

Understanding City Revenues Part I

**Presented to the Finance & Economic
Development Standing Committee**

October 20, 2022

CITY REVENUES

WHERE DO THE NUMBERS COME FROM?

- Economic indicators and trends at the national, state, and local level help shape the revenue forecast.
- Historical data and statistical tools are used to identify underlying trends over time, as well as the Commonwealth's revenue forecast and budget.
- Working directly with departments on a regular basis to accurately price-in anomalies or other major one-time revenues.



CITY REVENUES

WHAT DO THE NUMBERS MEAN?

The City of Richmond has nearly 400 revenue accounts!

Revenues are received FROM	Revenues are received WHEN
• Citizens and Non-Citizens	• Annually (one-time per year)
• Commonwealth of Virginia	• Biennially
• Federal Government	• Quarterly
• Businesses/Corporations	• Monthly

NOT all revenues are the same...



CITY REVENUES

WHAT DO THE NUMBERS MEAN?

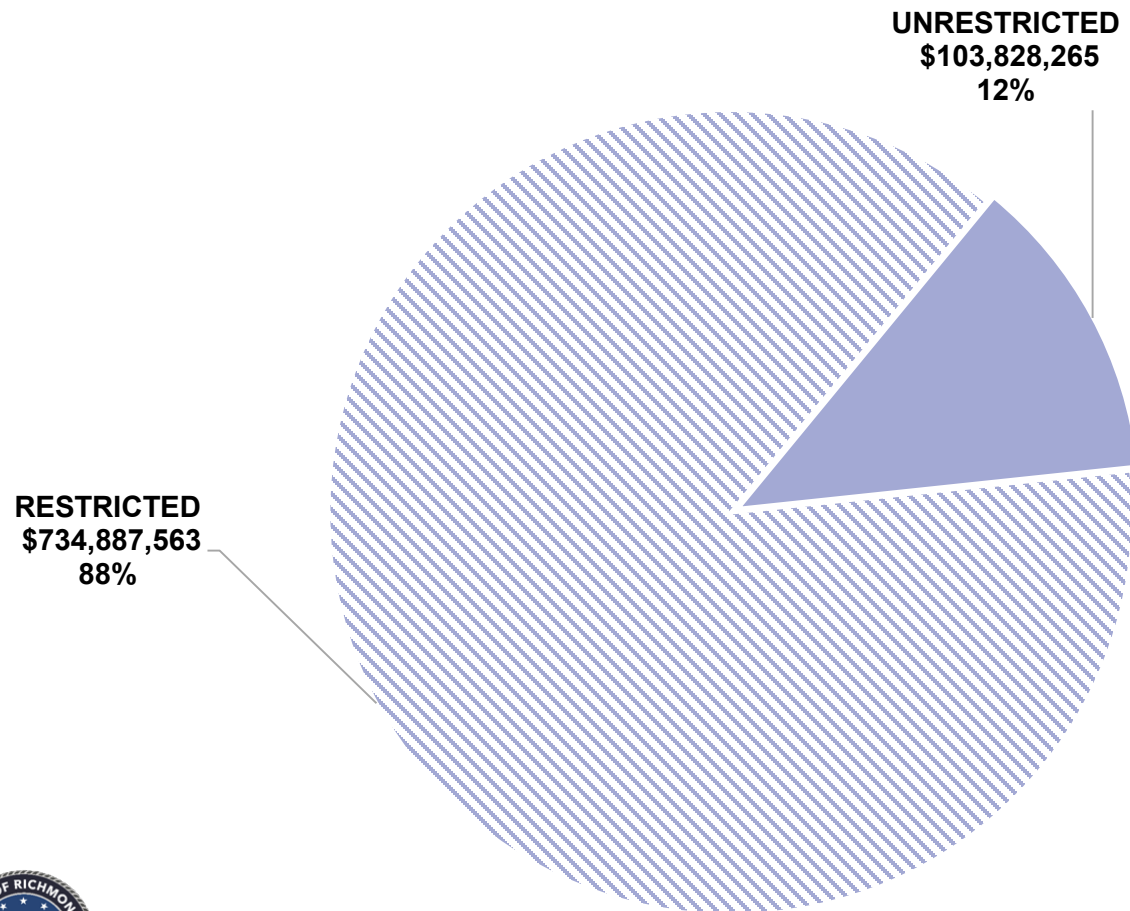
- Revenues fund public services
- Revenues drive the expenditure limits:
 - Core Services
 - Local and State Mandates
 - Non-Discretionary (i.e.: Debt Service, Personnel, etc.)
 - Administration and Council priorities

However, many revenues are already restricted....



CITY REVENUES

WHAT IS NOT AVAILABLE?

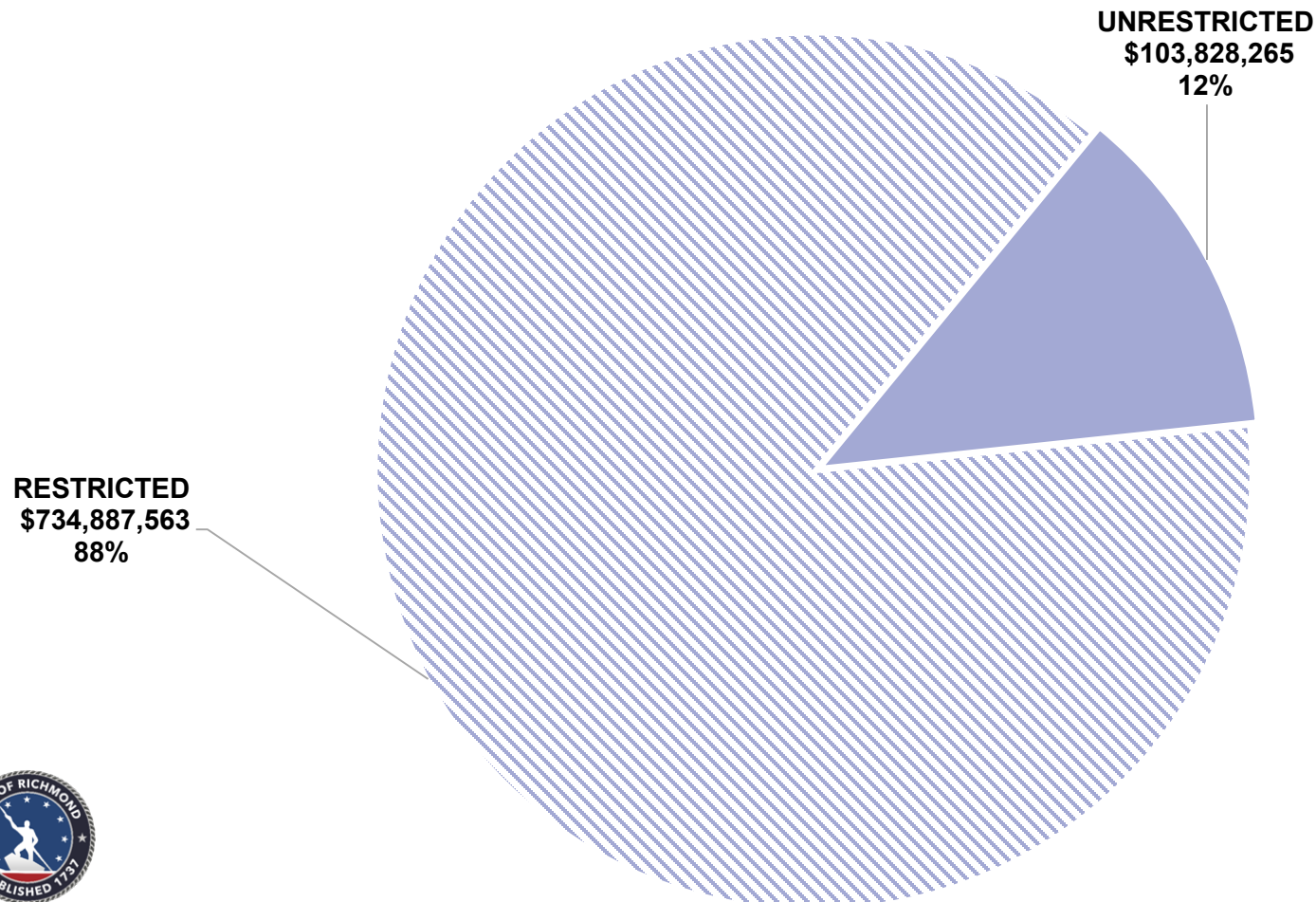


- Restricted/Dedicated revenues include:
 - Lodging Tax (GRCCA)
 - Prepared Food Tax (1.5%) – School Facilities
 - Affordable Housing Trust Fund
 - Personal Property Tax Reimbursement (State Revenue)
 - State Shared Expenses
 - State & Federal Categorical Aid
 - 55.4% of estimates receipts from Real Estate Tax for school funding
- Non-Discretionary Expenditures
 - Debt Service
 - Certain Personnel (salary & benefits)



CITY REVENUES

WHAT IS AVAILABLE?

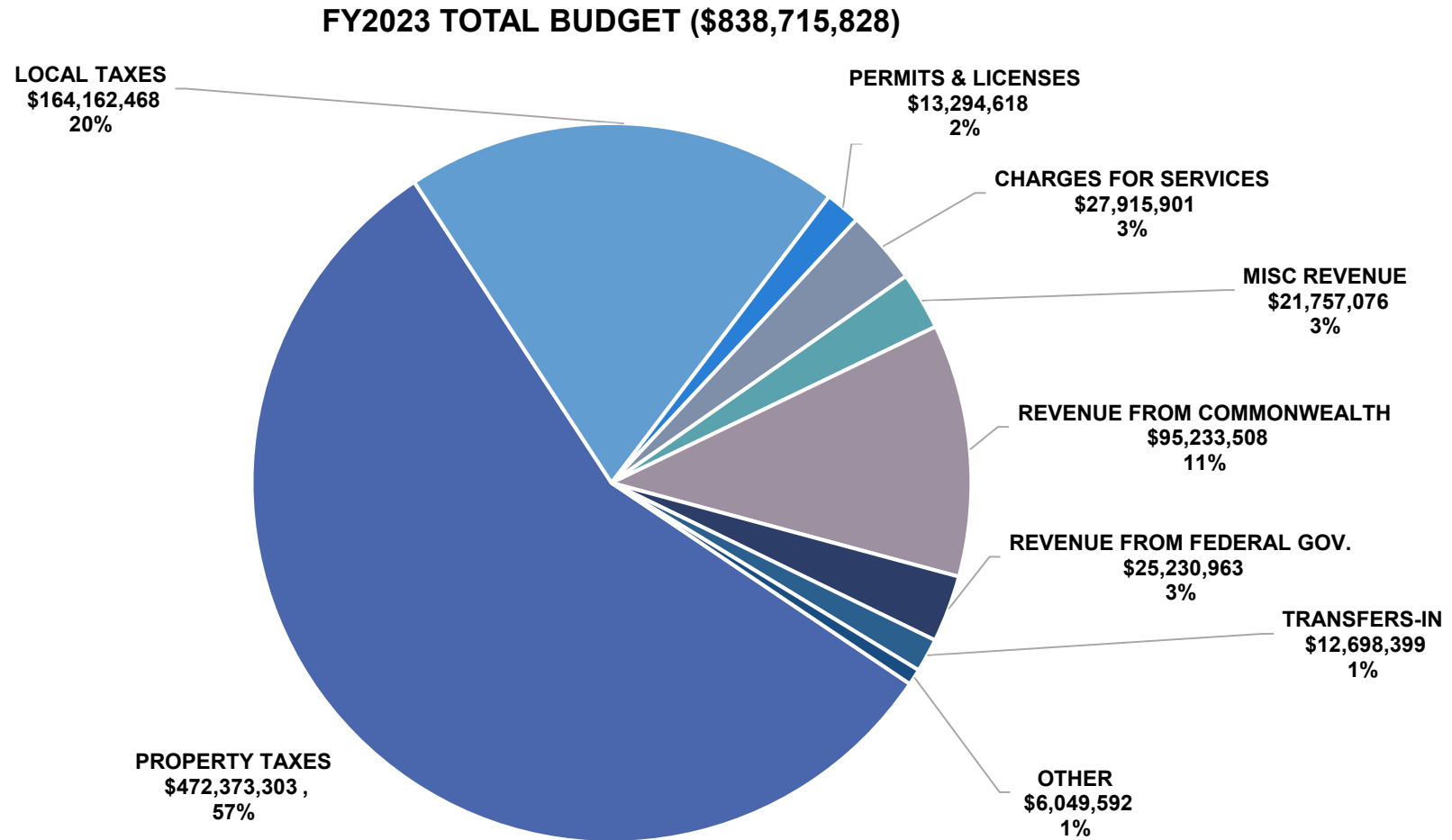


- Remaining unrestricted revenues are used to fund, but not limited to:
 - Core Services/Annual Department Operating Expenses
 - Affordable Housing
 - Retiree Expenses
 - Tax Relief
 - Public Defenders Salary Supplements
 - Payments to Authorities (i.e.: RAA, RBHA)
 - Cash funding to CIP
 - Transfers to Risk and DIT
 - Other Post-Employment Benefits (OPEB)
 - Economic Development Incentives



CITY REVENUES

FY 2023 TOTAL BUDGET = \$838,715,828

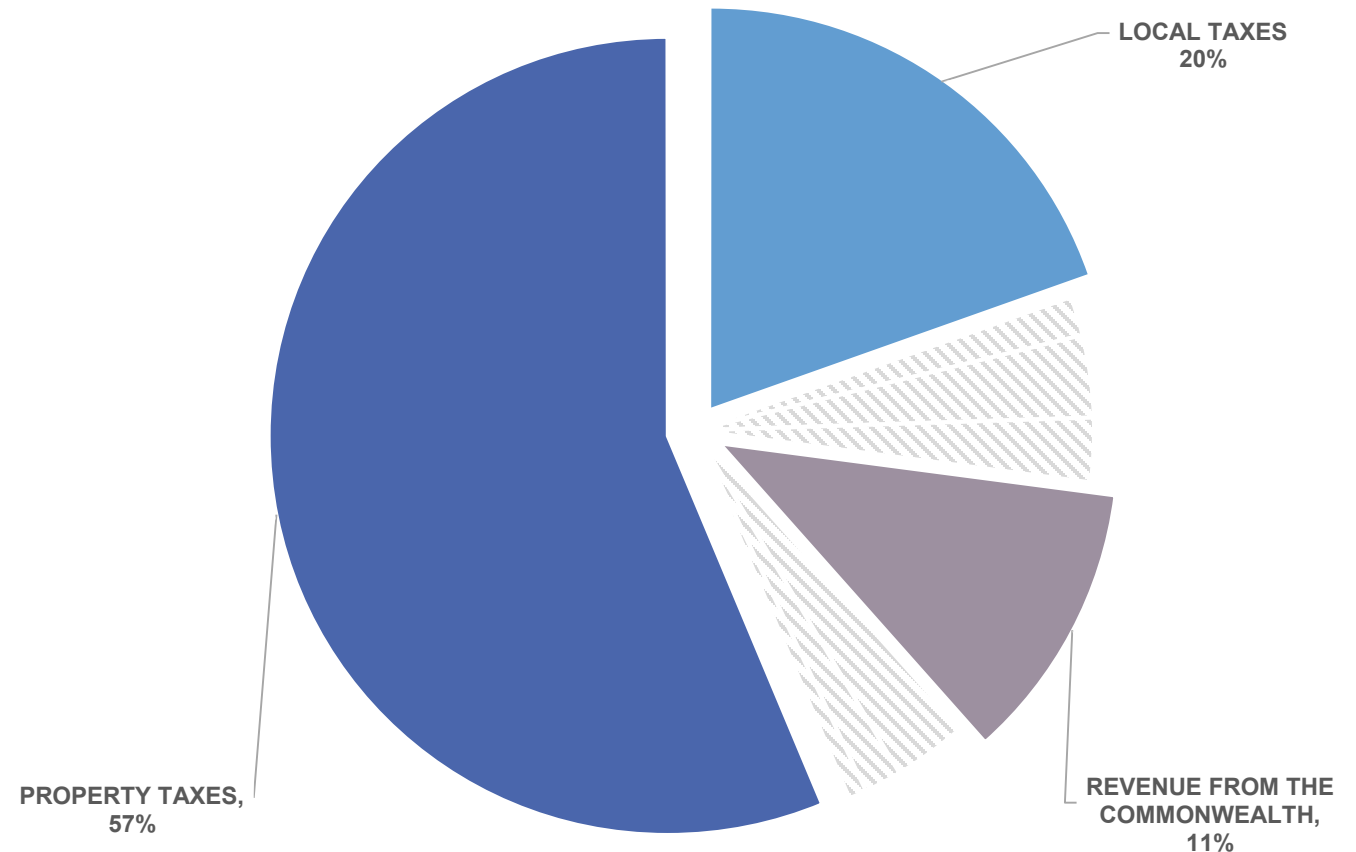


CITY REVENUES

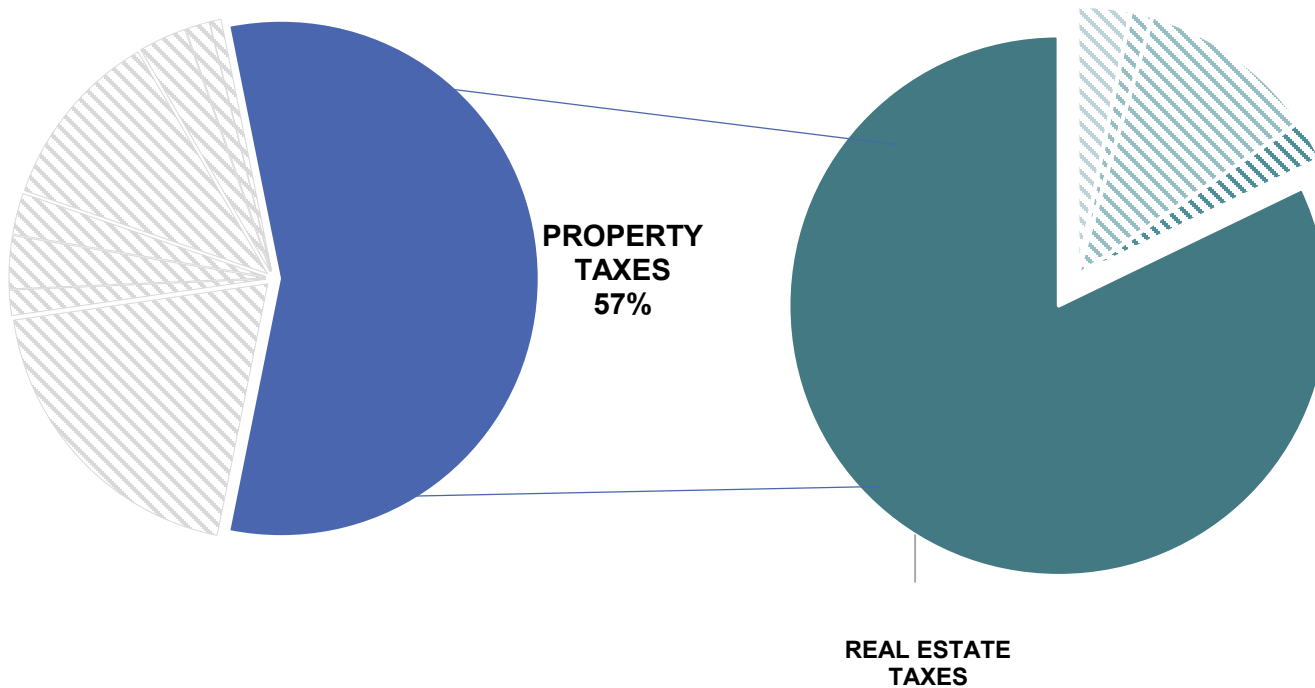
MAJOR SOURCES

City's major revenue sources are:

- **Property taxes**
 - Real Estate
 - Personal Property
- **Local taxes**
 - Sales and Use
 - Prepared Food
 - Business License
 - Transient Lodging
- **Revenue from the Commonwealth**
 - State Shared Expenses
 - Personal Property Tax Reimbursement
 - Social Services Reimbursement



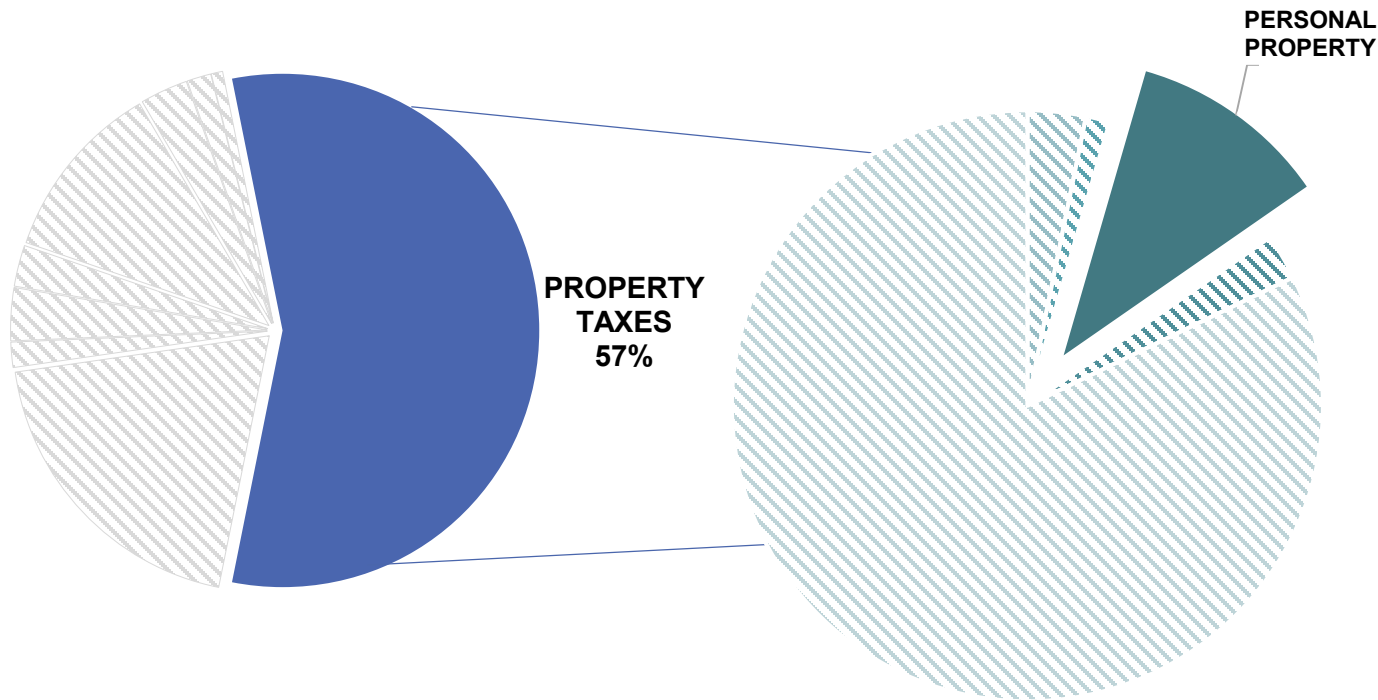
PROPERTY TAXES



- Comprised of real estate, machinery and tools, and public service corporations
- Includes current, delinquent taxes
- Billed twice a year in December and May.
- Paid directly to the City from residents.

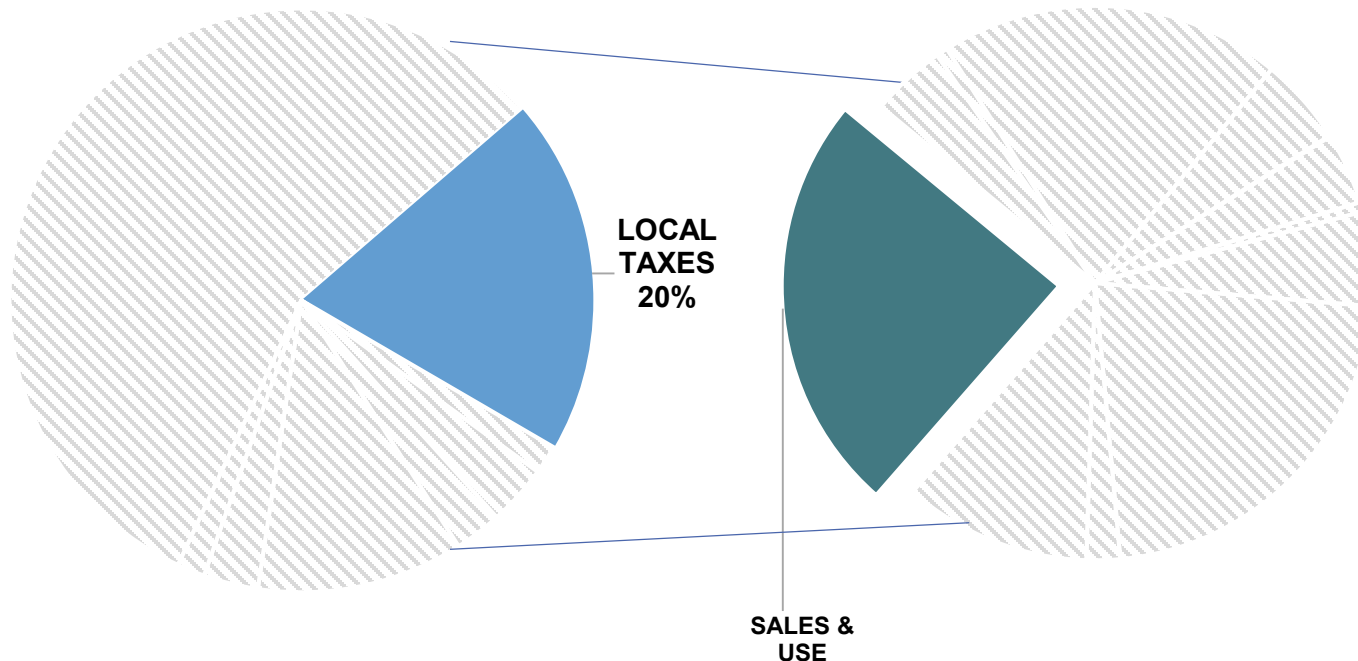
Fiscal Year	Amount
2019 (Actual)	\$360,980,948
2020 (Actual)	\$388,110,642
2021 (Actual)	\$406,968,653
2022 (Adopted)	\$417,778,087
2023 (Adopted)	\$472,373,303

PROPERTY TAXES (PERSONAL PROPERTY)



- FY 2023 Budget, \$51,258,879 (includes current and delinquent)
- Billed once a year in the month of May
- Values of vehicles has been impacted by the pandemic
- National Automobile Dealers Association (NADA) sets values for vehicles based on supply and demand
- Computer chips supply chain issues caused used car market to increase in value

OTHER LOCAL TAXES (SALES & USE)



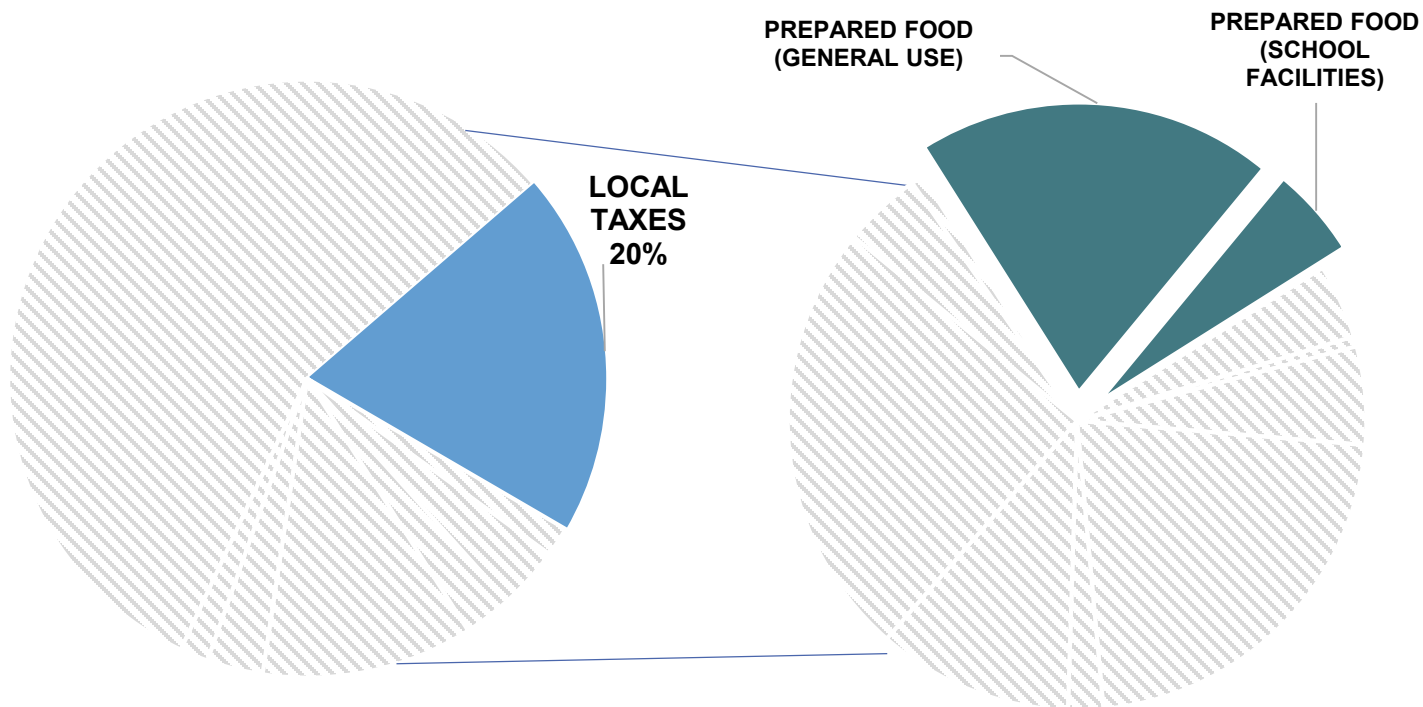
- FY 2023 Budget of \$40,299,142
- Received from the state monthly, but in arrears
 - July taxes are not received as revenue until August
- Sales Tax rate is 6.0 percent

City Sales Tax Breakout

Virginia State Sales Tax	4.3%
Local Option	1%
Special Tax for Central Virginia Transportation Authority (CVTA)	0.7%

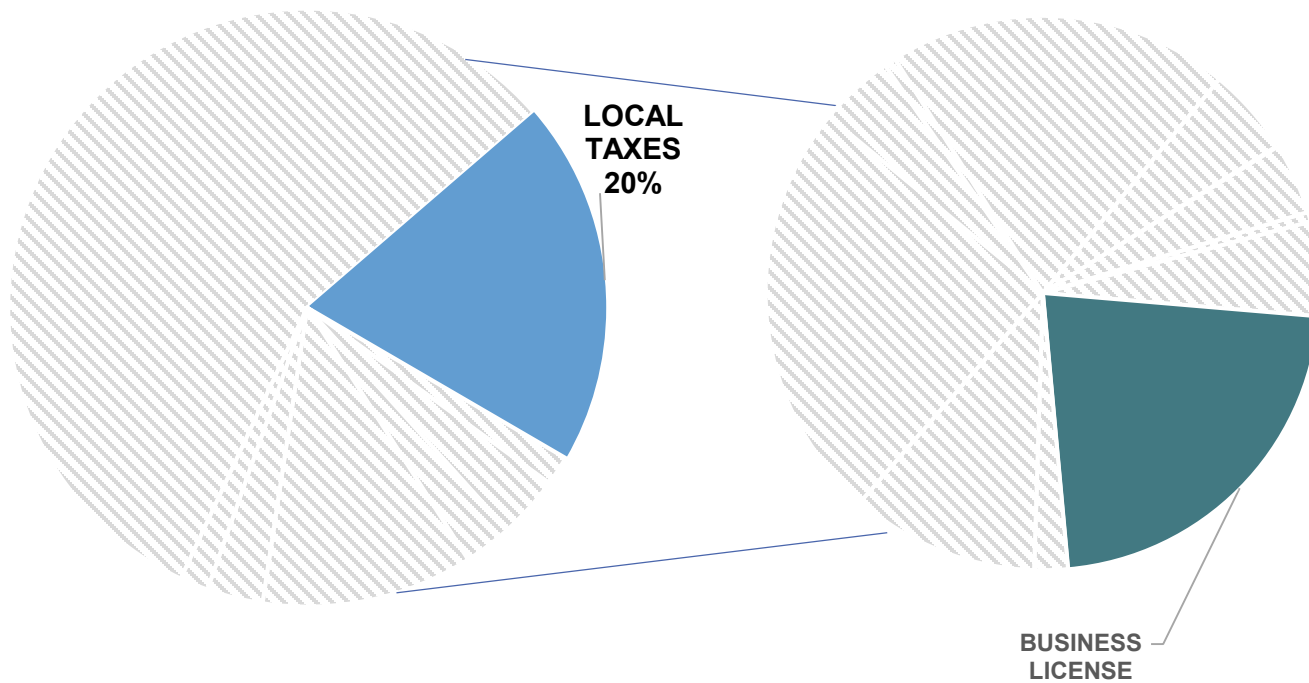


OTHER LOCAL TAXES (PREPARED FOOD)



- FY 2023 Budget of \$41,101,160 (General and School Facilities).
- Current rate is 7.5 percent
 - 6.0 percent for general use
 - 1.5 percent for Debt Service on Richmond Public Schools facilities
- Received by Restaurants and Business on a monthly basis, but in arrears.
 - The revenues we receive in August are taxes paid on food purchases in July.

OTHER LOCAL TAXES (BUSINESS LICENSE)



- FY 2023 Budget of \$36,458,418.
- Ceiling for tax calculation changed this year.
- Businesses with less than \$250,000 in gross receipts only pays \$30.
- Gross receipts above \$250,000 taxes at variable rates depending on nature of the service.
- Received in one payment to the city (annually - March).

OTHER LOCAL TAXES (TRANSIENT LODGING)

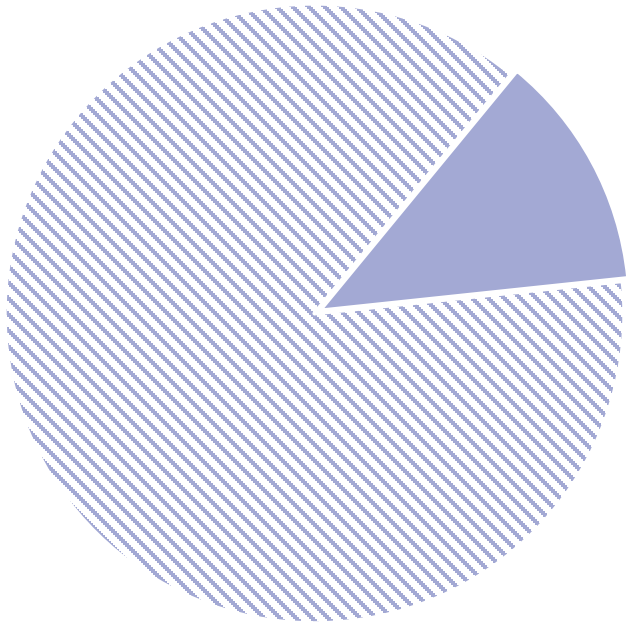


- FY 2023 Budget of \$6,809,609
- Current tax rate is eight percent
- Received directly from businesses
- Revenue is a pass through to the Greater Richmond Convention Center Authority (GRCCA)
- Transient Lodging Taxes include:
 - Hotels
 - Motels
 - Boarding houses
 - Travel campgrounds



CITY REVENUES

SUMMARY



- **Only 12 percent** of revenues are unrestricted or discretionary
- Not all revenues are the same (who/what/when)
- Major changes will have significant impact to funding:
 - Core Services/Annual Department Operating Expenses
 - Administration and Council Initiatives/Priorities
 - Funding to address challenges, such as poverty
 - Salary increases for Employees
 - Community Support, such as Tax Relief, Homeless Services, etc.
 - Payments to Authorities (i.e.: RAA, RBHA)
 - Subsidies to Not-for-Profits
 - Cash funding to CIP - Deferred Maintenance/Fleet

