



ANNUAL REPORT 2004

ISLE of WIGHT
COUNTY IN VIRGINIA
A HAMPTON ROADS COMMUNITY

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ISLE OF WIGHT COUNTY • P.O. BOX 80 • VIRGINIA 23397
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Population

Population Estimate

2000	29,728
2001	30,100
2002	30,419
2003	30,900

Percentage +(-)

2001	1.25%
2002	1.06%
2003	1.58%

Employment

Civilian Labor Force

2000	15,296
2001	15,658
2002	16,153
2003	16,488

Employment

2000	14,969
2001	15,240
2002	15,643
2003	15,934



October 2004

Dear Friends,

2004 was a very successful year for Isle of Wight County. It has been my pleasure to serve the County as Chairman of the Board of Supervisors during this exciting time. I am happy to report to you, our shareholders and partners, on the economic development success detailed in this report. The five members of the Board and its staff continue to work collaboratively with each other, the Towns of Windsor and Smithfield, our Chamber of Commerce and business community, regional and state allies, and citizens to achieve these successes. They would not have been possible without partnerships.



Isle of Wight County continues to experience sustainable and healthy growth. Revenues have increased significantly, unemployment remains well below the state and national averages and incomes [along with housing values] continue to rise rapidly. Our major employers are healthier than ever and continue to expand their local operations. Smithfield Foods remains an industry leader and is setting an international standard for meat processing. Locally, the company has expanded its Fortune 500 corporate headquarters by more than 50,000 square feet. International Paper has received landmark recognition for its environmental stewardship and will invest more than \$26 million over the next several years in its local operations and community projects. Cost Plus is finalizing its expansion by investing more than \$24 million in an addition of 500,000 square feet to its distribution center near Windsor. These corporate anchors continue to prove that Isle of Wight County is an exciting place to live and work.

I am especially pleased to congratulate our School Board on its efforts to make our schools the best that we can develop. Our school system is now one of a very few in Hampton Roads that is fully accredited under the State Standards of Learning and one of only three to meet all requirements of the Federal "No Child Left Behind Act".

Isle of Wight County would also like to thank the Virginia General Assembly for its efforts to provide additional funding to local schools. This year the County received additional revenues of \$1.5 million from the state. Isle of Wight County has never wavered in providing exceptional resources to its schools, and commits more than 70% of its annual budget to education.

This state appropriation has allowed the Board of Supervisors to reduce the burden on local taxpayers by approving a real estate tax cut which I prefer to view as a dividend payment. The cut is a direct result of increasing revenues and prudent fiscal management. Because our citizens are our shareholders they should be the beneficiaries of our strong financial position. The Board of Supervisors continually strives to increase and diversify our tax base. As we are successful, so too will be our shareholders. Thank you for the opportunity to serve as your Chairman in 2004.

Sincerely,

Stan D. Clark
Chairman, 2004, Board of Supervisors
Isle of Wight County, Virginia

Cost Plus Breaks Ground on Major Distribution Facility Expansion

Governor Mark R. Warner and Isle of Wight County announced Cost Plus, Inc.'s (NASDAQ: CPWM) decision to double the size of its distribution facility at The Shirley T. Holland Commerce Park. Through an investment of more than \$24 million, the company will add an additional 500,000 square feet and create 190 new jobs. When completed, the new facility will encompass over 1 million square feet. The County and Virginia competed successfully with several other states for the project.

Cost Plus, Inc. is a leading specialty retailer of casual home living and entertaining products. The Shirley T. Holland Commerce Park is designed to service companies utilizing the Port of Hampton Roads.

Shirley T. Holland Phase II Infrastructure Completed

The Industrial Development Authority of Isle of Wight County has completed infrastructure improvements within Phase II of the Shirley T. Holland Commerce Park located along route 460 adjacent to the Cost Plus east coast distribution center. The second phase boasts over \$5 million worth of site improvements including water lines supported by a new 600,000 gallon elevated water tank, sewer and pump station and a new \$1.2 million industrial access road connecting to Route 460. The rail served 350 acre site is shovel ready for new and expanding businesses in Isle of Wight County and is uniquely suited for companies accessing the Port of Hampton Roads.

Smithfield Foods Constructs New Administration Building

Smithfield Foods has added a new administration building to their corporate headquarters campus in the Town of Smithfield. The new 50,000 square foot, \$9,000,000 building has enabled the company to consolidate specific operations under one roof as well as creating 100 new jobs.

Smithfield Foods is one of two Fortune 500 companies headquartered in Hampton Roads and employs more than 5,000 people.

Isle of Wight Hires Rural Economic Development Manager

Isle of Wight County has announced the hiring of Rachel M. Morris as Rural Economic Development Manager. Ms. Morris formerly served as the Assistant Director of Governmental Relations for the Virginia Farm Bureau Federation where she served over 38,000 producer members in the Virginia General Assembly.

As Rural Economic Development Manager, Ms. Morris will be responsible for developing and implementing an overall rural and agricultural business strategy and develop new initiatives to promote Isle of Wight's rural economy. Among the key initiatives is the establishment of a Purchase Development Rights program to which the County has allocated \$240,000 annually.

Industrial Development Authority Approves Bonds for International Paper

The Industrial Development Authority of Isle of Wight County approved the issuance of industrial revenue bonds not to exceed \$16 million for International Paper Company. The company has used the bond issue to finance pollution control measures in its Isle of Wight mill. Additionally, in February of 2004, the Authority approved \$5.3 million for the company's use in the refinancing of previously issued debt. International Paper is the world's largest paper and forest products company. The Isle of Wight mill currently employs 1,300 people.

Isle of Wight County Bond Rating Upgraded

The rating agency of Standard and Poor's upgraded Isle of Wight County's general obligation bond rating from A to A+. The rating from Moody's Investor Service was reaffirmed at A2. The high bond ratings allow the County to sell bonds at a lower interest rate and is a reflection of the County's overall fiscal strength. Isle of Wight County has issued over \$27 million in bonds in the past year primarily for the construction of the new Smithfield Middle School.

International Paper garners National and State recognition

The U.S. Environmental Protection Agency has recognized International Paper's mill in Isle of Wight County for their participation in the EPA's National Environmental Performance Track Program. Through the Performance Track Program, American businesses are pledging to go beyond what environmental laws require to protect the nation's air, water and land. International Paper is one of 344 performance track facilities nationally. It is the only paper mill in EPA's mid-Atlantic region's membership of 28 facilities.

In addition, the Virginia Department of Environmental Quality has recognized International Paper as a participant in their Environmental Excellence Program. To qualify for the program a company must implement an environmental management system that exceeds existing regulatory mandates. Methods of pollution prevention include, but are not limited to, equipment or technology modifications and process or procedure modifications. The company has reduced SO2 emissions, decreased water usage, reduced energy use and significantly reduced particulate emissions. Overall, the company plans to spend in excess of \$26 million towards current pollution control measures and environmental restoration.

Benns Church Master Plan Receives Approval

In an effort to be proactive in deciding what development is appropriate for Isle of Wight County, planning officials in conjunction with property owners, developers and citizens developed a "Roadmap for Growth" as a guide for designing and evaluating future development within the Benns Church corridor. This "roadmap" or Master Plan draws heavily on the principles of traditional neighborhood development as a viable means to promote sustainable development resulting in communities and business centers that cater to local residents.

Isle of Wight's vision for the Benns Church corridor is a pedestrian friendly mixed use neighborhood that mirrors traditional rural village and historical architecture found in the area. In addition, Isle of Wight County is proposing to partner with one of the property owners to develop a 100 acre office park that may include a community college campus and workforce development center. The finalized plan has been approved by the County Planning Commission and the County Board of Supervisors for adoption into the County's comprehensive plan.

Isle of Wight County Schools Fully Accredited

All eight Isle of Wight County Schools have been fully accredited based on the achievement of students on the 2002-2003 Standards of Learning (SOL) tests. The Virginia Department of Education announced all four elementary schools as well as both middle schools and both high schools achieved the highest ranking of fully accredited.

Strategic Plan for Economic Development Updated

County officials, in conjunction with Isle of Wight residents and members of the local business community, have updated the County's Strategic Plan for Economic Development. The original document developed in September 2000, serves as a guide for the Department of Economic Development, Industrial Development Authority and other County agencies involved in economic development efforts.

The updated plan further refines strategies and objectives set forth in the original document and will ultimately be integrated into the County's Comprehensive plan. A copy of the plan can be found on the County website at www.iwus.net under Economic Development.

Isle of Wight County Slashes Tax Rate Again

In July 2004 the Isle of Wight Board of Supervisors voted to reduce the real estate tax rate by \$.02 from \$.75/\$100 value to \$.73. This reduction follows a similar rate decrease in July 2002. The tax cut is a direct result of new revenues accruing to the County from rising property values and new construction. This growth, coupled with prudent fiscal management, has allowed the County to expand its revenues beyond the increased expenditures it faces as a rapidly developing community. The Board of Supervisors intends to reevaluate the tax rate again in the Fall of 2004 when the results of the most recent reassessment are finalized. This is expected to result in even further revenue increases and may be justification for yet another tax cut.

Bus Routes Established to Serve Area Employers and Shoppers

Hampton Roads Transit (HRT), a regional public transportation provider, is expanding service into Smithfield and Carrollton in Isle of Wight County. Virginia Governor Mark Warner, in partnership with regional planning agencies and local government officials, sponsored more than \$10 million in funding appropriations to support congestion mitigation measures in Hampton Roads. Isle of Wight is the beneficiary of \$1.35 million of the appropriation, which is being used to establish 4 new bus routes providing alternative transit options to area commuters. The new service started in September 2004 and will tie into a mass transit system that covers most of the metro region. Primary beneficiaries of the service will be Smithfield Foods, which employs over 5,000 regional workers; Northrop Grumman, which employs more than 15,000; and other area employers, employees and shoppers. The service is fully funded for three years.



Measurements of Economic Activity

Taxes

- Real Estate, Personal Property and Machinery and Tools tax receipts and assessed values for the preceding year.
- Growth (Decline) in those receipts as a real number and as a percentage.

Real Estate

Fiscal Year	Assessed Value	Growth (Decline)	Percentage +(-)
2003	\$1,918,017,998	\$202,874,506	11.83%
2002	\$1,715,143,492	\$169,451,166	10.96%
2001	\$1,545,692,326		

Fiscal Year	Tax Receipts	Growth (Decline)	Percentage +(-)
2003	\$13,974,250	\$2,215,774	18.84%
2002	\$11,758,476	\$1,143,031	10.77%
2001	\$10,615,445		

Personal Property

Fiscal Year	Assessed Value	Growth (Decline)	Percentage +(-)
2003	\$181,323,406	\$13,413,621	7.9%
2002	\$167,909,785	(\$7,754,204)	(4.41%)
2001	\$175,663,989		

Fiscal Year	Tax Receipts	Growth (Decline)	Percentage +(-)
2003**	\$3,223,205**	—	—
2002	\$3,183,932	(\$1,221,574)	27.73%
2001	\$4,405,506		

Per IW Treasurer 2003** Reflects all personal property tax abatement and supplements. Years 2001 and 2002 do not reflect abatement and supplements.

Machinery and Tools

Fiscal Year	Assessed Value	Growth (Decline)	Percentage +(-)
2003****	\$580,524,899****	(\$69,586,318)****	(10.70%)
2002	\$650,111,217	(\$20,792,098)	(3.10%)
2001	\$670,903,315		

Fiscal Year	Tax Receipts	Growth (Decline)	Percentage +(-)
2003****	\$5,511,779****	—	—
2002**	\$6,783,493**	—	—
2001	\$6,261,881		

****Reflects International Paper reclassification. **Does not reflect delinquent accounts in this collection.
(Source: Annual audit by Goodman and Company and IW Treasurer)

Population

Provisional estimate for the preceding years and the growth (decline) in that number relative to the year before as a real number and as a percentage.

Population

Calendar Year	Population Estimate	Growth (Decline)	Percentage +(-)
2003	30,900	481	1.58%
2002	30,419	319	1.06%
2001	30,100	372	1.25%
2000 (census)	29,728		

(Source: Weldon Cooper Center)

Building Permits

Residential and commercial/industrial building permits issued during the preceding year and the growth (decline) in the number and value of those permits relative to the year before as a real number and as a percentage.

Residential Building Permits

Year	Number	Growth (Decline)	Percentage +(-)
2003	366	35	10.57%
2002	331	71	27.31%
2001	260	31	13.54%
2000	229		

Year	Value	Growth (Decline)	Percentage +(-)
2003	\$47,753,922	\$1,645,275	3.57%
2002	\$46,108,647	\$12,017,414	35.25%
2001	\$34,091,233	\$2,270,560	7.14%
2000	\$31,820,673		

Commercial Building Permits

Year	Number	Growth (Decline)	Percentage +(-)
2003	22	2	10%
2002	20	10	100%
2001	10	(7)	(41.18)%
2000	17		

Year	Value	Growth (Decline)	Percentage +(-)
2003	\$6,181,451	(\$1,358,927)	(18.02%)
2002	\$7,540,378	(\$5,121,061)	(40.45%)
2001	\$12,661,439	\$8,645,971	215.32%
2000	\$4,015,468		

(Source: IW County, Dept of Building and Inspection)

Employment

Statistics detailing the total number of individuals in the civilian labor force and number of individuals employed and unemployed and the unemployment rate by year.

Labor Force and Unemployment

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate (%)
2003	16,488	15,934	554	3.4%
2002	16,153	15,643	510	3.2%
2001	15,658	15,240	418	2.7%
2000	15,296	14,969	327	2.1%

(Source: Virginia Employment Commission)

Isle of Wight County Targeted Industries

- Food Processing
- Communications Equipment Manufacturing
- Product Assembly and Testing
- Engineering, Research and Management Services
- Production Machinery and Equipment
- Wholesale Packaging and Distribution

Isle of Wight County conducts regular assessments of strengths and weaknesses. These are used to develop a list of industries that are most compatible with the local economy and workforce. The list is then compared with similar lists developed for the metropolitan area and state and refined to reflect the strengths of the community relative to these macroeconomic climates. Target industries are important in helping the community determine its marketing priorities and incentive policies. The list provides guidance in helping determine where to focus finite resources - but does not confer exclusivity because the community welcomes all responsible businesses to locate in the County.