

VIRGINIA BEACH VISION

Statement of Position **Virginia Beach City/School Budget FY 2012-13** **As adopted on April 17, 2012**

Virginia Beach Vision, representing 120 business and community leaders, has carefully followed the fiscal policies and budget development of the City of Virginia Beach and the Virginia Beach School Board over the past several years and concludes that a rate adjustment to the real estate tax is now necessary to sustain critical city and school services. Further, to provide greater predictability, we support the reinstatement of a city/school revenue sharing formula that provides a dedicated stream of funding for our educational system.

Repeated reductions in state financial support for transportation, education, human services and public safety have placed an ever greater burden on local government budgets to sustain essential services. Simultaneously, property values have fallen for three straight years while the state has required localities to pay a bigger share of employees' pension and retirement costs. Other costs such as health insurance premiums and fuel costs for city and school fleets continue to escalate. These major cost drivers are caused by factors largely outside the control of city government.

During this same period Virginia Beach City Council and the Virginia Beach School Board have cut personnel and services, deferred maintenance and dipped into their reserve funds, depleting the city reserve to near the minimum level necessary to protect its triple-A bond rating. Over the past four years, city employees have received a 2.5% pay increase and school personnel received a 0.5% pay increase with a 2.5% one-time bonus last year. Employee health costs will increase as will their required contribution to their retirement program. In short, deferring costs, further reducing services and using one-time funding sources are no longer sufficient to meet service needs.

The reduction in the real property assessments will result in a \$19 million revenue reduction during the next fiscal year. School funding support through the state's composite index formula will result in a \$30 million loss to Virginia Beach schools. These are immediate costs that can no longer be absorbed without jeopardizing critical services, our first class educational system and the maintenance of our public infrastructure.

We caution that neither the school budget or the city budget as proposed have addressed mounting facility maintenance and school replacement needs which continue to be deferred. They do not address the costs that will come due to help replace aging sanitary sewer and storm water pipes and they do not address the devolution of our transportation system costs for maintenance and construction from the state to local governments. These are significant and mounting costs that cannot be ignored indefinitely.

Virginia Beach Vision continues to believe that the Virginia General Assembly must recommit to its financial partnership with local governments to meet these needs. When associated costs are pushed down to the local level, local governments must be provided with new or expanded funding stream options so that pressures on the primary source of local funding, the real estate tax, is not the sole source of redress.