

Preliminary Revenue Projections Fiscal Year 2026

**Hampton City Council
March 26, 2025**

Factors Considered in Developing the Revenue Projections

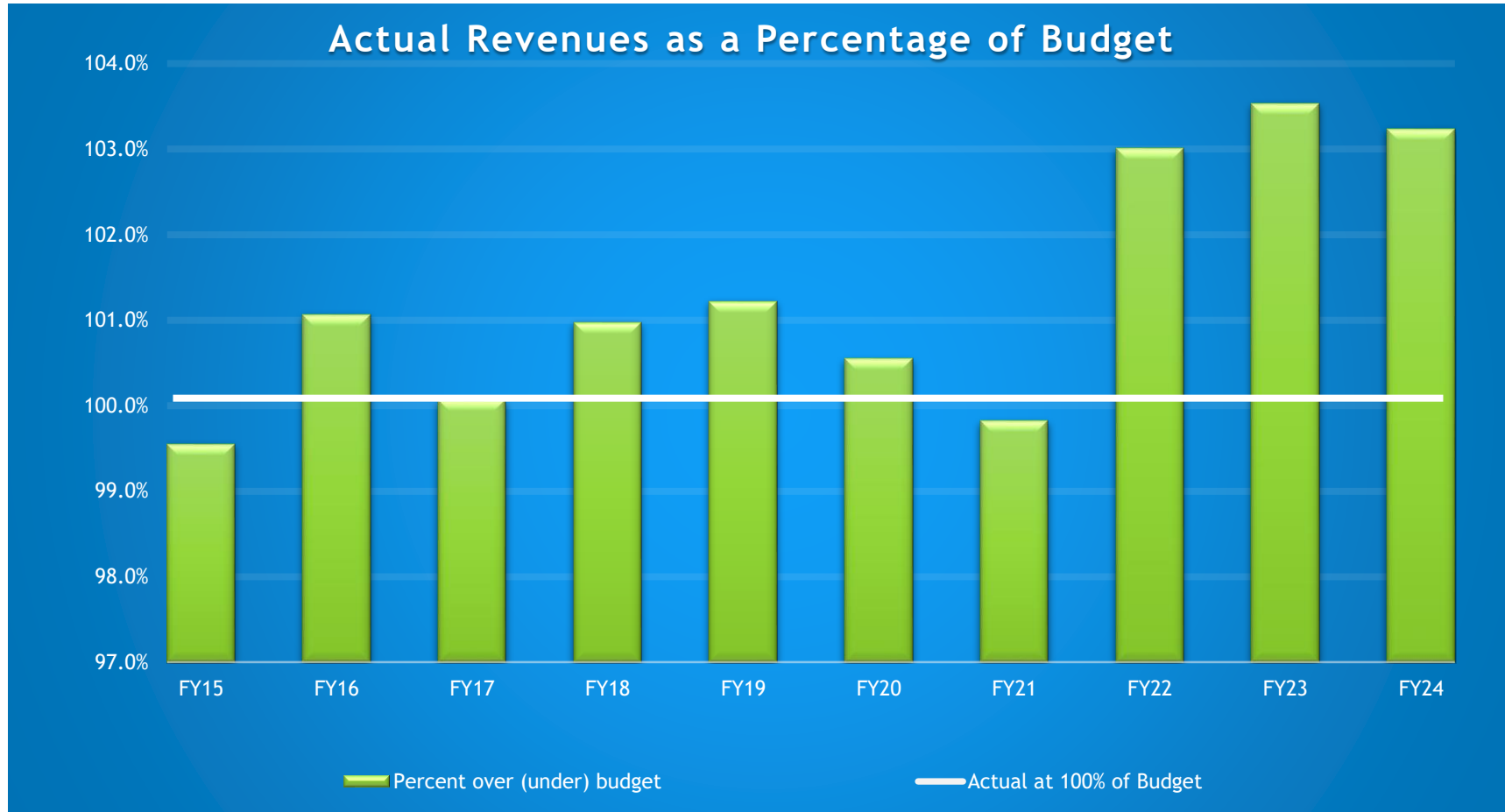
- The revenue budget is built on the Real Estate Tax rate of \$1.14 per \$100 of assessed value – a reduction of 1 cent from current rate and the same as the equalized rate of \$1.14.
- While the fundamentals of both the national and Hampton Roads economies remain strong, significant policy changes at the federal level are creating an unpredictable environment.
 - Ongoing efforts to reduce the federal workforce and/or eliminate agencies and programs could impact both the region and the Commonwealth.
 - Tariffs may impact the economy in various ways , affecting consumers, businesses and overall economic activity. It could lead to higher consumer prices.

Factors Considered in Developing the Revenue Projections

- The impact of these policies on our local economy is unknown at this time. Consumer driven revenues such as meals tax, sales tax, lodging tax, admission tax and personal property tax could be impacted.
- Therefore, as a budget strategy, the City Manger is recommending that we delay the implementation of most new spending and investments in the General Fund for fiscal year 2026 until we have a better sense of the budgetary impacts. We will closely monitor the revenue trends and the collection rates for real estate and personal property taxes (our two largest revenue sources) to help guide our actions during the fiscal year.

Factors Considered in Developing the Revenue Projections

- Our conservative revenue forecasting has and will continue to help us mitigate some of the potential economic risks



Factors Considered in Developing the Revenue Projections

- The FY25-FY26 biennial budget adopted by the General Assembly has been sent to the Governor for approval. We have adjusted our preliminary state revenue estimates for the compensation increase for the Constitutional Officers and the increase in the Jail Per Diem. On Monday, the Governor announced his intention that he was going to offer 208 amendments to the budget conference report along with 8 line item vetoes. We are evaluating how the Governor's amendments and vetoes will impact the City and if we have to make any adjustments to the revenue projections. The General Assembly will consider the Governor's actions on April 2nd.

Revenues: Review of Preliminary Projections for FY2026

Total General Fund Revenues

	Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% % Incr/(Decr) Apprv VS Proj
Recurring Revenues	\$ 440,526,663	\$ 455,487,887	\$ 14,961,224	3.4%
One-Time Revenues	\$ 8,710,636	\$ 14,334,798	\$ 5,624,162	64.6%
	<u>\$ 449,237,299</u>	<u>\$ 469,822,685</u>	<u>\$ 20,585,386</u>	<u>4.6%</u>

- Increase in recurring revenues of \$14.9 Million or 3.4%.
- Of the \$14.9 million increase in recurring revenues, \$9.2 million is available for general appropriations. The other \$5.7 million is committed for specific purposes.
- Growth in real estate assessments, consumer driven local taxes, state revenues, and investment earnings drive overall revenue growth.

Revenues: Review of Preliminary Projections for FY2026

Revenue Categories	Some of the More Significant Revenues in Each Category (continued)
General Property Taxes	Current Real Estate
	Current Personal Property
	Delinquent Real Estate and Personal Property Taxes
	Public Service Corporations
	BIDs Real Estate Taxes
	Special Assessments for Community Development Authorities
	Elizabeth Lakes Service District
	Machine and Tools Tax

Revenues: Review of Preliminary Projections for FY2026

Revenue Categories	Some of the More Significant Revenues in Each Category (continued)
Other Local Taxes	Business Licenses
	Sales Tax
	Meals Tax
	Lodging Tax
	Communication Sales & use Tax
	Admissions Tax
	License Fee - Pari-Mutuel
	Cigarette Tax
License and Permit Fees	Bank Franchise Tax
	Building Permit Fees
	Zoning Fees
	Animal Licenses
	Taxi Driver Permit Fees

Revenues: Review of Preliminary Projections for FY2026

Revenue Categories	Some of the More Significant Revenues in Each Category (continued)
Fines & Forfeitures	Traffic Penalties
	Court Fines
	Special Assessments: Sheriff Court Security
	Special Assessment: Criminal Justice Training Academy
	School Speed Zone Fines
	Red light Photo Enforcement Fines
Revenues From Use of Money & Property	Interest income from investments
	Rental of Shelters -Parks
	Billboard Revenue
	Rental of Special Event equipment

Revenues: Review of Preliminary Projections for FY2026

Revenue Categories	Some of the More Significant Revenues in Each Category (continued)
Charges For Services	Fee Based Programs and Services for Parks & Recreation
	EMS Transport Fees
	Fees for School Age Programs
	PILOT - Fort Monroe
	Host Fees for Landfill
	Fire Inspection Fees
Miscellaneous Revenues	Reimbursements for Radio Maintenance
	Reimbursements for Services Provided to Schools
	Indirect Costs Recovered From Other Funds

Revenues: Review of Preliminary Projections for FY2026

Revenue Categories	Some of the More Significant Revenues in Each Category (concluded)
State and Federal Revenues	Recovered Costs-Police (HB599 Funds)
	Recovered Costs- NASA Fire Station
	Recovered Costs -Jail Per Diem
	Vehicle Rental Taxes
	Shared Expenses - Constructional Officers
	Personal Property Tax Relief Act
	Public Assistance
	VA. Juvenile Block Grant
	Street and Highway Maintenance
	Public Library Books

Revenues: Review of Preliminary Projections for FY2026

General Property Taxes

(In Thousands)

Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 242,649</u>	<u>\$ 251,621</u>	<u>\$ 8,972</u>	<u>3.7%</u>

Real Estate Taxes

- Based on a tax rate of \$1.14 per \$100 of assessed value.
- The Assessor is projecting that total taxable assessments will increase by 5.7% (weighted average).
- Translates to a \$6.9M increase in revenues - from \$176.6M to \$183.4M (represents 39% of the revenue budget).
- No change in collection rate - 98.4%

Revenues: Review of Preliminary Projections for FY2026

General Property Taxes - continued

Real Estate Taxes - continued

- Each penny = \$1,611,415
- Other cities are expecting:
 - Chesapeake 3.12%
 - Suffolk 6.54%
 - Va. Beach 5.6%
 - Portsmouth 3.61%
 - Norfolk 5.71%
 - Williamsburg 4.02%

Revenues: Review of Preliminary Projections for FY2026

General Property Taxes - continued

(In Thousands)

Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 242,649</u>	<u>\$ 251,621</u>	<u>\$ 8,972</u>	<u>3.7%</u>

Personal Property Taxes

Factors impacting FY26

- Expect used vehicle prices to decline as of result: 1) Increase in new vehicle inventory and larger incentives and rebates for new vehicle sales.
- Forecasting retail used vehicle sales in 2025 to remain muted, as retail and wholesale supply will continue to be constrained due to lower production during the pandemic and fewer lease vehicles returning to the market.
- New vehicle sales remain healthy as inventory continues to improve; however, the average price is declining.
- Preliminary analysis performed by the Commissioner of Revenue show that vehicle assessed values for calendar year 2025 are flat when compared to 2024.

Revenues: Review of Preliminary Projections for FY2026

General Property Taxes - concluded

(In Thousands)			
Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 242,649</u>	<u>\$ 251,621</u>	<u>\$ 8,972</u>	<u>3.7%</u>

Personal Property Taxes

- Therefore, we're maintaining the FY26 personal property taxes at the FY25 budget level – that is, at \$50.9 million. (represents 11% of the revenue budget)
- Projecting a collection rate of 90%.

Revenues: Review of Preliminary Projections for FY2026

Other Local Taxes

(In Thousands)			
Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 102,247</u>	<u>\$ 106,105</u>	<u>\$ 3,858</u>	<u>4%</u>

- The Largest Five Other Local Taxes:
 - 1) Meal tax
 - 2) Sales and Use tax
 - 3) Business License tax
 - 4) Lodging taxes
 - 5) Communication Sales Tax
- Represents approximately 81% of the total other local taxes projection.

Revenues: Review of Preliminary Projections for FY2026

Other Local Taxes - continued

(In Thousands)			
Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 102,247</u>	<u>\$ 106,105</u>	<u>\$ 3,858</u>	<u>4%</u>

Consumer-Driven Revenues

- Comprised of sales, lodging, meal, admission and communication sales taxes.
- These revenues are impacted by the economic climate; however, they have continued to outperform expectations (except for communication sales taxes and admission) during the past couple of years.

Revenues: Review of Preliminary Projections for FY2026

Other Local Taxes - continued

(In Thousands)			
Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 102,247</u>	<u>\$ 106,105</u>	<u>\$ 3,858</u>	<u>4%</u>

Consumer-Driven Revenues - continued

- Inflation continues to impact these revenues. Businesses continue to pass on the increase in their inflationary costs to consumers. In February 2025, the Consumer Price Index rose 2.8% over the past 12 month period.

Revenues: Review of Preliminary Projections for FY2026

Other Local Taxes - concluded

(In Thousands)

Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 102,247	\$ 106,105	\$ 3,858	4%

The Largest Five Other Local Taxes In Millions

Title	FY25 Adopted	FY26 Preliminary	Dollar Change	Percentage Change
Meal Tax	\$30.5	\$31.6	\$1.1	4%
Sales & Use Tax	\$23.3	\$24.8	\$1.5	6.4%
Business License Tax	\$15.9	\$16.7	\$0.8	5.0%
Lodging Taxes	\$6.5	\$6.9	\$0.4	6.2%
Communication Sales Tax	\$5.8	\$5.7	(\$0.1)	(1.7%)
	\$82.0	\$85.7	\$3.7	4.5%

Revenues: Review of Preliminary Projections for FY2026

Other Local Taxes - continued

(In Thousands)			
Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 102,247</u>	<u>\$ 106,105</u>	<u>\$ 3,858</u>	<u>4%</u>

Communications Sales Tax

- The state communication taxes became effective on January 1, 2007.
- It is composed of a 5% tax on all communication services, state E-911 tax of \$.75 per access line and a public right-of-way use fee of \$1.60 per cable subscriber per month.

Revenues: Review of Preliminary Projections for FY2026

Other Local Taxes - continued

(In Thousands)			
Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 102,247</u>	<u>\$ 106,105</u>	<u>\$ 3,858</u>	<u>4%</u>

Communications Sales Tax

- Replaced the City's utility tax on telephone, local E-911 service tax, utility tax on cable service and cable franchise fee. For fiscal year 2006, these taxes generated approximately \$9.9 million for the City.
- The City's communication taxes under the state program has not exceeded what we were collecting under our local taxes.

Revenues: Review of Preliminary Projections for FY2026

Other Local Taxes - continued

(In Thousands)			
Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 102,247</u>	<u>\$ 106,105</u>	<u>\$ 3,858</u>	<u>4%</u>

Communications Sales Tax

- Communications Sales Tax is expected to decline by \$46 thousand to a projection of approximately \$5.76 million.

Revenues: Review of Preliminary Projections for FY2026

Other Local Taxes - concluded

(In Thousands)

Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 102,247</u>	<u>\$ 106,105</u>	<u>\$ 3,858</u>	<u>4%</u>

Pari-Mutuel License Tax

- We have budgeted \$2.7 million (an increase of \$372,000) in Pari-Mutuel license tax revenues.

Cigarette Tax

- We're seeing a decline in revenues due to a decrease in cigarette consumption and the increased use of electronic cigarettes (which are not subject to the tax). We're projecting revenues to decline by \$622,000 or 17% to \$3,028,125.

Revenues: Review of Preliminary Projections for FY2026

License, Permits and Other Fees

(In Thousands)

Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS proj
<u>\$ 1,936</u>	<u>\$ 1,895</u>	<u>\$ (41)</u>	<u>-2%</u>

- FY25 building permitting fees are trending to be about 2% lower than the previous fiscal year. We experienced a spike in permitting fees from the NorthPoint project in FY24.

Revenues: Review of Preliminary Projections for FY2026

Fines and Forfeitures

(In Thousands)			
Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 6,612</u>	<u>\$ 5,441</u>	<u>\$ (1,171)</u>	<u>-18%</u>

- For FY25, the projections included the implementation of the initial 3 VDOT funded red light photo enforcement cameras and the phasing in an additional 3 red light photo enforcement cameras. Since we don't plan to deploy the additional 3 red light cameras (unless we have significant traffic issues at other locations), we've reduced the FY26 estimate to \$1.3 million – a decrease of \$1 million.
- For the school zone safety photo enforcement cameras, we have deployed cameras at 13 locations. (Please note that there is an equal and offsetting appropriation in Non-departmental for the cost of this program).
- Public Works will continue to study the other 10 school zone locations to see if there is significant speeding in the zone.
- We incorporated an increase in the Courthouse Security Fee from \$10 to \$20 per court case. Projected to increase revenues by \$107,310.

Revenues: Review of Preliminary Projections for FY2026

Revenues from Use of Money & Property

(In Thousands)

Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 5,322</u>	<u>\$ 6,330</u>	<u>\$ 1,008</u>	<u>19%</u>

- This revenue category is primarily composed of interest income that we earn on cash balances and investments.
- The latest projections for the short-term benchmark rate from the Federal Reserve imply that they expect two rate cuts in 2025 and two additional rate cuts in 2026.
- Therefore, we're projecting an interest income estimate of \$6 million for FY26, which is \$1 million greater than FY25. We plan to use the additional \$1 million in revenues for one-time expenditures.

Revenues: Review of Preliminary Projections for FY2026

Charges for Services

(In Thousands)

Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 10,693</u>	<u>\$ 10,858</u>	<u>\$ 165</u>	<u>2%</u>

- The Largest Five Revenues in this Category:
 - 1) EMS Transport fees
 - 2) Host Fees for Landfill
 - 3) Fees for School Age Programs
 - 4) PILOT – Fort Monroe
 - 5) PRLS Fees
- Represents approximately 93% of the total Charges for Services projection.

Revenues: Review of Preliminary Projections for FY2026

Miscellaneous Revenue

(In Thousands)			
Approved Budget FY2025	Projection FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 6,125</u>	<u>\$ 6,219</u>	<u>\$ 94</u>	<u>2%</u>

- Increase in reimbursements from Hampton City Schools.

Revenues: Review of Preliminary Projections for FY2026

State/Federal Revenues

	(In Thousands)			
	Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% % Incr/(Decr) Apprv VS Proj
Recovered Costs	\$ 10,043	\$ 10,201	\$ 158	2%
Shared Expenses-State	12,431	13,861	1,430	12%
Non-Categorical-State	551	551	-	0%
Categorical-State\Fed	39,041	39,530	489	1%
Federal	10	10	-	0%
	<u>\$ 62,076</u>	<u>\$ 64,153</u>	<u>\$ 2,077</u>	<u>3%</u>

- The General Assembly adopted the FY25-FY26 biennial budget; however, the Governor has not signed the budget yet.
- We've increased the reimbursement from the Compensation Board for Constitutional Officers and for the Jail Per Diem.

Revenues: Review of Preliminary Projections for FY2026

Transfers and Fund Balance

	(In Thousands)			
	Approved Budget FY2025	Projections FY2026	\$ Amount Incr/(Decr) Apprv VS Proj	% % Incr/(Decr) Apprv VS proj
Fund Balance	\$ 8,711	\$ 14,335	\$ 5,624	65%
Transfer from School Op Fu	\$ 2,867	\$ 2,867	\$ -	0%
	<u>\$ 11,578</u>	<u>\$ 17,202</u>	<u>\$ 5,624</u>	<u>49%</u>

- Plan to use \$5.1 million from unassigned fund balance (savings account) for the 2025 CIP.
- Plan to use \$5.7 million from assigned fund balance for the buy-in for the Western Tidewater Regional Jail.
- Plan to use \$354,588 for the PC replacement program.
- Plan to use \$2.9M from budget savings program for Citizen Satisfaction Bonus, Performance Based Bonus Program and the 2026 CIP.

Revenues: Review of Preliminary Projections for FY2026

Total General Fund Revenues

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- Increase in recurring revenues of \$14.9 Million or 3.4%.
- Of the \$14.9 million increase in recurring revenues, \$9.2 million is available for general appropriations. The other \$5.7 million is committed for specific purposes.
- Growth in real estate assessments, consumer driven local taxes, state revenues, and investment earnings drive overall revenue growth.