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A Report to Our Citizens — Fiscal Year 2009

Vision Statements

City Council Vision: Bold Leadership for the Future

Building on that strong record of success, the City Council with its vision statements, sought to define an even more successful and livable future for the City of Portsmouth. Each of the statements described the City of Portsmouth in the year 2025 and revolved around six key components, as follows:

Bold New Directions

***Vision Principle:** Our visionary leadership is proactive in anticipating the ever-changing world. We boldly embrace the future in ways that inspire and challenge our citizens to seize the opportunities of the new era. As a historical regional partner, the City engages neighboring communities to solve area challenges. We are committed to using innovation and emerging technologies to succeed in the information and knowledge-based society. Portsmouth has become the hometown of choice and a community of international reputation.*

A Robust and Prospering Economy

Portsmouth is a financially prosperous community with a superior quality of life. Residents enjoy diverse employment choices from maritime, manufacturing, medical, military, marketing, management and technology-based opportunities. Portsmouth municipal government has created an environment that has embraced a long-term strategic military presence and generated significant private investment. The City is broadly recognized for its quality housing, highly skilled workforce, expanded tax base, and one of the region's lowest real estate tax rates, along with its enviable bond rating.

World Class Maritime Center

As a historic waterfront city, Portsmouth is strategically located in the center of the eastern seaboard on the world's largest natural harbor at mile marker "0" on the intra-coastal waterway. The City boasts a world-class, inter-modal transportation system supporting public and private marine terminals as well as thriving, diverse military facilities. Our waterfront features a diverse, unique mixture of recreational boating, marinas, tours, and maritime support industries. Portsmouth is the gateway to international shipping with a global reach.

Lifelong Learning Community

Education is the foundation of the City's social, political, and economic well-being and is the top priority of the City. Through collaborative efforts of City Council, School Board, and the private sector, Portsmouth has exceptional public and private schools. This includes learning opportunities for early childhood, primary and secondary education, higher education, career technical training, and workforce development. The City's preferred educational system has made Portsmouth a top choice for employers and families.

Thriving Neighborhoods and a Sense of Community

Portsmouth citizens are encouraged to become active participants in the process of creating their own quality of life, to ensure community safety and to elevate the livability of their own neighborhoods, creating true communities of choice for the 21st century. Citizens work together with local government to fully utilize human and community assets, thus producing a state-of-the-art environment that includes excellent schools, public facilities, parks, green spaces, gateways, and roadway

corridors. Our neighborhoods have been transformed into communities that promote and celebrate diversity, equity, and the inclusiveness of all citizens.

Pride of Past, Promise of Future

Portsmouth's tomorrows are found in the footsteps of the richest traditions of America, from the earliest days of Colonial Virginia through the victories of equality, dignity, and diversity. As guardian of the collective heritage of many people, we have become one. The Portsmouth family preserves the proudest traditions of the past as the compass for our future, drawing the grace of our spirit into the nobility of what we have become.

City Organization and Operation

The City of Portsmouth, Virginia 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 it has taxing powers subject to statewide restrictions and tax limits.

The City provides a full range of municipal services, including police and fire, sanitation, recreation and cultural activities, economic development, health and social services, street and highway maintenance, public improvements, planning and zoning, building inspections and environmental code compliance, general administrative services, education, and water and sewer services.

The financial reporting entity for this report includes the City (the primary governmental unit) and all of its funds, as well as the component units for which the City is financially accountable. We include the Portsmouth School Board (School Board), the Economic Development Authority of the City of Portsmouth (EDA) and the Portsmouth Port and Industrial Commission (PPIC) in the report as discretely presented component units in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City and to differentiate their financial position and results of operations from that of the City.

The members of the Portsmouth School Board are elected by the qualified voters of the City of Portsmouth, and the School Board governs the operations of the Portsmouth Public School System. City Council appoints separate boards to administer the EDA and PPIC component units.

The financial reporting entity also includes the Parking Authority; we consider this to be a blended component unit because its activities are so intertwined with the City that they are, in substance, part of the City's operations.

Demographic and Economic Statistics	2008	2009
Population	97,599	101,967 est.
Median Age	35	35
Unemployment rate	5.30%	8.40%
School enrollment	14,092	15,250



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How We Have Progressed

Progress in Fiscal Year 2009

Economic Development in Portsmouth remains favorable.



During fiscal year 2009, the City opened the new Churchland Branch library. The library will sponsor programs that will promote family literacy and encourage the use of libraries and a love of reading, and will provide a current, balanced and culturally diverse collection of materials and information in various formats, periodically surveying patrons about their wants and needs. The library will continue to provide a stable, easily accessible automation system that will be current with new technology. Named best by the Hampton Roads Association for Commercial Real Estate in the 2009 Excellence in Development Design Awards, the new Churchland Library has received an Award of Merit for its “hub/axial” concept with curved glass walls and a 28 foot-tall glass rotunda.



During fiscal year 2009, Council and management pursued plans for the undertaking of a new courts facility. The new courts facility will have adequate space to house all three courts and will be completed in 2012.



As a part of our commitment to the communities, the City is renovating the Children’s Museum of Virginia. As a part of the enhancements, the main entrance will be moved with a clearly identifiable façade with new exhibits showcasing for the community and tourist alike to enjoy.



The Simonsdale Elementary School project will replace a 33,300 sq. ft. (325 student capacity) school built in 1946 with an 80,000 sq. ft. (700 student capacity) building which will be LEED certified. The new building will permit the consolidation of Simonsdale and Olive Branch elementary schools, and the conversion of Olive Branch into a Pre-Kindergarten center. This project has been made affordable by the Federal American Recovery and Reinvestment Act of 2009.



The primary new developments in the City to address Lifelong Learning Community are the ODU Tri-Cities Education Center and the Fred W. Beazley Portsmouth Campus of Tidewater Community College.

The Tri-Cities Center was a collective vision and project between the private, public and education sectors. An extension of Old Dominion University located in the western area of the city, this venue is already producing positive results as it currently hosts a student population in excess of 700 students.

The City gifted 30 acres to the Commonwealth of Virginia State board of Community Colleges to facilitate the development of the Tidewater Community College Campus. Construction of the 184,000 square foot campus continues to progress. A targeted opening date of January 2010 will further enhance and fulfill the vision of a “Lifelong Learning Community”.

Selected City Statistics	2008	2009
Police Arrest	9,852	9,747
Parking violations	15,821	8,124
Fire emergency responses	17,035	14,073
Fires extinguished	623	590

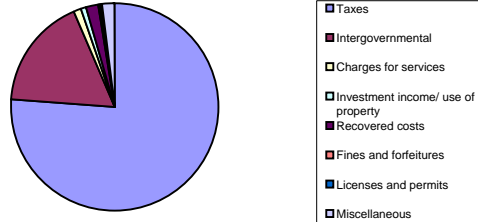


A Report to Our Citizens - Fiscal Year 2009

Fiscal Year 2009 - Revenue and Expenditures

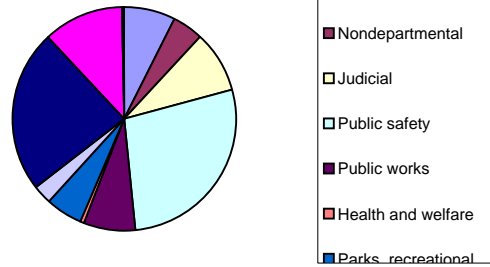
Governmental Funds Revenues

Taxes	\$	161,152,304
Intergovernmental		37,174,022
Charges for services		2,243,822
Investment income/ use of property		2,239,579
Recovered costs		4,135,037
Fines and forfeitures		173,529
Licenses and permits		926,923
Miscellaneous		3,921,425
Total Revenues and Other Sources	\$	211,966,641



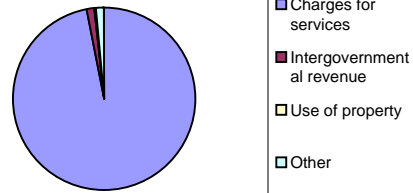
Governmental Funds Expenditures

General government	15,921,024
Nondepartmental	9,503,827
Judicial	18,778,895
Public safety	57,960,178
Public works	15,671,185
Health and welfare	1,240,194
Parks, recreational, and cultural	10,923,216
Community development	6,238,976
Education	49,818,483
Debt service	24,581,466
Capital outlay	358,080
Total expenditures	\$ 210,995,524



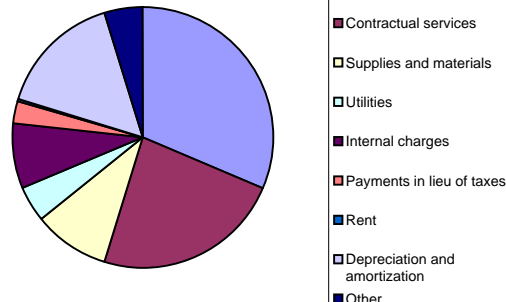
Proprietary Funds Revenues

Charges for services	49,925,691
Intergovernmental revenue	680,000
Use of property	152,549
Other	667,679
Total operating revenues	\$ 51,425,919



Proprietary Funds Operating Expenditures

Personnel services	11,626,289
Contractual services	8,601,860
Supplies and materials	3,479,522
Utilities	1,576,211
Internal charges	3,043,979
Payments in lieu of taxes	1,008,568
Rent	81,728
Depreciation and amortization	5,778,687
Other	1,723,585
Total operating expenses	\$ 36,920,429





A Report to Our Citizens — Fiscal Year 2009

What's Next

Destination Portsmouth

Destination Portsmouth is a series of adopted Development Strategies, Plans and Initiatives, which will implement the vision of the 2025 Comprehensive Plan by proactively planning for our continued renaissance in completing the groundwork necessary to make Portsmouth the "Destination of Choice". These implementation projects, which will be developed over the next 12 months, include the following:

The Downtown Design District: Over the next 12 months, the Downtown Design District update process will consist of the following:

- Re-evaluation of current Downtown District boundaries and designations in terms of reclassification of districts, redefinition of boundaries and/or potential additional designations.
- Evaluation of current Downtown Design District regulations, design guidelines, administrative procedures, and current composition of the Downtown Design Committee (DDC).
- Development of new Design Guidelines/Standards and Procedures to facilitate reinvestment in properties within the Downtown districts while maintaining overall historic integrity and/or design quality.
- Development of an education program and community input strategy that will effectively inform owners, residents, potential homebuyers and citizens at-large of Downtown District status and guidelines.

The Downtown Master Plan and Waterfront Strategy:

Over the course of the next twelve months, the City will work closely with Portsmouth's citizens to develop a Downtown Master Plan (DMP) to guide the continued development of the downtown area as a vibrant, walkable, mixed-use urban center. The plan will be based on clear and established principles and values – and a shared vision that will guide future growth and development in the downtown and along the waterfront. Portsmouth is at a critical juncture in the development of its downtown and waterfront assets. This is a significant opportunity to help set in motion a synergy which will support further growth and quality development which in turn will increase its attractiveness as a regional destination. This Plan will help set in motion and guide the "next wave" of new investment that will take downtown and the waterfront to the next level as a vibrant, diversified and memorable urban destination.

Form Based Codes: Over the course of the next twelve months, the City of Portsmouth will prepare its first Form Based Code for two significant gateway corridors – High Street and London Boulevard, from Downtown to Midtown. The Form Based Code will guide redevelopment and will guide implementation of certain goals and strategies found within Destination 2025, the City's Comprehensive Plan. The new Code will regulate development to ensure high-quality public spaces defined by a variety of building types and uses including housing, retail, and office space. The new Code will incorporate a regulating plan, building form standards, street standards, use regulations as needed, descriptive building and/or lot types, and other elements needed to implement the principles of functional and vital urbanism and practical management of growth. The goal is to create a

tool (Form Based Code) that will help foster good design and ease the process for development and/or redevelopment by providing a regulatory framework in clear and graphic terms that is easy to understand and utilize.

Master Transportation Plan: Over the next twelve months the City of Portsmouth will work closely with our citizens to prepare its first Master Transportation Plan (MTP) to guide implementation of the Destination 2025 Comprehensive Plan goal of "a multi-modal transportation network with enhanced features that support the city of Portsmouth's quality of life and economic viability." The MTP will focus on creating multi-modal strategies that can improve the economic, social, and physical health of communities while providing mobility and travel choices.

Zoning Ordinance Update: The final phase of updating and rewriting the new Zoning Ordinance is now beginning. One of the primary goals of the Zoning Ordinance is to implement the Comprehensive Plan's recommendations as they relate to land use. The Zoning Ordinance is the principle tool that will enable us to implement the visions and goals of the Destination 2025 Comprehensive Plan. The initial phase of this update consisted of an in-depth review of the current Zoning Ordinance to identify key challenges with the current Code that need to be addressed. Based on public input and analysis to date, the following five major themes or goals have been identified:

- Make the Code more user-friendly;
- Streamline the development review procedures and process;
- Modernize the Zoning districts and uses;
- Focus on development form and quality;
- Encourage compatible redevelopment.

Changes in Annual vs. Biennial Budget Process

In fiscal year 2009, the City moved to a biennial budgeting process. The first biennial operating budget was presented to City Council on March 31, 2009. The change to a biennial budgeting process will accomplish the following in future years:

- Improve long-range strategic planning
- Enhance readiness to adopt and succeed with "Budgeting for Outcomes"
- Create efficiencies in the second year of the biennium
- Focus on cross-department budget development and cooperation

Budgeting for Outcomes

Budgeting for Outcomes is a process designed to create a government that works better and cost less. The benefits include the following:

- Focuses on results and priorities, not on cost. The budget process shifts from paying for costs to buying results.
- Puts citizens and their priorities first, not status quo.
- Emphasizes accountability, innovation and partnerships.