

Discussion on Aircraft Personal Property Tax

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Winchester Regional Airport Authority

Winchester Regional Airport (OKV)

Background

- The Code of Virginia allows localities to establish tax rates for four categories of aircraft:
 1. Aircraft operated by scheduled air carriers
 2. Aircraft having a registered empty gross weight equal to or greater than 20,000 lbs
 3. Warbirds
 4. All other aircraft.

Frederick County has a tax rate of \$.01 per \$100 of assessed value for aircraft with a registered empty gross weight equal to or greater than 20,000 lbs, and \$.50 per \$100 for all others.

Background

- Since 1987, Frederick County has contributed significantly to \$35M in capital improvements
- Designated as Business Class Airport – 1 of just 17 in the Commonwealth (VATSP, 2017)
- Trends:
 - 2018 Harris Poll found that more than half of the turbine-powered business airplanes are small jets, turboprops or other small aircraft (NBAA, 2018)
 - Through 2038, turbine aircraft fleet projected to grow at an average annual rate of 2%; turbine jets to increase at 2.2% a year (FAA, 2018)

Background

Recent airport developments:

- \$1.5M hangar improvement project by Valley Proteins
- Expansion of aviation business, On Wing LLC
- EagleForce Warrior Foundation chose OKV to base their Gulfstream III aircraft

“We decided on Winchester because of its ability to meet our operational needs and overall affordability. The Winchester Regional Airport makes a competitive value proposition in terms of lease rates, fuel costs, and taxes over other airports, especially in the greater D.C. area.”
- Cheryl Campbell, EagleForce Warrior Foundation CEO

Position

Current tax rates:

1. Are arbitrarily limited by Virginia code
2. Not competitive with neighboring airports
3. Hinder the Authority's marketing and business development efforts.

Proposal:

A flat rate of \$0.01 per \$100 of assessed value would better position the Authority to attract and retain aircraft and aviation businesses that create the most economic benefit for Frederick County.

Context

- Aircraft are selected by individuals and businesses based on myriad factors including mission needs, performance, budget, airport capability, maintenance, pilot availability, etc.
- Weight alone is not a compelling indicator to deduce the type, use, ownership, or value of an aircraft
- Aircraft owners/operators also choose airports based on various factors, often basing at airports farther than nearby options

Aircraft Comparison



	1982 Gulfstream III	2018 TBM 930
Empty Weight	38,000 lbs	4,629 lbs
Passengers	19	6
Max Range	4,200 miles	1,730 miles
Max Speed	577 mph	330 mph
Current Est. Value	\$1M	\$4M

Other Airports

LOCALITY	AIRPORT	PERSONAL PROPERTY TAX RATE	Gulfstream III @ \$1M	TBM 930 @ \$4M
City of Frederick (MD)	Frederick Municipal Airport	N/A	\$0	\$0
Gaithersburg (MD)	Montgomery County Airpark	N/A	\$0	\$0
City of Manassas (VA)	Manassas Regional Airport	\$0.00001 per \$100	\$0.10	\$0.40
Stafford County (VA)	Stafford Airport	\$0.0001 per \$100	\$1	\$4
Fauquier County (VA)	Warrenton Airport	\$0.001 per \$100	\$10	\$40
Loudoun County (VA)	Leesburg Executive Airport	\$.01 per \$100	\$100	\$400
Frederick County (VA)	Winchester Regional Airport	\$.01 per \$100 or \$.50 per \$100	\$100	\$20,000

Marketing

- Airport Master Plan approved in 2005
- Strategic/Marketing/Business Plans adopted in 2017
- Other actions in support:
 - State maintenance sales tax exemption (2018)
 - Logo/rebranding (in progress)
 - Website (in progress)
 - Pro Jet hangar facility for sale
 - ~60,000 SF of aeronautical land available

Marketing

- The airport's ability to attract and retain aircraft is mutually beneficial
- One aircraft can have significant impact
 - Example: Turboprop aircraft valued @ \$4M:

Airport Revenues	
Rental Revenue	\$4,750
Fuel Sales (CY 2018)	\$11,849
Total Airport Revenue	\$16,599
Total Impact to County	
Property Tax	\$20,000
Operating Contribution "Saved"	\$12,449.25
Total Impact to County	\$32,449.25

Final Thought

The Authority shares the goal of reducing operating contributions from Frederick County and the City of Winchester. However, the current tax structure impedes this objective by acting as a deterrent to a large segment of high value and business aircraft from choosing Frederick County.



The business of destination marketing

And the case for a sustainable funding model.

Hello!

Let's Quickly Discuss the Impacts
of Destination Marketing

Destination Marketing impacts way more than just Leisure/ Vacation travel.

- \$ Professional and Government Meetings
- \$ Groups and Weddings
- \$ Travel Sports Teams
- \$ Potential Workforce
- \$ Potential Business Developers/ Investors
- \$ Travel Writers and News Outlets

Destination Marketing controls the message and image of our area.

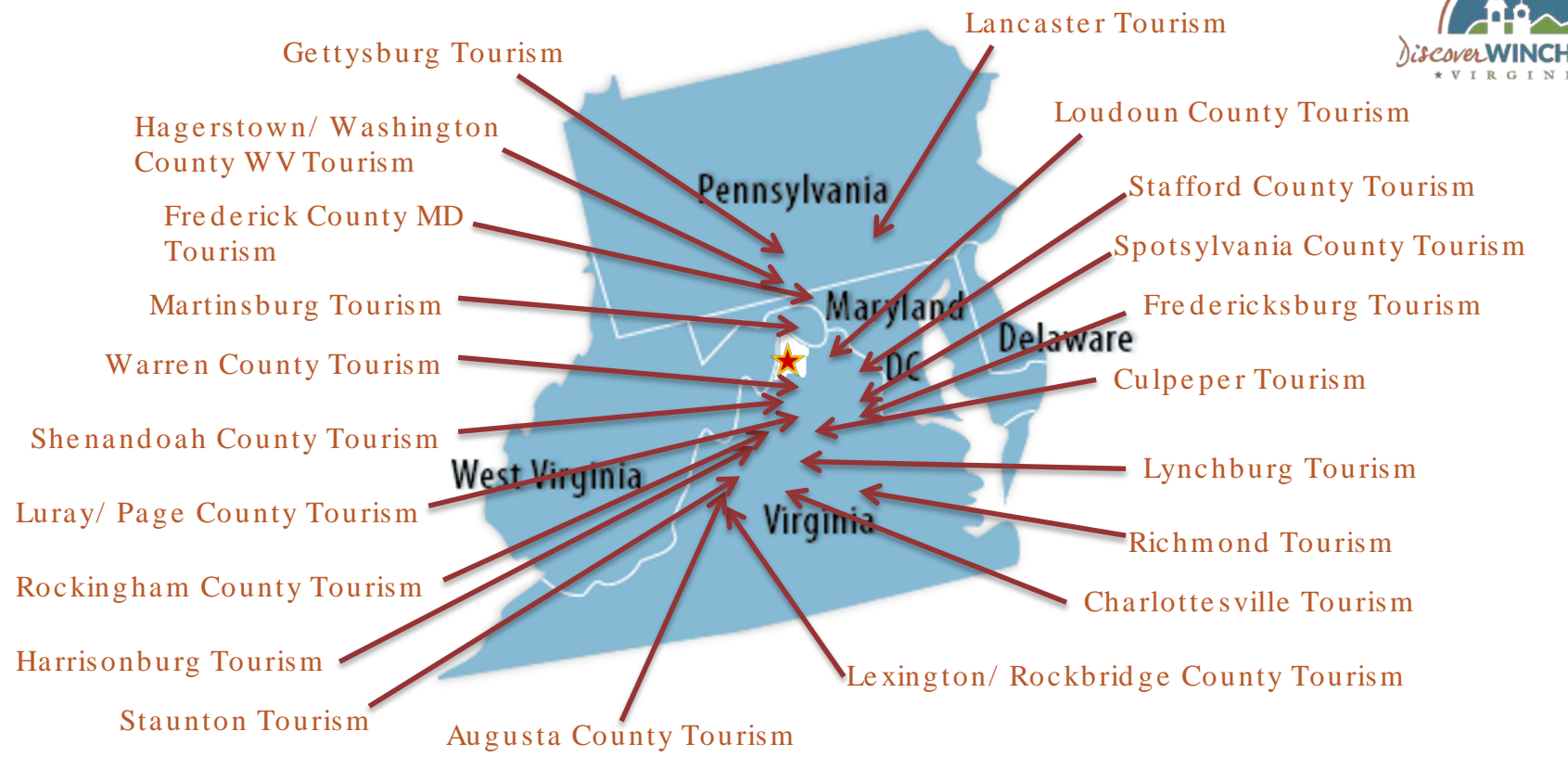
- Keeps positive messaging in the forefront
- Proactively engages writers/ bloggers
- Populates the digital space with beautiful images/ video
- Encourages positive self-image within the community

?? If we don't do it, who IS controlling our community's image?

A Hyper Competitive Marketplace

We live in a highly competitive
region for destination marketing





Gettysburg Tourism

Lancaster Tourism

Hagerstown/ Washington
County WV Tourism

Loudoun County Tourism

Frederick County MD
Tourism

Stafford County Tourism

Martinsburg Tourism

Spotsylvania County Tourism

Warren County Tourism

Fredericksburg Tourism

Shenandoah County Tourism

Culpeper Tourism

Luray/ Page County Tourism

Lynchburg Tourism

Rockingham County Tourism

Richmond Tourism

Harrisonburg Tourism

Charlottesville Tourism

Staunton Tourism

Lexington/ Rockbridge County Tourism

Augusta County Tourism

Pennsylvania

Maryland

Delaware

West Virginia

Virginia

Locality	Approved Budget FY19	Public or Private Bureau	Population (2017 est.)	Number of Households (2016 est.)	Local & State Taxes Spent by Tourists	Tourism Tax Relief Per Household*	Tourism Tax Relief Per Person*	Tourism Per Resident Investment	2016 Direct Tourism Spending Reported by State	Tax income to Tourism budget ratio
Norfolk	\$ 4,661,762	Private	244,703	96,631	\$ 55,190,545	\$ 571.15	\$ 225.54	\$ 19.05	\$ 785,404,922	12:1
Roanoke (5 jurisdictions ***)	\$ 3,500,000	Private	309,066	143,006	\$ 60,730,668	\$ 424.67	\$ 196.50	\$ 11.32	\$ 813,089,789	17:1
Loudon County	\$ 3,100,000	Private	398,080	112,490	\$ 72,890,350	\$ 647.97	\$ 183.10	\$ 7.79	\$ 1,686,573,659	24:1
Fairfax County	\$ 2,900,000	Private	1,148,433	411,072	\$ 211,041,680	\$ 513.39	\$ 183.76	\$ 2.53	\$ 3,032,689,310	73:1
Charlottesville-Albemarle Co.	\$ 1,879,550	Public	155,721	64,085	\$ 45,692,588	\$ 713.00	\$ 293.43	\$ 12.07	\$ 600,510,215	24:1
Frederick County (MD)	\$ 1,869,000	Private	252,022	93,645	\$ 57,500,000	\$ 614.02	\$ 228.15	\$ 7.42	\$ 394,800,000	31:1
Prince William County	\$ 1,261,630	Private	463,023	144,314	\$ 34,322,491	\$ 237.83	\$ 74.13	\$ 2.72	\$ 570,900,715	27:1
Lexington/Rockbridge/Buena Vista**	\$ 798,721	Public	36,092	16,326	\$ 11,400,969	\$ 698.33	\$ 315.89	\$ 22.13	\$ 167,676,318	14:1
Lynchburg	\$ 785,741	Public	80,995	32,324	\$ 15,463,368	\$ 478.39	\$ 190.92	\$ 9.70	\$ 181,341,200	20:1
Abingdon ¹	\$ 735,006	Public	7,981	4,415		\$ -	\$ -	\$ 92.09		
Harrisonburg	\$ 460,429	Public	54,215	18,039	\$ 9,722,194	\$ 538.95	\$ 179.33	\$ 8.49	\$ 118,605,915	21:1
Staunton	\$ 452,921	Public	24,529	11,793	\$ 4,299,721	\$ 364.60	\$ 175.29	\$ 18.46	\$ 54,625,196	9:1
Front Royal/Warren County	\$ 421,080	Public	36,563	16,146	\$ 9,283,188	\$ 574.95	\$ 253.90	\$ 11.52	\$ 139,983,378	22:1
Winchester/Frederick Co. VA	\$ 301,000	Public	114,416	44,410	\$ 18,741,845	\$ 422.02	\$ 163.80	\$ 2.63	\$ 248,447,537	62:1

The ROI of destination marketing

Marketing is an investment, with a known return of spending in a community.

Destination Marketing is an investment of lodging taxes, spent by visitors, to generate more general funds in a locality, which pays for police, schools, roads, etc..

- Every \$1 Virginia invests in tourism marketing generates \$7 in tax revenue for the Commonwealth. That's a 7:1 return on investment (vatc.org/research/economicimpact).
- Our current marketing budget is about \$40,000.
- The restructured investment model would allocate over \$300,000 in marketing funds, resulting in up to \$2.1 million in tax revenue annually as a result.

How do we get there?

What is collaboratively needed to make our destination shine?



Winchester and Frederick County must work together on this initiative – we cannot market the City without the County or vice-versa.

- Our proposal is a % of bed tax collected. This is the industry standard across the Commonwealth and most states. Bed taxes are discretionary spending, even more so than meals.
- County
 - update the county code to increase bed tax from 2.5% to 3.5%, thus retaining 2.0% to the GF and 1.5% to destination marketing
- City
 - retain current bed tax rate at 6.0%, but allocate 1.5% to destination marketing and retain 4.0% to the GF
- Joint
 - update the current joint MOU

In Summary

What is collaboratively needed to make our destination shine?

We have the ability to make the change.

Our current flat funding model

- is unsustainable
- was created during the recession and not updated
- leaves our community at a distinct competitive disadvantage
- is a clear outlier in the state and industry as a whole

Updating takes some effort but is not monumental in scope

- Update some lines in the City/ County MOU
- Change one number in the county code
- No update needed at the state legislature level

An increased investment in destination marketing...

- Increases ROI – more visitor dollars into local tax coffers
- Helps ED offices, local businesses, and promotes local pride

Remaining Scheduled Budget Dates FY 2019-2020

February 20, 2019	Budget Worksession 4:00 P.M. - CANCELED
February 26, 2019	Budget Worksession 4:00 P.M.
February 27, 2019	Budget Worksession prior to BOS meeting 5:30 P.M. Board of Supervisors/School Board joint budget worksession
March 5, 2019	School Board Budget Public Hearing
March 6, 2019	Budget Worksession, 4:00 P.M.
March 13, 2019	Final Budget Worksession, prior to BOS meeting 5:30 P.M.
March 19, 2019	Budget Advertisement in newspaper
March 27, 2019	Public Hearing on Budget – BOS meeting 7:00 P.M.
April 10, 2019	Budget Adoption – BOS meeting 7:00 P.M.

Dates/times are subject to change

Scenario A - Current Tax Rate (61 Cents) Remaining funds not prioritized	Scenario B - Current Tax Rate (61 Cents)	Scenario C - Current Tax Rate (61 Cents) County Administrator Recommendation
All capital funded in proposed Capital Fund	All capital funded in proposed Capital Fund	All capital funded in proposed Capital Fund
No outside agency increases except: Health Department Northwestern Community Services Handley Library LFCC NSV Regional Commission	No outside agency increases except: Health Department Northwestern Community Services Handley Library LFCC NSV Regional Commission	No outside agency increases except: Health Department Northwestern Community Services Handley Library LFCC NSV Regional Commission
Contingency Funds \$500,000	Contingency Funds \$40,472	Contingency Funds \$196,953
Total Increase to School Funding \$5,782,971 (including debt)	Total Increase to School Funding \$5,782,971 (including debt)	Total Increase to School Funding \$5,782,971 (including debt)
Merit Increase 4%	Merit Increase 4%	Merit Increase 4%
Health insurance renewal 15%. Plan changes proposed to reduce to budgeted 10%.	Health insurance renewal 15%. Plan changes proposed to reduce to budgeted 10%.	Health insurance renewal 15%. Plan changes proposed to reduce to budgeted 10%.
Funds Remaining \$1,992,050	Funds Remaining \$2,492,050	Funds Remaining \$2,492,050
New Position Requests:	New Position Funding (Prioritized):	New Position Funding (Prioritized):
Receptionist (PT) \$16,298	9 SRO's \$1,079,370	Assistant Chief \$142,663
Deputy County Administrator \$154,120	12 Firefighter/EMT \$1,037,268	6 Firefighter/EMT \$518,634
Purchasing Manager \$95,530	Assistant Chief \$142,663	9 SRO's \$1,079,370
GIS Paid Intern (PT) \$7,974	CPS Supervisor \$108,017	CPS Supervisor \$108,017
Deputy (9 Patrol/9 SRO/3 Civil) \$119,930	Public Safety Communications Operations Supr. \$84,260	Public Safety Communications Operations Supr. \$84,260
Investigator (2) \$101,613	Total \$2,451,578	Supervisor -Family Services \$88,231
Firefighter/EMT (18) \$86,439		Purchasing Manager \$95,530
Assistant Chief \$142,663		Deputy County Administrator \$154,120
Assistant Fire Marshal \$190,204		Receptionist (PT) \$16,298
EMS Captain (3) \$118,083		GIS Paid Intern (PT) \$7,974
Public Safety Communications Operations Supr. \$84,260		Total \$2,295,097
Maintenance Specialist \$73,806		
CPS Supervisor \$108,017		
Supervisor -Family Services \$88,231		
Human Services Assistant I \$60,049		
Assumes that Fund Balance funding eliminated by proposed Capital Fund	Assumes that Fund Balance funding eliminated by proposed Capital Fund	Assumes that Fund Balance funding eliminated by proposed Capital Fund
\$1.7 million Windfall to Fund Balance	\$1.7 million Windfall to Fund Balance	\$1.7 million Windfall to Fund Balance