

Revenue Summary

Revenue Forecasting

This Revenue Summary illustrates trends impacting the City's General Fund. These revenues are derived from specific activities and are legislatively sanctioned by the Commonwealth of Virginia. Because of this sanctioning, the City of Portsmouth Council is authorized to enact, collect, and appropriate levies, fees, reimbursements and aid.

For analytical reasons, General Fund Total Revenues are subdivided into categories representing specific commonalities. The categories are:

- Local Tax Revenue – These revenues include property taxes, meal taxes, and other local levies.
- Fee and User Charges – These revenues offset activity costs and are composed of recreation fees, court costs, and other user based activities.
- Licenses and Permits – These revenues pertain to building permits, dog licenses, and other required credentialing.
- State Aid and Recovered Fund Costs – State government, federal government, and other entities provide these revenues. They are enacted by code or policy and designated for special purposes. For instance, the state run VDOT funds road maintenance and the Compensation Board reimburses Constitutional Officers' salaries.

Each of the four categories is further subdivided into specific sub-categories. For instance, Local Tax Revenue is comprised of four groups. They are Total General Property Taxes, Total Other Local Taxes, Total Utility Taxes, and Total Payment in Lieu of Taxes.

On a more specific level, General Fund revenues are comprised of more than 250 line items. This summary will primarily discuss categories and subcategories; however, when necessary, to amplify the sub-categories, specific line items will also be discussed.

Forecasting revenue growth is econometrically and statistically based. While it takes considerable mathematical skills, deriving revenue forecasts also requires institutional and political knowledge. Understanding the local legislative initiatives, desires, and mission is paramount. Encompassing these thoughts, a number of methodologies are used. They are:

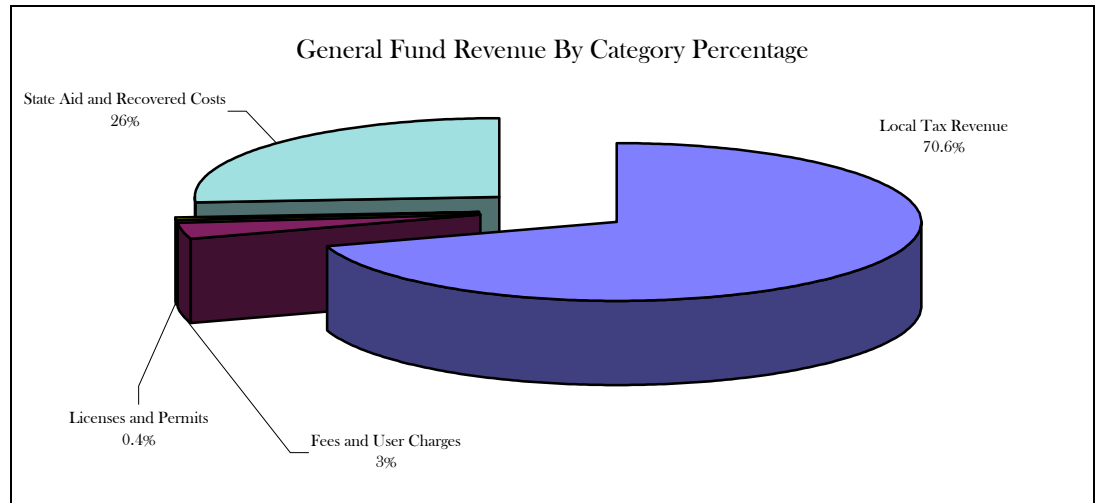
- A review of current national, regional, and local economic data.
- New economic development project evaluations are completed.
- Consensus forecasting (using the opinion of local government experts) is used, and current revenue trend data is evaluated.
- Statistical methods such as exponential smoothing, auto regressive integrated moving averages (ARIMA), and regression analysis are utilized.
- Financial modeling and sensitivity analysis is incorporated.
- Surveying is used to derive qualitative analyses.

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Total General Fund Revenues

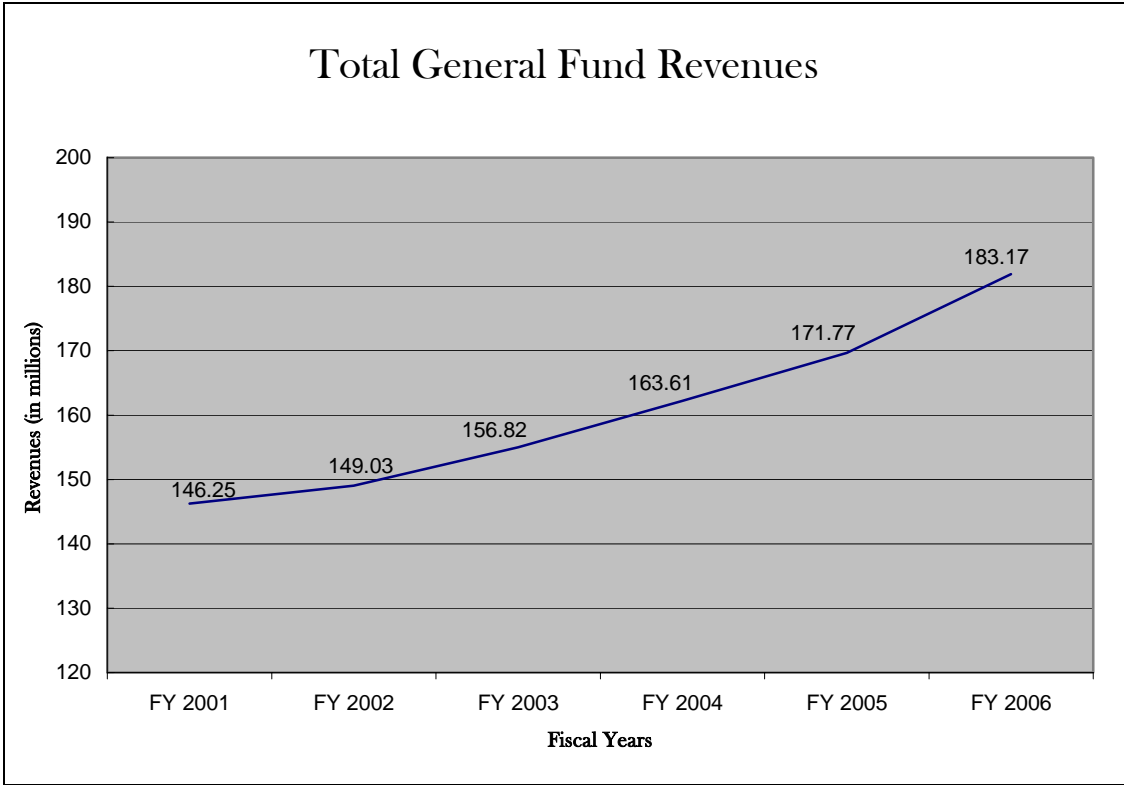
General Fund Revenue By Category						
Category	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Amended	FY 2006 Adopted
Local Tax Revenue	92,041,954	94,973,316	103,261,494	107,413,467	117,400,267	128,089,661
Fees and User Charges	15,359,340	12,160,803	11,177,548	12,907,212	5,064,596	6,042,056
Licenses and Permits	513,316	629,774	584,412	952,160	734,511	747,040
State Aid and Recovered Fund Costs	38,335,499	41,264,533	41,792,246	42,341,696	48,570,520	48,290,132
Total Revenues	146,250,109	149,028,426	156,815,700	163,614,535	171,769,894	183,168,889

Local Tax Revenue is the largest General Fund Total Revenue contributor. With \$128 million forecasted, it represents 70% of General Fund revenues. State Aid and Recovered Costs should generate approximately \$48 million, Fee and User Charges \$6 million, and Licenses and Permits \$750,000. As the graph indicates, these represent 26%, 3%, and 0.4% respectively.

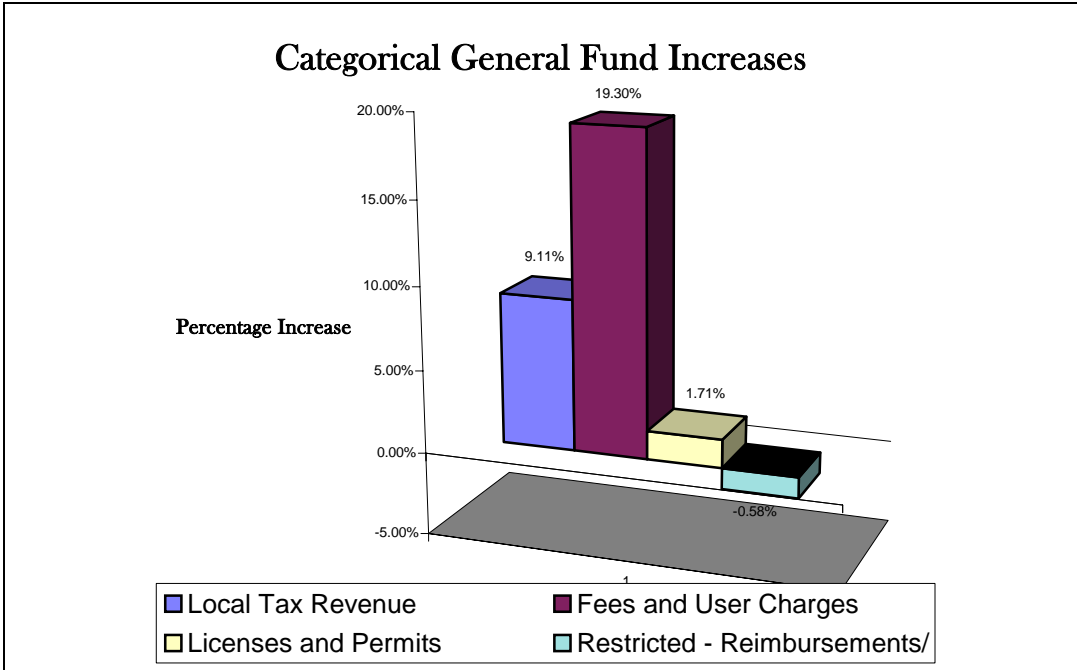


Based upon actual collections, total City revenues continue their increasing trend, and FY 2005-2006 forecasted revenues support this tendency. The steady growth of revenues between FY 2000-2001 and FY2005-2006 is illustrated in the graph.

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Local Tax revenues are forecasted to increase 9.1%, Fee and User Charges 19.3%, Licenses and Permits 1.7%, and State Aid and Recovered Costs will decrease 0.6%. While Fee and User Charges indicate the highest percentage increase, it only represents a marginal valuation of \$977,000. This is beneficial to the City; however, the greater marginal valuation is in Local Taxes. The smaller Local Tax' 9.1% increase represents an additional \$10.7 million.



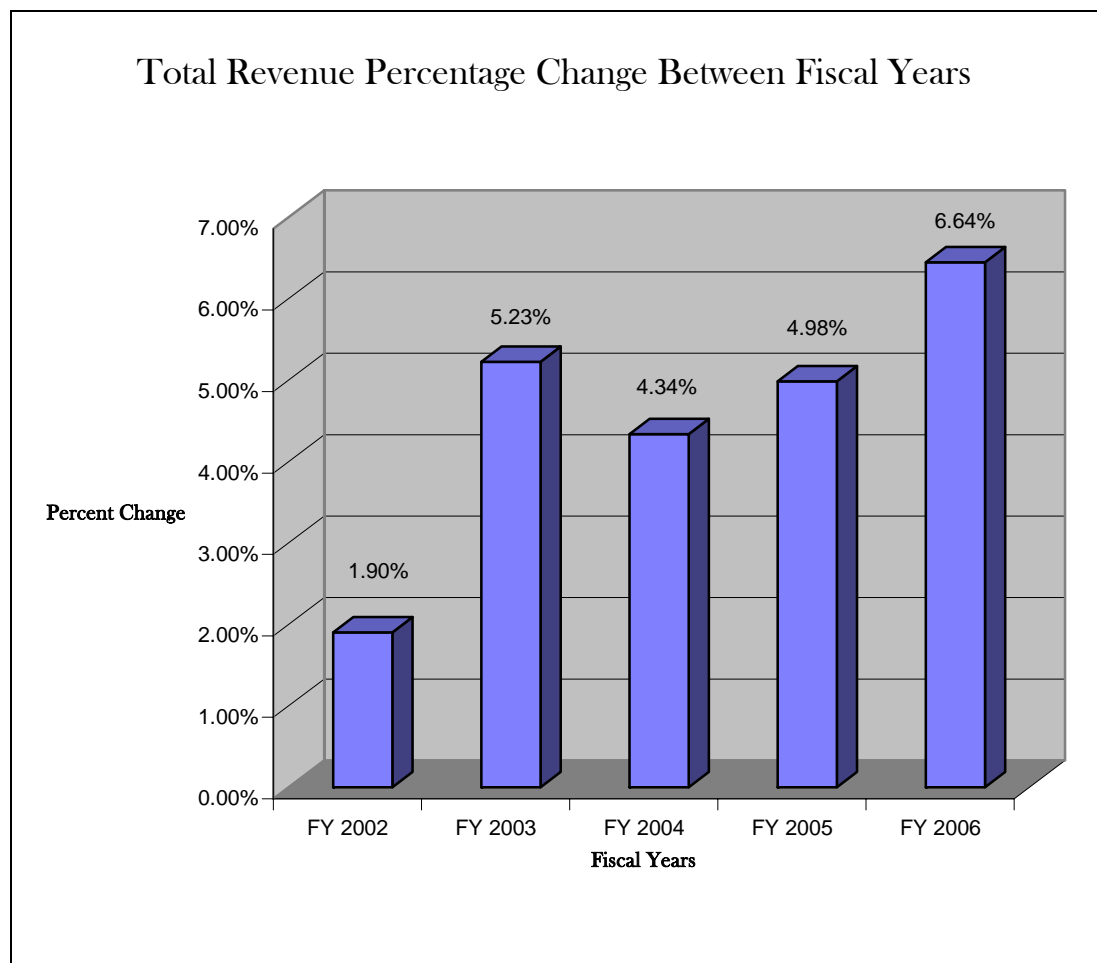
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The previous tax revenue analysis illustrates a very important statistical principle. While percentages are viable marginal measures, the actual revenue value is the most important indicator, because actual revenues offset expenditures.

Overall, Local Tax Revenues, spurred by increased property and building assessed values, has driven Total Revenues upward by 6.64%.

Again, while Fee and Service Charges are increasing at a larger percentage rate than the other categories, the magnitude of Local Tax Revenues contribute more to the overall General Fund revenue base and is this fiscal year's primary growth catalyst. With a 6.64% Total Revenue increase forecasted in FY 2005-2006, the compounded average growth rate increased .47% to 4.58%.

When a comparative total revenue marginal analysis between fiscal years is conducted, FY 2003-2004 to FY 2005-2006 indicates an average growth of 5.25%. By excluding the smallest outlier year, FY 2002 (1.9% increase), a smoother and more relevant trend can be developed. While the change for FY 2005-2006 is slightly more than the compound average, and it is the largest increase for this time horizon, it is not a result of rate increases. As discussed in the next Local Tax revenue section, the causal factor is the market driven increase in assessed values. The following graph illustrates the Total Revenue percentage change between years.

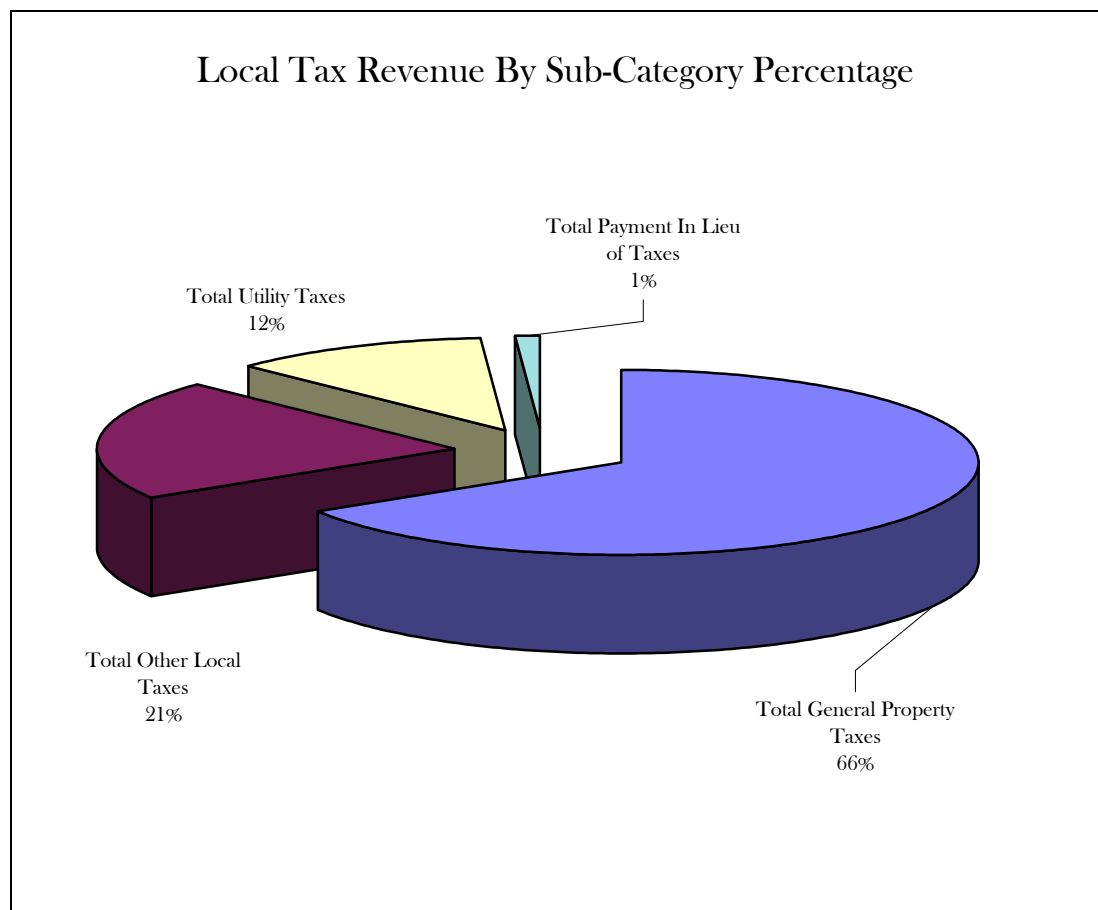


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Local Tax Revenues

Local Tax Revenue By Sub-Category						
Category	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Amended	FY 2006 Adopted
Total General Property Taxes	58,226,319	59,430,786	64,888,307	67,074,189	76,217,752	84,695,031
Total Other Local Taxes	19,324,172	20,436,570	22,426,385	24,370,065	24,326,680	26,920,700
Total Utility Taxes	13,288,453	13,868,373	14,572,822	14,523,797	15,426,035	14,927,416
Total Payment In Lieu of Taxes	1,203,010	1,237,587	1,373,981	1,445,416	1,429,800	1,546,514
Total Local Tax Revenue	92,041,954	94,973,316	103,261,494	107,413,467	117,400,267	128,089,661

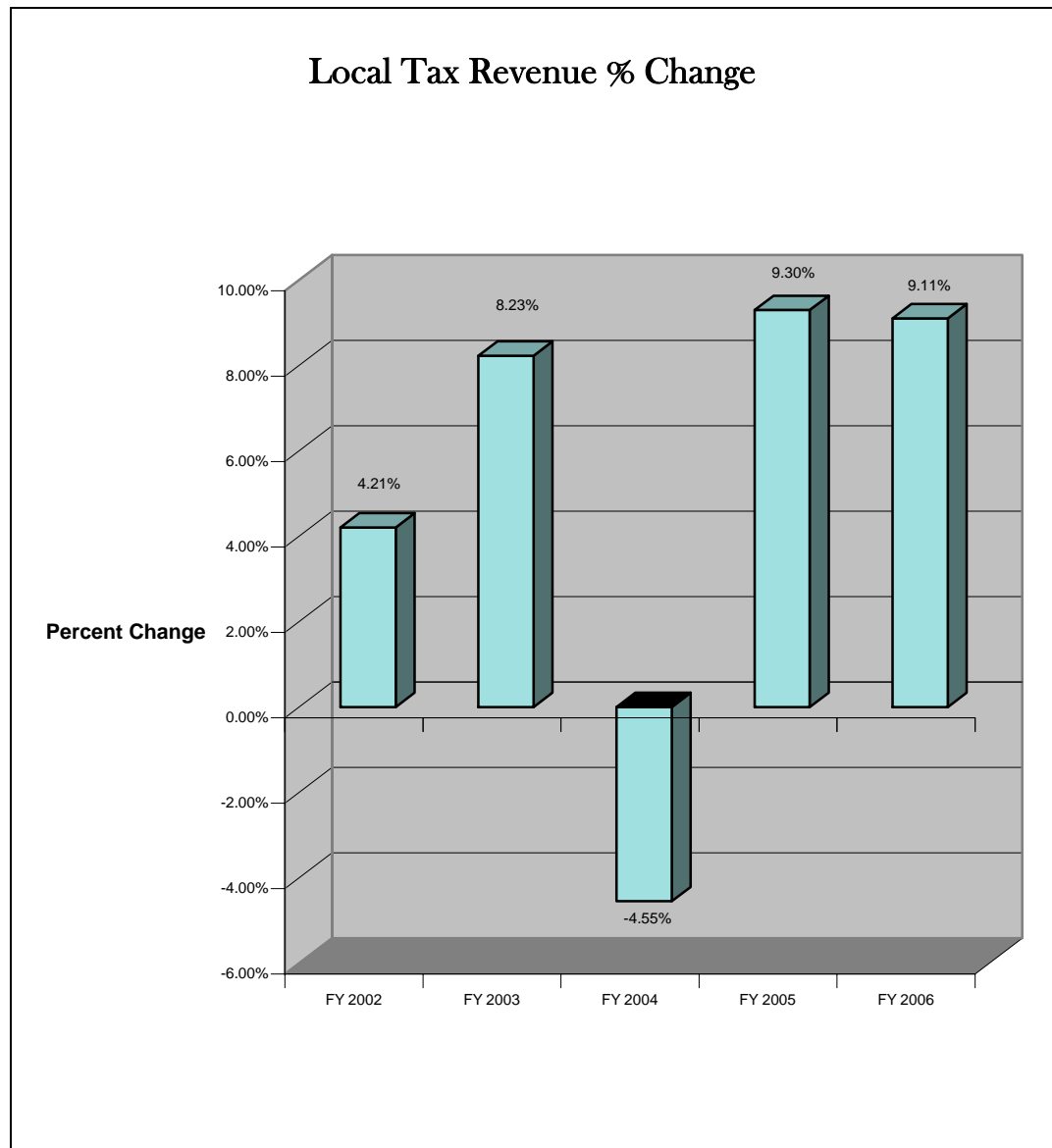
In FY 2006, representing 66% of Local Tax revenues, Total General Property Taxes is the largest sub-category contributor. It is 100% comprised of real and personal property levies.



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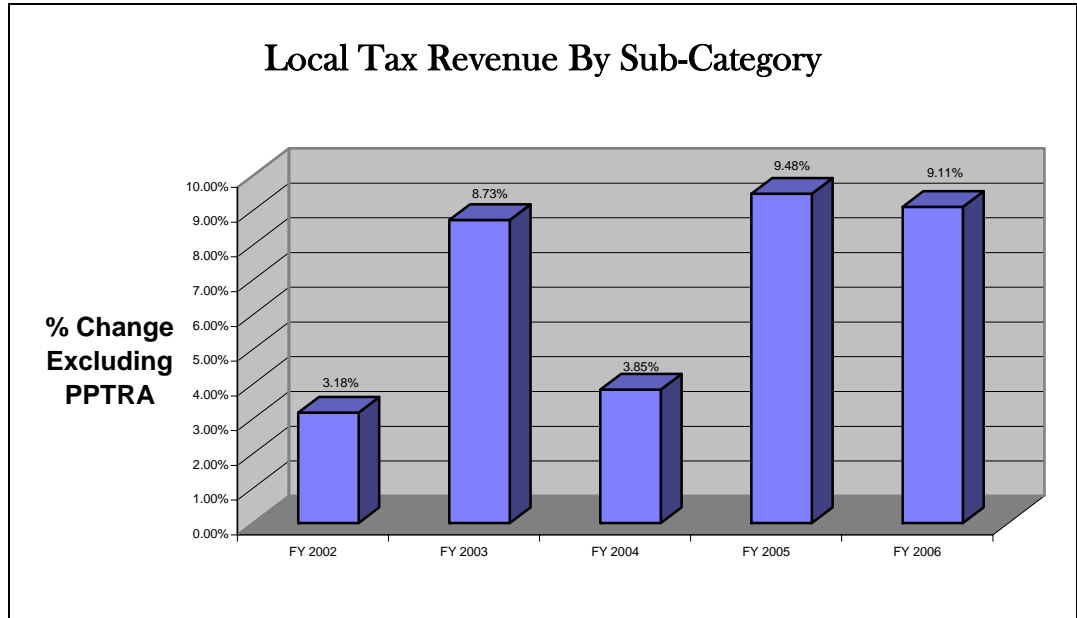
In FY 2004-2005, Local Tax revenues grew at a rate of 9.3%, and this fiscal year, Local Tax revenues are anticipated to grow by 9.11%. While this fiscal year's forecast is less than last fiscal year's increase, it is keeping pace.

To derive an average rate of change, it is necessary for all line items within a category be consistent. In FY 2003-2004, a significant line item was moved from the Local Tax sub-category of Total General Property Taxes to the State Aid and Recovered Costs sub-category of State Aid – Noncategorical. While personal property taxes are locally legislated, the state mandated Personal Property Tax Relief Act (PPTRA) was designed to relieve a portion of the local citizenry tax burden. PPTRA is a law whereupon localities are reimbursed a portion of specific automotive personal property taxes. Beginning FY 2003-2004, the finance department began to correctly record the PPTRA revenue in the State Aid and Recovered Costs category; consequently the FY 2004 negative effect, illustrated below, is directly attributed to the accounting adjustment.

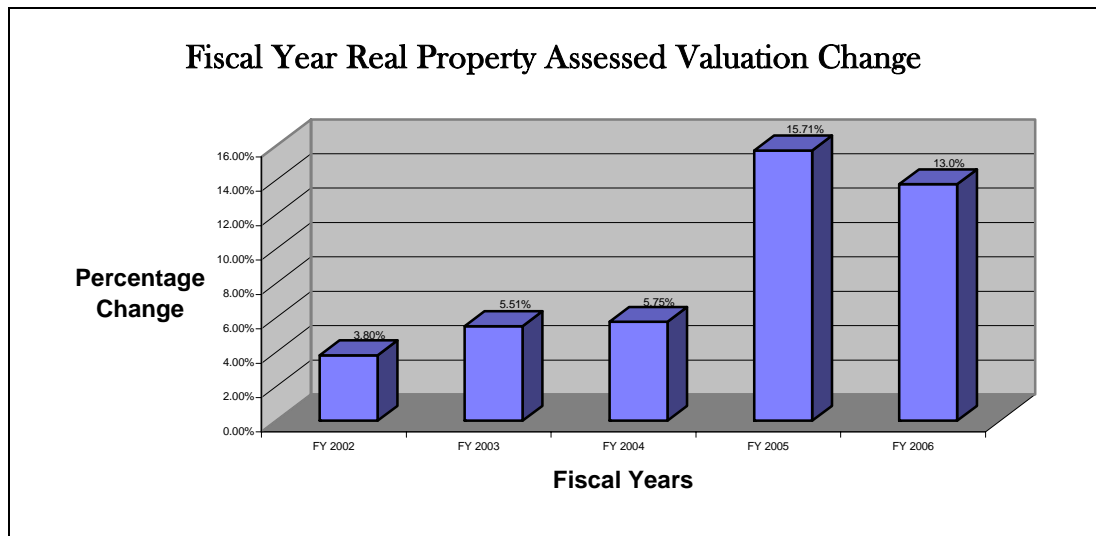


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When the category is adjusted over the time horizon to exclude PPTRA, the negative FY 2004 outlier normalizes and the percentage changes for FY 2002 and FY 2003 decrease slightly. Utilizing normalization, a valid average rate of 6.87% can be calculated. Prior to this year's forecast, the average rate of change was 6.31%; consequently the FY 2005-2006 forecasted change of 9.11% had an incremental effect of 0.56%.

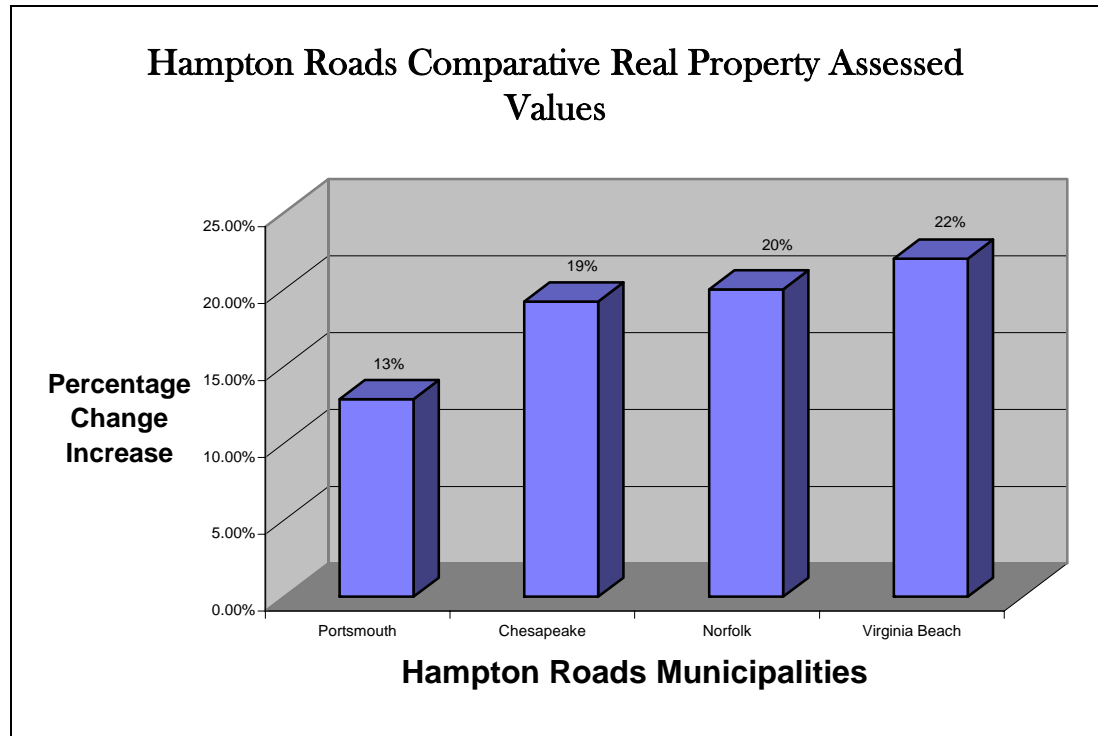


Similar to last year's increased assessed real estate valuation, this year, the assessed value for property will increase 10% and buildings 15%. For existing residential real property, this will yield an overall increase of 13%. The FY 2006 valuation percentage change increase does not include new homes to be built. The chart below illustrates the assessed valuation percentage changes for the most recent five consecutive year period.



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This year's assessed valuation increase is not an isolated Portsmouth phenomenon. Low mortgage interest rates and a regional housing demand exceeding new construction growth¹ has created a housing shortage. To compensate for the shortage, the region has evolved into a seller's market, and prices are climbing.² Comparatively, as the assessed value chart below indicates, in FY 2006, Virginia Beach's assessed values are estimated to increase 22%,³ Chesapeake's 19%,⁴ and Norfolk's 20%.⁵



In the FY 2001-02, Portsmouth's real estate tax rate increased from \$1.36 to \$1.42 per \$100 of assessed value. The rate increase and a modest assessed value increase generated an additional \$1.84 million. In FY 2004-05, the rate increased an additional \$.03 to \$1.45 per \$100 of assessed value. With a 10% assessed value increase, this generated an additional \$1.19 million. During the FY 2004-2005 budget adoption process, City Council considered a three-penny rollback over a three-year period beginning FY 2005-2006. With recent consecutive double-digit assessed valuation increases, City Council initiated the first year penny rollback. In this revenue forecast, the penny rollback has been incorporated. The rate will be rolled back to \$1.44 per \$100 of assessed value. For City of Portsmouth property owners, the penny rollback will alleviate some of the increased assessed valuation tax burden. With the offsetting penny rollback, the City will generate an additional \$9.92 million.

1. Batts, Battinto, January 27, 2005, "Economist Sees Blue Skies Ahead for Hampton Roads." The Virginian-Pilot, D1-D2. The article quotes Mark Vitner – Senior Economist for Wachovia Corp.
2. Batts, Battinto, February 11, 2005, "Sellers: It's Still Your Market." The Virginian-Pilot, D1-D2.
3. Taylor, Marisa, February 2, 2005, "Hot Market, Scarce Lots and Low Rates Driving Up Home Values." The Virginian-Pilot, A1 and A12. The article quotes Catheryn R. Whitesell – Virginia Beach's Budget Director.
4. Assis, Claudia, March 1, 2005, "Assessment Surge Largest Since Tracking Started in 1981." The Virginian-Pilot, A1 and A8.
5. Minium, Harry, March 23, 2005, "20 Percent Rise Reflects Region's Hot Market Assessor Says." The Virginian-Pilot, A1 and A14.

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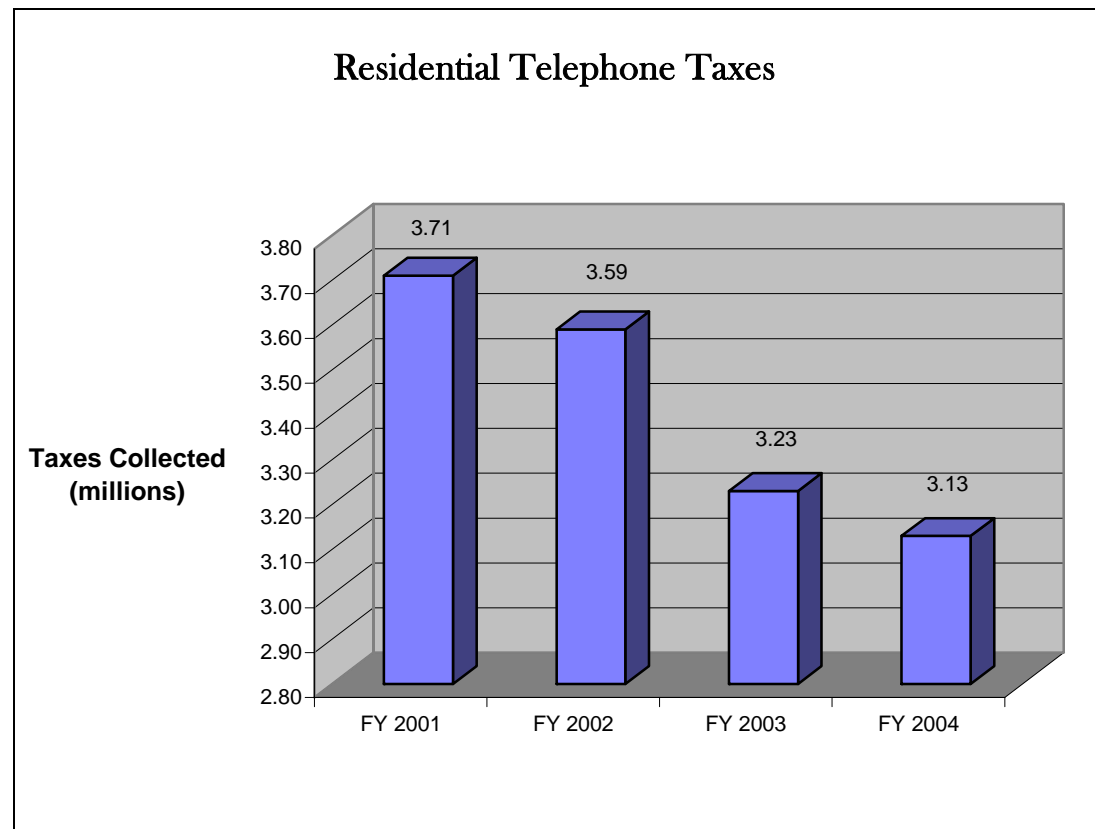
As discussed, the assessed valuation increase significantly affected Total General Property Taxes. When this sub-category's marginal rate is derived against all revenues, it represents 46% of all General Fund revenues. This comprises the General Fund's largest revenue source. In FY 2005-2006, General Property Tax revenue is anticipated to increase 11.12%; moreover when it is excluded from the FY 2005-2006 Total Local Tax Revenues, all other categories represent an aggregate increase of 5.37%.

While rising assessed valuations are increasing the General Property Tax revenue subcategory, one area of concern is the decreasing corporate revenue trend pertaining to Public Service Corporations and the real property levies associated with the entities. Since FY 2001, Public Service Corporation revenues have been declining at an average annual rate of 1.57%.

Because Public Service Corporation real property taxes are categorized with residential real property levies, Public Service Corporation real property taxes have been somewhat overshadowed. Over the past three years, Current Real Property tax revenue increases have more than compensated for the Public Service Corporation tax revenue shortfall within the General Property Tax category.

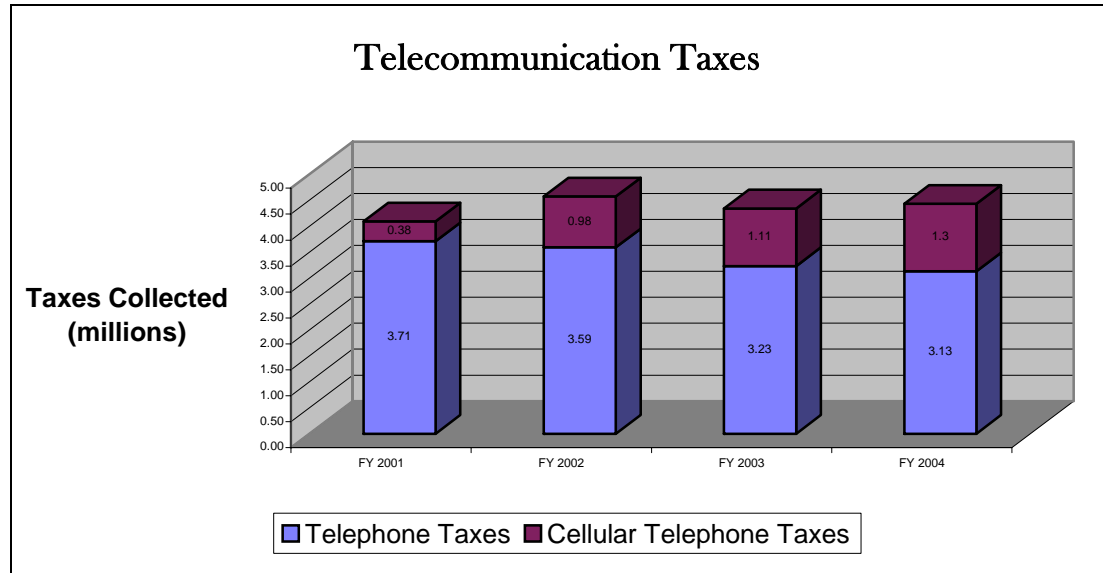
Within the Total Utility Tax subcategory, Telephone Taxes are a concern. This line item is decreasing and is correlated with telecommunication corporate revenues. Like the telephone tax, the revenues are also decreasing. The telecommunication trend is largely due to cellular phone usage, increased competition, and alternative means for long distance communications.

As indicated by the graph below, between FY 2001 and FY 2004, there has been a definite decline in Telephone Taxes collected.

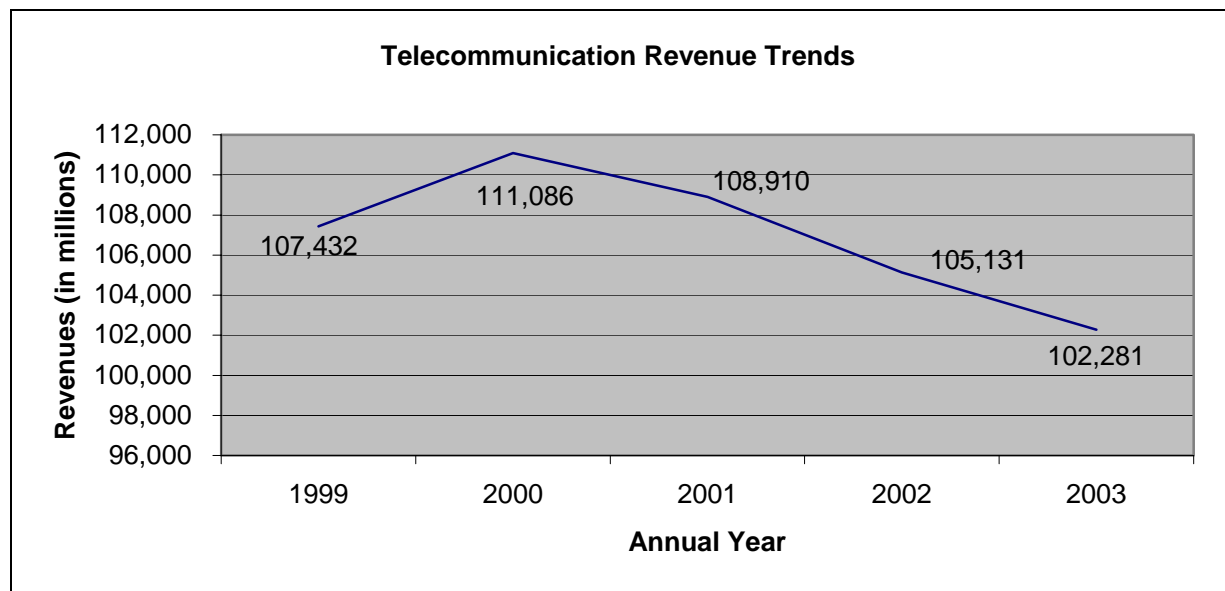


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While collected Telephone Taxes have been decreasing, the collected Cellular Telephone Tax has been increasing. When the data is compiled to represent an aggregate tax (Telephone Taxes plus Cellular Telephone Taxes), a smoothing effect occurs.



Each tax collection calculation has statutory limitations. The cap on Telephone Taxes is \$2,000 and the cap on Cellular Telephone Taxes is \$30. For this smoothing effect to occur in a revenue maximization scenario, there have to be sixty-seven times as many cellular telephone users gained for every one residential or commercial telephone user lost. When this is combined with the very competitive nature of the cellular telephone industry, an offsetting effect occurs. Economically, when competition increases, prices decrease and revenues can become scarce for some companies. This presently describes the telecommunication industry.



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Due to evolving home telephone usage alternatives, Total Utility Taxes might actually realize a lesser amount than forecasted. A new telecommunication innovation has become available. It is referred to as voice over Internet protocol (VoIP).⁶ Unlike cellular communication alternatives, this new technology does not have tax revenue potential. Utilizing free enabling software downloads, VoIP allows Internet users to telephonically communicate over the Internet, and it does not require a fellow VoIP user to communicate. While Virginia Governor, Mark Warner, and other governors have lobbied for tax reform,⁷ they have not been successful in convincing the federal legislative bodies to change telecommunication tax laws. VoIP usage is gaining momentum. Within the last six-months, the number of new registered users has climbed from 30,000 to 70,000 a month.⁸ With the advent of VoIP, aggregate telecommunication tax revenues leveling off, and continuous telecommunication industry annual declines reported, Total Utility Taxes could decrease even more. Prior to the VoIP innovation, Hampton Roads' regional telecommunication's industry incurred a revenue decline. If VoIP communications become prevalent within Hampton Roads, this would further squeeze revenues from Total Utility Taxes.

Recently telecommunication companies, out of a need to generate revenues, have merged.⁹ Striving for economies of scale, the acquisitions were made to gain further technological advances¹⁰ and increase corporate customer bases.¹¹ From a corporate standpoint, this may be favorable, but from a governmental tax revenue perspective, this will have a zero net effect upon telephone tax revenues, because the corporate customers will simply move from one entity to another.

Verizon, the nation's largest telecommunications corporation,¹² and Hampton Roads' leading telecommunication supplier, is venturing into fiber optic telephone, Internet, and television service. When Verizon decides to venture into Hampton Roads' cable television business, and state legislators grant access (it usually takes between 6 and 18 months), this could also generate additional Cable TV Utility revenues.¹³ While the state has very rigid cable TV competition guidelines, in the long run, competition may generate more tax revenues, because fiber optic technology enhances service quality and will be priced higher than competitors. Indicative of Verizon's new technological commitment, they are laying fiber optics in new Hampton Road's neighborhoods, and they have just committed, as a joint endeavor with Governor Warner, to fiber optically link several Virginia universities through the National LambdaRail project. Nationally initiated in 2003, Virginia's 2005-06 sponsored funding for LambdaRail will be \$2.4 million. Universities will be required to sign a 5 year lease and pay \$100,000 per annum. Old Dominion University will serve as Hampton Roads' hub.¹⁴

This initiative is similar to the U.S. Defense Department's ARPAnet (Advanced Research Projects Agency) evolution. In 1969, the Defense Department unveiled the ARPAnet.¹⁵ To

6. Shapiro, Carolyn, February 14, 2005, "VoIP is Calling Should You Answer?" The Virginian-Pilot, D1 and D4.

7. Gleckman, Howard and Yang, Catherine, December 13, 2004, "Telecom Taxes: Is a Breakthrough Near?" Business Week, 51.

8. Reinhardt, Andy, November 1, 2004, "Net Phone Calls, Free-and Clear." Business Week, 60-61.

9. Meyerson, Bruce, February 15, 2005, "\$6.7 Billion Pact the Latest Wrinkle in Ongoing Telecom Transformation." The Virginian-Pilot, D1 and D3.

10. Howe, Peter J., November 28, 2004, "Verizon Sets Sights on TV as Cable Companies Take on Telecom" The Virginian-Pilot, D3.

11. Meyerson, Bruce, February 15, 2005, "\$6.7 Billion Pact the Latest Wrinkle in Ongoing Telecom Transformation." The Virginian-Pilot, D1 and D3.

12. Cimilluca, Dana and Day, Ron, January 15, 2005, "Threat of Web and Cable Competition Pushes Investors Away from Verizon." The Virginian-Pilot, D3.

13. Shapiro, Carolyn, March 7, 2005, "Verizon and Cox Joust Over State Regulations." The Virginian-Pilot, D6.

14. Choi, Soon-Yong, Stahl, Dale O., and Whinston, Andrew B., 1997. "The Economics of Electronic Commerce," Macmillan Technical Publishing, Indianapolis, In., p. 8-9.

15. Connolly, Allison, March 22, 2005, "Hampton Roads to Hop on High-Speed Data Network." The Virginian-Pilot, D1-D2

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gain informational economies of scope and enhance military research capabilities, it linked the Defense Department to a handful of universities. From this DOD/university link, the Internet evolved. LambdaRail seems to be a similar initiative.

In annual year 2003, demographics indicate a Portsmouth population decrease. When this is combined with the decreasing Public Service Corporation trend, the penny rollback, and the assessed value increase, the City will incur a revenue increase primarily driven by the assessed values. The assessed value increase trend indicates the value of real estate, personal property, and other consumption-based taxes is growing and will continue. As the population base decrease bottoms out and begins to grow, through new housing developments, the City can expect continued steady consumption based tax growth.¹⁶

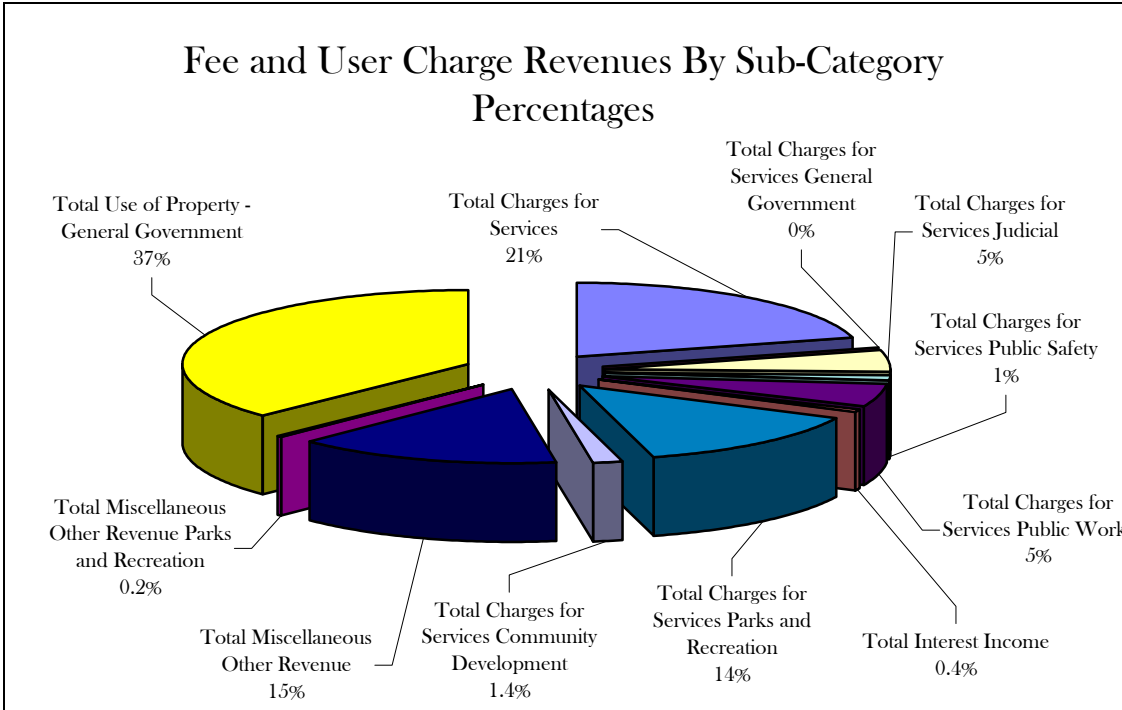
Fees and User Charges

Fee and User Charge Revenue By Sub-Category						
Category	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Amended	FY 2006 Adopted
Total Charges for Services	7,296,206	8,767,651	7,536,928	7,340,309	1,477,159	1,255,365
Total Charges for Services General Government	10,122	4,290	4,315	-	-	-
Total Charges for Services Judicial	63,992	336,761	295,447	377,115	311,620	285,648
Total Charges for Services Public Safety	29,712	149,535	59,868	1,359,385	78,546	77,157
Total Charges for Services Public Works	2,750	9,405	100,016	672,793	225,509	296,458
Total Interest Income	165,720	38,280	28,045	48,290	25,000	25,000
Total Charges for Services Parks and Recreation	762,789	789,012	804,580	755,495	836,541	833,727
Total Charges for Services Community Development	5,991,673	52,100	124,968	103,762	84,998	101,697
Total Miscellaneous Other Revenue	100,082	17,736	51,614	38,446	53,000	900,000
Total Miscellaneous Other Revenue Parks and Recreation	13,700	16,521	10,424	1,624	8,000	10,000
Total Use of Property - General Government	922,594	1,979,512	2,161,343	2,209,993	1,964,223	2,257,004
Total Fee and User Charges	15,359,340	12,160,803	11,177,549	12,907,212	5,064,596	6,042,056

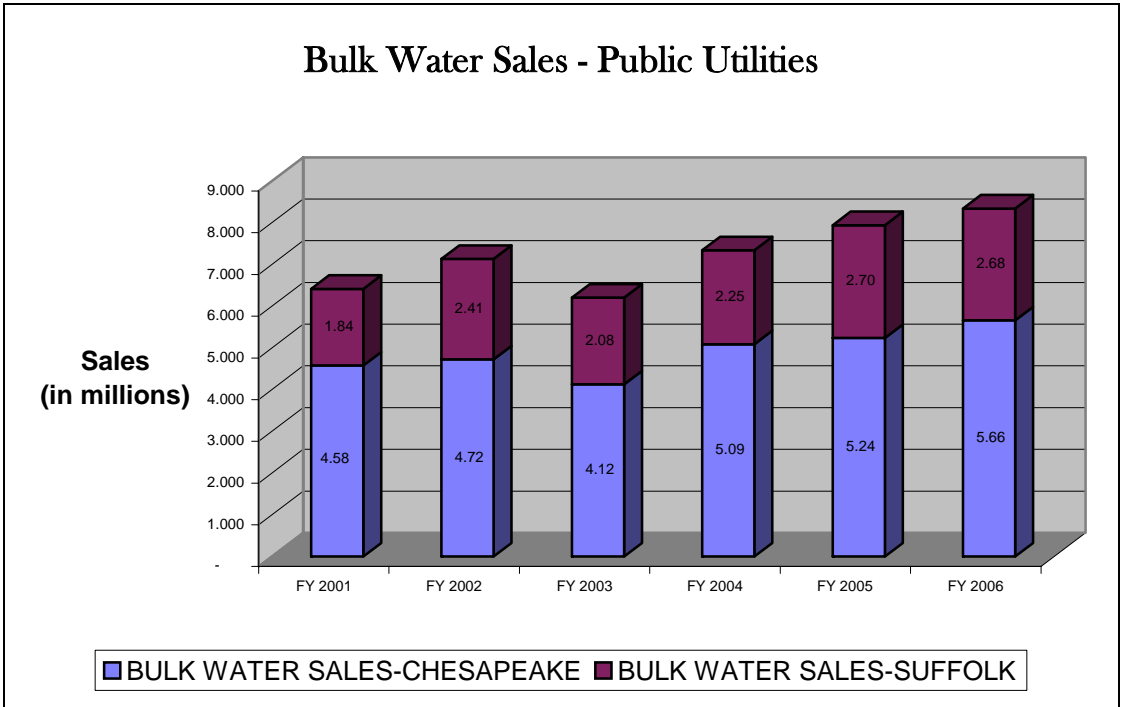
Representing 37% of Fee and User Charge revenues, the Total Use of Property – General Government sub-category is the largest contributor. 96% of this sub-category is comprised primarily of general property rentals.

16. If a comparative analysis were to be made between this budget book and last year's, a revenue difference would appear in this category between the two books. In FY 2004-2005, PPTRA revenues were correctly recognized as a state reimbursement and moved from the Total General Property Tax sub-category and incorporated into the Total State Noncategorical Aid sub-category of the State Aid and Recovered Costs category.

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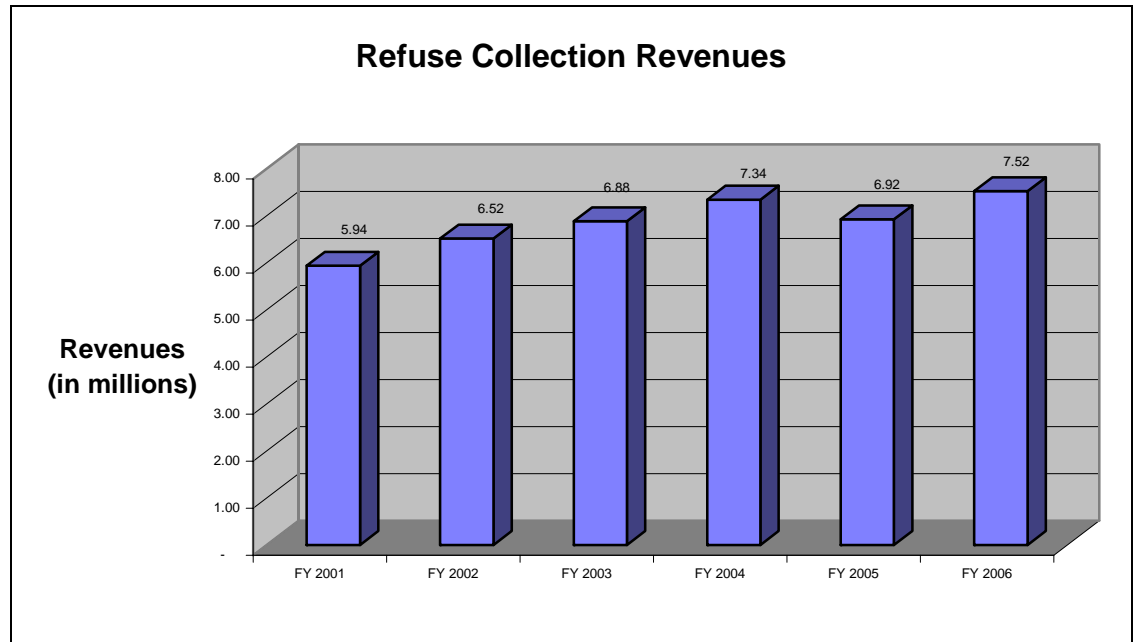


Before FY 2003-04, Total Charges for Services was the largest contributor. Prior to FY 2004-05, this sub-category accounted for bulk water sales to Chesapeake and Suffolk. Because Public Utilities is an Enterprise Fund, the generated revenues from bulk water sales need to be reflected in the Public Utility fund. These revenues account for last fiscal year's \$5.8 million sub-category decrease. Public utility revenues are now correctly recorded. Because public utility bulk water sales significantly contribute to the Enterprise Fund, a time horizon trended graph is introduced.

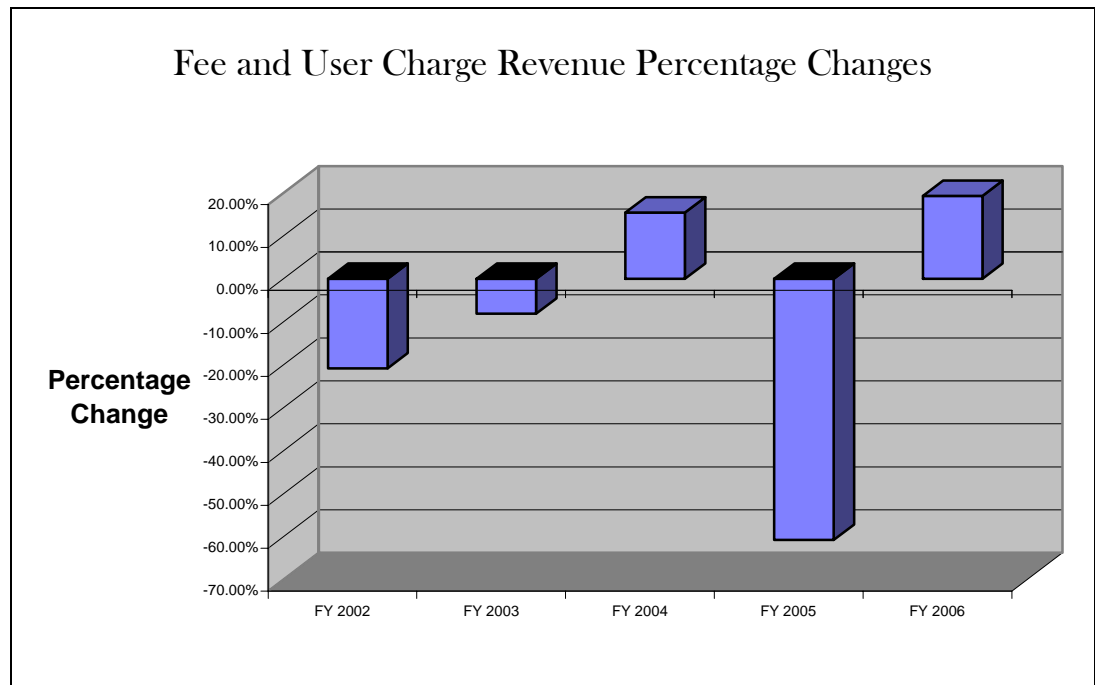


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In FY 2001-02, another large accounting change was made. Like Public Utilities, Waste Management is an Enterprise Fund. Correctly, these revenues are now accounted for in the Waste Management fund. The following is a trended graph for Waste Management.

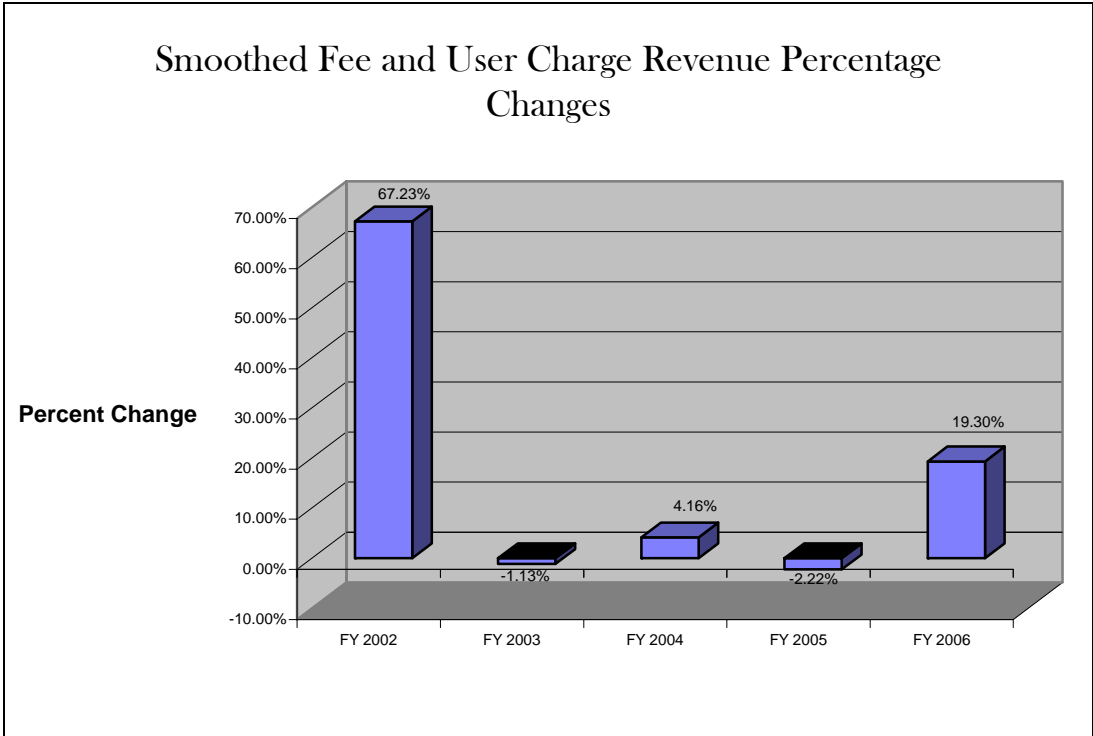


In FY 2004-2005, Fee and User Charge revenues were forecasted to decrease 60%; however, this was primarily due to the bulk water accounting adjustment made.

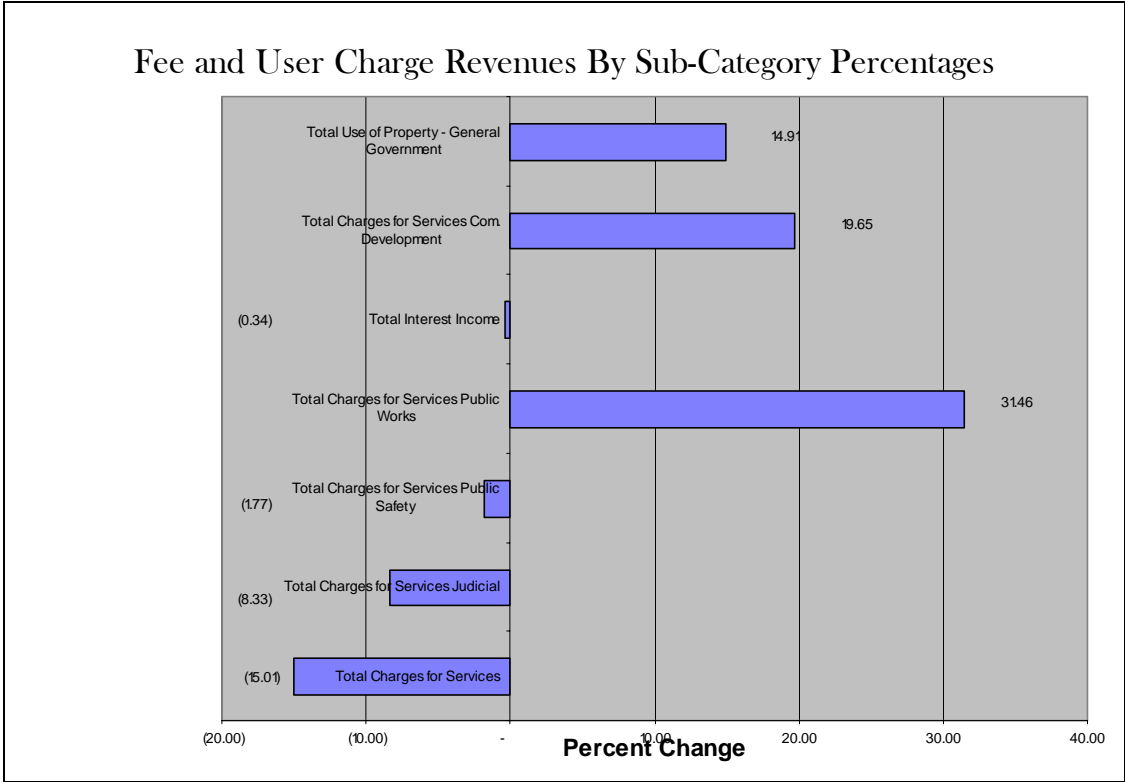


To compensate for the accounting changes, the sub-categories can be smoothed for better analysis.

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After smoothing, Fee and User Charge revenues are anticipated to grow by 19.3%. This is the highest increase incurred over the past five-year period. Excluding the Miscellaneous sub-categories, of the other nine sub-categories, three are forecasting increased revenues.



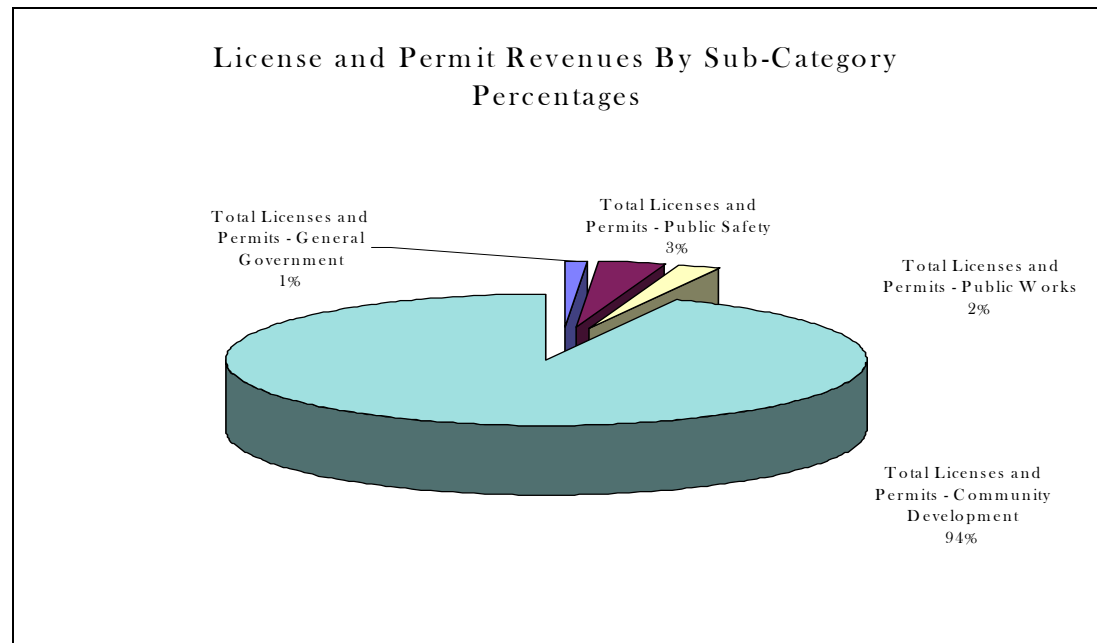
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Because Total Interest Income remained a small constant amount, and the Miscellaneous sub-categories are not trend oriented, they are excluded from the chart above; however, the \$900,000 property sale, which is contained within Total Miscellaneous Other Revenues, is the primary factor for the 19.3% increase. Again, similar to the earlier discussion pertaining to percentage evaluations, the graph indicates a large percentage change in Total Charges for Services – Public Works, but the valuation difference only represents \$71,000. The same can be said for the decreases. With the exception of the \$900,000 property sale, the overall effect amongst the other sub-categories is offsetting. When the property sale is excluded, the overall effect in this category is a 1.53% increase.¹⁷

Licenses and Permits

Licenses and Permits Revenue By Sub-Category						
Category	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Amended	FY 2006 Adopted
Total Licenses and Permits - General Government	8,745	7,802	7,892	8,762	8,000	8,538
Total Licenses and Permits - Public Safety	26,456	26,189	23,314	24,815	26,632	24,465
Total Licenses and Permits - Public Works	13,500	14,345	61,525	247,158	52,500	17,357
Total Licenses and Permits - Community Development	464,615	581,438	491,681	671,425	647,379	696,680
Total Licenses and Permits	513,316	629,774	584,412	952,160	734,511	747,040

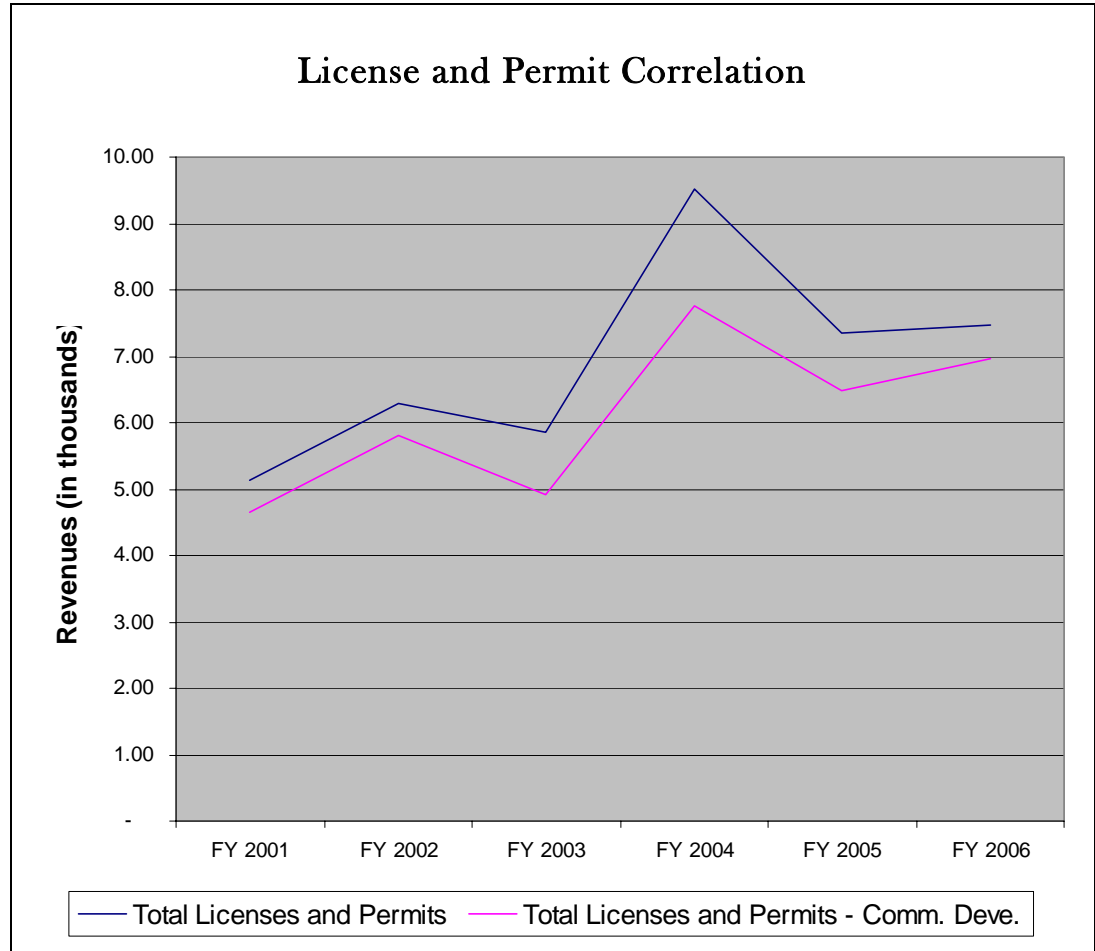
Representing 93% of revenues, Total Licenses and Permits – Community Development is the largest contributor. 100% of this sub-category is comprised of building permits and fees.



17. In FY 2001-2002, Refuse Collection Fees were no longer collected within the Total Charges for Services Community Development. They are correctly being reflected as revenue within the Waste Management Fund. Also, in FY 2004-05, bulk water sales were removed from this category and correctly reported within the Public Utility fund.

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Building construction requests, inspections, and other miscellaneous residential needs generate License and Permit revenues. This category reflects a modest construction and inspection growth pattern. Over the five-year period, the average growth rate has been 11.45%. This revenue category has a cyclical pattern and is positively correlated with Total Licenses and Permits – Community Development.



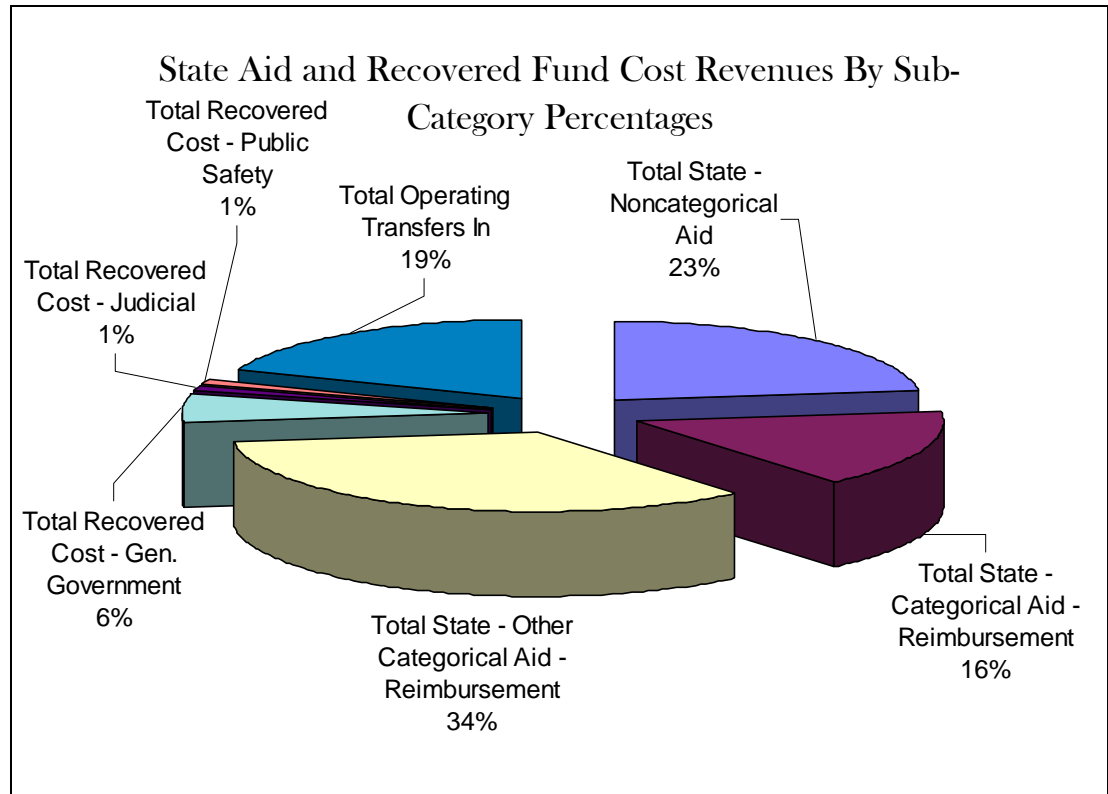
Moreover, when Total Licenses and Permit line items are analyzed, a positive correlation exists with Building Structure Permits and other related permits. With the initiation of the New Port development in FY 2005-06, building permits will increase slightly and should continue the increasing trend at a more accelerated pace beginning FY 2006-2007. In the out years, this will have a smoothing effect upon Total Licenses and Permits.

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State Aid and Recovered Costs

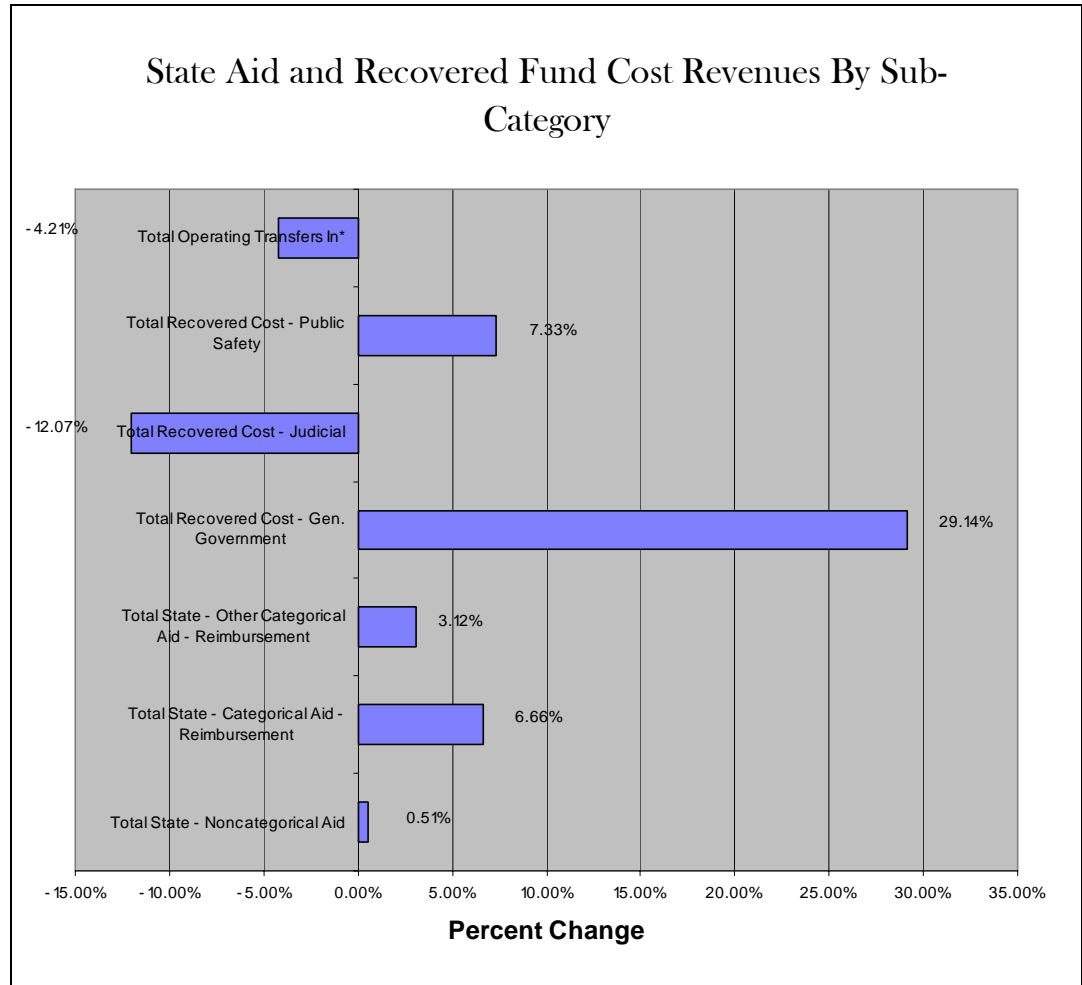
State Aid and Recovered Fund Cost Revenues By Sub-Category						
Category	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Amended	FY 2006 Adopted
Total State - Noncategorical Aid	8,476,855	9,802,313	9,884,803	9,905,454	10,767,392	10,822,160
Total State - Categorical Aid - Reimbursement	7,590,121	7,663,982	7,042,924	7,251,268	7,153,079	7,860,600
Total State - Other Categorical Aid - Reimbursement	15,097,929	15,908,447	15,632,563	15,839,431	16,027,324	16,527,414
Other Governments	443,685	424,467	306,090	312,873	320,073	-
Total Federal Direct Funding	149,677	19,426	-	1,606,171	1,572,247	-
Total Recovered Cost	-	248,098	127,322	173,343	-	-
Total Recovered Cost - General Government	2,175,306	2,518,721	2,505,215	2,239,632	2,333,301	3,111,934
Total Recovered Cost - Judicial	372,504	667,093	480,983	579,618	589,017	517,935
Total Recovered Cost - Public Safety	226,140	229,371	237,563	480,246	475,000	509,807
Total Operating Transfers In	3,803,282	3,782,613	5,574,783	3,953,660	9,333,087	8,940,282
Total State Aid and Recovered Costs	38,335,499	41,264,533	41,792,246	42,341,696	48,570,520	48,290,132

Representing 34.2% of revenues, Total State – Other Categorical Aid - Reimbursements is the largest contributor. 56% of this sub-category is comprised of a street and highway reimbursement, and 36% represents a law enforcement grant.



Revenue Summary

Total Recovered Costs – General Government is expected to have the greatest increase. As the General Fund expenditures increase, incurred indirect cost allocations by the other funds will also increase. Indirect costs are incurred by the other funds when they utilize various General Fund departmental functions. An example would include human resource functions. Total Transfers In are decreasing, because Public Utility contributions have been reduced to continue building the fund's balance. The funding will be needed to repair and replace the city's water and sewer infrastructure.



Summary

Overall the General Fund's revenues will increase 6.64%. This is largely due to the Local Tax category. With assessed values increasing 13%, Total General Property Taxes will increase 11.12% yielding an additional \$8.7 million; however, this sub-category will be tempered by the real property tax collections on the Public Service Corporations. Over time, as long as telecommunication trends continue to encourage cellular telephone and alternative communication means, Total Utility Taxes will remain flat. Competition, alternative communication means, and new technology will temper these revenues.

Revenue Summary

While the New Port development may not fully begin construction until FY 2006-07, initial developmental enterprises will generate additional revenues and will begin to halt the population decline. Commercial projects, such as the new MidTown WalMart, will support the existing populace, invite new emigrants, and may attract citizens outside the City's boundaries. With the initiation of these projects and the tremendous commercial and residential progress, a population oriented synergistic effect will take place. The realization by observant individuals that Portsmouth is "The Right Place At The Right Time" will bolster the City's image and attractiveness.

The additional revenues received will allow the City to invest more into the primary and secondary educational institutions. It will enable the School Board to offer enhanced faculty, staff, and administrative incentives. With the School's improved ability to better educate students, high school graduates will be better prepared to enter into the new Tidewater Community College campus located at the new Victory Crossing Shopping Center. The TCC campus promises to be a catalyst for endeavoring higher educational aspirants. This will further augment the synergistic effect.

