

# HAMPTON VA

## **Preliminary Revenue Projections Fiscal Year 2024**

**Hampton City Council  
March 22, 2023**



# Factors Considered in Developing the Revenue Projections

- **Built on the Real Estate Tax rate of \$1.16 per \$100 of assessed value – a reduction of 2 cents from current and equalized rate of \$1.18.**
- **An assessment ratio of ninety-three percent (93%) was applied to applicable automobiles and trucks for personal property taxes for the calendar year beginning January 1, 2023.**
- **The national, state and regional economy outlook is uncertain and could be impacted further by persistent high inflation, the Federal Reserve tightening of monetary conditions and supply chain issues.**
- **The budget conference committee for the General Assembly hasn't reached a compromise on the state's budget yet. So, we have used the preliminary revenue estimates from the Compensation Board for the Constitutional Officers.**

# Revenues: Review of Preliminary Projections for FY2024

## Total General Fund Revenues

	<u>FY2023</u>	<u>FY2023</u>	<u>Apprv VS Proj</u>	<u>Apprv VS Proj</u>
Recurring Revenues	\$ 394,511,683	\$ 421,716,890	\$ 27,205,207	6.9%
One-Time Revenues	\$ 8,115,960	\$ 12,404,091	\$ 4,288,131	52.8%
	<u>\$ 402,627,643</u>	<u>\$ 434,120,981</u>	<u>\$ 31,493,338</u>	<u>7.8%</u>

- **Increase in recurring revenues of \$27.2 Million or 6.9%.**
- **Of the \$27.2 million increase in recurring revenues, \$17.9 million is available for general appropriations. The other \$9.3 million is committed for specific purposes.**
- **Growth in real estate assessments, consumer driven local taxes and investment earnings drive overall revenue growth.**

# Revenues: Review of Preliminary Projections for FY2024

## General Property Taxes

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 226,606	\$ 240,309	\$ 13,703	6.0%

## Real Estate Taxes

- Based on a tax rate of \$1.16 per \$100 of assessed value.
- The Assessor is projecting that total taxable assessments will increase by 9.8% (weighted average).
- Translates to a \$11M increase in revenues - from \$159.4M to \$170.4M (represents 39% of the revenue budget).
- No change in collection rate - 98.4%.

# Revenues: Review of Preliminary Projections for FY2024

## General Property Taxes - continued

### Real Estate Taxes - continued

- Each penny = \$1,471,032
- Other cities are expecting:
  - Chesapeake 8.10%
  - Suffolk 12.00%
  - Va. Beach 9.81%
  - Portsmouth 11.56%



# Revenues: Review of Preliminary Projections for FY2024

## General Property Taxes - continued

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 226,606	\$ 240,309	\$ 13,703	6.0%

## Personal Property Taxes

### Factors impacting FY24

- Due to pandemic-related disruptions in the supply chains and the manufacturing of technological components, car prices moved significantly higher during the pandemic.
- Preliminary analysis performed by the Commissioner of Revenue show that vehicles, while still elevated, declined approximately 11% compared to the 2022 levels.

# Revenues: Review of Preliminary Projections for FY2024

## General Property Taxes - continued

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 226,606	\$ 240,309	\$ 13,703	6.0%

## Personal Property Taxes, continued

### Factors impacting FY24

- It is expected that used vehicle values will continue to trend downward over the course of the year.
- Therefore, at the recommendation of the Commissioner of Revenue, City Council will consider this evening that an assessment ratio of 93% be applied to all qualifying vehicles assessed values in order to provide tax relief for our citizens.<sup>7</sup>

# Revenues: Review of Preliminary Projections for FY2024

## General Property Taxes - concluded

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 226,606	\$ 240,309	\$ 13,703	6.0%

## Personal Property Taxes, concluded

- Projecting FY24 personal property taxes to be \$50.9 million, an increase of \$2.3 million or 4.7% (represents 12% of the revenue budget).
- Projecting a collection rate of 90%.



# Revenues: Review of Preliminary Projections for FY2024

## Other Local Taxes

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 92,305	\$ 98,395	\$ 6,090	7%

- **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 80% of the total other local taxes projection.

# Revenues: Review of Preliminary Projections for FY2024

## Other Local Taxes - continued

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 92,305	\$ 98,395	\$ 6,090	7%

### 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) during the past couple of years.

# Revenues: Review of Preliminary Projections for FY2024

## Other Local Taxes - continued

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 92,305	\$ 98,395	\$ 6,090	7%

## Consumer-Driven Revenues, continued

- Inflation continues to impact these revenues. Businesses continue to increase their prices for goods and services. In February 2023, the Consumer Price Index rose 6% over the past 12 month period.**

# Revenues: Review of Preliminary Projections for FY2024

## Other Local Taxes

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 92,305	\$ 98,395	\$ 6,090	7%

The Largest Five Other Local Taxes				
In Millions				
Title	FY23 Adopted	FY24 Proposed	Dollar Change	Percentage Change
Meal Tax	\$25.6	\$29.0	\$3.4	13.3%
Sales & Use Tax	\$20.0	\$22.3	\$2.3	11.5%
Business License Tax	\$14.3	\$15.2	\$0.9	6.3%
Lodging Taxes	\$4.8	\$5.9	\$1.1	22.9%
Communication Sales Tax	\$6.4	\$5.9	(\$0.5)	-7.8%
	\$71.1	\$78.3	\$7.2	10.1%

# Revenues: Review of Preliminary Projections for FY2024

## Other Local Taxes - continued

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 92,305	\$ 98,395	\$ 6,090	7%

## 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 FY2024

## Other Local Taxes - continued

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 92,305	\$ 98,395	\$ 6,090	7%

## Communications Sales Tax, continued

- 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 FY2024

## Other Local Taxes - continued

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 92,305</u>	<u>\$ 98,395</u>	<u>\$ 6,090</u>	<u>7%</u>

### Communications Sales Tax, concluded

- **Communications Sales Tax is expected to decline by \$.5 million to a projection of approximately \$5.9 million.**

# Revenues: Review of Preliminary Projections for FY2024

## Other Local Taxes - continued

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 92,305	\$ 98,395	\$ 6,090	7%

### Pari-Mutuel License Tax

- We have budgeted \$2.3 million (a reduction of \$342,000) in Pari-Mutuel license tax revenues.

### Admission Tax

- Admission taxes have continued to recover from the Pandemic.
- Based on the positive trends for fiscal year 2023, we're budgeting \$1.4 million for FY23 – an increase of \$300,000.

# Revenues: Review of Preliminary Projections for FY2024

## License, Permits and Privileged Fees

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS proj
<u>\$ 1,461</u>	<u>\$ 1,515</u>	<u>\$ 54</u>	<u>4%</u>

- **Based on current trends, we're projecting an increase in Zoning Fees.**

# Revenues: Review of Preliminary Projections for FY2024

## Fines and Forfeitures

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 837</u>	<u>\$ 814</u>	<u>\$ (23)</u>	<u>-3%</u>

- **Based on current revenue trends, we're reducing the revenue projection for Circuit Court Fines.**

# Revenues: Review of Preliminary Projections for FY2024

## Revenues from Use of Money & Property

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 1,095	\$ 4,756	\$ 3,661	334%

- **This revenue category is primarily composed of interest income that we earn on cash balances and investments.**
- **The Federal Reserve has raised its short-term benchmark rate eight times since March 2022 – for a total rate change of 4.5%. It's expected that the Federal Reserve will continue to raise interest rates to help reduce inflation.**
- **Therefore, we're projecting interest income estimate of \$4.5 million for FY24, which is \$3.7 million greater than FY23.**

# Revenues: Review of Preliminary Projections for FY2024

## Charges for Services

(In Thousands)

Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 9,760	\$ 9,780	\$ 20	0%

- **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 92% of the total Charges for Services projection.



# Revenues: Review of Preliminary Projections for FY2024

## Miscellaneous Revenue

(In Thousands)

Approved Budget FY2023	Projection FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 5,596</u>	<u>\$ 5,723</u>	<u>\$ 127</u>	<u>2%</u>

- **Increase in reimbursements from Hampton City Schools.**

# Revenues: Review of Preliminary Projections for FY2024

## State/Federal Revenues

(In Thousands)

	FY2023	FY2024	Apprv VS Proj	Apprv VS Proj
Recovered Costs	\$ 8,776	\$ 9,278	\$ 502	6%
Shared Expenses-State	10,437	12,233	1,796	17%
Non-Categorical-State	551	551	-	0%
Categorical-State\Fed	33,962	35,257	1,295	4%
Federal	31	10	(21)	-68%
	<u>\$ 53,757</u>	<u>\$ 57,329</u>	<u>\$ 3,572</u>	<u>7%</u>

- **The General Assembly ended the regular session without completing its work on the state budget. The Governor may need to call a special session of the General Assembly so that they can complete the budget.**
- **An increase of \$1.2 million in Urban Maintenance Funds for the maintenance of roads.**

# Revenues: Review of Preliminary Projections for FY2024

## Transfers and Fund Balance

(In Thousands)

	Approved Budget FY2023	Projections FY2024	\$ Amount Incr/(Decr) Apprv VS Proj	% % Incr/(Decr) Apprv VS proj
Fund Balance	\$ 8,116	\$ 12,404	\$ 4,288	53%
Transfer from School Op Fund	\$ 2,867	\$ 2,867	\$ -	0%
	<u>\$ 10,983</u>	<u>\$ 15,271</u>	<u>\$ 4,288</u>	<u>39%</u>

- **Plan to use \$5.4 million from unassigned fund balance (savings account) for the 2023 CIP.**
- **Plan to use \$354,588 for the PC replacement program.**
- **Plan to implement Pay in Arrears for payroll processing.**

# Revenues: Review of Preliminary Projections for FY2024

## Total General Fund Revenues

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