



VIRGINIA BEACH FINANCES STILL STRUGGLING

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THE FINANCIAL STATE OF VIRGINIA BEACH

Truth in Accounting's (TIA) new city report ranks and grades the 75 most populous cities in the United States by their financial health. Virginia Beach ranks No. 43, earning it a "D" on TIA's grading scale.

Decisions by city officials have left the city with a debt burden of \$874.8 million, according to TIA's analysis of its 2016 financial filings. That burden equates to \$5,700 for every Virginia Beach taxpayer.

Virginia Beach's financial problems are largely driven by entitlement obligations in the form of pension benefits. The city has \$1.1 billion in unfunded pension promises and \$67.7 million in unfunded retiree healthcare benefits. While Virginia Beach has promised these benefits, little money has been set aside to fund them.

In 2015, government officials increased financial transparency by including the vast majority of the city's pension debt on its balance sheet. Unfortunately, all of Virginia Beach's unfunded retiree healthcare debt is still excluded. With additional changes to accounting standards being implemented in fiscal year 2018, hopefully all retirement debt will be reported.

43

Rank

\$874.8
million

Money needed
to pay bills

-\$5,700

Taxpayer
Burden™

D

Financial grade

VIRGINIA BEACH FINANCIAL BREAKDOWN

FAST FACTS

- + Virginia Beach has \$599.8 million available in assets to pay \$1.5 billion worth of bills.
- + The outcome is an \$874.8 million shortfall and a \$5,700 Taxpayer Burden™.
- + Despite reporting most of its pension debt, the city hides all of its retiree healthcare debt. The city's total hidden debt amounts to \$141.8 million.

THE CITY'S BILLS EXCEED ITS ASSETS

| | |
|---|------------------|
| Assets | \$6,256,463,000 |
| <i>Minus:</i> Capital assets | -\$4,997,175,000 |
| Restricted assets | -\$659,505,000 |
| Assets available to pay bills | \$599,783,000 |
| <i>Minus:</i> Bills | -\$1,474,598,000 |
| Money needed to pay bills | -\$874,815,000 |
| Each taxpayer's share of this debt | -\$5,700 |

BILLS THE CITY HAS ACCUMULATED

| | |
|---|------------------------|
| Bonds | \$1,377,987,000 |
| Other liabilities | \$389,709,000 |
| <i>Minus:</i> Debt related to capital assets | -\$1,439,562,000 |
| Unfunded pension benefits | \$1,078,788,000 |
| Unfunded retiree healthcare | \$67,676,000 |
| Bills | \$1,474,598,000 |

GRADE: D

Bottom line: Virginia Beach does not have enough money to pay its bills, so it has received a "D" for its finances from Truth in Accounting. A "D" grade is given to cities with a Taxpayer Burden™ between \$5,000 and \$20,000.

Truth in Accounting is committed to educating and empowering citizens with understandable, reliable, and transparent government financial information. To be knowledgeable participants in their government and its budget process, citizens need truthful and transparent financial information.