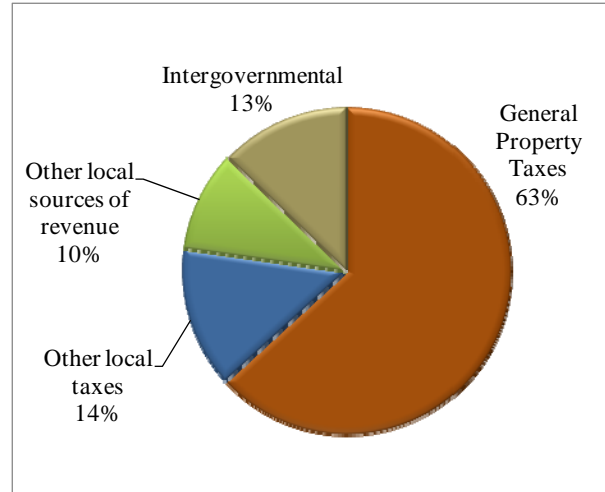


General Fund Revenue Information

In order to support the County’s mission of delivering quality services to the citizens of Hanover County, a great deal of time and resources are expended to make sure that supporting revenues are monitored and projected in a manner that allows for the most efficient, consistent, and cost effective delivery of those services. Although the last two years have presented significant challenges to the revenue base, the overall projection for FY12 is positive. While we can only expect minimal growth at best in most revenue categories, this change appears to be significant in comparison to the steep declines experienced at the national, state, and local levels since FY10.



Hanover County continues to operate based on conservative revenue assumptions and projections, all the while maintaining the lowest regional real property tax rate. Overall, home values have remained strong and fortunately the County has experienced only minor to modest increases in foreclosure rates since January 2009, particularly when compared to national and state levels. Hanover’s cumulative property values maintained a normal upward trend until FY10, yet collection rates have reliably remained at over 95% of the levy in the initial fiscal year.

General Property Taxes

As reflected in the above pie chart, the majority of the County’s General Fund revenue is generated through general property taxes, which refers to real property and personal property. The general property tax category refers to tax revenues received directly from taxpayers. In FY12 Hanover expects to receive \$128,148,000 in general property taxes.

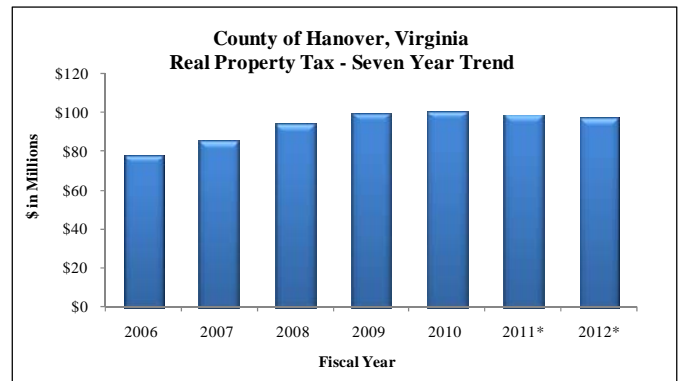
The very factors that lend themselves to revenue strength and stability in Hanover have further translated to savings for taxpayers. Confidence in the County’s diverse tax base and revenue stability are reflected in the AAA bond rating assigned to Hanover by all three of the major ratings agencies. These results have allowed the County access to some of the most attractive financing rates available while maintaining the low tax burden citizens have come to expect in Hanover County.

Real Property Tax

The *Code of Virginia* §§ 58.1-3200 through 58.1-3389, authorizes localities to levy taxes on the assessed value of real estate property owned by businesses, individuals and public service corporations. Real property is defined as land and improvements, including buildings, and other structures.

The General Fund is the general operating fund of the County. Revenue for the General Fund is divided into four major categories:

1. General property taxes;
2. Other local taxes;
3. Other local sources of revenue; and
4. Intergovernmental.



*Forecast

Section 58.1-3201 provides that all general reassessments or annual assessments shall be at 100% of fair market value. The projection of real property tax revenue is contingent upon the

General Fund Revenue Information

accuracy of estimates of the real property tax base. In developing these estimates, the County Assessor incorporates a combination of factors, including historical trends, the current year's tax base, the cumulative effect of parcel reassessments, the value of land in the County's land use program, and an estimate of new construction during the upcoming year. The Assessor's Office appraises all real property annually.

The Board of Supervisors adopted an ordinance allowing property tax relief for elderly and disabled persons. The applicant for tax relief must be either disabled or not less than 65 years of age and must be the owner of the property for which relief is sought. The property must be the sole dwelling of the applicant. The maximum income level is \$50,000 and maximum net worth is \$200,000, with no maximum discount.

Real property taxes are levied in April and are collected semiannually on June 5th and October 5th. Supplemental prorated levies are performed throughout the year for construction occurring during the year. Collection rates have recently averaged 97.6%. The budget includes a county-wide real property tax rate of \$0.81 per \$100 of assessed value. This rate has remained unchanged since 2007. The County expects to generate \$96,775,000, a \$2,225,000 or 2.2% decrease. This total includes \$170,000 of incremental revenue generated by the Lewistown CDA, which will be transferred to the Lewistown CDA Fund upon receipt. The estimated decrease for 2011 is a 3.93% decrease in reassessments and a 1.26% growth in new construction. Assumptions for 2012 are 2.5% decrease in reassessments and 1.5% growth in new construction.

Public Service Corporation Taxes

Public service corporation taxes are the real estate and personal property tax rate for companies whose purpose is to provide utilities for the public. An example is a railroad line or telephone company. The County receives annual assessments from the State Corporation Commission (SCC) and Department of Taxation. The County's real and personal property tax rates are applied to these assessments and from this the

County expects to generate \$4,115,000, a \$104,000 or 2.5% decrease. The current generating equipment tax rate is \$0.55.

Personal Property Tax

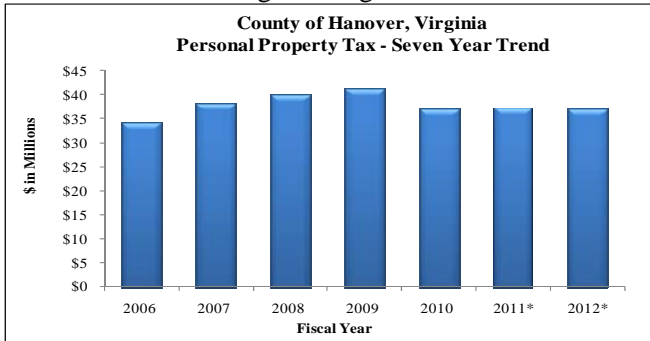
Pursuant to the *Code of Virginia* §§ 58.1-3500 through 58.1-3536, counties may levy a tax on tangible personal property. Included in this category are such items as motor vehicles, farming equipment, and a variety of motorized vehicles, including boats, aircraft, recreational vehicles, campers, and trailers. Taxes are levied on 100% of trade-in assessed value, which are based on published market guides. Personal property projections incorporate historical analysis, estimates of future growth, and information regarding tangible property market values.

In 1999, the State began a phased reduction of personal property taxes on the first \$20,000 in value of private vehicles. In 2004, the reduction was held to 70% of the tax eliminated, with the foregone revenue reimbursed to localities from the State. In FY07, the State's reimbursement to localities was capped at \$950 million. Thus, Hanover's payments from the State will be a fixed sum that represents Hanover's pro rata share of the total State reimbursement. The actual percent relief to be applied to the taxpayer's bill will be quantified in September each year. The 66% State relief for 2009 decreased to 64% for 2010.

Personal property taxes are estimated to generate \$36,902,000, a \$418,900 or 1.1% decrease. This includes \$15 million of personal property tax paid to the County from the State. The State's portion is classified as non-categorical State aid. The current tax rate is \$3.57 per \$100 of value and is collected annually on February 5th of the subsequent year. The rate for airplanes is \$0.50 per \$100 assessed value. Assumptions for FY12 are a 2.6% decrease in tax valuations, which includes prorations. Hanover County prorates the personal property tax on vehicles (not including boats). The County also has an incentive program to recognize the contributions of fire and rescue squad volunteers, providing a tax relief of 50% on the primary vehicles used by volunteers. In November 2006, the Board of Supervisors established a separate classification for disabled

General Fund Revenue Information

veterans, providing 50% tax relief. Finally, in an effort to determine accurately the value of vehicles, Hanover County offers a discount for vehicles with high mileage.



* Forecast

Machinery and Tools Tax

Pursuant to the *Code of Virginia* § 58.1-3507, certain machinery and tools, such as those that are used for manufacturing, mining, processing, radio/television broadcasting, dairy, and laundry or dry cleaning are segregated for local taxation. The original cost of the machinery and tools plus installation is reported to the Commissioner of the Revenue whereby an assessment ratio of 10% is applied to determine the assessed value for the tax levy. Machinery and tools taxes are expected to generate \$1,630,000, a \$141,000 or 9.5% increase.

Merchants' Capital Tax

The *Code of Virginia* §§ 58.1-3509 and 58.1-3510, provides that localities may impose a local tax on merchants' capital, which is defined as the inventory of stock on hand, daily rental of passenger cars, daily rental property, and all other tangible personal property. The County expects to generate \$845,000 in revenue from this source, a \$62,000 or 6.8% decrease.

Delinquent Taxes

The County considers taxes to be delinquent as of August 1st of the next fiscal year after the assessment of the property.

Penalties and Interest

Penalties and interest are charges assessed for paying a bill after the due date. In FY09, penalties were lowered from 10% to 2% if the tax amount is

paid in full by the first day of the month immediately following the due date, and if not paid in full 10% on the total tax amount thereafter. Interest accumulates at a 10% annual rate.

Other Local Taxes

Hanover County also collects substantial revenue from local sales tax, which includes a variety of local tax revenues independent of general property taxes, such as sales tax and motor vehicle license tax. These other local taxes are projected to contribute \$28,400,000 in FY12 and are the General Fund's second largest revenue source.

Local Sales Tax

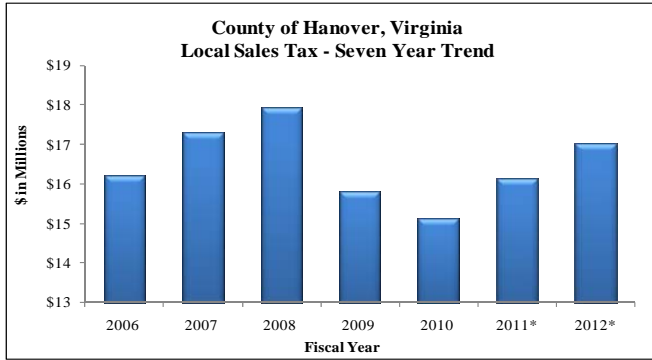
The largest single item in this category is the local sales tax. The County receives 1% of the Commonwealth's 5% sales tax on all local sales, which is collected by merchants and remitted through the Commonwealth to Hanover. Pursuant to Virginia Code § 58.1-605, the County then remits 2.27% of that amount to the town of Ashland. This revenue began performing below budget beginning in the spring of 2008.

Local sales tax revenue is budgeted at \$17,000,000 in FY12, a \$1,936,000 or 12.8% increase over the FY11 budget (5.3% above the FY11 forecast). This includes \$246,000 of incremental revenue generated by the Lewistown CDA. Without the CDA revenue, FY12 increase is 13.8%. FY11 forecast is projected to come in above budget at \$16.1M or 7.2% increase from FY10 actual.

The following is the fiscal year 2010, taxable sales, as a percentage of total taxable sales, in the County:

Retail Trade	53.76%
Wholesale Trade	14.56%
Non-classified	3.99%
Recreation/Food Services	12.29%
Professional Services	5.26%
Manufacturing	4.00%
Construction	3.29%
Other Nonprofessional Services	2.38%
Agriculture	0.47%

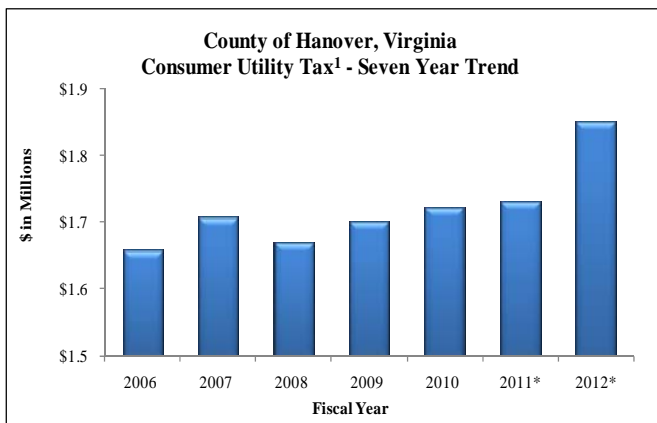
General Fund Revenue Information



* Forecast

Consumer Utility Tax

The *Code of Virginia* § 58.1-3814 authorizes localities to impose a tax on the consumers of public utilities. This tax is applied to all gas and electric service recipients residing within the County, excluding the Town of Ashland, which has a separate utility tax for Ashland residents. The County collects 20% of the first \$15 on utility purchases. Consumers pay these taxes on a monthly basis to their utility companies. Prior to January 2007, this tax also applied to all landline and wireless telephone service. Revenue from this utility tax is expected to generate \$1,850,000; a \$66,000 or 3.7% increase from FY 11.



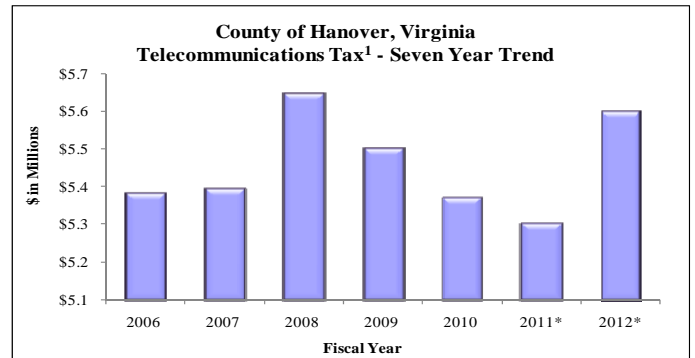
¹ Excluding Telephone Service

* Forecast

Communications Sales and Use Tax

Legislation enacted during the 2006 General Assembly session considerably changed the manner in which taxes are levied on communications services. This new tax, effective January 1, 2007, replaced local communications taxes and fees with a uniform 5% tax per month on

all telecommunications services as well as a uniform 911 fee of \$0.75 per line per month. Satellite television and voice over internet telephone service are also subject to the 5% tax. The County's cable company, Comcast/ AT&T Broadband, continues to pay a 5% franchise fee. Revenues are collected by the Virginia Department of Taxation and distributed to localities on a monthly basis. Hanover County is scheduled to receive approximately 1.19% of statewide collections. Projected revenue in FY12 is \$5,600,000, a \$126,000 or 2.3% increase.



¹ Combined Telephone tax, E-911 and Cable Franchise fee * Forecast

Contractor's Licenses

The contractor's licenses tax is based on prior year gross receipts of every contractor having in excess of \$100,000 in gross receipts and having a definite place of business in the County, or having no definite place of business but residing in the County or defined as a contractor by the *Code of Virginia*. The tax rate is \$0.10 per \$100 of gross receipts. Payment is due on or before March 1 of the license tax year. This tax is projected to maintain a level of \$480,000 in generated revenue for FY12, a \$1,000 or 0.2% increase.

Utility Franchise License Tax

The *Code of Virginia* § 58.1-3731 authorizes localities to impose a license tax on telephone and water companies not to exceed one-half of 1% of the gross receipts of the previous year. This tax is due by January 31 of the license tax year. This tax is projected to generate \$645,000 in revenue, a \$107,000 or 19.9% increase.

General Fund Revenue Information

Lodging Tax

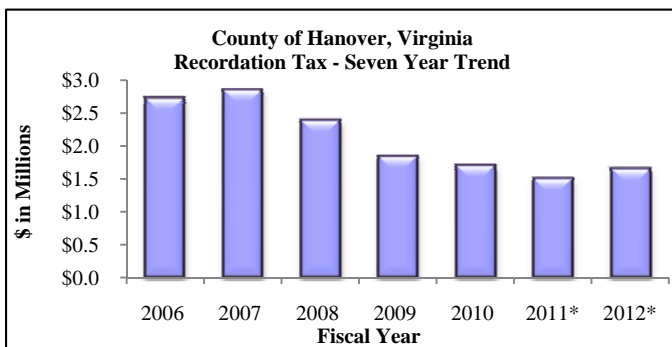
The lodging tax is a tax levied on limited-stay facilities, such as any hotel, motel, or travel campground occupied for a period of less than thirty consecutive days. The tax is 8% of the charge and includes charges for all services provided for the space or room as a unit price. The tax is projected to generate \$711,000 in revenue, a \$44,000 or 6.6% increase. This entire revenue source is transmitted to the Greater Richmond Convention Center Authority and forms the basis for a 25% refund for Hanover's contribution to the Richmond Convention Center. The refund is recorded under recovered costs.

Bank Stock Tax

The bank stock tax is a tax on the net capital of a bank. The tax rate is \$0.80 per \$100 of net capital and is apportioned to the locality based on the number of branches located in the locality. The tax is projected to generate \$396,000 in revenue, a \$10,000 or 2.6% increase.

Recordation Tax

Section 58.1-3800 of the *Code of Virginia* authorizes localities to impose a recordation tax on transactions involving the recording of estates, deeds of trusts, mortgages, leases, contracts and agreements that are required to be admitted as matters of record to the Clerk of the Circuit Court. Amounts are collected by the Clerk of the Circuit Court's Office and are equal to one-third of the amount of the State recordation tax. The tax is projected to generate \$1,650,000 in revenue, a \$50,000 or 2.9% decrease from the FY11 budget and a 10.0% increase from the FY11 forecast. The FY11 forecast has been adjusted down in response to a one-time state change in the allocation.



* Forecast

Other Local Sources of Revenue

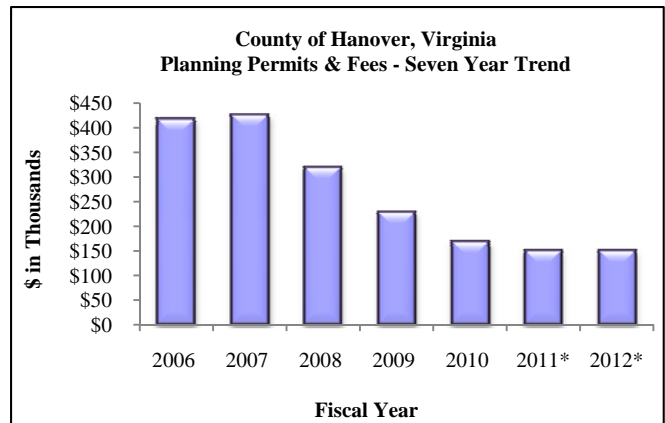
This category includes six types of revenue received by the General Fund that are not considered general-purpose forms of taxation and they include the following:

1. Permits, privilege fees and regulatory licenses;
2. Fines and forfeitures;
3. Use of money and property;
4. Charges for services;
5. Recovered costs; and
6. Miscellaneous revenue.

Only major sources of revenue are discussed.

Permits, Privilege Fees & Regulatory Licenses

Planning Permits and Fees include all land use application fees and charges for service and materials such as documents for sale. These fees are used to recover a percentage of the costs associated with the processing, review and advertising of applications as well as the inspection of their respective projects. Projected revenue in FY12 is \$150,000, a \$100,000 or 40% decrease.



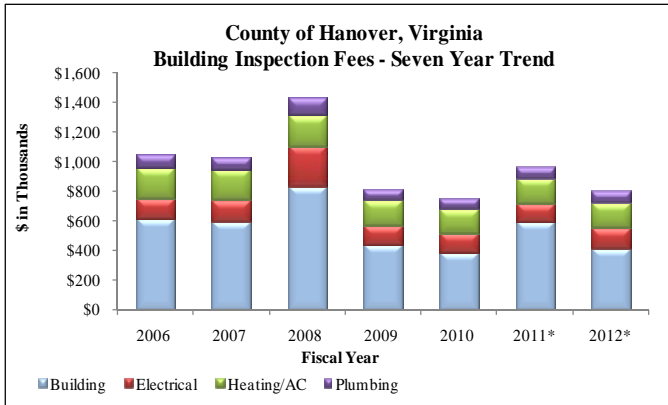
* Forecast

Building Inspection Fees include building, mechanical, electrical and plumbing permits. All of the four permit fees are collected to defray the costs of conducting code compliance plan reviews and field inspections of:

- the construction of buildings and structures;
- mechanical installations such as HVAC, gas installations and fire protection systems;
- electrical installations and alarm systems; and
- plumbing installations.

General Fund Revenue Information

These costs also include the associated administrative costs. Projected revenue in FY12 is \$802,000, a \$6,000 or 0.8% increase.



* Forecast

The Virginia Erosion and Sediment (E&S) Control Regulations require all new development to obtain a land disturbance permit prior to land disturbance activities, such as land clearing or grading. Fees are charged to help recover the cost of the County's adherence to State guidelines for inspecting and monitoring construction projects along with providing funds for designing, acquiring and building drainage basins. Fees for projects, such as single-family housing projects that are eligible for and "agreement in lieu of a plan," pay the fees at the time of building permit application. All other projects pay a fee at the time of plan approval, which is based on the type of project, such as commercial, residential subdivision, general/early land-disturbance, etc., and the amount of area disturbed. Projected revenue in FY12 is \$152,000, a \$29,000 or 16.0% decrease.

The County's regional Stormwater Program provides for the collection of a one-time pro-rata share fee from development based on the amount of impervious surface constructed. Fees collected are used to construct regional stormwater management facilities to meet water quality requirements. Participation in this program is voluntary and property owners have the option of constructing their own facilities rather than participating in the County's regional program. Fees are set based on the capital, personnel, and overhead costs incurred in designing, acquiring and constructing regional stormwater treatment

facilities. Revenue is remitted to the County Capital Improvements Fund. A portion of revenue is transferred to the General Fund to reimburse costs associated with one full-time and two part-time positions that manage this program. General Fund revenue support is projected to decrease in FY12 to \$154,000, a \$7,000 or 4.3% decrease.

At this time it is uncertain how long the County's regional program will be able to continue as the State is proposing new stormwater regulations. Once adopted, Hanover's regional stormwater program will no longer be approved and will cease to be a viable option for new development in Hanover.

Fire inspections fees are charged to businesses that are required to obtain fire permits. Fees are based on occupancy, size and frequency of inspections. The fee was established in FY95 to provide adequate personnel to inspect all "High Hazard" businesses annually. Projected revenue in FY12 is \$150,000, a \$10,000 or 7.1% increase.

Fines and Forfeitures

Fines and forfeitures include revenue received primarily as a result of violations of County criminal ordinances. The Clerk of the Circuit Court assesses fines and forfeitures for violations of County criminal ordinances. The Circuit Court transmits money collected in the General District Courts in addition to money collected in the Circuit Courts. Interest is collected on fines that are past due.

Localities are authorized by the Virginia Code to assess a fee for the maintenance, renovation and construction of the courthouse. Hanover County Ordinance § 2-71 allows for the collection of this fee. In 2009, the State allowed an additional fee to be assessed by localities whose courthouses did not meet minimum guidelines established by the Department of General Services (VA Code §17.1-281; Hanover County Ordinance § 2-75). Hanover County's Courthouses were deemed non-compliant allowing us to begin assessing this additional fee January 1, 2010.

Security alarm fees are collected as a result of the Security Alarm Ordinance that went in effect April

General Fund Revenue Information

1, 2002. The fees collected are for excessive false alarms during a calendar year, failure to respond to an alarm activation, failure to apply for a permit once notified that it is required and other civil penalties.

Total projected revenue for fines and forfeitures in FY12 is \$1,269,000, a \$64,000 or 5.3% increase.

Use of Money and Property

Revenues from investments are expected to produce \$400,000, an \$800,000 or 66.8% decrease. This revenue source is affected by two variables: 1) the amount of cash available for investing (cash flow) and 2) the interest rate at the time of investment. The assumptions have been lowered based on actual returns and no expected significant increase in interest rates for the next fiscal year.

Charges for Services

In March 2005, the County established an EMS Fee Recovery Program that leverages funding from Medicare/Medicaid and insurance companies for ambulance transports. Projections are based on the average number of transports and collection rates. Projected revenue for FY12 is \$2,200,000, a \$200,000 or 10.0% increase.

Hanover County Parks and Recreation offers a variety of educational, active and entertaining programs for both adults and children. Fees vary depending on the type of class. The County's Youth Summer Program is a supervised recreation program for children. The proposed budget for FY12 is \$600,000, a \$93,500 or 13.5% decrease.

Landfill fees are those fees charged at the transfer station per ton for disposal of solid wastes. The rate is \$50 per ton. Projected revenue for FY12 is \$515,000, a \$15,000 or 3.0% increase. This increase recognizes the additional tonnage that is being received.

The Clerk of the Circuit Court's Office collects clerk's fees for every transaction. The expenditures authorized by the State Compensation Board are subtracted monthly from the Clerk's fees collected. Historically, two-thirds

of the Clerk's fees collected in excess of authorized expenditures are then remitted to the County. The remaining one-third is paid to the State. In the Governor's 2008-2010 biennium budget this calculation was reversed and only one-third of the fees collected will be remitted to the County. Excess fees are expected to generate \$120,000, a \$35,000 or 22.6% decrease.

Recovered Costs

Revenues are received from the Pamunkey Regional Jail and Public Utilities Fund in exchange for services of County departments such as information technology, finance, human resources, etc. Projected General Fund revenue for FY12 is \$404,000, an \$8,000 or 2.0% increase and \$1,107,000, a \$32,500 or 3.0% increase for the Jail and Utilities Fund, respectively. In addition, a service assessment charge is imposed on Public Utilities for law enforcement, fire protection and emergency medical services. Projected revenue is \$397,000, an \$18,700 or 5.0% increase.

Due to the Sheriff's Office participation in local narcotics investigations and state and federal task forces, it is eligible to receive funds seized from narcotics enterprises and applicable criminal endeavors. Asset forfeiture funds received from these programs are maintained in an interest bearing escrow account and can only be expended on non-budgeted items with a direct correlation to law enforcement.

Landfill recycling recovered costs include proceeds from scrap metal recovery and recycling. The revenue projection for FY12 is \$235,000, a \$85,000 or 56.7% increase.

Fees are paid to the General Fund from the Economic Development Authority (EDA) to offset the County's economic development costs. Fees are based upon debt issuances of the EDA. Projected recovered costs for FY12 are \$170,800, a \$7,900 or 4.4% decrease.

The County receives an annual refund for its contribution to the Greater Richmond Convention Center Authority. Revenue assumption is based on 25% of the lodging tax plus anticipated rebates

General Fund Revenue Information

for any revenues exceeding costs. Projected recovered revenue is \$312,000, a \$5,400 or 1.8% increase. This includes \$10,200 of incremental revenue generated by the Lewistown CDA.

Miscellaneous

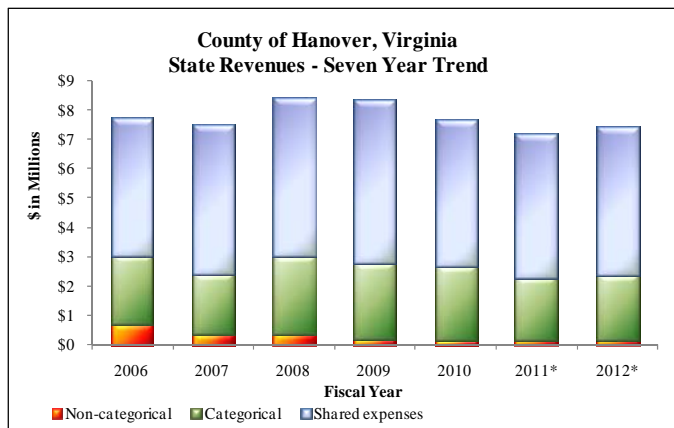
Miscellaneous revenue represents refunds received by departments for administrative charges, such as documents sold or copying charges and sale of assets, reserve for revenue transfers as well as a \$50,000 donation to help fund the drug court. Total projected revenue for FY12 is \$863,000 a \$110,800 or 14.7% increase. The increase in this category can be attributed to the consolidation of Fleet Services into the General Fund and the associated accounting of auction proceeds in this miscellaneous revenues category.

Intergovernmental

Intergovernmental revenues provide 13.0% of the General Fund budget. State revenue is divided into three categories: 1) State funding for programs that benefit both the County and the State, such as the Sheriff, Treasurer, Commonwealth's Attorney, Commissioner of the Revenue, Clerk of the Circuit Court and Registrar; 2) Non-categorical State aid which includes vehicle rental tax and rolling stock; and 3) Categorical State aid for various County programs, primarily social services. General Fund revenue received from the State should reach \$7,375,000 (excluding "Car tax" funds).

In 2008, the General Assembly adopted a biennium budget which included a \$50 million reduction in aid to localities. The reduction has continued into the next biennium budget at a cost of \$474,700 in FY11 and an anticipated \$500,000 in FY12. Each city and county has the flexibility to determine how it will implement the reduced funding. Options include (1) take the total reduction out of one program, (2) reduce multiple state aid programs on a proportional basis or (3) reimburse the Commonwealth in aggregate their share of the savings, thereby keeping the state aid programs at an unreduced level. For budgeting purposes, the County chose to maintain the budget for state revenue and create a contra account in categorical state aid. **NOTE:** Not shown in this

graph is the non-categorical State aid that is part of the "No Car Tax" program mentioned above in the personal property tax section.



* Forecast

Non-categorical State Aid

Non-categorical state aid and State share of local offices are types of shared revenue and tend to be reasonably predictable; however, in FY09 the State eliminated payments to cities and counties for ABC/Wine taxes. In FY12 the Rolling Stock tax is projected to remain at level receipts of \$71,000.

Vehicle Rental taxes are levied on the gross proceeds from the rental of motor vehicles in Virginia. The additional taxes (4-8%) are collected by the Department of Motor Vehicles and distributed to the County where the daily rental vehicle was delivered to the customer. Projected revenue is \$133,000, a \$4,000 or 3.1% increase.

As mandated by the State in FY01, the State's portion of the personal property tax relief program, mentioned above, is classified as reimbursement from the State as non-categorical state aid. Beginning in FY07, the County receives a pro-rata share of \$950 million of relief to be distributed statewide. This tax relief amount is \$15,002,000, and this funding will remain constant in future years.

State Share of Local Offices

The State Compensation Board provides funding for the various departments with constitutional

General Fund Revenue Information

officers to provide for the cost of salaries and benefits and office expenses. The County supplements these funds. These departments include Commonwealth's Attorney, Sheriff and Court Services, Commissioner of the Revenue, Treasurer and Clerk of the Circuit Court. The State Board of Elections provides funding for the Registrar. Total projected revenue is \$4,990,000 a \$120,900 or 2.5% increase.

Categorical State Aid

Federal and State categorical grants are earmarked for specific uses and are tightly restricted. Funding is generally granted on a project-by-project basis.

The Social Services Department receives state funding for a variety of purposes, including assistance for needy families. Projected State funding is \$1,393,500, a \$275,000 or 24.6% increase.

The General Assembly created the Information Technology Trust Fund consisting of revenues obtained from an additional \$5 recordation and filing fee collected by each circuit court clerk. The fund is to be used to help circuit court clerks obtain office and information technology, preserve and maintain court records, improve public access to court records and to study the design of a Statewide system of remote access to the clerks' land records. Projected State funding is \$38,000, which is flat from the prior year.

The emergency communications State cellular tax is collected by the State and is applied for annually through the State Wireless 911 Board. Funding is used to supplement local salaries as well as the cost of training and equipment used for wireless 911. Projected State funding is \$272,000, a \$46,000 or 14.5% decrease.

The County receives funding from the Virginia Department of Fire Programs as "Aid to Localities." These funds are derived from one percent of fire-related insurance coverage. The funding provides the County with the funds to pay for training of volunteer and career firefighters, construction of training centers, firefighting equipment and protective clothing. Projected

State revenue is \$248,600, a \$22,600 or 10.0% increase.

Community Corrections is required to provide community corrections and pre-trial services to those deemed necessary by the judges. Projected State funding is \$327,600 which is level funding from the prior year.

Categorical Federal Aid

The Social Services Department has multiple programs from which it receives federal funding, including Virginia's Temporary Assistance for Needy Families (TANF) Program. The purpose of TANF is to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives and end the dependence of needy parents on government benefits by promoting job preparation. Projected Federal revenue is \$2,988,800, a \$18,600 or 0.6% decrease.

Hanover County was awarded the Staffing for Adequate Fire & Emergency Response (SAFER) grant from the Department of Homeland Security in order to fill three positions that were unfunded based on the state of the economy. The grant provides 100% of the firefighters salaries and benefits for fiscal years FY11 and FY12 with the County being responsible for the employee costs beginning in FY13. Total projected revenue for FY12 is \$384,800.



This Page Intentionally Left Blank