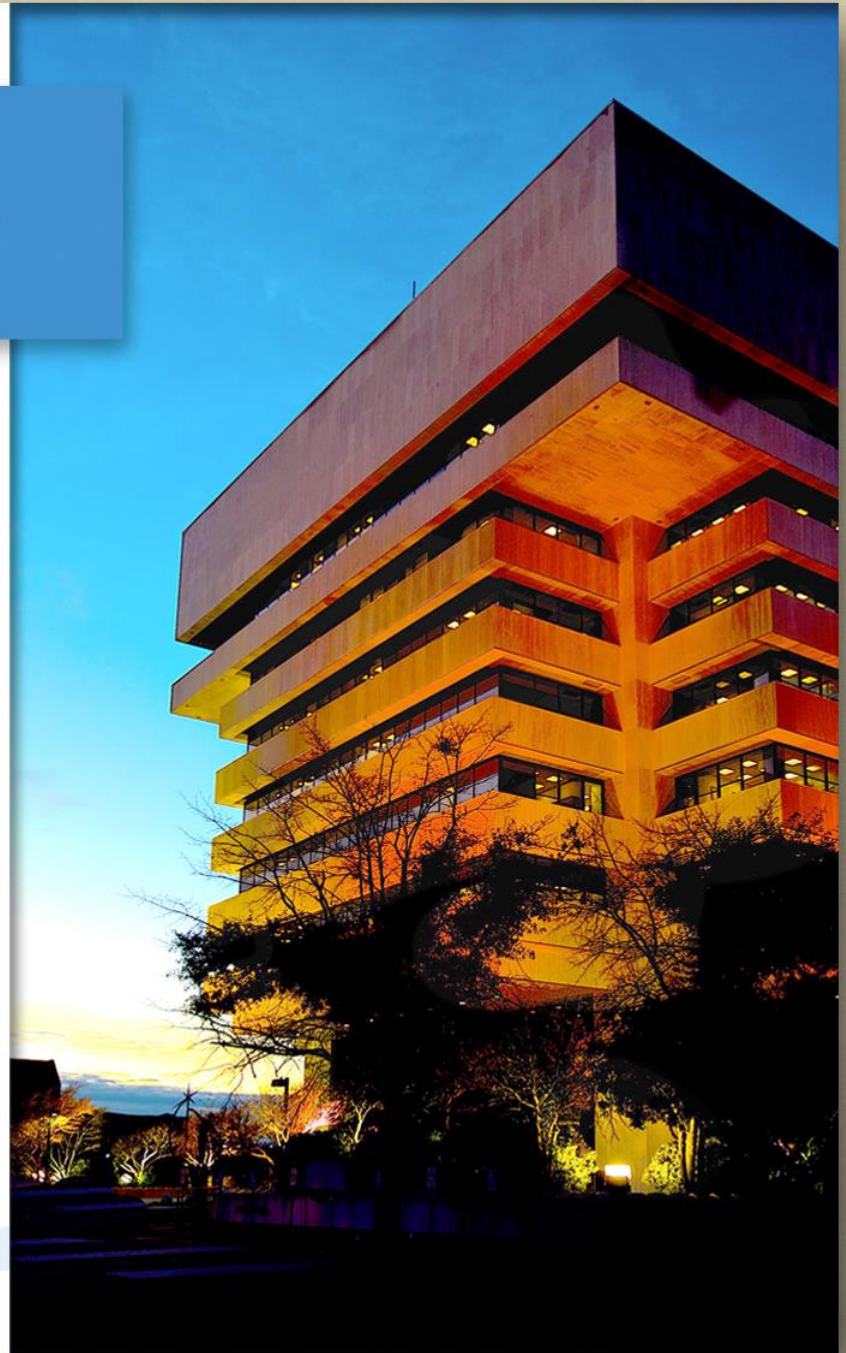


HAMPTON VA

Preliminary Revenue Projections Fiscal Year 2022

**Hampton City Council
March 24, 2021**



Revenues: Review of Preliminary Projections for FY2022

Total General Fund Revenues

	<u>FY2021</u>	<u>FY2022</u>	<u>Apprv VS Proj</u>	<u>Apprv VS Proj</u>
Recurring Revenues	\$ 358,408,730	\$ 365,100,159	\$ 6,691,429	1.9%
One-Time Revenues	\$ 6,296,960	\$ 6,296,960	\$ -	0.0%
	<u>\$ 364,705,690</u>	<u>\$ 371,397,119</u>	<u>\$ 6,691,429</u>	<u>1.8%</u>

- **Increase in recurring revenues of \$6.7 Million or 1.8%**
- **Of the \$6.7 million increase in recurring revenues, \$2.6 million is available for general appropriations. The other \$4.1 million is committed for specific purposes.**
- **The major revenue drivers: general property taxes, sales tax, recordation tax and license fees- pari-mutuel offset by declines in lodging taxes, meal tax and admissions tax.**

Revenues: Review of Preliminary Projections for FY2022

General Property Taxes

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 196,346</u>	<u>\$ 206,502</u>	<u>\$ 10,156</u>	<u>5.2%</u>

Real Estate Taxes

- **The Assessor is projecting that total taxable assessments will increase by 5.71% (weighted average).**
- **Translates to a \$7.6M increase in revenues - from \$ 136.9M to \$144.5M (represents 39% of the revenue budget).**
- **No change in collection rate - 98.4%**

Revenues: Review of Preliminary Projections for FY2022

General Property Taxes - continued

Real Estate Taxes - continued

- Each penny = \$1,164,980
- Other cities are expecting:

	FY22 % Change in Taxable Real Estate Assessments	FY19 -FY22 Cumulative % Change in Taxable Real Estate Assessments	Value of One Penny
City of Norfolk	3.25%	14.21%	2,176,178
City of Suffolk	5.34%	13.32%	1,111,319
City of Va. Beach	3.70%	13.00%	6,375,000
City of Portsmouth	3.00%	12.85%	812,154
City of Hampton	5.71%	12.71%	1,164,980
City of Chesapeake	2.53%	11.24%	3,027,778

Revenues: Review of Preliminary Projections for FY2022

General Property Taxes

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 196,346	\$ 206,502	\$ 10,156	5.2%

Personal Property Taxes

Factors impacting FY21

- **New car registrations in Hampton for CY2020 declined by 2% from CY2019 (primarily in the non-truck category).**
- **Used car wholesale prices experienced a 17.9% increase from February 2020 to February 2021 (lead by a 33% increase in prices of Pickup trucks)**

Revenues: Review of Preliminary Projections for FY2022

General Property Taxes

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 196,346</u>	<u>\$ 206,502</u>	<u>\$ 10,156</u>	<u>5.2%</u>

Personal Property Taxes

Factors impacting FY22

- **With a lack of inventory of new cars from auto plants being closed in April and May 2020, used car sales boomed.**
- **Business personal property taxes have not been finalized yet.**

Revenues: Review of Preliminary Projections for FY2022

General Property Taxes

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 196,346</u>	<u>\$ 206,502</u>	<u>\$ 10,156</u>	<u>5.2%</u>

Personal Property Taxes

- **Projecting FY22 personal property taxes to be \$43.9 million, an increase of \$2.9 million or 6.9% (represents 12% of the revenue budget)**
- **Projecting a collection rate of 93%.**

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

- **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 FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

Meal Tax

- Meal tax is tracking approximately 6% under the prior fiscal year actual revenue (fiscal year-to-date through February).
- Based on a customer survey by Deloitte US, a full return to normal may not be in the cards for the food services and restaurant industries as there will be continued interest in cooking at home and buying fresh food.

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

Meal Tax

- We expect this revenue to recover some in FY22; therefore, we have projected this revenue to decline to \$22.6 million, a decrease of approximately \$.9 million or 3.8%.

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

Sales and Use Tax

- Year-to-date sales tax collections are tracking 13.6% over the FY21 actual.
- The robust growth in sales tax is driven primarily by:
 - The Supreme Court decision on South Dakota v. Wayfair eliminated the physical presence requirement for on-line retailers to remit taxes. Virginia adopted the Wayfair tax reporting policies in July 2019 (started to receive payments in September 2019)

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

Sales and Use Tax

- The positive growth in sales tax is driven primarily by:
 - Increase in grocery store sales has helped to offset the decline in restaurant sales.
 - Savings from lower outlays on commuting, eating out and not taking vacations have given consumers a pool of cash which they have used for home projects and activities.

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

Sales and Use Tax

- The positive growth in sales tax is driven primarily by:
 - The economic stimulus payments have generated additional spending in our local economy.
- While we're having phenomenal growth in this revenue, it's not sustainable for it to continue at this level into the future. Therefore, we're budgeting \$18.4 million for this revenue, an increase of 7.7% or \$1.3 million.

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

Business License Tax

- For now, we've held this revenue flat at \$13.5 million.
- The tax is due on March 1st. So, we're currently reviewing the collections to date and how the pandemic has impacted this tax.

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

Communication 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 \$1.11 per cable subscriber per month.

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

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 FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2020	Projections FY2021	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

Communications Sales Tax

- **Communications Sales Tax is expected to decline by \$397,000 to a projection of approximately \$7.1 million.**

Utility Taxes – Electric & Gas

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

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

Pari-Mutuel License Tax

- We have budgeted \$1.8 million (an increase of \$550,000 over FY21) in Pari-Mutuel license tax revenues.

Admission Tax

- Year-to-date collections through February are down 76% as compared to the prior year.
- We expect some revenue recovery during fiscal year 2022 ; therefore, we have budgeted \$650,000 (48% of FY21 budget)

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 86,158	\$ 85,157	\$ (1,001)	-1%

Lodging Tax

- The STR lodging trend report for the City of Hampton showed for the 12 months ending February 2021 : 1) 19.2% decline in occupancy; 2) 18.5% decline in Average Daily Rate; 3) 34.1% decline in total revenue for hotels.
- Fiscal year-to-date tax collections through February 2021 are down 30%.

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - continued

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 86,158</u>	<u>\$ 85,157</u>	<u>\$ (1,001)</u>	<u>-1%</u>

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. Their occupancy was down 94% in 2020.**
- **Some leisure travel has continued and has had a positive impact on our market.**
- **Some economist say it could be 2023 before the hotel industry returns to some level of normalcy.**

Revenues: Review of Preliminary Projections for FY2022

Other Local Taxes - concluded

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 86,158</u>	<u>\$ 85,157</u>	<u>\$ (1,001)</u>	<u>-1%</u>

Lodging Tax

- **We're projecting revenues to be \$3.5 million for FY22, a decline of \$1.2 million or 25% from the FY21 budget.**

Revenues: Review of Preliminary Projections for FY2022

License, Permits and Privileged Fees

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ 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 2022, we're expecting the building permit activity and values to remain flat for fiscal year 2022.**

Revenues: Review of Preliminary Projections for FY2022

Fines and Forfeitures

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 1,176	\$ 837	\$ (339)	-29%

- **The pandemic has caused a decline in the number of court cases as compared to the previous year.**
- **The state law that went into effect on October 16, 2020 has impacted traffic penalties. Several minor infractions, while still illegal, can no longer be the primary reason for police officers to stop a driver.**
- **Court fine collections have been impacted by the General Assembly's approval to eliminate the suspension of someone's driver's license for unpaid fines and court costs.**

Revenues: Review of Preliminary Projections for FY2022

Revenues from Use of Money & Property

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 2,767	\$ 715	\$ (2,052)	-74%

- This revenue category is primarily composed on interest income that we earn on cash balances and investments.
- On March 17, 2021, the Federal Reserve announced that its target rate would remain unchanged – near zero. It's expected that the Federal Reserve will continue to maintain a low rate environment in order to stimulate the economy.
- Therefore, we're projecting interest income estimate of \$494,000 for FY22, which is \$2 million lower than FY21.

Revenues: Review of Preliminary Projections for FY2022

Charges for Services

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 9,881	\$ 8,760	\$ (1,121)	-11%

- **EMS transport revenues are tracking 10% lower than the previous fiscal year.**
- **Factors impacting EMS transport revenues: 1) high deductible health plans has negatively impacted revenue recovery; 2) payment delays from various payers; 3) increase in customers that are self-pay (without insurance); 4) decrease in the number of billable transports.**
- **EMS transport fees are estimated at \$4M – a decrease of \$514,000.**

Revenues: Review of Preliminary Projections for FY2022

Charges for Services

(In Thousands)

Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
\$ 9,881	\$ 8,760	\$ (1,121)	-11%

- **Fees for School Age Program year-to-date collections are down 99% as compared to FY20.**
- **Based on a HCS and School Age Program parent survey, 68% of families indicated that they will utilize before and aftercare services.**
- **The School Age Program has estimated revenues for FY22 would be \$983,475, a decline of \$547,000 or 36% from the FY21 budget.**

Revenues: Review of Preliminary Projections for FY2022

Charges for Services

(In Thousands)

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\$ 9,881	\$ 8,760	\$ (1,121)	-11%

- **Fees for Parks, Recreation & Leisure Services (PRLS) year-to-date collections are down 79% as compared to FY20.**
- **PRLS anticipates 25% to 50% Pre-COVID participation in most programs.**
- **PRLS has estimated revenues for FY22 of \$673,000, a decline of \$376,000 or 36% from the FY21 budget.**

Revenues: Review of Preliminary Projections for FY2022

Miscellaneous Revenue

(In Thousands)

Approved Budget FY2021	Projection FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% Incr/(Decr) Apprv VS Proj
<u>\$ 5,141</u>	<u>\$ 5,196</u>	<u>\$ 55</u>	<u>1%</u>

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

Revenues: Review of Preliminary Projections for FY2022

State/Federal Revenues

	FY2021	FY2022	Apprv VS Proj	Apprv VS Proj
Recovered Costs	\$ 9,260	\$ 8,934	\$ (326)	-4%
Shared Expenses-State	10,108	10,108	-	0%
Non-Categorical-State	875	551	(324)	-37%
Categorical-State\Fed	33,206	33,647	441	1%
Federal	31	31	-	0%
	<u>\$ 53,480</u>	<u>\$ 53,271</u>	<u>\$ (209)</u>	<u>0%</u>

- **A decrease of \$326,000 in HB599 Funding for Local Police Departments.**
- **An increase of \$441,000 in Urban Maintenance Funds for the maintenance of roads.**
- **State recordation tax previously provided to localities has been dedicated to HRT for transit purposes - a reduction of \$394,000.**

Revenues: Review of Preliminary Projections for FY2022

Transfers and Fund Balance

	Approved Budget FY2021	Projections FY2022	\$ Amount Incr/(Decr) Apprv VS Proj	% % Incr/(Decr) Apprv VS proj
Fund Balance	\$ 6,297	\$ 6,297	\$ -	0%
Transfer from School Op Fund	\$ 2,000	\$ 3,200	\$ 1,200	60%
	<u>\$ 8,297</u>	<u>\$ 9,497</u>	<u>\$ 1,200</u>	<u>14%</u>

- **Plan to use \$3.7 million from unassigned fund balance (savings account) for the 2022 CIP.**
- **Plan to use \$354,588 for the PC replacement program.**
- **Hampton City Schools is funding the debt service of \$1.2 million for the science wing building.**

Revenues: Review of Preliminary Projections for FY2022

Total General Fund Revenues

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- **Of the \$6.7 million increase in recurring revenues, \$2.6 million is available for general appropriations. The other \$4.1 million is committed for specific purposes.**
- **The major revenue drivers: general property taxes, sales tax, recordation tax and license fees- pari-mutuel offset by declines in lodging taxes, meal tax and admissions tax.**