

## REVENUE PROJECTIONS

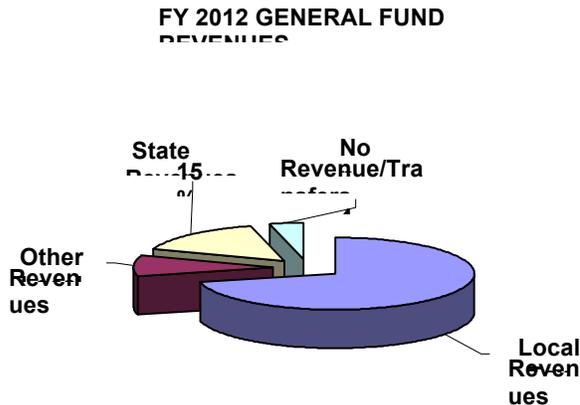
General Fund projections for FY2012 and FY2013 are formulated using a combination of forecasting techniques, regional economic data and local government operational experience. In early December, six months prior to the new fiscal year, the City's annual financial audit is usually complete. The success of the previous year's revenue forecasts are compared and cross checked against the actual audited financial statements to see 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 year.

### Economy

The fiscal health of City of Portsmouth has an effect on the levels of service that will be provided to the residents of the City. Portsmouth's revenues indicate a slow down in the local economy reflecting the fact that locally and nationally, the economy has remained weak and this negative trend is expected to continue. Several factors have fueled this slow down: consumer confidence is weak, the job market is weak, wage and salary gains have not kept up with inflation, and consumer credit is not widely available. The price of gasoline at the pump is near an all time high. Home sales have set new lows; nationwide housing sales are at an all time low. Growth nationally is expected to be weak this year, and locally it is expected to continue at a similar slow pace.

### Revenue Assumptions

Total estimated General Fund revenue for FY 2012 and FY2013, including transfer from other funds, is \$229,504,050 and \$229,523,525. FY 2012 is an increase of \$11.1 million, or 4.8% over FY2011 and FY2013 and increase of \$19,000 thousand over FY2012. 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



<b>Description</b>	<b>FY10 ACTUAL</b>	<b>FY2011 REVISED</b>	<b>FY2012 ADOPTED</b>	<b>FY2013 PLANNED</b>
Local Tax Revenue	164,316,744	159,210,124	163,096,117	166,783,981
% of Total	74%	73%	71%	72%
Other Local Revenue	15,189,130	14,715,117	21,890,184	17,978,318
% of Total	7%	7%	10%	8%
State Revenue	35,711,361	35,587,561	35,501,074	35,744,550
% of Total	16%	16%	15%	16%
Non Revenue/Transfers	8,327,381	8,848,587	9,016,674	9,016,675
% of Total	3%	4%	4%	4%
<b>Total General Fund Rev.</b>	<b>223,544,617</b>	<b>218,361,390</b>	<b>229,504,050</b>	<b>229,523,525</b>
%	100%	100%	100%	100%

Below is a table summarizing the General Fund Revenues. This Revenue Summary illustrates trends impacting the City's General Fund. Revenues depicted include transfers from other funds.

<b>Revenue</b>	<b>Revised FY11</b>	<b>Adopted FY12</b>	<b>Planned FY13</b>
CURRENT REAL PROPERTY TAXES	86,046,783	88,884,644	90,865,644
DELINQUENT REAL PROPERTY TAXES	4,000,000	3,227,197	3,301,423
CURRENT PERSONAL PROPERTY TAXES	15,562,884	17,000,000	17,391,000
DELINQUENT PERSONAL PROPERTY TAXES	3,936,258	2,055,584	2,102,862
PSC REAL PROPERTY TAXES	2,074,391	2,700,000	2,762,100
PSC PERSONAL PROPERTY TAXES	1,167,000	1,200,000	1,227,600
MACHINERY AND TOOLS TAXES	2,020,725	2,094,000	2,142,162
PENALTIES	1,271,149	1,400,000	1,432,200
INTEREST	458,275	591,878	605,491
OTHER LOCAL TAXES	25,502,921	26,597,815	27,209,565
UTILITY TAXES	17,169,469	17,345,000	17,743,935
CHARGES FOR SERVICES	5,378,378	12,703,841	8,660,209
OTHER FINANCING SOURCES	94,000	260,000	260,230
RECOVERED COSTS	4,293,746	4,169,318	4,191,442
LICENSES AND PERMITS	939,425	1,088,025	1,113,051
USE OF PROPERTY	2,096,000	1,687,000	1,725,801
MISCELLANEOUS	20,000	55,000	56,265
STATE REVENUE	35,587,561	35,501,074	35,744,550
PAYMENT IN LIEU OF TAXES	1,893,568	1,927,000	1,971,321
TRANSFERS	8,266,039	8,566,039	8,566,039
<b>Total General Fund Revenue</b>	<b>218,361,390</b>	<b>229,504,050</b>	<b>229,523,525</b>

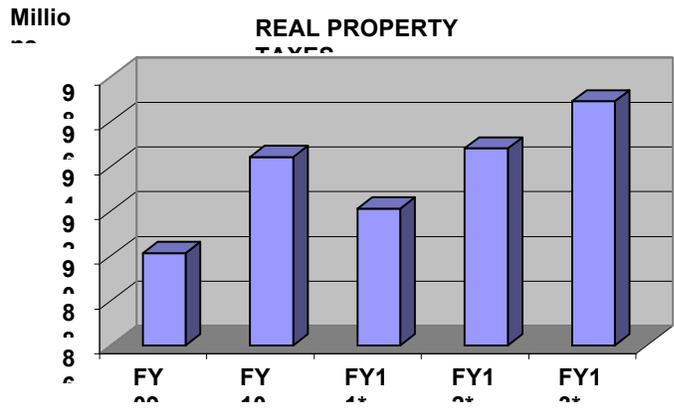
**LOCAL TAX REVENUE**

Local Tax Revenue represents City of Portsmouth’s principal source of revenue. City tax revenue is projected to total \$163.1 million or 71% of the General Fund revenue for FY 2012. This is an increase of 2%, or \$3.9 million over the current fiscal year. Local Tax Revenue includes:

	<b>FY 2010 Actual</b>	<b>FY 2011 Amended</b>	<b>FY 2012 Adopted</b>	<b>Increase (decrease)</b>	<b>FY 2013 Planned</b>	<b>Increase (decrease)</b>
Real Property Tax	94,438,567	92,121,174	94,811,841	2,690,667	96,929,167	2,117,326
Personal Property Tax	21,115,921	20,666,142	20,255,584	(410,558)	20,721,462	465,878
Other Local Taxes	8,896,345	7,492,193	7,942,354	450,161	8,125,029	182,675
Business License Tax	6,383,132	5,852,032	6,255,000	402,968	6,398,865	143,865
Cigarette Tax	2,884,253	3,165,833	2,950,000	(215,833)	3,017,850	67,850
Lodging Tax	725,682	835,890	775,000	(60,890)	792,825	17,825
Restaurant Food Tax	6,221,438	6,283,537	6,388,338	104,801	6,535,270	146,932
Local Sales Tax	6,306,346	5,623,854	6,373,000	749,146	6,519,579	146,579
Utility Taxes	17,345,060	17,169,469	17,345,000	175,531	17,743,935	398,935
<b>Total Local Tax Revenue</b>	<b>164,316,744</b>	<b>159,210,124</b>	<b>163,096,117</b>	<b>3,885,993</b>	<b>166,783,981</b>	<b>3,687,864</b>

The majority, 71%, of the \$163.1 million in Local Tax revenues is derived from Real and Personal Property Tax revenues (including public service corporations) , which are estimated to generate \$115.1million or 50% of total General Fund revenue. Local Sales Tax revenue increased \$749,146 thousand or 12.1% and continues to grow at a slower rate in FY2013. Business & Professional License (BPOL) Tax revenue is projected to increase to \$6.3million in FY2012.

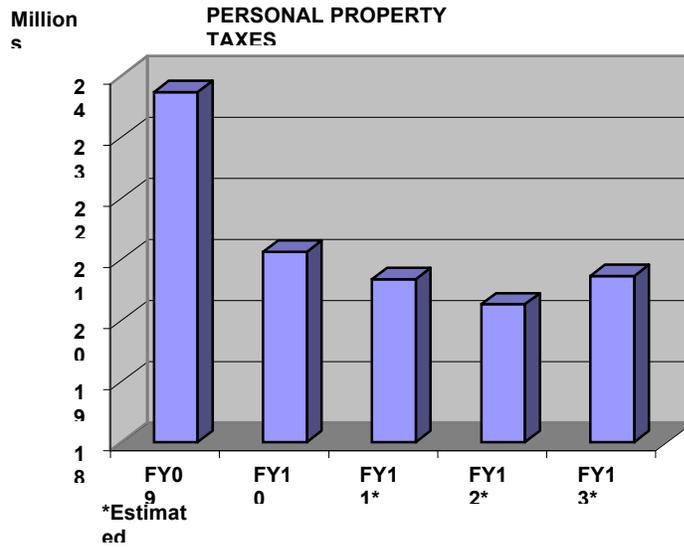
**Real Property Taxes** are estimated to generate \$94.8 million or 41% of the City's total General Fund revenue in FY2012. This is an increase of \$2.7million or 3% over the current fiscal year. Included within this total is revenue derived from delinquent real estate taxes and real estate taxes paid by public service corporations. The FY2011 revenue is calculated with a tax rate of \$1.21 per \$100 of assessed value for FY2012 and FY2013



\*Estim

**Personal Property Taxes** are levied on the tangible property of individuals and businesses. For individuals, this tax is primarily on automobiles and recreational vehicles. Businesses 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.

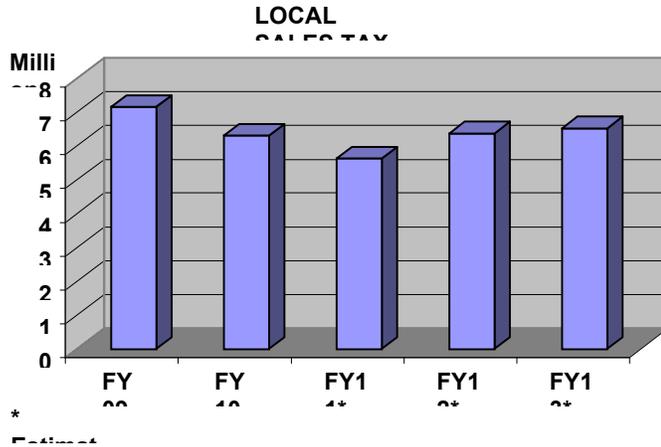
FY2012 marks the twenty second year of the Personal Property Tax Relief Act (PTRA) enacted by the General Assembly in 1998, although actual reimbursements to localities were capped by the State in the 2004 legislative session. Due to the States payment cap the amount of tax relief will vary by year and locality. For Portsmouth residents owning qualifying individual vehicles assessed at or below \$1,000, the State's reimbursement is intended to pay 100 % of the FY2012 tax levy. For qualifying individual vehicles assessed between \$1,001 and \$20,000, the State will pay Portsmouth City a percentage of the FY2009 tax levy. With qualifying individual vehicles valued at \$20,001 or more the State will pay Portsmouth City a percentage of the FY2012 tax levy for the first \$20,000 of value only. Portsmouth's payment 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 \$20.3million for FY2012. This represents 9% 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. FY2012 estimates for personal property incorporate an increase for vehicle assessments based on anticipated population growth and increases in business investment. Recent increases in used car valuations have been factored into these projections as well. Projections for Personal Property Tax receipts anticipate a 2 % decrease for FY2012 and a 2% increase in FY2013.



## OTHER LOCAL TAXES

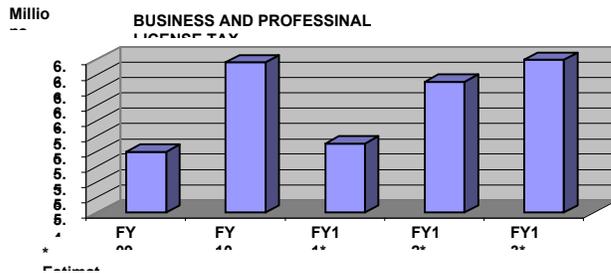
**Other Local Taxes** includes funds received for local sales tax, admission and amusement tax, bank franchise tax, business and professional licenses, licensing fees tax, lodging tax cigarette tax, recordation taxes, restaurant food tax, short term rental tax, franchise tax. In total \$7.5 million is budgeted in FY2011, while the projections for FY2012 and FY2013 are \$7.9 and \$8.1 respectively.

**Local Sales Tax revenue** is considered an elastic revenue source because it is responsive to changes in the economy. Virginia's Sales Tax rate was increased to 5.0 % during FY2005. The Virginia General Assembly approved the increase in May 2004 and dedicated the proceeds to local education. With the increase the State will retain 4.0 % and return 1.0 % as unrestricted revenue to the locality where the funds were collected. Local Sales Tax revenue is projected to generate \$6.4 million in FY2012, an increase of \$749 thousand from the current fiscal year budget. The retail sales sector is starting to show signs of a modest recovery from the recession.



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

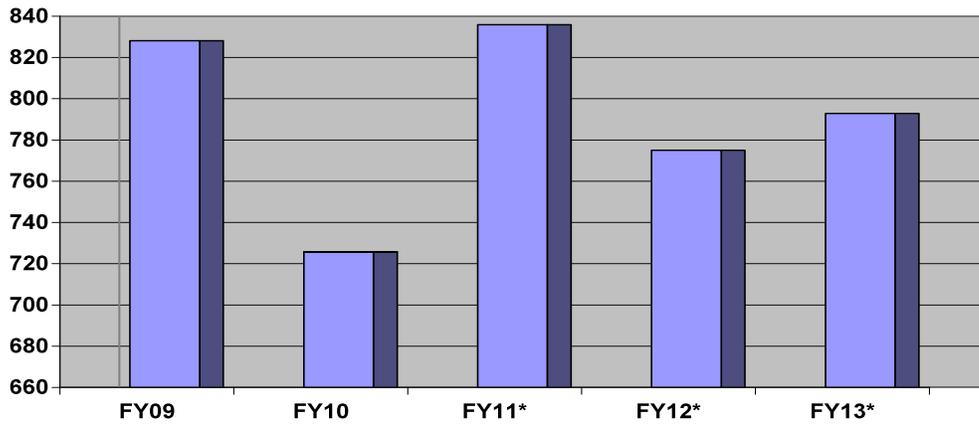
The FY2012 forecast assumes BPOL tax receipts will increase by \$403 thousand to \$6.3million. FY 2012 and FY2013 predictions assume an increase of 7% and an increase of 2 % respectively, and are based on last year actual collections increasing during the current economic slow down.



**Lodging Taxes** under the Code of Virginia are defined as “transient occupancy taxes”. These taxes are similar to the Sales Tax in that 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 %. Fiscal Year 2012 revenue estimate for the Lodging Tax total \$775 thousand, which is a decrease of \$61,000 from the FY2011 estimate.

Thousands

### LODGING TAX

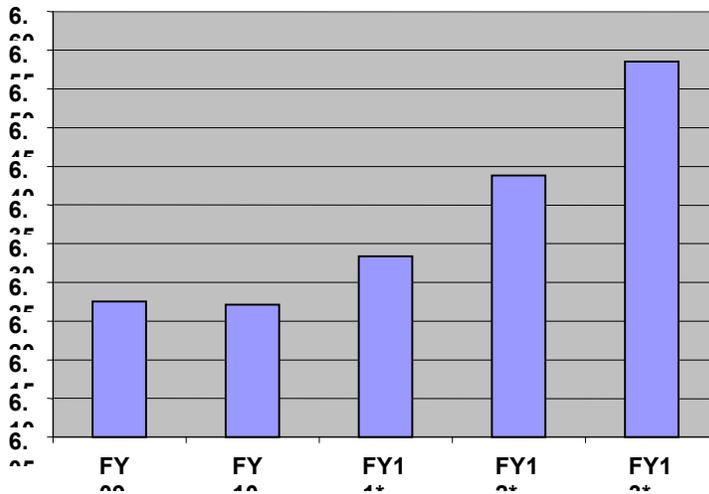


\* Estimated

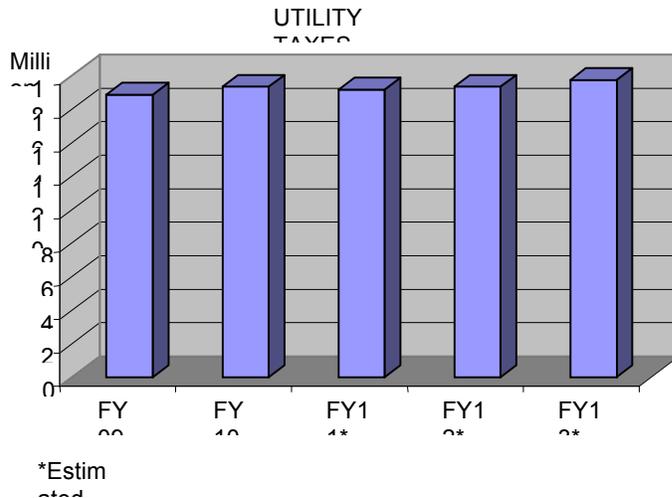
**Restaurant Food Tax** is assessed on the sale of prepared food and beverages sold at food establishments in the City. The projected revenue increase is 2% or \$105 thousand over the FY11 estimate. The tax rate is 6.5% plus the 5 % sales tax for a total of 11.5%

MILLION

### RESTAURANT FOOD TAX



**Utility Taxes** is applied to water, gas and electric service recipients residing within the City. Revenues from this utility tax are expected to reach \$17,345 million. Assumption for 2012 is a 1% growth in collections. Prior to FY2008 this revenue category also included the E-911 Service Charge which was replaced by the State Communication Sales and Use Tax (HB#568). This revenue category is projected to increase \$175,531 for FY2012 and \$398,935 in FY2013.



## 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 7% of total local General Fund revenue or \$15.8 million. This \$7.3 million is a decrease of 46% from FY2011. Listed below are descriptions of the large revenues in this category.

**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 are estimated at \$12.7 million in FY2012. This represents an increase of \$7.325 million, or 173%, when compared to FY2011. The use of excess fiscal year 2010 dollars accounts for \$6.6 million of this increase. Adjusting the \$12.7 million, to exclude the \$6.6 million excess fund balance, the actual dollar increase in Charges for Services is \$725,000 or 14% compared to FY 2011. In FY12 the \$6.6 million in excess fund balance will cash fund: \$2 million CIP equity funding, \$1.8 million for the courthouse reserve, \$916,069 for a onetime bonus payment to general wage employees, \$699,881 to support the public school system and the balance will fund other miscellaneous non-recurring expenses.

**Recovered Cost** includes cost recovered from the Parking Authority, Utility Fund, Risk Management, Fund Social Services Fund, Stormwater Management Fund and Waste Management and various other smaller items and includes \$4.169 million estimated revenue in FY2012.

**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 Fees are based on the determined or calculated “value” of construction. Building Structure permits, which is an elastic revenue, and accounts for 34% of this revenue category. Licenses and Permits are projected to total \$1,088 million and are anticipated to have a slight increase.

**Use of Property** is estimated to generate \$1.7 million in FY12. This category of revenue includes rental of City property and rental of Antenna Sites and Recreational Facilities

**Payment In Lieu Of Taxes** included is the Portsmouth Redevelopment Authority, Public Utilities, Regional Jail, Virginia Ports Authority This revenue will reflect an increase of \$33,432 for FY120 and increase of \$44,321 for FY2013.

**STATE 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 \$35.5 million in FY12 and \$35.7 million in FY13, which represents 15% of General Fund revenue. These types of revenue are described below.

**State Non-Categorical Aid**

The State provides general support to municipalities through a variety of revenue generating mechanisms. A portion of profits realized from the sale of wine and liquor at the State Alcohol Beverage Control (ABC) Commission stores are distributed to municipalities. 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. FY07 is the first full fiscal year with this cap in place. The amount of revenue to be disbursed to Portsmouth will be the same each year: \$9.9 million (PPTRA).

<b>Non-Categorical Aid</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
	<b>Actual</b>	<b>Actual</b>	<b>Amended</b>	<b>Adopted</b>	<b>Planned</b>
Mobile Home Sales	2,567	1,260	1,000	0	0
Recordation Tax	310,872	178,995	257,000	407,750	407,750
Rolling Stock Tax	27,776	34,886	24,000	35,000	38,805
Vehicle Rental Tax	151,617	117,763	150,000	125,000	127,875
PPTRA Current	7,954,585	7,954,585	7,954,585	7,954,585	7,954,585
PPTRA Delinquent	1,908,377	1,908,377	1,908,377	1,908,377	1,908,377
<b>Total</b>	<b>10,355,794</b>	<b>10,195,866</b>	<b>10,294,962</b>	<b>10,430,712</b>	<b>10,434,390</b>

**State Shared Expenses**

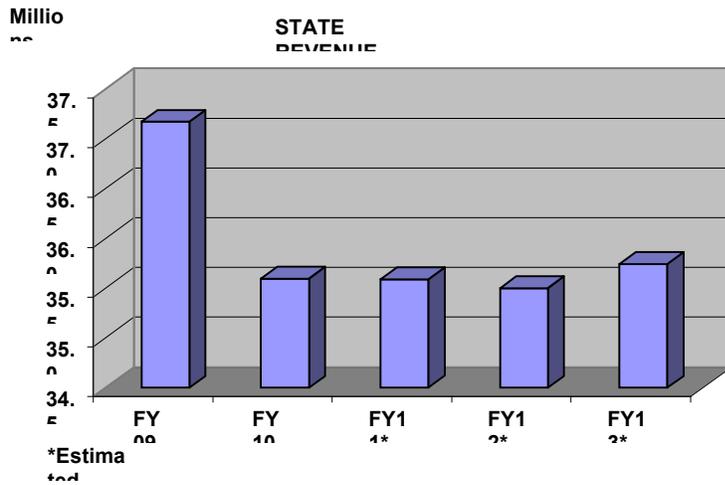
The Commonwealth provides partial operating support through the State Compensation Board for offices established in the State Constitution. This category includes anticipated receipts from the State to assist in defraying costs associated with the operation of these agencies, these revenues sources are 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.

<b>Shared Expenses</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
	<b>Actual</b>	<b>Actual</b>	<b>Amended</b>	<b>Adopted</b>	<b>Planned</b>
Circuit Court Clerk	1,009,209	808,438	855,179	872,395	872,395
City Registrar	32,559	129,993	33,000	40,932	41,873
City Sheriff	5,998,923	5,795,749	5,727,799	5,770,041	5,770,041
City Treasurer	353,372	301,374	267,291	267,089	267,089
Commissioner of Revenue	295,124	262,929	247,257	248,124	248,124
Commonwealth's Attorney	1,614,734	1,517,432	1,535,016	1,700,558	1,700,558
DMV Select	45,246	68,404	45,000	50,000	51,150
<b>Total</b>	<b>9,349,167</b>	<b>8,884,319</b>	<b>8,710,542</b>	<b>8,949,139</b>	<b>8,951,230</b>

**State Categorical Aid**

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

	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
<b>Categorical Aid</b>	<b>Actual</b>	<b>Actual</b>	<b>Amended</b>	<b>Adopted</b>	<b>Planned</b>
Escheated Property Proceeds	2,247	0	2,300	0	0
VDOT	9,504,902	9,314,911	9,175,000	9,200,000	9,411,600
Library Funds-Books	189,908	215,379	191,000	210,000	214,830
Wireless E-911	44,488	0	0	0	0
Correctional Fac Block Gr	1,105,117	916,689	1,217,000	925,000	946,275
Law Enforcement	6,621,309	6,068,511	5,996,757	5,786,223	5,786,223
<b>Total</b>	<b>17,467,971</b>	<b>16,515,490</b>	<b>16,582,057</b>	<b>16,121,223</b>	<b>16,358,223</b>



## TRANSFERS FROM OTHER FUNDS

Transfers to the General Fund include Economic Development Authority (EDA), School Operating, BHS, Law Library Fund, Donations Fund, Willet Hall Fund, Public Utility Operating Fund, Port Fund, Parking Authority Fund, Risk Management Fund to cover the related administration and overhead cost of these functions.

	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
<b>Operating Transfers In</b>	<b>Actual</b>	<b>Amended</b>	<b>Adopted</b>	<b>Planned</b>
From EDA	\$125,000	\$125,000	\$125,000	\$125,000
From School Operating	267,204	267,204	267,204	267,204
From BHS	1,126,105	338,000	338,000	338,000
From Law Library Fund	51,975	0	0	0
From Donations Fund	38,119	0	0	0
From Willet Hall Fund	299,075	0	0	0
From Public Utility Oper	7,500,000	7,200,000	7,500,000	7,500,000
From Port Fund	575,000	0	0	0
From Parking Authority Oper	0	335,835	335,835	335,835
From Risk Management Fund	1,500,000	0	0	0
<b>Total Transfers</b>	<b>11,482,478</b>	<b>8,266,039</b>	<b>8,566,039</b>	<b>8,566,039</b>