

Revenue Forecast

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GENERAL FUND

This forecast is focused on the City's General Fund. It does not include revenue or expenditure projections for Special Revenue or Enterprise Funds.

Assumptions for Local Forecast

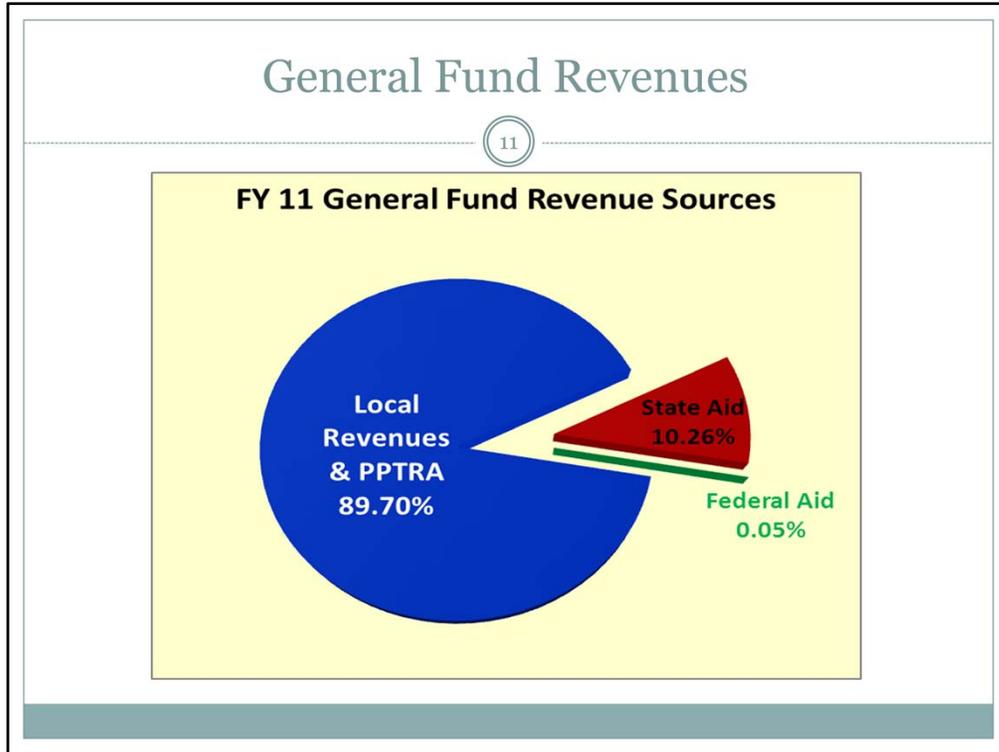
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- **Based on CBO National Forecast**
 - Follows US economy with 6-12 month lag
 - Buffered by US defense spending (45% of regional GDP)
- **No Change in State Policies or Funding**
- **Risks & Uncertainties**
 - Impact of reductions in Federal spending
 - US defense strategy and international developments
 - Ports, maritime industry and economic developments overseas, (Europe)
 - Navy Carrier Relocation to Mayport, Florida

Assumptions about the regional and local economy are based on the national forecast and past relationships among local, regional and national economic indicators.

The regional economy tends to react more slowly to changes in national economic conditions.

The significant role of Federal fiscal and defense policies in the regional economy act both to buffer the region from broader economic changes and to enhance the importance of national and international politics as an external variable affecting the region.



The principal source of revenues for the General Fund is local - taxes, fees and other locally derived income.

State aid in the form of Personal Property Tax Relief is included as a local source since it is really a state rebate to local taxpayers who would otherwise be required to pay the tax in full.

General Fund Revenues 2013 and 2014

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- **FY 2013**
 - Property tax revenues are flat (projected drop in real estate tax offsets increases personal property tax)
 - Other local tax revenues climb 1.6%
 - Overall, local revenue climbs 0.5%
 - State and federal funding is level except for scheduled drop in HB 599 funds (drop of \$432,700)
- **FY 2014**
 - Property tax revenues rise by 1.0%
 - Other local tax revenues rise by 2.8%
 - Overall, local revenue climbs 1.6%

Other local taxes – strength in consumption-based taxes (sales, utilities, restaurant)

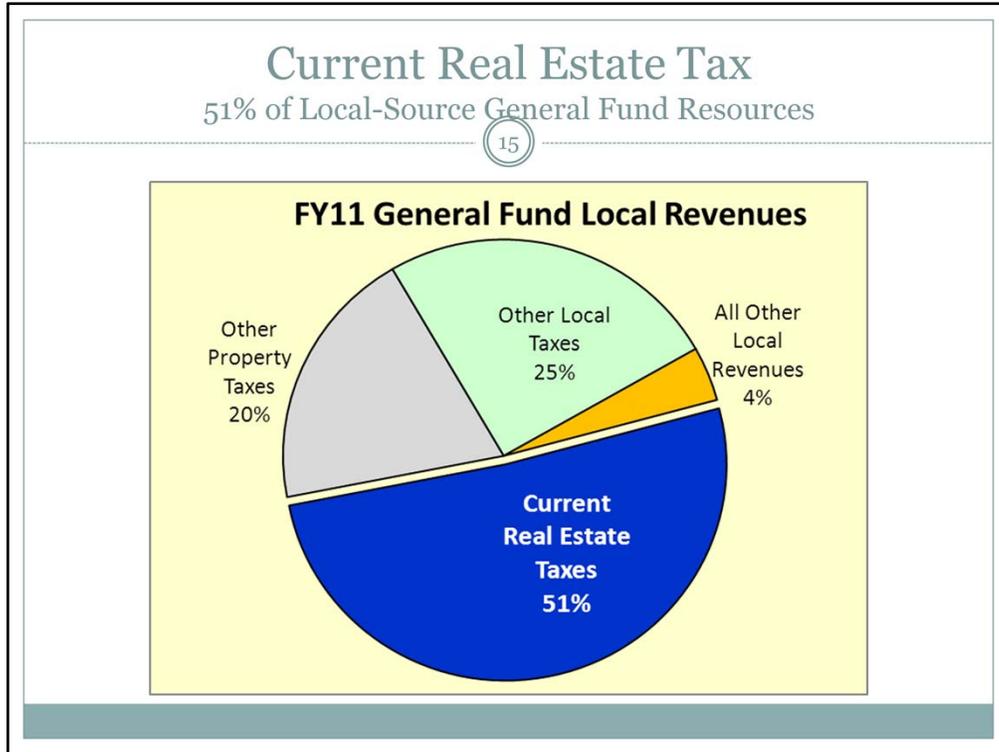
General fund revenues 2015-2017

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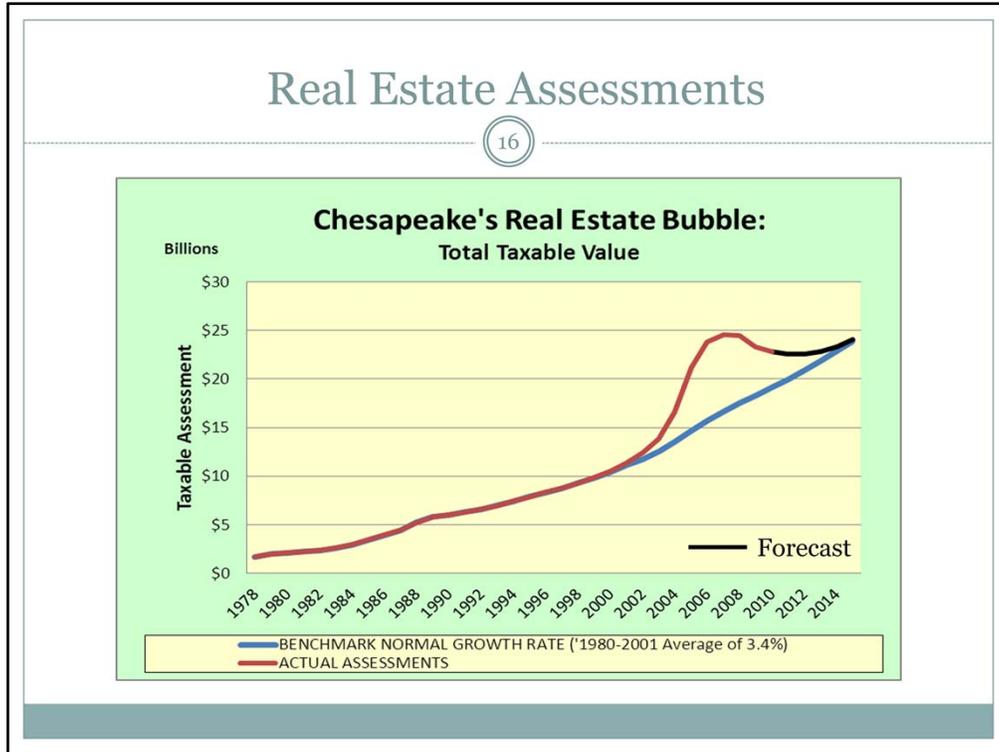
- **Gradual increasing property tax revenue**
 - Real estate values begin showing moderate increases
 - Personal property values accelerate as recovery strengthens
 - Projected revenue increases for period: FY 2015 +2.2%, FY 2016 +4.8%, FY 2017 +3.9%
- **Strong growth in other local taxes**
 - Driven by sales taxes, business licenses, restaurant and lodging taxes
 - Projected revenue increases for period: FY 2015 +4.4%, FY 2016 +6.4%, FY 2017 +4.9%
- **Solid growth in permits and fees (4% - 6% annually)**

<h2 style="margin: 0;">Property Taxes</h2> <p style="margin: 0;">71% of Local-Source General Fund Resources</p>		
<div style="border: 1px solid black; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">14</div>		
<h3 style="margin: 0;">General Fund Revenue Projection</h3> <p style="margin: 0;">Year-to-Year Change</p>		
<u>Fiscal Year</u>	<u>Revenue</u>	<u>% Change</u>
2011	(7,478,379)	-2.54%
2012	(4,689,348)	-1.63%
2013	(234,220)	-0.08%
2014	2,834,208	1.00%
2015	6,381,244	2.24%
2016	14,074,730	4.83%
2017	11,970,772	3.92%
<p style="margin: 0;">FY 2012 Revenue: \$281.74 million</p>		

Principal sources of growth are Personal Property Taxes and, beginning in FY2014, Real Estate Taxes.



Real estate tax billed and collected for the current fiscal year is the largest component of local-source General Fund Revenues.
(If delinquent taxes are added, real estate becomes 52%).



The black line represents the forecasted value of the taxable land book for the 5-year forecast horizon.

Current Real Estate Tax

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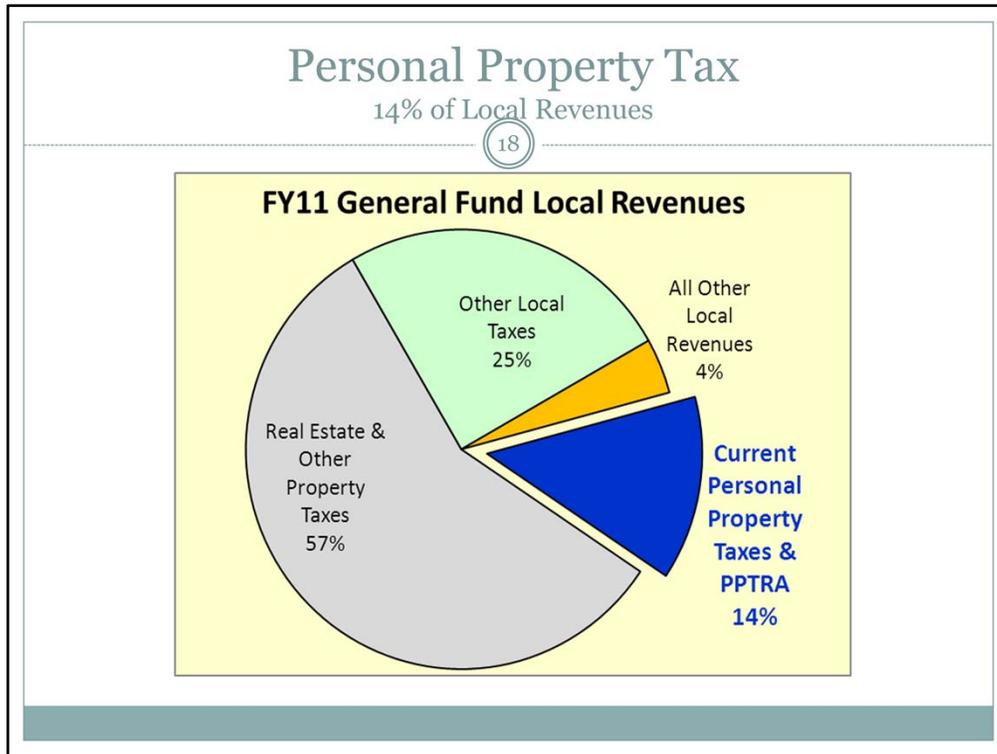
General Fund Revenue Projection Year-to-Year Change

<u>Fiscal Year</u>	<u>Revenue</u>	<u>% Change</u>
2011	(10,245,712)	-4.30%
2012	(4,452,313)	-1.95%
2013	(2,419,779)	-1.08%
2014	(41,350)	-0.02%
2015	2,301,073	1.04%
2016	4,599,233	2.06%
2017	7,045,704	3.09%

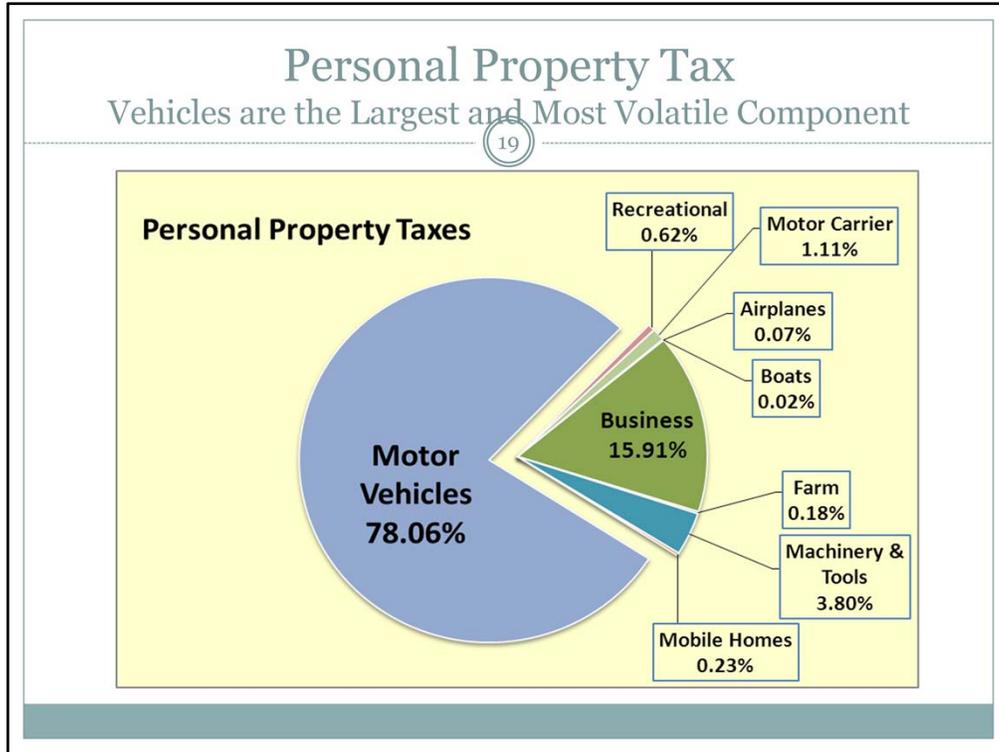
FY 2012 Revenue: \$227.28 million including delinquent taxes

Assumes no increases in tax rates.

This table represents the year-to-year change in current real estate tax revenues for the present and past fiscal year and the 5-year forecast period. It encompasses the combined effects of new construction and revaluation.



Personal property tax is the second largest source of local revenues, about \$60.5M in 2011 including \$28.6M PPTRA (state car tax payments to locality). If delinquent collections are included, this source comprises almost 16%.



78% of Personal Property Taxes are from motor vehicles other than motor carriers and recreational vehicles.

Personal Property Tax (including PPTRA)
 Year-to-Year Change

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General Fund Revenue Projection
 Year-to-Year Change

<u>Fiscal Year</u>	<u>Revenue</u>	<u>% Change</u>
2011	1,510,393	2.56%
2012	1,869,455	3.09%
2013	2,202,899	3.53%
2014	2,719,688	4.21%
2015	3,721,141	5.53%
2016	8,417,247	11.85%
2017	5,667,738	7.13%

FY 2012 Revenue: \$70.9 million including delinquent taxes

Assumes no increases in tax rates.

Public Service Corporation Tax Dominion Virginia Power

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- Anticipate scheduled retirement of Deep Creek plant
- Approximately 40% of City's Public Service Corp taxes
- One generator is currently operating at 36% of capacity
- Continuation of plant past 2016 requires investments

POTENTIAL GENERATION RETIREMENTS:

The Company currently anticipates that the units listed in Figure 7.2.5 will be considered for retirement by the end of 2016.

Figure 7.2.5 POTENTIAL GENERATION RETIREMENTS

Unit Name	MW Summer	Year Effective
Chesapeake 1	-111	2015
Chesapeake 2	-111	2015
Chesapeake 3	-156	2016
Chesapeake 4	-217	2016

This chart is from Dominion Power's 2011 Integrated Resource Plan. Dominion power's Deep Creek plan represents about 40% of the City's Public Service Corporation Tax revenue of \$10.8M. Dominion has already de-rated one generator by 64%. The revenue forecast assumes annual assessment reductions due to gradual demobilization and two large reductions in FY 2017 and FY 2018 when the generators are taken out of service completely. This schedule is likely to change as more is known. In the FY 2018 tax year, the property will be removed from PSC status and becomes subject to local real estate and machinery & tools taxes. An estimate of these taxes will become available in the FY 2018 budget cycle.

Public Service Corporation Tax

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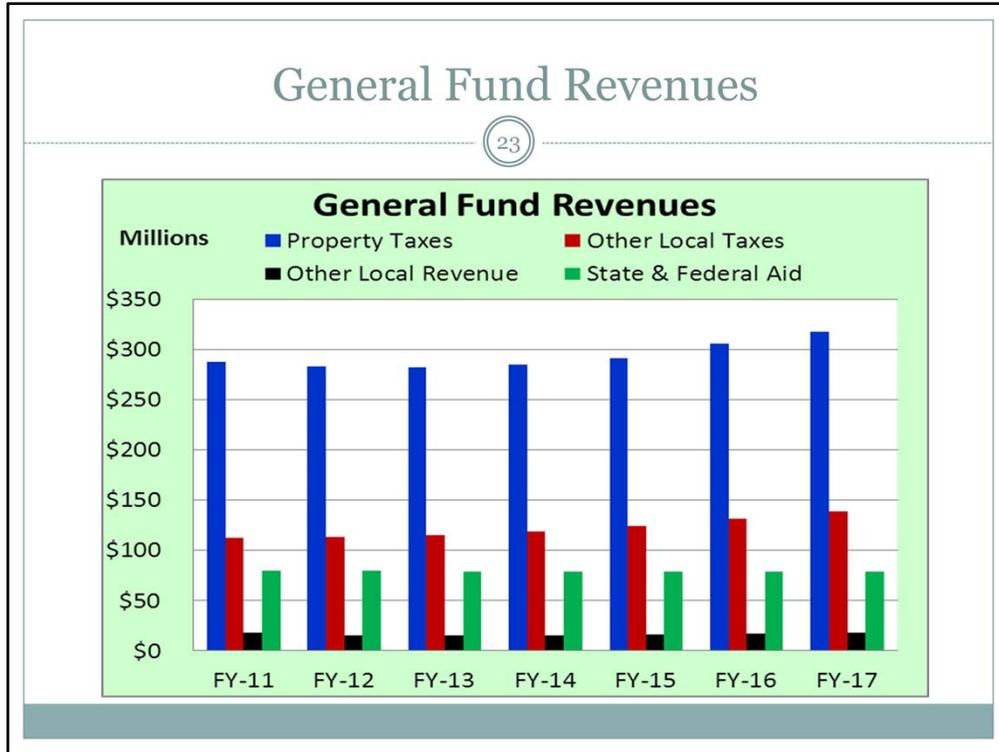
General Fund Revenue Projection Year-to-Year Change

<u>Fiscal Year</u>	<u>Revenue</u>	<u>% Change</u>
2011	21,563	0.20%
2012	(335,086)	-3.11%
2013	(300,000)	-2.87%
2014	(300,000)	-2.95%
2015	(300,000)	-3.04%
2016	(300,000)	-3.14%
2017	(1,762,500)	-19.04%

FY 2012 Revenue: \$10.46 million

Anticipate final reduction from plant closing in FY 2018 – \$1.7 million

The decline in revenues is driven by the demobilization of the Virginia Power plant at Deep Creek, net of any growth in other components of the tax base.



This chart summarizes the General Fund revenues by category.

General Fund Summary							
Revenues							
24							
Revenue	FY-11	FY-12	FY-13	FY-14	FY-15	FY-16	FY-17
Total Revenue							
Property Taxes	287,272,604	282,583,256	282,349,036	285,183,244	291,564,488	305,639,218	317,609,990
Other Local Taxes	112,416,356	113,590,401	115,357,990	118,603,830	123,803,390	131,747,250	138,264,230
Other Local Revenue	18,159,620	14,779,510	15,142,250	15,530,340	16,192,950	16,894,020	17,644,760
State & Federal Aid	79,864,581	80,017,651	78,631,224	78,629,994	78,628,824	78,627,714	78,626,654
General Fund	497,713,161	490,970,818	491,480,500	497,947,409	510,189,652	532,908,202	552,145,634
Change Year-to-Year							
Property Taxes		(4,689,348)	(234,220)	2,834,208	6,381,244	14,074,730	11,970,772
Other Local Taxes		1,174,045	1,767,589	3,245,840	5,199,560	7,943,860	6,516,980
Other Local Revenue		(3,380,110)	362,740	388,090	662,610	701,070	750,740
State & Federal Aid		153,070	(1,386,427)	(1,230)	(1,170)	(1,110)	(1,060)
General Fund		(6,742,343)	509,683	6,466,908	12,242,244	22,718,550	19,237,432
Percent Change							
Property Taxes		-1.6%	-0.1%	1.0%	2.2%	4.8%	3.9%
Other Local Taxes		1.0%	1.6%	2.8%	4.4%	6.4%	4.9%
Other Local Revenue		-18.6%	2.5%	2.6%	4.3%	4.3%	4.4%
State & Federal Aid		0.2%	-1.7%	0.0%	0.0%	0.0%	0.0%
General Fund		-1.4%	0.1%	1.3%	2.5%	4.5%	3.6%
Personal property relief tax payments are noted as State & Federal Aid							

This chart summarizes the General Fund revenues by category.

FY 2012 drop in other local revenue reflects elimination of trash/recycle fees

City General Fund Reserves

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	June 30,	2010	2011	Oct 2011
Cash Flow - Emergencies	6%	\$ 31.47	\$ 30.07	\$ 30.07
Emergency Operating Reserves	5%	26.26	25.06	25.06
Sub-totals	11%	\$ 57.73	\$ 55.13	\$ 55.13
Emergency Response and Recovery (Core)		20.00	20.00	17.00
Total Reserves		\$ 77.73	\$ 75.13	\$ 72.13

- *We anticipate reimbursements from FEMA for hurricane.*
- *First priority for year-end funds is to restore core reserve.*

Will recommend amendment to Council in November – costs for Hurricane Irene are greater than original estimate.

Debt Service Fund

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<i>Reserves (in millions)</i>	<u>Year Ended June 30,</u>					
	2012	2013	2014	2015	2016	2017
6-months debt service	\$ 28.18	\$ 29.17	\$ 24.99	\$ 17.87	\$ 15.02	\$ 14.73
Miscellaneous reserves	\$ 1.77	\$ 1.67	\$ 1.57	\$ 1.47	\$ 1.47	\$ 1.47
Less debt funded by TIFs	\$ (1.13)	\$ (1.13)	\$ (1.13)	\$ (1.13)	\$ (1.13)	\$ (1.13)
Less debt funded from school lock box	\$ (5.45)	\$ (5.16)	\$ (5.16)	\$ (5.16)	\$ (5.16)	\$ (5.16)
Less debt funded from city lock box	\$ (2.34)	\$ (2.34)	\$ (2.34)	\$ (3.31)	\$ (3.31)	\$ (3.31)
Reserves recommended	\$ 21.02	\$ 22.21	\$ 17.93	\$ 9.74	\$ 6.89	\$ 6.60
Available funds	\$ 33.08	\$ 27.83	\$ 22.58	\$ 17.33	\$ 12.08	\$ 9.08
Recommended level of funds applied to debt service	\$ 5.31	\$ 5.25	\$ 5.25	\$ 5.25	\$ 5.25	\$ 3.00

Fund balance has accrued because of City policy of budgeting a full year of debt service in year of issuance. Often debt sales occur late in the fiscal year and the initial debt payments are not required until the following year.

Miscellaneous reserves include:

- Arbitrage rebates
- Yield restrictions
- Advances to component units