



**PRINCE WILLIAM**  
COUNTY

# BOCS Work Session

## FY 2020 Year-End Fund Balances/Reserves

Presented by: Michelle L. Attreed, Director of Finance/CFO

# One-Time vs. Ongoing Funding



- One-Time Funding
  - Revenue sources that typically arise from non-operating activities and are not recurring in nature, including uses of fund balance/reserves and budgetary surplus/savings
- Ongoing Funding
  - Revenue sources that typically arise from operating activities and have an recurring inflow history which can reasonably support a level of proposed operations for multiple years or in perpetuity (i.e., General Revenues, agency revenues and recurring grants)
- The Board's *Principles of Sound Financial Management* reflect these two notions
  - Policy 1.22 - Capital Reserve can only be for a new or existing capital project
  - Policy 2.05 - Every year of the Adopted Five-Year Plan must be balanced and limits expenditures and other uses of resources to annually available revenues. The County shall not adopt a budget that includes operating deficits or that requires the use of onetime resources to cover recurring expenditures
  - Policy 4.09 - Nonrecurring revenues should be used for nonrecurring capital expenditures, the early retirement of existing County debt, or to replenish the Economic Development Opportunity Fund Reserve

# FY 2020 General Revenue Surplus



Summary Chart for Staff Report  
as of June 30, 2020

Category of General Revenues	Prior Year FY 2019	FY 2020					\$ change from Adopted	% change from Adopted
	Year-End	Q1 Adopted	Q1 Revised	Q2 Revised	Q3 Revised	Q4 Preliminary Unaudited		
Real Property Taxes	\$662,834,584	\$694,102,000	\$694,102,000	\$694,387,503	\$696,675,000	\$698,789,300	\$4,687,300	0.68%
Personal Property Taxes	197,558,029	207,180,000	207,180,000	211,880,000	213,070,000	210,474,881	3,294,881	1.59%
Sales Tax	68,699,741	68,176,000	68,176,000	71,448,000	66,800,000	72,320,380	4,144,380	6.08%
Consumer Utility Tax	14,443,344	14,590,000	14,590,000	14,590,000	14,590,000	14,407,996	(182,004)	-1.25%
Communications Tax	15,289,789	15,500,000	15,500,000	14,900,000	14,900,000	14,914,152	(585,848)	-3.78%
BPOL Tax	26,945,229	28,000,000	28,000,000	27,600,000	26,615,000	28,236,279	236,279	0.84%
Investment Income	11,893,648	13,940,000	13,940,000	11,200,000	11,200,000	11,180,034	(2,759,966)	-19.80%
All Other	22,433,190	21,646,000	21,646,000	22,827,000	21,943,000	22,327,535	681,535	3.15%
<b>Total General Revenues</b>	<b>\$1,020,097,554</b>	<b>\$1,063,134,000</b>	<b>\$1,063,134,000</b>	<b>\$1,068,832,503</b>	<b>\$1,065,793,000</b>	<b>\$1,072,650,557</b>	<b>\$9,516,557</b>	<b>0.90%</b>

<b>Total General Revenue Surplus</b>	<b>\$9,516,557</b>
<b>Less: Recordation Surplus for Transportation</b>	<b><u>(695,341)</u></b>
<b>Net Surplus to Share with Schools</b>	<b>\$8,821,216</b>

# FY 2020 General Fund Expenditure Savings & Agency Revenue Shortfall



- Expenditure Savings:

Category	Amount	% Budget
Community Development	\$ 4.6 million	95.5%
General Government & Non-Departmental	3.3 million	94.9%
Human Services	5.4 million	95.8%
Public Safety	<u>4.0 million</u>	98.4%
Audited 6/30/20 General Fund Expenditure Savings	<u>\$17.3 million</u>	

- Agency Revenue Net Shortfall:

Category	Amount	% Budget
Community Development	\$(2.9) million	81.3%
General Government & Non-Departmental	1.7 million	107.6%
Human Services	(3.1) million	95.6%
Public Safety	<u>(0.1) million</u>	99.9%
Audited 6/30/20 General Fund Agency Revenue Shortfall	<u>\$(4.4) million</u>	

# FY 2020 Net Surplus



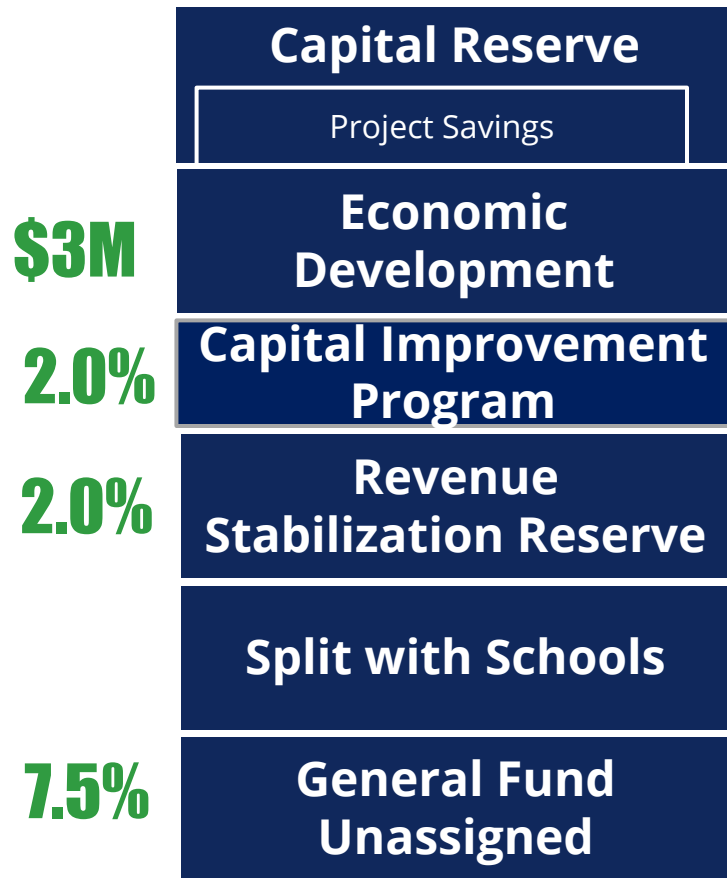
## General Fund - FY 2020 Year-End Summary

<b>Resources:</b>	
General Revenue Surplus (net)	\$ 8.8 M
Unrestricted Agency Shortfall	(4.4) M
Agency Expenditure Savings	<u>17.3 M</u>
Total Resources	<u>21.7 M</u>
<b>Uses:</b>	
Maintain Unassigned Fund Balance at 7.5%	(4.1) M
Net Transfer to Schools (School Share of Revenue Surplus after meeting fund balance requirement - \$2.7M surplus less \$0.2M due from Schools)	(2.5) M
Maintain Revenue Stabilization Fund Reserve at 2%	(1.1) M
Replenish Economic Development Opportunity Fund Reserve	<u>(0.4) M</u>
Total Uses	<u>8.1 M</u>
<b>Resources Less Uses (Net Surplus)</b>	<b>\$ 13.6 M</b>

# Principles of Sound Financial Management (PSFM): Fund Balance Prioritization



## Financial Policy



## Community Investment

Savings to support total AAA reserve levels

= Guard against economic shock

= 57.23% Schools / 42.77% County

= Financial bedrock



# 7.5% Unassigned Fund Balance

- Provides sufficient working capital and a margin of safety to address local and regional emergencies without borrowing
- Not used to support recurring operating expenditures

Board of County Supervisors is consistent in its commitment to the  
**7.5% Unassigned Fund Balance** requirement

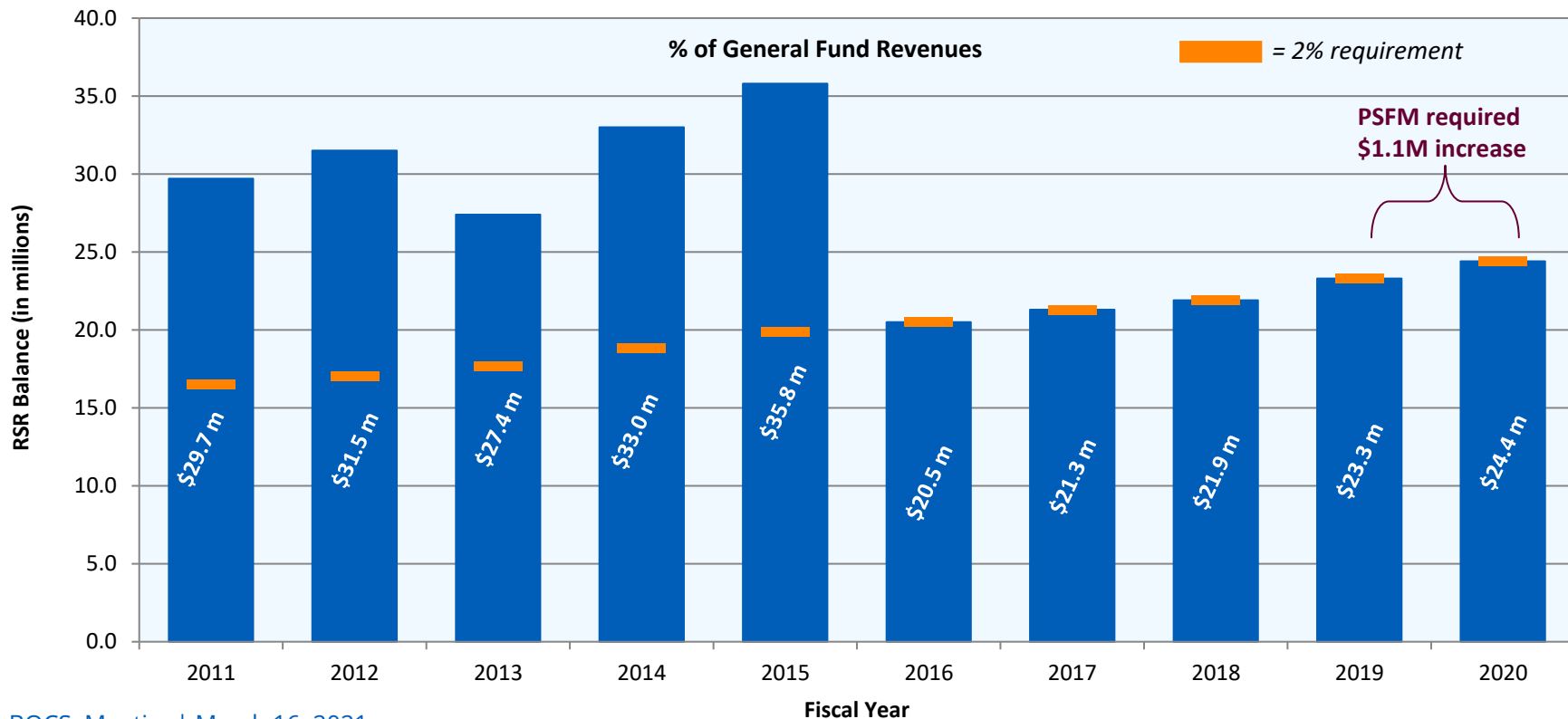
PSFM required  
\$4.1m increase



# 2% Revenue Stabilization Reserve



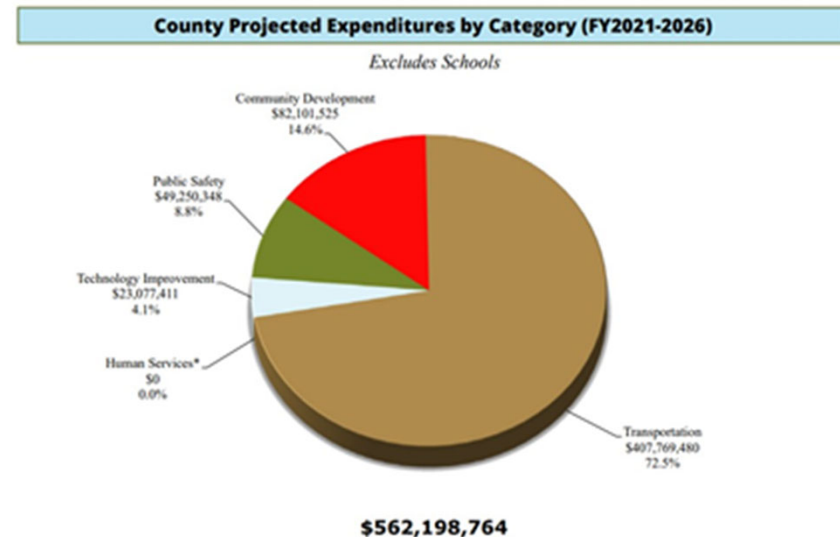
- Provides sufficient working capital and a margin of safety to withstand local and regional economic shocks and unexpected declines in revenue without borrowing
- Part of “Committed” fund balance





# Fund Balance: Capital Reserve

- Provides the County with sufficient working capital and a margin of safety to withstand unexpected, but necessary, project cost overruns without additional borrowing
- Minimum balance of Capital Reserve must be 2% of current year capital project funds appropriations in Adopted Six-Year Capital Improvement Program (CIP)
  - 2% of the capital projects funds (\$562,198,764) appropriations = \$11,243,975
- Part of “Committed” fund balance



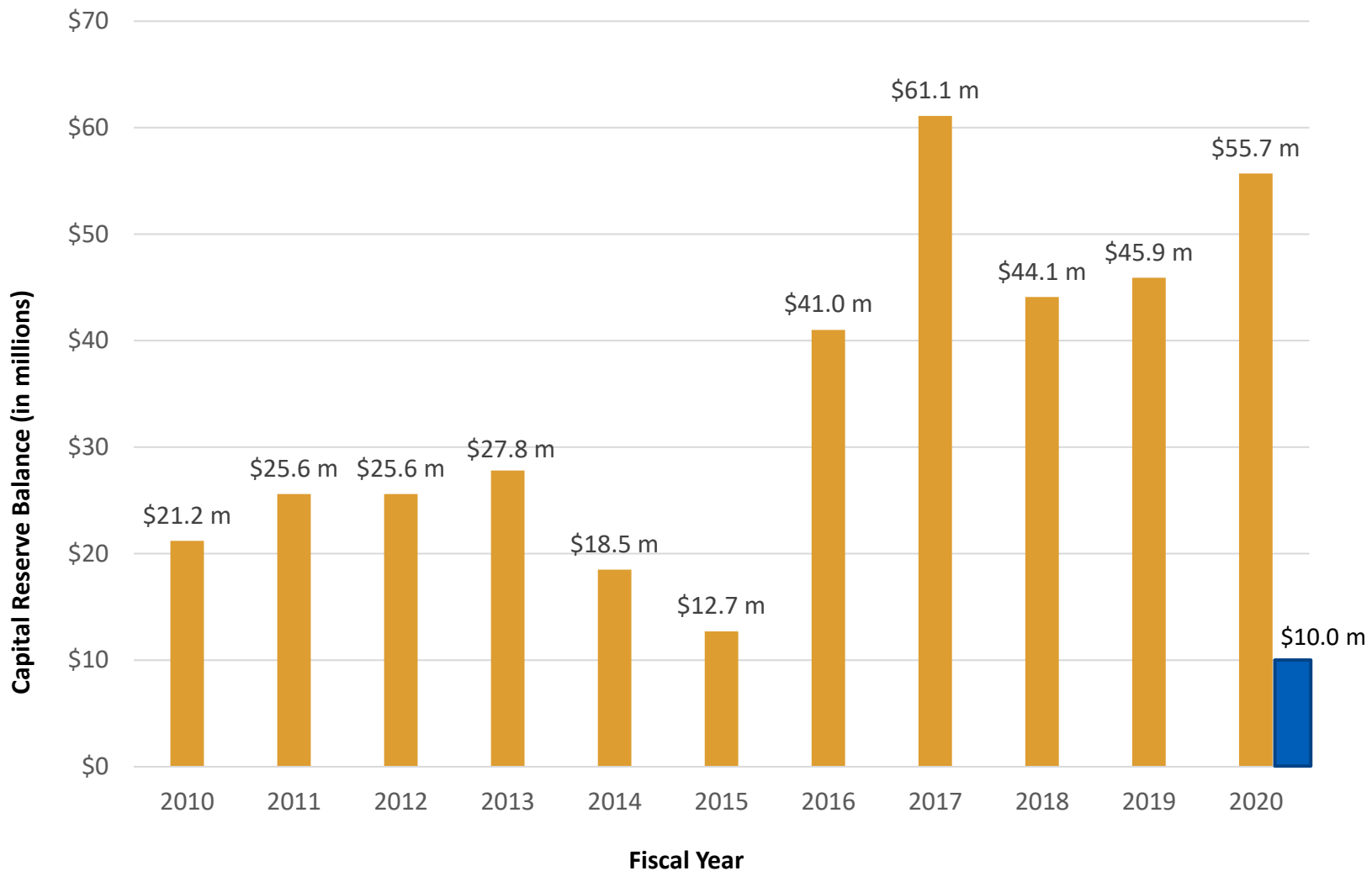
\*Design and construction costs for future Juvenile Detention Center project to be determined; \$3.0M of debt service is planned to begin in FY23.

# Capital Reserve (2% Minimum)



	Amount
<b>Balance at 6/30/19</b>	<b>\$45.9 million</b>
<u>Inflows:</u>	
FY 2020 net surplus	13.6 million
FY 2020 interest and other adjustments	4.7 million
FY 2020 project closure savings	2.1 million
<u>Outflows:</u>	
Res. No. 19-542 – Brentsville Jail, Ferlazzo Pickleball Courts, Juvenile Detention Center Improvements, Central Library Improvements, Long Park Improvements, Andrew Leitch Park Improvements, Harbor Drive Park Improvements, Locust Shade Park Improvements, Extension of Marina Way	<u>(0.6) million</u>
<b>Balance at 6/30/20</b>	<b>\$ 65.7 million</b>
Less: Emergency Response Reserve – Set Aside	<u>10.0 million</u>
<b>Reported Balance at 6/30/20</b>	<b>\$ 55.7 million</b>

# History of Capital Reserve



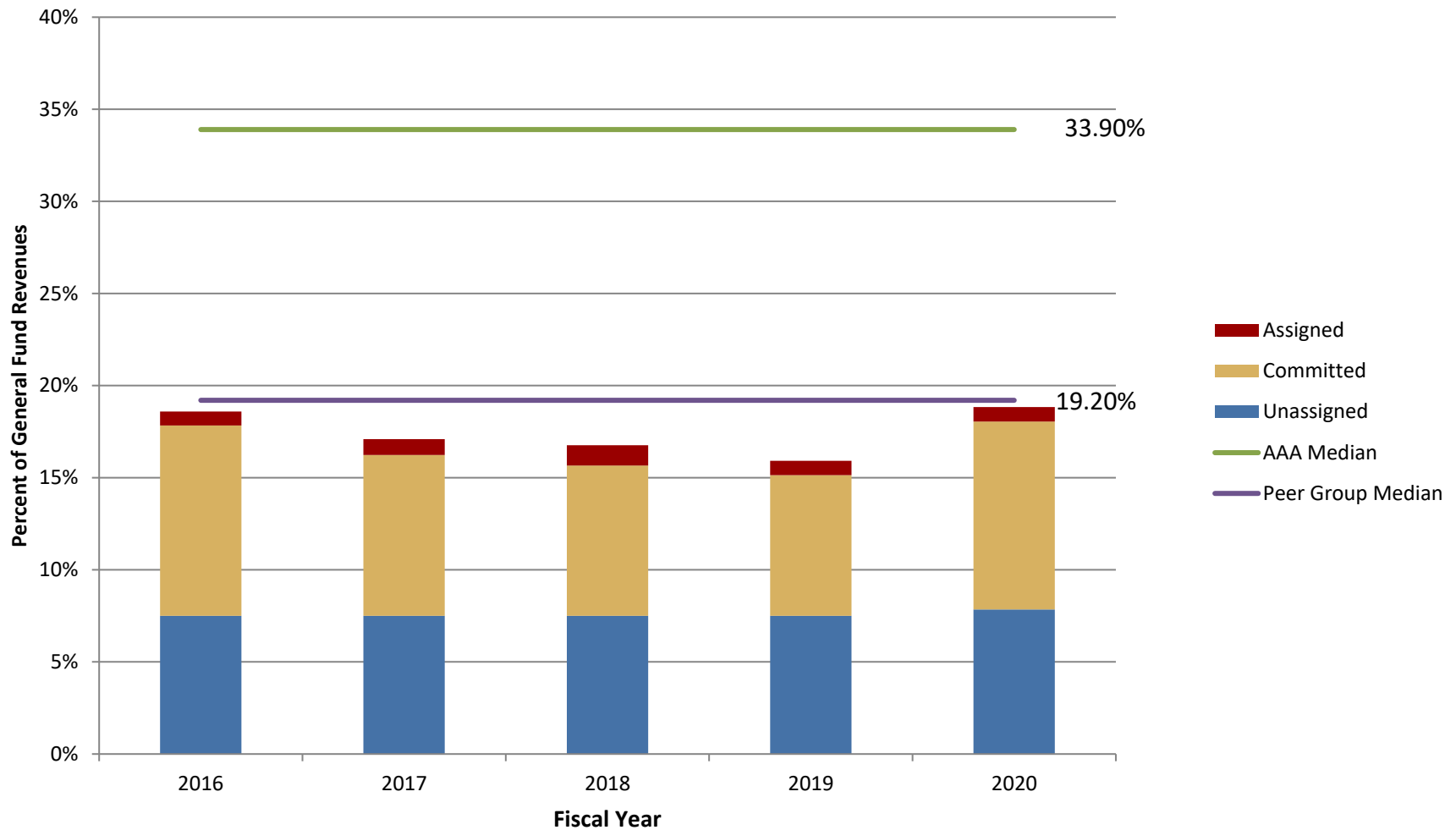
# Capital Reserve FY 2021 Planned Usage



	Amount
<b>Reported Balance at 6/30/20</b>	<b>\$55.7 million</b>
<u>Inflows:</u>	
Add back of Emergency Response Reserve	10.0 million
<u>Outflows:</u>	
Res. No. 20-333: Establish COVID-19 Contingency Reserve as part of FY 2021 Adopted Budget	(1.8) million
Res. No. 20-794: Rollins Ford Park; Juvenile Detention Center Recreation Equipment; Locust Shade Park; Potomac Heritage National Scenic Trail; Catharpin Park Phase II; Dove's Landing; Animal Shelter; Cloverdale Park; Harbor Drive Wellness Park; Forest Greens Bunker Renovation	(0.3) million
Res. No. 20-846 – Create Stormwater Management Grant Fund	<u>(0.2) million</u>
<b>Available Balance</b>	<b>\$ 63.4 million</b>

# Fund Balance % of Revenues

## PWC Compared to Peers



# Questions?



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**PRINCE WILLIAM**  
COUNTY

# BOCS Work Session General Revenue Update

*Presented by: Michelle L. Attreed, Director of Finance/CFO*

*Tim Leclerc, Deputy Finance Director*



# Economic Update

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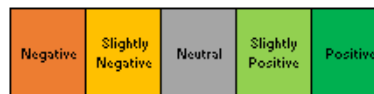




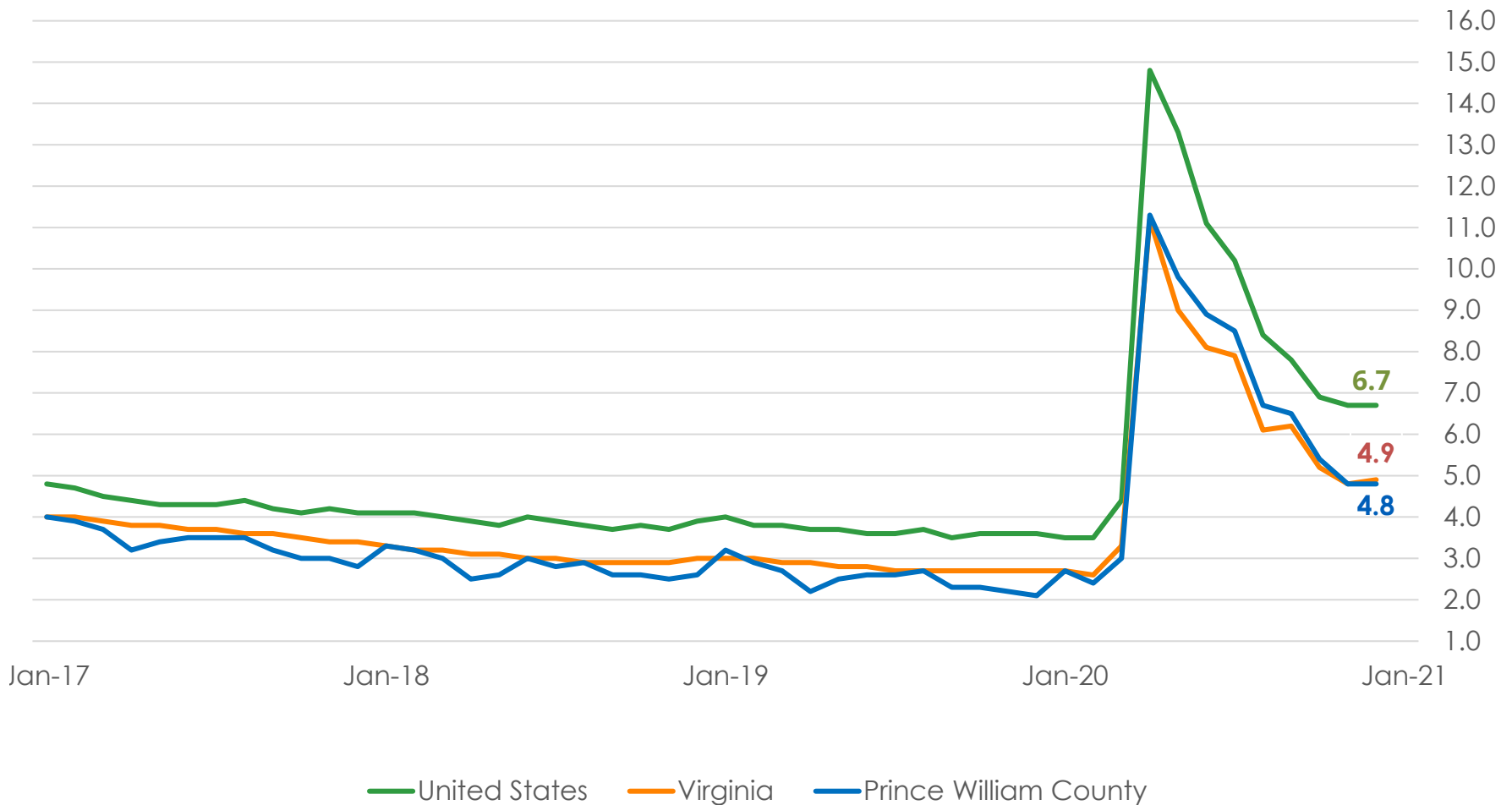
# Economy At-A-Glance



Indicator	Prior 9/30/2020	Current 12/31/2020	Trend					Notes
<b>General</b>								
Consumer Price Index (CPI)	1.4%	1.4%	Orange	Yellow	Grey	Light Green	Dark Green	Measures prices paid by consumers for a basket of goods and services.
Gross Domestic Product (GDP)	33.1%	4.0%	Orange	Yellow	Grey	Light Green	Dark Green	Measures the final market price for goods and services produced within the U.S.
Federal Funds Rate	0.09%	0.09%	Orange	Yellow	Grey	Light Green	Dark Green	Target interest rate set by the Federal Open Market Committee (FOMC). Establishes baseline lending rates and short term rates of return.
S&P 500 Index	3,363	3,756	Orange	Yellow	Grey	Light Green	Dark Green	Considered the best single gauge of large-cap U.S. equities. The index contains 500 leading companies and captures approximately 80% of available market capitalization.
<b>Unemployment Rate</b>								
National	7.9%	6.7%	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the number of unemployed persons as a percentage of the total U.S. labor force.
Virginia	6.2%	4.9%	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the number of unemployed persons as a percentage of the total VA labor force.
Prince William County	6.4%	4.8%	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the number of unemployed persons as a percentage of the total PWC labor force.
<b>Average Weekly Wages</b>								
National	\$1,222	\$1,188	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the average weekly monetary compensation paid to an employee in the U.S. Excludes bonus payments.
Virginia	\$1,233	\$1,218	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the average weekly monetary compensation paid to an employee in VA. Excludes bonus payments.
Prince William County	\$981	\$1,048	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the average weekly monetary compensation paid to an employee in PWC. Excludes bonus payments.
<b>Employment Establishments</b>								
Virginia	282,924	283,318	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the total number of physical locations where business, services, or industrial operations are performed in Virginia.
Region	92,235	92,404	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the total number of physical locations where business, services, or industrial operations are performed in Northern Virginia.
Prince William County	9,653	9,671	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the total number of physical locations where business, services, or industrial operations are performed in Prince William County.



# Rebound in Unemployment

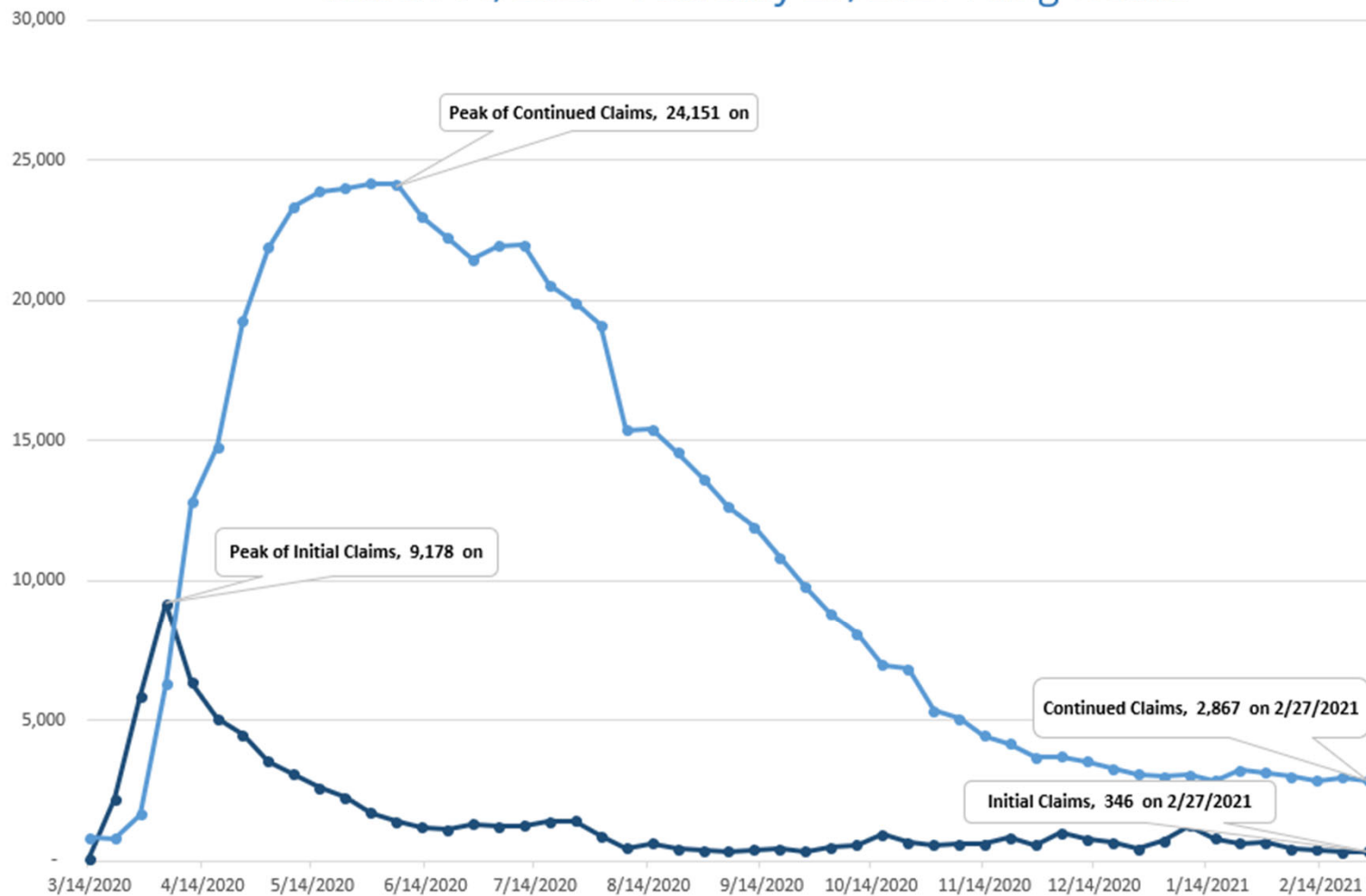


Source: U.S. Bureau of Labor Statistics  
\* Data revised 3/1/2021, December 2020 data is preliminary.

# Weekly Unemployment Insurance Claims Activity



March 14, 2020 - February 27, 2021 Filing Weeks



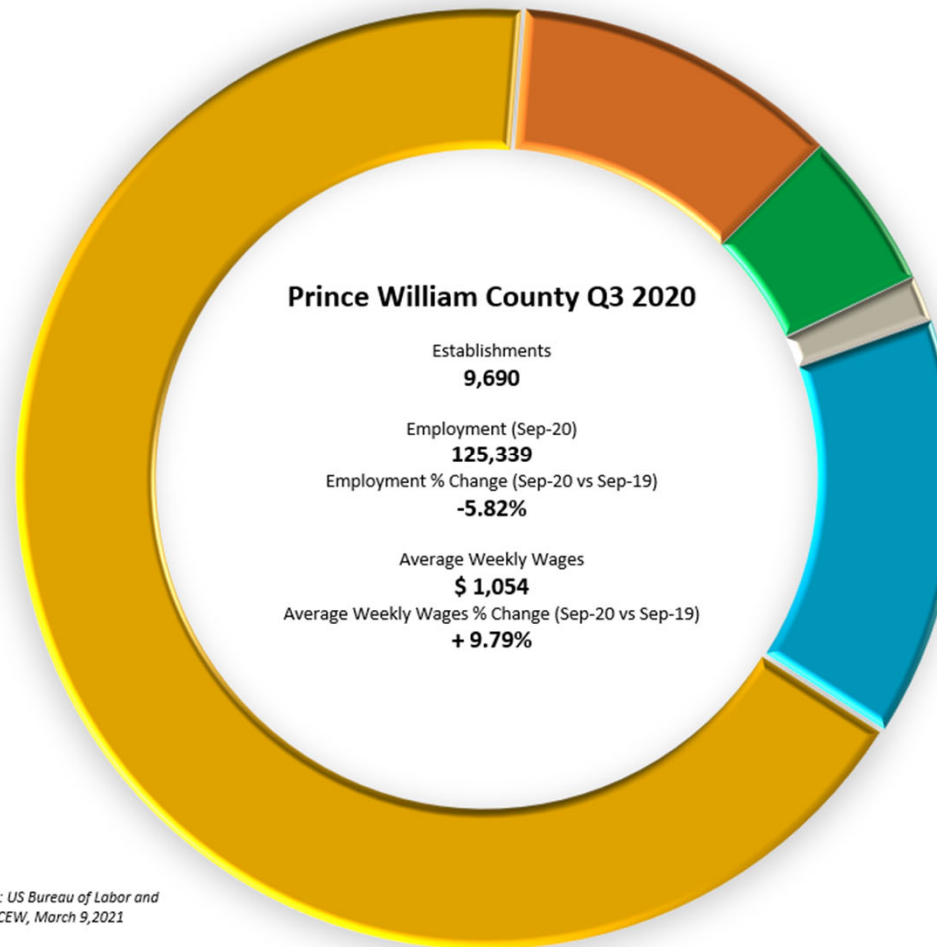
Source: The Virginia Employment Commission (not seasonally adjusted).

# Average Weekly Wages Increase: Q3 2020 / Q3 2019



Prince William County Quarterly Employment and Average Weekly Wages: Q3-2020 vs. Q3-2019

- Average weekly wages include only the wages of individuals paid by employers located in the County
- 148,227 (62.1%)\* of workers 16+ work in a place other than Prince William  
\* (5-Yr Avg)



Data Source: US Bureau of Labor and Statistics, QCEW, March 9, 2021

<b>Private Sector: Leisure &amp; Hospitality</b> Employment: 14,091 , 11% % Change: -19.05% Avg Weekly Wage: \$419 % Change: 15.11%
<b>Federal Government</b> Employment: 6,874 , 6% % Change: 4.79% Avg Weekly Wage: \$1,636 % Change: -0.24%
<b>State Government</b> Employment: 2,003 , 2% % Change: + 2% Avg Weekly Wage: \$945 % Change: + 9.12%
<b>Local Government</b> Employment: 18,117 , 14% %Change: + 14% Avg Weekly Wage: \$1,252 % Change: + 10.31%
<b>Private Sector: Other</b> Employment: 84,254 , 67% % Change: +3.74% Avg Weekly Wage: \$981 % Change: 10.10%

# Economy At-A-Glance (cont'd)



Indicator	Prior 9/30/2020	Current 12/31/2020	Trend					Notes
<b>Revenue</b>								
Retail Sales: National	1.9%	-0.70%	●	●	●	●	●	Retail sales tracks the resale of new and used goods to the general public for personal or household consumption.
Sales and Use Tax: Virginia	7.5%	6.7%	●	●	●	●	●	Tracks the percentage of state collections for sales and use tax.
Sales and Use Tax: Prince William County	9.1%	7.1%	●	●	●	●	●	Tracks the percentage of collections for sales and use tax in Prince William County. Current sales tax rate is 6.0%.
Revenue Collections: Virginia	9.9%	7.8%	●	●	●	●	●	Approximately 88% of Virginia's revenue consists of net individual income tax and sales tax.
<b>Vehicles</b>								
National Automobile Sales	13.78 M	14.37 M	●	●	●	●	●	Tracks the total number of year-to-date light-vehicle sales in the U.S. on a Seasonally Adjusted Annual Rate basis.
<b>Real Estate Market: Prince William County</b>								
Average Sales Price	\$458,360	\$456,968	●	●	●	●	●	Reflects the average sold price for a home.
Closed Sales	793	717	●	●	●	●	●	Reflects the number of closed home sales.
Average Days on Market	12	13	●	●	●	●	●	Reflects the average time a home is on the market from listing to closing.
Ratio of Homes on the Market to Homes Sold	0.48	0.30	●	●	●	●	●	A ratio > 1 suggests supply of homes on the market exceeds current demand. A ratio < 1 suggests supply of homes on the market is below current demand.
Occupancy Permits Issued	383	320	●	●	●	●	●	Establishes that a property is suitable for habitation after meeting the requirements of the Uniformed Statewide Building Code.
Building Permits Issued	352	280	●	●	●	●	●	Tracks the number of new building permits issued for residential dwellings.
Commercial Vacancy Rate	5.3%	5.5%	●	●	●	●	●	Tracks the percentage of vacant store front property by square feet.



# Overview of the County's Revenue

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# Revenue Forecasting Process: Aim to Hit the “Bulls Eye”



- Identify Major Revenue Sources
- Ongoing Analysis of U.S., State, Regional, and Local Trends
- Reliance on Internal and External Partners (Subject Matter Experts)

- Develop Projections

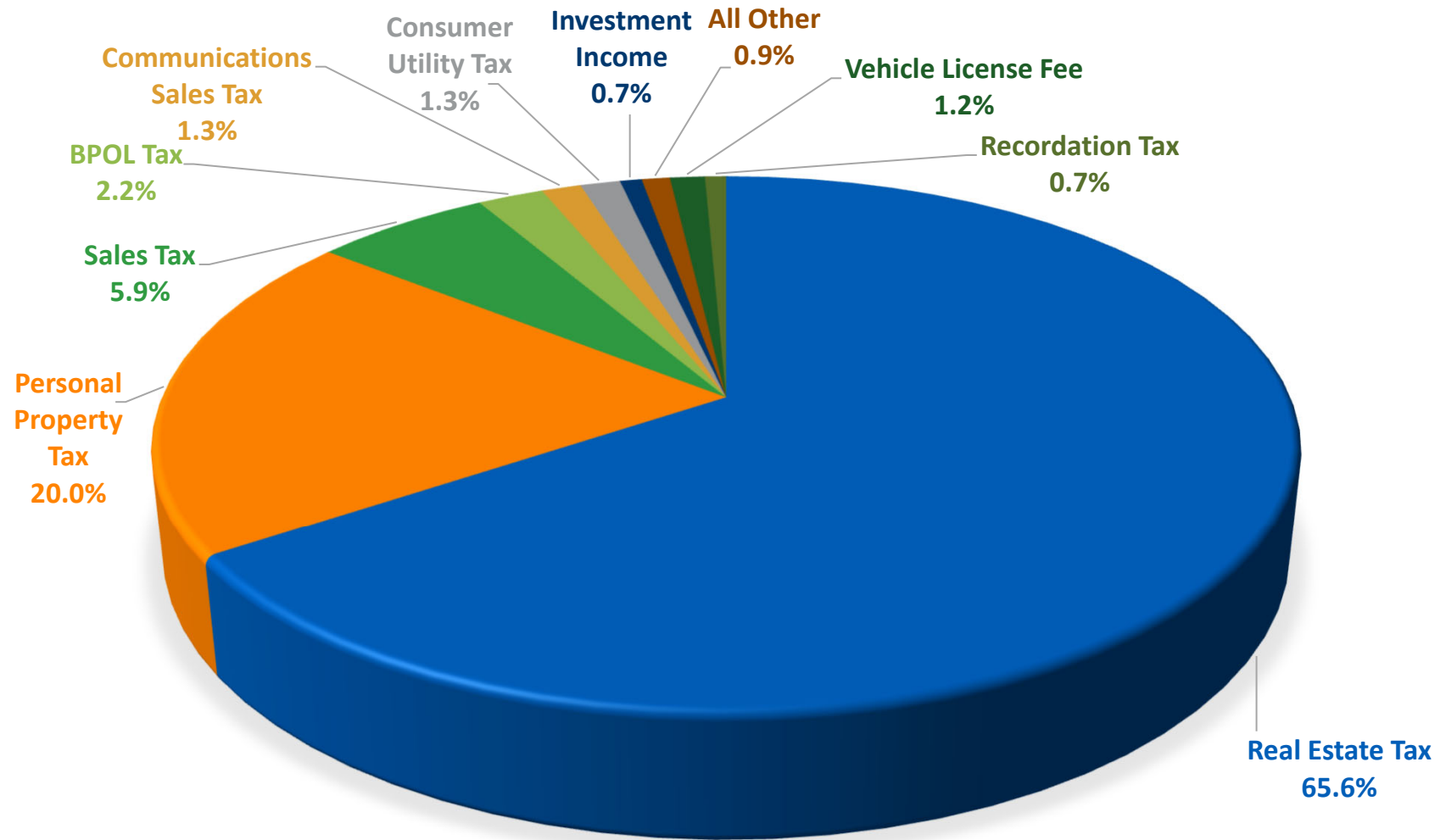
- ◆ Data driven
- ◆ Conservative assumptions

- Monitor Trends and Update Projections Accordingly

- Board Sets Tax Policy

Fiscal Year	Accuracy
2020	99.1%
2019	99.4%
2018	98.9%
2017	98.2%
2016	98.6%
2015	99.6%
2014	99.3%
2013	99.7%
2012	99.7%
2011	98.6%
2010	99.1%

# FY 2021 Adopted General Revenue Sources





# FY 2021 General Revenue Update + \$4.2 Million as of Second Quarter

General Revenue Source	Adopted	Q1 Revised	Q2 Revised	Change from Adopted
Real Property Tax	\$722.3 M	\$722.3 M	\$722.3 M	\$0.0 M
Personal Property Tax	220.4 M	220.4 M	220.4 M	\$0.0 M
Sales Tax	65.1 M	65.1 M	72.0 M	+ \$6.9 M
BPOL Tax	24.4 M	24.4 M	24.4 M	\$0.0 M
Communications Sales Tax	14.5 M	14.5 M	14.5 M	\$0.0 M
Consumer Utility Tax	14.7 M	14.7 M	14.7 M	\$0.0 M
Investment Income	8.1 M	5.0 M	5.0 M	- \$3.1 M
All Other	25.2 M	24.7 M	25.6 M	\$0.4M
<b>TOTAL</b>	<b>\$1,094.7 M</b>	<b>\$1,091.1 M</b>	<b>\$1,098.9 M</b>	<b>\$4.2 M</b>

# Diversification Principle

(Principles of Sound Financial Management – Section 3.01)

- The County will strive to maintain a **diversified and stable revenue system** to shelter it from short-term fluctuations in any one revenue source



# County's Tax Base, Comparative Tax Burden & Affordability

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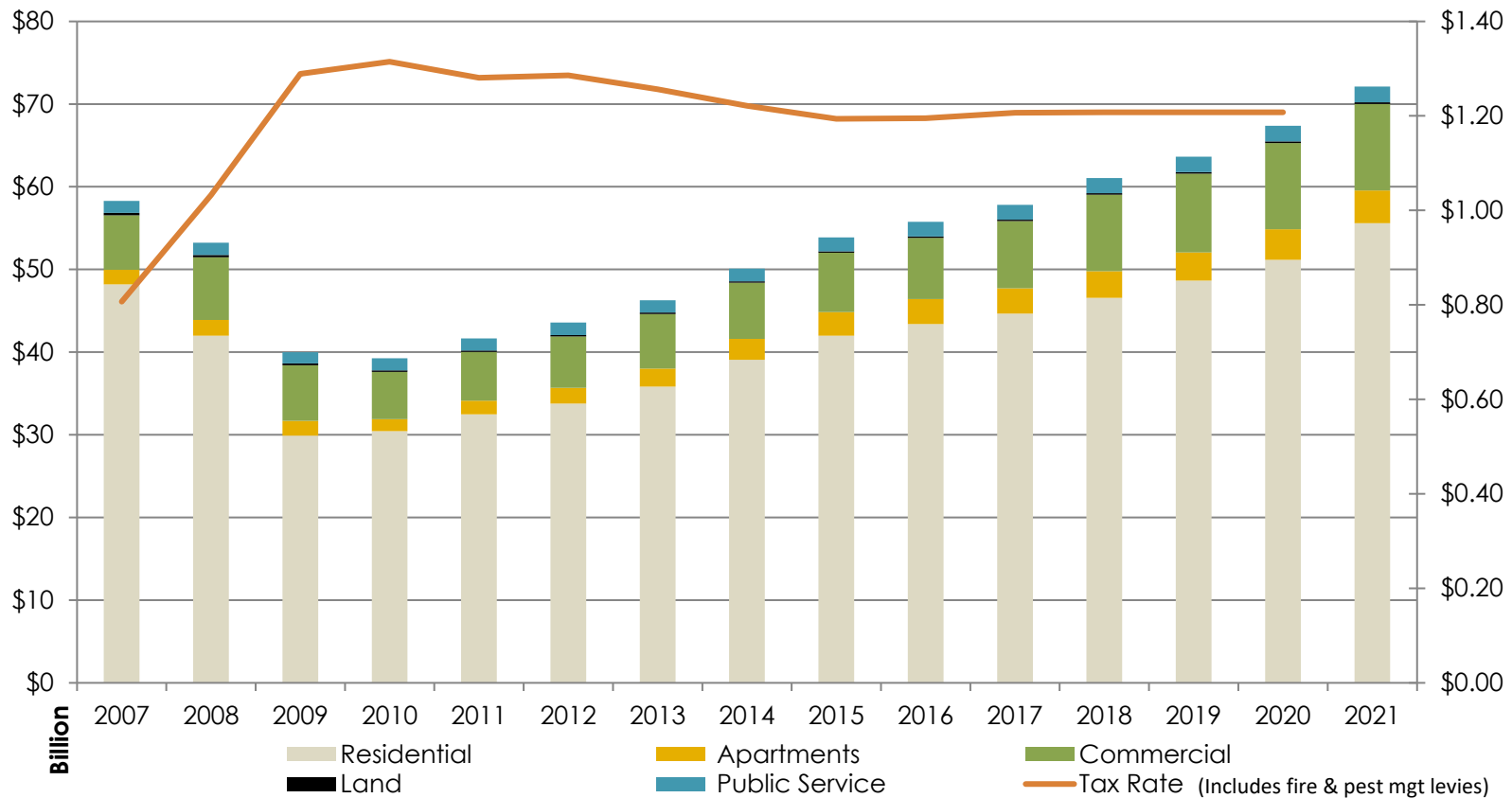


# Growing Land Book Values

Real Estate Tax Base Continues to Experience Growth



## Assessed Value Now Exceeds \$72 Billion

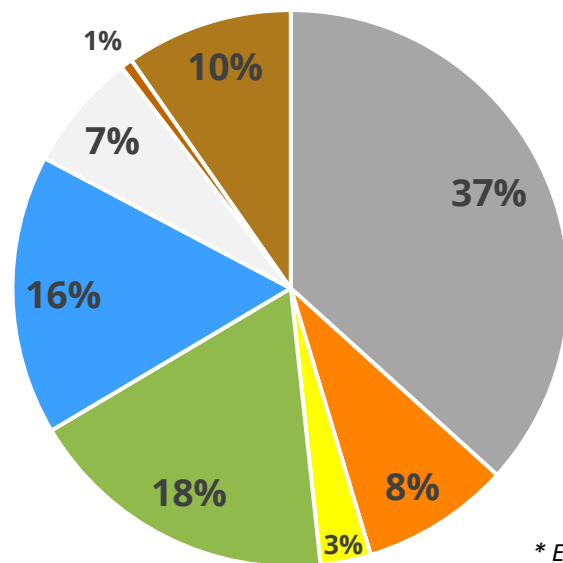


# Commercial Land Book\* ≈ \$10.4B



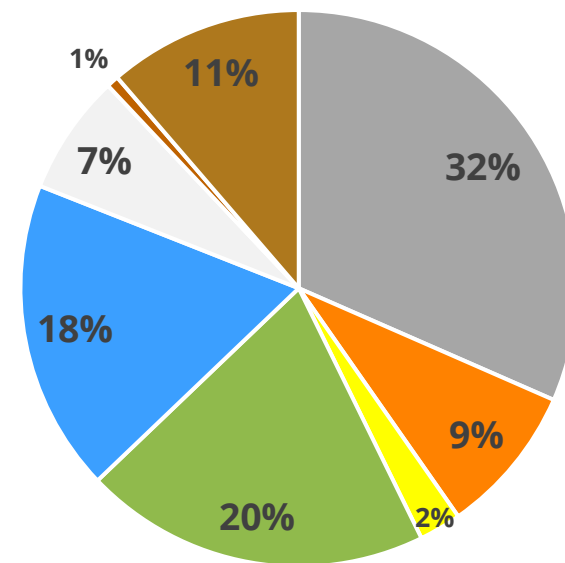
Minimal change in commercial land book value from 2020 to 2021; 4% growth offset by declines in assessed values

2020 Commercial Assessments



- 1. Retail
- 2. Office
- 3. Hotel
- 4. Industrial
- 5. Tech. Svc.
- 6. All Others
- 7. Gas Station
- 8. Vacant Land

2021 Commercial Assessments



- 1. Retail
- 2. Office
- 3. Hotel
- 4. Industrial
- 5. Tech. Svc.
- 6. All Others
- 7. Gas Station
- 8. Vacant Land

\* Excludes Public Service Properties



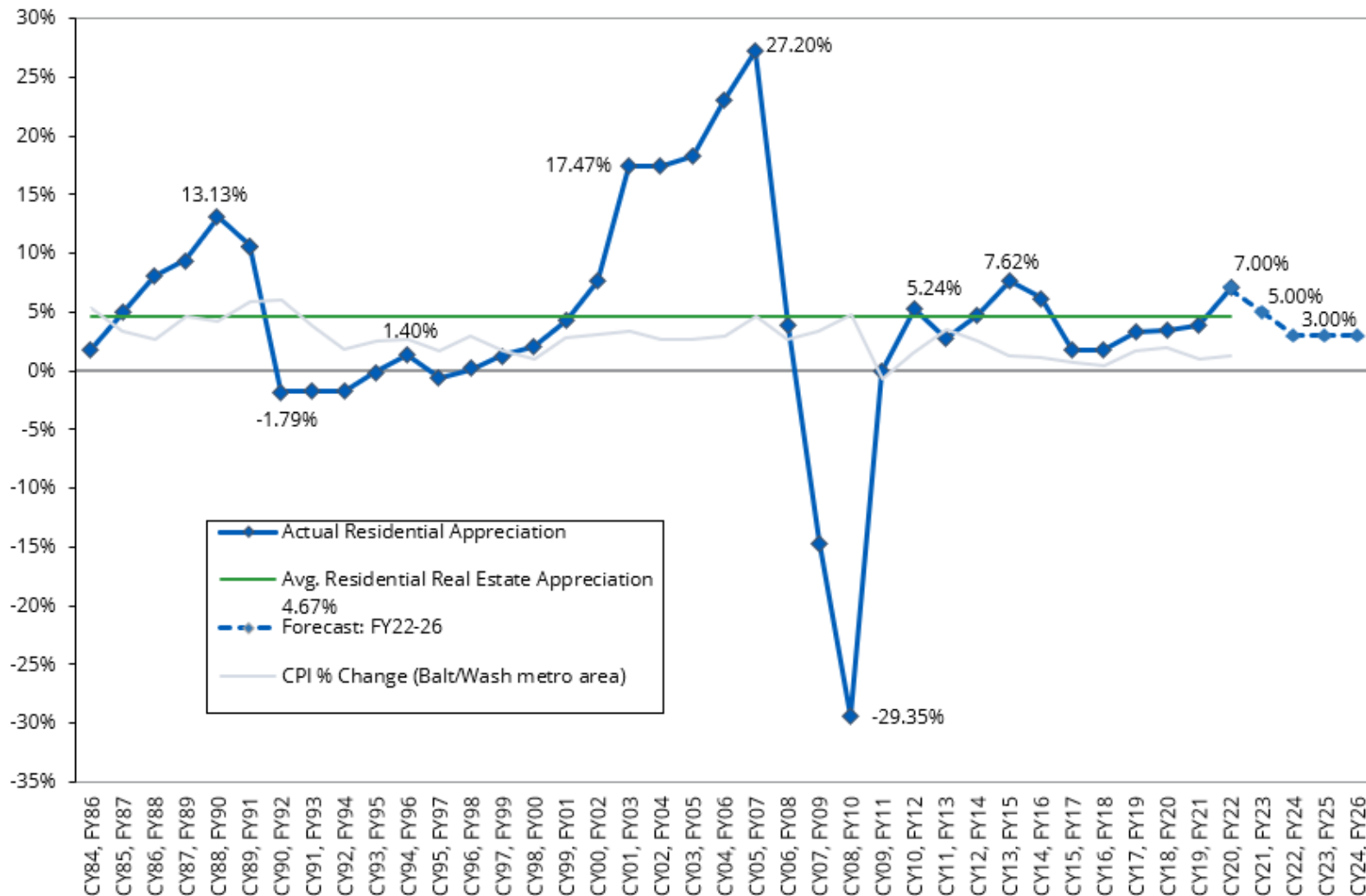
# Existing Commercial Property Assessments Declined on Average by - 4.5%

Sector	% Increase (Decrease)
Industrial	+ 6.5%
Retail	- 14.8%
Data Center	+ 1.8%
Hotels	- 18.0%
Office	- 1.0%
Vacant Land (commercial)	+ 14.5%

# Average Residential Assessed Value

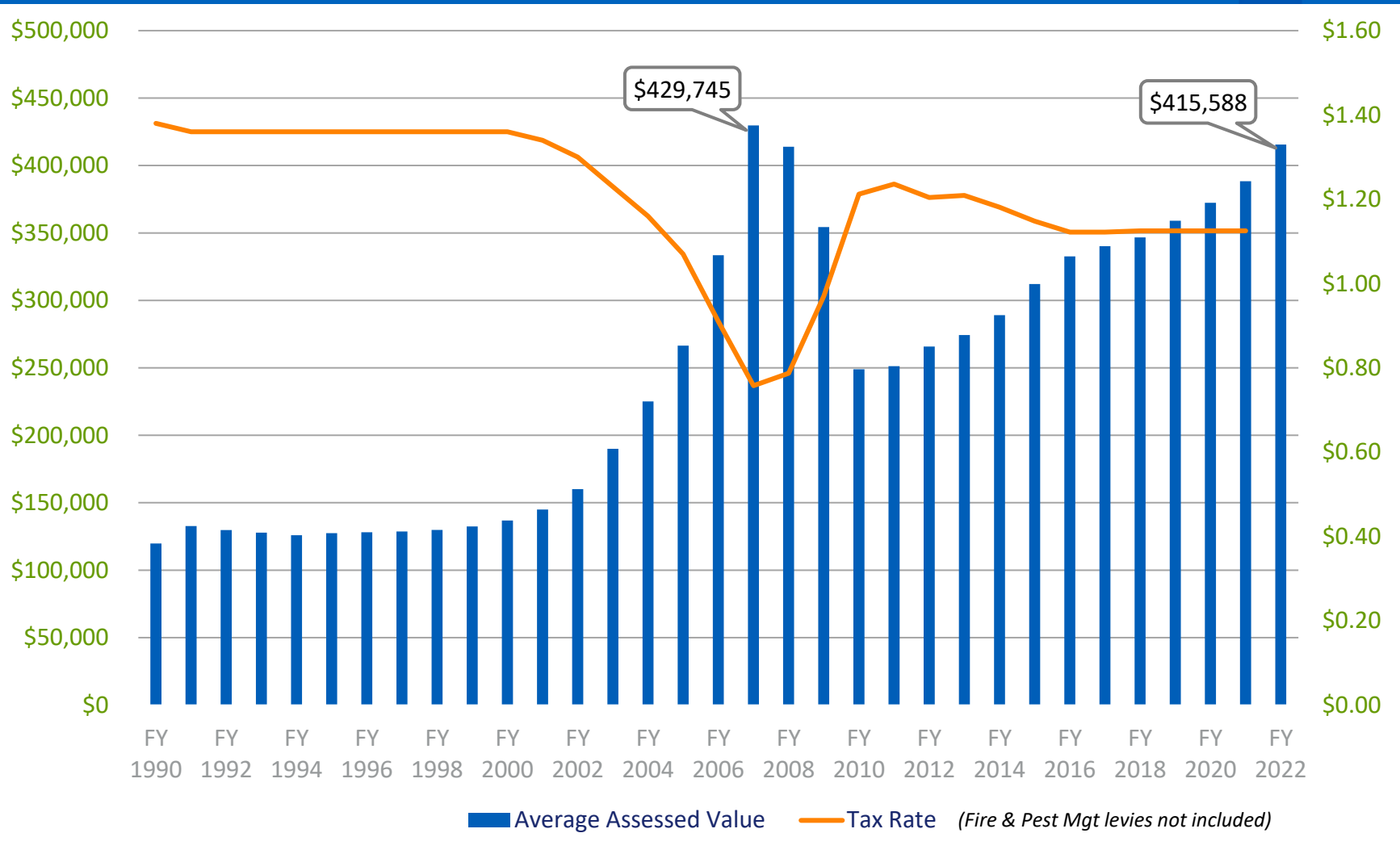
FY 2021 Average Residential Assessed Value (1/1/20 Land Book; CY 2019 Activity)	\$388,400
Residential Appreciation	+ 7%
FY 2022 Average Residential Assessed Value (1/1/21 Land Book; CY 2020 Activity)	\$415,588

# Average Change in Real Estate Assessed Value

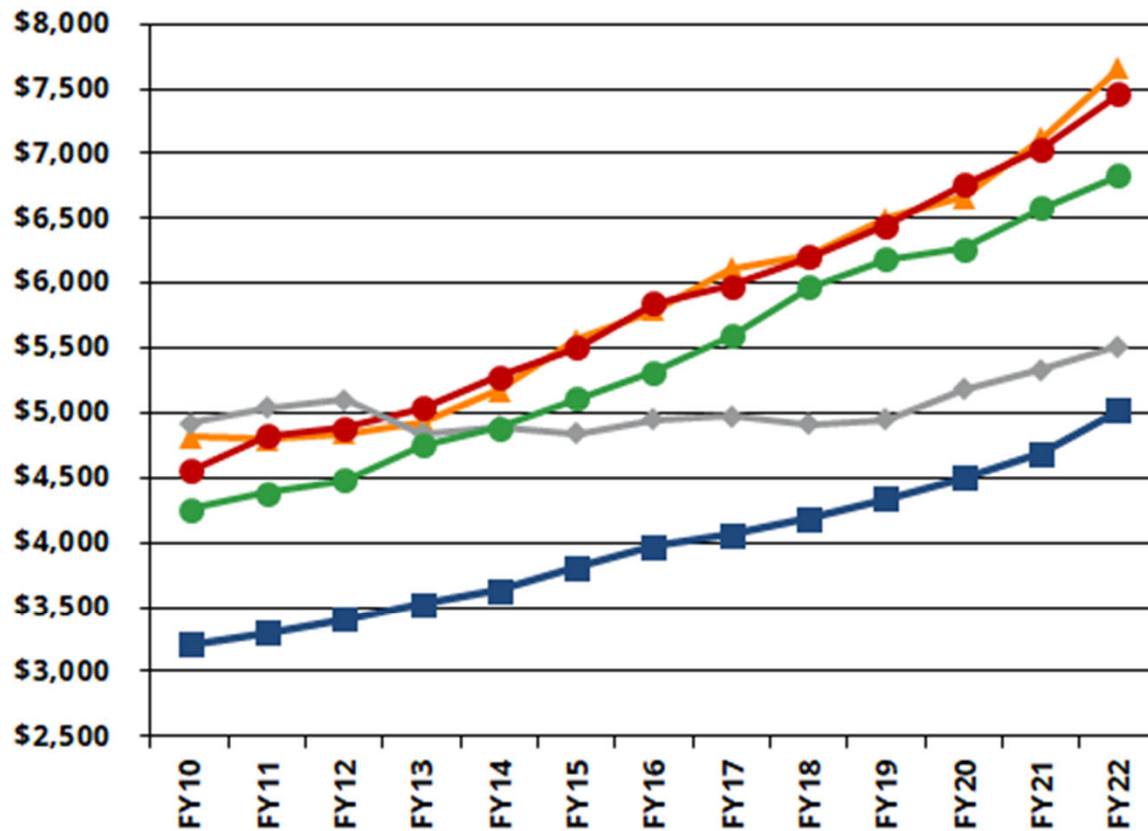




# History of Real Estate Tax Rate and Average Residential Assessed Value



# Average Residential Tax Bill Comparison (with levies)



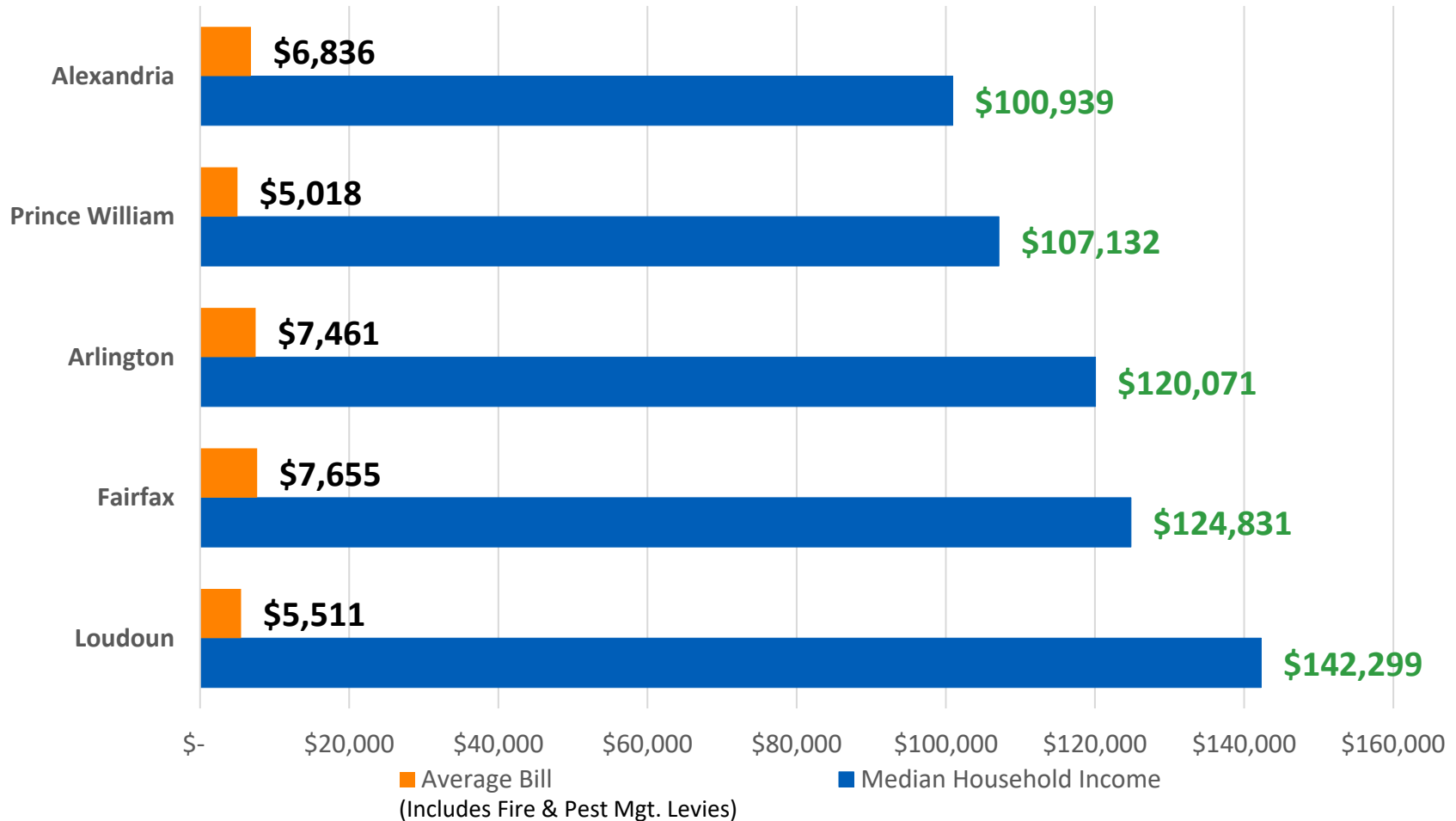
**FY 2022\***  
 Fairfax \$7,655  
 Arlington \$7,461  
 Alexandria \$6,836  
 Loudoun \$5,511  
 Prince William \$5,018

Tax information taken from various jurisdictions websites and <https://www.tax.virginia.gov/local-tax-rates>  
 \*Tax rates are Proposed 2022, with estimates of average residential values.

# Comparative Tax Bill / Median Household Income



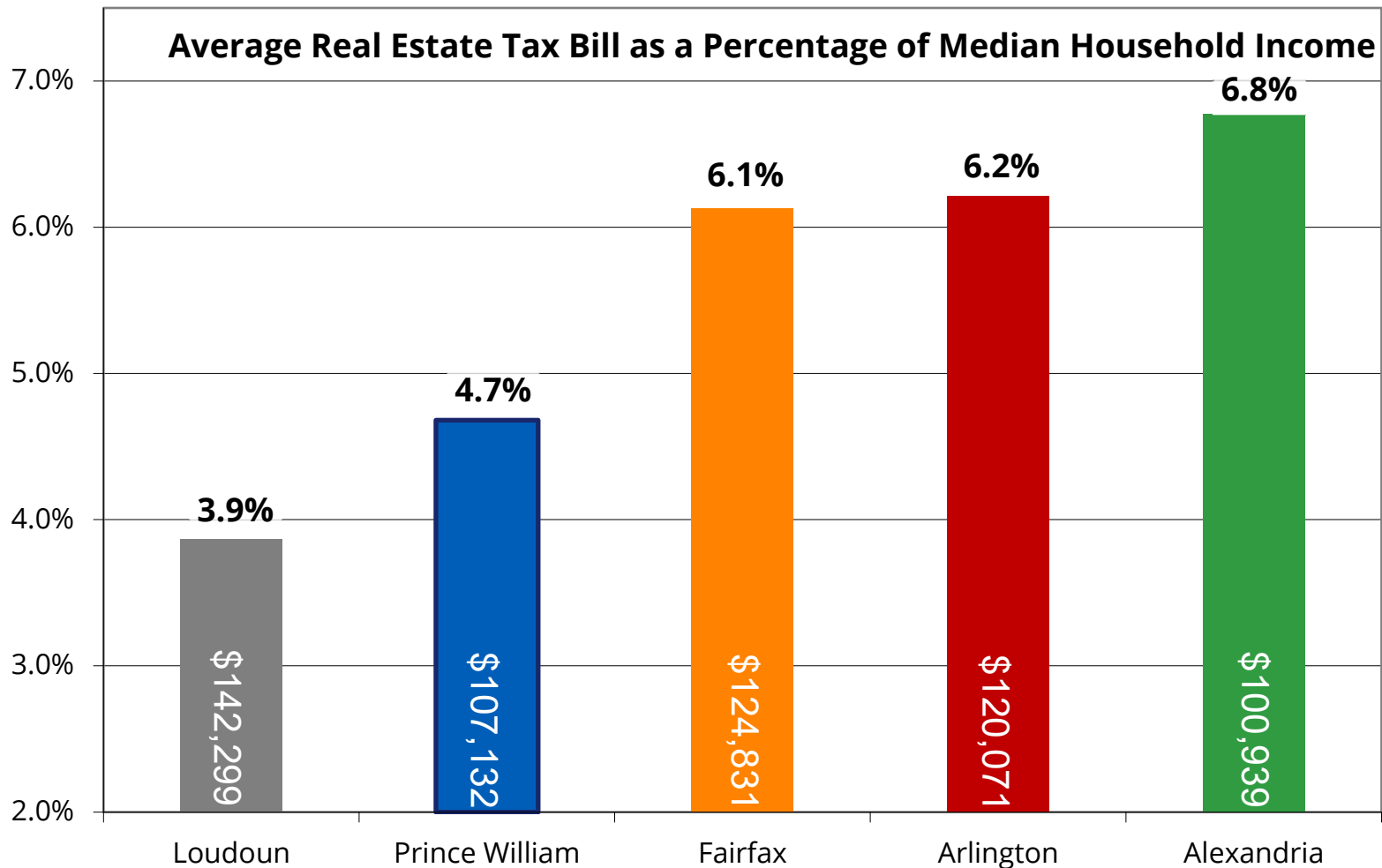
## Average Real Estate Tax Bill and Median Household Income



Sources: FY 22 Proposed Budgets

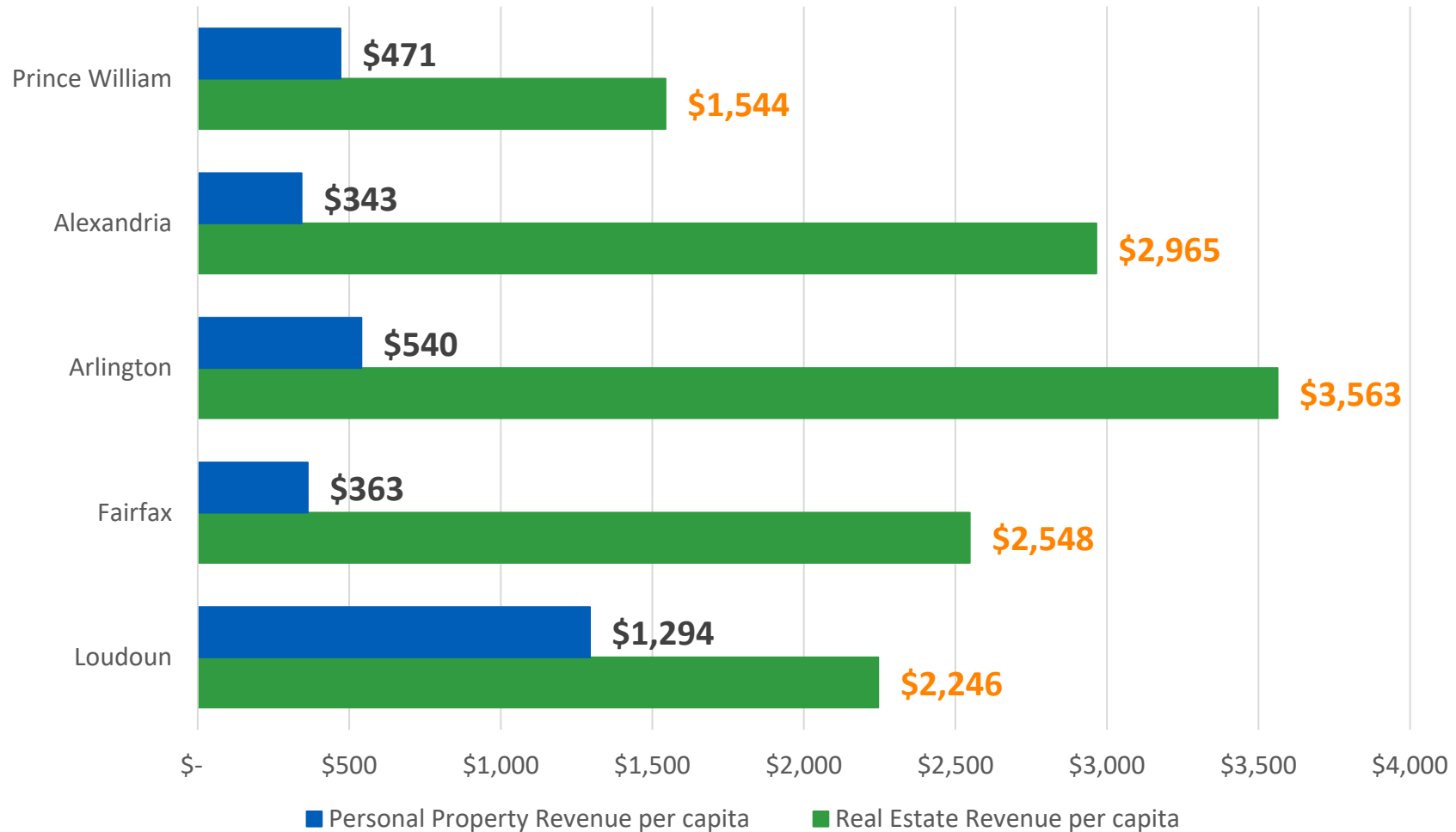
Household Income: American Community Survey

# Comparative Tax Burden



Based on Proposed FY22. PWC Real Estate tax rate of 1.2075 includes Fire & Pest Mgt. Levies at an average tax bill of \$5,018.  
Median Household Income Source: U S Census Bureau, 2019 American Community Surveys 5-Year Estimates

# Real Estate/Personal Property Tax Revenues per Capita



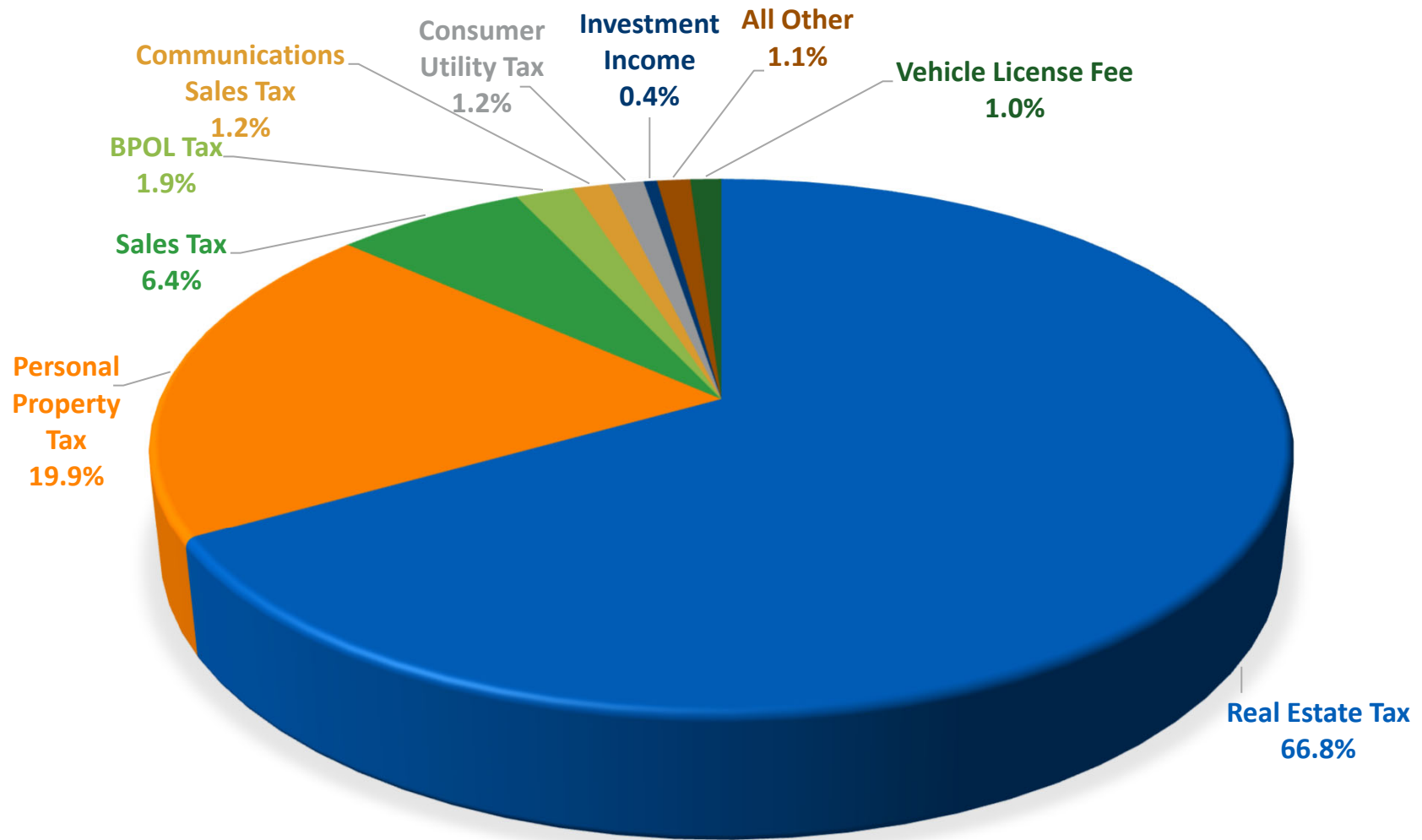
Source: Adopted FY 21 Budgets

# FY 2022 Revenue Estimates

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# FY 2022 Proposed General Revenue Sources



**\$1,153,053,000\***

(\* excludes Recordation Tax – now included in Agency Revenue)

# FY 2022 Proposed General Revenue Details



(\$ in 000s)	% to Total (FY 2022)	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast
Real Estate Tax Rate:		\$1.125	\$1.125	\$1.125	\$1.125	\$1.125
Real Estate Taxes	66.8%	\$769,876	\$812,517	\$844,394	\$878,785	\$913,730
Personal Property Taxes	19.9%	\$228,938	\$238,498	\$249,871	\$259,090	\$268,680
Sales Tax	6.4%	\$74,150	\$76,385	\$78,675	\$81,035	\$83,470
Consumer Utility Tax	1.2%	\$13,540	\$13,675	\$13,812	\$13,950	\$14,090
Communications Sales Tax	1.2%	\$14,180	\$13,830	\$13,480	\$13,140	\$12,810
BPOL Tax	1.9%	\$22,375	\$23,000	\$23,690	\$24,401	\$25,133
Investment Income	0.4%	\$5,150	\$5,940	\$7,150	\$8,820	\$9,900
Meals Tax	0.0%	\$0	\$24,500	\$24,500	\$24,500	\$24,500
All Other	2.2%	\$24,844	\$26,233	\$26,652	\$27,028	\$27,409
<b>Total General Revenue</b>	<b>100.00%</b>	<b>\$1,153,053</b>	<b>\$1,234,578</b>	<b>\$1,282,224</b>	<b>\$1,330,749</b>	<b>\$1,379,722</b>
School Portion		\$659,892	\$706,549	\$733,817	\$761,588	\$789,615
County Portion		\$493,161	\$528,029	\$548,407	\$569,161	\$590,107
<b>Total General Revenue</b>		<b>\$1,153,053</b>	<b>\$1,234,578</b>	<b>\$1,282,224</b>	<b>\$1,330,749</b>	<b>\$1,379,722</b>

- Maintains the current real estate tax rate of \$1.125 for FY 2022; the 5<sup>th</sup> consecutive year the rate has remained flat
- Proposes an increase of \$0.25 in the business tangible property tax rate for computer & peripheral equipment
- Proposes the addition of a cigarette tax to provide a diversified and stable revenue base





**Business Tangible Property (BTP) Tax  
– Computer & Peripheral Equipment**

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# History of Computer & Peripheral Tax Rate

- Prior to 1999 the Computer & Peripheral Business Tangible Property (BTP) Tax rate was \$3.70 per \$100 of assessed value
- To incentivize the attraction of the tech industry/data centers, the County lowered the rate
  - 1999 → rate was lowered to \$1.50
  - 2001 → rate was lowered to \$1.25
- Computer & Peripheral BTP Tax rate increased by \$0.10 to \$1.35 for FY 2021

# Data Center Revenues *(in millions)*

Tax Year	Real Estate	Business Tangible	Fees & Licensing *	Total	Y-O-Y Growth	Total Growth
2012	\$ 3.021	\$ 2.633	\$ 0.280	\$ 5.934	-	-
2013	\$ 3.324	\$ 3.596	\$ 0.246	\$ 7.166	21%	-
2014	\$ 3.565	\$ 7.276	\$ 0.270	\$ 11.111	55%	87%
2015	\$ 4.037	\$ 12.352	\$ 0.325	\$ 16.714	50%	182%
2016	\$ 5.445	\$ 16.412	\$ 0.318	\$ 22.175	33%	274%
2017	\$ 7.656	\$ 18.904	\$ 0.614	\$ 27.175	23%	358%
2018	\$ 10.235	\$ 25.378	\$ 0.399	\$ 36.012	33%	507%
2019	\$ 20.087	\$ 31.356	\$ 0.872	\$ 52.315	45%	782%
2020	\$ 22.646	\$ 40.852	\$ 0.645	\$ 64.143	23%	981%

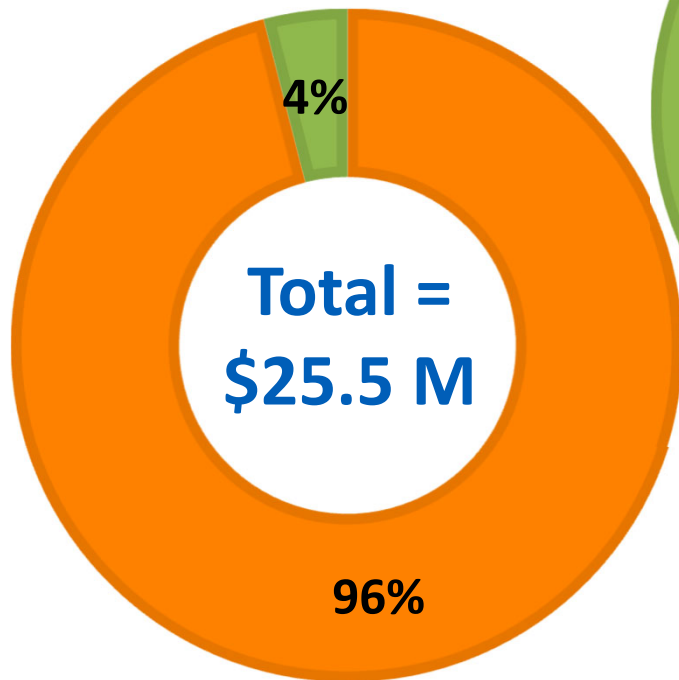
- Fees & Licensing include Solid Waste, Storm Water & BPOL and may include penalties and roll back taxes.  
Note: Total column may not foot due to rounding

# BTP Tax Revenue (Tax Year 2020)

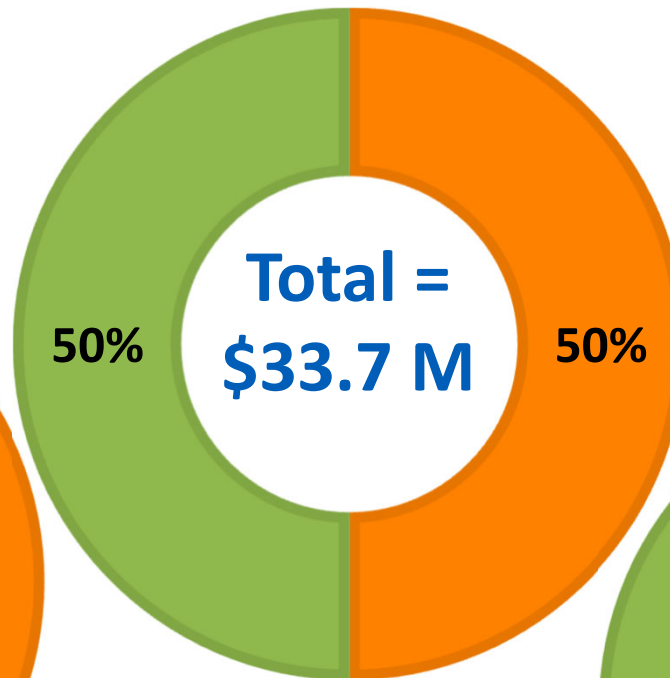
## 66% Data Center / 34% Other



- Data Centers
- Other Businesses

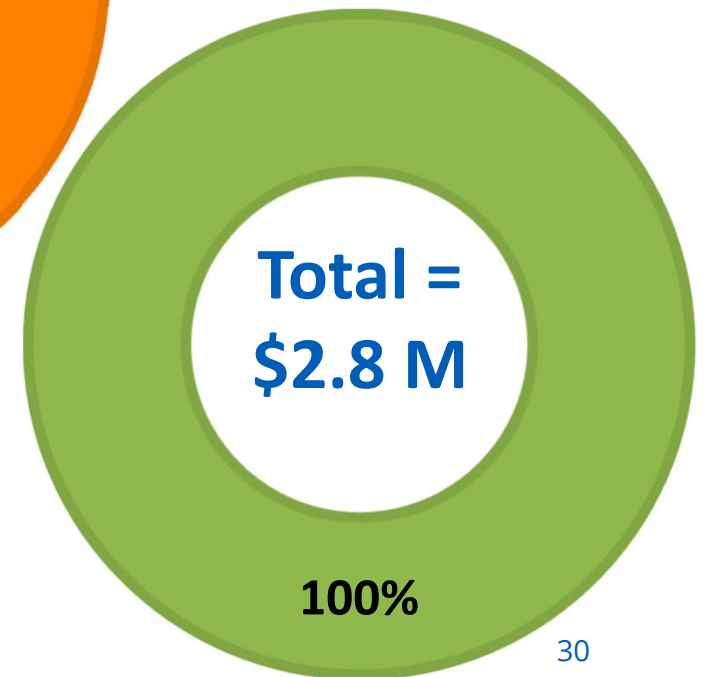


Computer & Peripherals  
(\$1.35)



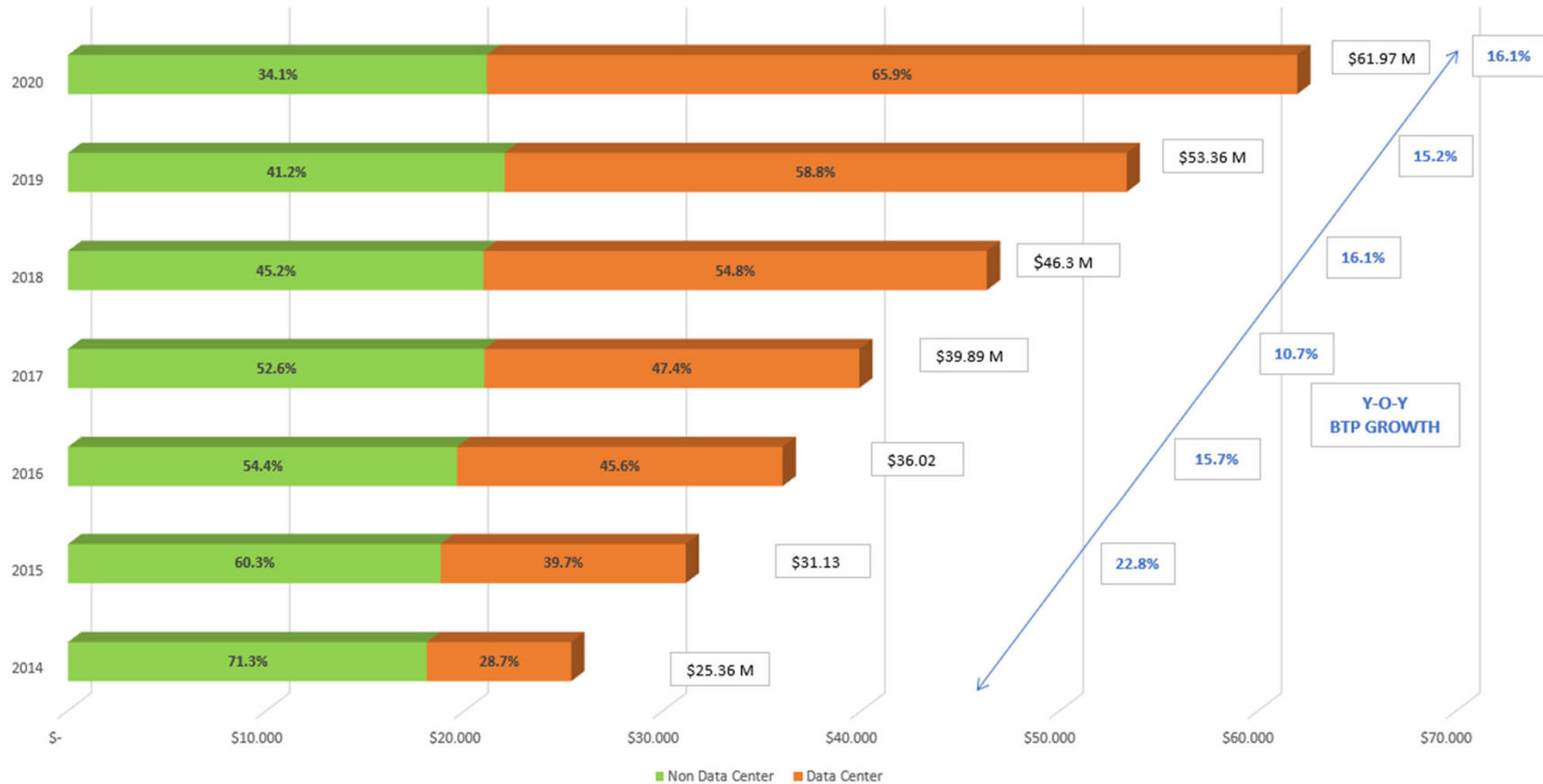
Furniture & Fixtures  
(\$3.70)

Heavy Equipment &  
Machinery (\$3.70)



# Year-Over-Year BTP Tax Revenue Growth

Business Tangible Property



# Business Tangible Property (BTP) Tax: Computer & Peripheral (C&P) Equipment

- County's BTP Tax rate for computer & peripheral equipment used in a business is currently proposed at \$1.60 per \$100 of assessed value for FY 2022

Jurisdiction	BTP Tax Rate - Computer & Peripherals Used in a Data Center	BTP Tax Rate - Computer & Peripherals Used in Business
Arlington*	\$5.00	\$5.00
Alexandria*	\$4.75	\$4.75
Fairfax*	\$4.57	\$4.57
Loudoun*	\$4.20	\$4.20
Fauquier*	\$2.30	\$2.30
Prince William	\$1.35	\$1.35
Stafford	\$1.25	\$5.49
Virginia Beach	\$0.40	\$4.00
Henrico	\$0.40	\$3.50
Chesterfield	\$0.24	\$3.60

BTP Tax rate for C&P equipment used in a data center **cannot exceed** the BTP Tax rate for C&P equipment used in a business.

\*Locality does not adopt a separate tax rate.

# Computer & Peripheral (C&P) BTP Tax Rate Options Presented to BOCS March 2020

- FY 2021 Proposed Budget was prepared with C&P BTP Tax rate at \$1.30
- C&P BTP Tax rate adopted was \$1.35
- Five-Year Plan was not adopted due to uncertainties of the pandemic

	3-Year Phase In	5-Year Phase In	6-Year Phase In	6-Year Phase In
Current Rate	\$1.25	\$1.25	\$1.25	\$1.25
Year 1	\$1.50	\$1.40	\$1.30	\$1.35
Year 2	\$1.75	\$1.55	\$1.40	\$1.40
Year 3	\$2.00	\$1.70	\$1.55	\$1.55
Year 4	Adjust to ETR	\$1.85	\$1.70	\$1.70
Year 5	Adjust to ETR	\$2.00	\$1.85	\$1.85
Year 6	Adjust to ETR	Adjust to ETR	\$2.00	\$2.00

# Gradually Increase BTP Tax Rate for All Computer & Peripheral Equipment

- Provide clarity to Data Center Industry on the trajectory of the BTP Tax Rate
  - \$3.70 per \$100 assessed value is the adopted personal property tax rate for motor vehicles
  - Tax paid by most County residents is offset by the Commonwealth's Personal Property Tax Relief resulting in a lower effective tax rate (ETR)

\* *Could consider adjusting to ETR*

	3-Year Phase In	4-Year Phase In	5-Year Phase In	6-Year Phase In
Current (FY 21)	\$1.35	\$1.35	\$1.35	\$1.35
Year 1 (FY 22)	\$1.60	\$1.55	\$1.50	\$1.45
Year 2 (FY 23)	\$1.85	\$1.75	\$1.65	\$1.55
Year 3 (FY 24)	\$2.00	\$1.95	\$1.80	\$1.65
Year 4 (FY 25)	\$2.00*	\$2.00	\$1.95	\$1.75
Year 5 (FY 26)	\$2.00*	\$2.00*	\$2.00	\$1.85
Year 6 (FY 27)	\$2.00*	\$2.00*	\$2.00*	\$2.00
Tax Rate Increment	Revenue Generated		County / Schools Share	
\$0.05	\$0.943 million		\$403k / \$540k	
\$0.25	\$4.718 million		\$2.018 / \$2.700k	



# Cigarette Tax

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# Cigarette Tax

- Code of Virginia § 58.1-3831 gives Counties the authority to levy a cigarette tax not to exceed 2¢ per cigarette (40¢ per pack)
- **Estimated to generate approximately \$3.0 million in new tax revenue at 30¢ per pack**

Jurisdiction	Rate
City of Alexandria	\$1.15
Virginia Beach	\$0.75
Norfolk	\$0.75
Manassas City	\$0.65
City of Manassas Park	\$0.50
Arlington	\$0.30
Fairfax	\$0.30

*No tax for the counties of:* Chesterfield, Hanover, Henrico, Loudoun, and Stafford

# Timeline for Implementation



March 2021

- Cigarette Tax included in FY 2022 Proposed Budget
- Conduct FY 2022 Budget Public Hearing
- Provide notice of intent to the Northern Virginia Cigarette Tax Board (NVCTB) for participation in the regional administration of the Cigarette Tax

August 2021

- BOCS adopts Ordinance for Cigarette Tax

April 2021

- Conduct FY 2022 Budget Public Hearing
- BOCS adopts FY 2022 Budget; including Cigarette Tax

September 2021\*

- NVCTB begins collection efforts on behalf of Prince William County

July 2021

- Advertise Cigarette Tax Rate
- Hold public hearings on proposed Ordinance change to incorporate Cigarette Tax into Prince William County Code

*\* Contingent on set-up time for NVCTB*

# Budget Calendar



- ~~• Proposed Capital Improvement Program (CIP) (evening) February 9~~
- ~~• FY 2022 Proposed Budget (evening) February 16~~
- ~~• Community Meeting (9 a.m., virtual meeting) February 20~~
- ~~• Budget Work Sessions (afternoon) March 2  
March 9  
March 16~~
- PWCS Budget Presentation (evening) April 6
- Budget Recap (evening) April 13
- Budget & Tax Rates/Fees Public Hearings (evening) ~~March 9~~  
April 13
- Budget Markup (evening) April 20
- Budget Adoption (evening) April 27

# Questions?



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# Appendix Slides



**PRINCE WILLIAM**  
————— COUNTY —————



# Tax Exemption / Tax Relief



# Code of Virginia

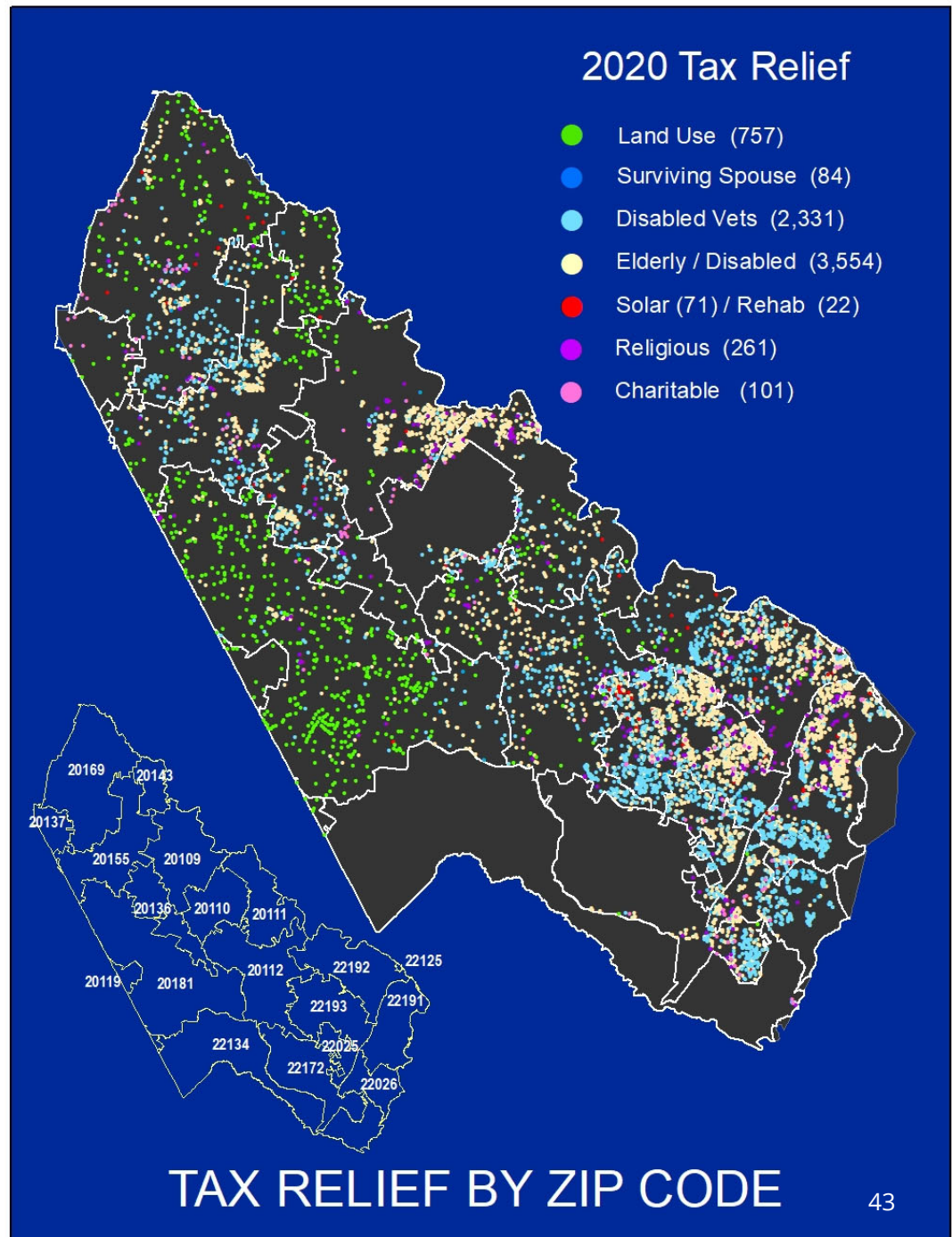


- The County can only provide tax exemption and/or tax relief where authority is granted by the General Assembly through the Code of Virginia
- Two forms of tax exemption / tax relief are provided for by the General Assembly:
  - **Mandated** – locality **must** offer the tax exemption / tax relief
    - Posed to voters in Virginia by referenda
  - **Allowable** – locality **may** offer the tax exemption / tax relief
  - Typically authorized by local ordinance



# Tax Exemption / Tax Relief

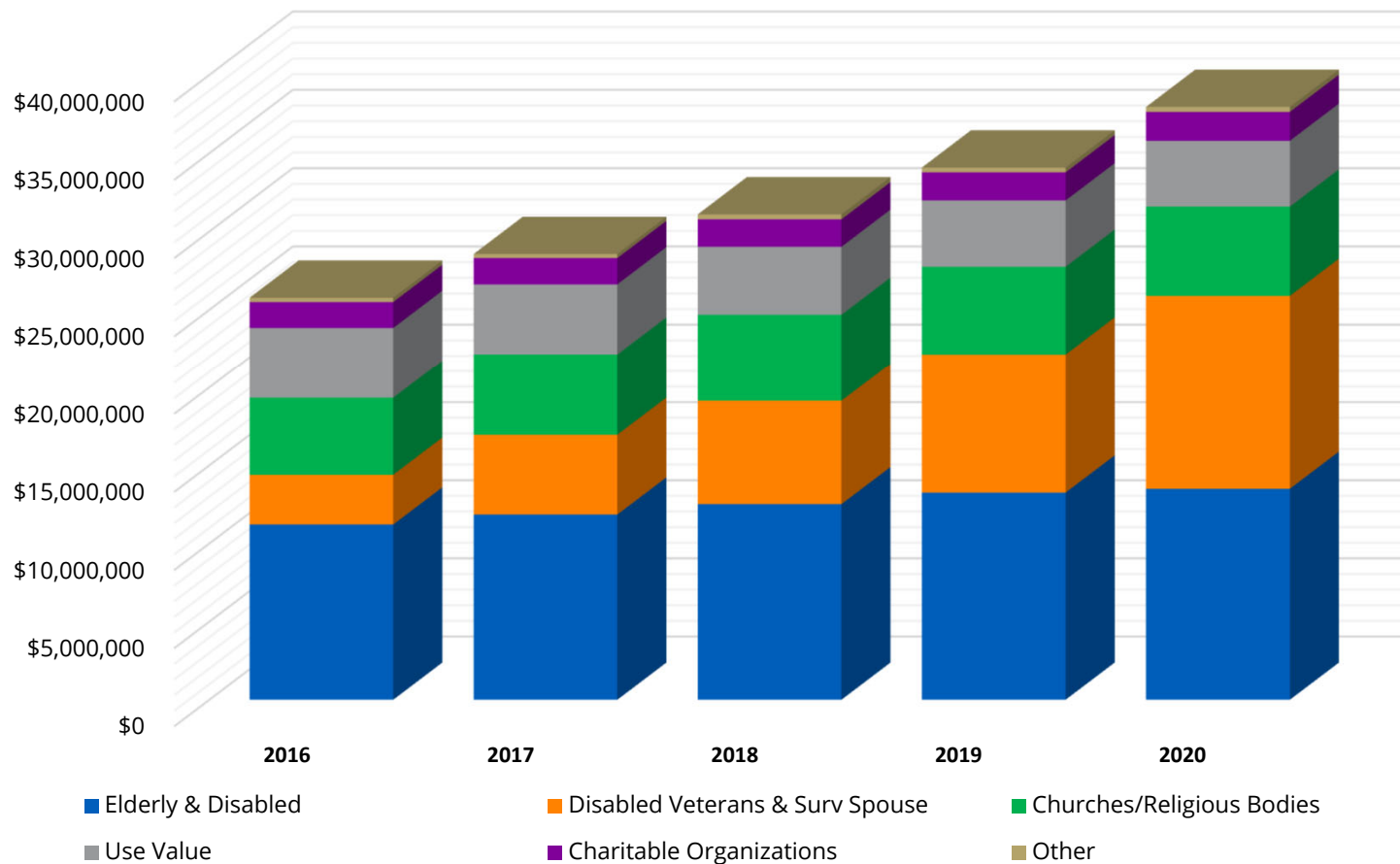
= \$37.9 M or nearly 5.6 pennies on the real estate tax rate



# Growth in Real Estate Tax Relief Programs



Tax Relief Dollars by Program per Tax Year (TY)



# Tax Exemption for Churches and Other Religious Bodies (Mandated)



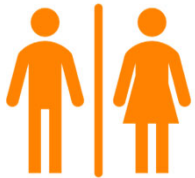
- § 58.1-3606(A)(2) of the Code of Virginia
- Exemption of real and personal property taxes on real and personal property exclusively occupied or used for religious worship or for the residence of the minister
- **261 properties / \$5.6 million real estate taxes exempt in TY 20**
- **489 vehicles / \$93 thousand personal property taxes exempt in TY 20**

# Tax Relief for Disabled Veterans (Mandated)



- § 58.1-3219.5 of the Code of Virginia
- Exemption of all or part of the real estate taxes on a home and up to one acre of land
- No income or net worth requirements
- **2,331 beneficiaries / \$11.96 million taxes exempt in TY 20**

# Tax Relief for Surviving Spouses of Disabled Veterans and Tax Relief for Surviving Spouses of Members of the Armed Forces Killed in Action (Mandated)



- § 58.1-3219.5 / § 58.1-3219.9 of the Code of Virginia
- Exemption of all or part of the real estate taxes on a home and up to one acre of land
- No income or net worth requirements
- Tax relief for surviving spouses of members of armed forces killed in action limited to exemption on up to \$399,300 of assessed value
- **84 beneficiaries / \$431.7 thousand taxes exempt in TY 20**

# Tax Relief for Elderly and Disabled (Allowable)



- § 58.1-3210 / § 58.1-3506.1 of Code of Virginia
- Local ordinance adopted by BOCS in 1980
- Age 65+ or totally and permanently disabled individuals
- Subject to net worth and sliding scale income requirements established by BOCS
- Exemption of all or part of the real estate taxes on a home and up to one acre of land
  - **3,554 beneficiaries / \$12.2 million taxes exempt TY 20**
- Relief of tax and license fee for one vehicle per applicant
  - **4,660 beneficiaries / \$1.4 million taxes exempt TY 20**

# Tax Relief for Surviving Spouses of Certain Persons Killed in the Line of Duty ["First Responders"] (Allowable)



- § 58.1-3219.14 of Code of Virginia
- Local ordinance adopted by BOCS in 2018
- Exemption of all or part of the real estate taxes on a home and up to one acre of land
- No income or net worth requirements
- Tax relief limited to exemption on up to \$383,300 of assessed value
- **2 beneficiaries / \$9 thousand taxes exempt TY 20**

# Tax Exemption for Volunteer & Auxiliary Fire Company Members (Allowable)



- § 58.1-3506(A)(15) of Code of Virginia identifies vehicles owned by volunteer fire department members as a separate classification of tangible personal property for taxation
- § 46.2-752 of Code of Virginia and Prince William County Code Section 13-82 permit exemption from the Motor Vehicle License Tax for Volunteer & Auxiliary Fire Company members
  - County exempts one vehicle per volunteer or auxiliary fire company member from the motor vehicle license tax by adopting a personal property tax rate of \$0.00001 for this classification
- **376 vehicles / \$221 thousand taxes exempt in TY 20**



# Tax Exemption for Rehabilitated Real Estate (Allowable)



- § 58.1-3221 of Code of Virginia
- Local ordinance adopted by BOCS in 1997
- Provides real estate tax exemption for real estate that is substantially repaired, rehabilitated, or replaced
  - Must increase the value of the original structure by at least 25% to qualify
  - Subject to minimum age and maximum size increase requirements by property type
- **22 parcels / \$69 thousand taxes exempt in TY 20**

# Tax Exemption for Certified Solar Energy Equipment, Facilities or Devices Program (Allowable)



- § 58.1-3661 of Code of Virginia
- Local ordinance adopted by BOCS in 1980
- Provides real estate tax exemption based on the certified cost of the purchase and installation of the solar energy equipment
- **71 parcels / \$30 thousand taxes exempt in TY 20**

# Tax Relief Based on Use Value (Allowable)



- § 58.1-3231 of the Code of Virginia
- Local ordinance adopted by BOCS in 1991
- Use Value Assessment Program permits use value taxation for land in agricultural, horticultural, forestal or open space use
- **757 parcels / \$4 million taxes deferred in TY 20**

# Charitable Organizations (Allowable)



- Tax exemptions granted to certain charitable organizations by the General Assembly prior to 2003 or by ordinances adopted by the BOCS between 2004 and 2011
- **101 parcels / \$1.84 million taxes exempt in TY 20**

# Future Considerations

- Meals Tax
  - C&I Tax
  - Admissions Tax
  - Plastic Bag Tax
- 



# Potential New Revenue: Meals Tax



- Referendum no longer required
- Maximum tax counties can levy is 6%
- **Estimated to generate approximately \$24.5 million in new tax revenue**

Jurisdiction	Rate
Albemarle	4.0%
Alexandria	4.0%
Arlington	4.0%
Henrico	4.0%
Manassas City	4.0%
Spotsylvania	4.0%
Stafford	4.0%
Virginia Beach	5.5%

# Potential New Revenue: Commercial & Industrial (C&I) Tax



- § 58.1-3221.3 of Code of Virginia allows cities and counties within NVTA boundaries to impose a 12.5¢ property tax on commercial and industrial properties dedicated to regional transportation
- **Estimated to generate \$12 to \$14 million in new tax revenue dedicated for transportation at \$0.125 rate**

Jurisdiction	Rate
Arlington County	\$0.125
Fairfax City	\$0.125
Fairfax County	\$0.125

# Potential New Revenue: Admissions Tax



Jurisdiction	Rate
Alexandria	10%
Virginia Beach	10%

- Counties now have authority to levy an admission tax not to exceed 10%
- **Estimated to generate approximately \$2.0-\$2.1 million in new tax revenue (pre-pandemic estimate)**



# Potential New Revenue: Plastic Bag Tax



- Any county or city may by ordinance, impose a tax in the amount of five cents (\$0.05) for each disposable plastic bag provided, whether or not provided free of charge, to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drugstores (§ 58.1-1745)
- Plastic Bag Tax revenue must be used for:
  - Environmental cleanup;
  - Providing education programs designed to reduce environmental waste;
  - Mitigating pollution and litter;
  - Providing reusable bags to recipients of Supplemental Nutrition Assistance Program (SNAP) or Women, Infants, and Children Program (WIC) benefits.
- **Estimated to generate approximately \$50-\$54 thousand in new tax revenue in early years**