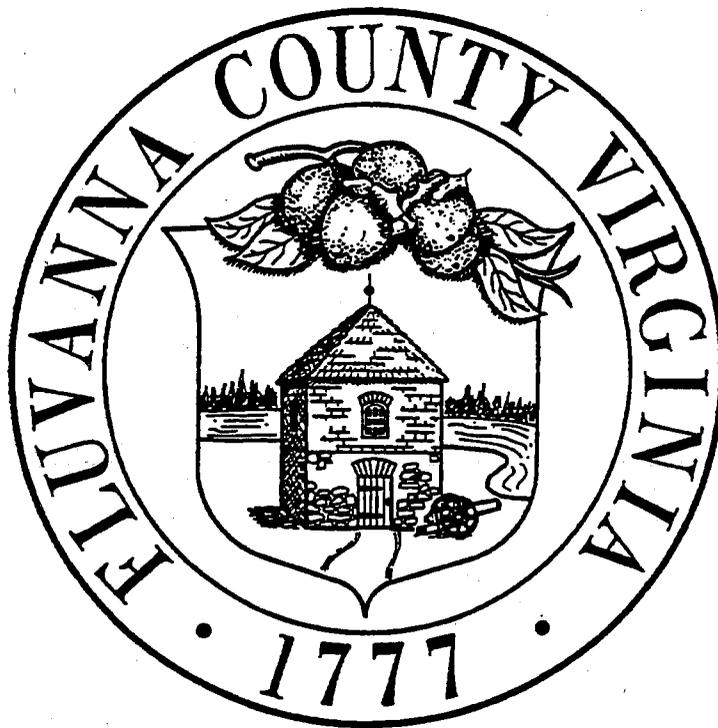


FINANCING FLUVANNA COUNTY GOVERNMENT:



A REPORT OF THE COMMISSION ON  
ALTERNATIVE REVENUE SOURCES  
DECEMBER 17, 1997

Andrew M. "Mel" Sheridan, Jr., Chairman  
*Columbia District*  
Stafford M. "Buck" Pace, Vice-Chairman  
*Palmyra District*  
Cecil L. Cobb  
*Fork Union District*  
Leonard F. Gardner  
*Rivanna District*  
Donald W. Weaver  
*Cunningham District*



**FLUVANNA COUNTY**  
**BOARD OF SUPERVISORS**  
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December 17, 1997

Fluvanna County Board of Supervisors  
Palmyra, Virginia

Gentlemen:

On behalf of the Commission on Alternative Revenue Sources I am pleased to submit this final report to you for your consideration and implementation in the future. The Commission members and I are pleased to have been able to serve our community in this endeavor.

I believe that our efforts, if nothing else, brought to recognition the "service charge on tax exempt property of the Commonwealth" which was recently enacted by the Board. This revenue source is intended to bring in \$75,000 to \$100,000. In addition, we believe the work concluded is an excellent inventory of future revenue sources.

Very truly yours,

Stafford M. "Buck" Pace  
Commission Chair

# ***Financing Fluvanna County Government***

## **A Report of the Commission on Alternative Revenue Sources**

### **The County of Fluvanna**

“Governments have grown both more self-reliant and self absorbed. Just about everything has changed in state and local finance during the past decade: The once-robust bond market is shrinking; state and localities that used to rely heavily upon federal dollars no longer can; and spending patterns are shifting as politicians react to pressures for leaner government. States and localities have, in short grown more self-reliant, independent, inventive and self-absorbed. It hasn't been easy to live through it.”

## **Fluvanna County Board of Supervisors**

Andrew M. "Mel" Sheridan, Jr., Chairman, Columbia District  
Stafford M. "Buck" Pace, Vice-Chairman, Palmyra District  
Cecil L. Cobb, Fork Union District  
Leonard R. Gardner, Rivanna District  
Donald W. Weaver, Cunningham District

### **Fluvanna County Commission on Alternative Revenue Sources Members**

Honorable Stafford M. Pace, Vice-Chairman, Board of Supervisors  
Honorable T. Kent Loving, Commissioner of the Revenue, Subcommittee Chair  
Honorable Linda H. Lenherr, Treasurer  
Honorable Jan Rothwell, School Board Representative, Subcommittee Chair  
John Bergman, Chairman, Fire & Rescue Association, Subcommittee Chair  
Gregory D. Blouch, President, Chamber of Commerce  
Brenda P. Browning, Director of Finance  
Gilbert Clifford, Chairman, Industrial Development Authority  
William M. Flanders, Chairman, Economic Development Commission, Subcommittee Chair  
Justin Wade, Citizen Appointee  
Jack Gooch, Citizen Appointee  
Jack Reed, Citizen Appointee  
Gary Ellis, Human Services, Subcommittee Chair  
Bob DeMauri, T. J. Partnership for Economic Development  
Dr. Wayne White, School Superintendent (ex-officio)  
Robert Huff, Robinson, Farmer, Cox Associates (ex-officio)  
C. Dean BeLer, County Administrator (ex-officio)

### **Fluvanna County Finance Department Staff**

Brenda P. Browning, Director of Finance  
Pamela M. Jones, Finance Assistant  
Judy Baber, Clerk

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## Executive Summary

### Background

On April 16, 1997 the Board of Supervisors appointed a study commission to explore alternative revenue sources for use by Virginia Counties. This action, taken concurrent with the adoption of the fiscal year 1998 budget, came as the realization that growth pressures on Fluvanna County would continue and result in increasing tension between the demand for service and the availability of revenues to meet the demands.

### Need

From 1990 to the estimated 1998 population projection the county will have grown by 50%. Included in this 50% increase is the estimate of 100 new students per year. Potentially the equivalent of 1 new school every six years. Federal and state actions to further mandate new programs and program expansions to local government increases the levels of service required of Fluvanna County Government. Correspondingly Fluvanna county a bedroom-quasi rural community included in the Charlottesville metropolitan area, does not have a commercial and industrial base by which to offset the cost of residential services.

The Economic Development Commission financial analysis indicates that for every \$1.00 in revenue a residential dwelling creates, its corresponding costs are 9 cent more than it generates. The board of supervisors acknowledgment that the county's continued reliance upon property taxes to fund the fiscal demands is expected to create further tension. Fluvanna County has relied more heavily upon property taxes (6 to 12% greater reliance) than for the total average of counties since 1986.

### Findings

The Commission investigated and researched approximately 15 revenue sources of which 10 are considered viable options for study. Of the 10 revenue sources the following six are considered most viable. The potential revenue they might return to the county along with its equivalent tax rate are:

Revenue Source	Potential Revenue	Equivalent Real Tax*
A. Service Charge on State Property	\$75,000 - 100,000	1 - 1 ½ cent
B. Business License Tax (BPOL)	\$130,000 - 200,000	2 - 3 cents
C. Cash Proffers Fee	\$100,000 - 300,000	1 ½ - 5 cents
D. E-911 Tax	\$50,000	¾ cent
E. Utility Tax & Franchise Tax	\$70,000 - 125,000	1 - 2 cents
F. Meals Tax	\$111,000.	1 ½ cents

\* Each 1 penny on the real estate tax rate generates \$68,000 in revenue (1997)

*Refer to work papers for more detail.*

### Recommendation

Recognizing that Fluvanna County has to rely more heavily upon property taxes for its principle local source of revenue, it is recommended that increased attention be given to those

revenue sources that might offset further reliance upon property taxes as a means by which to meet the demands for service.

As with the consideration of any tax it is recommended that the county consider the impact of existing and new taxes to the residents, business and industry in the community. In that analysis the county should consider such issues as the "regressiveness" of the tax, the regional competitiveness and such other factors as may be pertinent.

## Report Introduction, Background and Need

John Petersen writing in governing (October, 1987), "A Decade of Governing", Finance.

"Governments have grown both more self-reliant and self absorbed. Just about every thing has changed in state and local finance during the past decade: The once-robust bond market is shrinking; state and localities that used to rely heavily upon federal dollars no longer can; and spending patterns are shifting as politicians react to pressures for leaner government. States and localities have, in short grown more self-reliant, independent, inventive and self-absorbed. It hasn't been easy to live through it." p. 35

Fluvanna County is not unique in experiencing the pressures of less state and federal aid to meet the service needs of an explosive population growth—50% in 8 years. Historically Fluvanna County has relied upon the traditional means of revenue—dating back to colonial time—the property tax, personal and real. These two taxes make up 85.6% of the total local sources of revenue.

The commission was not charged with addressing the issues of service demand, capital needs nor education needs. However, the commission does recognize a parallel effort undertaken by the Fluvanna County Economic Development Commission and includes its report—"Financial Analysis Report" in the appendices.

Highlights of the report which demonstrate that decision makers in Fluvanna County will be facing financial decisions for some time in the future are:

- “ • Since 1990 the population has grown 50%
- The projected population of the county in the year 2005 will be 25,000
- School population has grown by 33%
- An additional 100 students can be expected to enter the school system each year
- Building permits broke 300 new permits in 1994 and are expected to break 400 in 1998
- The residential sector costs 9 cent more than the revenue it generates
- When accounting for inflation, past expenditures for government may not have kept up with inflation, or at worst, been negative growth ”

The table below compares trends in the reliance upon property taxes and demonstrates that Fluvanna has relied upon property taxes to a greater degree. Should the governing body desire to broaden its reliance upon revenue sources the commission's report can be used as a guide.

### Property Tax Reliance

#### Property Tax — Primary Source of Revenue Percent of Local Revenue

	1986-1990	1991-1995	1996
Cities & Counties	57.2%	57.0%	54.9%
Counties	61.5	61.1	59.5
Fluvanna County	68.9	67.2	66.3
%-age difference compared to others	(+7 to 11%)	(+6 to 10%)	(+7 to 12%)

### Revenue Source Expansion

Information provided by the Virginia Association of Counties Executive Director indicate there are 26 taxing options available to counties and 3 more which would require special legislation for consideration by Fluvanna County. Of the 26 taxing options, 10 are fully or partially implemented by Fluvanna county.

**Table of Fluvanna County Local Taxes Currently in use:**

Tax	FY 97	
	Actual Revenue \$ in thousands	% of total
Real Property	\$4,767.	49.3%
Real & Personal Public Service	907.	9.4%
Personal Property	2,602.	26.9%
Machinery & Tools	23.	.0024%
Local Sales Tax	319.	3.3%
Consumers Utility *	517.	5.4%
Gross Receipts *	117.	1.2%
Motor Vehicle	285.	3.0%
Bank Stock	31.	.0003%
Recordation & Wills	101.	1%

\* *Partially Implemented*

In addition the commission determined there were two other revenue sources of potential benefit to Fluvanna County.

### **Service Charge on Commonwealth Property**

A service charge, determined on the basis of actual expenditures, levied on property owned by the commonwealth. (This service charge was implemented by the Board of Supervisors on November 19, 1997.

### **Cash Proffers**

A one time charge on new home construction which pays in advance for the added burden that a new home is expected to put on such services as police, fire, schools, etc.

After preliminary review, the following tax options were considered to be either impractical or of little value to the county. They are:

Transient Occupancy	Coal & Gas Road Improvement
Daily Rental Property	Oil Severance
Coal Severance	Alcohol License
Gas Severance	Merchants Capital *

*\* Fluvanna County previously levied a Merchants Capital Tax. The levy generated approximately \$20,000 and was determined to be of little value to the county.*

The following taxes, and a brief description, are considered to be of potential benefit to the county.

### **Cable Television Franchise and Excise Tax**

The state allows jurisdictions to enact a fee on the cable franchise within a jurisdiction and more recent state actions allow for the levy of an excise tax as well.

### **Consumer Utility Tax**

This is a tax on the utility services provided to consumers within a jurisdiction. At this time Fluvanna County levies the tax on electric and telephone—to include a cellular phone service. The county has the ability to levy the tax on water, sewer and gas.

### **Utility License Tax**

Similar to the “consumer tax” this is a tax imposed on the utility companies more similar to a gross receipts tax or business license tax on utility services provided within a jurisdiction. At this time Fluvanna County levies the tax on electric, water and heat. The county has the ability to levy the tax on telephone, water and sewer.

*Note: the County levies the Consumer Utility Tax on telephone services on the consumer level but has not implemented the Utility License Tax on the providers of telephone service.*

### **Meals Tax**

A food and beverage tax with a four percent maximum on prepared foods and beverages.

**E-911 Tax**

Tax levied on each telephone line, limited to amount needed to fund initial capital costs, installation and subsequent maintenance cost of enhanced 911.

**Business (BPOL) Tax**

A tax on the gross receipts of businesses classified in four categories—  
contracting;  
retail sales;  
financial, real estate and professional; and  
repair, personal and business services.

The table “Summary of Commission Work Papers on Revenue Sources for Fluvanna County” presents an overview of work papers found in the appendix. In summary the alternative revenue resources offer the governing body a variety of means by which to:

- Spread the tax burden
- Decrease the reliance upon real estate and personal property taxes
- Take advantage of special opportunities

**Summary of Commission  
Work Papers on Revenue Sources for Fluvanna County**

<b>TITLE</b>	<b>CODE</b>	<b>COMPARABLE JURISDICTION</b>	<b>ESTIMATED REVENUE</b>	<b>COSTS COLLECTION</b>
Service Charge	58.1-3400	Greensville Co.	\$75,000 - 100,000.	\$1,500 - 2,000.
BPOL	58.1-3700	Amherst, Goochland, Greensville, Greene, New Kent, Amelia, Cumberland	\$130,000- 200,000.	\$20,000
Cash Proffers (Impact Fees)	15.2-2298 15.2-2303	Clark Co., Hanover, Powhatan, Fauquier, Isle of Wight, Spotsylvania, King William	\$100,000- 300,000.	\$35,000
E-911 Tax	58.1-3813	Buckingham, Cumberland, Nelson, Greene, Louisa, Orange, Powhatan	\$50,000.	-0-
Cable Television Franchise & Excise Tax	15.1-23.1, 58.1-3818.1 (15.2-2108)	Amelia, Orange Buckingham, Cumberland, Goochland, Caroline	\$10,000.- 20,000.	-0-
Meals Tax	58.1-3833	Madison, Greene Nelson, Amherst	\$111,000	-0-
Consumer Utility Tax	58.1-3812 3814, 3815	Greensville, Nelson Accomack, Roanoke	\$50,000.- 75,000.	-0-
Utility License Tax	58.1-3731, 3700	New Kent, Page Caroline, K.George Southampton, Greensville	\$10,000.- 30,000.	-0-

## **Findings**

In addition to considering new revenue sources, the commission was briefed on the fees and charges currently made for services (e.g., inspections, landfill, zoning, subdivision, animal control) and concerns in the philosophy that the county should require services based upon consumer demand to be fully supported by the fee structure. The fee structure should include direct costs as well as indirect costs.

The governing body should explore the fees which generate at least \$50,000. per year for consideration in lieu of increases in the real or personal property tax. The governing body, where and when feasible, should consider such taxes as the E-911 and Cable TV excise as a means, for example, by which to build cash reserves for a future E-911 and Communications project.

The governing body should consider appropriating funds to, in some manner, audit the collection of fees and taxes by outside services to insure that all revenue generated from taxes paid by Fluvanna County citizens is in fact coming to Fluvanna county government. The commission acknowledges that cellular phone companies may not be collecting the required cellular tax, and have to question how the cellular companies are determining the correct payment to Fluvanna county.

In conclusion, the commission members are pleased to present their research, findings and conclusions. It is projected that the commission's effort amounts to a contribution of in excess of 200 hours of time serving the Board of Supervisors and the citizens.

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Local Government Finance in Georgia. An Assessment of State-Local Revenue System. 1990.

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# APPENDIX

## Authorizing Resolution

### Proposing a Study Commission on Alternative Revenue Sources

Whereas, Fluvanna County is experiencing growth in population; for the past 5 years a 35% increase in population; and

Whereas, Fluvanna County is heavily dependent upon real estate and personal property tax revenue as its dominant source of local revenues; and

Whereas, Fluvanna County has few industries and little commercial enterprise, and the closing of any of the major industries might have a significant impact on the local tax revenues to the County; and

Whereas, the federal government is devolving many programs that historically have been funded by the federal government and is passing these responsibilities on to the states and local governments; and

Whereas, the Commonwealth of Virginia has not been fully funding state mandated and constitutionally mandated programs; and

Whereas, the demands for increasing resources from Public Safety, Education, Social Services, Government Operations and Capital Improvements are substantial and not able to be sufficiently funded within existing resources; and

Whereas, the General Assembly has provided counties, cities and towns with alternative revenue sources in order to help offset the reliance upon local tax revenues.

Now therefore, be it resolved, by the Fluvanna County Board of Supervisors that it appoint a Study Commission on Alternative Revenue Sources, the members shall be the

Commissioner of Revenue	the Treasurer
a member of the School Board	the County Director of Finance
the Chair of the Economic Development Commission	President, Chamber of Commerce
the Chair of the Industrial Development Authority	the Chair of the Fire and Rescue Board
a member of the County delegation to the Thomas Jefferson Partnership for Economic Development	a member of Human Services Board
the County Administrator, School Superintendent and a representative of the County Auditing firm	three citizen members appointed At-Large
shall serve as ex officio members, and	
the commission shall be chaired by the Vice Chairman of the Board of Supervisors	

Further be it resolved, the commission shall present a report on the existing Fluvanna County revenue reliance and a report on the alternative revenue resources available either now used or which may be used by Fluvanna County; the written report shall be made to the Board of Supervisors not later than December 1, 1997, and the Commission shall die out on December 31, 1997;

Further be it resolved, a copy of the resolution be filed with Virginia Senator Edward Houck and Virginia House of Delegates Earl Dickinson for their information and for such support as they may determine available; and

Further be it resolved, the Commission is appropriated \$1500. for such expenditures as the Commission may deem necessary in carrying out its mission.

adopted this 16th day of April, 1997



\_\_\_\_\_  
Clerk of the Board of Supervisors

- c: Executive Director, Thomas Jefferson Planning Commission
- Executive Director, Virginia Association of Counties
- Executive Director, Commission on Local Government
- Executive Director, National Association of Counties

## **Presentations to Commission**

Wayne White, Ph.D. Superintendent of Schools  
Student Populations Projections and Infrastructure needs.

C. Dean BeLer County Administrator  
Comments on Future Financial Situation

James Campbell Executive Director, Virginia Association of Counties  
Taxing Powers Available to Counties

# Revenue Source: Service Charge

## Code Citation:

Code of Virginia, Section 58.1-3400

## Subject:

The Code Citation noted above allows for a service charge for property owned by the Commonwealth of Virginia if the following conditions are met:

1. The value of the real estate owned by the commonwealth in the County must exceed 3% of the total property value in the County. Total property value includes both taxable and nontaxable property.
2. Property owned by the Commonwealth cannot include hospitals, education facilities, public roads, or property held for future construction of highways
3. The County must provide one or more of the following services: Police, Fire Protection, Collection of Solid Waste, and/or Disposal of Solid Waste.

## Recent Developments:

With the construction of the new Women's Correctional Facility, Fluvanna County would meet all of the conditions required for a service charge. It has been determined by the Commissioner of Revenue that the Commonwealth of Virginia owns 4.39% of the total property in the County.

## Projection of Annual Revenue Resulting from this Source:

A very detailed and specific formula exists for determining the amount of service charge that can be assessed. Based on the experience of another locality, it is estimated that Fluvanna County could collect between \$75,000 and \$100,000 annually through this source.

## Alternate Projections:

In considering the services to be used for this charge certain activities need to be carefully analyzed. For example, would more cost be recovered by including waste disposal in the service charge formula as compared to the income now received through tipping fees.

## Cost of Administration of Revenue Source:

The actual cost to administer this type of charge should place no additional financial burden on the County. The amount of charge, as noted above, is determined through a detailed formula which should be the responsibility of the County Auditor. A cost will be incurred by adding this activity to the County Auditor duties.

## Advantages From the Use of this Source:

A service charge will provide reimbursement to the County for services it provides and must be prepared to provide to Commonwealth agencies in the County. It is a simple revenue source to develop and to administer and it places no additional tax burden on the County residents.

**Disadvantages From the Use of this Source:**

There are no identifiable disadvantages to this revenue source.

**Recommendations:**

1. The County Supervisors approve an ordinance to the effect that a service charge will be implemented.
2. The County Auditors be engaged to develop the appropriate charge.
3. The Governor and all appropriate State Departments be notified of the County's intent to assess a service charge and the effective date of this charge.
4. The County Administrator be authorized to begin work on an agreement for this charge with the Department of Corrections.

**Revenue Source: Business, Professional and Occupational License Tax (BPOL)**

**Code Citation**

58.1-3700 through 58.1-3735

**Subject:**

Local ordinance to impose a license tax on certain businesses operating in Fluvanna County.

**Recent Developments:**

1996 General Assembly legislative session reformed BPOL tax Code sections to promote uniformity and consistency in local BPOL administration.

**Projection of Annual Revenue Resulting from this revenue Source:**

Revenue estimates depend on tax rates set: \$130,000 to \$200,000

1. with state maximum rates for each business classification - \$200,000.
2. with graduated rates according to gross receipts - \$100,000 to \$150,000.
3. with maximum rate allowed for lowest classification (flat .16) - \$130,000.

These estimates are based on current Fluvanna Based businesses. BPOL prorated tax on jobs done in Fluvanna by outside based businesses would generate additional revenue: i.e., courthouse complex, new schools or additions, commercial or industrial projects.

**Administration of this Revenue Source:**

Commissioner of the Revenue to administer the licensing of affected businesses. Treasurer to receive and/or collect license fees and/or gross receipts tax.

**Projection of Annual Administrative expenses:**

One half-time clerk in Commissioner's Office with fringes	\$9,000.
One half-time clerk in Treasurer's Office with fringes	\$9,000.
Forms, supplies, license certificates, etc.	<u>\$2,000</u>
	<u>\$20,000</u>

**Advantages From the Use of this Source:**

1. Obtain and upkeep list of Fluvanna-based businesses.
2. Fluvanna-based businesses generating gross receipts in other localities would pay license tax to Fluvanna instead of the other locality.
3. Fluvanna County could obtain tax on gross receipts generated in this county from outside based businesses if such receipts are in excess of \$25,000.
4. Generate a minimum of \$150,000 net revenue annually which would counter a 2¢ raise in the real estate tax.

**Disadvantages From the Use of this Source:**

1. Increased staff in offices of Commissioner and Treasurer - one-half additional position required in each office to administer and collect tax.
2. Determination of class of each business if classification is used.
3. Regulatory and/or audit procedures to fairly and evenly administer this tax may be difficult. Some localities employ a "License Regulator".
4. May be perceived by some as "anti-business" and/or a deterrent to economic development.

**References to Other Jurisdictions that May Have Used or Considered this Revenue Source:**

Albemarle & Charlottesville - Tax classifications at state maximum rates

Cumberland - flat rate of .05/100 on all

Greene - by classes from .15 to .44/100

Goochland - by classes from .05 to .15/100

Powhatan - \$30 license fee for all; no gross receipts tax

**Other comments:**

If this tax is imposed, allow at least six months between passage of ordinance and the effective date (calendar year). Example: to implement a BPOL tax for 1999, passage of ordinance should be no later than July 1, 1998. This period is to allow time for necessary staff adjustment, administrative procedure formulation and forms procurement in commissioner and Treasurer offices.

**Recommendation:**

If this tax is imposed, it is recommended that a license fee be charged for businesses with gross receipts from \$1,000 to \$10,000; and a graduated rate gross receipts tax by classification starting at state maximum on gross receipts over \$10,000.

**Revenue Source: Cable Television****Code Citation:**

58.1-3700 through 58.1-3735

**Subject:**

Franchise tax, users tax and tax on services.

**Recent Developments:**

There are recent changes in the code and application of taxes on cable companies. Cable companies have been pursuing alternative services such as telephone, internet and video services.

**Projection of Annual Revenue Resulting from this revenue Source:**

\$10,000 to \$20,000.

**Administration of this Revenue Source:**

Collected by the company and returned to the County

**Reference to other jurisdictions:**

Amelia, Buckingham, Cumberland, Orange, Goochland and Caroline all have implemented some aspect of this tax.

**Recommendation:**

Consider in the future.

**Revenue Source: Consumer tax on Utilities** (telephone, water or heat, light and power, and cable television),

**Code citation:**

58.1-3812, 58.1-3814, special legislation of the general assembly

**Subject:**

A tax on users of utilities

**Recent Developments:**

Recently the General Assembly enabled some cities and towns, by amendment to their charter, to include the tax on users of cable television services.

**Projection of Annual Revenue Resulting from this Revenue Source:**

\$50,000 to \$75,000.

Additional revenue would be generated by the addition of the utilities provided for water, sewer, gas and possibly cable television. In fiscal year 1997 the tax generated \$517,000 in revenue to the County.

**Administration of this Revenue Source:**

The tax is collected by the service providers and then remitted to the County.

**Advantages from the use of this source: —**

**Disadvantages from the use of this source: —**

**References to other jurisdictions that may have used or considered this revenue source:**

Greensville, Nelson, Accomack, Roanoke

**Other comments:**

The implementation of this tax county wide, beyond what is already in effect, would be to tax users in the areas of Town of Columbia, Fork Union Sanitary District, the Village of Palmyra and the Lake Monticello. It would appear that some clarification of the nature of gas services is required prior to further consideration.

**Recommendation:**

Amending the existing ordinance and imposing the tax on utilities not currently included would bring considerable potential additional revenue to the County.

## **Revenue Source: Enhanced 911 Telephone Tax**

**Code citation:**

58.1-3813

**Subject:**

A charge on each telephone line used solely for eligible costs of the enhanced 911 program.

**Recent Developments:**

A considerable number of jurisdictions have implemented E911. This effort requires considerable lead time, effort and expense. To offset the cost of E911 the General Assembly has empowered cities and counties with the ability to tax each telephone line in the jurisdiction as a means of generating revenues for the E911 program.

**Projection of Annual Revenue Resulting from this Revenue Source:**

\$50,000.

**Administration of this Revenue Source:**

The tax is collected by the telephone provider and returned to the County.

**Advantages from the use of this source:**

The principal method of using the E911 system is by telephone service. It has long been considered that the E911 tax is similar to a service charge for the actual service. Taxing each user, who is the recipient of the service, is a sound means of generating the revenue to support the program.

**Disadvantages from the use of this source:**

Implementing the tax in advance of the service requires some public information in order for the public to understand the tax and why it is being implemented.

**References to other jurisdictions that may have used or considered this revenue source:**

Buckingham, Cumberland, Orange, Goochland, Caroline. In 1994, 66 counties and 19 towns imposed the special tax for E911.

**Other Comments: —**

**Recommendation:**

The imposition of this tax, in preparation of the service, is a concept worth consideration. It will take some time to generate a reasonable balance of funds. It can be anticipated that the County will likely be implementing the E911 system within the next 5 years.

## **Revenue Source: Environmental Impact Fee/Cash Proffers**

### **1. Environmental Impact Fee**

**Code Citation:**

15.2-2317

**Environmental Impact Fee**

Several attempts at legislation authorizing this fee for Counties have failed over the past years. The only exception is in Northern Virginia where an impact fee has been allowed but for roads only.

**Subject:**

**Environmental Impact Fee**

Very broadly, this fee is defined as a one time charge on new home construction which pays in advance for the additional burden that a new home is expected to put on services such as police, fire, schools, roads, etc., which the County provides. The fee is normally based on the amount of square footage of finished space and is collected at the time of issuing the occupancy permit.

**Recent Developments:**

Fluvanna County has experienced significant increases in population over the last several years. The residential growth has placed considerable strain on existing services offered by the County as well as expectations for improved services and additional services.

**Projection of Annual Revenue Resulting From this Source:**

**Environmental Impact Fee**

Assuming an environmental impact fee of between \$500 and \$1500, the County would have collected between \$112,500 and \$337,500 in 1996.

**Alternative Projections:**

Alternative projections for both the environmental impact fee and cash proffers would depend on the formula used for these programs.

**Cost of Administration of Revenue Source:**

## Environmental Impact Fee

There would be very little cost for the County in the administration of an environmental impact fee. The use of the County Auditors would be necessary in determining the fee and this would be an actual cost. However, once the fee is set it would be simply a matter of establishing a collection process at the time occupancy permit was issued.

**Advantages From the Use of this Source:**

## Environmental Impact Fee

Once established this fee is not difficult to administer. The County receives payment in advance for the impact that growth places on the County services. This fee is not a tax on County residents but rather effects only new residents.

**Disadvantages From the Use of this Source:**

## Environmental Impact Fee

One disadvantage of this fee is that it will probably increase the price of housing and thus negatively impact housing affordability in Fluvanna County.

**Other Comments:**

As noted earlier several attempts over the past years to pass legislation authorizing an environmental impact fee have failed. There is considerable opposition to such a fee from Home Builders Associations.

## 2. Cash Proffers

**Code Citation:**

15.2-2298, 2303

## Cash Proffers

In 1989 the General Assembly adopted legislation enabling certain counties to accept cash proffers at the time of rezoning to help the county defray some of the excess capital costs that the resultant development and growth may place on the county (exact Code citation not known at this time).

**Subject:**

## Cash Proffers

Cash proffers are similar to the environmental impact fee in that it is a payment in advance for the additional burden that a new home is expected to place on County services. Normally the payment of a cash proffer is due at the time a request for zoning/rezoning is approved. Unlike the environmental impact fee the offer a cash proffer is voluntary.

Two requirements are necessary to proceed with a cash proffers program:

1. Growth in the county or an adjacent county must have increased by 10% between the 1980 and 1990 census.

2. Projects to be funded must be identified in a five year Capital Budget Program and must be related to schools, roads, parks, libraries, fire and police.

The process to implement cash proffers is for the county Supervisors to adopt a policy, through ordinance, in which the Board states its expectations on proffers that will be made to offset growth on any application for rezoning where the rezoning will have a cost impact through service demands on the County. This policy must be readopted annually by the Supervisors.

#### **Recent Developments:**

Fluvanna County has experienced significant increases in population over the last several years. The residential growth has placed considerable strain on existing services offered by the County as well as expectations for improved services and additional services.

#### **Projection of Annual Revenue Resulting From this Source:**

##### **Cash Proffers**

It is considerably more difficult to estimate potential income from a cash proffers program because of the complexity of this program, and of the formula that is eventually developed, and the fact that payment is voluntary. However, for the purpose of this report the same figures as given for the environmental impact fee can be considered for the cash proffer program.

#### **Alternative Projections:**

Alternative projections for both the environmental impact fee and cash proffers would depend on the formula used for these programs.

#### **Cost of Administration of Revenue Source:**

##### **Cash Proffers**

The cost to administer a cash proffers program would be considerably more than the environmental impact fee. There would be Auditor costs in determining the formula as with the environmental impact fee. In addition, because of the complexity of this program we would estimate that a full time County employee would need to be added at a cost of at least \$25,000 plus benefits. A cash proffer may normally be either cash or real property. In the case of real property, a value of the real property must be determined. Even though the amount of the cash proffer is established, each situation must be considered on the basis of its estimated impact on the County, hardship considerations must be determined, negotiations are usually necessary and extensive.

#### **Advantages From the Use of this Source:**

##### **Cash Proffers**

The County receives payment in advance for the impact that growth places on the County services. This program is not a tax on County residents but rather effects only new residents.

#### **Disadvantages From the Use of this Source:**

##### **Cash Proffers**

As with the environmental impact fee a cash proffers will also probably increase the price of housing and thus negatively impact housing affordability in Fluvanna County. Another disadvantage with this program is its complexity and cost of administration.

**References to Other Jurisdictions that May Have Used or Considered this Revenue Source:**

Enclosed with this report is a survey of other localities, conducted by Chesterfield County, indicating what they are doing in the area of cash proffers. It should be noted that this survey is at least a year old.

**Other Comments:**

Those localities who now have a cash proffers program all indicated their preference was for an environmental impact fee because of its simplicity in administration over a cash proffers program and because the potential income can more accurately be projected.

**Recommendations:**

It is recommended that Fluvanna County's Legislative Delegation be asked to submit and support legislation authorizing an Environmental Impact Fee.

It is further recommended that a Task Force be appointed to work with the County Administrator to develop guidelines, formulas and calculations for a cash proffers program.

## Chesterfield and Other Virginia Localities\*

LOCALITY	POLICY INFORMAL VS FORMAL	POLICY STATUS	PROFFER METHODOLOGY UTILIZED
Chesterfield	Formal Policy	Policy adopted March, 1990	----
City of Chesapeake	Formal Policy	Policy adopted November, 1992	Tischler & Associates
Clarke	Formal Policy	Policy adopted in 1990	Own methodology - similar to Chesterfield's
Fauquier	Formal Policy	Policy adopted August, 1990	Own methodology
Hanover	Formal Policy	Policy adopted in 1990	Chesterfield's
Isle of Wight	No Formal Policy	No action by Board; action pending completion of facility cost calculations and staff recommendation	Tischler & Associates
King William	No Formal Policy	Expects to hold a public hearing this August regarding staff recommend- ation and policy adoption	Chesterfield's
Loudoun	No Formal Policy	No formal published policy: cases evaluated case-by-case basis	Own methodology
Powhatan	No Formal Policy	Presentation from consultant to occur this summer; policy adoption expected sometime thereafter	The consultant from No. VA utilized Chesterfield's methodology
Spotsylvania	No Formal Policy	No formal policy adoption expected will evaluate case-by-case	----
Virginia Beach	Formal Policy	Policy Adopted July, 1989	Consultants from Rutgers

\* Prepared by Chesterfield County.

## Detail on Localities with Formal Cash Proffer Policies\*

LOCALITY	PROFFER AMOUNTS	FACILITIES FOR WHICH CASH ACCEPTED	AMOUNT PROFFERED TO DATE	AMOUNT COLLECTED TO DATE	COMMENTS
City of Chesapeake	Range \$4,000 - \$6,500	Schools & Roads	Since policy adopted in 1992, no \$ has been proffered; 5 zoning applications have been withdrawn since policy adoption	\$52,000 from cases that were approved prior to Nov., 1992 policy adoption	Payment of proffer expected at final subdivision plat approval; City Council has appointed Growth Commission to recommend additional/alternative funding sources
Clarke	\$3,250 plus cost of living index	Schools	Prior to 2/91, approx. 110 lots subject to cash proffers; no zonings since 2/91	\$0	Proffers paid at building permit application.
Fauquier	Approx. \$3,800	Schools & Parks/Recreation	One residential rezoning in last 3 yrs - not more than 200 units	\$0 No activity to date on the one cash proffer case	Time of Proffer payment varies-- occupancy permit to % project complete
Hanover	\$2,028 for single family; \$1,984 for multi-family	Schools, Parks, Libraries, Fire Stations, Jail, Rescue Squad	Approx. \$2.6 million	Approx. \$15,000	Hanover's proffer is the total computed facility costs; facility costs are recomputed every year (like Chesterfield's)
King William	\$3,672	Schools, Libraries, Parks/Recreation (The Board has requested that costs for Fire and Rescue be included)	\$0 (No formal policy adopted - but payment contemplated at subdivision plat approval)	\$0 (No formal policy adopted)	---
Loudoun	Wide range depending on a # of variables	Schools, Roads Libraries, Parks, Fire Stations	---	---	All cases evaluated on a case-by-case basis; both time & amount of payment, etc. varies greatly from case to case
VA Beach	Approx. \$4,500	All public facilities, inc. gov't adm. bldgs	\$605,000 from one zoning case	\$0	----

\* Prepared by Chesterfield County.

# Revenue Source: Utility License Tax on Public Service

**Code citation:**

58.1-3700, 58.1-3731;  
Cable television 15.1-23.1(15.2-2108)

**Subject:**

A tax on the gross receipts of utility providers in the jurisdiction. Considered a form of BPOL tax.

**Recent Developments: —****Projection of Annual Revenue Resulting from this Revenue Source:**

\$10,000 - \$30,000.

This tax generated \$117,000 in fiscal year 1997. If levied on telephone and water companies in the Lake Monticello, Columbia, Palmyra and Fork Union it would likely generate additional revenues. A levy on cable television would increase the amount of revenue.

**Administration of this Revenue Source:**

This is similar to the BPOL tax and is on the gross receipts of the company.

**Advantages from the use of this source: —****Disadvantages from the use of this source: —****References to other jurisdictions that may have used or considered this revenue source:**

New Kent, Page, Caroline, King George, Southampton, Greenville

**Other comments:**

Some clarification is required as to the County's position regulating cable television within the County. The Cable television service is now provided outside of Lake Monticello into many of the other urban areas of the county. Additionally, it is unclear whether the Sanitary District is also considered an entity required to pay the tax.

**Recommendation:**

Consider in the future.

# Revenue Source: Meals (Food and Beverage) Tax

## Code citation:

58.1-3833

## Subject:

A tax on meals and beverages at the time of sale which applies to food served in restaurants as well as prepared food to go (deli's).

## Recent Developments:

Since 1988 Counties have had this option. Prior to that the meals tax was authorized only for cities and towns. In 1994 20 counties levied the tax which ranged from 2% to 4%. The majority levied the tax at 4%.

## Projection of Annual Revenue Resulting from this Revenue Source:

\$111,000 would be generated from a 4% meals tax. This is based on information supplied by the Department of Taxation.

## Administration of this Revenue Source:

This tax is administered similar to the sales tax. Restaurant owners and others collect this tax and pay it to the State and it is returned to the County from the State.

The enabling legislation for this tax requires a referendum of the voters to approve the tax.

**Advantages from the use of this source: —**

**Disadvantages from the use of this source:—**

## References to other jurisdictions that may have used or considered this revenue source:

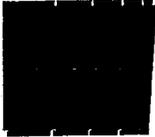
Other jurisdictions which utilize the tax are Amherst County, Greene County, Dinwiddie, King George. Voters in Madison and Albemarle recently approved the referendum.

## Other Comments:

As the equivalent of 2 pennies on the real estate tax rate this clearly would be a viable option to consider.

## Recommendation:

The resulting income is more than sufficient to justify consideration of the food and beverage tax.



# *FINANCIAL ANALYSIS REPORT*

## FLUVANNA COUNTY BUSINESS PLAN PROJECT

1 October 1997



**FLUVANNA COUNTY ECONOMIC DEVELOPMENT COMMISSION**  
POST OFFICE BOX 299      PALMYRA, VIRGINIA 22963      (804) 589-3138

## SCOPE AND SUMMARY

The charter of the Fluvanna Economic Development Commission (EDC) requires it to “evaluate the strengths and weaknesses of the Fluvanna County economic base and prepare a strategy..... (for economic development)...”. This report is an economic evaluation of where the county stands today, and attempts to forecast its financial future using gathered statistics and analytical tools.

This is the first written report of our Business Plan Project by the EDC although reports of its data gathering and status have been made public at each of the regular meetings. A key element in a standard corporate business plan is the cash flow analysis portion of that plan. By analogy, that is the essence of this report. Over the past year and a half, financial data and methodology have been gathered. The result is projected income and expenses through the year 2005. By that time we anticipate a county budget nearing \$40 million. This is in keeping with current budget trends and population growth in the county as shown in Section I, Fluvanna Statistics.

Section II provides a statistical outlook on county finances. To support a budget of this magnitude while maintaining our current mix of commercial, agricultural, and residential revenue will require a projected increase in taxes per capita of 33% from 1998 through the year 2005 as discussed in the subsection on Real Estate Taxes.

No specific plans for modifying the outcomes have been offered. However, the EDC feels that this report unmistakably proves the need for economic development in Fluvanna County. Section III indicates the revenue that typical commercial businesses would generate. It also points out that the residential sector is a net user of county funds and must be supplemented from commercial and agricultural revenue. Economic Development and strategies for same are suggested in the final section.

### **FLUVANNA COUNTY ECONOMIC DEVELOPMENT COMMISSION BUSINESS PLAN PROJECT**

#### **PROJECT MANAGER**

Andrew Lock, EDC Vice Chairman

#### **CONTRIBUTORS**

Bill Flanders, EDC Chairman

Karen Bercaw, EDC Past Chairman

EDC Members and Associate Members

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# FINANCIAL ANALYSIS REPORT FOR THE FLUVANNA COUNTY BUSINESS PLAN PROJECT

## I. FLUVANNA STATISTICS

### A. BACKGROUND

Fluvanna County is experiencing change. Those areas of the county as shown in the population density map (Figure 1) are now denser by a 50% increase from 1990 to 1997. In fact analysis of recent growth indicates it to be the third fastest in Virginia in percentage increase. Never, since its initial charter in 1981, has the Economic Development Commission (EDC) faced such large implications of what this change may mean to the future of the county.

Some questions posed are: What is the impact on the county budget? Will the commercial sector grow along with this residential change? How will the economy grow and where will businesses locate? What impact does this county growth have on the county infrastructure of roads, utilities etc.? and, Will growth come about in a planned manner? In short, what might be the effect on future county taxes and how can we keep these taxes as low and as competitive to surrounding counties as they are now?

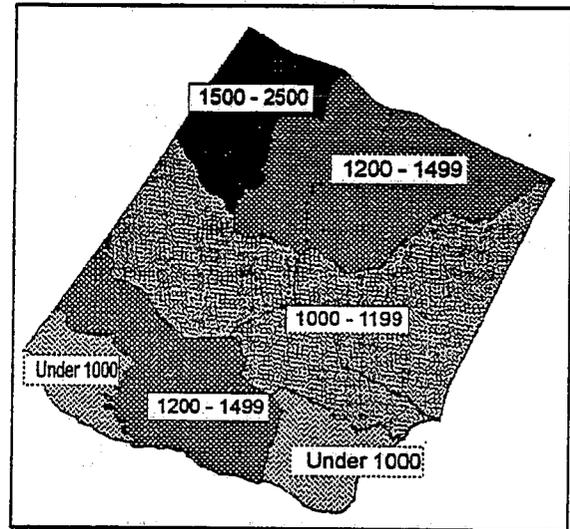


Figure 1 Fluvanna population density per census block - 1990 census

In early 1996, the EDC began an economic analysis, commonly referred to as the Business Plan Project.

Until now much of this time has been spent getting reliable statistical measures of key elements that influence the counties finances. Reliable information sources have been the Weldon Cooper Center at UVA, the Virginia Department of Education, audited financial statements, and the Virginia Department of Taxation. Additional assistance has also been provided by the Thos. Jefferson Planning District Commission, the Thos. Jefferson Partnership for Economic Development, the Fluvanna Commissioner of Revenue, Treasurer and the County Administration.

This is the first report and analysis of this data by the EDC. Future budget impacts and financial management decisions, such as the new court house, are left to further business planning. The projections are calculated by regression analysis of past trends to forecast future outcomes. The result is similar to the "Cash Flow Analysis" of a standard corporate business plan, however, modified to reflect the business of a public governmental body, i.e. profit or loss concepts are avoided. Our primary interest here is to report the results to the Board of Supervisors and to the community whom we work for. All comments relate only to our analysis of the data.

## B. HISTORIC TRENDS AND FUTURE PROJECTIONS

### 1. Population Growth

As mentioned in the previous section, the county's population has grown rapidly, from 12,429 residents in 1990 to an estimated 18,036 residents in 1997. This represents a 50% increase. Figure 2 shows population growth as experienced for the years 1990 to 1995 and anticipated growth through the year 2005. Projections are for the county's population to grow to 24,550 by 2005. Actual growth and projected growth appear to be consistent. This is supported by the number of building permits issued annually (see Figure 3). Using an average of 275 permits-per-year, new housing should easily accommodate the projected growth in residents.

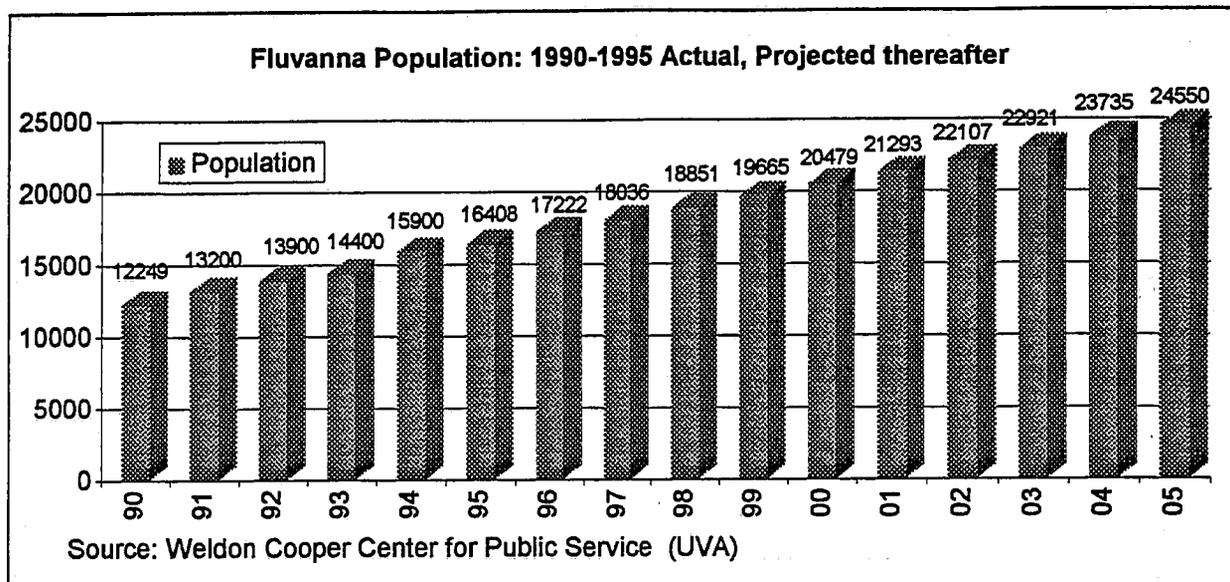


Figure 2 Fluvanna residential population through year 2005

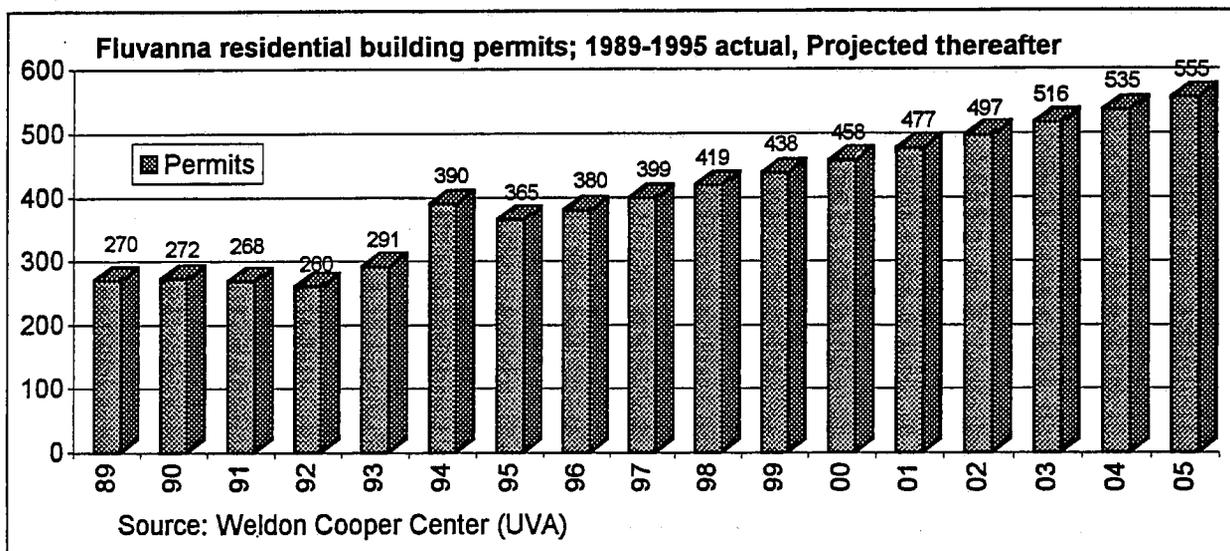


Figure 3 Growth in building permits

## 2. School Student Growth

As the number of residents has increased so has student enrollment (see Figure 4). Student enrollment has increased 33% from 1989 to 1997 and is projected to grow 26% by 2005, or about 600 new students.

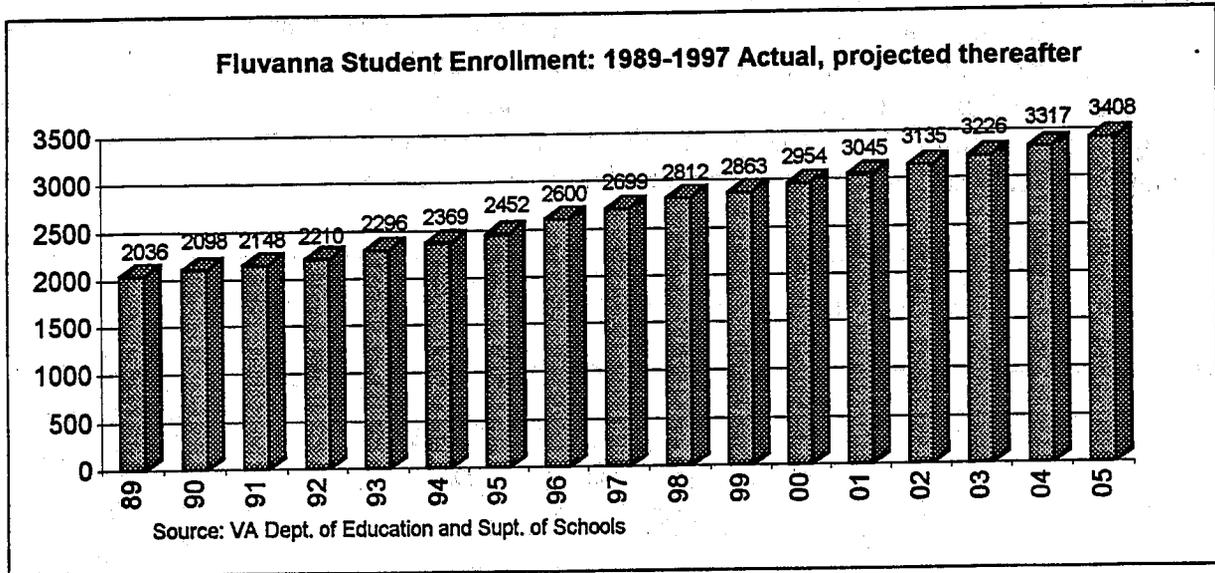


Figure 4 Growth in student population

## 3. The Trend In Expenditures For County Services

Although the budget has increased with new homes being constructed and the subsequent real estate and personal property taxes being levied, expenditures per capita and per student have basically held constant (see Figures 5 and 6).

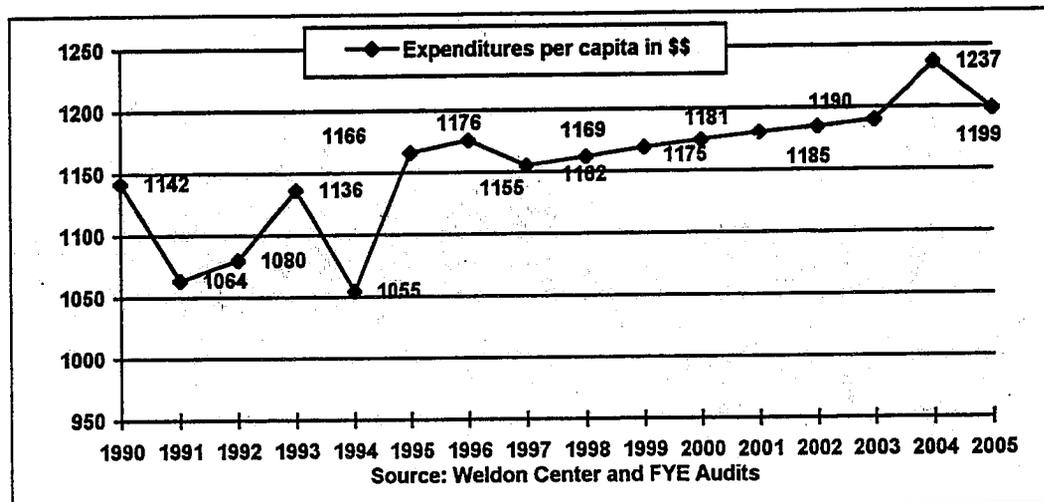


Figure 5 Expenditures per capita -1990-1996 actual, thence projected

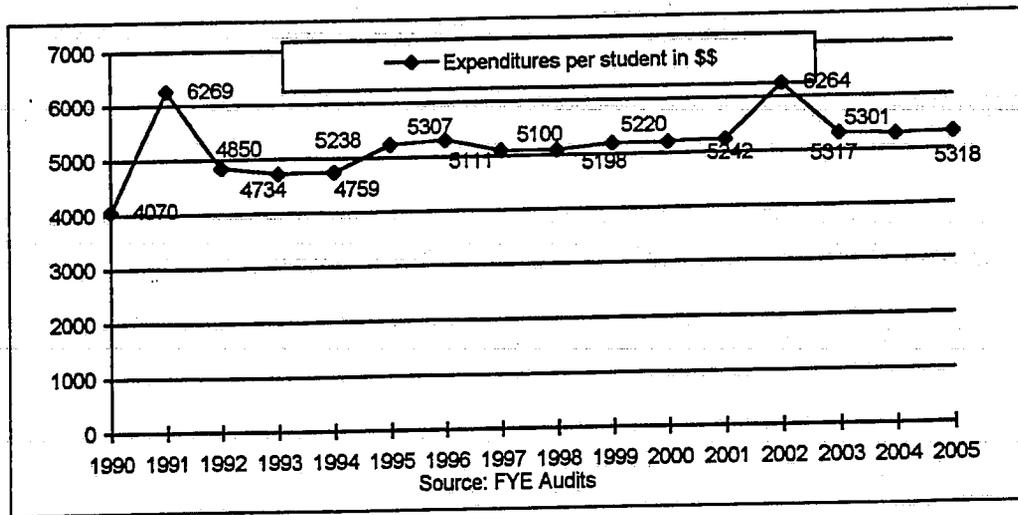


Figure 6 Expenditures per student, 1990-1996 actual, thence projected

The minimal growth rates in expenditures for both students and per capita are flat. Figure 7 shows these growth rates versus an average inflation rate of 3% per annum. This could indicate that the county is becoming more efficient in providing services. Even meeting the inflation rate should normally mean no increase in services, with the efficiency of delivery constant. The high rate in 91 includes costs for new school, one time, expenses out of operating instead of capital funds.

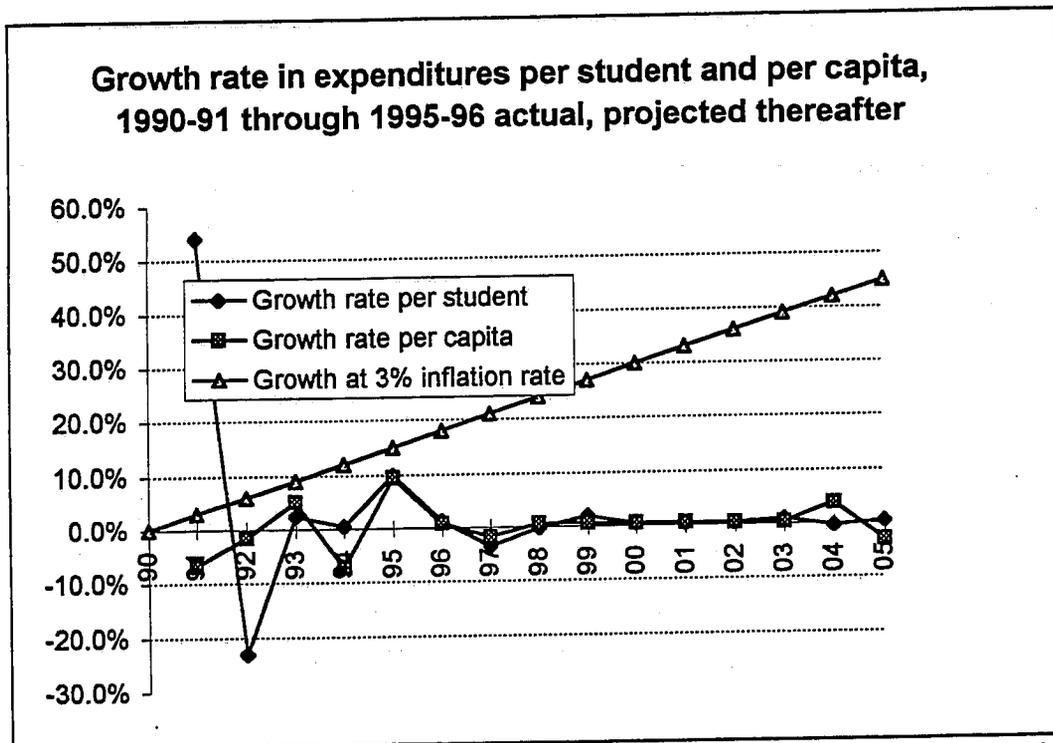


Figure 7 Growth rate in expenditures per student and per capita, 1990-91 through 1995-96 actual, thence projected

## II. COUNTY FINANCES

### A. FUNDING COMMUNITY SERVICES

From the previous section the population statistics indicate an upward pressure on the county budget. (A "pay as you go" government body only spends what it takes in, hence pressure vice deficit) The costs for community services are expected to increase. The data indicates that more funds for schools, police, health, buildings, roads, water, sewer, etc. are anticipated. The pressure to increase taxes depends how the community balances its revenue sources and manages its finances during the period addressed in this report.

**The residential sector is a net user of public funds. In analyzing the county budget, our very conservative estimate indicates that for every dollar received from the residential sector \$1.09 is now being paid out.** Studies in other areas of the country show ratios as high as \$1.67 (Louisa County). Therefore growth in the residential sector without a balance of growth in other sectors increases the county's financial stress and places added burdens through taxes on its residents. The development of these ratios is described in Section III.A.

**Agricultural, forest and commercial sectors are net providers of funds to the community,** although the commercial sector provides more dollars for county finances. As agricultural and forest land is converted into residential use, the community loses net providers and gains net users of funds.

### B. THE COMMERCIAL SECTOR

Fluvanna ranked 3rd to last among Virginia's 95 counties in per capita taxable sales in 1994 (see Table I). Projections are for minimal growth (see Figure 8). It is apparent that Albemarle County businesses are capturing a substantial amount of Fluvanna citizen's purchasing dollars and the associated tax revenue. Based on the response to the new Food Lion, Fluvanna citizens are willing to buy goods locally when conveniently available.

Machinery and Tools, a source of tax revenue for the county, have decreased as a percentage of all taxable property and gross values over the period 1990-96 remain stagnant (see Figures 9 and 10).

Ninety one percent of all commercial revenues to the county are derived from public utilities. These utilities rank as 6 of the first 7 largest business sources. The loss of one of these utilities from the county's tax base could have a substantial impact on the county. A composite of revenues from the 15 largest local business revenue sources is provided in Table II.

**TABLE I**  
**Taxable Sales in 1994 by County**

County	Amount in 000's	% of State Total	\$ Per Capita	% of State Avg.
Albermarle	638,561	1.284	8,906	116.2
Louisa	71,670	.144	3,214	41.9
Nelson	42,415	.085	3,165	41.3
Orange	98,870	.199	4,336	56.6
Greene	25,680	.052	2,122	27.7
Fluvanna	19,113	.038	1,318*	17.2

\* Fluvanna ranks 3rd to last among Virginia's 95 counties in per capita taxable sales

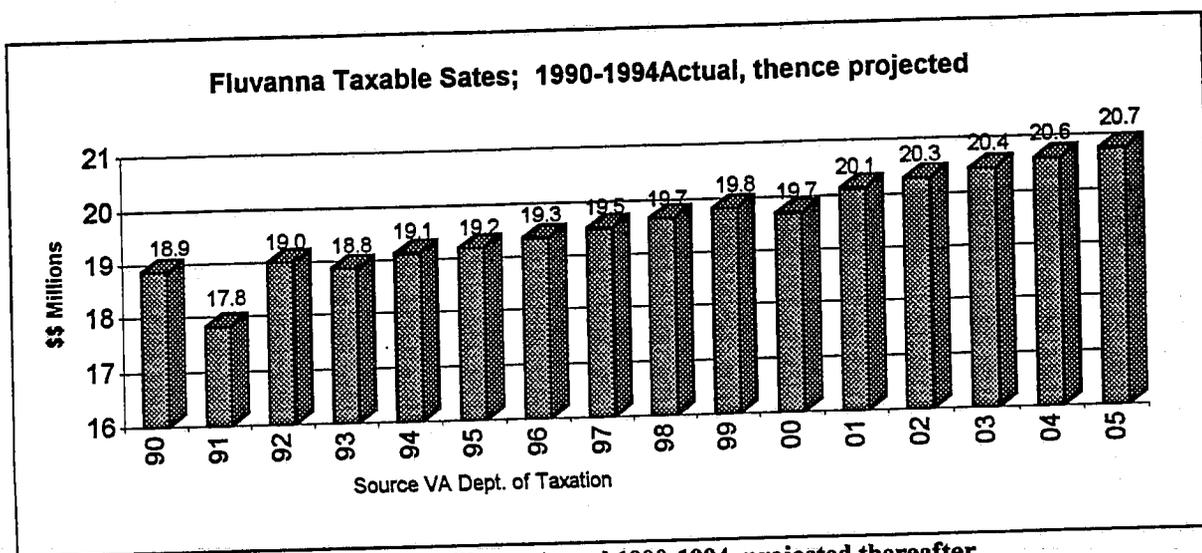


Figure 8 Fluvanna taxable sales in Smillions. Actual 1990-1994, projected thereafter

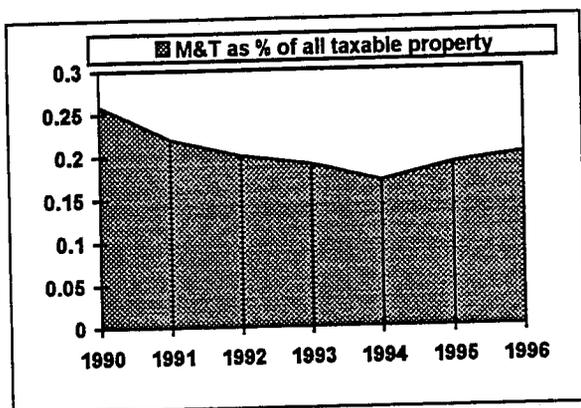


Figure 9 Assessed value of Fluvanna County machinery & tools as a percent of all taxable property

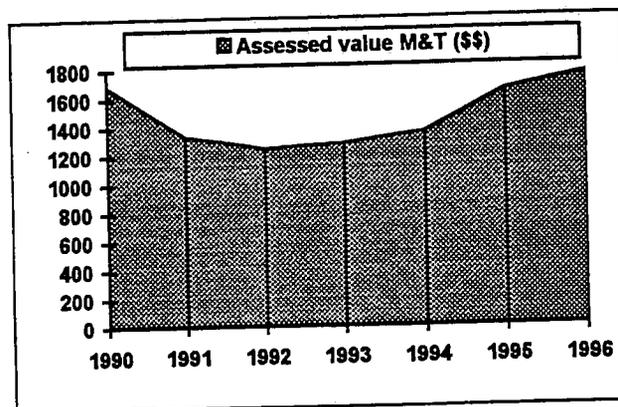


Figure 10 Fluvanna County assessed value of machinery & tools

**TABLE II**  
**BUSINESS REVENUE FROM LOCAL TAXES**  
 (Summing 15 of the largest taxpayers - Year 1996)

Business Type:	Real Est. Taxes	BPP / M&T (*)	Vehicles	Utility Taxes	Category Totals
Utilities	\$913,058	\$ 2,370	\$ 11,729	\$540,000 (**)	\$1,467,157
Transportation	\$ 28,396				\$ 28,396
Recreation	\$ 28,447	\$ 5,147	\$ 3,197		\$ 36,791
Manu. & Services	\$ 28,469	\$ 18,248	\$ 16,008		\$ 62,725
Retail	\$ (***)				\$ 0
<b>Totals</b>	<b>\$998,370</b>	<b>\$ 25,765</b>	<b>\$ 30,934</b>	<b>\$540,000</b>	<b>\$1,595,069</b>

Notes: (\*) BPP/M&T Business Personal Property/Machinery & Tools  
 (\*\*\*) Utility License & Util. Consumer taxes  
 (\*\*\*) Retail not among first 15

### C. BUDGET PROJECTIONS AND IMPLICATIONS

The county's annual budget has increased by 80% over the period 1990-98 (See Figure 11). It is projected it could grow by another 58% by 2005, to over \$40 million. Using the \$40 million projected budget for 2005 and holding revenues from real estate at 21% of budget, the county will need to collect over \$8 million in real estate taxes in 2005. **This is a 73% increase; and an increase in taxes per capita of 33% from 1998.** The derivation of this 33% figure is discussed in the next section, Real Estate Taxes.

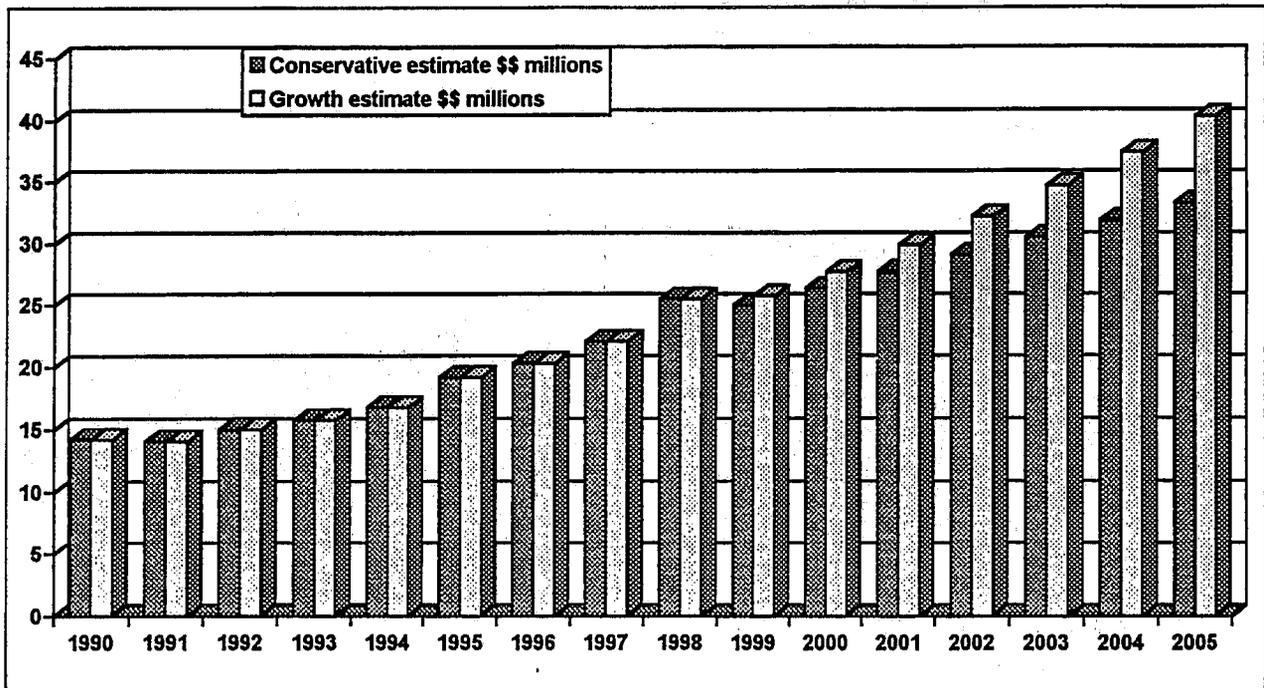


Figure 11 Fluvanna County budget: 1990-1996 actual, 1997 estimated, 1998 adopted, thence forecast

## D. REAL ESTATE TAXES

The 1998 budget is for \$22.703 million in revenues, excluding bond and loan proceeds. Revenues from real estate are expected to be \$4.898 million, or 21% of the budget. It is estimated that there are 18,851 residents in Fluvanna, so the per capita average is \$259.00.

Using regression analysis it is forecast that the year 2005 budget will be \$40.292 million. Holding revenues from real estate at 21% of revenues, the county would collect \$8.461 million in real estate taxes. This represents a 73% increase or \$3.563 million in additional real estate taxes paid by county residents. At the current growth rate in the year 2005 the county's population will be 24,550. This would mean the county would need to collect \$344.00 in real estate taxes per capita, a 33% increase over 1998, and an increase of 4.7% per year. This is shown graphically in Figure 12.

As agricultural and forest land gets converted into residential use, more pressure may be put on real estate taxes because net providers of funds (agricultural & forest use) will be converted into net users of funds (residential use). At the same time the commercial sector (a net provider of Funds) is not expected to grow significantly to offset the loss in the agricultural sector and the increase in the residential sector.

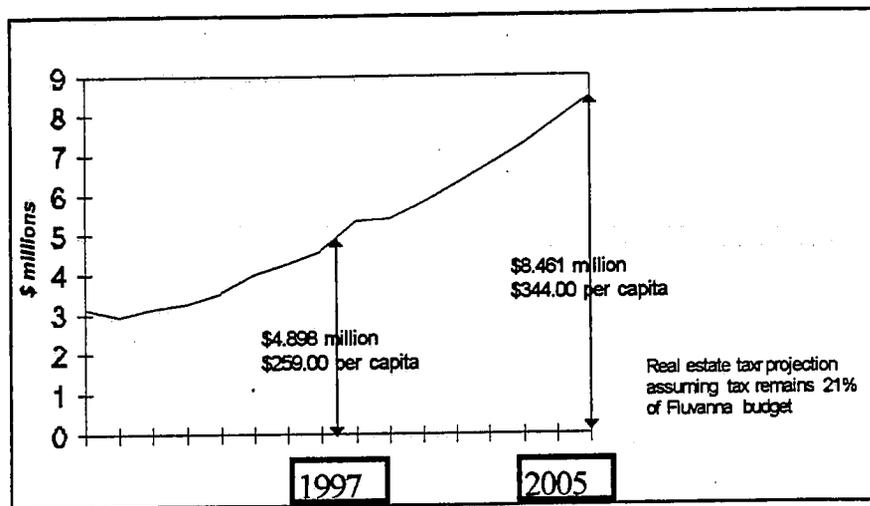


Figure 12 A 33% increase in real estate taxes per capita, 1997 to 2005

## E. OTHER LOCAL REVENUE SOURCES

The Personal Property Tax revenue at \$2.5 million in F1997 and anticipated at \$3.2 million in F1998 (Source: F98 Budget, Fluvanna County) represents the second largest single input of local funds for the county from both its commercial and residential sectors. Other local revenue sources include Commercial Machinery & Tools, Utility Gross Receipts, Motor Vehicle License, various other licenses and fees. An Alternative Revenue Resources Commission has been appointed by

the county to study and advise on all existing and potential revenue sources. A report by that commission is expected this December.

## F. REVENUE FROM STATE AND FEDERAL SOURCES

Revenue from these sources are multiple, complex and significant as shown in the Fluvanna County Budget. However a major source of funds is from the state for education.

**Sales Tax Revenues** - Of the 4.5 cents on the dollar retail sales tax collected by the state from sales in Fluvanna, 1 cent of that is returned to the county for supplementing education funds. Increased sales therefore directly relate to increased education funds.

**Education Standards of Quality Revenues** - State school aid is provided to each county based upon an statewide arbitrary value representing a "Standard of Quality" cost per student and a county by county funding related to a "School's Composite Index" (SCI).

Definitions:

**Standards of Quality** - A value determined by the state to be a "normal" value required to educate an individual in Virginia. This value includes direct costs (i.e. books and teachers) but excludes capital and infrastructure costs.

**School's Composite Index** - A formula used to determine the local and state percentages of funding to meet the "Standards of Quality". The ratio is an attempt to provide state funding parity between counties and cities. In F1997 the Fluvanna index was 0.3765 and is expected to be the same in F1998. The formula is as follows:

$$\begin{aligned}
 \text{SCI} = & \frac{(0.5) \text{ Local Real Property Value}}{\text{State Property Value}} + (0.4) \frac{\text{Local Income}}{\text{Statewide Income}} + (0.1) \frac{\text{Local Taxable Retail Sales}}{\text{State Taxable Retail Sales}} \\
 & \frac{(0.667) \text{ Local Avg. Daily Membership}}{\text{State Average Daily Membership (enrollment)}} + (0.333) \frac{\text{Local Population}}{\text{State Population}}
 \end{aligned}$$

Using these definitions and SCI formula, suppose an example state "Standard of Quality" value were \$4,000.00 per student, then Fluvanna would pay 37.65% of this \$4000.00 for each student and the state would pay 62.35% of the \$4000.00. If the actual cost per student is \$5111.00 in Fluvanna County, (see Figure 6 in Section I) then the state pays none of and Fluvanna pays all of the costs above \$4,000.00. Figures for 1996 show that the various localities paid over \$1 billion above the "Standards of Quality" designation. The ratio of contribution by the state versus Fluvanna would be the dollars in aid from the state versus the Fluvanna contribution or a "contribution ratio" of :

$$\frac{(0.6235)}{(0.3765)} = 1.65$$

Using the numbers in the example above of \$4000 and \$5111 the Contribution Ratio would be reduced to:

$$\frac{(0.6235)(\$4000) + \$0}{(0.3765(\$4000) + (\$1111))} = 0.95$$

Though the sum received from the state is several million dollars and therefore a significant part of the Fluvanna budget, the formula and the Contribution Ratio described above show that, first of all, Fluvanna must make up a considerable amount of its \$16 million dollar school budget from local sources, and second, the index changes slowly so long as local population (denominator) and economics (numerator) grow in the same relative order as changes in state population and state economics. It is understood that an economic slump in northern Virginia not too long ago caused a cut back in other counties, including Fluvanna's, state aid. That is, the high finance northern counties received more and others less. The state's contribution may be said to:

1. Be slow changing or not too sensitive to changes in most variables
2. Depends on variables outside the county
3. Arbitrarily determined and keyed to state budget vagaries
4. Not effected whatsoever by some benefits of a growing county economy, such as:
  - Business Personal Property Tax revenue
  - Machinery & Tools Tax revenue
  - Business and Professional License revenue

Economic development in Fluvanna changes the Fluvanna budget much more directly than state aid. Using the Commercial Sector Ratio of 0.15 in Table III of Section III, revenue dollars from business versus business cost to the county is 1 / 0.15 or \$6.67 to one. This is a high contribution margin. A proper sized commercial sector has the potential to provide a significant share of the school budget without raising taxes, irrespective of the perturbations in state aid. At such ratios, increasing economic development also pays more than any losses it effects in the state SCI formula. and within the local economy.

### III. ANALYSIS OF REVENUE SOURCES

#### A. COMMERCIAL, RESIDENTIAL AND AGRICULTURAL COST RATIOS

In an analysis of community services costs the following methodology was developed by American Farmland Trust and used by the Commonwealth Research Group in a 1995 study. The study tries to answer the question "For every dollar of revenue raised by a particular land use category (sector), how much was spent in services to support that land use (sector)?" The result is a "financial snapshot" AND it can change over time. The data for the analysis of Fluvanna County was taken from the 1997-98 budget. We have excluded the \$2,794,000 in capital improvement expenses supported in large part by bonds and loans.

In analyzing Fluvanna the agricultural sector was defined as all parcels of 20 acres or more. Forest land is included in the Agricultural sector.

**TABLE III -  
COST VS. REVENUE RATIOS BY SECTOR**

Locality	Sector / Ratio		
	Residential	Commercial	Agricultural
Eleven towns in New England (Avg.)	1.14	.43	.42
Lousia (1996)	1.67	.03	.61
Fluvanna	1.09	.15	.20

The residential sector (traditionally a net user of county funds) is supported by the commercial and agricultural sectors (traditionally net providers of county funds). The study commented that as large agricultural parcels are converted to smaller, residential parcels the county must provide more services to a sector that is a net user of funds with less revenues coming from a sector that is a net provider of funds.

The ratios do not account for deferred capital expenditures or lack of needed services

#### B. COMMERCIAL REVENUE PROFILES

In seeking additional businesses to expand the economic base of Fluvanna County. In Table IV, some real world examples have been generalized to show typical revenues that would be derived from retail, professional service, contractor and manufacturing companies that selectively would be good commercial residents of this county. These are direct revenues and do not include the indirect revenues from the ripple effects of their presence. The firms studied were all within the central Virginia region.

## TABLE IV COMMERCIAL REVENUE PROFILES

**Retailer Profile:** Sewing related supplies located in a high traffic count area. Two full time and one part time employee.

Gross Receipts:	\$213,000
Payroll	\$57,000
Inventory	\$103,000
Land and Building	\$0
Machinery	\$0
Vehicles and Personal Property	\$0
Income to County:	Sales tax revenue equals $\$213,000 \times .01 = \$2,130$
<b>Total Income to County;</b>	<b>\$2,130</b>

**Professional Services Profile:** CPA firm with two full time accountants and three staff.

Gross Receipts:	\$146,000
Payroll	\$82,000
Inventory	\$0
Land and Buildings	\$0
Machinery	\$0
Vehicles and Personal Property	\$11,000
Income to County:	Sales tax revenue equals $\$146,000 \times .01 = \$1,460$
	Personal property equals $\$11,000 \times 3.70/100 = \$407$
<b>Total Income to County;</b>	<b>\$1,867</b>

**Contractor Profile:** Contractor doing work for both the residential and commercial sectors. Four full time employees and four seasonal employees.

Gross Receipts:	\$1,100,000
Payroll	\$236,000
Inventory	\$0
Land and Buildings	\$0
Machinery	\$10,000
Vehicles and Personal Property	\$170,000
Income to County:	Sales tax revenue equals \$11,000
	Personal property equals $\$170,000 \times 3.70/100 = \$6,290$
	Machinery equals $\$10,000 \times 2.00/100 = \$200$
<b>Total Income to County;</b>	<b>\$17,490</b>

**Manufacturer Profile:** Manufacturer of wood products for home building and furnishing industry. 35 full time employees

Gross Receipts	\$5,100,000
Payroll	\$780,000
Inventory	\$724,000
Land and Buildings	\$1,167,000
Machinery	\$1,300,000
Vehicles and Personal Property	\$80,000
Income to County:	Sales tax revenue equals \$51,000
	Personal Property equals $\$80,000 \times 3.70/100 = \$2,960$
	Machinery equals $\$1,300,000 \times 2.00/100 = \$26,000$
	Real estate equals $\$1,167,000 \times 90 \times .68/100 = \$7,142$
<b>Total income to county;</b>	<b>\$87,102</b>

## **IV. ECONOMIC DEVELOPMENT**

### **A. ECONOMIC DEVELOPMENT AND FLUVANNA COUNTY**

The commercial sector can be of benefit to the county in the following ways:

- It can be a provider of revenues to the county that can be used to offset the strain on the budget caused by growth in the residential sector. Essentially, commercial sector revenues pay a broad share of the infrastructure for both residential and commercial use.
- It can provide goods and services to the residents of the county that are not available locally, but the residents require.

By planning for commercial growth the county can retain it's pleasant character in most areas for a high quality environment while developing commercial sections. To quote Thomas Jefferson, "Manufacturers are as necessary to our independence as to our comfort." Properly managed economic development in Fluvanna County should provide the following benefits:

- Increase tax revenues
- Provide local employment
- Make goods and services conveniently available
- Stabilize residential tax rates

The types of commercial enterprises that generate the most direct tax revenues for the county are also those that would find Fluvanna attractive as proffered in Section III.B. Contractors, light manufacturers without heavy water needs, and distribution facilities are all potential prospects for immediate development in the county. Attracting a number of these businesses to the county each year and having them locate appropriately will not change the rural-like flavor of the county while helping pay for services the county needs to provide to it's citizens.

### **B. SUGGESTED REQUIREMENTS FOR ECONOMIC DEVELOPMENT**

The plan required by the charter of the EDC and now encompassed by the EDC's Business Plan Project should address the short and long range goals of the county's commercial development such as desired businesses to attract, where development is to be emphasized and what resources would be devoted to locating new Fluvanna businesses. It needs to be coincident with other plans addressing the goals of the county (as a whole). The Fluvanna goals developed by a series of meetings sponsored by the county on this subject in 1996 and summarized in Table V shows many of these county wide issues.

This planning needs the full support of the Board of Supervisors and the Planning Commission. A systematic process of attracting business and providing assistance, as other counties do, to quickly resolve issues on zoning, roads, utilities, building codes would assist the standard corporate need

to locate in a timely manner and at reasonable startup costs. Other counties have infrastructure in place or planned for quick location. They are aggressively seeking out these prospects.

**TABLE V**  
**FLUVANNA LONG RANGE GOALS SUMMARY**  
(Summary from meetings moderated by the TJPC through December 1996)

1. **INFRASTRUCTURE**  
WATER & SEWER  
WASTE DISPOSAL  
GAS AND OTHER UTILITIES  
ROADS AND TRANSPORTATION
2. **SCHOOLS**  
RESPOND TO STUDENT POPULATION GROWTH  
CONSOLIDATE ELEMENTARY SCHOOLS  
IMPROVE ACADEMIC OPPORTUNITIES
3. **COMMUNITY COHESIVENESS AND INVOLVEMENT**  
COUNTY SEAT DEVELOPMENT  
COURT HOUSE, PLEASANT GROVE, ETC.  
PARKS, RECREATION, HERITAGE AND CULTURE  
GAIN AND MAINTAIN CITIZEN SUPPORT  
SUPPORT VOLUNTEER ACTIVITIES
4. **LAND USE MANAGEMENT**  
KEEP BEAUTY OF COUNTY - ENHANCE ATTRIBUTES  
PRESERVE ACCOMPLISHMENTS/HISTORY
5. **ECONOMIC DEVELOPMENT**  
KEEP FLUVANNA AFFORDABLE

**C. RECOMMENDATIONS**

The EDC recommends that:

1. The Board approve this report for public distribution including presentation and discussions with other groups in the county.
2. The Board direct the EDC to continue this project for a Fluvanna County Development Plan with appropriate strategies.
3. That Board and EDC set economic development goals correlating with tax revenue targets for the year 2005.
4. The Board assist the EDC in gaining public support for this plan. Its elements should be included in the County Comprehensive Plan.