

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue, creating a modern and professional aesthetic.

FY2017-2018 Operating Budget Revenue Forecast

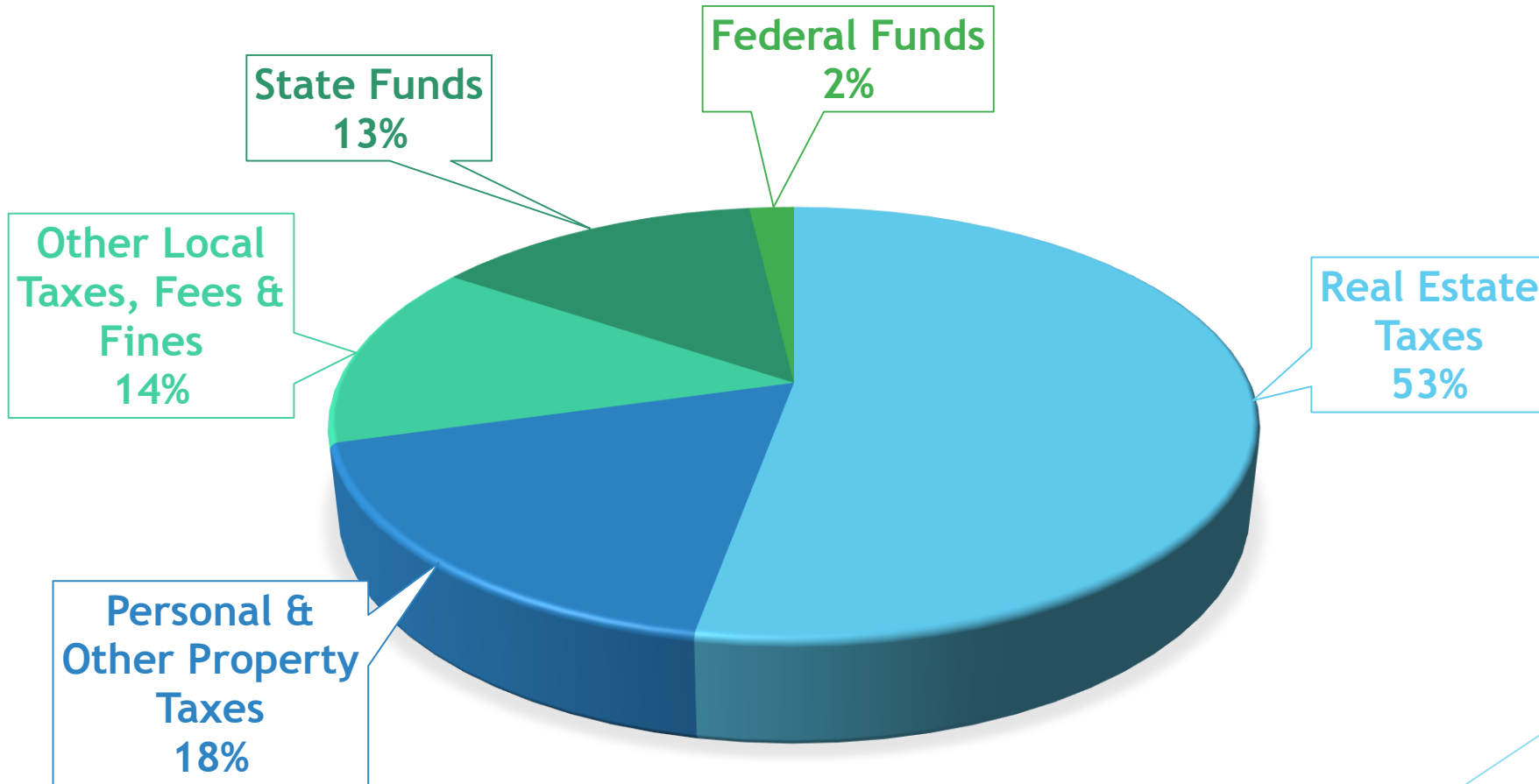
Board of Supervisors' Budget Work Session

February 14, 2017

Budget Structure

- ▶ County has 20 funds
- ▶ Fund: separate set of accounts which is self-balancing
 - ▶ Revenues = Expenditures
 - ▶ Separated due to external (or sometimes internal) restrictions on use
- ▶ Self-balancing: if funds from one fund are spent in another, a transfer between the funds is required
- ▶ Some funds are not controlled by County or subject to BoS appropriation
- ▶ Some will not be appropriated until funds are received

General Fund Revenue by Source



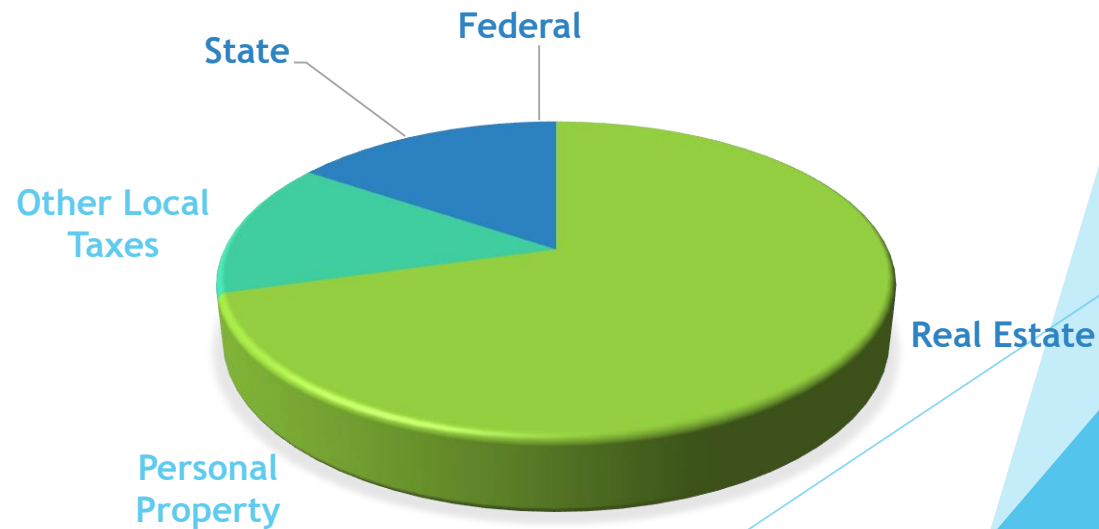
Local Control over Revenue Sources

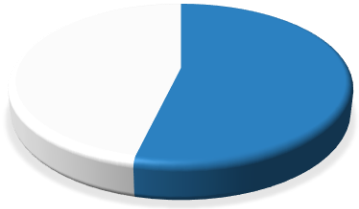
Locally Set

- ▶ Real Estate
- ▶ Personal Property
- ▶ Motor Vehicle Licenses

Set by State/ Economic Factors

- ▶ Local Sales Tax
- ▶ PPTRA

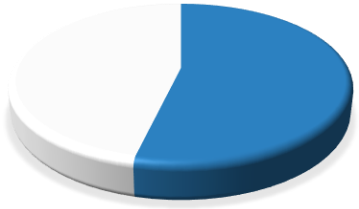




Real Estate

- ▶ Largest single source of revenue
- ▶ Semi-annual collections 6/5 & 12/5
- ▶ Current rate is \$0.88/\$100 of assessed value
- ▶ 2014 Assessment/Sales Ratio: 95.76%
- ▶ Median Value, Owner Occupied housing units= \$164,400
- ▶ Median Tax Bill= \$1,446.72

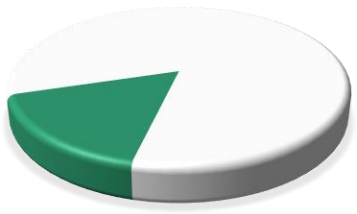
Locality	Rate per \$100
Caroline	.82
King William	.82
King George	.68
King & Queen	.54
Lancaster	.54
Northumberland	.54
Middlesex	.53



Real Estate- 2017 Reassessment

- ▶ 2017 Total Gross Taxable Assessed Value \$1,400,812,300
- ▶ 2016 Total Gross Taxable Assessed Value \$1,399,915,154
- ▶ Difference of \$897,146 = 0.06% increase
- ▶ New construction estimate \$3,750,000
- ▶ Actual change in value due to reassessment (\$2,852,854) = -0.20%

- ▶ 2017 Est. Open Space Easement value = \$22.5M (dependent on land use)
 - ▶ Tax reduction (\$198,000)
- ▶ 2017 Land Use Deferred Value = \$101.4M
 - ▶ Tax deferred (\$892,500)



Personal Property

- ▶ Tax rate set for 2017 will impact FY17 (current budget) and FY18
- ▶ Current rate is \$4.00/\$100 of assessed value
- ▶ PPTRA = 42% relief

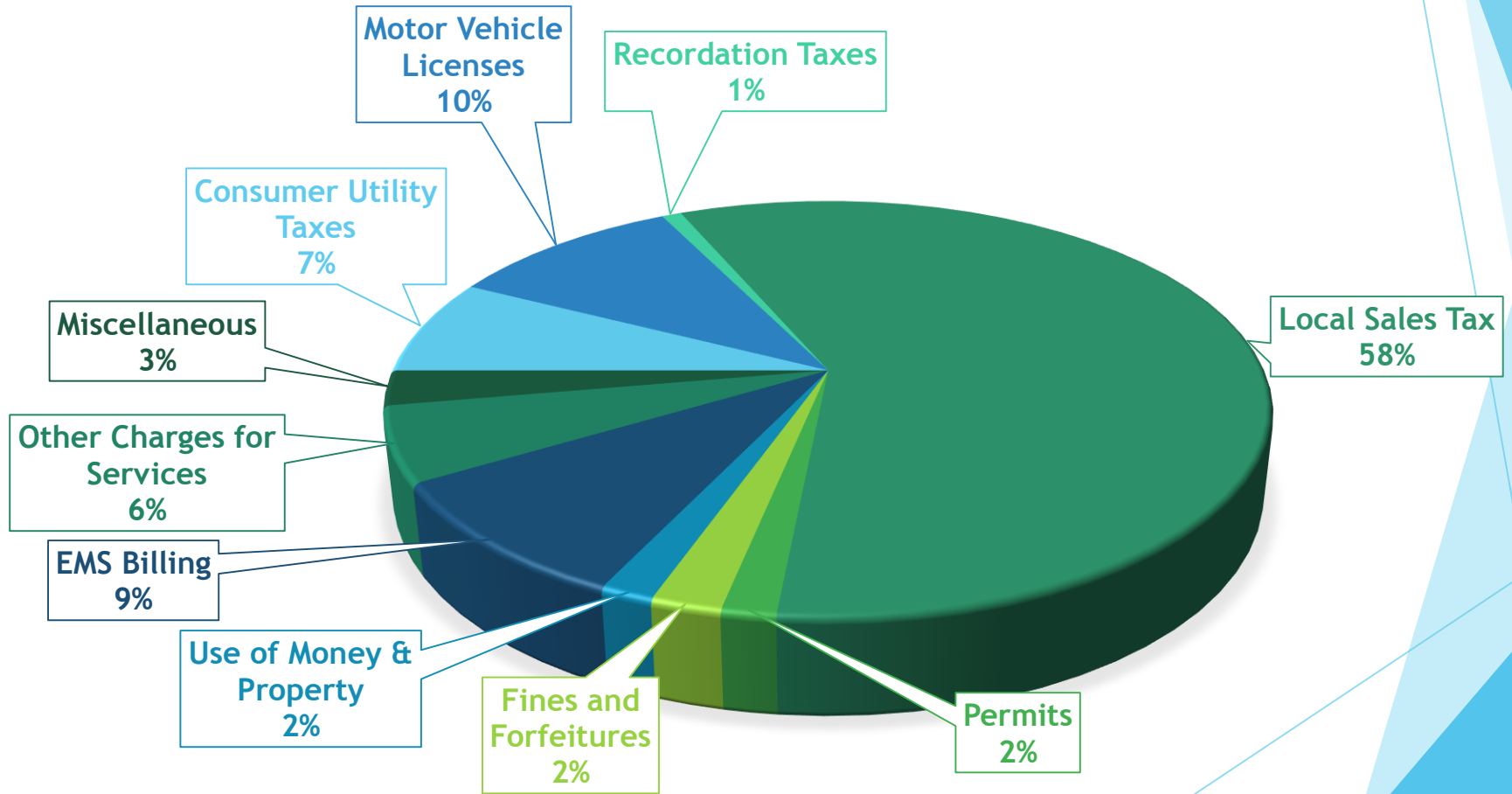
Locality	PP Rate
King & Queen	\$3.94
Caroline	3.80
King William	3.65
Northumberland	3.60
King George	3.50
Middlesex	3.50
Lancaster	2.04

Locality	M&T Rate	Assess. Ratio	Eff. Rate
Lancaster	1.52	100%-20%	\$1.52-0.30
Northumberland	3.60	25%	\$0.90
King & Queen	1.10	70% - 10%	\$0.77-0.11
Caroline	\$3.50	20%*	\$0.70
King William	2.25	25%	\$0.56
King George	2.50	20%	\$0.50
Middlesex	1.75	10%	\$0.18

- ▶ Current M&T Rate= \$3.75
- ▶ Assessment Ratio = 10%
- ▶ Effective Rate = \$0.38



Other Local Taxes, Fees, Fines



Revenue Outlook for FY2017-2018

In comparison to FY2017 Budget:

▶ Anticipated RE increase not realized	(\$75,000)
▶ No one-time road construction money (misc. revenue)	(250,000)
▶ Unrealized miscellaneous revenue	(95,000)
▶ No hard billing EMS	(83,500)
▶ Use of Fund Balance to balance FY2017	(180,800)
▶ Other Adjustments	<u>72,900</u>
TOTAL REVENUE <u>REDUCTION</u>	(\$611,400)

FY17-18 Budget Status

▶ “Level funded” FY18 budget expenditures

▶ Revenue shortfall (\$611,400)

▶ Initial Expenditure reductions \$99,400

▶ Current deficit (\$512,000)

▶ 1 cent on tax rate = 125,100

▶ 4.1 cents needed to cover current deficit

Effective Rates*

Merchant's Capital

Locality	MC Rate	Assess. Ratio	Eff. Rate
King & Queen	.65	100%	\$0.65
Lancaster	1.00	50%	\$0.50
Northumberland	1.00	50%	\$0.50
Hanover	1.90	10%	\$0.19
Essex	3.75	5%	\$0.19

Business Personal Property (Computer Hardware)

Locality	BPP Rate	Assess. Ratio	Eff. Rate
King & Queen	3.94	70-0%	\$2.76-\$0
Lancaster	1.52	100%	\$1.52
Northumberland	3.60	40%	\$1.44
King George	3.20	30%-10%	\$0.96-.32
Essex	3.75	10%	\$0.38
Middlesex	3.50	10%	\$0.35

Other Revenue Options?

- ▶ VA is Dillon Rule state¹
 - ▶ Virginia Supreme Court adopted in 1896
 - ▶ local governments have limited authority
 - ▶ can pass ordinances only in areas where the General Assembly has granted clear authority
- ▶ Limits local government revenue generating options to the taxes and fees enumerated in the Code of Virginia.
- ▶ Code of Va includes maximums, caps, and limited applications for many of the allowed revenue sources

¹ Source: <http://www.virginiaplaces.org/government/dillon.html>

Taxes Allowed By Code of VA not currently assessed:

- ▶ BPOL #
- ▶ Admissions Tax ^
- ▶ Cigarette Tax #
- ▶ Transient Occupancy (Lodging) Tax #
- ▶ Food & Beverage (Meals) Tax*#
- ▶ Severance Tax

^ Limited to localities enumerated in CoV

* Requires approval by referendum

Can not be charged in Town if Town already collects

BPOL (licenses or fees) vs. Merchants Capital

- ▶ No locality may impose a merchants' capital tax if it also imposes a BPOL tax on retail merchants.
 - ▶ § 58.1-3704
 - ▶ A number of localities impose both, but do not use the BPOL tax for retail sales.
- ▶ No cities use Merchants Capital
- ▶ Only 40 of the 95 counties use it exclusively
- ▶ Four counties use the MC tax in conjunction with BPOL tax.
- ▶ BPOL would allow for census of business activity
 - ▶ enforcement of business personal property revenue

BPOL & Merchant's Capital Taxes

Merchant's Capital & BPOL

- ▶ Amherst
- ▶ Hanover
- ▶ Louisa
- ▶ Southampton

Merchant's Capital

- ▶ Essex
- ▶ King & Queen
- ▶ Northumberland
- ▶ Lancaster

BPOL

- Caroline
- Middlesex
- King George
- King William

Grants as an option?

- ▶ Already pursuing all grant options
 - ▶ Grants writer
 - ▶ High success rate
- ▶ Limited sources: Federal / State/ Private
- ▶ Targeted purposes
- ▶ Minimal (if any) administrative funding
- ▶ Local matches
- ▶ Phase-outs
- ▶ Localities must provide up-front resources in time to research and apply

Potential Revenue Enhancements

- ▶ Increasing the assessment ratios (effective rate) for Merchant's Capital, M&T, and Business Personal Property Taxes
- ▶ Prorating Personal Property (would require additional resources)
- ▶ Severance tax (possible revenue in future)

Next Steps

- ▶ Budget Work Sessions
 - ▶ Focus on expenditure side of budget
 - ▶ Service level decisions
 - ▶ Changes for consideration
- ▶ Decision matrix spreadsheet

Decision Matrix

**County of Essex
Changes to Proposed Budget**

Proposed Budget

Technical Adjustments
2% salary incr. incl. in state budget

Potential Impact	Consensus	Davis	Johnson	Langford	Magruder
17,000					
125,100 (63,350)					
(105,000)					
BALANCE					0

Other Changes
*Tax Rate (\$125,100 each penny)
New position in Finance Department*

Increase/(Decrease) Contingency

BALANCE

Negative= Increased expenditures or loss of revenue
Positive= Decreased expenditures or increase in revenue

Budget Calendar- Upcoming Dates

- ▶ March 7 6:00pm Work Session
 - ▶ Presentation of proposed budget
 - ▶ Outside Agencies - if needed
- ▶ March 13 School Board approves budget
- ▶ March 14 4:00pm Work Session
 - ▶ Schools
 - ▶ Social Services
- ▶ March 29 6:00pm Public Hearings
 - ▶ FY18 Proposed budget
 - ▶ Tax Year 2017 Tax Rates

Questions/ Comments