

BOARD OF SUPERVISORS WORK SESSION GOVERNMENT CENTER BOARD ROOM

SEPTEMBER 22, 2009 - 4 P.M.

A. Call to Order

B. Roll Call

C. Board Discussion

1. Financial Update (Memorandum) (Presentation)

D. Break

MEMORANDUM

DATE: September 22, 2009

TO: The Board of Supervisors

FROM: John E. McDonald, Manager, Financial and Management Services

SUBJECT: Potential Revenue Alternatives

The Board requested that staff identify potential revenue alternatives that might be possible for the County as we look at budget prospects for Fiscal Year 2011.

Staff would like to briefly preview five items and request the Board's direction and guidance if there are some the Board would consider in January 2010 at the budget retreat. Staff will continue to evaluate other possibilities, either revenue or spending, but there are five revenue options below that have the potential to generate ongoing revenues of \$1 million or more:

- **Increase in Real Property Tax Rate**
A one-penny increase in the tax rate on real property would generate \$1,090,000 and the impact on a household with property valued at \$300,000 would be an additional \$30 a year. It is easily collected and the increase would first be seen in the tax bills due on December 5, 2010.
- **Increase in Personal Property Tax Rate**
An increase in the base rate of \$4 per \$100 of value to \$4.25 per \$100 on personal property would generate an additional \$1,100,000 under an assumption that the rate increase would not apply to machinery and tools, construction equipment, or business personal property. A household with two vehicles assessed at a total of \$20,000 would see an annual increase of approximately \$50.
- **Motor Vehicle Local License Tax**
Localities are offered the option of charging an annual motor vehicle local license tax of up to the cost of the annual State license tax – currently \$38.75 for the standard motor vehicle. James City County currently assesses a one-time license tax of \$10 and does not assess an annual tax. At the annual tax rate charged by York County (\$23 for a motor vehicle and \$15 for motorcycles) the tax would generate approximately \$1.3 million a year and would cost a household with two vehicles \$46 a year.
- **Stormwater Utility Fee**
Using the rate schedule adopted in Fiscal Year 2008, the stormwater utility fee could produce approximately \$2,000,000 in revenues net of credits. The average household would pay \$58.80 a year (\$4.90 a month).
- **Consumer Utility Tax – Electricity and Natural Gas**
Localities are allowed to add a usage tax, not to exceed \$3 a month for a residential user, on metered electric, natural gas, and water service. Most local governments, including most counties, assess a tax on electricity and gas. Taxes on water service are not as widespread but several Hampton Roads cities do assess a tax on water service. The taxes can either be a flat dollar rate or may be tied to usage.

Locally, neither James City County nor York County imposes a tax but other Peninsula localities do. Williamsburg limits the tax to \$1 a month for residential (\$0.70 a month + a usage charge per KWH) and \$20 a month (\$1.15 a month + a usage charge) for commercial and industrial. New Kent County has a maximum \$1.50 on residential accounts, Charles City County has a maximum of \$2. Hampton, Newport News, and Poquoson have a ceiling of \$3 a month for residential users.

Considerations – this could be a tax on usage only, up to a fixed \$3 a month for residential users, for both gas and electricity. Commercial and industrial users could be also assessed on usage, with a higher monthly maximum. The total revenue would have to be tested with actual billing data from Dominion Virginia Power and Virginia Natural Gas but could generate approximately \$2.5 to \$3.0 million a year, depending on how much usage triggers the monthly maximum. Williamsburg generates \$650,000 annually and Newport News \$12.8 million annually.

A household with only electric service would pay a maximum of \$36 a year, with both gas and electric \$72 a year; the average would again depend on the usage needed to reach a maximum bill. If the Board is interested, we can work with the two public service companies (or just one) to estimate annual revenues under several rate scenarios.

Staff members would welcome the Board's guidance as we continue to develop both a Fiscal Year 2011 and Fiscal Year 2012 budget proposal.

John E. McDonald

JEM/nb

PotntRevAlt_mem

Attachment

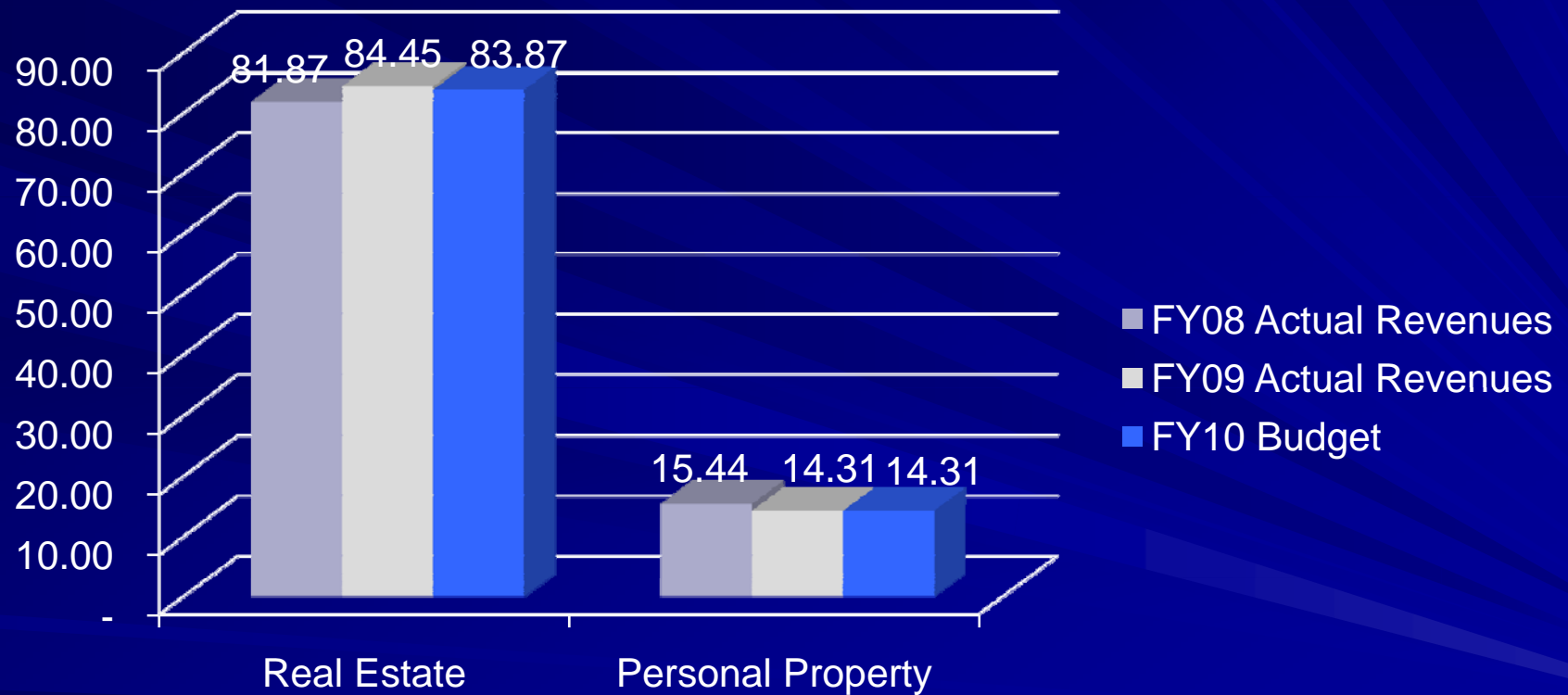
Financial Update

September 22, 2009

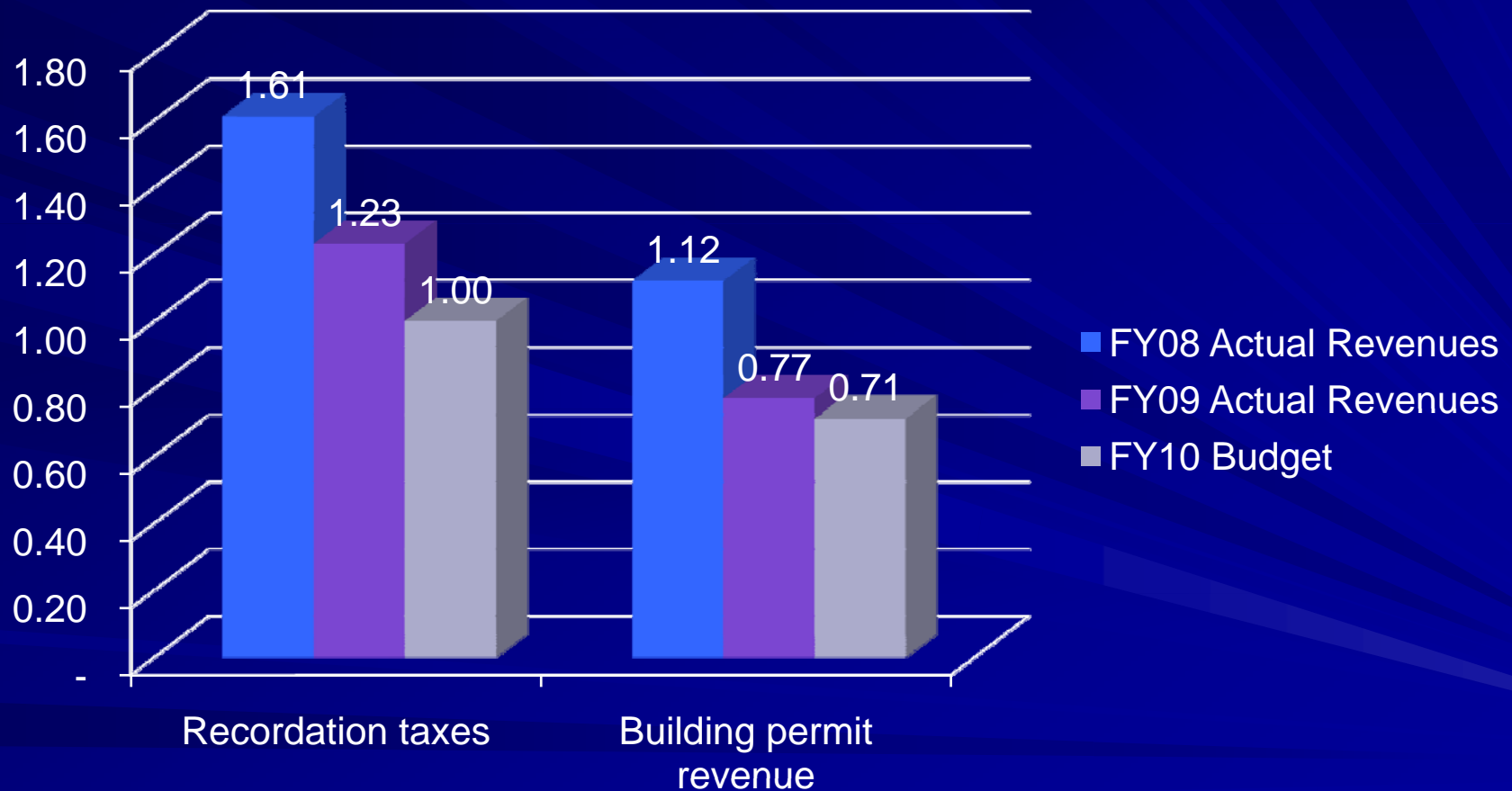
FY 2009 Results

General Fund	FY 2009
Total Revenues	\$164,342,095
Total Spending & Commitments	\$164,313,655

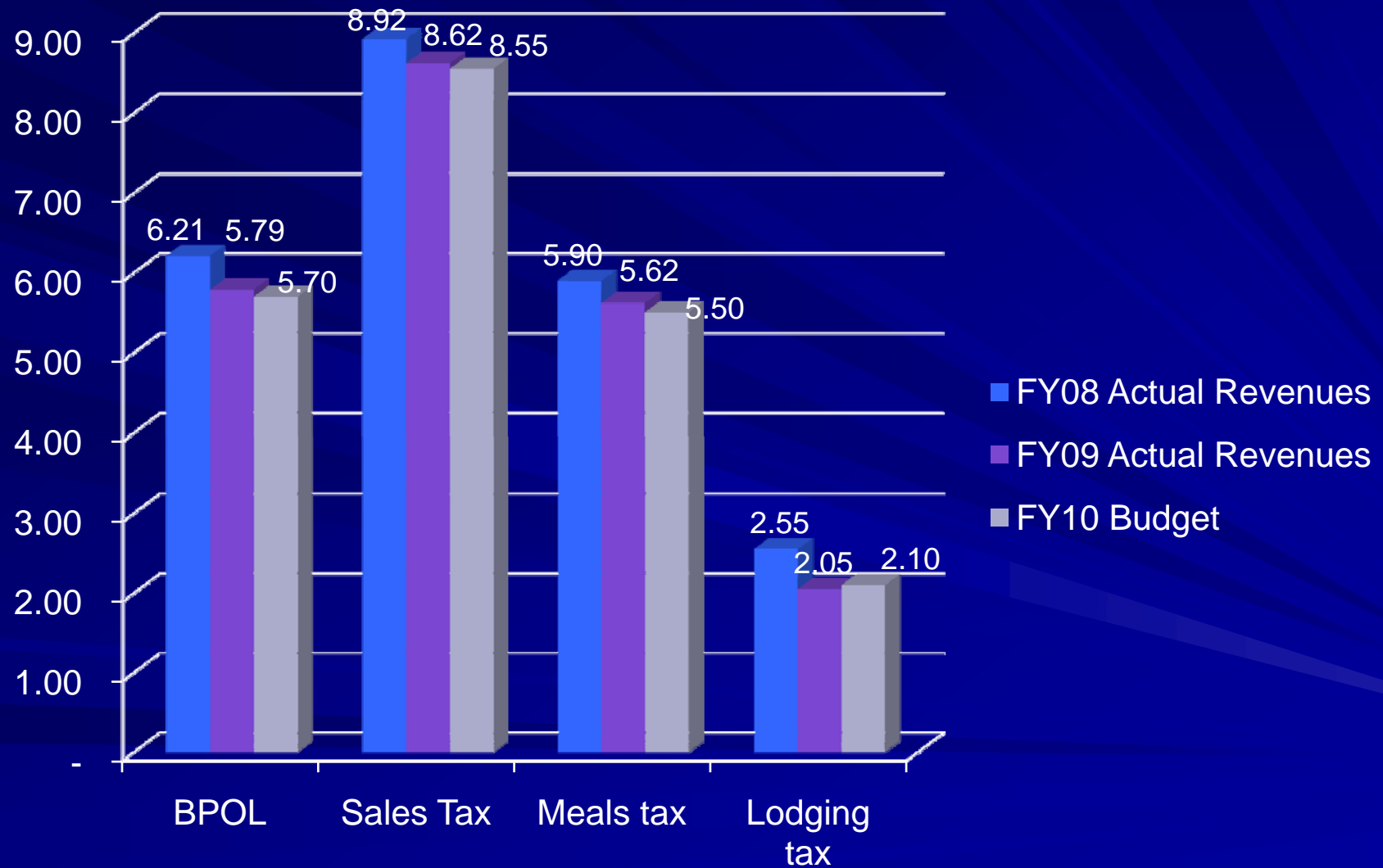
Property Taxes



Building Related Revenues



Consumer Driven Revenues



State Budget Shortfalls for FY10

	FY2010
HB599 funds (for Public Safety)	(\$104,709)
State Support of Constitutional Officers	(\$125,000)

- State support for Constitutional Officers may decrease further pending Comp Board action
- Awaiting revised State Sales Tax for Education figures

Revenues to Watch in FY 10

- Personal Property
- BPOL
- Sales/Meals/Lodging
- Building Permits
- State Revenues

FY 2011 Challenges

■ Revenues

- Real Estate Taxes
- State Revenues

■ Expenditures

- Mandated Stormwater Costs
- VRS increases

Revenue Alternatives for FY 2011 Budget

	Increase in tax rate	Estimated annual impact on taxpayer	Estimated annual County Revenue
Real Property Tax Rate	\$.01	\$30.00	\$1,090,000

- Estimated impact on taxpayer is based on a household with property valued at \$300,000

Revenue Alternatives for FY 2011 Budget

	Increase in tax rate	Annual impact on taxpayer	Annual County Revenue
Personal Property Tax Rate	\$.25	\$50.00	\$1,100,000

- Estimated impact on taxpayer is based on a household with two vehicles valued at \$20,000
- Rate increase would not apply to:
 - Machinery and Tools
 - Construction Equipment
 - Business Personal Property

Revenue Alternatives for FY 2011 Budget

	Increase in tax rate	Annual impact on taxpayer	Annual County Revenue
Motor Vehicle Local License Tax	\$23/motor vehicle \$15/motorcycle	\$46.00	\$1,300,000

- Estimated impact on taxpayer is based on two vehicles
- JCC is 1 of the 8 counties in the state who do not assess this tax

Revenue Alternatives for FY 2011 Budget

	Increase in tax rate	Annual impact on taxpayer	Annual County Revenue
Stormwater Utility Fee	\$4.90 per month	\$58.80	\$2,000,000

- Assumes same rates as previously assessed

Revenue Alternatives for FY 2011 Budget

	Increase in tax rate	Annual impact on taxpayer	Annual County Revenue
Consumer Utility Tax-Electricity and Natural Gas	Up to \$3 per month per utility	Up to maximum \$72 per year	Unknown at this time

- Estimated impact on taxpayer is based on maximum allowable for both Electricity and Natural Gas
- JCC is 1 of the 9 counties in the state who do not assess this tax on electricity

Recap

- FY 2009
 - Revenues above spending and commitments
- FY 2010
 - Continue to watch targeted revenues
- FY 2011
 - Further research into Revenue Alternatives?