

## GENERAL FUND REVENUE

### *Revenue Projections*

General Fund revenue projections for FY2017 are formulated using a combination of forecasting techniques, regional economic data and local government operational experience. In early December, six months prior to the new fiscal year, the City's annual financial audit is usually complete. The success of the previous year's revenue forecasts are compared and cross checked against the actual audited financial statements to determine if any refinement needs to be made to the model. Should any changes be required, they are made and refined forecasts are run for the upcoming fiscal year. These revised estimates are cross checked a second time against a variety of forecasted economic data with special emphasis on: consumer and wholesale prices, local population, retail sales, building and construction activity data, employment, wages, interest rates and federal/state funding to ensure the forecast is still consistent with future economic expectations. Continuing refinements are made as required, up until March, or about four months prior to the beginning of the new fiscal year.

### *Economy*

Economy development continues to experience a healthy increase in activity especially in critical sectors such as retail, multi-family, and port-related developments. In retail, the \$10 million second phase of construction of the Midtown Market Center, a 21 acre development, completed in May 2015 continues to revitalize the area with retail companies including T.J. Maxx, CATO Fashions, Hibbett Sports, Dunkin Donuts, Wendy's, Autobell and WAWA.

Multi-family development during the last two years has brought in nearly \$100 million of investment and nearly 800 multi-family units which have been constructed, announced, or are under contract in downtown Portsmouth. Some notable projects include King's Court, a 46-unit community and Sterling Court, a 67-unit apartment building are expected to be ready for occupancy by summer 2016. In addition, the \$17.1 million Harbor Vista development is under construction. This 2.5 acre site will include 134 units and is targeted to open in mid-2016. A \$6.1 million redevelopment project of The Monument Companies (Monument), Tower 507 in downtown Portsmouth opened spring 2017 featuring 46 apartment units and 9,000 square feet of commercial space at the site of the historic Governor Dinwiddie Hotel.

The Port of Hampton Roads, to include all terminals in Portsmouth, is one of the world's largest natural harbors. The year-round, ice-free harbor covers approximately 25 square miles and is located 18 miles from the open sea. Over 75 international shipping lines serve the Port of Hampton Roads. Port related development in the past year includes the investment of over \$5 million by Interchange, a third-party logistics/distribution center development company, to purchase the former Gwaltney Plant and construct 200,000 square-feet of new distribution space. Vane Brothers a multi-facet, Marine transportation provider is expanding with a \$1.5 million investment and Accurate Marine Environmental, a provider of marine and industrial tank/bilge cleaning services is investing \$700 million in improvements to its waterfront location.

### *Revenue Assumptions*

Total estimated General Fund revenue for FY2017, including transfer from other funds, is \$238,037,007 an increase of \$2.3 million or 1.0% more than the FY2016 adopted budget including the use of \$6.0 million prior year Fund Balance for one-time non-recurring CIP projects and one-time employee bonuses. For analytical reasons, General Fund Total Revenues are categorized into four broad categories: Local Tax Revenue, Other Local Revenue, State Revenue and Non-Revenue/Transfers. The table below summarizes General Fund revenue by category. Following is a brief discussion of the revenue components in each of the categories, including graphs depicting the historical trends of these revenue sources as compared with future projections.

## **LOCAL TAX REVENUE**

### **General Property Taxes**

The majority, 70.1%, of the \$166.4 million in Local Tax revenues is derived from General Property Tax revenues (including public service corporations).

The City levies real estate taxes on all real estate within its boundaries, except that exempted by statute, each year as of July 1, based on the estimated market value of the property, with quarterly payments due September 30, December 31, March 31 and June 30. All real estate is assessed annually. Real Property Taxes are estimated to generate \$92.4 million or 38.93% of the City's total General Fund revenue in FY2017. Included within this total is revenue derived from delinquent real estate taxes and real estate taxes paid by public service corporations. The FY2017 revenue is calculated with a tax rate of \$1.30 per \$100 of assessed value.

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of June 30, with annual payments due June 5. Personal Property Taxes are levied on the tangible property of individuals and businesses. For individuals, this tax is primarily on automobiles and recreational vehicles. Business personal property includes motor vehicles, machines, furniture, computers, fixtures and tools. The projection maintains the following Personal Property Tax rates: \$5.00 per \$100 of assessed value for tangible personal property; \$3.00 per \$100 of assessed value for machinery and tools; \$0.50 per \$100 of assessed value on boats.

The Personal Property Tax Relief Act (PPTRA) was initially enacted by the General Assembly in 1998, and actual reimbursements to localities were capped by the State in the 2004 legislative session. Although the City now receives the same fixed dollar amount of relief each year, due to the State's payment cap the amount of tax relief will vary by year as a percentage of the total tax. Portsmouth's payment from the State will remain constant, so as personal property values increase over time, the actual percentage of State reimbursement will continue to decrease. Personal Property Tax revenue is estimated at \$24.7 million for FY2017, an increase of \$406,930 from FY2016 levels. This revenue source represents 10.04% of total General Fund revenue. This revenue includes taxes from current and delinquent personal property and taxes on personal property owned by public service corporations.

**General Property Taxes**

<b>Funding Source</b>	<b>FY2016 Approved</b>	<b>FY2017 Budget (P)</b>	<b>Dollar Change</b>
Real property tax	\$ 90,664,882	\$ 92,451,076	\$ 1,786,194
Personal property tax	24,342,977	24,749,907	406,930
Other general property taxes	2,680,151	2,688,232	8,081
Total	<u>\$ 117,688,010</u>	<u>\$ 119,889,215</u>	<u>\$ 2,201,205</u>

**FY2017 Budget Comments**

Revenues from General Property Taxes are expected to grow based on assessment base increase and actual trends, based on prior years' collections.

### **Other Local Taxes**

Other Local Taxes includes funds received for local sales tax, admission and amusement tax, bank franchise tax, business and professional licenses, licensing fees tax, lodging tax, cigarette tax, recordation taxes, restaurant food tax, short term rental tax, franchise tax.

Local Sales Tax revenue is considered an elastic revenue source because it is responsive to changes in the economy. On July 1, 2013 sales tax in Hampton Roads increased to 6%. With the increase, the State retains 5.0 % and returns 1.0 % as unrestricted revenue to the locality where the funds were collected.

Business & Professional License (BPOL) Taxes are levied on businesses operating in the City.

Lodging Taxes under the Code of Virginia are defined as “transient occupancy taxes.” These taxes are similar to the sales tax; they are based on the value of a purchase, which in this case is a motel or hotel room. The Lodging Tax rate in Portsmouth is 8.0 %.

Restaurant Food Tax is assessed on the sale of prepared food and beverages sold at food establishments in the City. The tax rate is 6.5% plus the 6 % sales tax for a total of rate of 12.5%.

### **Other Local Taxes**

<b>Funding Source</b>	<b>FY2016 Approved</b>	<b>FY2017 Budget (P)</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Admission and amusement taxes	\$ 298,296	\$ 298,296	\$ -	-
Bank franchise taxes	375,000	378,750	3,750	-
Business and occupational license taxes	6,260,386	6,322,990	62,604	1%
Cigarette tax	3,617,166	3,599,080	18,086	(0.01)
Licensing fees - current	2,300,000	2,300,000	-	-
Licensing fees - delinquent	350,158	350,158	-	-
Lodging taxes	765,000	772,650	7,650	1%
Recordation taxes	850,000	858,500	8,500	1%
Restaurant food taxes	7,604,513	7,680,558	76,045	1%
Sales and use taxes - local	7,500,000	7,650,000	150,000	2%
Miscellaneous	18,255	18,255	-	-
Short term rental taxes	38,884	38,884	-	-
<b>Total</b>	<b><u>\$ 29,977,658</u></b>	<b><u>\$ 30,268,121</u></b>	<b><u>\$ 326,635</u></b>	<b><u>1%</u></b>

### Utility Taxes

Funding Source	FY2016 Approved	FY2017 Budget (P)	Dollar Change	Percent Change
Electricity taxes	\$ 4,000,000	\$ 4,040,000	\$ 40,000	1%
E-911 Tax	442,742	447,169	4,427	1%
Telecommunications tax	8,000,000	8,200,000	(200,000)	-
Gas taxes	1,400,000	1,414,000	14,000	1%
Water taxes	2,154,502	2,176,047	21,545	1%
Total local tax revenue	<u>\$ 15,997,244</u>	<u>\$ 16,277,216</u>	<u>279,972</u>	<u>2%</u>

### FY2017 Budget Comments

Revenues from Utility Taxes are projected to increase slightly over the FY2016 budget.

### OTHER LOCAL REVENUE

This category includes all other local revenue not included above; specifically, Charges for Services, Other Financing Sources, Licenses and Permits, Use of Property and Miscellaneous. This category represents 2.3% of total local General Fund revenue or \$5.5 million. This is an increase of 15% from FY2016. Listed below are descriptions of the large revenues in this category.

### Charges for Services

Charges for Services are revenues paid by users of various City services including participation fees for Recreation Activity, Ambulance fees, Museum admission.

### Charges for Services

Funding Source	FY2016 Approved	FY2017 Budget (P)	Dollar Change	Percent Change
Ambulance fees	\$ 2,300,000	\$ 2,700,000.00	\$ 400,000	17%
Excess Clerk of Court Fees	10,000	10,000	-	-
City Sheriff Fees	17,697	17,697	-	-
Concession fees	14,754	14,754	-	-
Courthouse maintenance fees	45,118	45,118	-	-
Museum admission fees	800,000	800,000	-	-
Recreation activity fees	175,000	175,000	-	-
Registration - Before & After	580,000	696,819	116,819	20%
Erosion and sediment control fees	18,000	18,000	-	-
Other miscellaneous fees	853,122	2,357,931	1,504,809	176%
Total	<u>\$ 4,813,691</u>	<u>\$ 6,835,319</u>	<u>\$ 2,021,628</u>	<u>42%</u>

## FY2017 Budget Comments

Charges for Services are projected to increase over FY2016 budget.

### Recovered Costs

Recovered Costs include costs recovered by the General Fund from the Utility Fund, Risk Management Fund, Social Services Fund, Stormwater Management Fund and Waste Management and various other smaller items and includes \$2.9 million estimated revenue in FY2017.

### Recovered Costs

Funding Source	FY2016 Approved	FY2017 Budget (P)	Dollar Change	Percent Change
Recovered Costs	<u>\$ 3,126,942</u>	<u>\$ 2,987,391</u>	<u>\$ (139,551)</u>	<u>-4%</u>

## FY2017 Budget Comments

This category of revenue primarily reflects other funds' reimbursement for General Fund support services, as calculated in the annual Cost Allocation Plan.

### Fines and Forfeitures

The City imposes fines on individuals charged with violations of City ordinances. These include court and parking fines and court assessments.

### Fines and Forfeitures

Funding Source	Approved	Budget (P)	Change	Change
Fines and forfeitures	<u>\$ 951,500</u>	<u>\$ 798,000</u>	<u>\$ (153,500)</u>	<u>-16%</u>

## FY2017 Budget Comments

This category of revenue reflects adjustments for fines expected from "failure to pay tunnel tolls" cases that will be heard by the Portsmouth General District Court. It also includes fines for overweight vehicles.

## Licenses, Permits and Inspection Fees

Licenses and Permits category includes Dog licenses, Plan review, Re-inspection fees, Right Away permits, all building, electrical, plumbing and heating permit fee revenue. Building Inspection Fees are based on the determined or calculated “value” of construction.

### Licenses, Permits and Inspection Fees

Funding Source	FY2016 Approved	FY2017 Budget (P)	Dollar Change	Percent Change
Licenses, Permits & Inspection fees	\$ 780,300	\$ 926,037	\$ 145,737	19%

### FY2017 Budget Comments

This category of revenue is expected to increase, based on projected revenue receipts and prior years trend history.

### Use of Money and Property

Use of Money (Investment income) is the interest earned on the investment of temporarily idle funds in repurchase agreements and other instruments secured or collateralized by government securities.

Use of Property includes rental of City property and rental of Antenna Sites and Recreational Facilities.

### Use of Money and Property

Funding Source	FY2016 Approved	FY2017 Budget (P)	Dollar Change	Percent Change
Investment income	\$ 75,000	\$ 10,000	\$ (65,000)	-87%
Use of property	1,641,317	1,645,223	3,906	0%
Total	<u>\$ 1,716,317</u>	<u>\$ 1,655,223</u>	<u>\$ (61,094)</u>	<u>-4%</u>

### FY2017 Budget Comments

The FY2017 revenue projections reflect existing leases and projected use fees, as well as projected investment income.

## Miscellaneous Revenue

Miscellaneous Revenue includes donations and contributions made to the City along with other non-recurring revenue. In addition Payments in Lieu of Taxes (PILOTs) are budgeted in the Miscellaneous Category. PILOTs are revenue received in lieu of taxes, often from another government entity under a contractual agreement. The City receives PILOT revenue from the Portsmouth Redevelopment Authority, Public Utilities, Regional Jail, and the Virginia Port Authority.

### Miscellaneous Revenue

<b>Funding Source</b>	<b>FY2016 Approved</b>	<b>FY2017 (P)</b>	<b>Budget</b>	<b>Dollar Change</b>
<b>Miscellaneous revenue</b>	\$259,913	\$	328,913	\$69,000
<b>PILOT revenue</b>	2,006,492		2,074,622	\$68,130
<b>Total</b>	<u>\$2,266,405</u>		<u>\$2,403,535</u>	<u>\$137,130</u>

### FY2017 Budget Comments

Miscellaneous revenue includes a slight increase due to rebate revenue and museum shop sales.

## STATE/FEDERAL REVENUE

Payments from the Commonwealth of Virginia are divided into three functional categories: (1) State Non-Categorical Aid. (2) State Shared Expenses and (3) State Categorical Aid. State Revenue is estimated at \$39.2 million in FY2017 and the City is budgeting approximately \$552,999 (“Build America Bonds”) from the Federal government. Together this represents 16.7% of General Fund revenue. These types of revenue are described below.

### Federal Revenue

The City expects to recognize \$552,999 in subsidy revenue from the Federal “Build America Bonds” program during FY2017.

### State Non-Categorical Aid

The State provides general support to municipalities through a variety of revenue generating mechanisms. The City receives a 3% tax on mobile home title filing and 50% of the revenue collected

by the Clerk of the Circuit Court for the filing of deeds on property. In lieu of personal property tax revenue, the City receives a 4% daily rental tax on vehicles rented within the City.

This category also includes reimbursements from the State for implementation of the personal property tax reduction on private vehicles. The 2004 General Assembly changed this program, by adopting a \$950 million statewide cap on reimbursements starting in 2006. FY2007 was the first full fiscal year with this cap in place. The amount of revenue disbursed to Portsmouth is the same each year: \$9.9 million (PPTRA).

**State Non-Categorical Aid**

	FY2016 Amended	FY2017 Budget (P)	Dollar Change	Percent Change
Mobile Home Sales Tax	\$ 2,000	\$ 2,020	\$ 20.00	-
Recordation tax	259,936	300,000	40,064	15%
Rolling stock tax	45,000	45,450	450	1%
Vehicle rental tax	240,000	242,400	2,400	1%
PPTRA	9,862,962	9,862,962	-	0%
<b>Total State Non-Categorical Aid</b>	<b><u>\$ 10,409,898</u></b>	<b><u>\$ 10,452,832</u></b>	<b><u>\$ 42,934</u></b>	<b><u>0%</u></b>

**State Shared Expenses**

The Commonwealth provides partial operating support through the State Compensation Board for offices established in the State Constitution. This category includes anticipated receipts from the State to assist in defraying costs associated with the operation of these agencies. These revenues sources are frequently affected by the State Compensation Board and Virginia General Assembly decisions regarding appropriate levels of aid to localities. The Compensation Board adopts its official allocation budget following the adoption of the City budget.

**State Shared Expenses**

Funding Source	Approved	Budget (P)	Change	Change
Circuit Court Clerk	\$ 881,846	\$ 890,771	\$ 8,925	1%
City Registrar	45,000	45,450	450	1%
City Sheriff	5,924,678	6,013,751	89,073	2%
City Treasurer	284,581	289,562	4,981	2%
Commissioner of Revenue	252,766	257,260	4,494	2%
Commonwealth's Attorney	1,602,883	1,618,870	15,987	1%
DMV Select	70,000	70,000	-	0%
<b>Total State Shared Expenses</b>	<b><u>\$ 9,061,754</u></b>	<b><u>\$ 9,185,664</u></b>	<b><u>\$ 123,910</u></b>	<b><u>1%</u></b>

## State Categorical Aid

The City receives a variety of other revenues that have been designated for a specific purpose.

### State Categorical Aid

<b>Funding Source</b>	<b>FY2016 Approved</b>	<b>FY2017 Budget (P)</b>	<b>Dollar Change</b>	<b>Percent Change</b>
VDOT	\$ 11,931,762	\$ 12,397,101	\$ 465,339	4%
Library Funds - Books	154,935	159,410	4,475	3%
Virginia Sports Hall of Fame	250,000	250,000	-	0%
Correctional Facilities Block Grant	1,067,512	1,067,512	-	0%
Law Enforcement	5,786,668	5,786,668	-	0%
Total State Categorical Aid	<u>\$ 19,190,877</u>	<u>\$ 19,660,691</u>	<u>\$ 469,814</u>	<u>2%</u>

## TRANSFERS FROM OTHER FUNDS

Transfers to the General Fund include Economic Development Authority (EDA), School Operating, Behavioral Healthcare Services, Public Utility Operating Fund, CIP and Stormwater Management Fund to cover the related administration and overhead cost of these functions.

### Transfers from Other Funds

<b>Funding Source</b>	<b>FY2016 Approved</b>	<b>FY2017 Budget (P)</b>	<b>Dollar Change</b>	<b>Percent Change</b>
From EDA	\$ 125,000	\$ 145,498	\$ 20,498	16%
From BHS	378,471	162,363	(216,108)	-57%
From Public Utility Operations	8,875,000	8,875,000	-	0%
From CIP	560,000	510,000	(50,000)	-9%
Transfer from Risk Management Fund	2,000,000	-	(2,000,000)	
Transfer from Waste Management Fund	1,000,000	-	(1,000,000)	
From Stormwater Management	410,689	416,695	6,006	1%
Total transfers into General Fund	<u>13,349,160</u>	<u>10,109,556</u>	<u>\$ (3,239,604)</u>	<u>-24%</u>

## FY2017 Budget Comments

Transfers from other funds are adjusted to reflect administration and overhead cost.