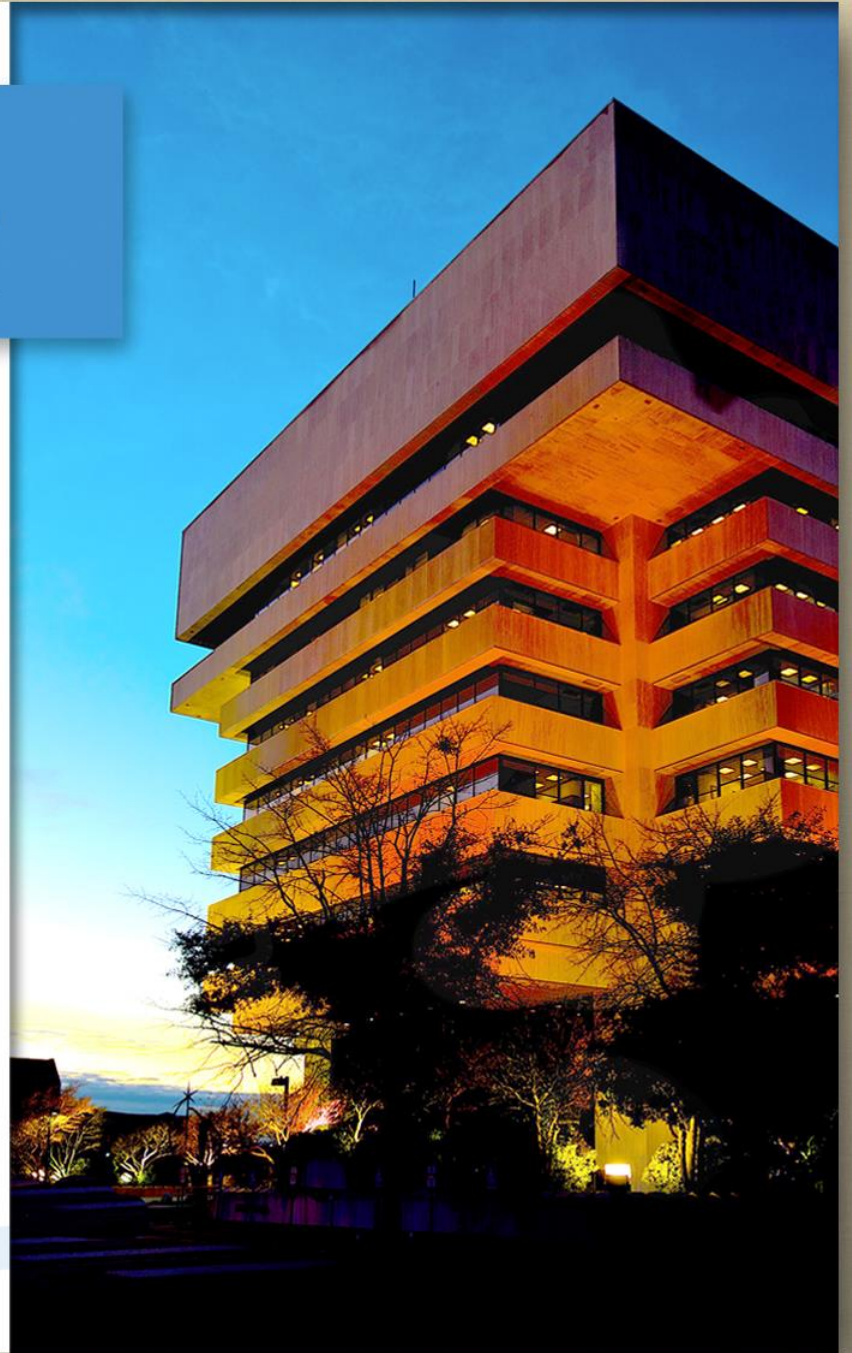


HAMPTON VA

Preliminary Revenue Projections Fiscal Year 2025

**Hampton City Council
March 27, 2024**



Factors Considered in Developing the Revenue Projections

- Built on the Real Estate Tax rate of \$1.15 per \$100 of assessed value – a reduction of 1 cent from current rate and 2 cents from the equalized rate of \$1.17.
- The Elizabeth Lakes Civic Association has requested that City Council increase the Service District tax rate from \$.06 per \$100 of assessed value to \$.10 per \$100 of assessed value to cover the rising cost of goods and services.
- The national, state and regional economy have been remarkably resilient in the last year. The expectation is for a slower economy in fiscal year 2025, although not necessarily a recession. Inflation has come down – but is still above the FOMC's 2% target. Unemployment remains at record lows. The housing shortage and house price growth might make it harder to bring inflation back to target.
- The FY25 – FY26 biennial budget adopted by the General Assembly has been sent to the Governor for approval. We adjusted our preliminary revenue estimates for the compensation increase for the Constitutional Officers and the increase in HB599 funds.

Revenues: Review of Preliminary Projections for FY2025

Total General Fund Revenues

	<u>FY2024</u>	<u>FY2025</u>	<u>Apprv VS Proj</u>	<u>Apprv VS Proj</u>
Recurring Revenues	\$ 418,150,958	\$ 440,526,663	\$ 22,375,705	5.4%
One-Time Revenues	\$ 12,404,091	\$ 8,710,636	\$ (3,693,455)	-29.8%
	<u>\$ 430,555,049</u>	<u>\$ 449,237,299</u>	<u>\$ 18,682,250</u>	<u>4.3%</u>

- **Increase in recurring revenues of \$22.4 Million or 5.4%.**
- **Of the \$22.4 million increase in recurring revenues, \$10.7 million is available for general appropriations. The other \$11.7 million is committed for specific purposes.**
- **Growth in real estate assessments, consumer driven local taxes, state revenues, fines and investment earnings drive overall revenue growth.**

Revenues: Review of Preliminary Projections for FY2025

General Property Taxes

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 236,743	\$ 242,605	\$ 5,862	2.5%

Real Estate Taxes

- **Based on a tax rate of \$1.15 per \$100 of assessed value.**
- **The Assessor is projecting that total taxable assessments will increase by 5.2% (weighted average).**
- **Translates to a \$6.2M increase in revenues - from \$170.4M to \$176.6M (represents 39% of the revenue budget).**
- **No change in collection rate - 98.4%**

Revenues: Review of Preliminary Projections for FY2025

General Property Taxes - continued

Real Estate Taxes - continued

- Each penny = \$1,535,465
- Other cities are expecting:
 - Chesapeake 4.14%
 - Suffolk 5.41%
 - Va. Beach 7.37%
 - Portsmouth 5.70%
 - Norfolk 6.40%
 - Newport News 2.14%

Revenues: Review of Preliminary Projections for FY2025

General Property Taxes - continued

<u>FY2024</u>	<u>FY2025</u>	<u>Apprv VS Proj</u>	<u>Apprv VS Proj</u>
\$ 236,743	\$ 242,605	\$ 5,862	2.5%

Personal Property Taxes

Factors impacting FY25

- **Used vehicle prices have continued to decline as of result: 1) Increase in new vehicle inventory and higher incentives ; 2) higher interest rates . Forecast to decline by 5.7% in 2024.**
- **Preliminary analysis performed by the Commissioner of Revenue show that vehicle assessed values for calendar year 2024 are flat when compared to 2023.**

Revenues: Review of Preliminary Projections for FY2025

General Property Taxes - concluded

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 236,743</u>	<u>\$ 242,605</u>	<u>\$ 5,862</u>	<u>2.5%</u>

Personal Property Taxes

- Therefore, we're maintaining the FY25 personal property taxes at the FY24 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 FY2025

Other Local Taxes

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 98,395	\$ 102,247	\$ 3,852	4%

- **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 FY2025

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 98,395	\$ 102,247	\$ 3,852	4%

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 FY2025

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 98,395</u>	<u>\$ 102,247</u>	<u>\$ 3,852</u>	<u>4%</u>

Consumer-Driven Revenues, continued

- Inflation continues to impact these revenues. Businesses continue to increase their prices for goods and services. In February 2024, the Consumer Price Index rose 3.2% over the past 12 month period.**

Revenues: Review of Preliminary Projections for FY2025

Other Local Taxes - concluded

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 98,395	\$ 102,247	\$ 3,852	4%

The Largest Five Other Local Taxes				
	In Millions			
Title	FY24 Adopted	FY25 Proposed	Dollar Change	Percentage Change
Meal Tax	\$29.0	\$30.5	\$1.5	5.2%
Sales & Use Tax	\$22.3	\$23.3	\$1.0	4.5%
Business License Tax	\$15.2	\$15.9	\$0.7	4.6%
Lodging Taxes	\$5.9	\$6.5	\$0.6	10.2%
Communication Sales Tax	\$5.9	\$5.8	(\$0.1)	-1.7%
	\$78.3	\$82.0	\$3.7	4.7%

Revenues: Review of Preliminary Projections for FY2025

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 98,395	\$ 102,247	\$ 3,852	4%

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 FY2025

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 98,395	\$ 102,247	\$ 3,852	4%

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 FY2025

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 98,395	\$ 102,247	\$ 3,852	4%

Communications Sales Tax

- **Communications Sales Tax is expected to decline by \$.127 million to a projection of approximately \$5.8 million.**

Revenues: Review of Preliminary Projections for FY2025

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 98,395	\$ 102,247	\$ 3,852	4%

Pari-Mutuel License Tax

- We have budgeted \$2.34 million (an increase of \$86,000) 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 2024, we're budgeting \$1.5 million for FY25 – an increase of \$115,000.

Revenues: Review of Preliminary Projections for FY2025

License, Permits and Privileged Fees

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS proj
\$ 1,516	\$ 1,936	\$ 420	28%

- FY24 building permitting fees have and is expected to continue to outperform the fees for the past several fiscal years. A significant factor for the spike in permitting fees in the NorthPoint project. Because of this project and other potential construction starts, we expect FY25 fees to be inline with FY24.**

Revenues: Review of Preliminary Projections for FY2025

Fines and Forfeitures

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 814	\$ 6,612	\$ 5,798	712%

- The projections include the implementation of the initial 3 VDOT funded red light photo enforcement cameras, phasing in an additional 3 red light photo enforcement cameras and the school zone safety photo enforcement cameras (Please note that there is an equal and offsetting appropriation in Non-departmental for the cost of this program).
- However, Public Works will start off with a pilot program for the school zone safety cameras to address up to twelve locations.

Revenues: Review of Preliminary Projections for FY2025

Revenues from Use of Money & Property

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 4,756	\$ 5,322	\$ 566	12%

- **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 three rate cuts in 2024 and three additional rate cuts in 2025.**
- **Therefore, we're projecting interest income estimate of \$5 million for FY25, which is \$.5 million greater than FY24.**

Revenues: Review of Preliminary Projections for FY2025

Charges for Services

(In Thousands)

Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 9,780	\$ 10,693	\$ 913	9%

- **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 FY2025

Miscellaneous Revenue

(In Thousands)

Approved Budget FY2024	Projection FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 5,723</u>	<u>\$ 5,895</u>	<u>\$ 172</u>	<u>3%</u>

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

Revenues: Review of Preliminary Projections for FY2025

State/Federal Revenues

(In Thousands)

	<u>FY2024</u>	<u>FY2025</u>	<u>Apprv VS Proj</u>	<u>Apprv VS Proj</u>
Recovered Costs	\$ 9,278	\$ 10,043	\$ 765	8%
Shared Expenses-State	12,233	12,431	198	2%
Non-Categorical-State	551	551	-	0%
Categorical-State\Fed	35,257	39,041	3,784	11%
Federal	10	10	-	0%
	<u>\$ 57,329</u>	<u>\$ 62,076</u>	<u>\$ 4,747</u>	<u>8%</u>

- **The General Assembly adopted the FY25 –FY26 biennial budget ; however, the Governor has not signed the budget yet.**
- **We increased the reimbursement from the Compensation Board for Constitutional Officers and HB599 funds based on the adopted budget.**
- **An increase of \$3.4 million in Urban Maintenance Funds for the maintenance of roads.**

Revenues: Review of Preliminary Projections for FY2025

Transfers and Fund Balance

(In Thousands)

	Approved Budget FY2024	Projections FY2025	\$ Amount Incr/(Decr) Apprv VS Proj	% % Incr/(Decr) Apprv VS proj
Fund Balance	\$ 12,404	\$ 8,711	\$ (3,693)	-30%
Transfer from Wastewater Fund	\$ 113	\$ 113		
Transfer from Solid Waste Fund	\$ 116	\$ 116		
Transfer from School Op Fund	\$ 2,867	\$ 2,867	\$ -	0%
	<u>\$ 15,271</u>	<u>\$ 11,578</u>	<u>\$ (3,693)</u>	<u>-24%</u>

- **Plan to use \$5.3 million from unassigned fund balance (savings account) for the 2024 CIP.**
- **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 one-time equipment purchases for the Fire Department.**

Revenues: Review of Preliminary Projections for FY2025

Total General Fund Revenues

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