The seal of the City of Richmond is a circular emblem. It features a central figure of a person walking, surrounded by a ring of stars. The outer border of the seal contains the text "CITY OF RICHMOND" at the top and "ESTABLISHED 1737" at the bottom. The seal is rendered in a light gray, semi-transparent style.

FY 2024 PROPOSED REVENUE BUDGET

CITY COUNCIL BUDGET WORKSHOP

LINCOLN SAUNDERS

CHIEF ADMINISTRATIVE OFFICER

MARCH 13, 2023

BUILDING FOR THE FUTURE

- To build a stronger Richmond and improve quality of life for all citizens by...

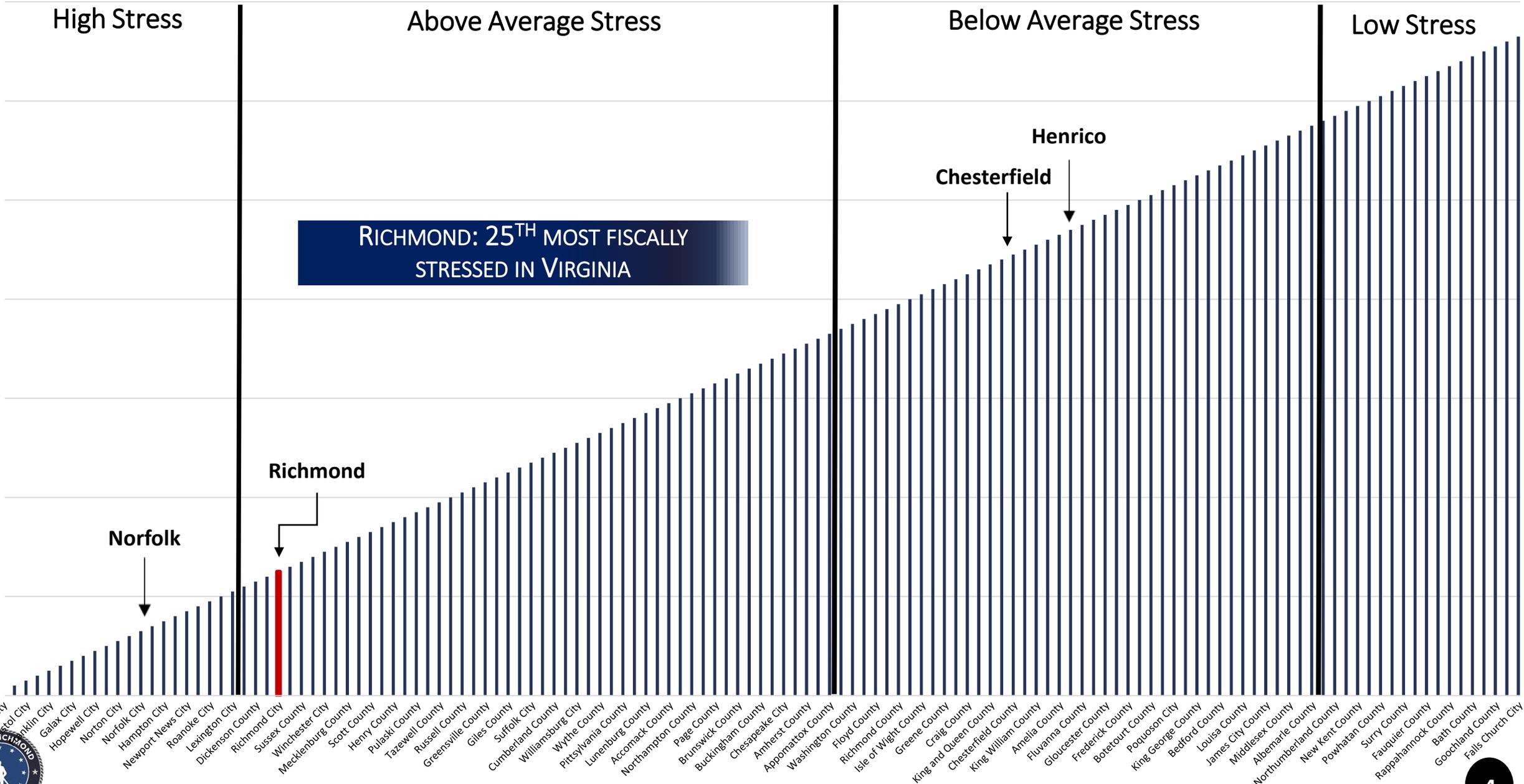


HOW DOES RICHMOND COMPARE TO ITS NEIGHBORS IN BEING ABLE TO RAISE REVENUE?

- **The Fiscal Stress Index:** an index that illustrates a locality's ability to generate additional local revenues from its current tax base relative to the rest of the Commonwealth.
- The index is offered as a means to distribute state aid to 95 counties and 38 cities in the Commonwealth. The three components are:
 1. Revenue capacity per capita (the theoretical ability of a locality to raise revenue)
 2. Revenue effort
 3. Median household income



Comparison of All Virginia Localities



Source: Commission on Local Government FY 2020 Report on Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Cities and Counties. The analysis included 134 cities/counties. The names of some localities do not appear above due to chart size restrictions.

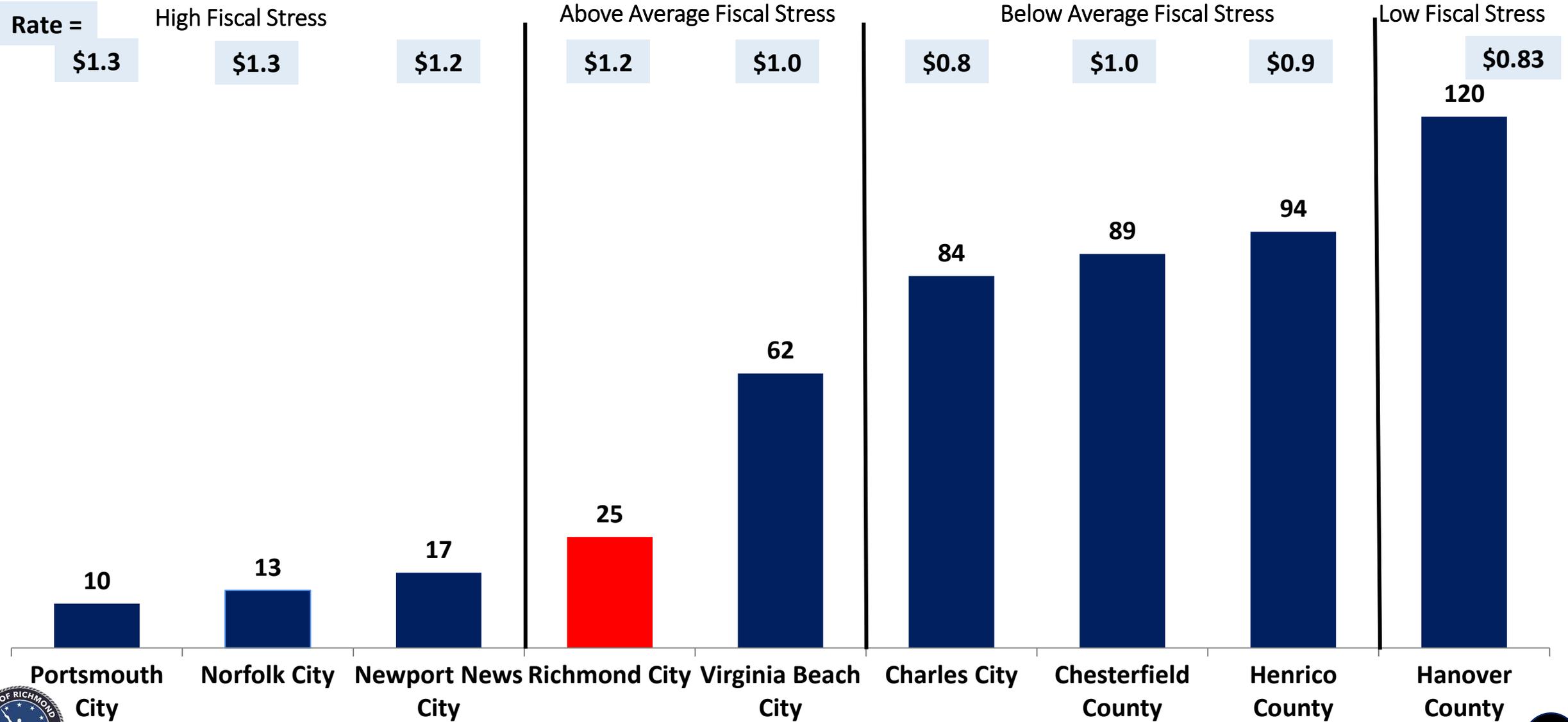
CHANGE FROM 2022 OF FISCAL STRESS RANKINGS

| Locality | 2020 Class | 2019 Class |
|----------------------|----------------------|---------------|
| Albemarle County | Below Average | Low |
| Buchanan County | Above Average | High |
| Chesapeake City | Above Average | Below Average |
| Dickenson County | Above Average | High |
| Dinwiddie County | Below Average | Above Average |
| Fredericksburg City | Below Average | Above Average |
| Prince George County | Above Average | Below Average |
| Richmond City | Above Average | High |
| Roanoke County | Above Average | Below Average |
| Stafford County | Below Average | Low |
| Virginia Beach City | Above Average | Below Average |
| Washington County | Below Average | Above Average |

Source: Commission on Local Government FY 2020 Report on Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Cities and Counties



COMPARISON OF FISCAL STRESS AND REAL ESTATE TAX RATES



Source: Commission on Local Government FY 2020 Report on Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Cities and Counties



HOW THE ECONOMIC CLIMATE IMPACTS OUR REVENUES

- We have to look at the economic indicators:
 - Gross Domestic Product (GDP).
 - Labor Force Participation (Employment and Unemployment).
 - Price trends and inflation (Consumer Price Index).
- Key questions:
 - How will a recession affect the Richmond region?
 - How will an economic downturn impact city revenues and financial decisions?



IS A RECESSION COMING AND WHAT WILL IT MEAN FOR RICHMOND?

- Economists suggest we are in uncharted territory. Some indicators point to a recession, while others show rebounding and slight growth. In 2022:
 - Richmond employment grew 1.3 percent and unemployment dropped from 3.2 to 2.9 percent.
 - Prices in the southern US grew 7 percent compared to 6.5 for US cities overall.
- At the national level, a recession may look mild in comparison to 2008.
- As of the end of last year, service providers and businesses remain cautious about adding to payrolls and taking on additional expenses until revenues are comfortably outpacing costs.

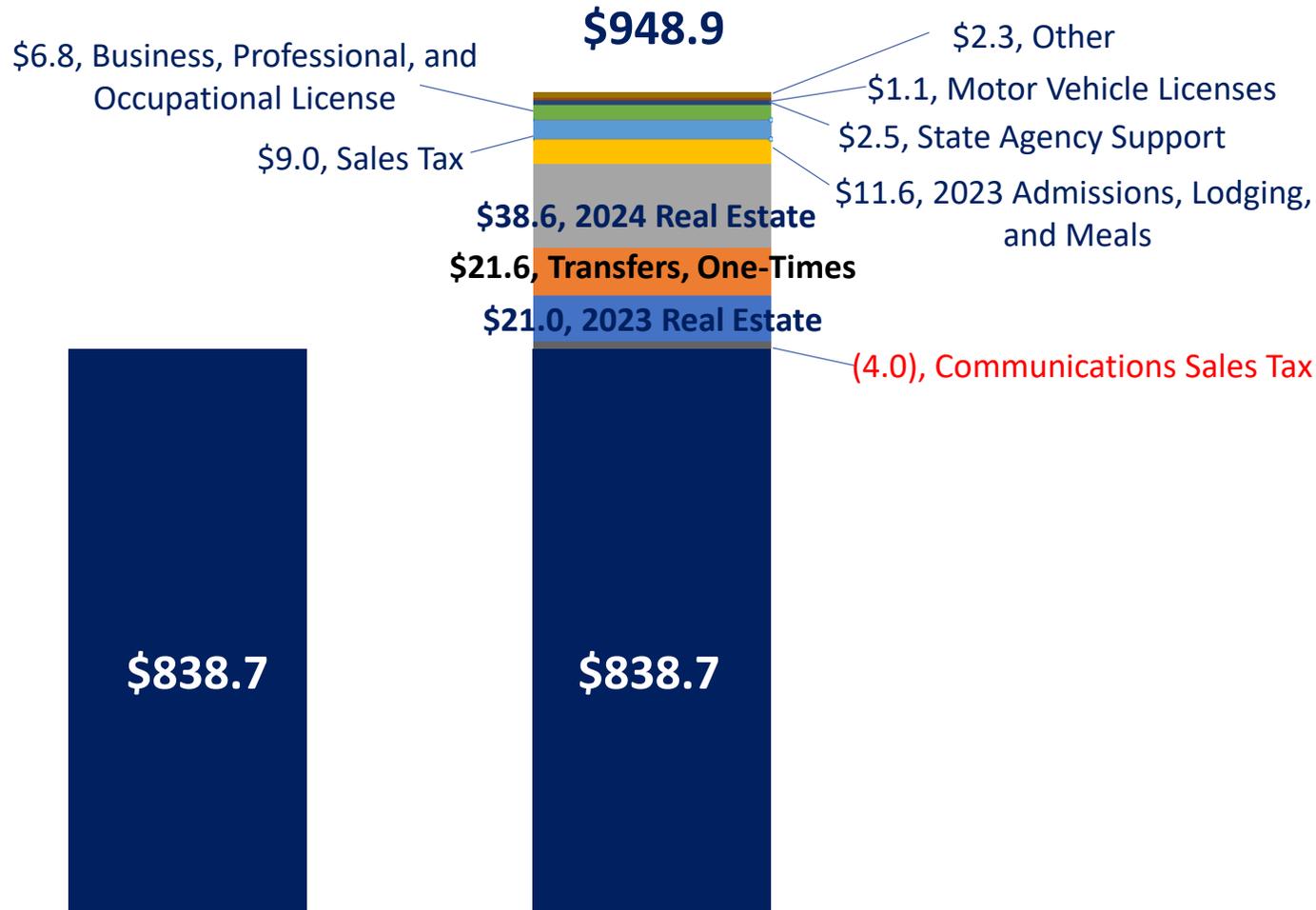


CITY SERVICES ARE NOT IMMUNE TO ECONOMIC CHANGES

- Richmond's population continues to increase.
- Employee recruiting and retention is extremely competitive.
 - Tight labor market
 - Higher expectations and competition for salary, benefits, and incentives.
- Inflationary increases
 - Energy (fuel, natural gas, electricity)
 - Contractual increases
 - IT, vehicles, insurance, goods and services, and construction costs.
- In FY 2024, we must be wise with allocation of revenues and resources.



GENERAL FUND REVENUES ARE REBOUNDED: \$948.9 MILLION GENERAL FUND REVENUE BUDGET FOR FY 2024



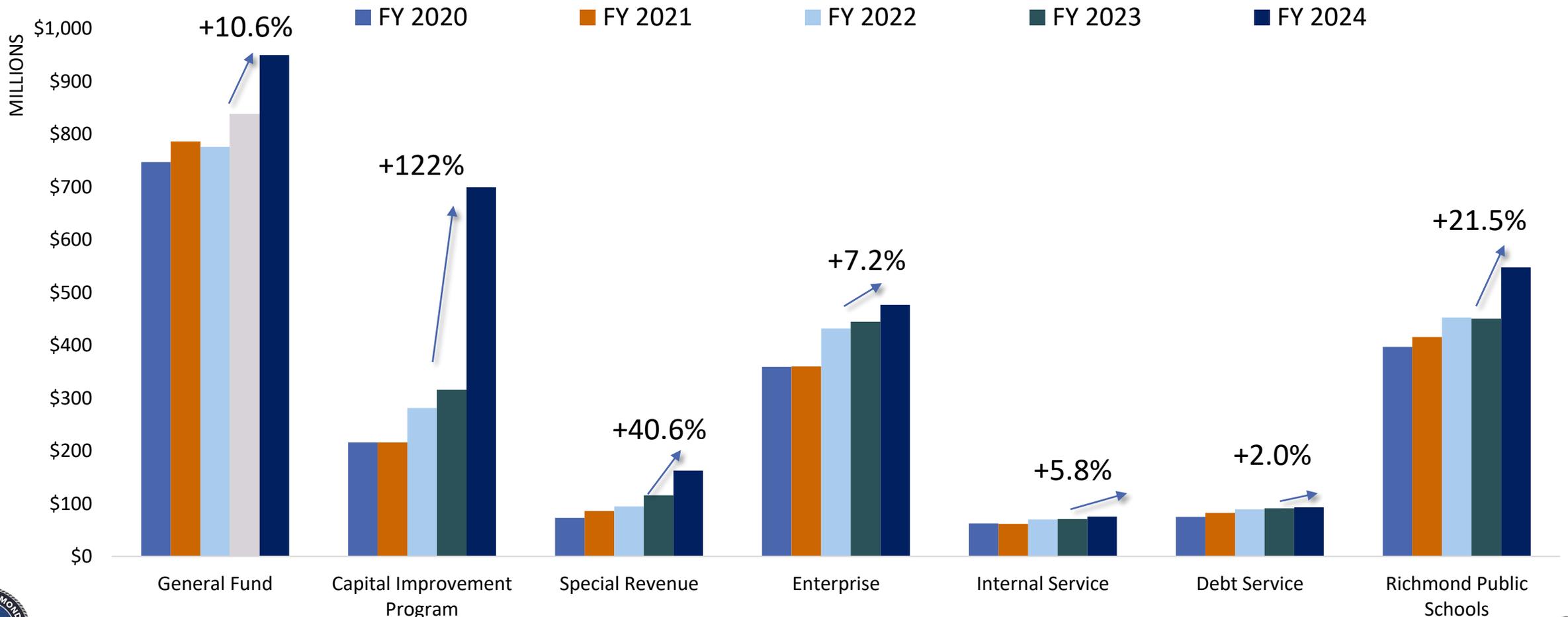
- Overall 10.6 percent growth (excluding transfers and one-times)*
 - Assumed projection of 7.7 percent growth from last year.
- 2024 Real estate tax revenue accounts for nearly 35 percent of the growth.
- 19.1 percent of the growth is from 2023 real estate assessment growth.
- State Sales and Use Tax projected to grow from FY 2023.
- ALM is expected grow 10.5 percent.

Note: Transfers and one-time revenue include money that can only be used for a specific purpose. One-times include money that was only present the prior year which are no longer available.



PROPOSED FY 2024 \$3.0 BILLION REVENUE BUDGET

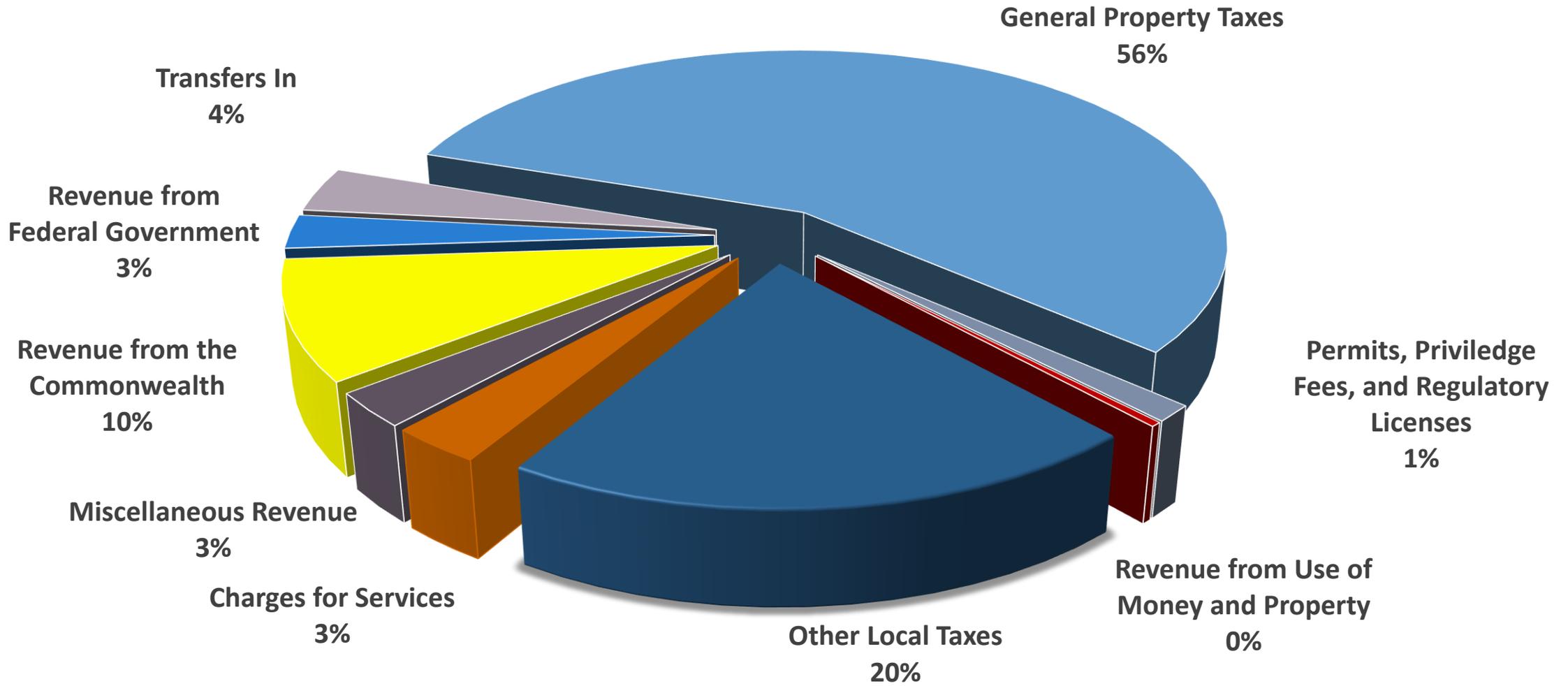
Revenue from FY 2020 – FY 2024, Percent Change From FY 2023



FY 2020-2022 are actuals, and FY 2023-FY 2024 are budget amount.



SOURCES OF THE GENERAL FUND



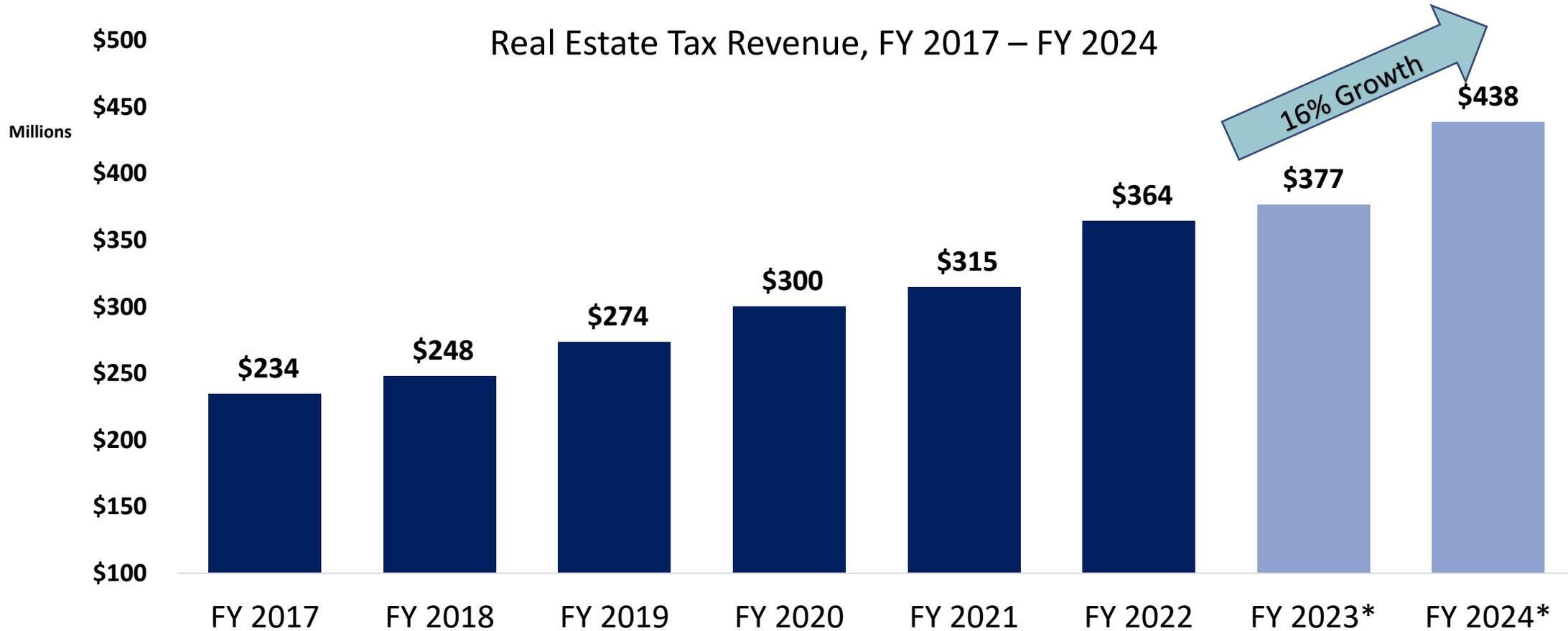
GENERAL FUND REVENUE TIMELINE



- Real Estate and personal property taxes are levied in the **fall and spring**.
- Business License Renewal, Business Returns and Business Personal Property Filings are due in **March**.
- Admission, Lodging, and Meals taxes are filed monthly and are due by the 20th for the previous months receipts.

REAL ESTATE TAX REVENUE IS THE SINGLE LARGEST SOURCE

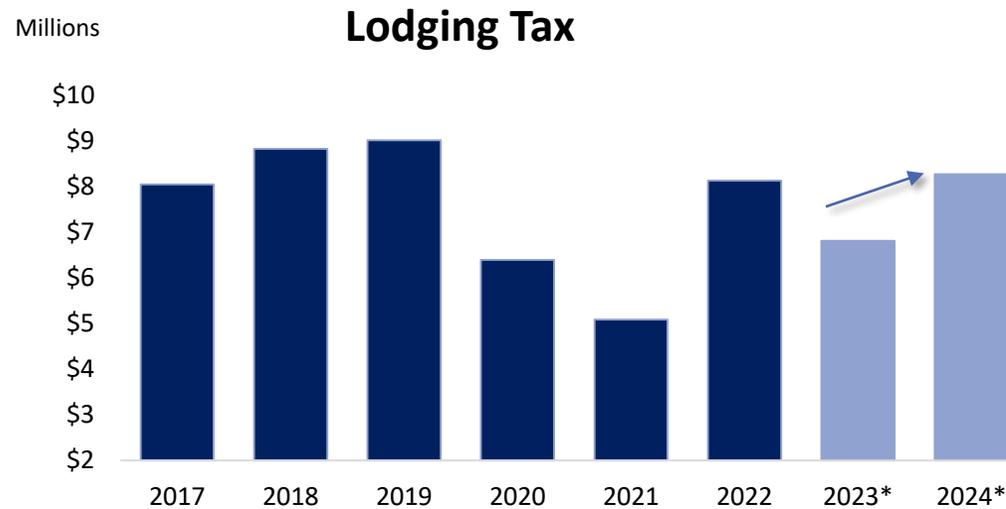
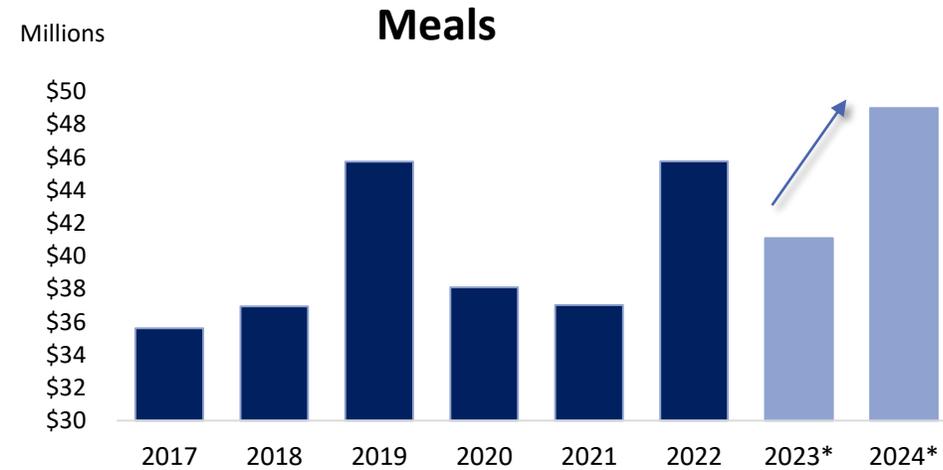
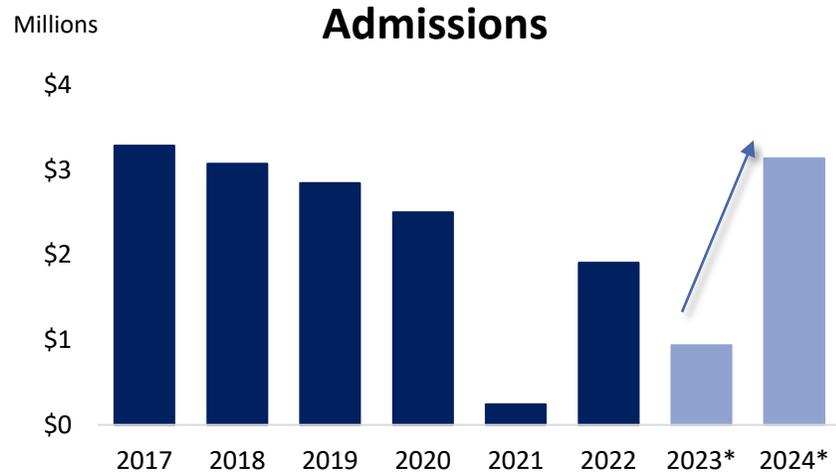
FY 2024 real estate tax revenues projected to increase approximately **16 percent from FY 2023**.



Note: FY 2017-2022 are actual, FY 2023-2024 are budget amounts. Amount shown in millions.



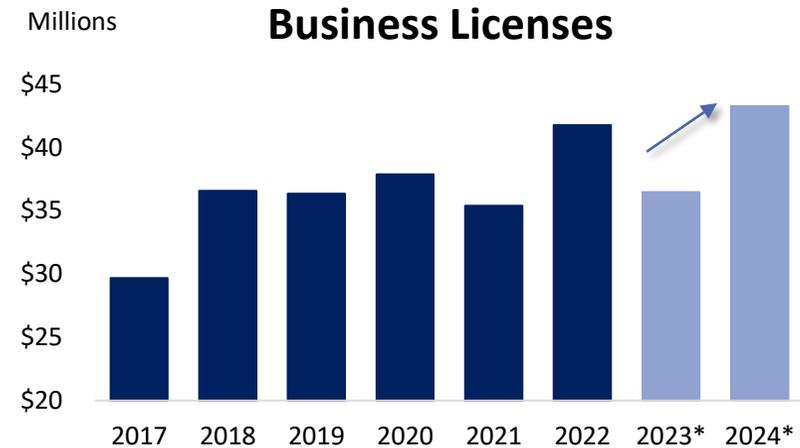
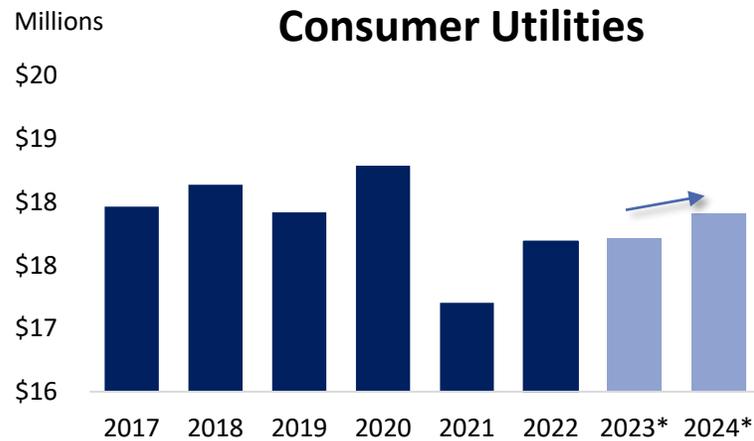
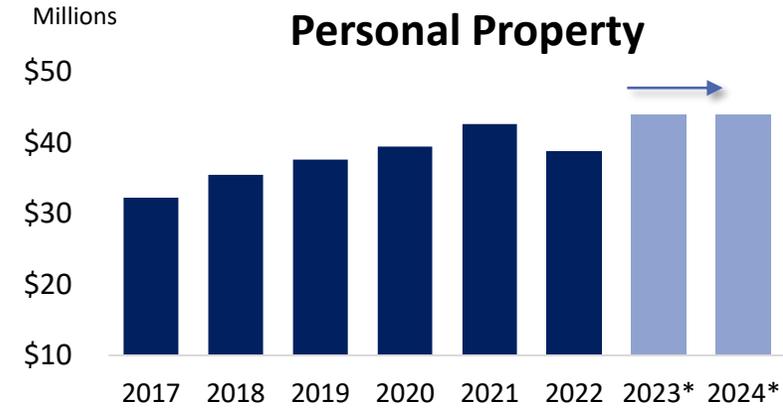
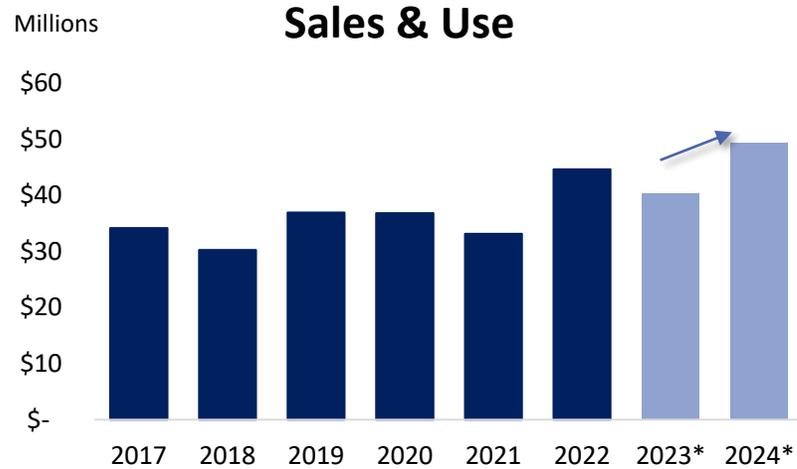
KEY LOCAL REVENUE TRENDS INTO FY 2024



Note: FY 2017-2022 are actual, FY 2023-2024 are budget amounts. Amount shown in millions.



KEY LOCAL REVENUE TRENDS INTO FY 2024 – CONT.



Note: FY 2017-2022 are actual, FY 2023-2024 are budget amounts. Amount shown in millions.





DISCUSSION