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CITY OF WILLIAMSBURG
Public Works & Utilities Department

UTILITY FUND
WATER AND SEWER RATE ANALYSIS
FY2017-2021

The FY2017-2021 water rate review looks at the financial viability of the Utility Fund in terms of projected expenses and revenues for the next five year period. The water rate was increased last year from \$4.95/1000 gallons to \$5.12/1000 gallons. The City does not have a separate rate for sewer.

Expenses Outlook:

Capital

Water System – The proposed 5 year capitol expenses for the water system amount to approximately \$3 million. The two large projects are replacement of the concrete roof on the 1 million gallon storage tank and improvements to Waller Mill Dam. The tank project is planned for FY17 and the dam improvements in FY18-19. Capital debt service is the other driver in capital expenses affecting the water rate. The City has a long-term water supply agreement with Newport News Waterworks (NNWW). The 2009 agreement is a 50 year contract with 25 year renewals thereafter. Williamsburg contracted for 2 million gallons of water per day (mgd). The purchase cost is based on \$12.5 million per 1 mgd of water thus making our total commitment \$25 million for 2 mgd. The City paid \$12.5 million initially and the remaining \$12.5 million is due in 2024. However, the City can opt out of the second \$12.5 million payment at which time our allotment would drop to 1 mgd. The City's strategy for the first \$12.5 million payment was to pay \$2.5 million from the Utility Fund cash balance and it borrowed the remaining \$10 million using a 15 year bank qualified loan. The \$10 million loan was refinanced in 2012 for another 15 years i.e. thru 2027. So there would be a 3 year overlap in financing should the city decide to purchase the other 1 mgd in 2024. In addition to the capital expense to reserve the water, money is budgeted for the cost of purchasing the water, if needed. Capital debt service plus water purchase expenses together cost the City approximately \$.9 million per year. Given a Utility Fund budget of \$6.5 million, the impact is substantial and ongoing thru at least 2023 and longer if the City purchases the other 1 mgd in 2024.

Sewer System - On the sanitary sewer capital side of the Utility Fund, a major swing in responsibilities from the City to HRSD has occurred. HRSD and the 14 jurisdictions in the HRSD service areas have signed a MOU in regards to Sanitary Sewer Overflows (SSO's). The agreement puts HRSD responsible for dealing with large cost items to control overflows in the entire service area of HRSD. HRSD will develop and implement the long range Regional Wet Weather Management Plan (RWWMP). The localities still own their individual sewer systems and are responsible for normal operation and maintenance. That work is commonly referred to as MOM (Maintenance, Operation and Management) work. The locality consent decrees were substantially reduced in nature to

only require the localities to perform MOM duties. Therefore, the City will not need to budget for major SSO work but, due to the aging sewer infrastructure, there will still be capital investment needed for the City's sanitary sewer facilities (piping, manholes, and pump stations). Further, the residents can expect substantial HRSD sewer rate increases. However, with HRSD managing the major SSO work, the overall rate impacts to the public will be less in the long run; reason being, HRSD will treat the region as one sewer system and choose the most cost effective projects versus the localities doing projects in all their respective systems.

Operating

On the operating side, the Utility expects to provide a modest increase (2%/year) in expenses over the next 5 year planning period due to regulatory requirements, an aging infrastructure, and personnel expenses. Regulatory requirements continue to affect Water Plant operations as more and more testing is mandated and in some cases Plant procedures need to be modified. The aging infrastructure calls for more attention and the city is active in maintaining and requiring/replacing infrastructure. And expansion of the water and sewer systems e.g. High Street, Riverside and York County development requires more effort to operate and maintain.

Revenue Outlook:

Growth in Water Demand - Water demand has declined slightly over the past several years as a result of both the economy and emphasis on water conservation by way of water saving fixtures and compounded by water and sewer rate increases. Also, the City has experienced some redevelopment which tends to reduce water use as more modern water saving plumbing fixtures are used.

We are projecting water demand to remain flat next year as the economy continues to recover with a modest increase (.5%) over the last 4 years of the 5 year study period. Residential development appears to be on the rise again. Some modest commercial activity is expected (High Street, Riverside etc.). Further, water conservation (e.g. College) is contributing to the slowdown in water demand and thus revenue. Potential revenue from JCSA was not included since water sales to the Authority are on an emergency basis only.

Water and Sewer Fees - The fees are broken into 3 areas: Availability fees, Hampton Roads Sanitation District (HRSD) fees and connection fees. The availability fees are designed to have new development pay for capital improvements which primarily benefit future customers. The HRSD wastewater facility charge is for new connections and covers the cost of treatment capacity expansion, line extensions and pump stations. The third fee is the connection fee which is the construction cost of the City installing the water and sewer connections to the customer's property line.

The availability fees are based on meter size to reflect capacity and demand on the system. Five years ago, the City increased the fees substantially. This increase was predicated on new growth paying equitably in the growth of the system including securing a new water supply and the expenses associated with the capital investment in the utility system. A review of the City's fees compared to other water purveyors in Virginia shows our fee structure to be at or higher than average. An increase in availability fees is not recommended for FY2017.

HRSD establishes their fees and rates and reviews them each year. They are expected to increase because of the SSO Consent Order they have with the Environmental Protection Agency (EPA) and the added responsibilities of the HRSD- Locality MOU's. The City elects to collect and forward to HRSD their fees as well as usage charges for a one-stop "shopping" experience for City residents and businesses.

The water and sewer connection fees are the costs associated with the City installing water and sewer service lines. Service lines run from the main lines to the customer's property line. For the most part, on new development, the developer installs the service line as part of the overall infrastructure of the development project. The City primarily installs service lines to infill development in existing subdivisions and small commercial sites. The water connection fee is based on meter size while the sewer connection fee is more of a flat fee for residential or commercial construction. An increase is not recommended for FY2017 since the fees are representative of actual costs of constructing water and sewer service connections. The City's connection fees are in line with other water and sewer purveyors in the region.

Rate Analysis:

Working capital projections for the next 5 year period through 2021 were developed for two different scenarios - one with no rate increase and one with a rate increase. The year-end working capital is essentially the Fund's cash balance - the difference between short term assets and liabilities.

Two rate scenarios are presented as Exhibits 1 and 2. Both scenarios assume no increase in revenue for FY17 and a .5%/year increase in FY18-21. Further, both scenarios show a 2%/year increase in operating expenses for FY17-21. Capital improvement expenses are based on recently submitted FY17-21 CIP budget figures. Debt service principal and interest along with estimated water purchase costs are shown for the long-term water contract with NNWW.

Exhibit 1 shows working capital projections with no rate increase. Exhibit 2 shows a 3.5%/year rate increase for the FY17-21 study period. With no rate increases (Exhibit 1), working capital declines substantially (60%) over the next 5 years. Exhibit 2, which shows 3.5% rate increases for each of next 5 years, essentially keeps the working capital balance level through FY21 (\$4.23 million) with the current FY16 balance (\$4.35 million). The City needs to maintain a healthy working capital balance to continue a viable enterprise and to prepare for a major investment in securing another 1 mgd water supply.

A comparison of our water rate with five other Hampton Roads communities is presented in Exhibit 3. Although the other localities are also considering FY17 rate increases, rates currently in place (FY16) are used for comparison purposes. Williamsburg remains below all other Hampton Roads communities.


Daniel G. Clayton II
Director

EXHIBIT 1

**CITY OF WILLIAMSBURG
WATER & SYSTEM OPERATIONS-CASH FLOWS**

| | Fiscal Year Ending June 30: | | | | | | |
|--|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| | Actual | Estimated | Proposed | Projected | Projected | Projected | Projected |
| Revenue under existing rates: | | | | | | | |
| Water | 4,535,561 | 4,600,000 | 4,600,000 | 4,623,000 | 4,646,115 | 4,669,346 | 4,692,692 |
| Sewer | 1,955,990 | 1,800,000 | 1,800,000 | 1,809,000 | 1,818,045 | 1,827,135 | 1,836,271 |
| Total Revenue Under Existing Rates | 6,491,551 | 6,400,000 | 6,400,000 | 6,432,000 | 6,464,160 | 6,496,481 | 6,528,963 |
| Additional Water Revenues: | | | | | | | |
| | Rate | Proposed | Months | | | | |
| | <u>Effective Date</u> | <u>Increase</u> | <u>Rate</u> | <u>Effective</u> | | | |
| | July 1, 2016 | 0.00% | \$5.30 | 12 | 0 | 0 | 0 |
| | July 1, 2017 | 0.00% | \$5.12 | 12 | 0 | 0 | 0 |
| | July 1, 2018 | 0.00% | \$5.12 | 12 | 0 | 0 | 0 |
| | July 1, 2019 | 0.00% | \$5.12 | 12 | 0 | 0 | 0 |
| | July 1, 2020 | 0.00% | \$5.12 | 12 | 0 | 0 | 0 |
| Subtotal, Additional Revenue from Increases | | | | | 0 | 0 | 0 |
| Total Revenue from User Charges | 6,491,551 | 6,400,000 | 6,400,000 | 6,432,000 | 6,464,160 | 6,496,481 | 6,528,963 |
| Other Utility Income | 634,031 | 522,800 | 415,400 | 415,400 | 415,400 | 415,400 | 415,400 |
| Total Operating Revenues | 7,125,582 | 6,922,800 | 6,815,400 | 6,847,400 | 6,879,560 | 6,911,881 | 6,944,363 |
| Operation and Maintenance Expenses | | | | | | | |
| Water and Sewer Expenses | -5,973,442 | -6,262,027 | -6,368,158 | -6,495,521 | -6,625,432 | -6,757,940 | -6,893,099 |
| Add back depreciation expense | 786,210 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |
| Total Direct Operation & Maintenance Expenses | -5,187,232 | -5,462,027 | -5,568,158 | -5,695,521 | -5,825,432 | -5,957,940 | -6,093,099 |
| Operating Income | 1,938,350 | 1,460,773 | 1,247,242 | 1,151,879 | 1,054,128 | 953,941 | 851,264 |
| Add Interest Income-Operations | 28,353 | 29,000 | 29,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Net Income from Operations | 1,966,703 | 1,489,773 | 1,276,242 | 1,176,879 | 1,079,128 | 978,941 | 876,264 |
| Major Capital Improvements | | | | | | | |
| Capital Improvements Expenses | -1,108,274 | -380,000 | -1,100,000 | -1,265,000 | -1,045,000 | -360,000 | -420,000 |
| Balance - Fiscal Year Operations | 858,429 | 1,109,773 | 176,242 | -88,121 | 34,128 | 618,941 | 456,264 |
| Newport News Water Agreement Expenses: | | | | | | | |
| Debt Service-Principal | -602,853 | -611,590 | -633,433 | -454,324 | -467,430 | -480,535 | -498,009 |
| Debt Service-Interest | -196,720 | -210,715 | -192,367 | -179,698 | -166,069 | -151,106 | -134,288 |
| Operating Costs/Purchase of Water | 0 | 0 | -100,000 | -100,000 | -100,000 | -100,000 | -100,000 |
| Total Water Agreement Expenses | -799,573 | -822,305 | -925,800 | -734,022 | -733,499 | -731,641 | -732,297 |
| Working Capital - Beginning of Year | 4,008,681 | 4,067,537 | 4,355,005 | 3,605,447 | 2,783,304 | 2,083,933 | 1,971,233 |
| Working Capital - End of Year | 4,067,537 | 4,355,005 | 3,605,447 | 2,783,304 | 2,083,933 | 1,971,233 | 1,695,200 |

Assumptions:

- 0.0% Growth in Water Consumption for FY 2017
- 0.5% Growth in Water Consumption for FY 2018 thru FY 2021
- 2.0% Growth in Operating Expenses for FY 2017 thru FY 2021

EXHIBIT 2

**CITY OF WILLIAMSBURG
WATER & SYSTEM OPERATIONS-CASH FLOWS**

| | Fiscal Year Ending June 30: | | | | | | |
|--|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| | Actual | Estimated | Proposed | Projected | Projected | Projected | Projected |
| Revenue under existing rates: | | | | | | | |
| Water | 4,535,561 | 4,600,000 | 4,600,000 | 4,623,000 | 4,646,115 | 4,669,346 | 4,692,692 |
| Sewer | 1,955,990 | 1,800,000 | 1,800,000 | 1,809,000 | 1,818,045 | 1,827,135 | 1,836,271 |
| Total Revenue Under Existing Rates | 6,491,551 | 6,400,000 | 6,400,000 | 6,432,000 | 6,464,160 | 6,496,481 | 6,528,963 |
| Additional Water Revenues: | | | | | | | |
| | Rate | Proposed | Months | | | | |
| <u>Effective Date</u> | <u>Increase</u> | <u>Rate</u> | <u>Effective</u> | | | | |
| July 1, 2016 | 3.50% | \$5.30 | 12 | 161,000 | 161,000 | 161,000 | 161,000 |
| July 1, 2017 | 3.50% | \$5.49 | 12 | 0 | 166,635 | 166,635 | 166,635 |
| July 1, 2018 | 3.50% | \$5.68 | 12 | 0 | 0 | 173,272 | 173,272 |
| July 1, 2019 | 3.50% | \$5.88 | 12 | 0 | 0 | 0 | 180,146 |
| July 1, 2020 | 3.50% | \$6.08 | 12 | 0 | 0 | 0 | 187,264 |
| Subtotal, Additional Revenue from Increases | | | | 161,000 | 327,635 | 500,907 | 681,053 |
| Total Revenue from User Charges | 6,491,551 | 6,400,000 | 6,561,000 | 6,759,635 | 6,965,067 | 7,177,534 | 7,397,280 |
| Other Utility Income | 634,031 | 522,800 | 415,400 | 415,400 | 415,400 | 415,400 | 415,400 |
| Total Operating Revenues | 7,125,582 | 6,922,800 | 6,976,400 | 7,175,035 | 7,380,467 | 7,592,934 | 7,812,680 |
| Operation and Maintenance Expenses | | | | | | | |
| Water and Sewer Expenses | -5,973,442 | -6,262,027 | -6,368,158 | -6,495,521 | -6,625,432 | -6,757,940 | -6,893,099 |
| Add back depreciation expense | 786,210 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |
| Total Direct Operation & Maintenance Expenses | -5,187,232 | -5,462,027 | -5,568,158 | -5,695,521 | -5,825,432 | -5,957,940 | -6,093,099 |
| Operating Income | 1,938,350 | 1,460,773 | 1,408,242 | 1,479,514 | 1,555,036 | 1,634,994 | 1,719,581 |
| Add Interest Income-Operations | 28,353 | 29,000 | 29,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Net Income from Operations | 1,966,703 | 1,489,773 | 1,437,242 | 1,504,514 | 1,580,036 | 1,659,994 | 1,744,581 |
| Major Capital Improvements | | | | | | | |
| Capital Improvements Expenses | -1,108,274 | -380,000 | -1,100,000 | -1,265,000 | -1,045,000 | -360,000 | -420,000 |
| Balance - Fiscal Year Operations | 858,429 | 1,109,773 | 337,242 | 239,514 | 535,036 | 1,299,994 | 1,324,581 |
| Newport News Water Agreement Expenses: | | | | | | | |
| Debt Service-Principal | -602,853 | -611,590 | -633,433 | -454,324 | -467,430 | -480,535 | -498,009 |
| Debt Service-Interest | -196,720 | -210,715 | -192,367 | -179,698 | -166,069 | -151,106 | -134,288 |
| Operating Costs/Purchase of Water | 0 | 0 | -100,000 | -100,000 | -100,000 | -100,000 | -100,000 |
| Total Water Agreement Expenses | -799,573 | -822,305 | -925,800 | -734,022 | -733,499 | -731,641 | -732,297 |
| Working Capital - Beginning of Year | 4,008,681 | 4,067,537 | 4,355,005 | 3,766,447 | 3,271,939 | 3,073,475 | 3,641,828 |
| Working Capital - End of Year | 4,067,537 | 4,355,005 | 3,766,447 | 3,271,939 | 3,073,475 | 3,641,828 | 4,234,112 |

Assumptions:

- 0.0% Growth in Water Consumption for FY 2017
- 0.5% Growth in Water Consumption for FY 2018 thru FY 2021
- 2.0% Growth in Operating Expenses for FY 2017 thru FY 2021

EXHIBIT 3

| WATER AND SEWER RATES COMPARISON (FY2016) | | | |
|--|---|---------------------------|---------------------------|
| | WATER | SEWER | TOTAL |
| Williamsburg | \$5.12/1000 gallons | Included in water rate | \$5.12/1000 gallons |
| JCSA | 0-15 \$2.47/1000 gallons 15-30 \$4.93/1000 gallons | \$2.93/1000 gallons | \$5.40/1000 gallons |
| Newport News | 0-3 \$4.24/1000 gallons 3-38 \$4.88/1000 gallons | \$4.37/1000 gallons | \$8.87/1000 gallons |
| Portsmouth | \$4.76/1000 gallons | \$3.72/1000 gallons | \$8.48/1000 gallons |
| VA Beach | \$4.41/1000 gallons | \$3.69/1000 gallons(est.) | \$8.10/1000 gallons(est.) |
| Norfolk | \$6.16/1000 gallons | \$5.11/1000 gallons | \$11.27/1000 gallons |
| HRSD | N.A. | \$5.52/1000 gallons | \$5.52/1000 gallons |

CITY OF WILLIAMSBURG, VIRGINIA
Fiscal Year 2017 Operating Budget

Debt Service

Computation of Legal Debt Margin (as of June 30, 2015)

| | | |
|--|--------------|----------------------|
| Assessed Value of Real Estate Subject to Taxation - June 30, 2015 | | \$1,736,611,700 |
| Debt Limit: 10 Percent of Assessed Value* | | \$173,661,170 |
| Total Bonded Debt | \$16,060,983 | |
| Total Amount of Debt Applicable to Debt Limit | | <u>\$16,060,983</u> |
| Legal Debt Margin | | <u>\$157,600,187</u> |

*Virginia statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value.
The above calculation includes all debt secured by the full faith and credit of the City

Summary of Debt Issues:

| Bond: | Fund | Purpose | Date | Matures | Interest Rate | Amount Issued |
|-------|---------|-----------------------------------|----------------|----------------|---------------|---------------|
| 1 | Utility | Newport News Water Agreement | October, 2010 | June, 2027 | 2.75% | \$9,291,800 |
| 2 | General | Parking Garage (re-fi short term) | October, 2010 | June, 2027 | 2.75% | \$1,343,200 |
| 3 | General | Parking Garage / High School | June, 2012 | June, 2020 | 1.31% | \$5,180,000 |
| 4 | General | Stryker Center | December, 2013 | December, 2028 | 2.60% | \$5,000,000 |

Debt Service by Fiscal Year:

| Fiscal Year | Fund | Principal Payments | Interest | Total Debt Service |
|-------------|---------|--------------------|-----------|--------------------|
| 2016 | General | \$1,006,410 | \$232,780 | \$1,239,190 |
| 2017 | General | \$1,032,568 | \$204,016 | \$1,236,584 |
| 2018 | General | \$1,029,676 | \$181,515 | \$1,211,191 |
| 2019 | General | \$1,063,571 | \$146,479 | \$1,210,050 |
| 2020 | General | \$1,089,465 | \$123,382 | \$1,212,847 |
| 2021 | General | \$394,991 | \$99,193 | \$494,184 |
| 2022 | General | \$404,886 | \$88,532 | \$493,418 |
| 2023 | General | \$417,043 | \$76,556 | \$493,599 |
| 2024 | General | \$429,832 | \$64,132 | \$493,964 |
| 2025 | General | \$441,358 | \$52,327 | \$493,685 |
| 2026 | General | \$453,884 | \$40,199 | \$494,083 |
| 2027 | General | \$465,410 | \$27,937 | \$493,347 |
| 2028 | General | \$387,000 | \$15,353 | \$402,353 |
| 2029 | General | \$397,000 | \$5,161 | \$402,161 |

| Fiscal Year | Fund | Principal Payments | Interest | Total Debt Service |
|-------------|---------|--------------------|-----------|--------------------|
| 2016 | Utility | \$611,590 | \$210,715 | \$822,305 |
| 2017 | Utility | \$633,433 | \$192,368 | \$825,801 |
| 2018 | Utility | \$454,324 | \$179,699 | \$634,023 |
| 2019 | Utility | \$467,430 | \$166,069 | \$633,499 |
| 2020 | Utility | \$480,535 | \$151,106 | \$631,641 |
| 2021 | Utility | \$498,009 | \$134,288 | \$632,297 |
| 2022 | Utility | \$511,115 | \$119,347 | \$630,462 |
| 2023 | Utility | \$532,957 | \$96,850 | \$629,807 |
| 2024 | Utility | \$559,168 | \$72,867 | \$632,035 |
| 2025 | Utility | \$576,642 | \$54,781 | \$631,423 |
| 2026 | Utility | \$594,116 | \$36,171 | \$630,287 |
| 2027 | Utility | \$611,590 | \$18,348 | \$629,938 |

Assessed Value of Taxable Property- Last Ten Fiscal Years

| Fiscal Year | Real Estate | Personal Property | Public Service Corporations: | | Total |
|-------------|-----------------|-------------------|------------------------------|-------------------|-----------------|
| | | | Real Estate | Personal Property | |
| 2007 | \$1,547,651,600 | \$71,871,600 | \$51,334,159 | \$21,358 | \$1,670,878,717 |
| 2008 | \$1,803,239,200 | \$70,304,080 | \$52,220,912 | \$13,527 | \$1,925,777,719 |
| 2009 | \$1,851,350,800 | \$76,702,715 | \$51,598,088 | \$14,870 | \$1,979,666,473 |
| 2010 | \$1,891,045,000 | \$73,274,874 | \$57,063,079 | \$12,804 | \$2,021,395,757 |
| 2011 | \$1,827,509,200 | \$74,745,531 | \$58,838,278 | \$16,191 | \$1,961,109,200 |
| 2012 | \$1,736,157,600 | \$74,858,716 | \$58,529,832 | \$0 | \$1,869,546,148 |
| 2013 | \$1,627,903,200 | \$77,078,529 | \$59,919,374 | \$3,450 | \$1,764,904,553 |
| 2014 | \$1,687,212,000 | \$79,086,633 | \$54,105,420 | \$38,324 | \$1,820,442,377 |
| 2015 | \$1,736,611,700 | \$78,614,267 | \$54,641,933 | \$47,907 | \$1,869,915,807 |
| 2016 | \$1,786,176,800 | \$80,268,560 | \$54,554,188 | \$20,197 | \$1,921,019,745 |

Ratio of Annual Debt Service Expenditures for G.O. Bonded Debt to Total General Governmental Expenditures - Last Ten Fiscal Years

| Fiscal Year | Principal | Interest | Total Debt Service | Total General Governmental Expenditures | Ratio of Debt Service to Total General Governmental Expenditures * |
|-------------|-------------|-----------|--------------------|---|--|
| 2006 | \$5,872,179 | \$505,332 | \$6,377,511 | \$40,393,943 | 15.79% |
| 2007 | \$992,425 | \$554,257 | \$1,546,682 | \$43,943,851 | 3.52% |
| 2008 | \$2,314,249 | \$477,006 | \$2,791,255 | \$44,038,522 | 6.34% |
| 2009 | \$1,036,704 | \$377,798 | \$1,414,502 | \$40,852,067 | 3.46% |
| 2010 | \$1,064,816 | \$337,621 | \$1,402,437 | \$39,137,556 | 3.58% |
| 2011 | \$1,388,610 | \$326,357 | \$1,714,967 | \$37,643,699 | 4.56% |
| 2012 | \$886,240 | \$250,284 | \$1,136,524 | \$37,454,613 | 3.03% |
| 2013 | \$758,761 | \$140,392 | \$899,153 | \$35,800,086 | 2.51% |
| 2014 | \$683,990 | \$213,216 | \$897,206 | \$38,165,055 | 2.35% |
| 2015 | \$988,147 | \$252,415 | \$1,240,562 | \$41,256,517 | 3.01% |

* Fiscal Year 2006 included debt principal payoff

Property Tax Rates (per \$100 of valuation)

| Fiscal Year | Real Estate | Personal Property | Personal Property Tax Relief Rate | Machinery & Tools |
|-------------|-------------|-------------------|-----------------------------------|-------------------|
| 2007 | \$0.54 | \$3.50 | 70.0% | \$3.50 |
| 2008 | \$0.54 | \$3.50 | 65.0% | \$3.50 |
| 2009 | \$0.54 | \$3.50 | 60.0% | \$3.50 |
| 2010 | \$0.54 | \$3.50 | 54.0% | \$3.50 |
| 2011 | \$0.54 | \$3.50 | 58.0% | \$3.50 |
| 2012 | \$0.54 | \$3.50 | 60.0% | \$3.50 |
| 2013 | \$0.57 | \$3.50 | 58.0% | \$3.50 |
| 2014 | \$0.57 | \$3.50 | 58.0% | \$3.50 |
| 2015 | \$0.57 | \$3.50 | 56.0% | \$3.50 |
| 2016 | \$0.57 | \$3.50 | 56.0% | \$3.50 |

Principal Employers - Current and Nine Years Ago

| <u>Employer</u> | 2006 | | | 2015 | | |
|--|-------------------------------------|--------------------|---|-------------------------------------|--------------------|---|
| | <u>Employees¹</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Employees¹</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| College of William & Mary | 1,000+ | 1 | 20.92% | 1,000+ | 1 | 19.06% |
| Colonial Williamsburg Foundation | 1,000+ | 2 | 10.37% | 1,000+ | 2 | 11.38% |
| Colonial Williamsburg Company | 1,000+ | 3 | 10.37% | 1,000+ | 3 | 7.62% |
| Williamsburg Community Hospital ² | 500 to 999 | 4 | 5.24% | | | |
| W-JCC Schools | | | | 250 to 499 | 4 | 2.21% |
| Sodexo | | | | 100 to 249 | 6 | 1.05% |
| City of Williamsburg | 100 to 249 | 5 | 1.22% | 250 to 499 | 5 | 1.84% |
| Williamsburg Hospitality House | 100 to 249 | 6 | 0.96% | | | |
| Marriott Educational Svcs. Inc. | 100 to 249 | 7 | 0.96% | | | |
| Riverside Doctors' Hospital | | | | 100 to 249 | 7 | 0.99% |
| Walsingham Academy | | | | 100 to 249 | 8 | 0.71% |
| Patrick Henry Inn | 100 to 249 | 8 | 0.96% | | | |
| National Center for State Courts | 100 to 249 | 9 | 0.96% | 100 to 249 | 9 | 0.71% |
| Red Lobster & The Olive Garden | 100 to 249 | 10 | 0.96% | 100 to 249 | 10 | 0.71% |

¹ includes part-time and seasonal employees

² now Sentara Healthcare-relocated to neighboring York County in August 2006

Principal Taxpayers - Current and Nine Years Ago

| <u>Taxpayers</u> | 2006 | | | 2015 | | |
|----------------------------------|-------------------------------|-------------|--|-------------------------------|-------------|--|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Colonial Williamsburg Foundation | \$ 189,148,900 | 1 | 10.32% | \$ 260,792,300 | 1 | 14.90% |
| Westgate Resorts, LTD | \$ 18,057,900 | 2 | 0.98% | | | |
| Art Williamsburg | 15,408,900 | 3 | 0.84% | | | |
| JIN, Inc. | 10,105,100 | 4 | 0.55% | | | |
| Riverside Healthcare Associates | 10,094,800 | 5 | 0.55% | 31,975,400 | 3 | 1.82% |
| Maple & Main Redev. LLC | 10,081,300 | 6 | 0.54% | | | |
| Medalist Properties 5 LLC | 9,084,800 | 7 | 0.50% | | | |
| 351 York Street LLC | 8,545,000 | 8 | 0.70% | | | |
| Woodshire, LTD | 8,261,000 | 9 | 0.68% | | | |
| LTD Associates Two, LLC | 7,340,400 | 10 | 0.60% | | | |
| Quarterpath Williamsburg LLC | | | | 46,025,500 | 2 | 2.63% |
| High Street Retail Phase I LLC | | | | 21,144,900 | 4 | 1.21% |
| Sterling Manor Apartments LLC | | | | 21,050,500 | 5 | 1.20% |
| Bluegreen Vacations, Unlimited | | | | 19,202,800 | 6 | 1.10% |
| SNL Quarterpath Associates LLC | | | | 14,614,900 | 7 | 0.83% |
| CMGT 2004-C2 Williamsburg | | | | 14,454,900 | 8 | 0.82% |
| 160 Merrimac Associates LLC | | | | 13,776,700 | 9 | 0.80% |
| | | | | 12,332,500 | 10 | 0.70% |

Unemployment Rate and Labor Force

(Source, Virginia Employment Commission)

| Year | Labor Force | Employed | Unemployed | Unemployment Percentage |
|-------------|--------------------|-----------------|-------------------|--------------------------------|
| 2003 | 4589 | 4220 | 369 | 8.0% |
| 2004 | 4600 | 4243 | 357 | 7.8% |
| 2005 | 4773 | 4426 | 347 | 7.3% |
| 2006 | 4811 | 4525 | 286 | 5.9% |
| 2007 | 5112 | 4825 | 287 | 5.6% |
| 2008 | 5331 | 4874 | 457 | 8.6% |
| 2009 | 5543 | 4721 | 822 | 14.8% |
| 2010 | 6516 | 5856 | 660 | 10.1% |
| 2011 | 6745 | 6138 | 607 | 9.0% |
| 2012 | 6846 | 6277 | 569 | 8.3% |
| 2013 | 6881 | 6354 | 527 | 7.7% |
| 2014 | 6662 | 6174 | 488 | 7.3% |
| 2015 | 6572 | 6155 | 417 | 6.3% |

Land Area of Original City of Williamsburg and Subsequent Annexations

| Year | Description | Annexation Area (Sq. Miles) | Accumulative Area (Sq. Miles) |
|-------------|--------------------|------------------------------------|--------------------------------------|
| 1722 | Original City | 0 | 0.86 |
| 1915 | Annexation | 0.11 | 0.97 |
| 1923 | Annexation | 0.48 | 1.45 |
| 1941 | Annexation | 1.66 | 3.11 |
| 1964 | Annexation | 2.06 | 5.17 |
| 1984 | Annexation | 3.88 | 9.05 |

Demographic and Economic Statistics,
Last Ten Fiscal Years

| Fiscal Year | City Population | Area Population² | Personal Income (thousands of dollars)² | Per Capita Personal Income² | Public School Enrollment ³ | Unemployment Rate¹ |
|--------------------|------------------------|------------------------------------|---|---|--|--------------------------------------|
| 2006 | 13,411 | 73,879 | 3,302,489 | 44,663 | 10,105 | 5.9% |
| 2007 | 13,416 | 75,912 | 3,607,164 | 47,370 | 10,137 | 5.6% |
| 2008 | 13,574 | 77,367 | 3,834,280 | 49,327 | 10,248 | 8.6% |
| 2009 | 13,758 | 78,755 | 3,760,090 | 47,116 | 10,503 | 14.8% |
| 2010 | 14,068 | 81,077 | 3,907,522 | 47,983 | 10,549 | 10.1% |
| 2011 | 14,256 | 83,130 | 4,267,524 | 51,652 | 10,671 | 9.0% |
| 2012 | 14,503 | 84,448 | 4,502,567 | 53,495 | 10,748 | 8.3% |
| 2013 | 14,893 | 85,124 | 4,592,180 | 53,571 | 10,998 | 7.7% |
| 2014 | 15,064 | 86,204 | 5,015,208 | 57,465 | 11,116 | 7.3% |
| 2015 | 14,860 | 88,185 | n/a | n/a | 11,303 | 6.3% |

¹ Virginia Employment Commission

² Source - Weldon Cooper Center; U.S. Dept of Commerce, Bureau of Economic Analysis, Regional Accounts Data - income & area population figures based on figures for the City of Williamsburg and neighboring James City County combined

³ Source - Williamsburg-James City County Public Schools - Sept 30th figures

Miscellaneous Statistics - June 30, 2015

| | |
|---|-----------------|
| Date Established by Virginia General Assembly | 1699 |
| Date of Incorporation by Royal Charter | 1722 |
| Form of Government since 1932 | Council-Manager |
| Population (2000 U.S. Census) | 11,998 |
| Population (2010 U.S. Census) | 14,068 |
| Population (2015)* | 14,860 |
| Area | 9.05 Sq. Miles |
| Miles of Streets | 51.2 |
| Number of Traffic Signals | 15 |
| Fire Protection: | |
| Number of Stations | 1 |
| Firemen: full-time | 36 |
| volunteer | 30 |
| Police Protection | |
| Number of Stations | 1 |
| Sworn Officers | 36 |
| Education: | |
| Schools (owned by joint school system) | |
| Grades: | |
| K-5 | 9 |
| 6-8 | 3 |
| 9-12 | 3 |
| Recreation: | |
| Number of Parks | 4 |
| Number of Ball Fields | 6 |
| Number of Tennis Courts | 10 |
| Number of Total Acres | 2,036 |
| Culture: | |
| Number of Public Libraries (Regional) | 2 |
| Number of Volumes - June 2015 | 322,001 |
| Number of Patrons - June 2015 | 58,549 |
| Number of Items Circulated - FY 2015 | 1,030,643 |
| Municipal Water Department | |
| Number of Residential Connections | 3,606 |
| Number of Commercial Connections | 914 |
| Average Daily Consumption (gallons FY 2015) | 2,733,180 |
| Miles of Water Distribution | 49 |
| Number of Water Tanks | 6 |
| Municipal Employees | 191 |
| Number of Hotels & Motels | 40 |
| Number of Bed & Breakfasts | 22 |
| Number of Restaurants | 89 |

* Weldon Cooper Center for Public Service

Accounting System - The total set of records and procedures which are used to record, classify, and report information on the financial status and operations of the City.

Accrual Basis of Accounting - The method of accounting under which revenues are recorded when they are earned (whether or not cash is received at that time) and expenditures are recorded when goods and services are received (whether cash disbursements are made at that time or not).

Account Number - A numerical code identifying Revenues and Expenditures by Fund, Department, Activity, Type and Object.

Activity - One of the tasks, goals, etc., of a departmental program.

Allocate – To set apart or earmark for a specific purpose

Appropriation - An authorization granted by the City Council to make expenditures and to incur obligations for purposes specified in the budget.

Assessment – The value set by the City Assessor annually for a particular real property in the City.

Balanced Budget – The City Manager annually proposes, and the City Council adopts, a budget or financial plan for the upcoming year in which the revenues available (including any available fund balance from prior years) match or exceed the projected expenditures.

Budget - A comprehensive plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. The City's annual budget is established by City Council with a budget resolution.

Budget Revision - A formal change in the total amount of budgeted expenditures during a fiscal year by action of City Council.

Budget Transfer - A formal transfer from one activity [usually a departmental line item] to another, without changing a department's budget total. Transfers are approved at the City Manager level, and do not require action by City Council.

Capital Equipment - An expenditure for a fixed asset that has an expected life of more than (1) year and the cost of which is in excess of \$20,000. Capital items include office equipment, furniture, computers, etc.

Capital Improvement - New or expanded physical facilities for the community that are of relatively large size, are relatively expensive, and permanent in nature. For example: street improvements, sidewalks, bridge rehabilitation, buildings, park improvements, and City vehicles. Capital improvements are accounted for in either the Sales Tax Fund for general improvements, or the Utility Capital Improvement Fund for water and sewer related projects.

Carryover – Refers to the process of transferring specific funds and obligations previously approved by City Council from the end of one fiscal year to the next fiscal year. City policy is to use this process only for capital projects.

Constitutional Offices – The offices or agencies directed by elected officials whose positions (Sheriff, Treasurer, Commissioner of the Revenue, etc.) are established by the Constitution of the Commonwealth of Virginia or its statutes.

Contingency Account - A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.

Contractual Service - An expenditure for services performed by a non-employee. For example: computer, building, and copy machine maintenance, special studies, etc.

Debt Service – Principal and interest that the City pays on funds borrowed for capital projects.

Department - The Department is the primary administrative unit in City operations. Each is directed by a department head. Departments are generally composed of divisions of activities which share a common purpose.

Depreciation - (1) Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence; (2) that portion of the cost of a capital asset which is charged as an expense during a particular period.

Enterprise Fund - Used to account for the financing of services where all or most of the operating expenses involved are recovered in the form of charges to users of such services.

Expenditure - An expenditure is a decrease in net financial resources for the governmental funds. This includes current operating expenditures requiring the present or future use of current assets.

Expense - The same as above when applied to a fund accounted for on an accrual basis, such as the City's Utility Fund.

Fiscal Year - The twelve month period on which the City operates its financial affairs. The City of Williamsburg's fiscal year is July 1 through June 30.

Fixed Asset - An expenditure for a good that has an expected life of more than (1) year and the cost of which is in excess of \$5,000. Capital items include real property, office equipment, furnishings and vehicles.

Fund - A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance - The equity of a fund, oftentimes incorrectly referred to as "surplus". It is the difference between a fund's assets and liabilities. Fund Balance is calculated by taking the beginning balance as of the beginning of the fiscal year, adding in all revenues received during the year, and deducting the year's expenditures. It is available to support the spending needs of the fund if necessary.

General Fund – The fund type that accounts for the daily operations of the City, supported by local taxes, fees, and State revenues. It is the largest fund in the City's budget.

Governmental Funds – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

Infrastructure - Roads, bridges, curbs and gutters, streets, sidewalks, drainage systems and lighting systems installed for the common good.

Line Item - An individual expenditure (or expense) category listing in the budget (salaries, supplies, etc.)

Major Fund – Governmental or enterprise fund reported as a separate column in the basic fund financial statements and subject to a separate opinion in the independent auditor's report. The general fund is always a major fund.

Modified Accrual Basis of Accounting - (a) Revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

Pay-As-You-Go - Refers to the method of financing capital projects from savings or normal cash flow. This requires annual appropriation of existing resources without the need to borrow funds.

Personal Property – A category of property identified for purposes of taxation in Virginia. It is comprised of personally owned vehicles, as well as corporate property and business equipment. Examples include automobiles, motorcycles, trailers, boats, airplanes, business furnishings, and manufacturing equipment.

Real Property – Real estate, including land and improvements, classified for purposes of assessment.

Retained Earnings - The total earnings of an enterprise fund (in governmental accounting) since the establishment of the fund. The amount is adjusted by the fund income less expenses - on a full accrual basis of accounting.

Revenue – The yield of sources of income that the City of Williamsburg collects and receives into the treasury to pay for public services. Taxes, fees for services and grants are sources of revenue, for example.

Sales Tax Fund - This fund accounts for the scheduled major capital improvements for the upcoming year. Williamsburg also refers to this as the General Capital Improvements Program, and is supported exclusively by 1% retail sales tax revenues returned to the locality from the Commonwealth of Virginia, and interest earnings.

Supplemental Appropriation – An increase to a department's budget (spending authority) approved by City Council during the course of the fiscal year. It generally involves appropriation of a grant or other outside revenue.

Surplus - The excess of revenues over expenditures for a fund during a fiscal year.

Taxes - Compulsory charges levied by a government, school, sewer or other special district for the purpose of financing services performed for the common benefit.

Tax Base – The total market value of real property (land, buildings, and related improvements), public service corporation property, and personal property (cars, boats, and business tangible equipment) in the City.

Tax Levy - The total amount to be raised by either real or personal property taxes.

Tax Rate - The amount of taxes levied for each \$100 of assessed valuation, either real or personal property.

Transfer - A transfer is a movement of monies from one fund, activity, department, or account to another. This includes budgetary funds and/or movement of assets.

Working Capital – Current assets less current liabilities. This measure indicates the relatively liquid portion of total enterprise fund capital, which constitutes a margin or buffer for meeting obligations.

Workload Measures – Represent the numerical inputs, outputs and/or outcomes of City operating programs.

Commonly Used Governmental Acronyms:

BPOL - Business, Professional and Occupational License Tax, administered by the Commissioner of the Revenue.

CDBG – Community Development Block Grant program, funded by the U.S. Dept of Housing & Urban Development (HUD). These grant funds are used in the City to improve housing, neighborhoods, and economic conditions of the City’s low and moderate income residents. The City works exclusively with the Williamsburg Redevelopment & Housing Authority (WRHA), as the agency receives Federal funds directly for CDBG projects.

CIP – Capital Improvement Program – a five-year plan for capital projects, with the first year of the plan appropriated by City Council by budget resolution.

CSA – Comprehensive Services Act for Youth and Families

FY – Fiscal Year – City’s FY begins July 1st each year.

GAAP – Generally accepted accounting principals. Uniform minimum standards for financial accounting, recording, and reporting purposes.

GASB – Governmental Accounting Standards Board – A non-profit organization organized in 1984 as an operating entity of the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities.

GFOA – Government Finance Officers Association of the United States and Canada. The purpose of the GFOA is to enhance and promote the professional management of governments for the public benefit.

FTE - Full-Time Equivalent - The percentage of time a staff member works represented as a decimal. A full-time authorized staff position is 1.00, equating to 2,080 hours of work per year (2,912 for uniformed firefighters) a half-time person is .50 and a quarter-time person is .25.

I T – Information Technology, a department responsible for the City’s current and future technology requirements, including local area network and infrastructure, computer hardware, software, maintenance and replacement plan, voice, video, security, and disaster recovery.