

# Joint Subcommittee Studying Public-Private Partnerships Related to Seaports

Mayor Paul D. Fraim  
The City of Norfolk  
September 24, 2009  
12:00 PM  
Old Dominion University

# Host Community General Understanding

- Proposals will be evaluated according to Virginia PPPTA.
- VPA would remain a physical asset of the Commonwealth.
- Continue to be tax exempt.

# Tax Exempt Status

- The City of Norfolk holds serious reservations regarding the legitimacy of affording such a benefit to a private entity.



# 1999 JLARC Study

## *Review of the Impact of State-Owned Ports on Local Governments*

- Primary findings:
  - Limited business development benefits to host cities
  - Substantial benefits to *non-host* cities
  - Municipal services not fully reimbursed
  - VPA host cities sacrifice substantial tax revenue in real property
  - However, reimbursement *could* be provided

# Payment in Lieu of Taxes PILOT

- Virginia Code amended during the 2000 Virginia General Assembly Session.
- The legislation outlined a new Payment in Lieu of Taxes (PILOT) methodology to address the disproportionate cost share.

# Payment in Lieu of Taxes PILOT

- PILOT never fully funded since 2000
- Norfolk has had to continue to calculate and collect an annual Port service fee using the outdated formula.
- Consistent underfunding/tax exemption of port operations creates an ever increasing fiscal burden.



# Port Impact Fees

- In FY 09, the City of Norfolk received a combined total of \$1.1 million.
  - \$485,000 from VPA
  - \$610,000 from Port Highways funds

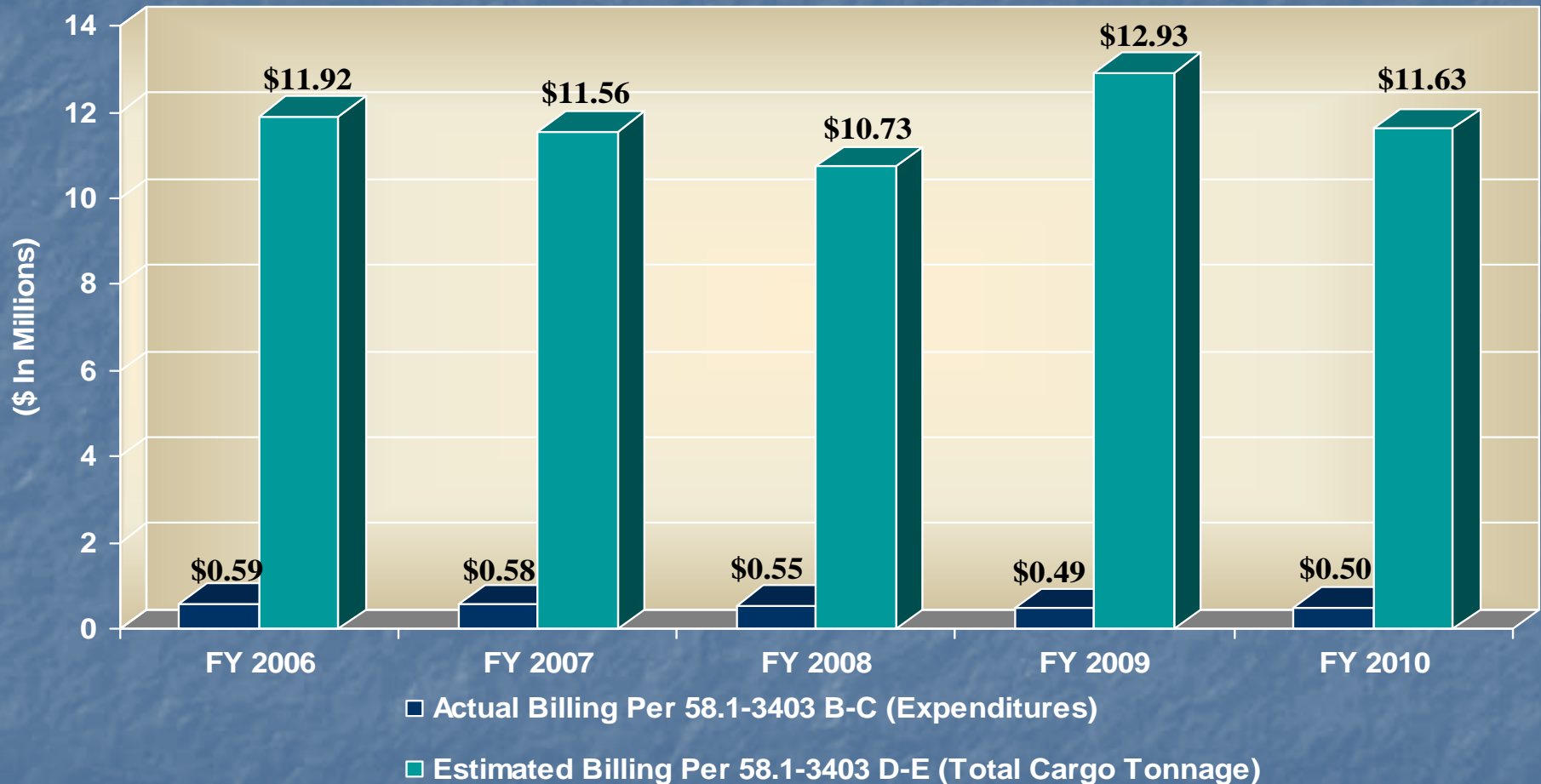
# Estimated VPA Port Service Fee Financial Impact City of Norfolk (FY06 - FY10)



*Note:* Calculations interpolated from VPA's Fiscal Year 2008 Comprehensive Annual Financial Report; The Report of JLARC 2000 (House Document No. 39) and assessment data from the cities of Norfolk, Portsmouth, Newport News and Warren County.

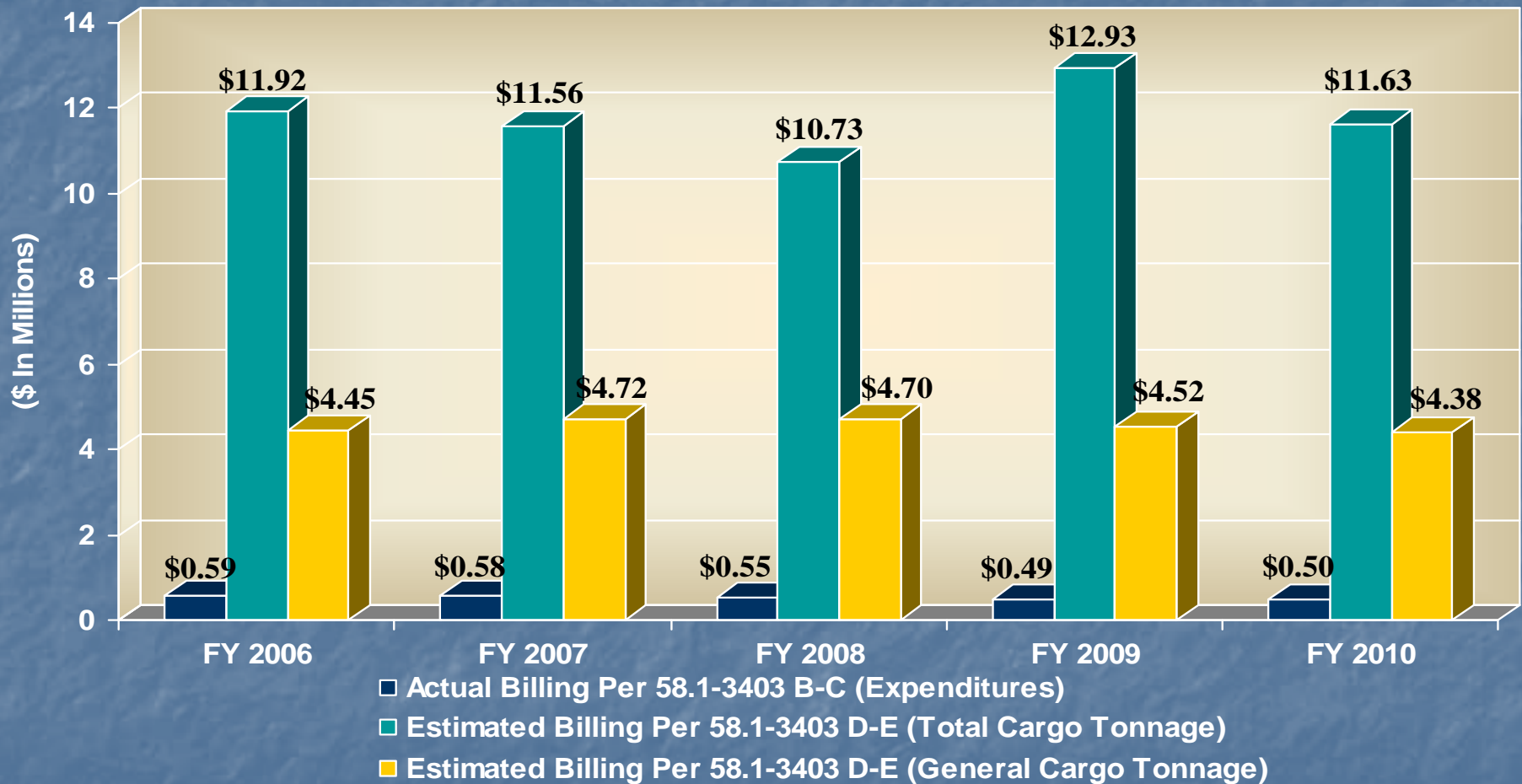


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# Considerations

- *Short-term* financial benefit
- Careful evaluation
- Adequate compensation
- A seat at the table
- Address the inadequacy of the currently employed PILOT methodology.



# Conclusion

- Whether the VPA operations remain a state function or ultimately privatized, any successful proposed model *must* provide equitable compensation for host jurisdictions as a primary component of their overall business plan.