage was eliminated for future retirees on June 30, 2015.

***Significant Accounting Policies***

The OPEB Trust is a fiduciary-type component unit of the City. The measurement focus of the OPEB Trust is on the flow of economic resources. This focus emphasizes the determination of changes in the OPEB trust's net position. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary fund are included on the *Statement of Fiduciary Net Position*. This fund uses the accrual basis of accounting whereby contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**City of Portsmouth Retired Employees Health Care Program (continued)**

***Contributions***

Contribution requirements of the City and plan members are established and may be amended by the respective legislative bodies. The School Board has the authority to establish and amend the funding policy of their plan. The required contribution is based on projected pay-as-you-go financing requirements, with the potential for additional amounts to prefund benefits as determined annually by the City Council. For fiscal year 2023, the City contributed \$2,755,357 to the program, all for current premiums, and there was no additional prefunding contribution. Retired employees receiving benefits contributed \$1,771,195 through required monthly contributions that vary from \$1,243.94 to \$4,906.66 depending on the retiree's choice of Health Maintenance Organization or Preferred Provider coverage, the retiree's age, and whether the coverage is for the retiree only or includes other family members. Contribution requirements of the Portsmouth City Public School Board and plan members are established and may be amended by the Portsmouth City Public School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Portsmouth City Public School Board. For the year ended June 30, 2023, the Portsmouth City Public School Board made no further contributions to the plan to pay current benefits and to prefund benefits.

***Investment***

The OPEB's plan investment policy in regard to the allocation of invested assets is established and may be amended by the Virginia Pooled OPEB Trust Fund Board of Trustees. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan.

***Rate of Return***

For the year ended June 30, 2023, the annual money-weighted rate of return on city OPEB plan investments, net of OPEB plan investment expense, was 7.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Net OPEB Liability***

The components of the net OPEB liability of the city at June 30, 2023, were as follows:

	City	School Board
Total OPEB Liability	\$ 15,118,416	\$ 7,408,354
Fiduciary Net Position	(8,550,721)	(17,099,869)
Net OPEB Liability	\$ 6,567,695	\$ (9,691,515)
Fiduciary Net Position as a % of Total OPEB Liability	56.56%	230.82%

***Changes in Net OPEB Liability of the City:***

City	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2022	\$ 14,473,213	\$ 6,509,175	\$ 7,964,038
Service cost	418,392	-	418,392
Interest on total OPEB liability	927,797	-	927,797
Effect of assumptions changes or inputs	554,371	-	554,371
Benefits payments	(1,255,357)	(1,255,357)	-
Administrative expenses	-	(7,315)	7,315
Employer contributions	-	2,755,357	(2,755,357)
Net investment income	-	548,861	(548,861)
Balance as of June 30, 2023	\$ 15,118,416	\$ 8,550,721	\$ 6,567,695

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**City of Portsmouth Retired Employees Health Care Program (continued)**

***Changes in Net OPEB Asset of the Portsmouth City Public School Board:***

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset
Balances at June 30, 2022	\$ 7,050,068	\$ 15,966,980	\$ (8,916,912)
Changes during the year:			
Service cost	166,541	-	166,541
Interest	683,397	-	683,397
Experience (gains/losses)	(132,654)	-	(132,654)
Change in actuarial assumptions	(16,450)	-	(16,450)
Contributions/benefits paid from general operating funds		282,548	(282,548)
Net investment income	-	1,209,718	(1,209,718)
Benefit payments, including refunds of employer contributions	(342,548)	(342,548)	-
Administrative expenses	-	(16,829)	16,829
Balance at June 30, 2023	\$ 7,408,354	\$ 17,099,869	\$ (9,691,515)

***Actuarial Assumptions***

The net OPEB asset for the City was measured as of June 30, 2023, and is based on a valuation performed as of January 1, 2022. The net OPEB asset for the Portsmouth City Public School Board was measured as of June 30, 2023, and is based on a valuation performed as of that date. The following actuarial assumptions were included in the measurements:

	<u>City</u>	<u>School Board</u>
Inflation	2.50%	2.75%
Salary increase	3.00%	5.00% (for purposes of allocating liability)
Investment rate of return	6.50%	9.74% (including inflation)
20-year Aa Municipal bond rate	n/a	4.13%

**Mortality - City:**

Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2022; males 95% of rates; females 105% of rates. 20% of deaths are assumed to be service related.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2022; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement	RP-2014 Disabled Mortality Rates projected with Scale BB to 2022; males set forward 2 years, 110% of rates; females 125% of rates.

**Mortality - School Board:**

Public Teacher 2010 Headcount weighted mortality; Spouses and all others; Public General 2010 Employee and Healthy Retiree, Headcount weighted, mortality tables with improvement scale MP 2021

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**City of Portsmouth Retired Employees Health Care Program (continued)**

***Long-Term Expected Rate of Return***

*City's OPEB Plan*

The best-estimate range for the long term expected rate of return is determined by taking the annual average long-term future inflation and real return components, with each component being reasonable in our professional opinion, include the anticipated effects of return volatility and correlation among various asset classes.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Core fixed income	20.00%	2.27%	2.13%
Large Cap US equities	21.00%	5.64%	4.09%
Small Cap US equities	10.00%	7.25%	4.67%
Developed foreign equities	13.00%	6.90%	5.15%
Emerging market equities	5.00%	9.58%	6.20%
Private real estate property	15.00%	4.86%	3.70%
Private equity	10.00%	10.74%	6.54%
Hedge FOF Strategic	6.00%	4.42%	3.48%
Assumed inflation - mean		2.33%	2.33%
Portfolio real mean return		5.81%	4.90%
Portfolio nominal mean return		8.14%	7.34%
Portfolio standard deviation			13.07%
Long-term expected rate of return			6.50%

*Portsmouth City Public School Board's OPEB Plan*

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns, net of Plan investment expense and inflation, are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 9.70%.

***Discount Rate***

*City's OPEB Plan*

The discount rate used to measure the total OPEB liability for the City was 6.50%. The projection of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the long-term expected rate of return.

*Portsmouth City Public School Board's OPEB Plan*

The discount rate used to measure the total OPEB liability for the Portsmouth City Public School Board was 9.74%. The projection of cash flows used to determine the discount rate assumed that Employer contribution will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan participants. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate is used to determine the Total OPEB Liability.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**City of Portsmouth Retired Employees Health Care Program (continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability	\$ 7,776,824	\$ 6,567,695	\$ 5,480,600

The following presents the net OPEB asset of the Portsmouth City Public School Board, as well as what the Portsmouth City Public School Board's net OPEB asset would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	Portsmouth City Public School Board		
	1% Decrease (8.74%)	Discount Rate (9.74%)	1% Increase (10.74%)
Net OPEB Asset	\$ (9,261,788)	\$ (9,691,515)	\$ (10,083,945)

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following table presents the City's net OPEB liability and service cost, calculated using the current healthcare trend rates, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ 5,114,846	\$ 6,567,695	\$ 8,262,619

The following presents the net OPEB liability of the Portsmouth City Public School Board, as well as what the Portsmouth City Public School Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher.

	Portsmouth City Public School Board		
	1% Decrease (3.50%)	Discount Rate (4.50%)	1% Increase (5.50%)
Net OPEB asset	\$ (10,139,221)	\$ (9,691,515)	\$ (9,189,332)

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2023, the City reported a liability of \$6,567,695. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022. For the year ended June 30, 2023, the City recognized OPEB expense/(recovery) of (\$567,801). At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>City of Portsmouth</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 1,607,793	\$ 96,997
Net difference between projected and actual investment earnings	204,703	-
Differences between expected and actual experience	-	5,856,611
Total	\$ 1,812,496	\$ 5,953,608

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**City of Portsmouth Retired Employees Health Care Program (continued)**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)***

*City (continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>		
2024	\$	(851,329)
2025		(880,304)
2026		(672,365)
2027		(894,691)
2028		(470,817)
Thereafter		(371,606)
Total	\$	<u>(4,141,112)</u>

*Portsmouth City Public School Board*

At June 30, 2023, the Portsmouth City Public School Board reported an asset of \$(9,691,515). The net OPEB asset was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2023, the Portsmouth City Public School Board recognized OPEB expense of \$802,155. At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 427,177	\$ 6,253,127
Changes in assumptions	2,165,600	4,736,829
Investment earnings (gains/losses)	1,235,709	-
Total	\$ 3,828,486	\$ 10,989,956

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<b>Year Ended June 30:</b>		
2024	\$	(1,060,258)
2025		(1,219,496)
2026		(649,582)
2027		(1,298,923)
2028		(1,183,779)
Thereafter		(1,749,432)
Total	\$	<u>(7,161,470)</u>



**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**City of Portsmouth Retired Employees Health Care Program (continued)**

***Significant Changes***

*City*

Given the significant recent increase in inflation, we have updated the medical trend assumptions that were used in the most recent valuation.

*Portsmouth City Public School Board*

In the June 30, 2023, actuarial valuation, the discount rate was increased from 9.70% to 9.74% based on mortality improvement updated from MP-2021. The Pre-65 Medical Inflation was updated from 7.25% graded down to 4.5% based on national surveys of expected medical trend. Salary scale changed from 2.0% to 5.0%. The 20-year Aa Municipal Bond rate increased from 4.09% to 4.13%. Retirement benefit payments are typically concentrated at the beginning of the fiscal year with very few payments spread over the year. Payments are made from the VACo/VML pooled OPEB trust Fund. A Consumer Directed Health Plan (CDHP) option with high deductible was added to retiree plan option.

***Plan Financial Statements***

Below is the City's OPEB plan financial statements as of and for the year ended June 30, 2023.

	<u>OPEB Trust Fund</u>	
Assets		
Investments		
Stocks	\$ 4,189,854	
Bonds	1,710,144	
Real estate	1,282,608	
Other	1,368,115	
Total investments	<u>8,550,721</u>	
Total assets	<u>8,550,721</u>	
Net position restricted for OPEB	<u>\$ 8,550,721</u>	
		<u>OPEB Trust Fund</u>
Additions:		
Contributions:		
Employers' contributions	\$ 2,755,357	
Investment income:		
Gains	548,861	
Total additions	<u>3,304,218</u>	
Deductions:		
Benefit payments	1,255,357	
Administrative expenses	7,315	
Total deductions	<u>1,262,672</u>	
Change in net position	2,041,546	
Net position restricted for OPEB, beginning of year	<u>6,509,175</u>	
Net position restricted for OPEB, end of year	<u>\$ 8,550,721</u>	

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**VRS Group Life Insurance**

The VRS GLIP is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLIP was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLIP is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLIP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLIP OPEB, and GLIP OPEB expense, information about the fiduciary net position of the VRS GLIP OPEB and the additions to/deductions from the VRS GLIP OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Group Life Insurance Program**

***Plan Description***

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLIP upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Group Life Insurance Program (continued)**

The specific information for GLIP OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>GLIP PLAN PROVISIONS</b>
<p><b><u>Eligible Employees</u></b></p> <p>The GLIP was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City Schools Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contribution and accrued interest.</p>
<p><b><u>Benefit Amounts</u></b></p> <p>The benefits payable under the GLIP have several components.</p> <ul style="list-style-type: none"> <li>• Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• Accidental Death Benefit - The accident death benefit is double the natural death benefit</li> <li>• Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>o Accidental dismemberment benefit</li> <li>o Safety belt benefit</li> <li>o Repatriation benefit</li> <li>o Felonious assault benefit</li> <li>o Accelerated death benefit option</li> </ul> </li> </ul>
<p><b><u>Reduction in benefit Amounts</u></b></p> <p>The benefit amounts provided to members covered under the GLIP are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b><u>Minimum Benefit Amount and Cost of Living Adjustment (COLA)</u></b></p> <p>For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLIP. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,984 effective June 30, 2023.</p>

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)  
VRS Group Life Insurance Program (continued)

*Contributions*

The contribution requirements for the GLIP are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLIP was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLIP from the City were \$442,425 and \$420,489 for the years ended June 30, 2023, and June 30, 2022, respectively. Portsmouth City Public School Board contributions were \$37,690 and \$39,465 for the years ended June 30, 2023, and June 30, 2022, respectively, for nonprofessional employees and \$468,624 and \$469,589 for the years ended June 30, 2023, and June 30, 2022, respectively, for professional employees.

*GLIP OPEB Liabilities, GLIP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLIP OPEB*

City - At June 30, 2023, the City reported a liability of \$4,310,304 for its proportionate share of the Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2022, and the total GLIP OPEB liability used to calculate the Net GLIP OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The City's proportion of the Net GLIP OPEB Liability was based on the City's actuarially determined employer contributions to the GLIP for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the City's proportion was 0.35292% as compared to 0.35703% at June 30, 2021. For insurance only employees, the City's proportion was 0.00505% as compared to 0.00733% at June 30, 2021. For the year ended June 30, 2023, the City recognized GLI OPEB expense/(recovery) of \$51,673. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Portsmouth City Public School Board - At June 30, 2023, the Portsmouth City Public School Board reported a liability of \$404,576 for its proportionate share of the Net GLIP OPEB Liability for nonprofessional employees. At June 30, 2023, the Portsmouth City Public School Board reported a liability of \$4,813,616 for its proportionate share of the Net GLIP OPEB Liability for professional employees. The Net GLIP OPEB Liability was measured as of June 30, 2022, and the total GLIP OPEB liability used to calculate the Net GLIP OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The School Board's proportion of the Net GLIP OPEB Liability was based on the School Board's actuarially determined employer contributions to the GLIP for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion was 0.03360% as compared to 0.03600% at June 30, 2021, for nonprofessional employees. At June 30, 2022, the School Board's proportion was 0.39977% as compared to 0.42339% at June 30, 2021 for professional employees. For the year ended June 30, 2023, the Portsmouth City Public School Board recognized GLIP OPEB expense of (\$12,673) for nonprofessional employees. For the year ended June 30, 2023, the Portsmouth City Public School Board recognized GLIP OPEB expense of \$42,588 for professional employees. Since there was a change in proportionate share between measurement dates, a portion of the GLIP OPEB expense was related to deferred amounts from changes in proportion.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Group Life Insurance Program (continued)**

***GLIP OPEB Liabilities, GLIP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLIP OPEB (continued)***

At June 30, 2023, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to the GLIP OPEB from the following sources:

	City		School Board - Professional		School Board - Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 341,322	\$ 172,919	\$ 381,178	\$ 193,111	\$ 32,037	\$ 16,231
Net difference between projected and actual earnings on GLI OPEB program investments	-	269,331	-	300,780	-	25,280
Changes in assumptions	160,768	419,841	179,540	468,866	15,090	39,407
Changes in proportion	63,258	228,512	56,807	386,668	-	73,953
Employer contributions subsequent to the measurement date	442,425	-	468,624	-	42,401	-
Total	\$ 1,007,773	\$ 1,090,603	\$ 1,086,149	\$ 1,349,425	\$ 89,528	\$ 154,871

City - \$442,425 reported as deferred outflows of resources related to the GLIP OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLIP OPEB Liability in the Fiscal Year ending June 30, 2024.

Portsmouth City Public School Board - \$468,624 reported as deferred outflows of resources related to GLIP OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLIP OPEB Liability in the Fiscal Year ending June 30, 2024, for professional employees. \$42,401 reported as deferred outflows of resources related to GLIP OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLIP OPEB Liability in the Fiscal Year ending June 30, 2024, for nonprofessional employees.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLIP OPEB expense in future reporting periods as follows:

Year ended June 30,	City	School Board - Professional	School Board - Nonprofessional
2024	\$ (136,562)	\$ (173,383)	\$ (30,459)
2025	(111,195)	(148,950)	(25,912)
2026	(249,443)	(307,176)	(35,462)
2027	18,949	(11,716)	(7,329)
2028	(47,004)	(90,675)	(8,582)
Thereafter	-	-	-
	\$ (525,255)	\$ (731,900)	\$ (107,744)

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Group Life Insurance Program (continued)**

*Actuarial Assumptions*

The total GLIP OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent - 5.35 percent
Teachers	3.5 percent - 5.95 percent
SPORS employees	3.5 percent - 4.75 percent
VaLORS employees	3.5 percent - 4.75 percent
JRS employees	4.0 percent
Locality - General employees	3.5 percent - 5.35 percent
Locality - Hazardous Duty employees	3.5 percent - 4.75 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Group Life Insurance Program (continued)**

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Group Life Insurance Program (continued)**

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; charged final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change



**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Group Life Insurance Program (continued)**

Mortality rates – JRS Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for males set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Group Life Insurance Program (continued)**

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Mortality rates – Non-Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

**Mortality Improvement Scale:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Group Life Insurance Program (continued)**

Mortality rates – Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Group Life Insurance Program (continued)**

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

***Net GLIP OPEB Liability***

The net OPEB liability (NOL) for the GLIP represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLIP is as follows (amounts expressed in thousands):

Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	2,467,989
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,204,096</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%
-----------------------------------------------------------------------------	--------

The total GLIP OPEB Liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

***Long-Term Expected Rate of Return***

See Note 7 for detailed information. The long-term expected rate of return for the GLIP is the same as that of the VRS pension plan.

***Discount Rate***

See Note 7 for detailed information. The long-term expected rate of return for the GLIP is the same as that of the VRS pension plan.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Group Life Insurance Program (continued)**

***Sensitivity of the Employer's Proportionate Share of the Net GLIP OPEB Liability to Changes in the Discount Rate***

The following presents the employer's proportionate share of the net GLIP OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLIP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease 5.75%</b>	<b>Current Discount Rate 6.75%</b>	<b>1.00% Increase 7.75%</b>
City's proportionate share of the GLIP OPEB liability	\$ 6,271,997	\$ 4,310,304	\$ 2,724,987
School Board's proportionate share of the GLIP OPEB liability - Professional	\$ 7,004,375	\$ 4,813,616	\$ 3,043,183
School Board's proportionate share of the GLIP OPEB liability - Nonprofessional	\$ 588,706	\$ 404,576	\$ 255,774

***GLIP Fiduciary Net Position***

Detailed information about the GLIP's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**VRS Employee Virginia Local Disability Programs**

The VRS Political Subdivision Employee VLDP and the VRS Teacher Employee VLDP are multiple-employer, cost-sharing plans. For purposes of measuring the net VLDP OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEBs, and the VLDP OPEB expenses, information about the fiduciary net positions of the VRS VLDP; and the additions to/deductions from the VRS VLDPs' net fiduciary positions have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Plan Description***

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee VLDP. All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee VLDP. These plans are administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions and School divisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the VLDP.

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>VLDP PLAN PROVISIONS</b>
<p><b><u>Eligible Employees</u></b></p> <p>The Political Subdivision and Teacher Employee VLDPs were implemented January 1, 2014, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision - Full-time general employees; including local law enforcement officers, firefighters or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.</li> <li>• Teachers - Teachers and other full-time permanent (professional) salaried employees of public school division covered under VRS.</li> </ul>
<p><b><u>Benefit Amounts</u></b></p> <p>The Political Subdivision and Teacher Employee VLDPs provides the following benefits for eligible employees:</p> <p><i>Short Term Disability:</i></p> <ul style="list-style-type: none"> <li>• The program provides a short term disability benefit beginning after a seven calendar day waiting period from the first day of disability. Employees become eligible for non work related short-term disability coverage after one year of continuous participation in VLDP with their current employer.</li> <li>• During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non work related or work related disability.</li> <li>• Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.</li> </ul> <p><i>Long- Term Disability:</i></p> <ul style="list-style-type: none"> <li>• The VLDP program provides a long term disability benefit beginning after 125 work days of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.</li> <li>• Members approved for long term disability will receive 60% of their pre-disability income. If approved for work related long term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.</li> </ul>

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Employee Virginia Local Disability Programs (continued)**

<b>VLDP PLAN PROVISIONS (Continued)</b>	
<b>Virginia Local Disability Program Notes:</b>	
<ul style="list-style-type: none"> <li>• Members approved for short term or long term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.</li> <li>• VLDP Long Term Care Plan is a self funded program that assists with the cost of covered long term care services.</li> </ul>	

***Contributions***

City and Portsmouth City Public Schools (Nonprofessional) - The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2023, was 0.85% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City to the VRS Political Subdivision Employee VLDP were \$218,729 and \$188,200 for the years ended June 30, 2023, and June 30, 2022, respectively. Contributions from the School Board were \$37,273 and \$30,544 for the years ended June 30, 2023, and June 30, 2022, respectively.

Portsmouth City Public Schools (Professional) - The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023, was 0.47% of covered employee compensation for employees in the VRS Teacher Employee VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions were \$158,472 and \$144,190 for the years ended June 30, 2023 and 2022, respectively.

***VLDP OPEB Liabilities/Assets, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB***

At June 30, 2023, the City and School Board (Nonprofessional) reported assets of \$28,456 and \$4,618, respectively, for their proportionate share of the VRS Political Subdivision Employee VLDP Net OPEB Asset. The Net VRS Political Subdivision Employee VLDP OPEB Asset was measured as of June 30, 2022, and the total VRS Political Subdivision Employee VLDP OPEB liability used to calculate the Net VRS Political Subdivision Employee VLDP OPEB Asset was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The City's and School Board's proportions of the Net VRS Political Subdivision Employee VLDP OPEB Asset were based on the City's and School Board's actuarially determined employer contributions to the VRS Political Subdivision Employee VLDP OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the City's proportion of the VRS Political Subdivision Employee VLDP was 4.83996% as compared to 4.83886% at June 30, 2021. At June 30, 2022, the School Board's proportion of the VRS Political Subdivision Employee VLDP was 0.78550% as compared to 0.82328% at June 30, 2021.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Employee Virginia Local Disability Programs (continued)**

***VLDP OPEB Liabilities/Assets, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB (continued)***

For the year ended June 30, 2023, the City and School Board (Nonprofessional) recognized VRS Political Subdivision Employee VLDP OPEB expense of \$156,455 and \$25,075, respectively. Since there was a change in proportionate share between measurement dates, a portion of the VRS Political Subdivision Employee VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the Portsmouth City Public School Board (Professional) reported an asset of \$4,286 for its proportionate share of the VRS Teacher Employee VLDP Net OPEB Liability. The Net VRS Teacher Employee VLDP OPEB Liability was measured as of June 30, 2022, and the total VRS Teacher Employee VLDP OPEB liability used to calculate the Net VRS Teacher Employee VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Portsmouth City Public School Board's proportion of the Net VRS Teacher Employee VLDP OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee VLDP OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Portsmouth City Public School Board's proportion of VLDP was 3.81170% as compared to 4.37362% at June 30, 2021.

For the year ended June 30, 2023, the Portsmouth City Public School Board (Professional) recognized VRS Teacher Employee VLDP OPEB expense of \$109,477. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the VRS VLDP OPEB from the following sources:

	City		School Board Professional		School Board Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 1,090	\$ 10,209	\$ 12,784	\$ -	\$ 177	\$ 1,657
Differences between expected and actual experience	40,009	60,891	50,544	13,003	6,493	9,882
Net difference between projected and actual investment earnings on plan investments	-	124	-	1,192	-	20
Changes in proportionate share	3,162	21	2,497	954	96	1,069
Employer contributions subsequent to the measurement date	218,729	-	158,472	-	37,273	-
Total	\$ 262,990	\$ 71,245	\$ 224,297	\$ 15,149	\$ 44,039	\$ 12,628

City and Portsmouth City Public School Board (Nonprofessional): \$218,729 and \$37,273, respectively, reported as deferred outflows of resources related to the VRS Political Subdivision Employee VLDP OPEB resulting from the City's and School Board's contributions subsequent to the measurement date will be recognized as a reduction (increase) of the Net Political Subdivision Employee VLDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2024.

Portsmouth City Public School Board (Professional): \$158,472 reported as deferred outflows of resources related to the VRS Teacher Employee VLDP OPEB resulting from the Portsmouth City Public School division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2024.



**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Employee Virginia Local Disability Programs (continued)**

***VLDP OPEB Liabilities/Assets, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB (continued)***

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to VLDP will be recognized in VLDP OPEB expense in future reporting periods as follows:

<b>Year ended June 30,</b>	<b>City</b>	<b>School Board Professional</b>	<b>School Board Nonprofessional</b>
2024	\$ (1,236)	\$ 3,530	\$ (517)
2025	(1,650)	3,566	(591)
2026	(12,423)	2,745	(2,386)
2027	1,699	8,687	110
2028	(1,903)	4,930	(439)
Thereafter	(11,471)	27,217	(2,039)
	<u>\$ (26,984)</u>	<u>\$ 50,675</u>	<u>\$ (5,862)</u>

***Actuarial Assumptions***

The actuarial assumptions for the VLDP are the same as those used for the GLIP.

***Net VLDP OPEB Liabilities***

The net OPEB liabilities (NOL) for the Political Subdivision Employee and Teacher Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the City's and School Board's Virginia Local Disability Program are as follows (amounts expressed in thousands):

	<b>Political Subdivision Employee VLDP OPEB Plan</b>	<b>Teacher Employer VLDP OPEB Plan</b>
Total Employee VLDP OPEB Liability	\$ 7,360	\$ 7,207
Plan Fiduciary Net Position	7,948	7,320
Employee Net VLDP OPEB Liability (Asset)	<u>\$ (588)</u>	<u>\$ (113)</u>
Plan Fiduciary Net Position as a Percentage of the Total Employee VLDP OPEB Liability	107.99%	101.57%

The total VLDP OPEB liabilities are calculated by the System's actuary, and the plans' fiduciary net positions are reported in the System's financial statements. The net VLDP OPEB liabilities are disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

***Long-Term Expected Rate of Return***

See Note 7 for detailed information. The long-term expected rate of return for the VLDP is the same as that of the VRS pension plan.

***Discount Rate***

See Note 7 for detailed information. The long-term expected rate of return for the VLDP is the same as that of the VRS pension plan.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)  
VRS Employee Virginia Local Disability Programs (continued)

***Sensitivity of the Proportionate Share of the VLDP Net OPEB Liability (Asset) to Changes in the Discount Rate***

The following presents the proportionate share of the net VLDP OPEB liabilities/(assets) using the discount rate of 6.75%, as well as what the proportionate share of the net VLDP OPEB liabilities/(assets) would be if they were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
City's proportionate share of net VLDP OPEB Liability (Asset)	\$ 3,016	\$ (28,456)	\$ (55,783)
School Board's proportionate share of net VLDP OPEB liability (Asset) - professional	\$ 31,049	\$ (4,286)	\$ (34,846)
School Board's proportionate share of net VLDP OPEB liability (Asset) - non-professional	\$ 489	\$ (4,618)	\$ (9,053)

***Political Subdivision Employee VLDP OPEB Fiduciary Net Position***

Detailed information about the VRS Political Subdivision Employee and VRS Teacher Employee VLDP's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**VRS Line of Duty Act Program**

The VRS Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The LODA was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and LODA OPEB expense, information about the fiduciary net position of the VRS LODA OPEB Plan and the additions to/deductions from the VRS LODA OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Plan Description***

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>LODA PLAN PROVISIONS</b>	
<b><u>Eligible Employees</u></b>	
The eligible employees of the LODA are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, the SPORS, or the VaLORS.	
<b><u>Benefit Amounts</u></b>	
The LODA provides death and health insurance benefits for eligible individuals:	
<ul style="list-style-type: none"> <li>• <b><u>Death</u></b> – The LODA death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> <li>○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.</li> <li>○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.</li> <li>○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.</li> </ul> </li> <li>• <b><u>Health Insurance</u></b> – The LODA provides health insurance benefits. <ul style="list-style-type: none"> <li>○ The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.</li> </ul> </li> </ul>	

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Line of Duty Act Program (continued)**

***Contributions***

The contribution requirements for the LODA are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA for the year ended June 30, 2023, was \$681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA from the entity were \$370,239 and \$412,757 for the years ended June 30, 2023, and June 30, 2022, respectively.

***LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB***

At June 30, 2023, the City reported a liability of \$11,342,157 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022, and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The City's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the City's proportion was 2.99696% as compared to 2.93069% at June 30, 2021.

For the year ended June 30, 2023, the entity recognized LODA OPEB expense of \$1,324,041. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on LODA OPEB plan investments	\$ -	\$ 48,504
Differences between expected and actual experience	871,386	2,119,825
Change in assumptions	3,163,013	2,797,504
Changes in proportion	540,698	1,637,416
Employer contribution subsequent to the measurement date	370,239	-
<b>Total</b>	<b>\$ 4,945,336</b>	<b>\$ 6,603,249</b>

\$370,239 reported as deferred outflows of resources related to the LODA OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<b>Year Ended June 30,</b>	
2024	\$ (201,312)
2025	(200,276)
2026	(199,174)
2027	(158,203)
2028	(199,908)
Thereafter	(1,069,281)
	<u><u>\$ (2,028,154)</u></u>

(8) **OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Line of Duty Act Program (continued)**

**Actuarial Assumptions**

The actuarial assumptions for the LODA OPEB are the same as those used for the GLIP.

**Net LODA OPEB Liability**

The net OPEB liability (NOL) for the LODA represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the LODA is as follows (amounts expressed in thousands):

	<b>Line of Duty Act Program</b>
Total LODA OPEB Liability	\$ 385,669
Plan Fiduciary Net Position	7,214
Employers' Net OPEB Liability	<u>\$ 378,455</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

**Discount Rate**

The discount rate used to measure the total LODA OPEB liability was 3.69%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

**Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate**

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current rate:

	<b>1.00% Decreases (2.69%)</b>	<b>Current Discount Rate (3.69%)</b>	<b>1.00% Increase (4.69%)</b>
Citys proportionate share of the total LODA Net OPEB Liability	\$ 12,946,967	\$ 11,342,157	\$ 10,029,237

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**VRS Line of Duty Act Program (continued)**

***Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate***

Because the LODA contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	<b>1.00% Decrease (6.00% decreasing to 3.75%)</b>	<b>Health Care Trend Rates (7.00% decreasing to 4.75%)</b>	<b>1.00% Increase (8.00% decreasing to 5.75%)</b>
City's proportionate share of the total LODA Net OPEB Liability \$	9,558,235 \$	11,342,157 \$	13,581,257

***LODA OPEB Plan Fiduciary Net Position***

Detailed information about the LODA Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

**Teacher Employee Health Insurance Credit Program**

The Teacher Employee Health Insurance Credit Programs (THICP) is a cost-sharing, multiple-employer plan. This is a defined benefit plan that provides a credit towards the cost of health insurance coverage for retired teachers. The THICP was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**Plan Description**

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by this plan. This plan is directed by the VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the THICP OPEB, including eligibility, coverage, and benefits is set out in paragraphs below:

**Eligibility:**

The THICP was established July 1, 1993, for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Full-time permanent (professional) salaried employees of public school divisions covered under VRS are enrolled automatically upon employment.

**Benefit Amounts:**

The THICP provides the following benefits for eligible employees:

**At Retirement** - For teachers and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.

**Disability Retirement** - For teachers and other professional school employees who retire on disability or go on long-term disability under the VLDP Program, the monthly benefit is either:

- \$4.00 per month, multiplied by twice the amount of service credit, or
- \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

**Other Plan Information:**

The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

**Contributions**

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023, was 1.21% of covered employee compensation for employees in the HICP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Portsmouth City Public School Board to THICP were \$1,045,125 and \$1,046,555 for the years ended June 30, 2023, and June 30, 2022, respectively.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**Teacher Employee Health Insurance Credit Program (continued)**

***Contributions (continued)***

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to THICP***

At June 30, 2023, the Portsmouth City Public School Division reported a liability of \$11,591,277 for its proportionate share of the net THICP OPEB Liability. The net THICP OPEB Liability was measured as of June 30, 2022, and the total THICP OPEB liability used to calculate the net THICP OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Portsmouth City Public School Division's proportion of the net THICP OPEB Liability was based on the Portsmouth City Public School Board's actuarially determined employer contributions to THICP for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Portsmouth City Public School Board's proportion of THICP was 0.92801% as compared to 0.98372% at June 30, 2021.

For the year ended June 30, 2023, the Portsmouth City Public School Board recognized THICP OPEB expense of \$911,907. Since there was a change in proportionate share between measurement dates, a portion of the THICP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the Portsmouth City Public School Board reported deferred outflows of resources and deferred inflows of resources related to THICP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on THICP OPEB program investments	\$ -	\$ 11,634
Difference between expected and actual experience	-	472,479
Change in assumptions	338,640	29,600
Changes in proportion	72,506	912,507
Employer contributions subsequent to the measurement date	1,045,125	-
Total	\$ 1,456,271	\$ 1,426,220

\$1,045,125 reported as deferred outflows of resources related to THICP resulting from the Portsmouth City Public School division's contributions subsequent to the measurement date will be recognized as a reduction of the net THICP OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the THICP will be recognized in the THICP OPEB expense (recovery) in future reporting periods as follows:

Year Ended June 30:	
2024	\$ (241,260)
2025	(209,461)
2026	(163,435)
2027	(116,352)
2028	(129,285)
Thereafter	(155,281)
	\$ (1,015,074)



**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**Teacher Employee Health Insurance Credit Program (continued)**

***Actuarial Assumptions***

The actuarial assumptions for the THICP are the same as those used for the GLIP.

***Net THICP OPEB Liability***

The net THICP OPEB liability represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2022, the amounts for the THICP is as follows (amounts expressed in thousands):

Total Teacher Employer THICP OPEB liability	\$	1,470,891
Plan fiduciary net position		221,845
Teacher employee Net THICP OPEB Liability	\$	1,249,046
Plan fiduciary net position as a percentage of the Total Teacher THICP OPEB liability		15.08%

The total THICP liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net THICP OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

***Long-Term Expected Rate of Return***

See Note 7 for detailed information. The long-term expected rate of return for the THICP is the same as that of the VRS pension plan.

***Discount Rate***

See Note 7 for detailed information. The long-term expected rate of return for the THICP is the same as that of the VRS pension plan.

***Sensitivity of the Portsmouth City Public School Board's Proportionate Share of the Net THICP OPEB Liability to Changes in the Discount Rate***

The following presents the Portsmouth City Public School Board's proportionate share of the net THICP OPEB liability using the discount rate of 6.75%, as well as what the Portsmouth City Public School Board's proportionate share of the net THICP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Discount Rate		
	1% Decrease (5.75%)	(6.75%)	1% Increase (7.75%)
School Board's proportionate share of THICP net OPEB Liability	\$ 13,063,502	\$ 11,591,277	\$ 10,343,309

***THICP OPEB Plan Fiduciary Net Position***

Detailed information about the THICP Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Political Subdivision Health Insurance Credit Program**

The Political Subdivision Health Insurance Credit Programs (PSHICP) is a multiple-employer, agent defined benefit plan that provides a credit towards the cost of health insurance coverage for retired political subdivision employees of participating employers. The PSHICP was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net PSHICP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the PSHICP OPEPB, and the PSHICP OPEB expense, information about the fiduciary net position of the VRS PSHICP; and the additions to/deductions from the VRS PSHICP's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**Plan Description**

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by this plan upon employment. This plan is administered by the VRS (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. The specific information about the PSHICP OPEB including eligibility, coverage and benefits is set out in the paragraphs below:

**Eligibility:**

The PSHICP was established July 1, 1993, for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

**Benefit Amounts:**

The PSHICP provides the following benefits for eligible employees:

*At Retirement* - For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.

*Disability Retirement* - For employees who retire on disability or go on long-term disability under the VLDP Program, the monthly benefit is \$45.00 per month.

**Other Plan Information:**

The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. No Health Insurance Credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

**Employees Covered by Benefit Terms**

As of the June 30, 2021, actuarial valuation, the following School Board employees were covered by the benefit terms of the School Board's HIC OPEB plan:

	<u>School Board - Non- Professional</u>
Active members	311
Inactive members	169
Total covered employees	<u>480</u>

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**Political Subdivision Health Insurance Credit Program (continued)**

***Contributions***

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. The School's contractually required employer contribution rate for the year ended June 30, 2023, was 1.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Portsmouth City Public School Board to PSHICP were \$86,027 and \$64,233 for the years ended June 30, 2023 and June 30, 2022, respectively.

***Net PSHICP OPEB Liability***

The Portsmouth City Public School Division's net PSHICP OPEB Liability was measured as of June 30, 2022. The total THICP OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

***Actuarial Assumptions***

The actuarial assumptions for the PSHICP are the same as those used for the GLIP.

***Long-Term Expected Rate of Return***

See Note 7 for detailed information. The long-term expected rate of return for the THICP is the same as that of the VRS pension plan.

***Discount Rate***

See Note 7 for detailed information. The long-term expected rate of return for the THICP is the same as that of the VRS pension plan.

***Changes in Net OPEB Liability - School Board VRS PSHICP***

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2021	\$ 991,397	71,829	919,568
Change for the year:			
Service cost	10,735	-	10,735
Interest	66,746	-	66,746
Difference between expected and actual experience	(55,220)	-	(55,220)
Changes of assumptions	48,868	-	48,868
Benefit payments	(26,616)	(26,616)	-
Contributions - employer	-	64,216	(64,216)
Net investment income	-	(1,000)	1,000
Administrative expenses	-	(209)	209
Other	-	180	(180)
Net changes	44,513	36,571	7,942
Balance at June 30, 2022	\$ 1,035,910	108,400	927,510

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**  
**Political Subdivision Health Insurance Credit Program (continued)**

***Sensitivity of the Portsmouth City Public School Board's Proportionate Share of the Net PSHICP OPEB Liability to Changes in the Discount Rate***

The following presents the Portsmouth City Public School Board's proportionate share of the net PSHICP OPEB liability using the discount rate of 6.75%, as well as what the Portsmouth City Public School Board's proportionate share of the net PSHICP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Discount Rate		
	1% Decrease (5.75%)	(6.75%)	1% Increase (7.75%)
School Board's proportionate share of THICP net OPEB Liability	\$ 1,019,357	\$ 927,510	\$ 848,411

***Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB***

For the year ended June 30, 2023, the Portsmouth City Public School Board recognized PSHICP OPEB expense of \$74,815. At June 30, 2023, the Portsmouth City Public School Board reported deferred outflows of resources and deferred inflows of resources related to THICP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on THICP OPEB program investments	\$ -	\$ 42,135
Change in assumptions	48,739	-
Investment experience	1,866	-
Employer contributions subsequent to the measurement date	86,027	-
Total	\$ 136,632	\$ 42,135

\$86,027 reported as deferred outflows of resources related to PSHICP resulting from the Portsmouth City Public School division's contributions subsequent to the measurement date will be recognized as a reduction of the net PSHICP OPEB Liability in the Fiscal Year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to THICP OPEB will be recognized in the THICP OPEB expense in the future reporting period as follows:

Year Ended June 30:	
2024	\$ 3,421
2025	3,421
2026	556
2027	1,092
2028	-
Thereafter	-
Total	\$ 8,490

***PSHICP OPEB Plan Fiduciary Net Position***

Information about the PSHICP Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report*. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Combining Schedule of OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans**

Primary Government	Local	GLIP (VRS)	VLDP (VRS)	LODA (VRS)	Total
Governmental activities:					
Net OPEB asset	\$ -	\$ -	\$ 25,895	\$ -	\$ 25,895
Deferred outflows	1,649,371	917,073	239,321	4,945,336	7,751,101
Net OPEB liability	5,976,602	3,922,377	-	11,342,157	21,241,136
Deferred inflows	5,417,782	992,449	64,833	6,603,249	13,078,313
OPEB expense (recovery)	(3,024,074)	(52,132)	142,373	1,324,040	(1,609,793)
Business-type activities:					
Net OPEB asset	\$ -	\$ -	\$ 2,561	\$ -	\$ 2,561
Deferred outflows	163,125	90,700	23,669	-	277,494
Net OPEB liability	591,093	387,927	-	-	979,020
Deferred inflows	535,826	98,154	6,412	-	640,392
OPEB expense (recovery)	(299,084)	(5,156)	14,081	-	(290,159)
Total Primary Government:					
Net OPEB asset	\$ -	\$ -	\$ 28,456	\$ -	\$ 28,456
Deferred outflows	1,812,496	1,007,773	262,990	4,945,336	8,028,595
Net OPEB liability	6,567,695	4,310,304	-	11,342,157	20,220,156
Deferred inflows	5,953,608	1,090,603	71,245	6,603,249	13,718,705
OPEB expense (recovery)	(3,323,158)	(57,288)	156,454	1,324,040	(1,899,952)

**Discretely presented component unit – School Board**

	HIC (VRS)			GLI (VRS)		VLDP (VRS)		
	Local	Prof	Non-Prof	Prof	Non-Prof	Prof	Non-Prof	Total
Net OPEB asset	\$ 9,691,515	-	-	-	-	4,286	4,618	\$ 9,700,419
Deferred outflows	\$ 3,828,486	1,456,271	136,652	1,086,149	89,528	224,297	44,039	\$ 6,865,422
Net OPEB liability	\$ -	11,591,277	927,510	4,813,616	404,576	-	-	\$ 17,736,979
Deferred inflows	\$ 10,989,956	1,426,220	42,135	1,349,425	154,871	15,149	12,628	\$ 13,990,384
OPEB expense	\$(1,813,001)	720,468	74,815	42,588	(12,673)	109,477	25,075	\$ (853,251)

**(9) DEFERRED COMPENSATION PLAN**

The city offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time benefit-eligible city employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation balance is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the participants. The assets are not included in the accompanying financial statements.

**(10) INTERFUND BALANCES AND TRANSFERS**

**Due From/To Other Funds**

Individual fund interfund receivable and payable balances at June 30, 2023, are as follows:

	Due To:
	General Fund
Due From:	
Nonmajor Governmental Funds	\$ 796,000
Nonmajor Enterprise Funds	6,739,665
Internal Service Funds	5,657,000
Fiduciary Funds - Custodial Fund	271,000
Total	<u>\$ 13,463,665</u>

These interfund balances result from short-term operational borrowings and are due within one year.

**Transfers From/To Other Funds**

Individual interfund transfers within the Primary Government were made for operating and as capital purposes. The total interfund transfers for the fiscal year ended June 30, 2023, were as follows:

Transfers to:	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Fund	Internal Service Funds	Public Utility Fund	Total
General Fund	\$ -	\$ 922,599	\$ -	\$ -	\$ 8,875,000	\$ 9,797,599
Capital Improvements Fund	8,295,121	5,543,206	566,642	-	313,510	14,718,479
Nonmajor Governmental Funds	3,673,581	-	-	-	-	3,673,581
Nonmajor Enterprise Funds	1,226,153	-	-	-	-	1,226,153
Debt Service	38,267,768	1,562,524	406,910	310,397	325,681	40,873,280
Internal Service Funds	750,000	-	-	-	-	750,000
Total	<u>\$ 52,212,623</u>	<u>\$ 8,028,329</u>	<u>\$ 973,552</u>	<u>\$ 310,397</u>	<u>\$ 9,514,191</u>	<u>\$ 71,039,092</u>

**Payments Between Component Units**

Significant transactions between the Primary Government and component units during fiscal year 2023 were as follows:

Payments from the city to the School Board for school operations; Statement of Activities - Payment from Primary Government	\$ 59,901,284
Payments from the Economic Development Authority to the City Statement of Activities – Miscellaneous General Revenues	\$ 125,000

**(11) DUE FROM/TO OTHER GOVERNMENTS**

**Due From Other Governments**

Amounts due from other governments at June 30, 2023, are as follows:

	<u>State</u>
Governmental activities:	
General Fund:	
Personal property tax relief	\$ 9,862,962
Gaming tax	3,934,617
Constitutional officers' support	771,424
Other	246,115
Total General Fund	<u>14,815,118</u>
Nonmajor governmental funds:	
Behavioral Health Services	1,790,705
Children's Services Act Fund	404,882
Social Services Fund	1,630,770
Total nonmajor governmental funds	<u>3,826,357</u>
Total governmental activities	<u>\$ 18,641,475</u>



**(12) UNEARNED REVENUES AND DEFERRED INFLOWS**

Unearned revenues represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred inflows represent an acquisition of net position that will not be recognized as revenue until a future period. At June 30, 2023, unearned revenues and deferred inflows are provided in the table below.

	General Fund	Grants Fund	Non-major Governmental Funds	Governmental Activities	Business- Type Activities
<b>Unearned Revenues</b>					
Grant funding received in advance	\$ 18,939	39,811,675	-	39,830,614	n/a
<b>Deferred Inflows of Resources</b>					
Deferred taxes, fees and unavailble revenue	9,348,086		1,707,927	n/a	n/a
Deferred revenue-other	1,795,312		-	n/a	n/a
Deferred lease amounts	3,315,170		-	3,315,170	n/a
<b>Total Deferred Inflows of Resources</b>	\$14,458,568		1,707,927	3,315,170	

**(13) COMMITMENTS**

**Landfill Closure and Postclosure Care Costs and Liability**

State and federal laws and regulations require the city to place a final cover on its Craney Island landfill site when it stops accepting waste and then perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$3,868,065 reported as landfill closure and postclosure care liability at June 30, 2023, represents the cumulative amount reported to date based on the use of 31.3% of the estimated capacity of the landfill. The city will recognize the remaining estimated cost of closure and post-closure care of \$8,489,971 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2023. Actual costs may be higher due to inflation, changes in technology, or changes in laws and regulations. The remaining landfill life is estimated to be 133.9 years. The city is required by Federal and State statutes to prepare a Local Government Financial Test Worksheet to demonstrate how the landfill's closure and postclosure care financial assurance requirements will be met.

**Encumbrances**

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders and other commitments in process of completion at fiscal year-end. Outstanding encumbrances at June 30, 2023, for the City and Schools are as follows:

<b>City</b>		<b>Schools</b>	
<u>Governmental Funds:</u>		<u>Governmental Funds:</u>	
Capital Projects Fund	\$ 26,361,544	General Fund	\$ 65,370
		Food Service Fund	6,642
			<u>\$ 72,012</u>

(14) LITIGATION AND CONTINGENT LIABILITIES (CONTINUED)

**Litigation**

The City is currently involved in the following court cases:

*Keisha Wilson, Administrator of the Estate of Keytondra M. Wilson and Keisha Wilson, Individually v. City of Portsmouth, Cynthia Davis and John Doe's 1-5.*

Keisha Wilson, Administrator of her daughter's estate, filed a lawsuit against the City and its employee, police dispatcher Cynthia Davis, in the Circuit Court for the City of Portsmouth. The suit alleges that the City, Ms. Davis, and five unknown employees were negligent in performance of their duties and violated Keytondra Wilson's constitutional rights, resulting in her murder. The suit demands \$5.5 million dollars in compensatory damages and \$350,000 in punitive damages. The City and Ms. Davis removed the lawsuit to the Federal Court of the Eastern District of Virginia. The Federal Court dismissed the constitutional claims and remanded the case to state court. On September 23, 2022, The Portsmouth Circuit Court sustained the City's plea of sovereign immunity but allowed Plaintiff leave to file a Second Amended Complaint. On October 19, 2022, Plaintiff amended the Complaint to add City employee Norma Gardiner as a Defendant. The Portsmouth Circuit Court denied pretrial motions to dismiss the case on May 31, 2023. A trial date has not been set.

*New Bethel Development, LLC v. City of Portsmouth City Council.*

Plaintiff brought suit alleging common law claims related to the use of land located at 4358 Greenwood Drive. Specifically, plaintiff alleges that City Council's actions were arbitrary and capricious and amounted to inverse condemnation. Plaintiff is seeking \$5,000,000 in compensatory damages and \$350,000 in punitive damages. The lawsuit was served on September 12, 2022. On October 6, 2022, the City filed pretrial pleadings to dismiss the case. The pleadings were argued on October 11, 2023. The Court granted the City's motion to dismiss the case. The appeal period has not yet run.

*Angel Jones v. City of Portsmouth.*

On October 17, 2022, former City Manager Angel Jones filed a lawsuit in Portsmouth Circuit Court seeking \$5,000,000 in compensatory damages and \$350,000 in punitive damages related to allegations of wrongful termination, fraud in the inducement, intentional infliction of emotional distress and breach of contract. The City filed pretrial pleadings to dismiss the case. On September 20, 2023, the Court dismissed all of the plaintiffs claims except for the breach of contract claim. With respect to the breach of contract claim, the Court ordered the plaintiff to file a Bill of Particulars to further articulate the basis for the claim and the damages asserted. The plaintiff filed a Bill of Particulars in October 2023. The City filed additional pretrial pleadings to dismiss the breach of contract claim. A trial date has not been set.

**Federally Assisted Grant Programs**

The city participates in a number of federally assisted grant programs. Although the city has been audited in accordance with the provisions of the Uniform Guidance, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, city management believes such disallowances, if any, will not be significant.

**(15) SELF-INSURANCE PROGRAMS**

***City***

The city is self-insured for exposures to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; terrorist acts; and, natural disasters. The city uses two internal service funds. The Risk Management Fund accounts for and finances its uninsured risks of loss and the Health Insurance and OPEB Fund account for and pays its health insurance premiums and claims costs. The Risk Management Fund pays insurance premiums and provides for payment of approved claims for workers' compensation, general liability, fidelity, wharfingers, hull and machinery, and property. The property deductible is \$100,000 per occurrence with a \$100,000,000 loss limit per occurrence. The city purchases commercial excess insurance policies for workers' compensation and general liability. For the fiscal years ending June 30, 2022, and June 30, 2023, property damage claims did not exceed \$75,000.

All funds of the city participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The risk management claims liability of \$9,244,670 (undiscounted) reported in the fund at June 30, 2023, is based on GAAP, which requires that a liability for claims be reported if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount of the risk management claims liability due within one year is \$3,083,605. A loss analysis, which included an estimate of claims incurred but not reported (IBNR), was conducted by Glicksman Consulting LLC to compute this liability as of June 30, 2023.

Changes in the risk management claims liability amount in fiscal years 2023 and 2022, respectively, were as follows:

<b>Risk Management:</b>	<b>2023</b>	<b>2022</b>
Claims payable, beginning of year	\$ 9,532,168	\$ 8,667,330
Claims expense and changes in estimates	2,937,882	6,076,370
Claims payments	(3,225,380)	(5,211,531)
Claims payable, end of year	\$ 9,244,670	\$ 9,532,168

The city is also exposed to the risk of loss for employee and retired employee medical benefits. Effective January 1, 2001, the city established a self-insured health care benefits program for all city employees and retired employees. These benefits are accounted for in the Health Insurance and OPEB Fund, which is an internal service fund. Certain claims expenses paid on behalf of each employee during a single policy year are covered by excess loss insurance with a specific stop-loss limit of \$175,000 depending on the specific medical plan. Claims processing and payments for all medical claims are made through third party administrators. The computed medical claims liability as of June 30, 2023, is \$1,952,000 (undiscounted) and is due within one year. A loss analysis, which included an estimate of incurred but not reported claims, was conducted by Willis Tower Watson to compute the liability as of June 30, 2023.

Changes in the medical claim liability amount in fiscal years 2023 and 2022, respectively, were as follows:

<b>Medical:</b>	<b>2023</b>	<b>2022</b>
Claims payable, beginning of year	\$ 1,424,000	\$ 1,417,000
Claims expense and changes in estimates	15,078,145	12,534,441
Claims payments	(14,550,145)	(12,527,441)
Claims payable, end of year	\$ 1,952,000	\$ 1,424,000

**(15) SELF-INSURANCE PROGRAMS (CONTINUED)**

***School Board***

The school board uses its Risk Management and Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss and to pay insurance premiums. The fund services all claims for risk of loss to which the school board is exposed, including workers' compensation, automobile, and general liability. A loss analysis was conducted by Glicksman Consulting, LLC to compute the liability for the fund. The actuarially computed liability as of June 30, 2023, was determined to be \$1,297,105 (undiscounted), of which \$639,910 is due within one year.

Changes in the school's claim liability amount in fiscal years 2023 and 2022 were:

School Board:	2023	2022
Claims payable, beginning of year	\$ 742,615	\$ 632,030
Claims and changes in estimates	3,996,050	3,302,245
Claim payments and changes in estimates	(3,441,560)	(3,191,660)
Claims payable, end of year	\$ 1,297,105	\$ 742,615

Effective January 1, 2015, the School Board established a Self-Insured Health Care Benefits Plan (Self-Insured Health Plan) for all school board employees and retirees. The Self-Insured Health Plan policy year is based on a calendar year. The Self-Insured Health Plan is accounted for within the General Fund with employer and employee premiums, medical claims, administrative costs, wellness program costs, and other health plan costs recorded in the General Fund. Expenditures charged to various School Board departments are based expected claims liability and administrative costs for a full calendar year as provided by the third party health care benefit consultant. Medical claim expenses paid on behalf of each individual employee covered during a single policy year are covered by excess loss insurance with a specific stop loss limit of \$350,000. The Self-Insured Health Plan also has aggregate stop loss coverage at 120% of expected medical claims during a single policy year.

Claim processing and payments for all health care claims are made through a third party administrator. The School Board uses information provided by the third-party administrator and health care benefit consultant to aid in the determination of health self-insurance liabilities. The computed current liability as of June 30, 2023 is \$1,119,000 (undiscounted), as follows:

	Balance as of July 1	Claims and Changes in Estimates	Claim Payments	Balance as of June 30
<b>Medical Claims</b>				
2022-2023	\$ 1,025,000	\$ 15,554,032	\$ 15,460,032	\$ 1,119,000
2021-2022	\$ 1,277,000	\$ 17,718,506	\$ 17,970,506	\$ 1,025,000

(16) RELATED PARTIES

*Jointly Governed Organizations*

**Hampton Roads Regional Jail Authority (HRRJA)**

HRRJA is a regional organization which includes the cities of Chesapeake, Hampton, Newport News, Norfolk, and Portsmouth and is governed by a 15 member Board of Directors, consisting of three representatives appointed by each of the member cities. HRRJA is a primary government with no component units created pursuant to Article #3 Chapter 3 Title 53 of the *Code of Virginia*. The Authority was created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. The participating governments do not have an equity interest in HRRJA and accordingly no equity interest has been reflected in the city's financial statements at June 30, 2023. Completed financial statements of the Commission can be obtained from HRRJA, 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

**Hampton Roads Planning District Commission (the Commission)**

A regional planning agency authorized by the Virginia Area Development Act of 1968, it was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, plus the counties of Gloucester, Isle of Wight, James City, Southampton, and York. Revenue of the Commission is received primarily from local governmental (member) contributions and various state and federal grant programs. The participating governments do not have an equity interest in the Commission and accordingly no equity interest has been reflected in the city's financial statements at June 30, 2023. Completed financial statements of the Commission can be obtained from the Commission.

**Transportation District Commission (TDC)**

The TDC was formed on June 29, 1999 to effect the merger of the Peninsula Transportation District Commission and the Tidewater Transportation District Commission effective October 1, 1999. The TDC was established in accordance with the Chapter 45 of Title 15.2 of the *Code of Virginia*. The TDC provides public transportation facilities and services within the cities of Chesapeake, Hampton, Norfolk, Portsmouth, Newport News and Virginia Beach. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of the TDC rests with professional management. The TDC is the governing body of Hampton Roads Transit (HRT).

**Hampton Roads Economic Development Alliance (HREDA)**

The HREDA is a non-profit, public-private partnership that aggressively markets Virginia's Hampton Roads attraction initiatives and activities are designed to promote the jurisdictions of Chesapeake, Franklin, Hampton, Isle of Wight, Newport News, Norfolk, Poquoson, Portsmouth, Southampton County, Suffolk and Virginia Beach, Virginia. The business affairs are managed by a Board of not less than 50 or more than 300 Directors. Separate financial statements are available from the HREDA, 500 Main Street, Suite 1300, Norfolk, Virginia 23510.

*Related Organizations*

**Portsmouth Redevelopment and Housing Authority (PRHA)**

The City Council is responsible for appointing members of the board of the Portsmouth Redevelopment and Housing Authority, but the city's accountability for the Authority does not extend beyond making these appointments and PRHA is both operationally and financially independent of the city.

**New Port Community Development Authority**

The City Council is responsible for appointing members of the board of the New Port Community Development Authority, but the city's accountability for the Authority does not extend beyond making these appointments and the Authority is both operationally and financially independent of the city.

**(18) NEW ACCOUNTING PRONOUNCEMENTS AND RESTATEMENTS**

**FUND DEFICITS**

The Information Technology and Health Insurance and OPEB internal service funds had fund balances with accumulated deficits of \$(2,694,195) and \$(6,478,127), respectively, which will be funded by future internal service charges. The Grants and Community Development special revenue funds had fund balances with accumulated deficits of (\$329,452) and (\$355,821) which will be funded by future expenditures of unearned grant revenues and program income, respectively.

The City and Schools have implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in the financial statements for the year ended June 30, 2023. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for information technology subscriptions by governments.

There were no restatements to City or Schools beginning fund balances or net position as of the beginning of the year as a result of the implementation of this Standard.

**Required Supplementary Information**  
**Other than Management's Discussion and Analysis**

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**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2023**

**Exhibit I-1**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Taxes:				
General property taxes:				
Real property - current	\$ 109,076,535	109,076,535	111,797,952	2,721,417
Real property - delinquent	1,832,231	1,832,231	2,844,759	1,012,528
Real property - Public Services Corporation	1,798,203	1,798,203	1,629,857	(168,346)
Personal property - current	25,441,825	25,441,825	24,959,894	(481,931)
Personal property - delinquent	4,075,169	4,075,169	7,634,731	3,559,562
Personal property - Public Services Corporation	3,600,703	3,600,703	2,981,321	(619,382)
Machinery and tools taxes	1,102,286	1,102,286	1,089,463	(12,823)
Penalties and other charges	2,028,210	2,028,210	1,993,639	(34,571)
Interest	733,203	733,203	919,794	186,591
<b>Total general property taxes</b>	<b>149,688,365</b>	<b>149,688,365</b>	<b>155,851,410</b>	<b>6,163,045</b>
Other local taxes:				
Admission and amusement taxes	101,505	101,505	169,663	68,158
Bank franchise taxes	639,773	639,773	931,957	292,184
Business and occupational license taxes	6,602,801	6,602,801	7,798,520	1,195,719
Cigarette taxes	4,241,410	4,241,410	2,752,614	(1,488,796)
Occupancy	232,702	232,702	366,959	134,257
Licensing fees - current	2,054,739	2,054,739	1,728,622	(326,117)
Licensing fees - delinquent	923,687	923,687	832,530	(91,157)
Lodging taxes	436,001	436,001	1,193,573	757,572
Recordation taxes	1,638,007	1,638,007	1,436,437	(201,570)
Restaurant food taxes	10,260,502	10,260,502	13,259,613	2,999,111
Sales and use tax - local	10,128,378	10,128,378	11,938,901	1,810,523
Short-term rental taxes	18,372	18,372	5,634	(12,738)
Telecommunications	5,821,408	5,821,408	5,770,936	(50,472)
<b>Total other local taxes</b>	<b>43,099,285</b>	<b>43,099,285</b>	<b>48,185,959</b>	<b>5,086,674</b>
Utility taxes:				
Electricity taxes	3,701,437	3,701,437	3,507,356	(194,081)
E-911 taxes	543,450	543,450	574,679	31,229
Gas taxes	1,313,454	1,313,454	1,284,829	(28,625)
Water taxes	3,007,771	3,007,771	3,264,991	257,220
<b>Total utility taxes</b>	<b>8,566,112</b>	<b>8,566,112</b>	<b>8,631,855</b>	<b>65,743</b>
<b>Total taxes</b>	<b>201,353,762</b>	<b>201,353,762</b>	<b>212,669,224</b>	<b>11,315,462</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2023**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Intergovernmental revenue:				
Commonwealth of Virginia:				
Noncategorical aid:				
Mobile home sales taxes	655	655	7,838	7,183
Personal property tax relief act	9,862,962	9,862,962	9,862,962	-
Recordation tax distribution	-	-	5,912	5,912
Rolling stock taxes	44,726	44,726	44,068	(658)
Vehicle rental tax	263,448	263,448	284,398	20,950
Gaming tax	-	-	5,956,670	5,956,670
Categorical aid:				
Circuit Court Clerk	939,483	939,483	1,082,670	143,187
City Registrar	67,366	67,366	94,855	27,489
City Sheriff	6,442,238	6,961,238	6,817,724	(143,514)
City Treasurer	260,236	260,236	331,606	71,370
Commissioner of Revenue	564,055	564,055	341,305	(222,750)
Commonwealth's Attorney	1,594,269	1,724,269	1,354,412	(369,857)
DMV select	86,750	86,750	74,130	(12,620)
Other categorical aid:				
Correctional facilities block grant	340,735	340,735	276,214	(64,521)
Law enforcement grant	7,127,952	7,127,952	7,459,223	331,271
Library funds - books	190,263	190,263	207,715	17,452
Street and highway maintenance	13,935,418	13,935,418	15,586,335	1,650,917
Total Commonwealth of Virginia	41,720,556	42,369,556	49,788,037	7,418,481
<b>Total intergovernmental revenue</b>	<b>41,720,556</b>	<b>42,369,556</b>	<b>49,788,037</b>	<b>7,418,481</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2023**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Charges for services:				
Ambulance fees - current	3,100,000	3,100,000	2,761,910	(338,090)
Boat ramp parking	5,000	5,000	2,080	(2,920)
Circuit Court Clerk fees	4,144	4,144	5,478	1,334
City Sheriff fees	107,868	107,868	126,358	18,490
ATM fees	53	53	1,087	1,034
EZ Pass fees	8,890	8,890	7,700	(1,190)
Courthouse maintenance fees	29,448	29,448	29,184	(264)
Courthouse replacement fees	39,402	39,402	40,304	902
False alarm fees	3,449	3,449	8,065	4,616
Fire report fees	1,075	1,075	890	(185)
Fire and EMS attendance fees	-	-	2,498	2,498
Library fines and fees	6,424	6,424	19,551	13,127
School Board	388,407	388,407	-	(388,407)
DNA samples	-	-	622	622
Erosion and sediment control	2,220	2,220	200	(2,020)
Museum admission charges	635,342	635,342	1,211,710	576,368
Notary fees	265	265	150	(115)
Concealed carry permits	113,247	113,247	50,839	(62,408)
Police firearms buyback	-	-	5	5
Police record fees	46,623	46,623	52,251	5,628
Public access television fees	-	-	-	-
Recreation activity fees	75,000	75,000	98,319	23,319
Rental inspection fees	22,949	22,949	40,085	17,136
Inspections	83,255	83,255	279,770	196,515
Plans and specifications	5,452	5,452	440	(5,012)
Street closures	-	-	-	-
Sunset Thursday Sponsors	2,500	2,500	-	(2,500)
Swimming fees	968	968	914	(54)
Vacant structure	4,488	4,488	2,300	(2,188)
UMOJA	900	900	26,940	26,040
Seawall Festival	665	665	1,900	1,235
Pokey Smokey II	4,193	4,193	4,099	(94)
Ticket sales - Vistor Center	1,950	1,950	1,291	(659)
EMS collections - delinquent	157,587	157,587	56,189	(101,398)
Certificate of occupancy	2,469	2,469	3,300	831
Library admin fee	-	-	-	-
<b>Total charges for services</b>	<b>4,854,233</b>	<b>4,854,233</b>	<b>4,836,429</b>	<b>(17,804)</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2023**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Investment income:				
Investment income	264,713	264,713	1,615,802	1,351,089
<b>Total investment income</b>	<b>264,713</b>	<b>264,713</b>	<b>1,615,802</b>	<b>1,351,089</b>
Recovered costs:				
City garage fund	489,341	489,341	489,341	-
Information technology fund	267,330	267,330	289,730	22,400
Court appointed attorneys	965	965	321	(644)
Golf fund	136,118	136,118	136,118	-
Health department	59,861	59,861	134,308	74,447
Health insurance fund	20,055	20,055	21,039	984
Law library fund	2,335	2,335	2,400	65
Behavioral health services fund	550,859	550,859	550,859	-
DEA	13,428	13,428	31,487	18,059
Training academy upkeep	5,126	5,126	4,547	(579)
Parking authority	43,685	43,685	43,685	-
Citywide telephone charges	68,302	68,302	-	(68,302)
Fire watch/EMS	18,389	18,389	109,349	90,960
Postage	96,880	96,880	207,009	110,129
Public utility fund	738,754	738,754	738,754	-
Social security payments - jail	23,400	23,400	9,900	(13,500)
Stormwater management fund	135,966	135,966	135,966	-
Social services fund	411,882	411,882	411,882	-
Waste management fund	253,525	253,525	253,525	-
Jail weekends	4,113	4,113	-	(4,113)
Prisoner upkeep fees	30,258	30,258	21,382	(8,876)
Fed prisoner transport	19,375	19,375	14,509	(4,866)
Other recovered costs	208,899	208,899	6,826	(202,073)
<b>Total recovered costs</b>	<b>3,598,846</b>	<b>3,598,846</b>	<b>3,612,937</b>	<b>14,091</b>
Fines and forfeitures:				
Circuit Court fines	14,060	14,060	17,570	3,510
Conviction fees	48,478	48,478	86,125	37,647
General District Court fines	165,798	165,798	110,869	(54,929)
Juvenile Court fines	127	127	211	84
<b>Total fines and forfeitures</b>	<b>228,463</b>	<b>228,463</b>	<b>214,775</b>	<b>(13,688)</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2023**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Licenses and permits:				
Bicycle licenses	101	101	22	(79)
Building plan review fees	56,991	56,991	62,122	5,131
Building reinspection fees	20,550	20,550	9,250	(11,300)
Building structure permits	267,672	267,672	242,876	(24,796)
Dog licenses	15,314	15,314	12,574	(2,740)
Electrical inspection fees	32,170	32,170	11,925	(20,245)
Electrical permits	84,955	84,955	76,957	(7,998)
Elevator inspection fees	1,110	1,110	1,740	630
Final engineering inspection permit	29,120	29,120	14,300	(14,820)
Hauling and permits fees	95,203	95,203	143,460	48,257
Land disturbance permit	91,446	91,446	68,040	(23,406)
License transfer fees	4,242	4,242	3,364	(878)
Mechanical inspection fees	3,640	3,640	3,470	(170)
Mechanical permits	138,909	138,909	256,727	117,818
Miscellaneous permits	13,095	13,095	19,195	6,100
Penalties on licenses	62,186	62,186	66,501	4,315
Plumbing inspection fees	10,098	10,098	2,101	(7,997)
Plumbing permits	61,707	61,707	51,022	(10,685)
Restricted parking permits	977	977	1,773	796
Right of way permits	44,803	44,803	202,908	158,105
Sign permit fees	964	964	2,215	1,251
Site plan review fees	17,580	17,580	13,140	(4,440)
State surcharge on permits	34,936	34,936	12,383	(22,553)
Taxi operators permits	347	347	-	(347)
Yard sale permits	1,640	1,640	1,035	(605)
Zoning and plat fees	27,248	27,248	40,523	13,275
<b>Total licenses and permits</b>	<b>1,117,004</b>	<b>1,117,004</b>	<b>1,319,623</b>	<b>202,619</b>
Use of property:				
Rental of antenna sites	85,284	85,284	56,338	(28,946)
Rental of recreation facilities	66,309	66,309	96,414	30,105
Rental of recreation facilities	-	-	43,848	43,848
Rental of general properties	1,196,790	1,196,790	307,038	(889,752)
<b>Total use of property</b>	<b>1,348,383</b>	<b>1,348,383</b>	<b>503,638</b>	<b>(844,745)</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**Year Ended June 30, 2023**

**Exhibit I-1 (Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Miscellaneous:				
Admin fee - state income tax	271	271	-	(271)
Admin fee - RE	236,907	236,907	327,564	90,657
Admin fee - PP	933,656	933,656	858,170	(75,486)
Admin fee - Parking	4,766	4,766	-	(4,766)
Admin fee - EMS	30,480	30,480	13,734	(16,746)
Build America bond subsidy	-	-	-	-
Credit card fees	-	-	10,329	10,329
Returned check fees	1,115	1,115	600	(515)
Vending machine commissions	8,391	8,391	-	(8,391)
Gift shop sales	175,938	175,938	291,004	115,066
Proceeds from land sales	4,572	4,572	-	(4,572)
Other revenue	184,420	5,001,943	8,767,693	3,765,750
Sheriff canteen funds	-	10,000	-	(10,000)
Unclaimed property tax refunds	87,819	87,819	-	(87,819)
Economic Development Authority contribution	125,000	125,000	125,000	-
Payments in lieu of taxes:				
PRHA	88,704	88,704	-	(88,704)
Regional Jail	568,708	568,708	622,485	53,777
Virginia Port Authority	371,454	371,454	410,612	39,158
South Norfolk Jordan Bridge	140,836	140,836	110,233	(30,603)
Public utility fund	1,628,889	1,628,889	1,161,598	(467,291)
Cash Over/Under	-	-	(6,707)	(6,707)
<b>Total miscellaneous revenue</b>	<b>4,591,926</b>	<b>9,419,449</b>	<b>12,692,315</b>	<b>3,272,866</b>
<b>Total revenues</b>	<b>259,077,886</b>	<b>264,554,409</b>	<b>287,252,780</b>	<b>22,698,371</b>
Other financing sources:				
Proceeds from debt issuance	-	-	10	10
Transfers from other funds:				
BHS	377,586	377,586	377,586	-
Stormwater management	545,013	545,013	545,013	-
Public utility fund	8,875,000	8,875,000	8,875,000	-
Use of fund balance	86,032	6,296,762	-	(6,296,762)
<b>Total other financing sources</b>	<b>9,883,631</b>	<b>16,094,361</b>	<b>9,797,609</b>	<b>(6,296,752)</b>
<b>Total revenues and other financing sources</b>	<b>\$ 268,961,517</b>	<b>280,648,770</b>	<b>297,050,389</b>	<b>16,401,619</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Expenditures and Other Financing Uses**  
**General Fund**  
**Year Ended June 30, 2023**

**Exhibit I-2**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
General government:				
Administration:				
Legislative:				
City Council	\$ 471,212	471,212	367,047	104,165
City Clerk	450,242	450,242	468,029	(17,787)
Total legislative	921,454	921,454	835,076	86,378
Executive:				
City Manager	1,467,300	1,469,622	1,416,534	53,088
Management and legislative services	338,468	338,468	336,878	1,590
Marketing, entertainment & tourism	2,025,816	2,034,717	1,924,963	109,754
Total executive	3,831,584	3,842,807	3,678,375	164,432
Boards and commissions:				
Civil Service Commission	130,519	217,519	168,633	48,886
General Registrar	1,190,993	1,190,993	1,062,063	128,930
Total boards and commissions	1,321,512	1,408,512	1,230,696	177,816
Total administration	6,074,550	6,172,773	5,744,147	428,626
Financial administration:				
Commissioner of Revenue	2,190,887	2,190,887	2,088,363	102,524
City Assessor	1,357,592	1,357,592	1,062,570	295,022
City Treasurer	2,542,923	2,542,923	2,294,211	248,712
Procurement and risk management	320,421	630,504	524,218	106,286
Finance	2,987,097	3,001,029	2,671,603	329,426
Total financial administration	9,398,920	9,722,935	8,640,965	1,081,970
Public transportation	3,015,300	3,015,300	3,015,287	13
City Attorney	2,202,784	2,204,332	1,933,669	270,663
Human resource management	1,461,481	1,465,351	1,468,286	(2,935)
<b>Total general government</b>	<b>22,153,035</b>	<b>22,580,691</b>	<b>20,802,354</b>	<b>1,778,337</b>
Nondepartmental:				
Contingency	610,000	490,000	25,672	464,328
Miscellaneous	7,709,904	7,725,461	11,308,701	(3,583,240)
Support to civic organizations	474,600	474,600	464,078	10,522
<b>Total nondepartmental</b>	<b>8,794,504</b>	<b>8,690,061</b>	<b>11,798,451</b>	<b>(3,108,390)</b>
Judicial:				
Circuit Court judges	823,126	823,126	768,480	54,646
Circuit Court Clerk	1,711,606	1,711,606	1,718,571	(6,965)
Magistrate	11,743	11,743	8,661	3,082
General District Court	87,769	87,769	59,790	27,979
Juvenile and Domestic Relations Court	52,986	52,986	48,086	4,900
Juvenile court services	1,310,617	1,310,617	933,893	376,724
Commonwealth's Attorney	3,011,993	3,161,993	2,866,960	295,033
Sheriff	13,886,650	13,897,584	13,732,840	164,744
<b>Total judicial</b>	<b>20,896,490</b>	<b>21,057,424</b>	<b>20,137,281</b>	<b>920,143</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Expenditures and Other Financing Uses**  
**General Fund**  
**Year Ended June 30, 2023**

**Exhibit I-2 (continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Public safety:				
Sheriff	-	-	244	(244)
Police Department	33,538,221	33,461,948	28,955,219	4,506,729
E-911 communications	2,921,724	2,921,724	2,662,536	259,188
Operations Support Bureau	95,812	109,506	204,990	(95,484)
Admin and Support Bureau	-	6,950	480,636	(473,686)
Field Operations Bureau	20,742	25,304	29,906	(4,602)
Animal control and security	1,257,797	1,309,864	1,325,614	(15,750)
Fire, rescue, and emergency services	30,347,297	30,435,297	30,490,214	(54,917)
<b>Total public safety</b>	<b>68,181,593</b>	<b>68,270,593</b>	<b>64,149,359</b>	<b>4,121,234</b>
Public works:				
Engineering	2,090,297	2,091,845	1,963,603	128,242
Streets and highways	5,449,112	5,580,758	5,307,322	273,436
Mosquito control	648,636	554,799	372,649	182,150
Traffic engineering	2,688,481	2,688,481	2,799,402	(110,921)
General services:				
Properties management	4,916,387	4,781,676	4,207,414	574,262
Utilities	2,875,000	3,334,712	3,554,759	(220,047)
Rental of land and buildings	775,649	775,649	22,814	752,835
Storeroom	-	-	65,217	(65,217)
Harbor Center Pavilion	627,110	627,110	610,239	16,871
<b>Total public works</b>	<b>20,070,672</b>	<b>20,435,030</b>	<b>18,903,419</b>	<b>1,531,611</b>
<b>Health and welfare</b>	<b>1,366,062</b>	<b>1,366,062</b>	<b>1,169,932</b>	<b>196,130</b>
Parks, recreational and cultural:				
Museum	3,535,998	3,535,998	3,073,616	462,382
Parks, recreational and cultural	-	8,511,790	8,594,114	(82,324)
Public library	2,667,604	2,667,604	2,632,243	35,361
<b>Total parks, recreation and cultural</b>	<b>6,203,602</b>	<b>14,715,392</b>	<b>14,299,973</b>	<b>415,419</b>
Community development:				
Permits and inspections	3,653,165	3,653,165	2,905,475	747,690
Economic development	1,339,850	1,339,850	903,661	436,189
Planning	2,263,494	2,266,865	1,725,897	540,968
<b>Total community development</b>	<b>7,256,509</b>	<b>7,259,880</b>	<b>5,535,033</b>	<b>1,724,847</b>
Education	59,901,284	59,901,284	59,901,284	-
Cost of issuance	-	-	9,426	(9,426)
Debt service, principal	-	-	835,752	(835,752)
Debt service, interest	-	-	86,854	(86,854)
Capital outlay	1,696,900	1,889,964	1,233,043	656,921
<b>Total expenditures</b>	<b>216,520,651</b>	<b>226,166,381</b>	<b>218,862,161</b>	<b>7,304,220</b>

See Independent Auditor's Report and Notes to Required Supplementary Information.



**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Expenditures and Other Financing Uses**  
**General Fund**  
**Year Ended June 30, 2023**

**Exhibit I-2 (continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Other financing uses:				
Transfers to other funds:				
Behavioral health services fund	715,466	715,466	715,466	-
Social services fund	3,563,502	3,563,502	2,340,544	1,222,958
Comprehensive services fund	447,477	447,477	617,571	(170,094)
Grants fund	-	-	-	-
Parking authority	305,756	305,756	305,756	-
Golf	920,397	920,397	920,397	-
Debt service	38,267,768	38,267,768	38,267,768	-
Health insurance fund	1,000,000	1,000,000	750,000	250,000
Capital projects	7,220,500	9,262,023	8,295,121	966,902
<b>Total other financing uses</b>	<b>52,440,866</b>	<b>54,482,389</b>	<b>52,212,623</b>	<b>2,269,766</b>
<b>Total expenditures and other financing uses</b>	<b>268,961,517</b>	<b>280,648,770</b>	<b>271,074,784</b>	<b>9,573,986</b>
Net change in fund balance	-	-	25,975,605	25,975,605
Fund balance - beginning	-	-	89,589,569	89,589,569
Fund balance - ending	\$ -	-	115,565,174	115,565,174

See Independent Auditor's Report and Notes to Required Supplementary Information.

## CITY OF PORTSMOUTH, VIRGINIA

## Exhibit I-3

## Budgetary Comparison Schedule

## Schedule of Revenues, Expenditures and Changes in Fund Balance

## Grants Fund

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 57,186,067	151,315,181	7,405,190	(143,909,991)
Investment income	4,828	4,828	-	(4,828)
Miscellaneous	1,964,494	2,138,444	48,797	(2,089,647)
Total revenues	59,155,389	153,458,453	7,453,987	(146,004,466)
Expenditures:				
Current:				
General government	8,603,039	11,811,186	883,722	10,927,464
Nondepartmental	-	300,000	-	300,000
Judicial	17,193,775	25,745,629	1,956,438	23,789,191
Public safety	19,695,553	24,379,648	750,761	23,628,887
Public works	2,382,594	2,456,021	475,492	1,980,529
Health and welfare	11,038,472	18,493,869	934,287	17,559,582
Parks, recreational and cultural	11,666,946	17,231,426	464,657	16,766,769
Community development	4,027,000	4,480,452	-	4,480,452
Capital outlay	40,422,399	51,727,990	2,800,505	48,927,485
Total expenditures	115,029,778	156,626,221	8,265,862	148,360,359
Excess (deficiency) of revenues over (under) expenditures	(55,874,389)	(3,167,768)	(811,875)	2,355,893
Other financing sources (uses):				
Transfers from other funds	444,306	2,865,849	-	(2,865,849)
Transfers to other funds	(409)	-	-	-
Total other financing sources, net	443,897	2,865,849	-	(2,865,849)
Net change in fund balance	(55,430,492)	(301,919)	(811,875)	(509,956)
Fund balance - beginning	-	-	482,423	482,423
Fund balance - ending	\$ (55,430,492)	(301,919)	(329,452)	(27,533)

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedules**  
**Note to Required Supplementary Information**  
**June 30, 2023**

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**Exhibit I-4**

The budgetary data reported in the required supplementary information reflects the approved city Budget as adopted by the City Council for the year ended June 30, 2023, as amended. The budget as adopted by the City Council may be amended by the City Council through supplemental appropriations or transfers, as necessary. The legal level of budgetary control rests at the fund level with the exception of the General Fund, which is appropriated at the activity or department level. In addition, the City Code provides that the City Manager may transfer any unencumbered appropriation balance less than \$100,000 from one department, project, program, or purpose within the same fund without City Council approval. The City Manager shall make a monthly report to the City Council of all transfers greater than \$50,000. Also, the City Manager may transfer any or all of the unencumbered balance of the emergency contingency account to any item in the City budget provided that any such utilization from the emergency budget contingency is reported to the City Council at the next regular council meeting.

The General, Special Revenue, and all proprietary funds have legally adopted annual budgets with the exception of the Grants Fund, and the Community Development Fund. The Capital Projects Funds, Grants Fund, and the Community Development Fund, utilize project budgets in lieu of annual budgets.

The city employs encumbrance accounting under which obligations in the form of purchase orders, contracts, and other commitments for the expenditure or transfer out of funds are recorded in order to reserve that portion of the applicable appropriation in the governmental fund balance, since encumbrances do not constitute expenditures or liabilities. For outstanding encumbrances, the appropriation carries over into the following year upon City Council action. According to the city code, unexpended, unencumbered appropriations lapse at the end of the fiscal year.

The General Fund's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (PSRS)

Fiscal Year Ended June 30,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>									
Service cost	\$ 27,467	37,325	39,225	50,442	56,948	54,347	62,202	71,563	89,198
Interest	4,815,010	5,082,959	5,305,149	5,542,060	5,773,968	6,021,175	6,344,585	6,536,219	6,661,939
Changes in benefit terms	-	-	-	-	-	-	-	814,802	1,244,771
Differences between expected and actual experience	213,717	(603,260)	(393,653)	(681,062)	(159,223)	(180,994)	(1,383,499)	(1,680,961)	(1,195,876)
Changes of assumptions	152,288	(362,961)	(249,133)	(156,756)	(470,893)	(966,754)	(1,236,291)	-	-
Benefit payments, including refunds of member contributions	(7,332,578)	(7,935,764)	(7,859,123)	(8,140,802)	(8,474,573)	(8,378,061)	(8,326,253)	(8,478,761)	(8,512,885)
Net change in total pension liability	(2,124,096)	(3,781,701)	(3,157,535)	(3,386,118)	(3,273,773)	(3,450,287)	(4,539,256)	(2,737,138)	(1,712,853)
Total pension liability, beginning	70,152,716	73,934,417	77,091,952	80,478,070	83,751,843	87,202,130	91,741,386	94,478,524	96,191,377
Total pension liability, ending (a)	68,028,620	70,152,716	73,934,417	77,091,952	80,478,070	83,751,843	87,202,130	91,741,386	94,478,524
<b>PLAN FIDUCIARY NET POSITION</b>									
Contributions - employer	2,517,941	3,377,371	4,200,064	2,350,640	2,229,196	2,005,017	1,796,671	2,438,432	1,782,818
Net investment income	(9,512,540)	14,753,283	2,482,586	3,854,272	2,618,347	5,916,252	960,609	418,733	7,874,597
Benefit payments, including refunds of member contributions	(7,332,578)	(7,935,764)	(7,859,123)	(8,140,802)	(8,474,573)	(8,378,061)	(8,326,253)	(8,478,761)	(8,512,885)
Administrative expenses	(109,127)	(95,328)	(87,733)	(60,617)	(54,742)	(106,586)	(28,605)	(67,152)	(73,287)
Net change in plan fiduciary net position	(14,436,304)	10,099,562	(1,264,206)	(1,996,507)	(3,681,772)	(563,378)	(5,597,578)	(5,688,748)	1,071,243
Plan fiduciary net position, beginning	62,855,029	52,755,467	54,019,673	56,016,180	59,697,952	60,261,330	65,858,908	71,547,656	70,476,413
Plan fiduciary net position, ending (b)	48,418,725	62,855,029	52,755,467	54,019,673	56,016,180	59,697,952	60,261,330	65,858,908	71,547,656
City's net pension liability, ending (a) - (b)	\$ 19,609,895	7,297,687	21,178,950	23,072,279	24,461,890	24,053,891	26,940,800	25,882,478	22,930,868
Plan fiduciary net position as a percentage of total pension liability	71.17%	89.60%	71.35%	70.07%	69.60%	71.28%	69.11%	71.79%	75.73%
Employer's covered payroll*	\$ 590,863	693,168	723,213	732,897	754,205	806,870	887,695	1,034,003	1,195,973
City's net pension liability as a percentage of covered payroll	3318.86%	1052.80%	2928.45%	3148.09%	3243.40%	2981.14%	3034.92%	2503.13%	1917.34%

\*Amounts presented have a measurement date of the previous fiscal year-end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report and Notes to Required Supplementary Information.

**SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS (PSRS)**

<b>Fiscal Year Ended June 30,</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 1,602,512	1,627,773	2,058,105	2,210,592	2,170,640	1,867,696	1,807,082	1,796,671	1,924,912	1,944,892
Contributions in relation to the actuarially determined contribution	<u>1,602,512</u>	<u>2,517,941</u>	<u>3,377,371</u>	<u>4,200,064</u>	<u>2,350,640</u>	<u>1,867,696</u>	<u>1,807,082</u>	<u>1,796,671</u>	<u>2,438,432</u>	<u>1,782,818</u>
Contribution deficiency (excess)	<u>-</u>	<u>(890,168)</u>	<u>(1,319,266)</u>	<u>(1,989,472)</u>	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(513,520)</u>	<u>162,074</u>
Covered payroll	<u>\$ 408,387</u>	<u>590,863</u>	<u>693,168</u>	<u>723,213</u>	<u>732,897</u>	<u>754,205</u>	<u>806,870</u>	<u>887,695</u>	<u>1,034,003</u>	<u>1,195,973</u>
Contributions as a percentage of covered payroll	<u>392.40%</u>	<u>426.15%</u>	<u>487.24%</u>	<u>580.75%</u>	<u>320.73%</u>	<u>247.64%</u>	<u>223.96%</u>	<u>202.40%</u>	<u>235.82%</u>	<u>149.07%</u>

**NOTES TO SCHEDULE**

Methods and Assumptions used to determine contribution rate:

Measurement date	June 30, 2023
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.
Actuarial Cost Method	Entry Age Normal-Level Percentage of Pay
Interest rate	7.25%
Salary increases	3.00%
Social Security wage bases	3.00%
Social Security cost of living increases	2.50%
Statutory limits on compensation and benefits	2.50%
Mortality	RP-2014 Mortality Table Adjusted to 2006 with Generational Projection (Scale MP-2021)
Projected rate of return	7.25%
Plan Fiduciary net position	Fair Market Value of assets

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money weighted rate of return, net of investment expenses	9.99%	-15.70%	29.03%	4.78%	7.32%	4.66%	10.59%	1.55%	0.62%	unavailable

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (FPRS)

Fiscal Year Ended June 30,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>									
Service cost	\$ 96,414	118,664	125,340	188,000	209,549	288,723	469,262	655,555	875,496
Interest	15,588,902	16,085,412	16,555,536	16,847,652	17,224,136	17,571,555	17,775,245	17,755,749	17,479,148
Changes in benefit terms	-	-	-	-	-	-	-	2,226,338	3,220,420
Differences between expected and actual experience	1,447,947	(124,107)	(867,255)	1,347,426	637,275	1,548,069	2,934,513	483,962	2,306,432
Changes of assumptions	302,623	(800,780)	(564,095)	(442,750)	(1,023,739)	(2,060,009)	(2,264,494)	-	-
Benefit payments, including refunds of member contributions	(21,219,756)	(22,267,894)	(21,915,426)	(21,922,564)	(22,317,498)	(22,016,787)	(21,297,801)	(20,421,823)	(19,431,115)
Net change in total pension liability	(3,783,870)	(6,988,705)	(6,665,900)	(3,982,236)	(5,270,277)	(4,668,449)	(2,383,275)	699,781	4,450,381
Total pension liability, beginning	225,607,123	232,595,828	239,261,728	243,243,964	248,514,241	253,182,690	255,565,965	254,866,184	250,415,803
Total pension liability, ending (a)	221,823,253	225,607,123	232,595,828	239,261,728	243,243,964	248,514,241	253,182,690	255,565,965	254,866,184
<b>PLAN FIDUCIARY NET POSITION</b>									
Contributions - employer	8,199,999	10,279,577	13,546,417	7,535,021	7,098,559	6,566,389	5,794,277	6,734,263	5,186,714
Net investment income	(29,189,401)	44,674,758	7,444,047	11,417,345	7,521,227	16,820,681	2,782,322	1,144,912	21,908,537
Benefit payments, including refunds of member contributions	(21,219,756)	(22,267,894)	(21,915,426)	(21,922,564)	(22,317,498)	(22,016,787)	(21,297,801)	(20,421,923)	(19,431,115)
Administrative expenses	(318,245)	(278,056)	(246,543)	(173,148)	(141,157)	(254,463)	(120,447)	(184,118)	(205,149)
Net change in plan fiduciary net position	(42,527,403)	32,408,385	(1,171,505)	(3,143,346)	(7,838,869)	1,115,820	(12,841,649)	(12,726,866)	7,458,987
Plan fiduciary net position, beginning	191,187,668	158,779,283	159,950,788	163,094,134	170,933,003	169,817,183	182,658,832	195,385,698	187,926,711
Plan fiduciary net position, ending (b)	148,660,265	191,187,668	158,779,283	159,950,788	163,094,134	170,933,003	169,817,183	182,658,832	195,385,698
City's net pension liability, ending (a) - (b)	\$ 73,162,988	34,419,455	73,816,545	79,310,940	80,149,830	77,581,238	83,365,507	72,907,133	59,480,486
Plan fiduciary net position as a percentage of total pension liability	67.02%	84.74%	68.26%	66.85%	67.05%	68.78%	67.07%	71.47%	76.66%
Employer's covered payroll*	\$ 299,877	820,886	978,235	1,240,364	1,715,414	1,772,265	2,396,142	3,871,105	5,079,287
City's net pension liability as a percentage of covered payroll	24397.67%	4192.96%	7545.89%	6394.17%	4672.33%	4377.52%	3479.16%	1883.37%	1171.04%

\*Amounts presented have a measurement date of the previous fiscal year-end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report and Notes to Required Supplementary Information.

**SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS (FPRS)**

<b>Fiscal Year Ended June 30,</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 6,253,165	6,184,757	7,187,730	7,658,733	7,214,521	6,449,059	6,205,544	5,794,277	5,840,300	5,658,234
Contributions in relation to the actuarially determined contribution	6,253,165	8,199,999	10,279,577	13,546,417	7,535,021	6,449,059	6,205,544	5,794,277	6,734,263	5,186,714
Contribution deficiency (excess)	-	(2,015,242)	(3,091,847)	(5,887,684)	(320,500)	-	-	-	(893,963)	471,520
Covered payroll	\$ 96,133	299,877	820,886	978,235	1,240,364	1,715,414	1,772,265	2,396,142	3,871,105	5,079,287
Contributions as a percentage of covered payroll	6504.70%	2734.45%	1252.25%	1384.78%	607.48%	375.95%	350.15%	241.82%	173.96%	102.12%

**NOTES TO SCHEDULE**

Methods and Assumptions used to determine contribution rate:

Measurement date	June 30, 2023
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.
Actuarial Cost Method	Entry Age Normal-Level Percentage of Pay
Interest rate	7.25%
Salary increases	3.00%
Social Security wage bases	3.00%
Social Security cost of living increases	2.50%
Statutory limits on compensation and benefits	2.50%
Mortality	RP-2014 Mortality Table Adjusted to 2006 with Generational Projection (Scale MP-2021)
Projected rate of return	7.25%
Plan Fiduciary net position	Fair Market Value of assets

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money weighted rate of return, net of investment expenses	10.05%	-15.76%	29.04%	4.80%	7.39%	4.64%	10.59%	1.55%	0.62%	unavailable

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (VRS)

Fiscal Year Ended June 30,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>									
Service cost	\$ 10,502,224	9,996,320	10,187,472	9,121,520	8,717,390	8,380,639	8,655,196	8,776,873	7,865,420
Interest	27,872,655	25,423,743	24,068,852	23,152,433	22,448,469	21,674,217	20,862,680	19,666,648	18,592,496
Differences between expected and actual experience	(5,494,049)	(6,451,489)	(2,510,540)	(384,172)	(5,889,195)	(5,377,366)	(4,862,954)	664,081	-
Changes of assumptions	-	15,847,603	-	10,469,482	-	476,225	-	-	-
Changes in benefit terms	-	-	5,997,538	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(19,963,379)	(18,113,062)	(17,228,670)	(15,836,768)	(14,603,292)	(13,582,645)	(12,540,446)	(11,502,410)	(10,723,367)
Net change in total pension liability	12,917,451	26,703,115	20,514,652	26,522,495	10,673,372	11,571,070	12,114,476	17,605,192	15,734,549
Total pension liability, beginning	412,407,692	385,704,577	365,189,925	338,667,430	327,994,058	316,422,988	304,308,512	286,703,320	270,968,771
Total pension liability, ending (a)	425,325,143	412,407,692	385,704,577	365,189,925	338,667,430	327,994,058	316,422,988	304,308,512	286,703,320
<b>PLAN FIDUCIARY NET POSITION</b>									
Contributions - employer	9,624,231	9,355,328	8,208,380	7,340,220	6,948,793	6,776,993	6,360,911	6,647,357	5,702,215
Contributions - employee	3,740,529	3,557,452	3,512,571	3,380,321	3,374,302	3,398,847	3,313,387	3,451,819	3,522,637
Net investment income	(436,565)	91,870,741	6,400,033	21,221,718	22,278,231	33,161,239	4,734,570	11,935,602	35,693,002
Benefit payments, including refunds of member contributions	(19,963,379)	(18,113,062)	(17,228,670)	(15,836,768)	(14,603,292)	(13,582,645)	(12,540,446)	(11,502,410)	(10,723,367)
Administrative expenses	(262,909)	(227,302)	(217,972)	(209,912)	(192,188)	(190,996)	(168,003)	(162,543)	(191,765)
Other changes	9,300	8,682	(7,590)	(13,408)	(19,865)	(29,655)	(1,996)	(2,528)	1,881
Net change in plan fiduciary net position	(7,288,793)	86,451,839	666,752	15,882,171	17,785,981	29,533,783	1,698,423	10,367,297	34,004,603
Plan fiduciary net position, beginning	423,069,797	336,617,958	335,951,206	320,069,035	302,283,054	272,749,271	271,050,848	260,683,551	226,678,948
Plan fiduciary net position, ending (b)	415,781,004	423,069,797	336,617,958	335,951,206	320,069,035	302,283,054	272,749,271	271,050,848	260,683,551
City's net pension liability (asset), ending (a) - (b)	\$ 9,544,139	(10,662,105)	49,086,619	29,238,719	18,598,395	25,711,004	43,673,717	33,257,664	26,019,769
Plan fiduciary net position as a percentage of total pension liability	97.76%	102.59%	87.27%	91.99%	94.51%	92.16%	86.20%	89.07%	90.92%
Employer's covered payroll*	\$ 80,861,080	76,482,202	73,407,806	70,023,770	68,412,766	66,034,550	66,394,228	69,067,846	67,740,656
City's net pension liability as a percentage of covered payroll	11.80%	-13.94%	66.87%	41.76%	27.19%	38.94%	65.78%	48.15%	38.41%

\*Amounts presented have a measurement date of the previous fiscal year-end.  
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (VRS)  
PORTSMOUTH CITY PUBLIC SCHOOL BOARD (NON-PROFESSIONAL)**

Fiscal Year Ended June 30,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>									
Service cost	\$ 603,768	644,553	650,516	669,679	694,189	763,448	695,895	729,606	743,215
Interest	2,807,161	2,687,000	2,677,105	2,650,616	2,671,683	2,600,444	2,552,232	2,501,150	2,434,509
Changes in benefit terms	-	-	-	-	-	-	(293,248)	-	-
Differences between expected and actual experience	(575,577)	(588,445)	(327,140)	164,308	(1,077,881)	110,155	(2,270,264)	(215,707)	-
Changes of assumptions	-	1,279,576	-	1,011,011	-	(44,324)	-	-	-
Benefit payments, including refunds of member contributions	(2,770,447)	(2,922,149)	(2,785,628)	(2,615,831)	(2,562,064)	(2,261,995)	-	(2,300,353)	(2,151,081)
Net change in total pension liability	64,905	1,100,535	214,853	1,879,783	(274,073)	1,167,728	684,615	714,696	1,026,643
Total pension liability, beginning	42,369,023	41,268,488	41,053,635	39,173,852	39,447,925	38,280,197	37,595,582	36,880,886	35,854,243
Total pension liability, ending (a)	42,433,928	42,369,023	41,268,488	41,053,635	39,173,852	39,447,925	38,280,197	37,595,582	36,880,886
<b>PLAN FIDUCIARY NET POSITION</b>									
Contributions - employer	764,944	762,490	772,742	782,510	879,860	882,435	801,790	726,275	648,377
Contributions - employee	319,984	320,410	348,626	351,917	365,276	372,038	378,872	345,765	354,802
Net investment income	(18,013)	8,411,421	613,175	2,081,974	2,269,942	3,443,683	487,721	1,307,987	4,075,199
Benefit payments, including refunds of member contributions	(2,770,447)	(2,922,149)	(2,785,628)	(2,615,831)	(2,562,064)	(2,261,995)	(2,270,264)	(2,300,353)	(2,151,081)
Administrative expenses	(24,116)	(22,131)	(21,853)	(21,661)	(20,333)	(20,455)	(18,573)	(18,893)	(22,705)
Other changes	855	782	(1,328)	(1,304)	(1,991)	(3,044)	(211)	(276)	215
Net change in plan fiduciary net position	(1,726,793)	6,550,823	(1,074,266)	577,605	930,690	2,412,662	(620,665)	60,505	2,904,807
Plan fiduciary net position, beginning	38,128,204	31,577,381	32,651,647	32,074,042	31,143,352	28,730,690	29,351,355	29,290,850	26,386,043
Plan fiduciary net position, ending (b)	36,401,411	38,128,204	31,577,381	32,651,647	32,074,042	31,143,352	28,730,690	29,351,355	29,290,850
City's net pension liability, ending (a) - (b)	\$ 6,032,517	4,240,819	9,691,107	8,401,988	7,099,810	8,304,573	9,549,507	8,244,227	7,590,036
Plan fiduciary net position as a percentage of total pension liability	85.78%	89.99%	76.52%	79.53%	81.88%	78.95%	75.05%	78.07%	79.42%
Employer's covered payroll	\$ 7,134,225	7,065,959	7,621,243	7,627,378	7,691,444	7,719,383	8,465,913	8,498,497	8,647,732
School's net pension liability as a percentage of covered payroll	84.56%	60.02%	127.16%	110.16%	92.31%	107.58%	112.80%	97.01%	87.77%

\*Amounts presented have a measurement date of the previous fiscal year-end.  
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND RELATED RATIOS (VRS)**  
**PORTSMOUTH CITY PUBLIC SCHOOL BOARD (PROFESSIONAL)**

<b>Fiscal Year Ended June 30,*</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's proportion of the net pension liability	0.93%	0.99%	0.99%	0.99%	1.00%	1.00%	1.04%	1.05%	1.08%
Employer's proportionate share of the net pension liability	\$ 88,937,624	\$ 76,676,112	\$ 142,941,716	\$ 130,340,952	\$ 117,977,000	\$ 123,472,000	\$ 146,345,000	\$ 132,145,000	\$ 130,368,000
Employer's covered payroll	<u>\$ 86,469,946</u>	<u>\$ 86,986,780</u>	<u>\$ 85,550,274</u>	<u>\$ 82,858,890</u>	<u>\$ 81,002,287</u>	<u>\$ 79,054,292</u>	<u>\$ 81,200,579</u>	<u>\$ 79,779,153</u>	<u>\$ 81,064,661</u>
Employer's proportionate share of the net pension liability as a percentage of covered payroll	102.85%	88.15%	167.09%	157.30%	145.65%	156.19%	180.23%	165.64%	160.82%
Plan fiduciary net position as a percentage of the total pension liability	<u>85.46%</u>	<u>85.46%</u>	<u>71.47%</u>	<u>73.51%</u>	<u>74.81%</u>	<u>72.92%</u>	<u>68.28%</u>	<u>70.68%</u>	<u>70.88%</u>

\*Amounts presented have a measurement date of the previous fiscal year-end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report and Notes to Required Supplementary Information.

**SCHEDULE OF EMPLOYERS' PENSION CONTRIBUTIONS (VRS)**

<b>Fiscal Year Ending June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contribution in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<i>City of Portsmouth</i>					
2023	\$ 10,463,248	\$ 10,463,248	\$ -	\$ 80,861,080	12.94%
2022	9,624,231	9,624,231	-	76,482,202	12.58%
2021	9,355,328	9,355,328	-	73,407,806	12.74%
2020	8,196,197	8,196,197	-	76,314,683	10.74%
2019	7,477,388	7,477,388	-	70,023,770	10.68%
2018	7,052,500	7,052,500	-	68,412,766	10.31%
2017	6,794,955	6,794,955	-	66,034,550	10.29%
2016	8,025,853	6,419,355	1,606,498	66,394,228	9.67%
2015	8,350,303	6,678,861	1,671,442	69,067,846	9.67%
2014	8,006,946	5,602,152	2,404,794	67,740,656	8.27%
<i>Portsmouth City Public School Board (Professional)</i>					
2023	\$ 13,535,064	\$ 13,535,064	\$ -	\$ 86,320,559	15.68%
2022	13,558,488	13,558,488	-	86,469,946	15.68%
2021	13,639,527	13,639,527	-	86,986,780	16.62%
2020	13,414,283	13,414,283	-	85,550,274	15.68%
2019	12,992,275	12,992,275	-	82,858,890	15.68%
2018	13,219,573	13,219,573	-	81,002,287	16.32%
2017	11,589,359	11,589,359	-	79,054,292	14.66%
2016	11,190,544	11,190,544	-	81,200,579	13.78%
2015	11,317,000	11,317,000	-	79,779,153	14.19%
2014	9,191,479	9,191,479	-	81,064,661	11.34%
<i>Portsmouth City Public School Board (Non-Professional)</i>					
2023	\$ 833,154	\$ 833,154	\$ -	\$ 7,750,272	10.75%
2022	766,929	766,929	-	7,134,225	10.75%
2021	759,591	759,591	-	7,065,959	11.61%
2020	819,284	819,284	-	7,621,243	10.75%
2019	819,943	819,943	-	7,627,378	10.75%
2018	899,130	899,130	-	7,691,444	11.69%
2017	902,396	902,396	-	7,719,383	11.69%
2016	813,358	813,358	-	8,465,913	9.61%
2015	731,636	731,636	-	8,498,497	8.61%
2014	649,001	649,001	-	8,647,732	7.50%

See Independent Auditor's Report and Notes to Required Supplementary Information.

## VRS-DIRECTED POLITICAL SUBDIVISION RETIREMENT PLANS

### *Changes of benefit terms*

There have been no significant changes to the System benefit provisions since the prior actuarial valuation.

### *Changes of assumptions*

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

#### General Employees – Non-Hazardous Duty:

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement rates: Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age

Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability rates: No change

Salary scale: No change

Line of Duty disability: No change

Discount rate: No change

#### Hazardous Duty Employee:

Mortality rates (pre-retirement, post-retirement healthy, and disabled): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement rates: Adjusted rates to better fit experience and changed final retirement age from 65 to 70

Withdrawal rates: Decreased rates and changed from rates based on age and service to rates based on service only

Disability rates: No change

Salary scale: No change

Line of Duty disability: No change

Discount rate: No change

CITY OF PORTSMOUTH OPEB PLAN - CITY

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>										
Service cost	\$ 418,392	407,997	464,838	641,148	545,143	1,150,539	N/A	N/A	N/A	N/A
Interest on total OPEB liability	927,797	1,238,220	1,485,071	1,504,363	1,541,001	1,098,940	N/A	N/A	N/A	N/A
Effect of plan changes	-	(2,088,995)	-	-	-	-	N/A	N/A	N/A	N/A
Effect of economic/demographic gains (losses)	-	(2,952,684)	(6,137,799)	-	-	-	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	554,371	(127,791)	1,913,854	(444,507)	860,350	(8,498,386)	N/A	N/A	N/A	N/A
Benefit payments	(1,255,357)	(1,270,171)	(1,657,395)	(1,980,500)	(1,844,970)	(1,826,247)	N/A	N/A	N/A	N/A
Net change in total pension liability	645,203	(4,793,424)	(3,931,431)	(279,496)	1,101,524	(8,075,154)	N/A	N/A	N/A	N/A
Total pension liability, beginning	14,473,213	19,266,637	23,198,068	23,477,564	22,376,040	30,451,194	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	15,118,416	14,473,213	19,266,637	23,198,068	23,477,564	22,376,040	N/A	N/A	N/A	N/A
<b>PLAN FIDUCIARY NET POSITION</b>										
Employer contributions	2,755,357	1,770,171	2,657,395	1,980,500	2,844,970	4,826,247	N/A	N/A	N/A	N/A
Net investment income	548,861	(666,853)	1,353,350	128,763	169,344	46,475	N/A	N/A	N/A	N/A
Benefit payments	(1,255,357)	(1,270,171)	(1,657,395)	(1,980,500)	(1,844,970)	(1,826,247)	N/A	N/A	N/A	N/A
Administrative expenses	(7,315)	(7,710)	(5,500)	(5,181)	(3,513)	-	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	2,041,546	(174,563)	2,347,850	123,582	1,165,831	3,046,475	N/A	N/A	N/A	N/A
Plan fiduciary net position, beginning	6,509,175	6,683,738	4,335,888	4,212,306	3,046,475	-	N/A	N/A	N/A	N/A
Plan fiduciary net position, ending (b)	8,550,721	6,509,175	6,683,738	4,335,888	4,212,306	3,046,475	N/A	N/A	N/A	N/A
City's net pension liability, ending (a) - (b)	<u>\$ 6,567,695</u>	<u>7,964,038</u>	<u>12,582,899</u>	<u>18,862,180</u>	<u>19,265,258</u>	<u>19,329,565</u>	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability	<u>56.56%</u>	<u>44.97%</u>	<u>34.69%</u>	<u>18.69%</u>	<u>17.94%</u>	<u>13.61%</u>	N/A	N/A	N/A	N/A
Employer's covered payroll	<u>\$72,624,573</u>	<u>72,624,573</u>	<u>74,950,930</u>	<u>78,135,614</u>	<u>78,135,614</u>	<u>78,135,614</u>	N/A	N/A	N/A	N/A
City's net pension liability as a percentage of covered payroll	<u>9.04%</u>	<u>10.97%</u>	<u>16.79%</u>	<u>24.14%</u>	<u>24.66%</u>	<u>24.74%</u>	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required.  
If prior years are not reported in accordance with the current GAAP standards, they should not be included.

See Independent Auditor's Report and Notes to Required Supplementary Information.

**CITY OF PORTSMOUTH OPEB PLAN - CITY (Continued)**

**NET MONEY-WEIGHTED RATE OF RETURN**

<b>Fiscal Year Ending June 30</b>	<b>Net Money-Weighted Rate of Return</b>
2023	7.71%
2022	-9.74%
2021	29.20%
2020	3.06%
2019	5.03%
2018	9.46%
2017	N/A
2016	N/A
2015	N/A
2014	N/A

**CITY OF PORTSMOUTH OPEB PLAN - CITY (Continued)**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

There were no Employer Contributions prior to the establishment of the trust in April, 2018. Prior to that date, the City's contributions were made on a pay-as-you-go basis.

<b>Fiscal Year</b>			
<b>Ending</b>	<b>Employer</b>	<b>Covered</b>	<b>Contribution</b>
<b>June 30</b>	<b>Contribution</b>	<b>Payroll</b>	<b>as a % of</b>
			<b>Covered Payroll</b>
2023	\$ 2,755,357	72,624,573	3.79%
2022	1,770,171	72,624,573	2.44%
2021	2,657,395	74,950,930	3.55%
2020	1,980,500	78,135,614	2.53%
2019	2,844,970	78,135,614	3.64%
2018	4,826,247	78,135,614	6.18%
2017	N/A	N/A	N/A
2016	N/A	N/A	N/A
2015	N/A	N/A	N/A
2014	N/A	N/A	N/A

**GROUP LIFE INSURANCE PROGRAM - VRS DIRECTED - CITY**

**Schedule of Employer's Share of Net OPEB Liability**

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net GLIP OPEB liability	0.35797%	0.36436%	0.36119%	0.36998%	0.37419%	0.37603%
Employer's proportionate share of the net GLIP OPEB liability	\$ 4,310,304	\$ 4,242,139	\$ 6,027,670	\$ 6,020,560	\$ 5,682,000	\$ 5,658,000
Employer's covered payroll	\$77,868,445	\$75,227,141	\$74,335,483	\$70,400,385	\$71,151,669	\$69,360,272
Employer's proportionate share of the net GLIP OPEB liability as a percentage of its covered payroll	5.53537%	5.63911%	8.10874%	8.55189%	7.98576%	8.15741%
Plan fiduciary net position as a percentage of the total GLIP OPEB liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

\* Amounts presented have a measurement date of the previous fiscal year end.

**Schedule of Employer Contributions**

Fiscal Year Ending June 30,	Contractually Required Contribution	Contribution in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 442,425	\$ 442,425	\$ -	\$81,930,552	0.54%
2022	420,489	420,489	-	77,868,445	0.54%
2021	406,227	406,227	-	75,227,141	0.54%
2020	386,545	386,545	-	74,335,483	0.52%
2019	366,082	366,082	-	70,400,385	0.52%
2018	367,170	367,170	-	71,151,669	0.52%
2017	360,673	360,673	-	69,360,272	0.52%
2016	338,743	338,743	-	70,571,371	0.48%
2015	357,870	357,870	-	74,556,174	0.48%
2014	358,162	358,162	-	74,616,978	0.48%

See Independent Auditor's Report and Notes to Required Supplementary Information.



LINE OF DUTY ACT - VRS DIRECTED - CITY

Schedule of City of Portsmouth Proportionate Share of Net OPEB Liability

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net LODA OPEB liability	2.99696%	2.93069%	3.16661%	3.02633%	3.55949%	3.61539%
Employer's proportionate share of the net LODA OPEB liability	\$11,342,157	\$12,924,097	\$13,262,252	\$10,858,053	\$11,159,000	\$ 9,501,000
Employer's covered payroll	\$33,440,576	\$33,148,220	\$33,702,307	\$32,241,604	\$31,515,462	N/A**
Employer's proportionate share of the net LODA OPEB liability as a percentage of its covered payroll	33.91735%	38.98881%	39.35117%	33.67715%	35.40802%	N/A
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

\* Amounts presented have a measurement date of the previous fiscal year end.

\*\* Employer's covered payroll amount is not determinable.

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 370,239	\$ 370,239	\$ -	\$33,440,576	1.11%
2022	412,757	412,757	-	29,920,335	1.38%
2021	403,487	403,487	-	33,148,220	1.22%
2020	430,343	430,343	-	33,702,307	1.30%
2019	406,171	406,171	-	32,241,604	1.30%
2018	379,145	379,145	-	31,515,462	1.20%
2017	389,925	389,925	-	N/A	-
2016	351,125	351,125	-	N/A	-
2015	346,196	346,196	-	N/A	-
2014	331,612	331,612	-	N/A	-

\*\* The contribution for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employees payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

**VIRGINIA LOCAL DISABILITY PROGRAM - VRS DIRECTED - CITY**

**Schedule of City of Portsmouth Proportionate Share of Net OPEB Liability**

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net VLDP OPEB liability	4.83996%	4.83886%	4.53564%	4.43242%	4.43899%	4.40350%
Employer's proportionate share of the net VLDP OPEB liability (asset)	\$ (28,456)	\$ (48,982)	\$ 45,277	\$ 89,793	\$ 34,000	\$ 25,000
Employer's covered payroll	\$22,674,716	\$19,438,408	\$16,901,402	\$13,695,972	\$10,778,174	\$ 8,086,092
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	-0.12550%	-0.25199%	0.26789%	0.65562%	0.31545%	0.30917%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	107.99%	119.59%	76.84%	49.19%	51.39%	38.40%

\* Amounts presented have a measurement date of the previous fiscal year end.

**Schedule of Employer Contributions**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 218,729	\$ 218,729	\$ -	\$25,732,840	0.85%
2022	188,200	188,200	-	22,674,716	0.83%
2021	161,339	161,339	-	19,438,408	0.83%
2020	121,690	121,690	-	16,901,402	0.72%
2019	98,611	98,611	-	13,695,972	0.72%
2018	64,683	64,683	-	10,778,174	0.60%
2017	48,589	48,589	-	8,086,092	0.60%
2016	32,983	32,983	-	5,497,040	0.60%
2015	16,913	16,913	-	2,818,841	0.60%
2014	2,942	2,942	-	490,387	0.60%

See Independent Auditor's Report and Notes to Required Supplementary Information.

PORTSMOUTH CITY PUBLIC SCHOOLS OPEB PLAN

Schedule of Changes in Net OPEB Liability and Related Ratios

Year Ended,*	2023	2022	2021	2020	2019	2018	2017
<b>TOTAL PENSION LIABILITY</b>							
Service cost	\$ 166,541	\$ 131,581	\$ 147,317	\$ 393,468	\$ 950,173	\$ 625,456	\$ 713,189
Interest	683,397	624,168	607,082	1,206,350	791,875	997,917	958,969
Changes in benefit terms	-	-	-	-	-	459,794	-
Differences between expected and actual experience	(132,654)	553,937	(9,247)	(5,630,299)	(433,312)	(4,735,709)	(747,036)
Changes of assumptions	(16,450)	(632,710)	12,545	(1,999,924)	(4,968,846)	3,663,387	2,171,672
Benefit payments, including lump sum liability settlement for 114 participants	(342,548)	(589,083)	(479,513)	(414,517)	(191,650)	(73,336)	(80,005)
Net change in total OPEB liability	358,286	87,893	278,184	(6,444,922)	(3,851,760)	937,509	3,016,789
Total OPEB liability, beginning	7,050,068	6,962,175	6,683,991	13,128,913	16,980,673	16,043,164	13,026,375
Total OPEB liability, ending (a)	7,408,354	7,050,068	6,962,175	6,683,991	13,128,913	16,980,673	16,043,164
<b>PLAN FIDUCIARY NET POSITION</b>							
Contributions/benefit payments made from general operating funds	282,548	443,633	479,513	414,517	-	-	-
Net investment income	1,209,718	(1,624,252)	4,107,360	405,789	924,764	532,735	743,975
Benefit payments, including refunds of employee contributions	(342,548)	(589,083)	(479,513)	(414,517)	(191,650)	(73,336)	(80,005)
Administrative expenses	(16,829)	(19,507)	(15,979)	(15,333)	(125)	-	(7,000)
Net change in plan fiduciary net position	1,132,889	(1,789,209)	4,091,381	390,456	732,989	459,399	656,970
Plan fiduciary net position, beginning	15,966,980	17,756,189	13,664,808	13,274,352	12,541,363	12,081,964	11,424,994
Plan fiduciary net position, ending (b)	17,099,869	15,966,980	17,756,189	13,664,808	13,274,352	12,541,363	12,081,964
Net OPEB (asset) liability - ending (a) - (b)	\$ (9,691,515)	\$ (8,916,912)	\$ (10,794,014)	\$ (6,980,817)	\$ (145,439)	\$ 4,439,310	\$ 3,961,200
Plan fiduciary net position as a percentage of total OPEB liability	230.82%	226.48%	255.04%	204.44%	101.11%	73.86%	75.31%
Employer's covered payroll*	\$ 111,530,111	\$ 90,734,180	\$ 95,933,446	\$ 94,052,398	\$ 98,200,691	\$ 91,796,317	\$ 96,277,315
Net OPEB (asset) liability as a percentage of covered payroll	-8.69%	-9.83%	-11.25%	-7.42%	-0.15%	4.84%	4.11%

\* The amounts presented have a measurement date of the previous fiscal year end.

Note: Schedule is intended to show information for 10 years. Since 2023 is the seventh year for this presentation, only seven years of data is available. However, additional years will be included as they become available.

PORTSMOUTH CITY PUBLIC SCHOOLS OPEB PLAN (Continued)

Actuarially Determined Employer Contribution

Year Ended,	2023	2022	2021	2020	2019	2018	2017
Service cost	\$ -	\$ -	\$ -	\$ 409,268	\$ 992,361	\$ 662,983	\$ 763,112
Amortization and unfunded liability	(282,548)	(443,633)	(479,513)	(414,517)	372,888	350,393	171,131
Recommended contribution	(282,548)	(443,633)	(479,513)	(5,249)	1,365,249	1,013,376	934,243
Contribution/benefit payments made	-	-	-	-	-	(703,482)	(80,005)
Contribution deficiency (excess)	<u>\$ (282,548)</u>	<u>\$ (443,633)</u>	<u>\$ (479,513)</u>	<u>\$ (5,249)</u>	<u>\$ 1,365,249</u>	<u>\$ 309,894</u>	<u>\$ 854,238</u>
Employer's covered payroll*	<u>\$ 111,530,111</u>	<u>\$ 90,734,180</u>	<u>\$ 95,933,446</u>	<u>\$ 94,052,398</u>	<u>\$ 98,200,691</u>	<u>\$ 91,796,317</u>	<u>\$ 96,277,315</u>
Contribution as a percentage of covered payroll	<u>-0.25%</u>	<u>-0.49%</u>	<u>-0.50%</u>	<u>-0.01%</u>	<u>1.39%</u>	<u>0.34%</u>	<u>0.89%</u>

Note: Schedule is intended to show information for 10 years. Since 2023 is the seventh year for this presentation, only seven years of data is available. However, additional years will be included as they become available

Notes to Schedule

Methods and assumptions used to determine contribution rate:

Measurement date: June 30, 2023

Timing: Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Actuarial Cost Method: Projected unit credit (level dollar)

Amortization method: Level percent, open

Remaining amortization period: 20 years

Discount rate: 9.70% for 2023 contribution; 9.74% for June 30, 2023, liability and 2024 contribution

Payroll growth: 5.0%

Return on plan assets: 9.74%

Mortality rate:

Teachers: Public Teacher 2010 Employee and Healthy Retiree, headcount weighted, 2021 improvement

All others and spouses: Public General 2010 Employee and Healthy Retiree, headcount weighted, 2021 improvement

Asset valuation method: Market value

See Independent Auditor's Report and Notes to Required Supplementary Information.

GROUP LIFE INSURANCE PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS

Schedule of Proportionate Share of Net OPEB Liability

Fiscal Year Ending June 30, *	Employer's Proportion of Net GLI OPEB Liability	Employer's Proportionate Share of Net GLI OPEB Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of Net GLI OPEB Liability as a Percentage of it's Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability
<b>PROFESSIONAL</b>					
2023	0.42%	\$ 4,813,616	\$ 86,960,852	5.54%	67.21%
2022	0.42%	4,929,908	87,414,751	5.64%	67.45%
2021	0.42%	6,969,394	85,948,427	8.11%	52.64%
2020	0.42%	6,937,361	83,572,402	8.30%	52.00%
2019	0.43%	6,507,000	81,466,826	7.99%	51.22%
2018	0.43%	6,485,000	79,488,375	8.16%	48.86%
<b>NON-PROFESSIONAL</b>					
2023	0.03%	\$ 404,576	\$ 7,308,311	5.54%	67.21%
2022	0.04%	419,317	7,431,691	5.64%	67.45%
2021	0.04%	625,146	7,710,431	8.11%	52.64%
2020	0.04%	639,353	7,701,528	8.30%	52.00%
2019	0.04%	621,000	7,777,114	7.98%	51.22%
2018	0.04%	638,000	7,821,559	8.16%	48.86%

\* The amounts presented have a measurement date of the previous fiscal year end.

Note: Schedule is intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

GROUP LIFE INSURANCE PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS (Continued)

Schedule of Employer Contributions

Fiscal Year Ending June 30, *	(a) Contractually Required Contribution	(b) Contribution in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contribution as a Percentage Covered Employee Payroll (b) / (d)
<b>PROFESSIONAL</b>					
2023	\$ 468,624	\$ 468,624	\$ -	\$ 86,782,314	0.54%
2022	469,589	469,589	-	86,960,852	0.54%
2021	472,040	472,040	-	87,414,751	0.54%
2020	446,932	446,932	-	85,948,427	0.52%
2019	434,576	434,576	-	83,572,402	0.52%
2018	423,628	423,628	-	81,466,826	0.52%
2017	413,340	413,340	-	79,488,375	0.52%
2016	384,497	384,497	-	80,103,513	0.48%
2015	377,187	377,187	-	78,580,681	0.48%
2014	380,015	380,015	-	79,169,887	0.48%
<b>NON-PROFESSIONAL</b>					
2023	\$ 42,401	\$ 42,401	\$ -	\$ 7,852,000	0.54%
2022	39,465	39,465	-	7,308,311	0.54%
2021	40,131	40,131	-	7,431,691	0.54%
2020	40,094	40,094	-	7,710,431	0.52%
2019	40,048	40,048	-	7,701,528	0.52%
2018	40,441	40,441	-	7,777,114	0.52%
2017	40,672	40,672	-	7,821,559	0.52%
2016	37,875	37,875	-	7,890,684	0.48%
2015	34,309	34,309	-	7,147,756	0.48%
2014	34,829	34,829	-	7,256,059	0.48%

See Independent Auditor's Report and Notes to Required Supplementary Information.

HEALTH INSURANCE CREDIT PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS

Schedule of Proportionate Share of Net OPEB Liability

PROFESSIONAL

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net HIC OPEB liability	0.93%	0.98%	0.98%	0.99%	1.00%	1.00%
Employer's proportionate share of the net HIC OPEB liability	\$11,591,277	\$12,626,727	\$12,731,690	\$12,939,248	\$12,721,000	\$12,719,000
Employer's covered payroll	\$86,492,159	\$87,000,018	\$85,561,365	\$82,904,682	\$81,030,323	\$79,120,346
Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	13.40%	14.51%	14.88%	15.61%	15.70%	16.08%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	15.08%	13.15%	9.95%	8.97%	8.08%	7.04%

\* Amounts presented have a measurement date of the previous fiscal year end.

Note: Schedule is intended to show information for 10 years. 2018 is the first year for this presentation. Additional years will be included as they become available.

HEALTH INSURANCE CREDIT PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS

Schedule of Changes in Net HIC OPEB Liability and Related Ratios

NON-PROFESSIONAL

Year Ended,*	2023	2022	2021
<b>TOTAL OPEB LIABILITY</b>			
Service cost	\$ 10,735	\$ 12,245	\$ -
Interest	66,746	60,586	-
Changes in benefit terms	-	-	897,571
Differences between expected and actual experience	-	-	-
Changes of assumptions	48,868	20,995	-
Net investment income	(55,220)	-	-
Benefit payments	(26,616)	-	-
Net change in total HIC OPEB liability	44,513	93,826	897,571
Total HIC OPEB liability, beginning	991,397	897,571	-
Total HIC OPEB liability, ending (a)	1,035,910	991,397	897,571
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions	64,216	63,628	-
Net investment income	(1,000)	8,483	-
Benefit payments, including refunds of employee contributions	(26,616)	-	-
Administrative expenses	(209)	(282)	-
Other	180	-	-
Net change in plan fiduciary net position	36,571	71,829	-
Plan fiduciary net position, beginning	71,829	-	-
Plan fiduciary net position, ending (b)	108,400	71,829	-
Net HIC OPEB liability - ending (a) - (b)	\$ 927,510	\$ 919,568	\$ 897,571
Plan fiduciary net position as a percentage of total HIC OPEB liability	10.46%	7.25%	0.00%
Employer's covered payroll*	\$ 7,137,001	\$ 7,069,603	\$ 7,547,503
Net HIC OPEB liability as a percentage of covered payroll	13.00%	13.01%	11.89%

\* The amounts presented have a measurement date of the previous fiscal year end.

Note: Schedule is intended to show information for 10 years. FYE 2021 is the first year of plan participation. Additional years will be included as they become available.



HEALTH INSURANCE CREDIT PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS (Continued)

Schedule of Employer Contributions

Fiscal Year Ending June 30, *	(a) Contractually Required Contribution	(b) Contribution in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contribution as a Percentage Covered Employee Payroll (b) / (d)
<b>PROFESSIONAL</b>					
2023	\$ 1,045,125	\$ 1,045,125	\$ -	\$ 86,373,937	1.21%
2022	1,046,555	1,046,555	-	86,492,159	1.21%
2021	1,052,700	1,052,700	-	87,000,018	1.21%
2020	1,026,736	1,026,736	-	85,561,365	1.20%
2019	994,856	994,856	-	82,904,682	1.20%
2018	996,673	996,673	-	81,030,323	1.23%
2017	878,236	878,236	-	79,120,346	1.11%
2016	843,986	843,986	-	79,621,342	1.06%
2015	827,427	827,427	-	78,059,128	1.06%
2014	875,707	875,707	-	78,892,500	1.11%
<b>NON-PROFESSIONAL</b>					
2023	\$ 86,027	\$ 86,027	\$ -	\$ 7,750,204	1.11%
2022	64,233	64,233	-	7,137,001	0.90%
2021	63,626	63,626	-	7,069,603	0.90%

**VIRGINIA LOCAL DISABILITY PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS**

**Schedule of Proportionate Share of Net OPEB Liability**

**PROFESSIONAL**

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net VLDP OPEB liability	3.81%	4.37%	4.43%	4.61%	4.61%	4.43%
Employer's proportionate share of the net VLDP OPEB liability	\$ (4,286)	\$ (30,790)	\$ 35,514	\$ 26,811	\$ 35,000	\$ 27,000
Employer's covered payroll	\$30,678,752	\$29,430,476	\$26,183,088	\$22,116,307	\$17,204,128	\$12,496,408
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	-0.01%	-0.10%	0.14%	0.12%	0.20%	0.22%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	101.57%	114.46%	78.28%	74.12%	46.18%	31.96%

**NON-PROFESSIONAL**

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net VLDP OPEB liability	0.83%	0.79%	0.87%	0.93%	0.90%	0.85%
Employer's proportionate share of the net VLDP OPEB liability	\$ (4,618)	\$ (8,334)	\$ 8,689	\$ 18,906	\$ 7,000	\$ 5,000
Employer's covered payroll	\$ 3,680,031	\$ 3,307,193	\$ 3,243,582	\$ 2,884,002	\$ 2,187,809	\$ 1,551,694
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	-0.13%	-0.25%	0.27%	0.66%	0.32%	0.32%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	119.59%	119.59%	76.84%	49.19%	51.39%	38.40%

\* Amounts presented have a measurement date of the previous fiscal year end.

Note: Schedule is intended to show information for 10 years. 2018 is the first year for this presentation. Additional years will be included as they become available.

**VIRGINIA LOCAL DISABILITY PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS (Continued)**

**Schedule of Employer Contributions**

<b>Fiscal Year Ending June 30,</b>	<b>(a) Contractually Required Contribution</b>	<b>(b) Contribution in Relation to Contractually Required Contribution</b>	<b>(c) Contribution Deficiency (Excess) (a) - (b)</b>	<b>(d) Employer's Covered Employee Payroll</b>	<b>(e) Contribution as a Percentage Covered Employee Payroll (b) / (d)</b>
<b>PROFESSIONAL</b>					
2023	\$ 158,472	\$ 158,472	\$ -	\$ 33,717,389	0.47%
2022	144,190	144,190	-	30,678,752	0.47%
2021	138,323	138,323	-	29,430,476	0.47%
2020	107,351	107,351	-	26,183,088	0.41%
2019	90,677	90,677	-	22,116,307	0.41%
2018	53,333	53,333	-	17,204,128	0.31%
2017	38,612	38,612	-	12,496,408	0.31%
2016	22,903	22,903	-	7,897,682	0.29%
2015	10,909	10,909	-	3,761,886	0.29%
2014	224	224	-	77,123	0.29%
<b>NON-PROFESSIONAL</b>					
2023	\$ 37,273	\$ 37,273	\$ -	\$ 4,385,037	0.85%
2022	30,530	30,530	-	3,680,031	0.83%
2021	27,450	27,450	-	3,307,193	0.83%
2020	23,354	23,354	-	3,243,582	0.72%
2019	17,881	17,881	-	2,884,002	0.62%
2018	13,127	13,127	-	2,187,809	0.60%
2017	9,310	9,310	-	1,551,694	0.60%
2016	6,913	6,913	-	1,152,140	0.60%
2015	3,145	3,145	-	524,219	0.60%
2014	373	373	-	62,085	0.60%

See Independent Auditor's Report and Notes to Required Supplementary Information.

**VRS-DIRECTED OPEB PLANS**

***Changes of benefit terms***

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

***Changes of assumptions***

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State Employees, Largest 10 Locality Employers – General Employees, Non-Largest 10 Locality Employers – General Employees, and Teachers:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**(2) VRS-DIRECTED OPEB PLANS (Continued)**

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Largest Ten Locality Employers - Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70 for all
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**(2) VRS-DIRECTED OPEB PLANS (Continued)**

Non-Largest Ten Locality Employers - Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70 for all
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

## **APPENDIX B**

### **FORM OF BOND COUNSEL OPINION**

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*Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the Bonds. It is preliminary and subject to change prior to the delivery of the Bonds.*

*[Letterhead of McGuireWoods LLP]*

September 12, 2024

City Council of the City of Portsmouth, Virginia  
Portsmouth, Virginia

**\$41,100,000**  
**City of Portsmouth, Virginia**  
**General Obligation Capital Improvement Bonds,**  
**Series 2024**

Ladies and Gentlemen:

We have acted as bond counsel to the City of Portsmouth, Virginia (the "City"), in connection with the issuance and sale of the City's \$41,100,000 General Obligation Capital Improvement Bonds, Series 2024 (the "Bonds"), dated the date of their delivery.

In connection with this opinion letter, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Tax Code") and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render this opinion letter.

As to questions of fact material to our opinions, we have relied upon and are assuming the accuracy of certifications and representations of the City, City officers and other public officials and certain other third parties contained in certificates and other documents delivered at closing, including, without limitation, certifications as to the use of proceeds of the Bonds, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.

2. The City Council of the City has the power, and is authorized and required by law, to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax on individuals (a "Specific Tax Preference Item"). Interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In delivering this opinion letter, we are assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Tax Code. The Tax Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax certificate and related documents for the Bonds (the "Tax Certificates") delivered at closing by the City contain covenants (the "Covenants") under which the City has agreed to comply with such requirements. A failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificates. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Tax Code of any such

subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The opinions are subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences, fraudulent transfers and equitable subordination), reorganization, moratorium and other similar laws affecting creditors' rights generally. The opinions are subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing.

Our services as bond counsel to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the City dated August 21, 2024 and the Official Statement of the City dated August 28, 2024. This opinion letter is given as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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**APPENDIX C**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT dated September 12, 2024 (this "Disclosure Agreement"), is executed and delivered by the City of Portsmouth, Virginia (the "Issuer"), in connection with the issuance by the Issuer of its \$41,100,000 General Obligation Capital Improvement Bonds, Series 2024 (the "Bonds"). The Issuer hereby covenants and agrees as follows:

**Section 1. Purpose.** This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the holders of the Bonds in order to assist the purchasers of the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission") by providing certain annual financial information and event notices required by the Rule.

**Section 2. Annual Disclosure.** (a) The Issuer shall annually provide financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles in effect from time to time; and

(ii) operating data with respect to the prior fiscal year of the Issuer of the type described in the tables of the Issuer's Official Statement dated August 28, 2024 entitled:

(A) "Computation of Legal Debt Margin as of June 30, 2023;"

(B) "Statement of Outstanding Debt;"

(C) "Operating Budgets and Actual Results;"

(D) "Property Tax Rates;"

(E) "Assessed Value of Taxable Property" (but only with respect to real property values);

(F) "Real Estate and Personal Property Tax Levies and Collections to Date;" and

(G) "Principal Taxpayers as of June 30, 2023."

If the financial statements filed pursuant to Section 2(a)(i) are not audited, the Issuer shall file such statements as audited when available.

(b) The Issuer shall provide annually the financial information and operating data described in subsection (a) above (collectively, the "Annual Disclosure") on or before March 31 after the end of the fiscal year, commencing with the information for the Issuer's fiscal year ended June 30, 2024, to the Municipal Securities Rulemaking Board ("MSRB").

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from MSRB.

(d) The Issuer shall provide in a timely manner to the MSRB notice specifying any failure of the Issuer to provide the Annual Disclosure by the date specified.

**Section 3. Event Disclosure.** The Issuer shall provide to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancement reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 - TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of Bondholders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;



- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material. "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of a payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

**Section 4. MSRB.** As of the date of this Disclosure Agreement, the following is the address of the MSRB:

Municipal Securities Rulemaking Board  
1900 Duke Street, Suite 600  
Alexandria, Virginia 22314  
Phone: (703) 797-6600  
Fax: (703) 797-6704  
<http://www.msrb.org/msrb1/> (for information regarding the MSRB)  
<http://www.emma.msrb.org/> (for the MSRB's Electronic Municipal Market Access system)

As of the date of this Disclosure Agreement, the MSRB has designated its Electronic Municipal Market Access ("EMMA") system as the system to be used for continuing disclosures to investors, and the Issuer is required to file its continuing disclosure information using the EMMA system. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB. All documents provided to the MSRB shall be in an electronic format as prescribed by the MSRB.

**Section 5. Termination.** The obligations of the Issuer with respect to any Bond will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of such Bond.

**Section 6. Amendment.** The Issuer may modify its obligations hereunder without the consent of Bondholders, provided that this Disclosure Agreement as so modified complies with the Rule as it exists at the time of modification. The Issuer shall within a reasonable time thereafter send to the MSRB a description of such modification(s).

**Section 7. Defaults.** (a) If the Issuer fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Agreement, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the Issuer, proceed to protect and enforce its rights and the rights of the holder by an action for specific performance of the Issuer's covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Issuer to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Agreement (i) shall not be deemed to constitute an event of default under the Bonds or the resolution providing for the issuance of the Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 8(a) above.

**Section 8. Additional Disclosure.** The Issuer may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Issuer shall not incur any obligation to continue to provide, or to update, such additional information or data.

**Section 9. Governing Law.** This Disclosure Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the Issuer has caused this Continuing Disclosure Agreement to be signed as of the day and year above first written.

**CITY OF PORTSMOUTH, VIRGINIA**

By: \_\_\_\_\_  
Name: Steven Carter  
Title: City Manager

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## **APPENDIX D**

### **BOOK-ENTRY-ONLY SYSTEM**

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The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2024 Bonds. The 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the 2024 Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the records of Direct Participants and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2024 Bonds may wish

to ascertain that the nominee holding the 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar/Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2024 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the 2024 Bonds interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the City as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2024 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal of, premium, if any, and interest payments on the 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2024 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2024 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the 2024 Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof to DTC.

**The City has no responsibility or obligation to the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant; (ii) the payment by DTC, any Direct Participant or any Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the 2024 Bonds; (iii) the delivery or timeliness of delivery by any Direct Participant or any Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the 2024 Bonds, to be given to owners of the 2024 Bonds; (iv) the selection of the Beneficial Owners to receive payments in the event of any partial redemption of the 2024 Bonds; or (v) any consent given or any other action taken by DTC, or its nominee, Cede & Co., as owner of the 2024 Bonds.**

**So long as Cede & Co. is the registered owner of the 2024 Bonds, as nominee of DTC, references in the Official Statement to the Owners of the 2024 Bonds shall mean Cede & Co. and shall not mean the**



**Beneficial Owners and Cede & Co. will be treated as the only Bondholder of 2024 Bonds for all purposes under the 2024 Bonds.**

**The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the 2024 Bonds without the consent of Beneficial Owners or Bondholders.**

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