

## REVENUE ANALYSIS

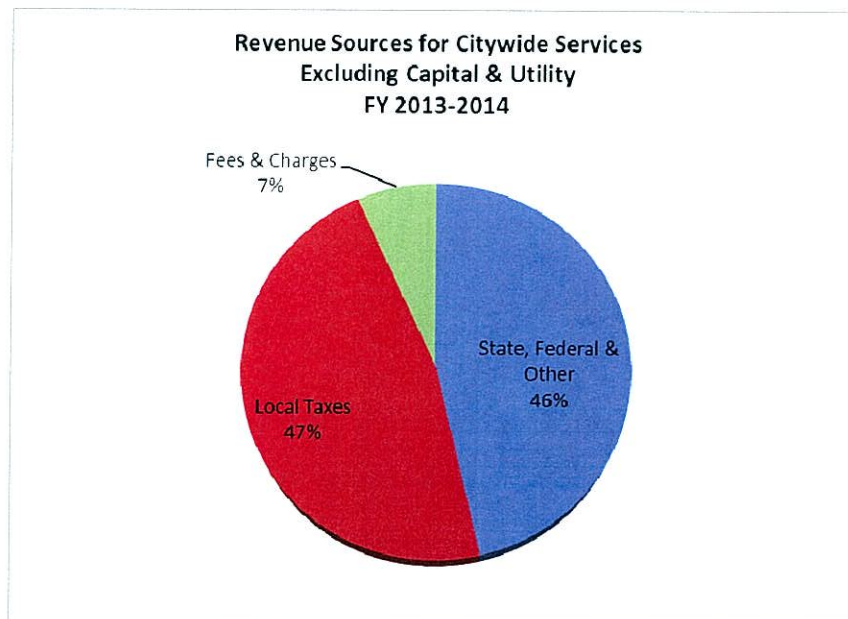
As part of the budget development process, the City projects the revenues that will be available during the fiscal year to provide services to Suffolk's citizens. This section of the operating and capital budget provides an overview of the methods that are used to project revenue, the primary sources of City revenues, the economic conditions impacting local revenues, and a detailed analysis of local revenue projections for FY 2013-2014.

### Revenue Projection Methods

The task of analyzing and projecting revenues is a year-long process performed throughout the fiscal year by the City's Department of Budget and Strategic Planning. As part of this process, the Department monitors and evaluates revenues each month to ensure that enough revenue is available for city departments to meet service demands and carryout the directives of City Council and the City Manager. Detailed quarterly projection reports are provided to the City Manager and City Council. In addition to quarterly revenue projections, the Department analyzes historic trends and monthly/year-over-year revenue collections; evaluates changes in real estate assessed values and tax exemption programs; compiles direct estimates from city departments and state/federal agencies; reviews state and federal legislation that may have an impact on local governments; consults with local officials and department heads to include the City Assessor, the Commissioner of the Revenue, the Treasurer, the Director of Finance, and others on budget related matters of impact, and coordinates the preparation of a five year growth model with the City's financial consultant.

### Where Does the Money Come From?

The City derives its revenues from three primary sources: 1) local taxes, 2) fees and charges and 3) state, federal, and other funding. The breakdown of citywide service revenue sources, excluding capital and utility fund revenue, is depicted in the pie chart below. Local tax revenue comprises the largest share of citywide revenue at 47% followed by state, federal and other revenue (46%), and fees and charges (7%).



State and federal funding has declined as a percentage of citywide revenue in recent years. As a result, the City relies more heavily on local taxes and fees and charges as a revenue source to provide for citywide services.

**Budgeted Citywide Revenue Sources  
Excluding Capital & Utility  
FY 2009 – FY 2014**

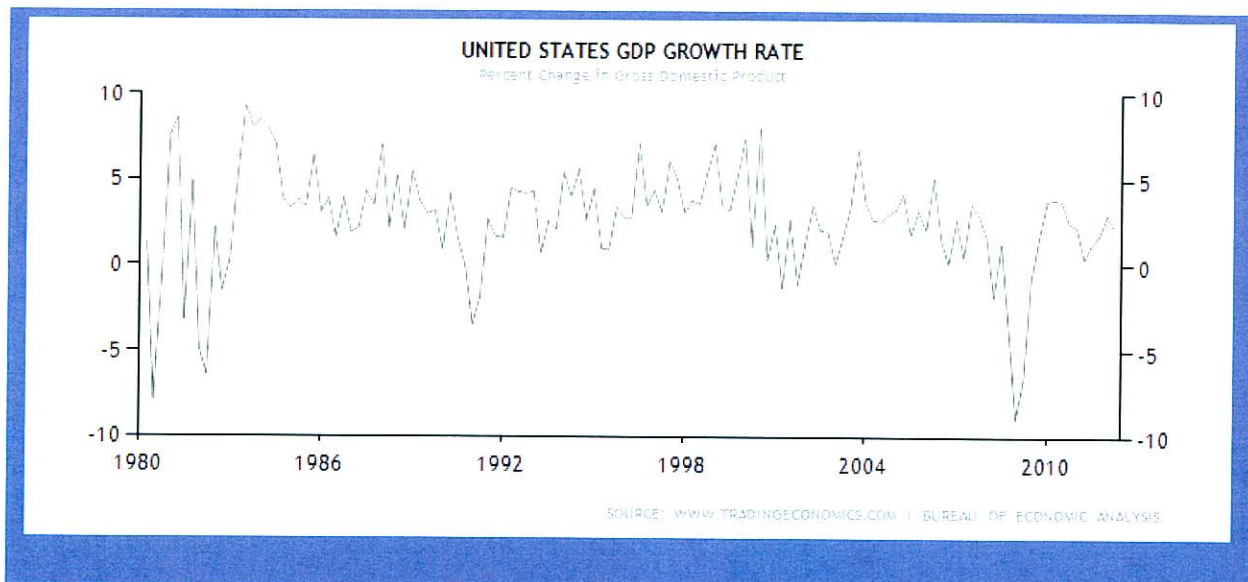
	<b>Local Taxes</b>	<b>Fees &amp; Charges</b>	<b>State, Federal, &amp; Other</b>
FY 2009	44%	5%	51%
FY 2010	44%	4%	52%
FY 2011	45%	4%	51%
FY 2012	45%	7%	48%
FY 2013	47%	7%	46%
FY 2014	47%	7%	46%

**Economic Outlook**

The City’s dependency on revenue from state and federal sources requires the Department of Budget and Strategic Planning to closely monitor national and state economic conditions and trends, as well as the local economy. Summarized below is the national, state, and local economic outlook.

***The National Economy***

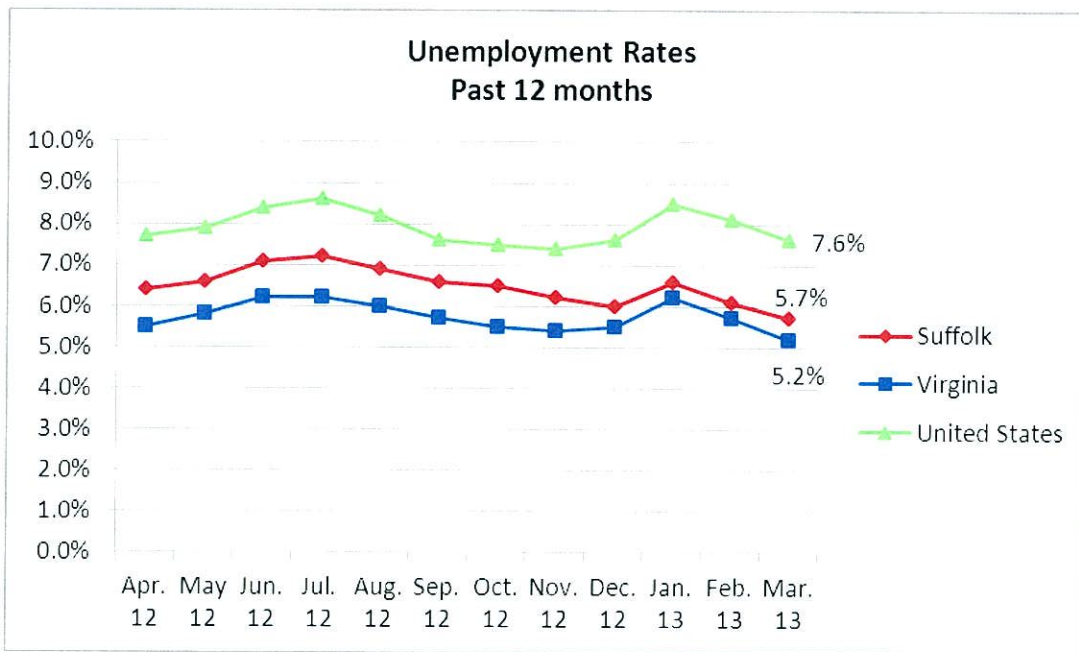
The national economy is continuing to slowly recover from the economic recession. Economic growth has been modest and far less robust than periods following previous recessions. Although the recession officially ended in June 2009, the economy is still not back to pre-recession levels. The economy grew by 2.2% in 2012, but ended the year with only 0.4% growth in the fourth quarter. The looming year-end deadline to avoid the fiscal cliff and federal sequestration greatly contributed to the economy’s poor fourth quarter numbers.



However, the economy rebounded with 2.5% growth in the first quarter of 2013 as the fiscal cliff and federal sequester were temporarily avoided by Congress. Unfortunately, an economic slowdown is projected throughout the spring and summer with the continued uncertainty over the impact that federal sequestration will have on the economy. Businesses have been reluctant to hire new workers and make capital investments. Looking ahead most economists are in agreement that businesses are poised for growth and expect the economy to improve by fall 2013. The housing market has been a bright spot and continued improvement is projected throughout the remainder of the year and into 2014.

***The State Economy***

The state economy is performing ahead of projections. Virginia’s unemployment of 5.2% is well below the national average of 7.6%. State revenue collections have been increasing year-over-year. The housing market is also improving statewide. The biggest hurdle for the state economy is federal sequestration due to Virginia’s sizeable federal workforce and federal contractors who rely heavily on defense spending.



Source: Virginia Employment Commission

***The Local Economy***

The local economy continues to grow and diversify with strong growth in various sectors including food and beverage processing, manufacturing, and retail. Defense spending is also rebounding locally after the disestablishment of the Joint Forces Command. The U.S. Navy has announced the relocation of 1,500 cyber defense jobs to the former Joint Forces Command site in northern Suffolk. In 2012 the Department of Economic Development announced 1,957 new jobs and more than \$94M in private investment. Most recently, Unilever announced that it will invest \$96.2M at its Lipton Tea facility in downtown Suffolk. Suffolk’s unemployment rate is 5.7%, slightly higher than the state average (5.2%), but below the national average (7.6%). The local housing market is showing signs of improvement, but the effects of the downturn are still being