



April 11, 2024

The Honorable Robert M. "Bobby" Dyer
The Honorable City Council
City of Virginia Beach

Dear Mayor Dyer and Members of City Council:

On behalf of the Virginia Beach Vision Board of Directors and its 130-member business and community leaders we express our sincere appreciation for your community service and the difficult task to craft a City Budget for next year that balances programs and projects in a sustainable manner. We offer thoughts and recommendations on several budget elements that include: 1) Reducing the Real Estate Tax Rate; 2) Policy to Regularly Review Dedications; 3) Examine Rudee Loop Park Delivery Approach; and 4) Examine New Sources of Revenue.

Reducing the Real Estate Tax Rate: We ask you to retain the current 99 cent real estate tax rate in the 2024/2025 budget. While we recognize the desire of many in the community for a lowered rate, given several considerations, we do not believe that to be a wise or strategic choice. Recent inflation factors have significantly increased the cost to support existing core services and to finance essential needs including the 21-flood protection projects, planned road improvements, and facilities' maintenance. The proposed budget's growth of 2.77% is well under the realized rate of inflation and will result in continued delay or deferral of programmed CIP projects by relying on cost shifting as now being done to advance the Elbow Road project with funds previously dedicated to the Independence Road and Nimmo Parkway projects.

The city will be facing budgetary demands that will require expanded revenues, led by the cost associated with flood protection. Estimates for the Phase I projects have grown from the projected cost of \$567 million to \$991 million, representing the equivalent of an additional 5.4 cents on the Real Estate Tax. Those costs do not include estimates for the Phase II projects to address sea level rise.

Facility maintenance, roadway improvements, public safety needs will have to be further delayed or deferred, with both financial and community impacts. New projects desired by the voters such as the VB Trail and Rudee Loop will be at risk. The need to support the arts through a dedicated funding source with expanded annual funding and financial tools needed to advance workforce, affordable housing will be unrealized. The impact on our public schools and the need for modernized or new school facilities will be further delayed, compromising our coveted reputation as the best school system in Hampton Roads and beyond.

Previously the City Council reduced the tax rate by 4.75-cent and absorbed the 4.1-cent increase approved by the voters to finance the flood protection bonds. These measures have reduced current tax revenues by \$69.7 million with Virginia Beach's tax rate the lowest among our sister cities. If the City Council further reduces the existing tax rate, it seems certain the rate will have to be restored or increased by future councils to fund essential needs, a politically difficult task.

Policy to Regularly Review Dedications: We support the City Council's direction to staff to conduct a comprehensive review of the potential recurring use of tax funds from previously long-established dedicated sources for specific purposes. This analysis should include answers to questions such as: 1) Have the original goals that motivated the imposition of the tax to begin with been met? 2) Have conditions fundamentally changed over the years such that specific taxes are no longer necessary at the current rate? 3) Will the ongoing diversion of funds from these dedications be viewed as breaking trust with the community? Virginia Beach Vision recommends that the City Council consider a policy that requires a periodic review of all dedicated funds for ongoing validity of purpose and funding levels.

Examine Rudee Loop Park Delivery Approach: The proposed Rudee Loop Park delivery method should be further examined as design progresses. The goals of this examination should include approaches to reduce taxpayer costs and increase revenues from the development without materially reducing overall quality of the amenities. Examples could include concepts such as the leasing of space for a restaurant on top of a parking deck.

Explore New Sources of Revenue: New sources of long-term revenues should be examined. Virginia Beach Vision has previously endorsed Offshore Wind as a source of substantial revenue, needed energy and quality jobs. An independent analysis of the proposed Kitty Hawk OSW project has estimated a benefit to the City of Virginia Beach of \$275 million over the next 40 years. Such projects offer a sustainable source of city revenues, a clean, renewable energy source to our power grid, and a significant presence in the growing Offshore Wind industry.

We thank you for your consideration and your continued service to the citizens of Virginia Beach.

Respectfully,

Scott D. Miller, Ph.D.
President

Martha S. McClees
Executive Director

Cc: Patrick Duhaney, City Manager
Kevin Chatellier, Director, City Budget