

HAMPTON VA

Preliminary Revenue Projections Fiscal Year 2023

**Hampton City Council
March 23, 2022**



Revenues: Review of Preliminary Projections for FY2023

Total General Fund Revenues

	Budget FY2022	Projections FY2023	Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
Recurring Revenues	\$ 366,070,899	\$ 391,211,683	\$ 25,140,784	6.9%
One-Time Revenues	\$ 7,859,107	\$ 8,115,960	\$ 256,853	3.3%
	<u>\$ 373,930,006</u>	<u>\$ 399,327,643</u>	<u>\$ 25,397,637</u>	<u>6.8%</u>

- **Increase in recurring revenues of \$25.1 Million or 6.9%.**
- **Of the \$25.1 million increase in recurring revenues, \$16.5 million is available for general appropriations. The other \$8.6 million is committed for specific purposes.**
- **The major revenue drivers: general property taxes and other local taxes.**

Revenues: Review of Preliminary Projections for FY2023

General Property Taxes

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 206,502	\$ 226,606	\$ 20,104	9.7%

Real Estate Taxes

- Based on a tax rate of \$1.18 per \$100 of assessed value.
- The Assessor is projecting that total taxable assessments will increase by 16% (weighted average).
- Translates to a \$14.9M increase in revenues - from \$ 144.5M to \$159.4M (represents 40% of the revenue budget).
- No change in collection rate - 98.4%

Revenues: Review of Preliminary Projections for FY2023

General Property Taxes - continued

Real Estate Taxes - continued

- Each penny = \$1,352,544
- Other cities are expecting:
 - Newport News 15.00%
 - Chesapeake 13.00%
 - Suffolk 10.77%
 - Va. Beach 9.30%
 - Portsmouth 8.74%

Revenues: Review of Preliminary Projections for FY2023

General Property Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 206,502</u>	<u>\$ 226,606</u>	<u>\$ 20,104</u>	<u>9.7%</u>

Personal Property Taxes

Factors impacting FY23

- **The Pandemic disrupted supply chains and caused shortages in critical auto components like semiconductors, resulting in a lack of new vehicles available to purchase.**
- **The lack of new cars available has created strong demand for used cars.**

Revenues: Review of Preliminary Projections for FY2023

General Property Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 206,502	\$ 226,606	\$ 20,104	9.7%

Personal Property Taxes

Factors impacting FY23

- Therefore, used car prices experienced a 37% increase from December 2020 to December 2021.
- During this same period, new car prices are up 12%.
- The City is experiencing an increase of approximately 44% in the assessed value of vehicles.

Revenues: Review of Preliminary Projections for FY2023

General Property Taxes -continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 206,502	\$ 226,606	\$ 20,104	9.7%

Personal Property Taxes

- We expect that the used car market will recover over the course of the year and the values will depreciate.
- Therefore, at the recommendation of the Commissioner of Revenue, City Council has approved that an assessment ratio of 75% be applied to all qualifying vehicles assessed values in order to provide tax relief for our citizens.

Revenues: Review of Preliminary Projections for FY2023

General Property Taxes - concluded

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 206,502	\$ 226,606	\$ 20,104	9.7%

Personal Property Taxes

- **Projecting FY23 personal property taxes to be \$48.6 million, an increase of \$4.8 million or 10.9% (represents 12% of the revenue budget)**
- **Projecting a collection rate of 90%.**

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

- **The Largest Five Other Local Taxes:**

- 1) Meal tax
- 2) Sales and Use tax
- 3) Business License tax
- 4) Communications Sales tax
- 5) Utility taxes – Electric and Gas

- Represents approximately 78% of the total other local taxes projection.

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Meal Tax

- Restaurant sales in the City grew on the average of 11%.
- Food establishments at the Peninsula Town Center had an increase of 37%.
- Large chain restaurants, not including fast food, experienced growth ranging between 11% - 42%.
- With new restaurants opening we expect to see continued growth.

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 85,958</u>	<u>\$ 89,005</u>	<u>\$ 3,047</u>	<u>4%</u>

Meal Tax

- **We have projected this revenue to increase to \$25.6 million, an increase of approximately \$3 million or 13%.**

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Sales and Use Tax

- **Year-to-date sales tax collections are tracking 8.7% over the FY21 actual.**
- **Online sales grew by 17% last year and currently makes up 22% of all taxable sales in the City. Amazon leads the way as our highest sales tax generator.**
- **Home improvement stores on average grew 9%. This is an area that has thrived since COVID.**

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Sales and Use Tax

- **The strong growth in restaurants sales has had a positive impact on sales tax.**
- **Even with the lack of inventory, auto dealers in the City reported record sales.**
- **While grocery stores experienced a decline of 4.6% in sales from the previous year, sales are still substantially higher than pre-COVID.**

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Sales and Use Tax

- For the projections, we have assumed that the **Grocery Sales Tax** will be eliminated by the **General Assembly** for **FY23** – a reduction of **\$3.3 million**.
- Based on these factors, we're budgeting **\$16.7 million** for this revenue, a decrease of **\$1.7 million** or **9.4%**.

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Business License Tax

- **Business license receipts which are an indication of our overall business climate were flat for our traditional businesses for the past two years.**
- **One significant factor that has had an impact on business license revenue is the decline of in-person retail sales. An online retailer is not required to pay on their gross receipts because they have no physical location in the City.**

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Business License Tax

- Therefore, we're losing approximately \$1,000,000 in business license tax.
- We did experience an increase in FY21 in business license revenues because of the contractors working on the Hampton Roads Bridge Tunnel. We expect moderate increases in FY23 and FY24.
- Based on these factors, we've kept this revenue flat at \$14.3M.

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	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 FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	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 FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Communications Sales Tax

- **Communications Sales Tax is expected to decline by \$684,000 to a projection of approximately \$6.4 million.**

Utility Taxes – Electric & Gas

- **Utility taxes - Electric and Gas are expected to be flat at \$5 million.**

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Pari-Mutuel License Tax

- We have budgeted \$2.6 million (an increase of 820,000 over FY22) in Pari-Mutuel license tax revenues.

Admission Tax

- Admission taxes were severely impacted during the pandemic.
- Year-to-date collections are up 318% as compared to the prior year.

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Admission Tax

- **Movie Theaters (which comprise about 50% of this revenue) are recovering slowly.**
- **Based on the positive trend for FY22, we're budgeting \$1.1 million for FY23 – an increase of \$450,000.**

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Lodging Tax

- Our hotel market wasn't impacted as much as hotels located in large metropolitan areas (Northern Virginia) because they rely on corporate business.
- Youth sports declined in 2020, but strongly returned in 2021, demonstrated through tournaments at the Boo Williams Sportsplex, Youth Sailing competitions on Hampton's waterways, and baseball tournaments at War Memorial Stadium.

Revenues: Review of Preliminary Projections for FY2023

Other Local Taxes - concluded

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 85,958	\$ 89,005	\$ 3,047	4%

Lodging Tax

- **Conventions that were cancelled in 2020 and 2021 are being rescheduled for 2022. We expect 2022 to be a strong year for the Hampton Roads Convention Center.**
- **Hotel receipts have increased by 33%.**
- **We're projecting revenues to be \$4.7 million for FY23, an increase of \$1.2 million or 35% from the FY22 budget.**

Revenues: Review of Preliminary Projections for FY2023

License, Permits and Privileged Fees

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS proj
\$ 1,461	\$ 1,461	\$ -	0%

- **Based on current trends and the projects we anticipate to take place for fiscal year 2023, we're expecting the building permit activity and values to remain flat for fiscal year 2023.**

Revenues: Review of Preliminary Projections for FY2023

Fines and Forfeitures

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 837	\$ 837	\$ -	0%

- **Based on current revenue trends, we're maintaining the budget at the FY22 amount.**

Revenues: Review of Preliminary Projections for FY2023

Revenues from Use of Money & Property

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 715	\$ 1,095	\$ 380	53%

- **This revenue category is primarily composed of interest income that we earn on cash balances and investments.**
- **On March 16, 2022, the Federal Reserve raised its short-term benchmark rate by one quarter of a percentage point (.25%). 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 \$850,000 for FY23, which is \$356,000 greater than FY22.**

Revenues: Review of Preliminary Projections for FY2023

Charges for Services

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 8,760	\$ 9,760	\$ 1,000	11%

- **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 91% of the total Charges for Services projection.

Revenues: Review of Preliminary Projections for FY2023

Charges for Services - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 8,760	\$ 9,760	\$ 1,000	11%

- **EMS transport revenues are tracking 35% greater than the previous fiscal year.**
- **Despite the reduction in billable transports seen in FY21, which is likely attributed to COVID-related reasons, we're seeing a 20% increase in billable transports in FY22. In addition, the average revenue per transport has increased about 8%.**
- **EMS transport fees are estimated at \$4.8M – an increase of \$800,000.**

Revenues: Review of Preliminary Projections for FY2023

Charges for Services - continued

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 8,760	\$ 9,760	\$ 1,000	11%

- **Fees for School Age Program year-to- date collections are up \$732,534 or 447% as compared to FY21.**
- **There are 26 sites opened (out of maximum of 33) with 1,132 students participating in the program. Staffing issues have prevented them from opening the other sites.**
- **The School Age Program has estimated revenues for FY23 would be \$1,081,622, an increase of \$98,000 or 9.9% from the FY22 budget.**

Revenues: Review of Preliminary Projections for FY2023

Charges for Services - concluded

(In Thousands)

Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 8,760</u>	<u>\$ 9,760</u>	<u>\$ 1,000</u>	<u>11%</u>

- **Fees for Parks, Recreation & Leisure Services (PRLS) year-to-date collections are up 486% or \$477,000 as compared to FY22 but still below the Pre-COVID amount.**
- **PRLS anticipates continued growth in participation in most programs.**
- **PRLS has estimated revenues for FY23 of \$792,104, an increase of \$98,500 or 14% from the FY22 budget.**

Revenues: Review of Preliminary Projections for FY2023

Miscellaneous Revenue

(In Thousands)

Approved Budget FY2022	Projection FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 4,967</u>	<u>\$ 5,596</u>	<u>\$ 629</u>	<u>13%</u>

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

Revenues: Review of Preliminary Projections for FY2023

State/Federal Revenues

(In Thousands)

	<u>FY2022</u>	<u>FY2023</u>	<u>Apprv VS Proj</u>	<u>Apprv VS Proj</u>
Recovered Costs	\$ 8,776	\$ 8,776	\$ -	0%
Shared Expenses-State	10,437	10,437	-	0%
Non-Categorical-State	551	551	-	0%
Categorical-State\Fed	33,647	33,962	315	1%
Federal	31	31	-	0%
	<u>\$ 53,442</u>	<u>\$ 53,757</u>	<u>\$ 315</u>	<u>1%</u>

- **The General Assembly ended the regular session without completing its work on the state budget. The Governor will need to call a special session of the General Assembly so that they can complete the budget.**
- **An increase of \$315,000 in Urban Maintenance Funds for the maintenance of roads.**

Revenues: Review of Preliminary Projections for FY2023

Transfers and Fund Balance

(In Thousands)

	Approved Budget FY2022	Projections FY2023	\$ Amount Incr/(Decr) Apprv VS Proj	% % Incr/(Decr) Apprv VS proj
Fund Balance	\$ 7,859	\$ 8,116	\$ 257	3%
Transfer from School Op Fund	\$ 3,200	\$ 2,867	\$ (333)	-10%
	<u>\$ 11,059</u>	<u>\$ 10,983</u>	<u>\$ (76)</u>	<u>-1%</u>

- **Plan to use \$4.2 million from unassigned fund balance (savings account) for the 2023 CIP.**
- **Plan to use \$354,588 for the PC replacement program.**
- **Hampton City Schools is funding the debt service of \$867,000 million for the science wing building.**

Revenues: Review of Preliminary Projections for FY2023

Total General Fund Revenues

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- **Increase in recurring revenues of \$25.1 Million or 6.9%.**
- **Of the \$25.1 million increase in recurring revenues, \$16.5 million is available for general appropriations. The other \$8.6 million is committed for specific purposes.**
- **The major revenue drivers: general property taxes and other local taxes.**