

Revenue Summary

Revenue Forecasting

The Revenue Summary discusses trends impacting City revenue sources. Revenues are derived from the specific activities and, as granted to the City by the Commonwealth, the taxing authority. Forecasting revenue growth is, at times, more an art than a science. A number of methods are used to arrive at an estimate, these include:

- To allow for local economic trend projections, a review of current national and local economic data is used.
- To project new development economic and tax impact, new economic development project evaluations are completed.
- Consensus forecasting, using the opinion of local government experts, is used, and current revenue trend data is evaluated.
- Statistical methods such as exponential smoothing, auto regressive integrated moving averages (ARIMA), and regression analysis are utilized.
- Financial modeling and sensitivity analysis is incorporated.
- To understand departmental revenue collection and usage trends, surveying is used to derive qualitative analyses.

Revenue Categories

For this discussion revenues will be discussed in four major categories:

- Local Tax Revenues – Revenues predicated on City Council local taxing authority. This includes revenues such as property taxes, meals taxes, and other local levies.
- Fees and User Charges – Revenues charged to offset activity costs such as recreation fees, court costs, and other user based fees.
- Licenses and Permits – Revenues collected for permits and other licenses such as building permits, dog licenses, and other types of required credentialing.
- Restricted Revenues – Revenues provided by the State, Federal Government, or other entity and enacted by code or policy and designated for special purposes. For instance, VDOT funds road maintenance, and the State reimburses for Constitutional Officers.

These categories represent a broad look at the four major revenue categories.

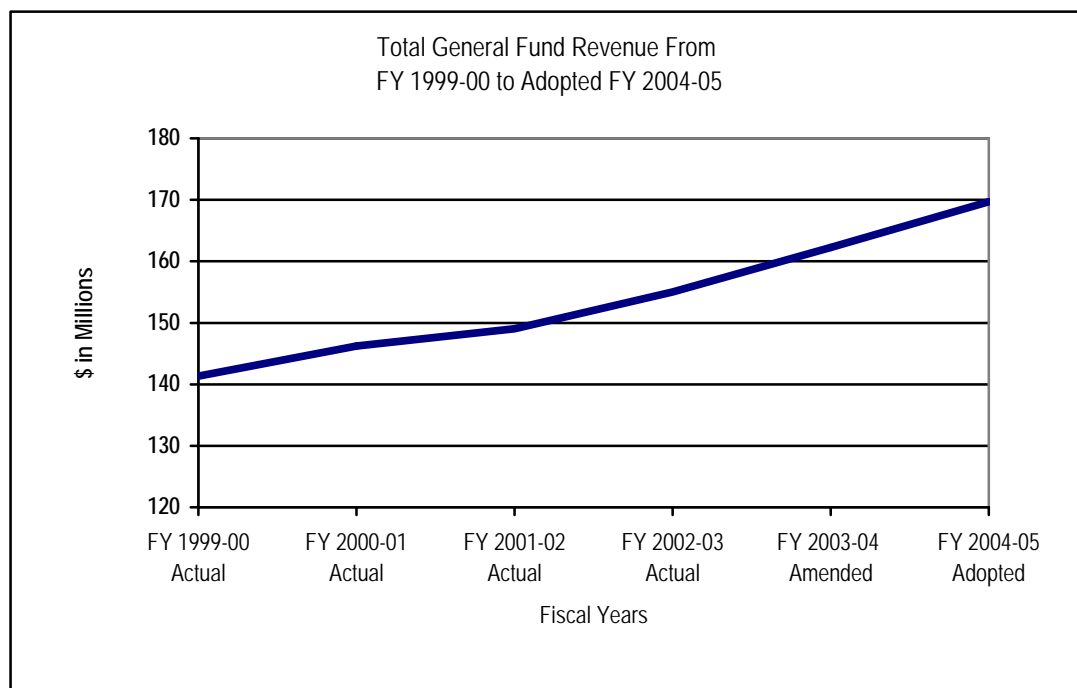
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Total Revenue in the General Fund

Over the past several years, City revenue trends have shown positive increases. Some of the growth is attributable to rate increases; moreover revenues show steady growth. Adopted revenue estimates reflect a 4.59% growth over the amended FY 2003-04 revenues.

General Fund Revenue By Category						
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended	FY 2005 Adopted
Local Tax Revenue	\$ 94,850,522	99,777,930	103,976,701	112,531,314	117,517,827	127,611,114
Fees and User Charges	8,783,895	8,944,896	5,029,627	4,972,687	5,009,310	5,064,596
Licenses and Permits	598,471	513,316	629,774	584,412	529,050	734,511
Restricted - Reimbursements/ Dedicated	37,118,122	37,013,967	39,392,324	36,927,289	39,175,962	36,272,271
Total Revenues	\$ 141,351,010	146,250,109	149,028,426	155,015,702	162,232,149	169,682,492

As the graph below indicates, there has been steady and significant general fund total revenue growth. Over the six-year period where the compound average growth was 3.72%, the 4.59% FY 2003-04 to FY 2004-05 growth is consistent with the trend. Considering a population decrease of .63% occurred, this is a positive trend. As we continue to break down these revenues, they will be compared utilizing a per capita basis. This will accentuate the strong and consistent revenue growth.



Local Tax Revenues

Over this period, the local tax revenues have experienced a 6.11% compound growth rate. The growing assessed real estate value is driving this. In the FY 2001-02, the real estate tax rate increased from \$1.36 to \$1.42. This rate increase generated an additional \$1.14 million. In FY 2004-05, the growth was driven by the increasing real estate assessed value. This accounted for just over 10% of the real property tax revenue growth. Combined with a real property tax rate increase of \$.03 per \$100 of value, the assessment growth accounted for \$7.4 million generating an additional \$1.14 million and generating a total real estate tax revenue increase of \$8.45 million. These two factors, when combined with an automobile

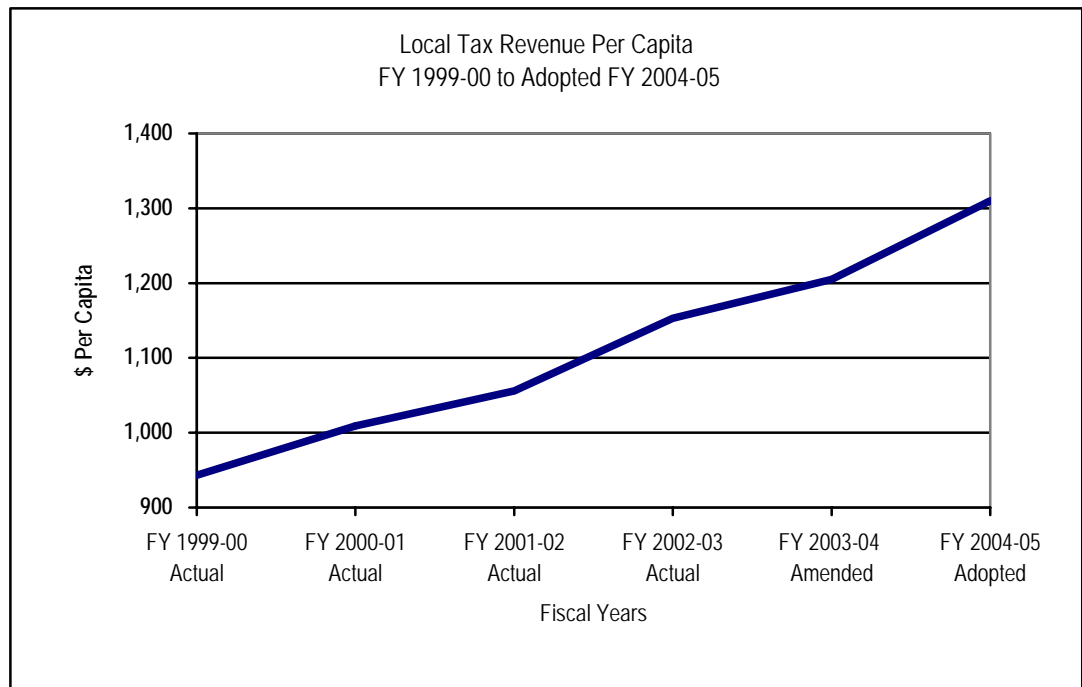
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personal property tax increase of \$.65, will generate additional estimated revenues of \$10.09 million.

Local Tax Revenue By Sub-Category						
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended	FY 2005 Adopted
Total General Property Taxes	\$ 62,436,390	65,962,295	68,434,171	74,158,126	77,980,500	86,428,599
Total Other Local Taxes	19,106,865	19,324,172	20,436,570	22,426,385	22,855,625	24,326,680
Total Utility Taxes	12,199,308	13,288,453	13,868,373	14,572,822	15,321,000	15,426,035
Total Payment In Lieu of Taxes	1,107,959	1,203,010	1,237,587	1,373,981	1,360,702	1,429,800
Total Local Tax Revenue	\$ 94,850,522	99,777,930	103,976,701	112,531,314	117,517,827	127,611,114

As the table above indicates, general property taxes were the only area experiencing significant growth. Other areas experienced a 4.16% combined growth.

As the graph indicates, there has been steady per capita revenue growth largely due to local taxes. This trend, when interpreted along with the downward trend in population, indicates the population is not growing, but the value of real estate, personal property, and other consumption-based taxes is growing. Based on this trend, we can expect to continue the positive real estate value growth, and as the population base grows through new housing developments, the City can expect continued steady consumption based tax growth.



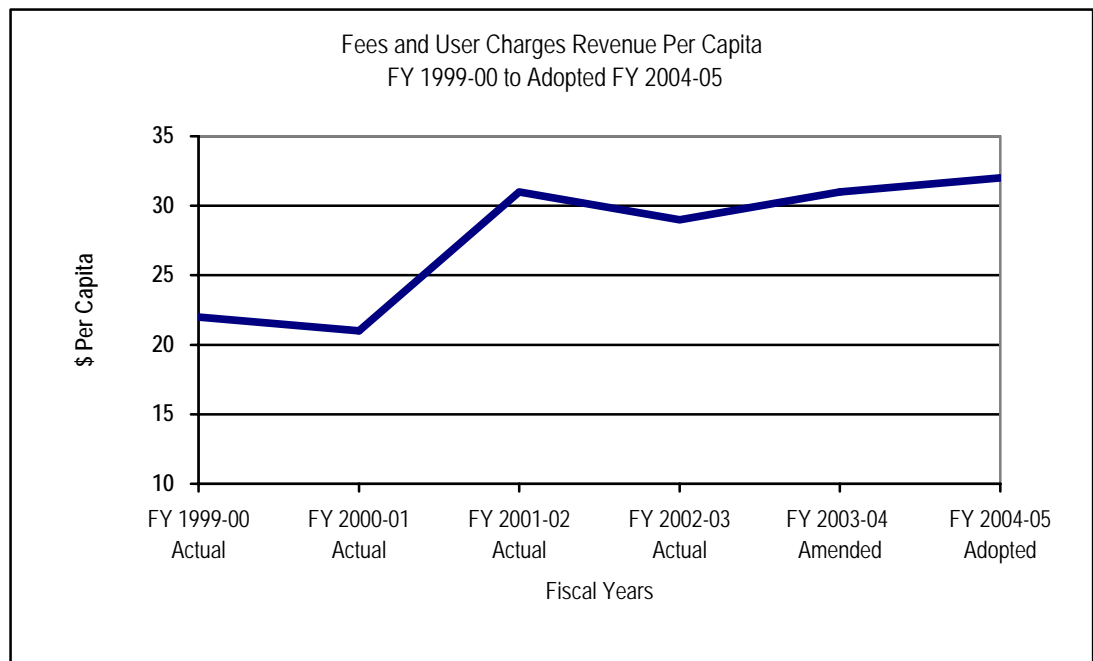
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Fees and User Charges

Fees and User Charges Revenue By Sub-Category						
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended	FY 2005 Adopted
Total Charges for Services	788,361	881,762	1,636,475	1,332,066	1,707,000	1,477,159
Total Charges for Services General Government	15,186	10,122	4,290	4,315	2,500	-
Total Charges for Services Judicial	360,803	63,992	336,761	295,447	328,000	311,620
Total Charges for Services Public Safety	36,669	29,712	149,535	59,868	28,000	78,546
Total Charges for Services Public Works	100	2,750	9,405	100,016	500	225,509
Total Interest Income	321,643	165,720	38,280	28,045	40,000	25,000
Total Charges for Servcs Parks and Rec	625,596	762,789	789,012	804,581	745,800	836,541
Total Charges for Services Com. Deve.*	5,906,830	5,991,673	52,100	124,968	75,000	84,998
Total Miscellaneous Other Revenue.	1,866	100,082	17,736	51,614	60,000	53,000
Total Miscellaneous Other Revenue Parks and Rec	11,815	13,700	16,521	10,424	8,000	8,000
Total Use of Property - General Govt.	715,026	922,594	1,979,512	2,161,343	2,014,510	1,964,223
Total Fees and User Charges	\$ 8,783,895	8,944,896	5,029,627	4,972,687	5,009,310	5,064,596

* FY 1999-00 and FY 2000-01 included refuse disposal fees. These fees are now collected in the waste management fund.

As the table above indicates, over the past five-year period, the service charges have remained constant. Adjusting for the FY 1999-00 and FY 2000-01 waste management revenues, the compound average growth over this period was 11.54%. This is with FY 2003-04 to FY 2004-05 growth at 1.10%. The strong periodical growth is due to City property use and rental increases. These revenues are collected to offset these service costs. On a per capita basis, these fees should remain fairly consistent, because user groups are not population driven.

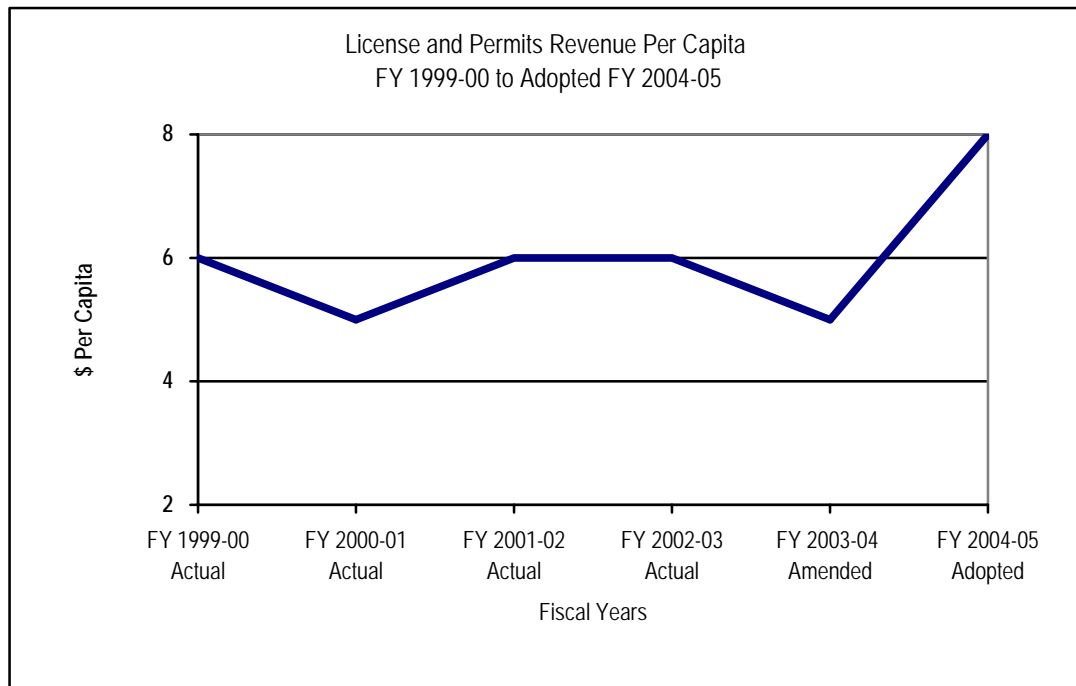


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Licenses and Permits

Licenses and Permits Revenue By Sub-Category						
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended	FY 2005 Adopted
Total Licenses and Permits - Gen. Govt.	\$ 10,824	8,745	7,802	7,892	8,000	8,000
Total Licenses and Permits - Public Safety	26,914	26,456	26,189	23,314	26,400	26,632
Total Licenses and Permits - Public Works	14,000	13,500	14,345	61,525	25,000	52,500
Total Licenses and Permits - Comm. Deve.	546,733	464,615	581,438	491,681	469,650	647,379
Total Licenses and Permits	\$ 598,471	513,316	629,774	584,412	529,050	734,511

The licenses and permits revenue is generated by building, inspection, and other required credentials. In particular, this category reflects construction and inspection growth. Over the five-year period, with the compound average growth at 4.18%, consistent collections have assisted this trend. Due to the growing number of construction and development projects, strong growth is anticipated. The growth, along with higher permit and inspection fees, generated a FY 2003-04 to FY 2004-05 38.84% increase. With the announced new developments and industrial projects, the City can anticipate growth to continue into the future. Just as national level new housing starts indicate a strong growing economy, the number of issued building permits indicates a strong local economy and housing market. On a per capita basis and with the expectation new building permits and inspections are issued, there will be an urban migration, and this revenue will remain constant. With a significant spike in FY 2004-05, where the fees for permit and inspection fees increased, the trend is borne out in the five-year data.



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Restricted Revenues – Reimbursements/Dedicated

Fees and User Charges Revenue By Sub-Category						
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended	FY 2005 Adopted
Total State - Noncategorical Aid	\$ 863,136	740,879	798,930	614,983	545,004	556,545
Total State - Categorical Aid - Reimbursement	6,495,675	7,590,121	7,663,982	7,042,924	7,035,488	7,035,488
Total State - Other Categorical Aid - Reimbursement	14,127,922	15,097,929	15,908,447	15,632,563	16,299,720	15,691,392
Total Other Governments	288,017	443,685	424,467	306,090	424,467	320,073
Total Federal Direct Funding	1,950,961	149,677	19,426	-	19,000	-
Total Recovered Cost	-	-	248,098	127,322	-	-
Total Recovered Cost - Gen. Govt	2,296,952	2,175,306	2,518,721	2,505,215	2,428,191	2,333,301
Total Recovered Cost - Judicial	789,075	372,504	667,093	480,983	431,595	574,385
Total Recovered Cost - Public Safety	312,832	226,140	229,371	237,563	236,500	475,000
Total Operating Transfers In*	9,993,552	10,217,726	10,913,789	9,979,646	11,755,997	9,286,087
Total Restricted - Reimbursement/ Dedicated	\$ 37,118,122	37,013,967	39,392,324	36,927,289	39,175,962	36,272,271

*FY 2004-05 amount was reduced to reflect the new accounting of Water sales in the Public Utilities fund.

Restricted revenues are state, federal government, or other entity reimbursements. It also includes internal service funds returned to the general fund for the cost of operations. Generally, with these revenues there is a corresponding expenditure. When these revenues are reduced, there is also a corresponding revenue reduction. 64.19% of the FY 2004-05 estimated revenue in this category is comprised of state reimbursements. Because the state has faced budget challenges, over the period, the state reimbursement has slowed to a 1.62% compound average growth rate. In general, adjusting for the water charge accounting change, this total category has grown by .73%. On a per capita basis, as the population ebbs and flows, one would expect continual constancy, and anticipatedly the state service reimbursements should, too. This, however, has not been the case. While the changes have not been drastic, there has been state reimbursement inconsistency to localities. This indicates, as the state budget faces challenges, there is a trickle down impact to localities.

