



City of Virginia Beach

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March 23, 2018

The Honorable William D. Sessoms, Jr., Mayor
and Members of City Council

SUBJECT: Virginia Beach Agricultural Reserve Program (ARP)

Dear Mayor and Councilmembers;

The purpose of the ARP is to purchase development rights so as to preserve and protect the agricultural industry and rich rural heritage of southern Virginia Beach. The ARP is a voluntary program that provides landowners an opportunity to capitalize on the development potential of their farm land without having to sell it. Much has changed since May 9, 1995 when the City of Virginia Beach enacted the Agricultural Lands Preservation Ordinance and the Virginia Beach Agricultural Reserve Program (ARP). 9,722.24 acres have been enrolled in the ARP acquiring 858 development rights at a cost of \$46,102,662. Unfortunately, something else has changed as well – Sea Level Rise and Recurrent Flooding. The ability of developers to acquire agricultural land for constructing residential and commercial projects is no longer feasible. With the advent of sea-level rise and VIMS's recent report on the anticipated impacts by 2050, the intent and purpose of the ARP is no longer valid.

As part of our FY19 budget preparation we have come to realize it is critically important for the future economic vitality of our city that we increase our investment in designing and constructing engineering solutions which will counter the impacts of SLR and recurrent flooding. Couple this with the heightened attention that Wall Street rating agencies are now putting on the financial commitment of cities and towns, we must prioritize where we are dedicating public funds to our most important needs. During our preparation for the upcoming budget we looked at the myriad of dedications which the Council has created over the years and because the threat to replacing agricultural land with residential development no longer exists, it is logical to consider redirecting those funds to our new number one threat.

I realize this is a dramatic and controversial change to a long standing program. With the ever increasing elevation projections that SLR is expected to deliver to Virginia Beach, we must take extraordinary actions to dedicate necessary resources to combat this enemy. In this year's budget I am recommending we terminate the Agricultural Reserve Program and rededicate those funds to provide almost \$75M over the next 15 years to flood control and storm water projects throughout the city. We will reserve sufficient funding of the current ARP dedication to fund the acquisitions approved to date and the costs for administration are to be moved to the General Fund.

I am providing three exhibits. The first is a summary of the ARP under two scenarios:

Scenario 1- reflects the current program at 300 acres acquired per year at the dedicated real estate rate of .90¢.

Scenario 2 reflects my recommendation to cease acquisition of additional acreage but preserves the currently required debt service at a real estate rate of .15¢. 70¢ will move to the storm water program and .05¢ will return to the General Fund to cover administration costs.

The second exhibit reflects the storm water capital improvement plan:

Scenario 1- reflects the previous FY17 – FY22 program solely dependent upon the storm water ERU rate for funding.

Scenario 2 - reflects the current storm water CIP FY18 – FY23 for which you dedicated 1¢ of the real estate tax to the program in addition an ERU rate increase of 2.5¢ per year for 5 years. This more than doubled our CIP for storm water.

Scenario 3 - reflects the addition of rededicating .70¢ from the ARP to storm water commencing in FY19. This will add more than \$4M per year over a 15 year period totaling almost \$75M of additional pay-go funding for the storm water program.

The final exhibit is a map of the Southern watershed reflecting the Dewberry planning projection of a 1.5 foot rise in sea level expected over the next 50 years in a 100 year storm event. Two years ago we thought this was a reasonable estimate as it was promulgated by VIMS in their original study. Unfortunately, their latest update, recently released, now indicates that SLR will occur quicker and be higher than their original projection.

The purpose of the annual budget process is to balance our projected revenues with our resourcing needs. Emerging issues are prioritized with our existing programs and tough decisions must be made. Terminating the ARP and rededicating it to combatting SLR and recurring flooding is one of the most difficult recommendations I have had to make in my dozen years here with the City. **This recommended action will not reduce our Department of Agriculture's full support of the agriculture industry and our farming community.**

Respectfully,



David L. Hansen
City Manager

Attachments (3)

Summary of Agriculture Reserve Program Under Two Scenarios
For FY 2018-19 Through FY 2029-30

	Projected FY 2018-19	Projected FY 2019-20	Projected FY 2020-21	Projected FY 2021-22	Projected FY 2022-23	Projected FY 2023-24	Projected FY 2024-25	Projected FY 2025-26	Projected FY 2026-27	Projected FY 2027-28	Projected FY 2028-29	Projected FY 2029-30
Scenario 1: 300 Acres Per Year, Tax Rate at 0.90 Cent												
<u>Revenue</u>												
Real Estate Tax	\$5,027,859	\$5,168,145	\$5,312,349	\$5,460,581	\$5,612,953	\$5,753,276	\$5,897,108	\$6,044,536	\$6,195,649	\$6,350,541	\$6,509,304	\$6,672,037
Interest Income	31,917	34,891	36,459	37,897	39,242	41,541	44,120	46,584	49,319	52,256	55,335	58,372
Total Revenue	\$5,059,776	\$5,203,036	\$5,348,808	\$5,498,478	\$5,652,195	\$5,794,817	\$5,941,228	\$6,091,120	\$6,244,968	\$6,402,797	\$6,564,639	\$6,730,409
<u>Expenditures</u>												
Debt Service - Existing Debt	\$2,436,280	\$2,480,930	\$2,480,930	\$2,462,868	\$2,021,845	\$1,830,363	\$1,792,437	\$1,593,885	\$1,417,477	\$1,259,241	\$1,168,185	\$1,138,241
Debt Service - New Debt	\$1,663,476	\$1,844,822	\$2,033,487	\$2,229,700	\$2,433,758	\$2,645,980	\$2,866,693	\$3,096,231	\$3,334,953	\$3,583,223	\$3,841,424	\$4,109,951
Debt Service - Bank Charges	\$4,206	\$4,388	\$4,576	\$4,754	\$4,517	\$4,538	\$4,721	\$4,752	\$4,814	\$4,904	\$5,071	\$5,310
Staff and Operating Support	217,458	245,850	254,455	263,360	272,579	282,119	291,991	302,212	312,789	323,737	335,068	346,795
Total Expenditures	\$4,321,420	\$4,575,990	\$4,773,448	\$4,960,682	\$4,732,699	\$4,763,000	\$4,955,842	\$4,997,080	\$5,070,033	\$5,171,105	\$5,349,748	\$5,600,297
<u>Fund Balance</u>												
Total Revenue Less Expenditures	\$738,356	\$627,046	\$575,360	\$537,796	\$919,496	\$1,031,817	\$985,386	\$1,094,040	\$1,174,935	\$1,231,692	\$1,214,891	\$1,130,112
Projected Fund Balance	13,218,180	13,956,536	14,583,582	15,158,942	15,696,738	16,616,234	17,648,051	18,633,437	19,727,477	20,902,412	22,134,104	23,348,995
Cumulative Fund Balance	\$13,956,536	\$14,583,582	\$15,158,942	\$15,696,738	\$16,616,234	\$17,648,051	\$18,633,437	\$19,727,477	\$20,902,412	\$22,134,104	\$23,348,995	\$24,479,107
<u>Number of Acres</u>												
Existing Acres in ARP	10,022	10,322	10,622	10,922	11,222	11,522	11,822	12,122	12,422	12,722	13,022	13,322
Additional Acres	300	300	300	300	300	300	300	300	300	300	300	300
Projected Cumulative Acres in ARP	10,322	10,622	10,922	11,222	11,522	11,822	12,122	12,422	12,722	13,022	13,322	13,622
Scenario 2: No Additional Acres, Tax Rate at 0.15 Cent												
<u>Revenue</u>												
Real Estate Tax	\$837,977	\$861,357	\$885,392	\$910,097	\$935,492	\$958,879	\$982,851	\$1,007,423	\$1,032,608	\$1,058,423	\$1,084,884	\$1,112,006
Interest Income	31,917	29,123	25,141	21,209	17,374	14,696	12,550	10,553	9,109	8,166	7,681	7,489
Total Revenue	\$869,894	\$890,481	\$910,533	\$931,306	\$952,866	\$973,576	\$995,401	\$1,017,975	\$1,041,717	\$1,066,589	\$1,092,565	\$1,119,495
<u>Expenditures</u>												
Debt Service - Existing Debt	\$2,436,280	\$2,480,930	\$2,480,930	\$2,462,868	\$2,021,845	\$1,830,363	\$1,792,437	\$1,593,885	\$1,417,477	\$1,259,241	\$1,168,185	\$1,138,241
Debt Service - New Debt	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service - Bank Charges	2,436	2,481	2,481	2,463	2,022	1,830	1,792	1,594	1,417	1,259	1,168	1,138
Staff and Operating Support (transferred to General Fund)	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	\$2,438,716	\$2,483,411	\$2,483,411	\$2,465,331	\$2,023,867	\$1,832,193	\$1,794,230	\$1,595,479	\$1,418,894	\$1,260,501	\$1,169,353	\$1,139,379
<u>Fund Balance</u>												
Total Revenue Less Expenditures	(\$1,568,822)	(\$1,592,930)	(\$1,572,878)	(\$1,534,025)	(\$1,071,001)	(\$858,618)	(\$798,829)	(\$577,504)	(\$377,177)	(\$193,911)	(\$76,787)	(\$19,884)
Projected Fund Balance	13,218,180	11,649,358	10,056,428	8,483,550	6,949,524	5,878,524	5,019,906	4,221,078	3,643,574	3,266,397	3,072,486	2,995,698
Cumulative Fund Balance	\$11,649,358	\$10,056,428	\$8,483,550	\$6,949,524	\$5,878,524	\$5,019,906	\$4,221,078	\$3,643,574	\$3,266,397	\$3,072,486	\$2,995,698	\$2,975,815
<u>Number of Acres</u>												
Existing Acres in ARP	10,022	10,022	10,022	10,022	10,022	10,022	10,022	10,022	10,022	10,022	10,022	10,022
Additional Acres in ARP	0	0	0	0	0	0	0	0	0	0	0	0
Projected Cumulative Acres in ARP	10,022	10,022	10,022	10,022	10,022	10,022	10,022	10,022	10,022	10,022	10,022	10,022

Note: The 10,022 acres consists of 9,722 acres as of June 30, 2017 plus 300 acres budgeted in FY 2017-18.

Storm Water Capital Improvement Plan

Scenario 1: FY 2017 through FY 2022

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Storm Water ERU Rate (Cents per Day)	43.3	43.3	43.3	43.3	43.3	43.3
Storm Water Utility Bonds*	16,279,414	15,179,414	14,179,414	14,179,414	14,179,414	14,179,414
Storm Water Pay-Go	7,500,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total	23,779,414	23,179,414	22,179,414	22,179,414	22,179,414	22,179,414

Scenario 2: FY 2018 Through FY 2023

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Storm Water ERU Rate (Cents per Day)	43.3	45.8	48.3	50.8	53.3	55.8	55.8
Storm Water Utility Bonds*	16,279,414	30,143,013	30,243,013	30,843,013	33,243,013	30,843,013	31,843,013
Storm Water Pay-Go	7,500,000	7,500,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Storm Water GF to SW Pay-Go		5,420,501	5,420,501	5,420,501	5,420,501	5,420,501	5,420,501
Total	23,779,414	43,063,514	43,663,514	44,263,514	46,663,514	44,263,514	45,263,514

Scenario 3: FY 2019 Through FY 2024

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Storm Water ERU Rate (Cents per Day)	43.3	45.8	48.3	50.8	53.3	55.8	55.8	55.8
Storm Water Utility Bonds*	16,279,414	30,143,013	30,077,004	30,521,131	32,760,904	30,196,202	31,026,900	30,152,874
Storm Water Pay-Go	7,500,000	7,500,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	10,000,000
1¢ Real Estate, GF to SW Pay-Go		5,420,501	5,586,510	5,754,105	5,926,728	6,104,530	6,287,666	6,476,296
.7¢ Real Estate, ARP to SW Pay-Go			3,910,557	4,027,874	4,148,710	4,273,171	4,401,366	4,533,407
FEMA Reimbursement			2,000,000					
Total	23,779,414	43,063,514	49,574,071	48,303,110	50,836,342	48,573,904	49,715,933	51,162,578

*Please Note: The ERU rate increases provide funding for debt service payments related to the growth in the use of bonds

Existing and Future Floodplains

100-yr Annual Chance Recurrence Interval

