

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 2025 PROPOSED REVENUE BUDGET

CITY COUNCIL BUDGET WORKSHOP

LINCOLN SAUNDERS

CHIEF ADMINISTRATIVE OFFICER

APRIL 8, 2024

REINFORCING THE FRAMEWORK

To build a stronger Richmond by strengthening the city's foundation to improve quality of life for our residents, businesses, and visitors...



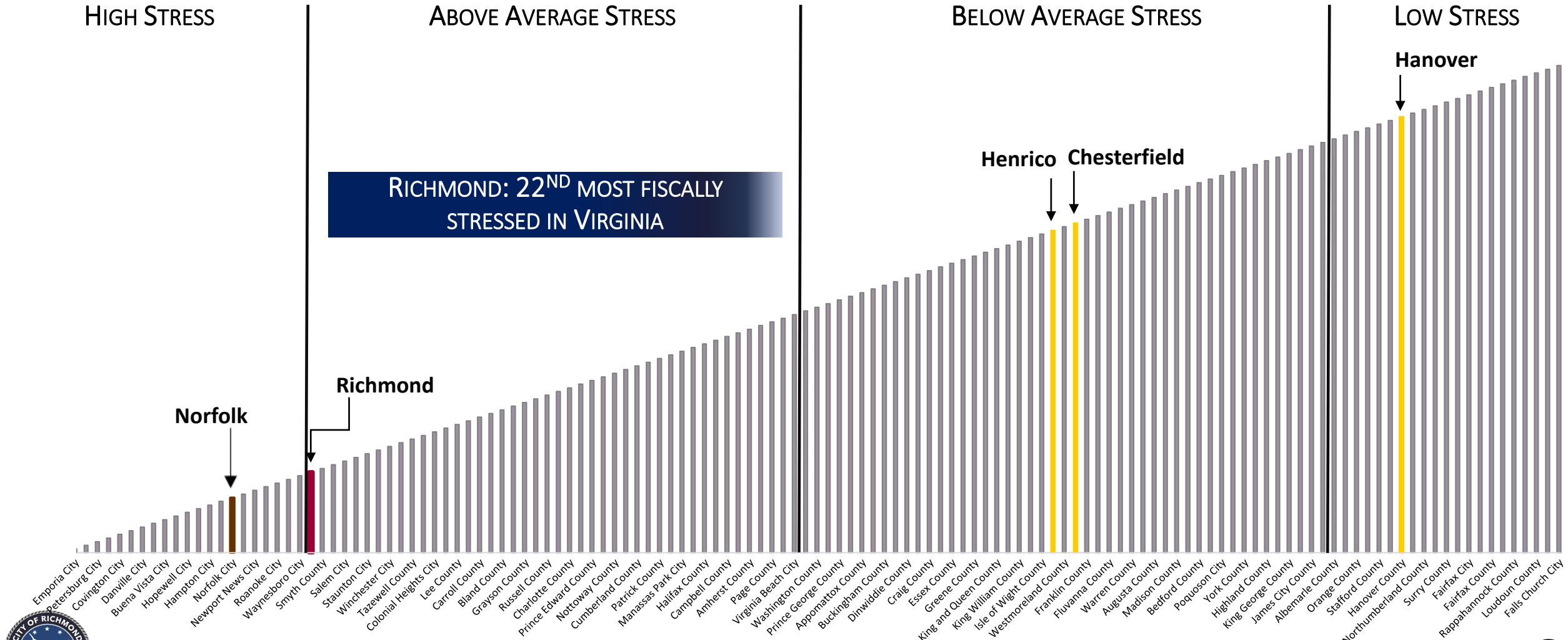
HOW DOES RICHMOND COMPARE IN BEING ABLE TO RAISE REVENUE?

- Fiscal stress is a locality's lack of revenue generating capacity that leads to either a shrinking budget or a gap between revenues and expenditures.
- The Fiscal Stress Index illustrates a locality's ability to generate additional local revenues from its current tax base relative to the rest of the Commonwealth.
- The three components of the Fiscal Stress Index are:
 - Revenue capacity per capita (theoretical ability of a locality to raise revenue)
 - Revenue effort (amount of the theoretical revenue capacity that the locality collects)
 - Median household income
- Richmond has an above average fiscal stress among Virginia localities.



RICHMOND IS MORE FISCALLY STRESSED THAN OUR NEIGHBORS

FISCAL STRESS COMPARISON OF ALL VIRGINIA LOCALITIES

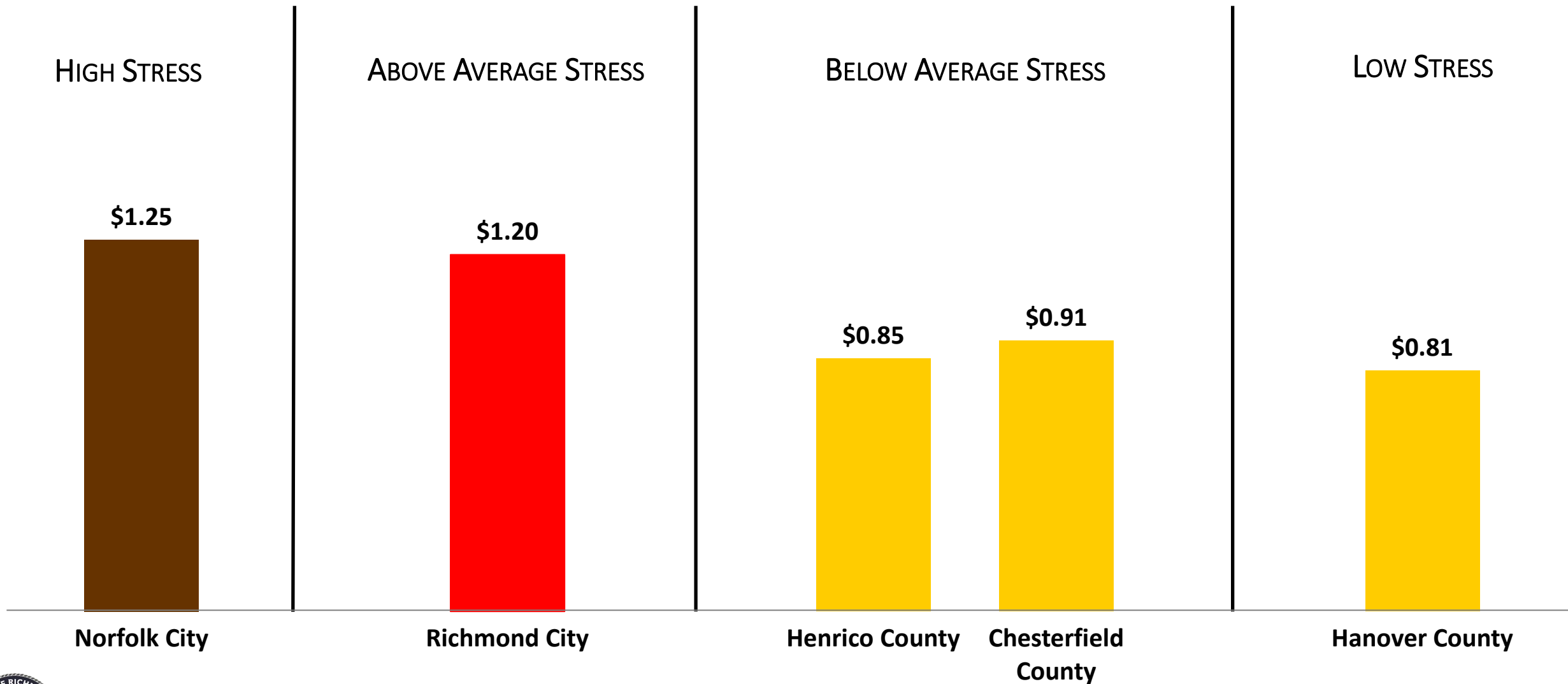


RICHMOND: 22ND MOST FISCALLY STRESSED IN VIRGINIA



Source: Commission on Local Government FY 2021 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.

REAL ESTATE TAX RATES AND FISCAL STRESS



Source: CY 2023 tax rates and FY 2021 Report on Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Cities and Counties

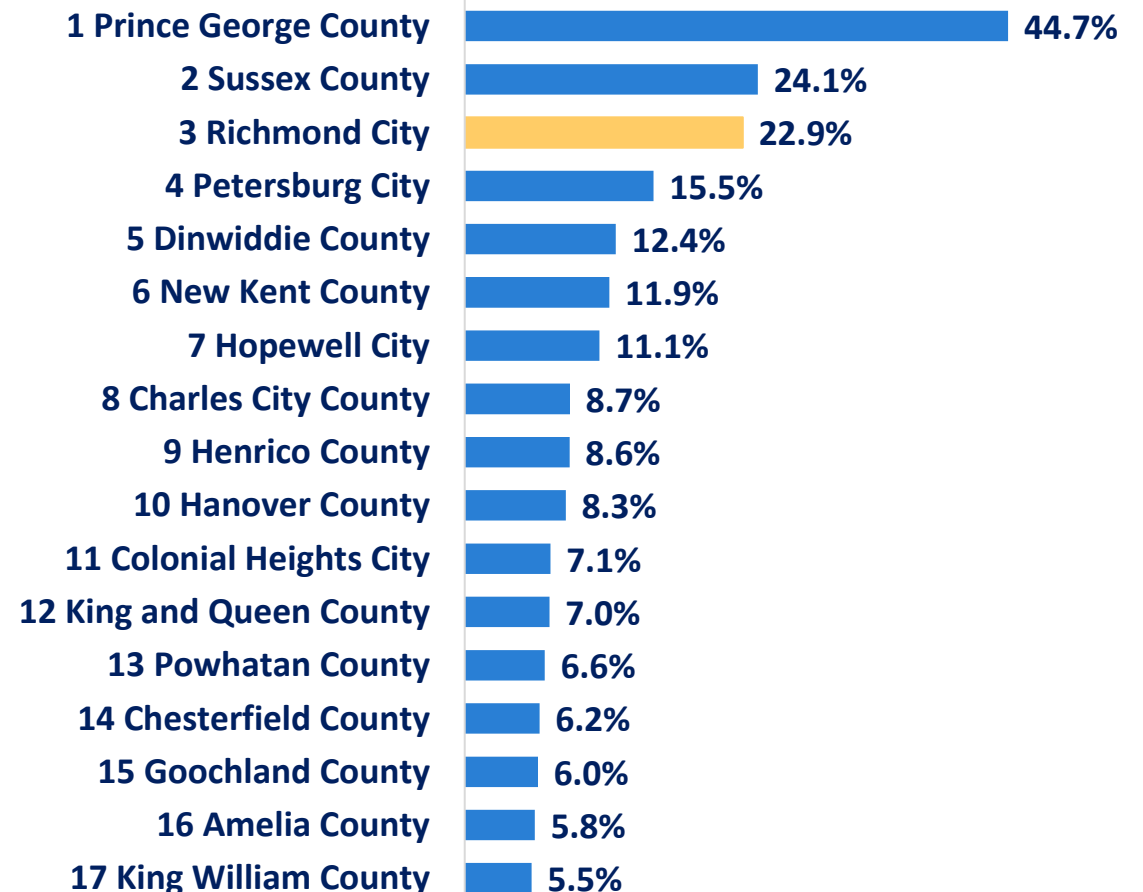
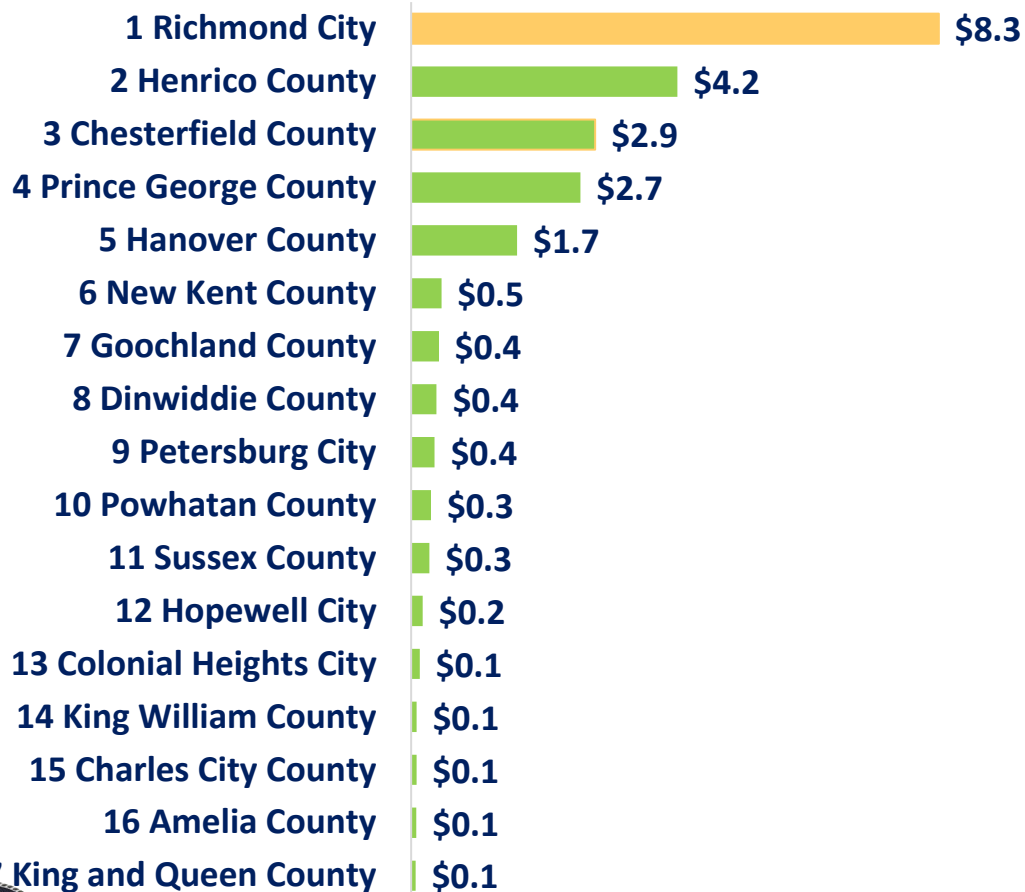


RICHMOND IS 3RD IN THE REGION FOR TAX-EXEMPT REAL ESTATE

Richmond has the Highest Assessed Value of Tax-Exempt Real Estate in the Region in Tax Year 2021

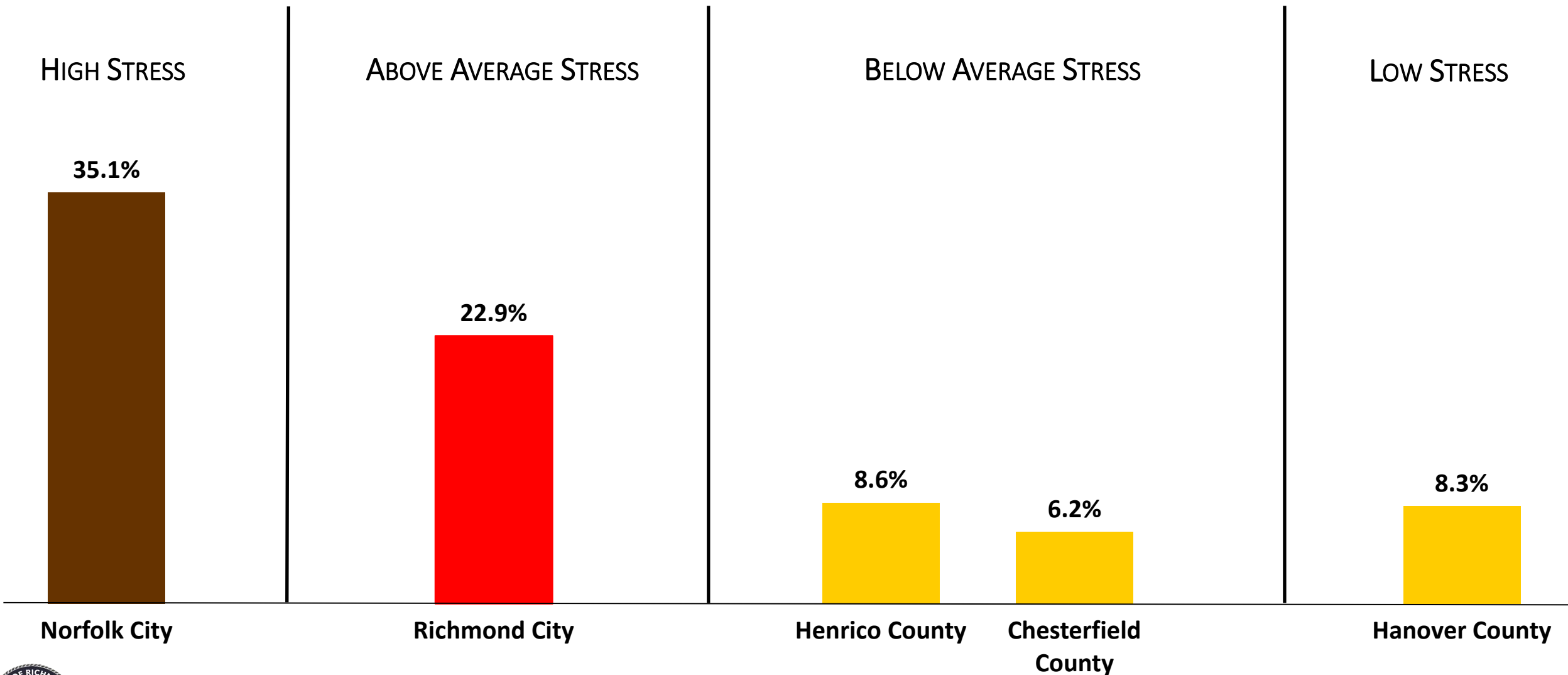
Richmond has the 3rd Highest Percentage of Tax-Exempt Real Estate in the Region in Tax Year 2021

Amounts are in billion \$



Source: Virginia Department of Taxation Annual Report FY 2022 (Table 6.3)

PERCENT OF TAX-EXEMPT REAL ESTATE AND FISCAL STRESS



Source: Virginia Department of Taxation Annual Report FY 2022 (Table 6.3) and Commission on Local Government FY 2021 Report on Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Cities and Counties

The seal of the City of Richmond is a circular emblem. It features a central figure of a Native American man in traditional dress, holding a bow and arrow. The figure is set against a blue background with several white stars. The outer ring of the seal contains the text "CITY OF RICHMOND" at the top and "ESTABLISHED 1787" at the bottom. A red banner is visible at the bottom of the inner circle.

FY 2025 GENERAL FUND REVENUE OUTLOOK

ECONOMIC BACKDROP

A recession did not materialize in 2023. However, there are reasons for caution in FY 2025.

Job growth moderating

Retail sales slowing

Home sales continued to decline

Anticipating slower growth of the economy

INSIGHT FROM INDUSTRY LEADERS AND ECONOMISTS

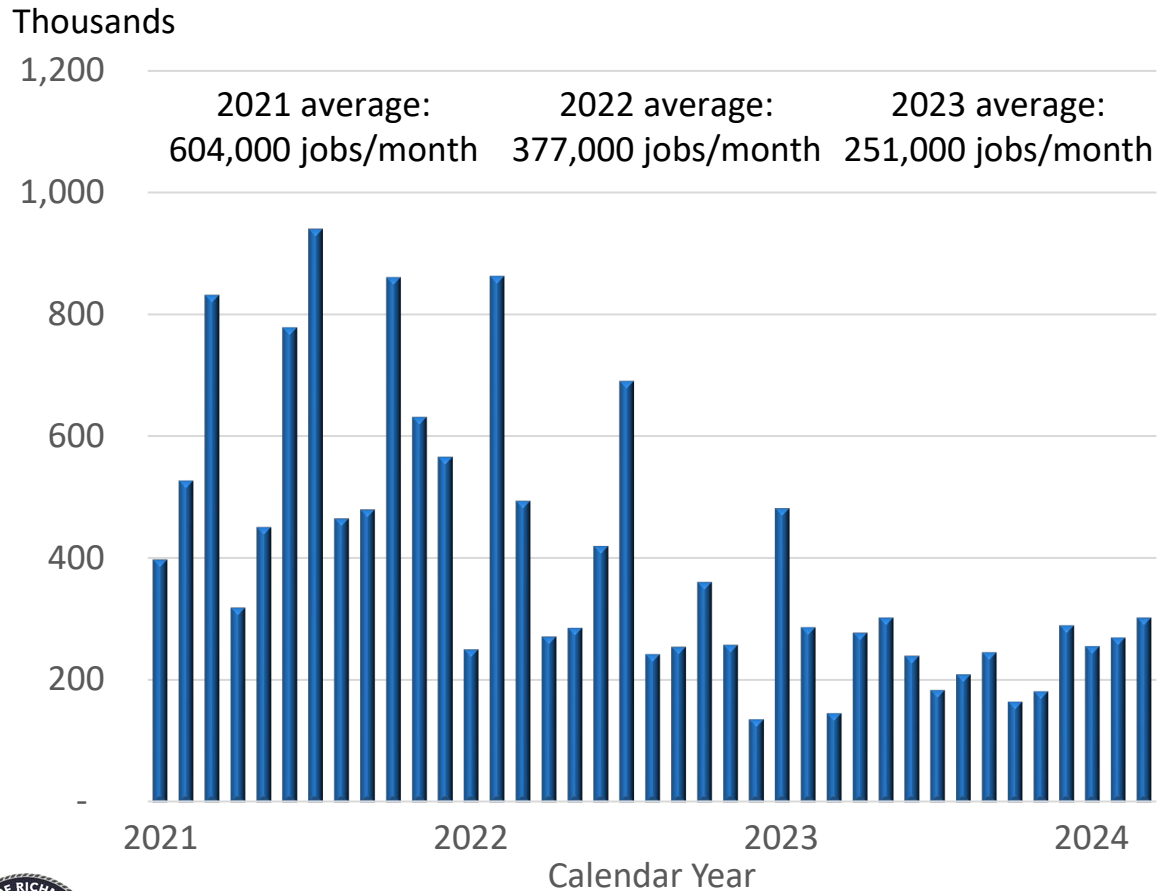
- Outlook: Economic outlook is that of slower growth in calendar year 2024 and 2025.
- Housing: Despite the increase in mortgage rates, there is a strong demand for homes in the region.
- Housing: Inventory of homes for sale remains tight as more than 80 percent of outstanding mortgages are below 5 percent.
- Construction: Higher interest rates, labor and build costs, and labor shortages will continue to constrain the construction industry.
- Tourism: Recognition of Richmond region as a tourism destination. The region is a year-round destination.



JOB GROWTH IS MODERATING

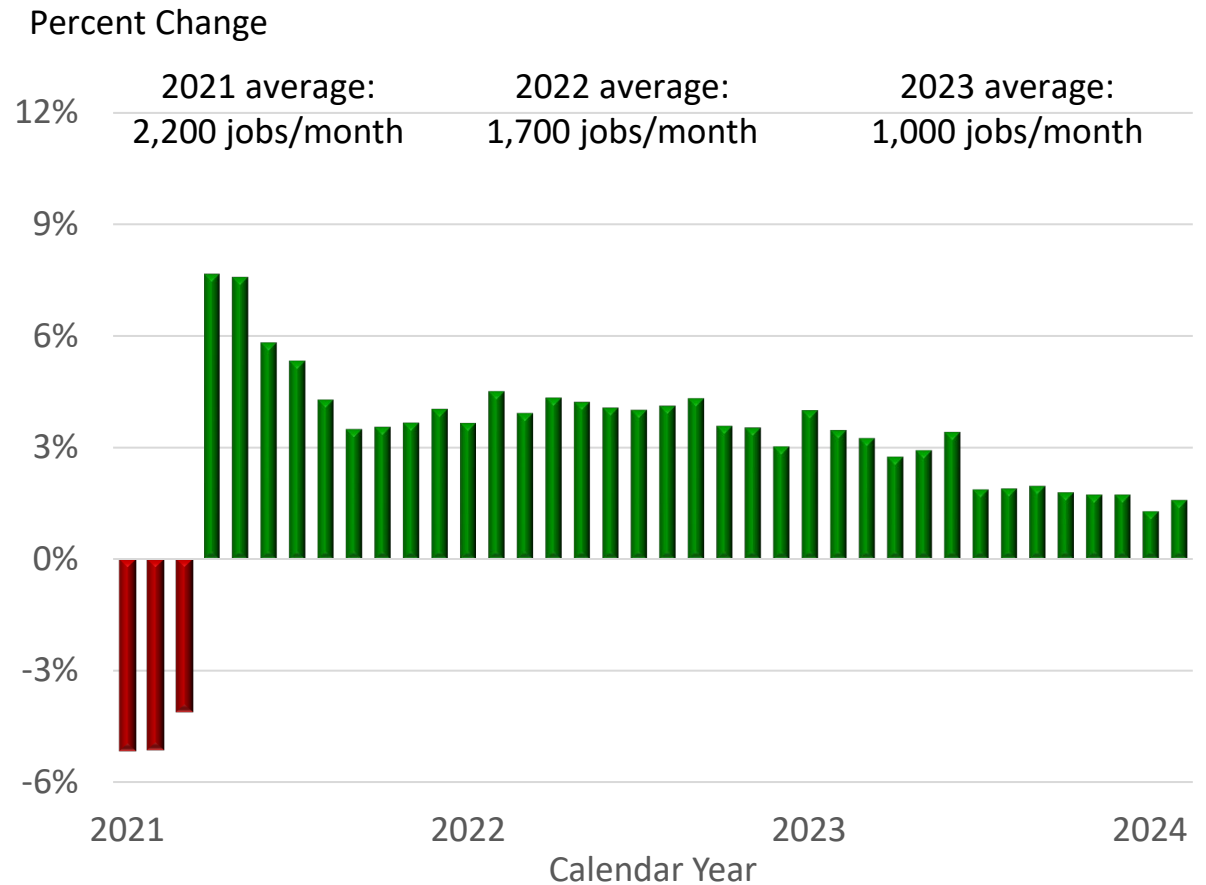
National Employment Growth

Month-to-month employment change, seasonally adjusted



Richmond Metro Area Employment Growth

Year-over-year employment percent change, seasonally adjusted



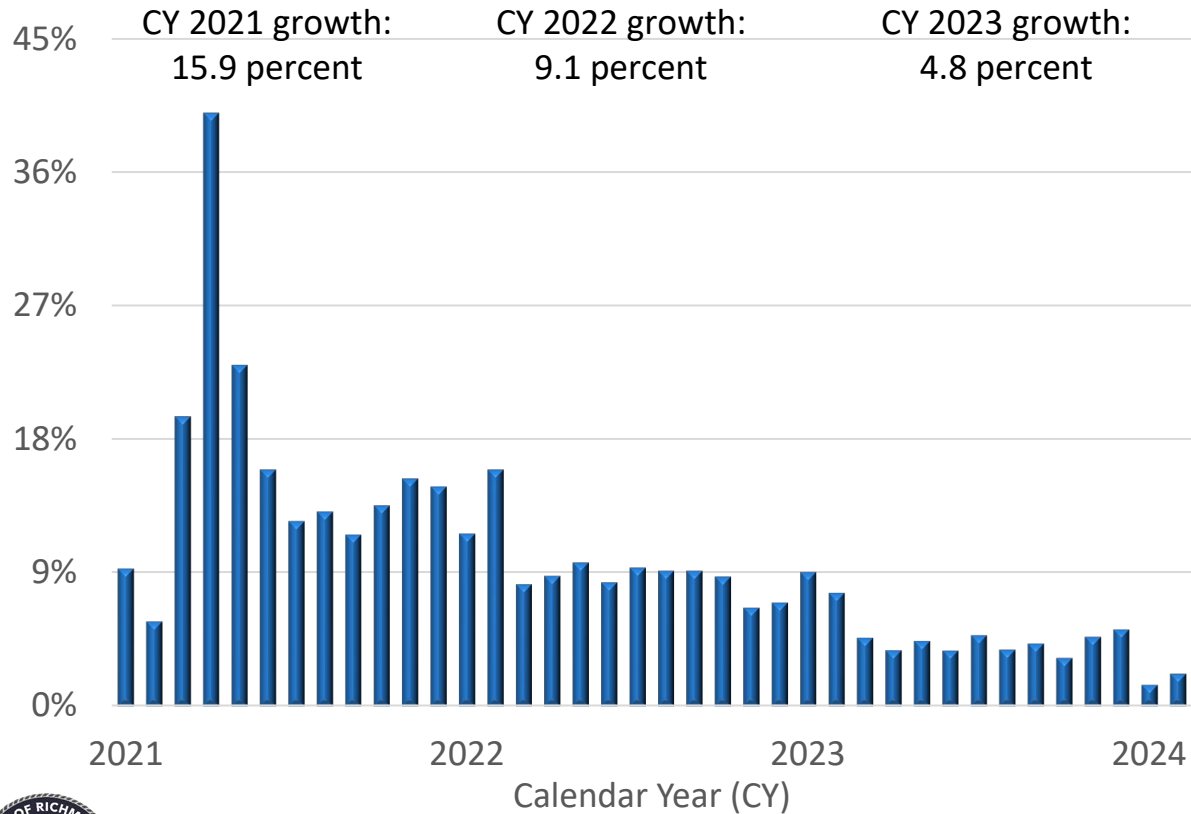
Source: Bureau of Labor Statistics (BLS). Figures reflect BLS annual benchmark revision.

RETAIL SALES GROWTH IS SLOWING

National Retail Sales

Year-over-year percent change, excluding autos and gas sales, seasonally adjusted

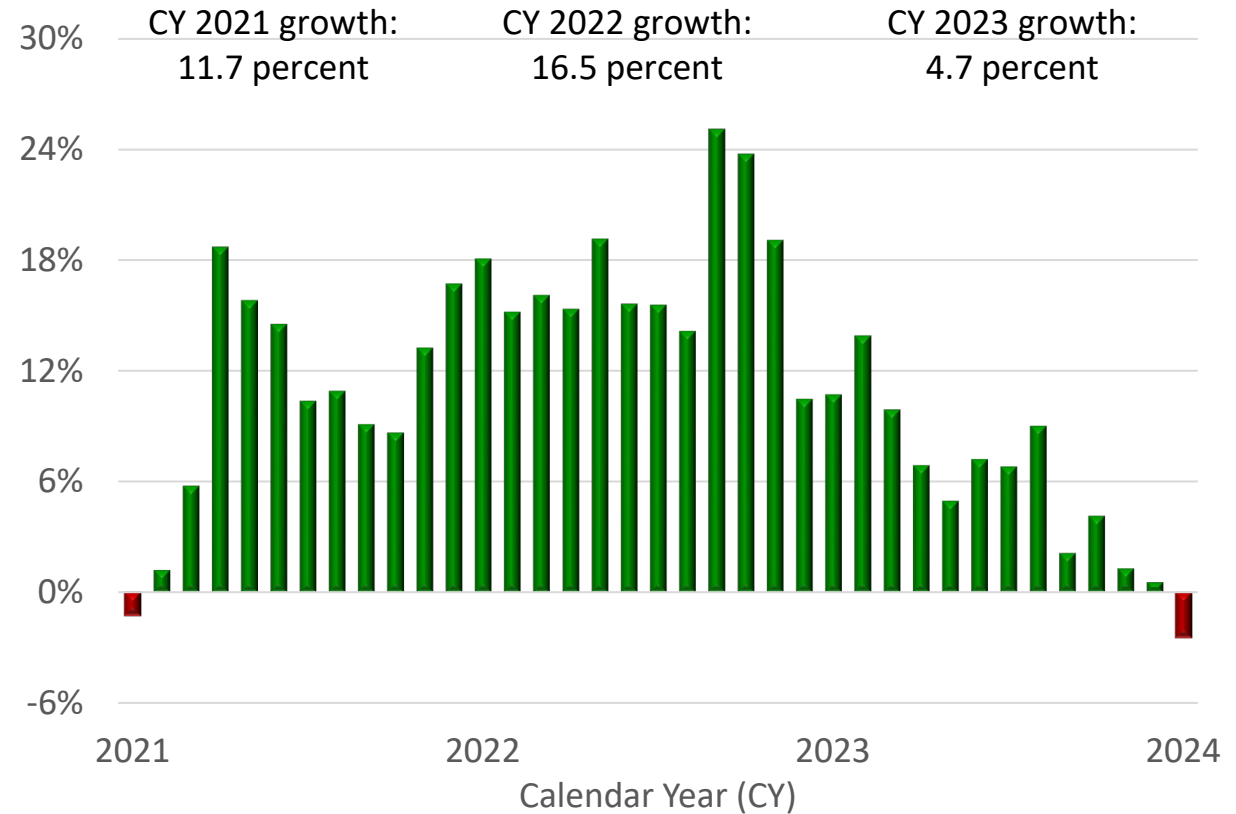
Percent Change



Richmond Sales and Use Tax

Year-over-year percent change of 3-month moving average

Percent Change



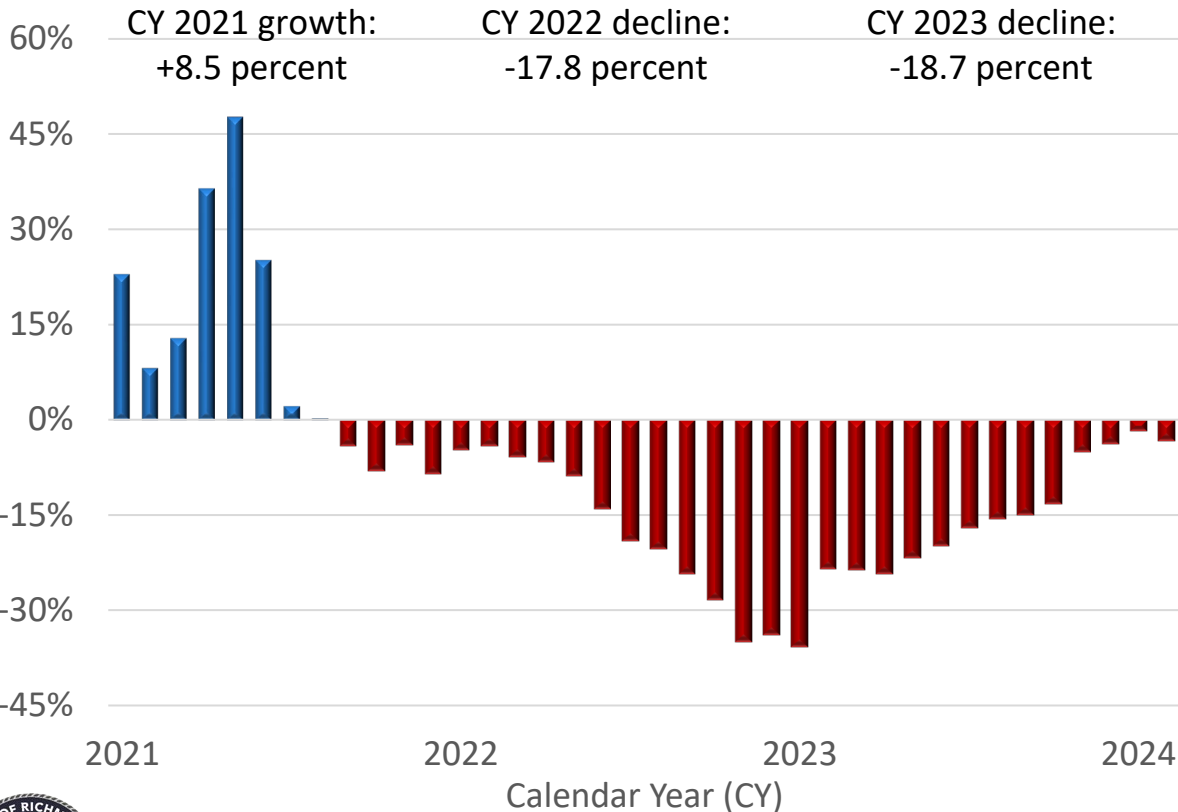
Source: Census Bureau and City of Richmond Department of Finance

CONTINUED DECLINE IN HOME SALES IN 2023

National Existing Home Sales

Year-over-year percent change, seasonally adjusted

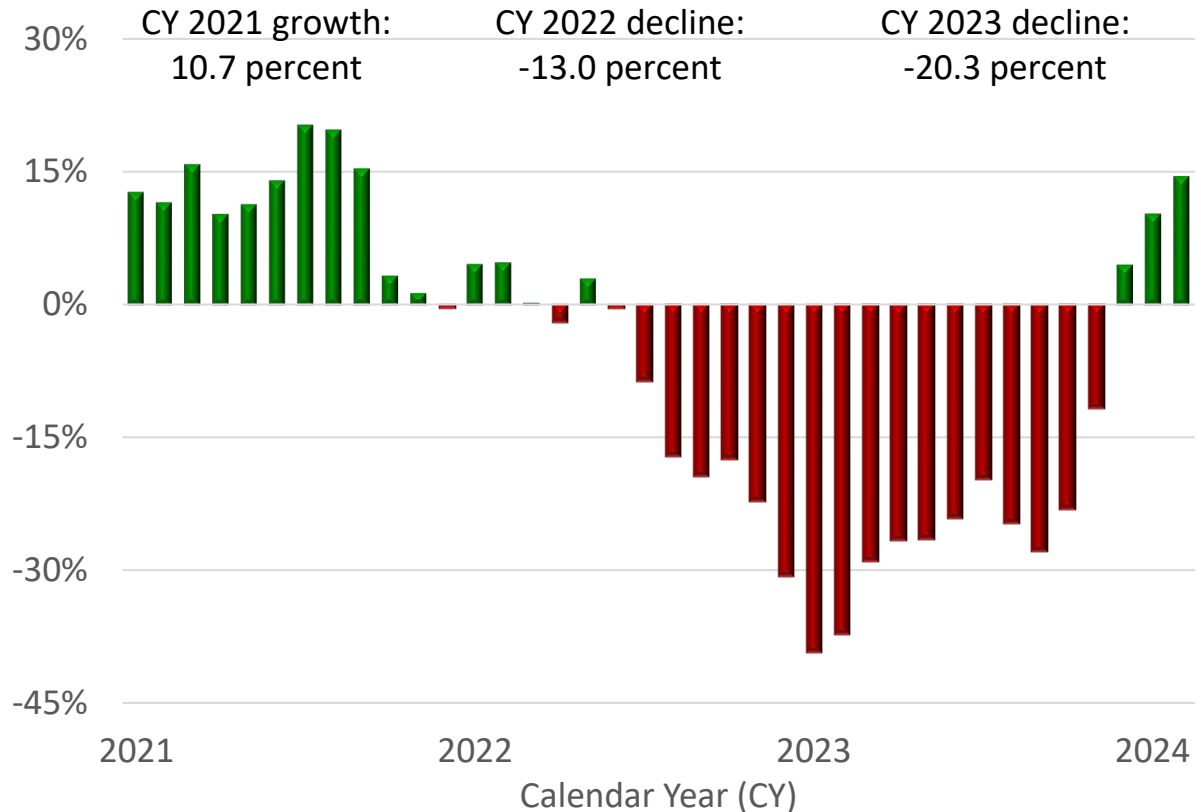
Percent Change



Richmond Home Sales

Year-over-year percent change of 3-month moving average, includes condos

Percent Change

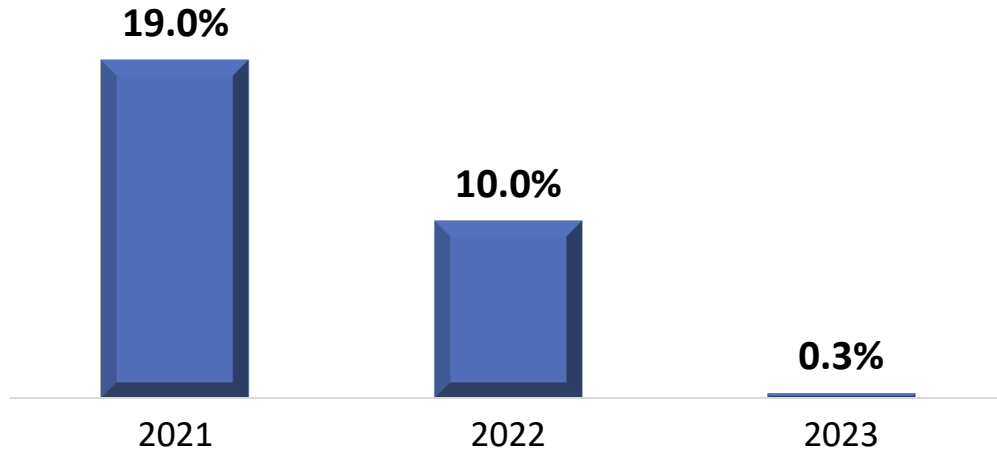


Source: National Association of Realtors; U.S. Housing and Urban Development (HUD), Office of Policy Development and Research, National Housing Market Data; and Richmond Association of Realtors, Central Virginia Regional Multiple Listing Service (CVRMLS)

HOUSING SALES PRICE GROWTH SLOWING

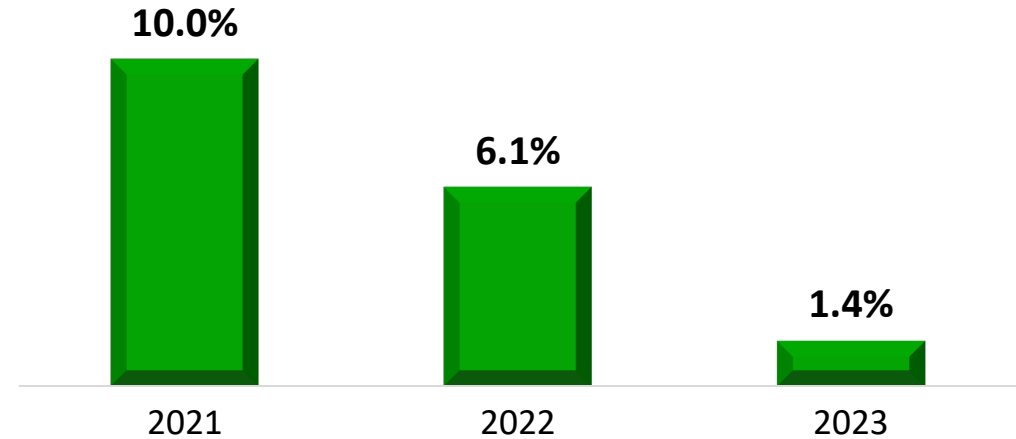
National Median Sales Price Percent Change

Existing Single-Family Homes Sales Price

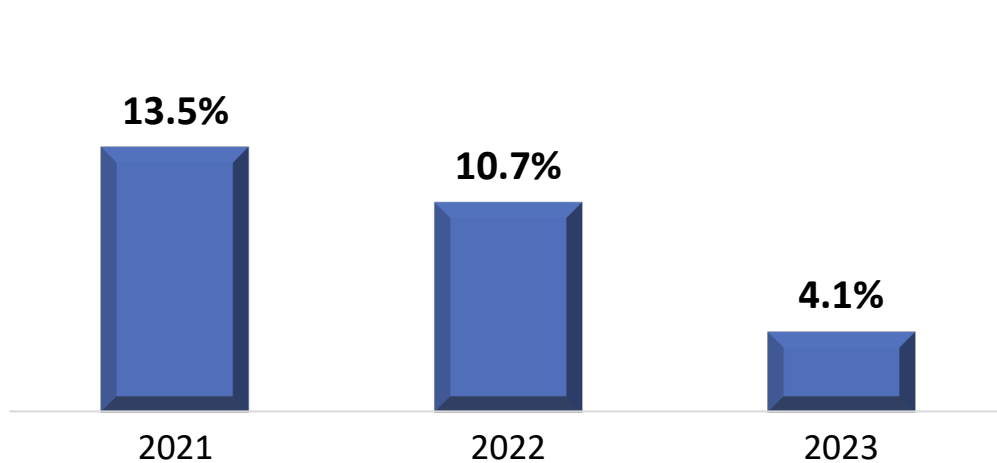


Richmond Median Sales Price Percent Change

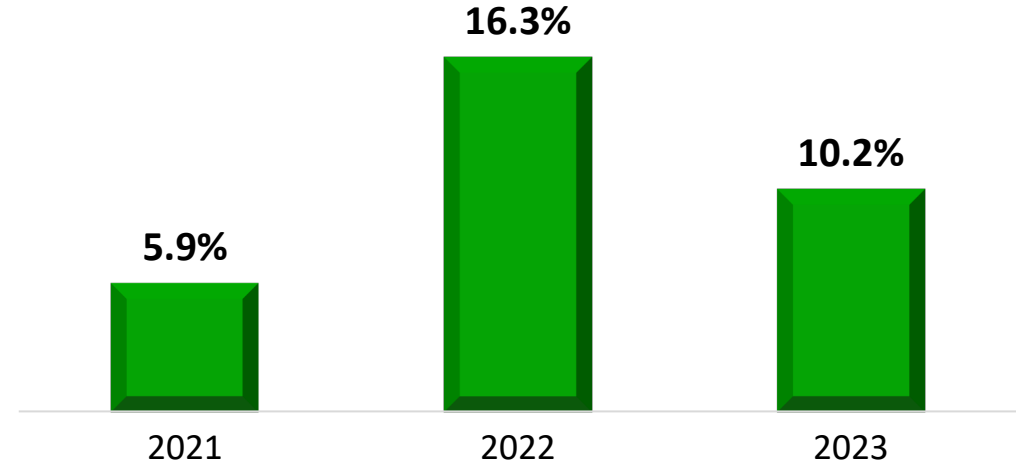
Single-Family Homes Sales Price



Existing Condos/Co-ops Price Sales Price



Condos Sales Price



Source: National Association of Realtors and Richmond Association of Realtors, Central Virginia Regional Multiple Listing Service (CVRMLS)

POTENTIAL RISKS TO THE ECONOMY

- Federal Reserve: The Fed might not lower interest rates in a timely manner, leading to a more prolonged or severe slowdown.
- Slower progress in bringing down inflation to two percent (Fed goal).
- Prolonged higher interest rates dampens further residential and commercial real estate market and consumer spending.
- Consumer spending slows further with pandemic savings diminishing and student loan repayment. Consumer spending accounts for 2/3rd of economy.
- Federal spending/Elections: Political discord over federal spending and national debt; results of the national election could destabilize the economy.
- Geopolitical: Increased tensions in areas such as, the Middle East or Ukraine/Russia could bring back supply-chain issues and surge in inflation.



FY 2025 REVENUE OUTLOOK

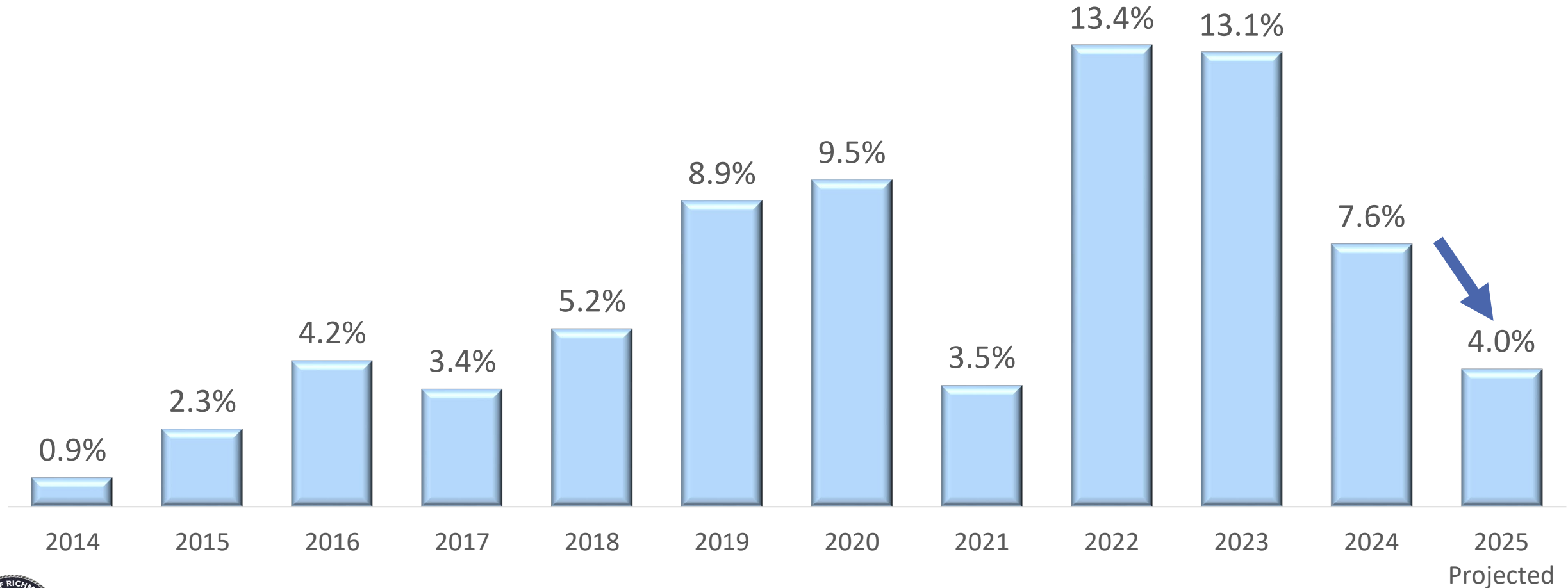
Moderating growth
of economy

Anticipating lower
revenue growth in
FY 2025 from FY 2024



ANTICIPATING LOWER GROWTH IN REAL ESTATE ASSESSMENTS

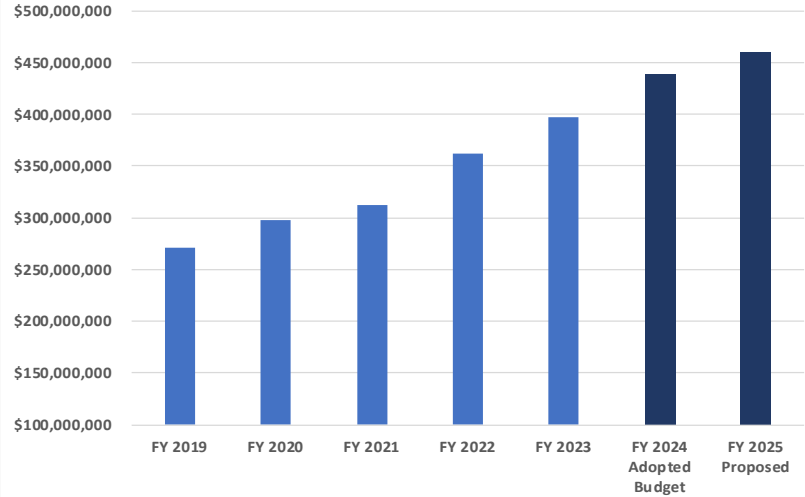
City of Richmond Annual Percent Change in January 1 Land Book



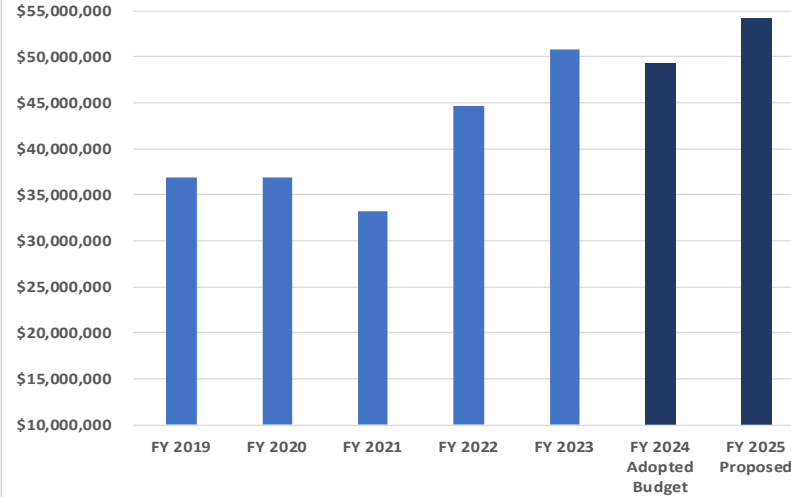
Source: Richmond Real Estate Assessor's Office (land book data generated in November)

KEY LOCAL REVENUE TRENDS

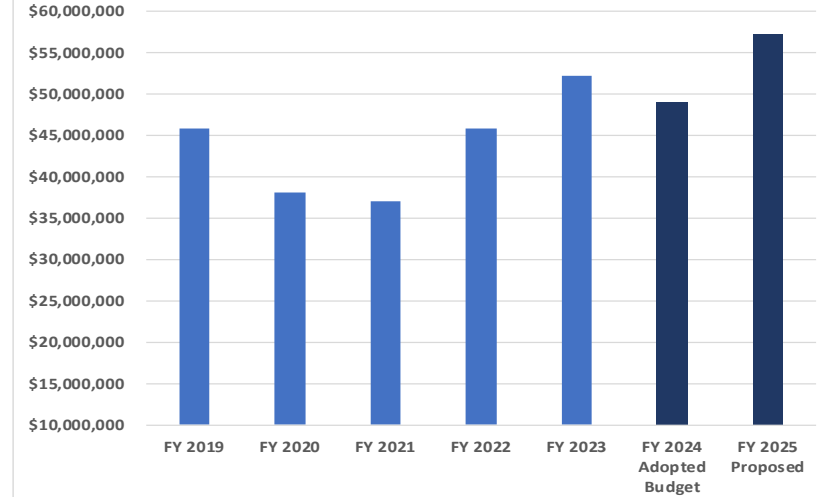
Real Estate Tax (current)



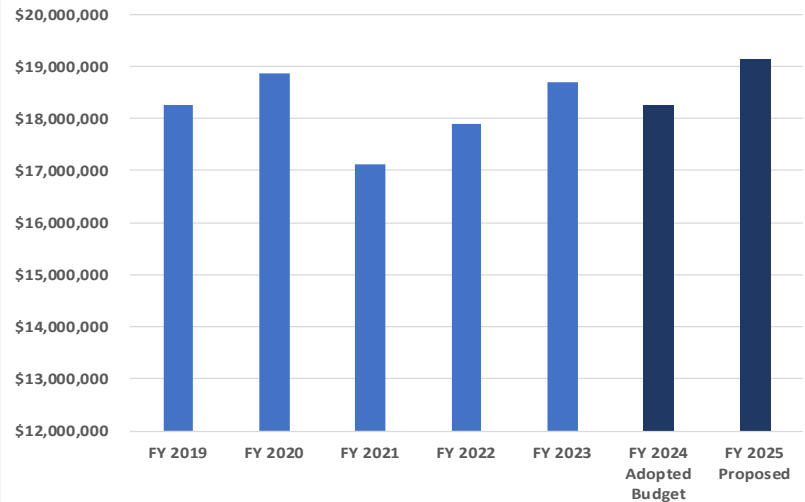
Sales & Use Tax



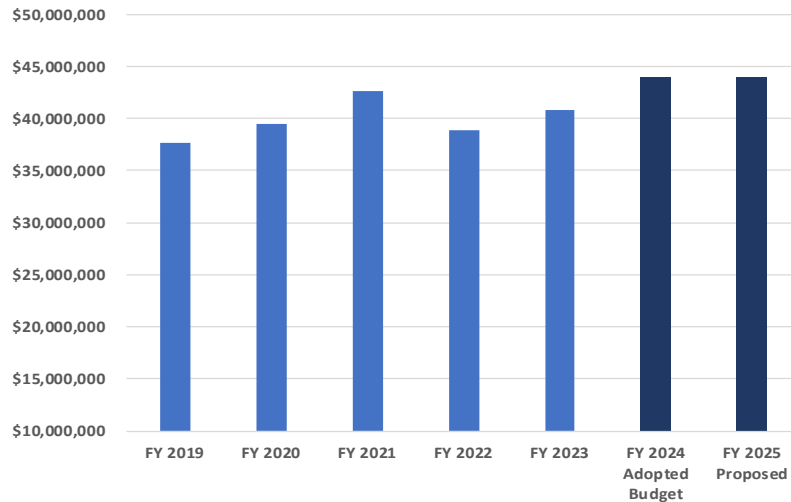
Meals Tax



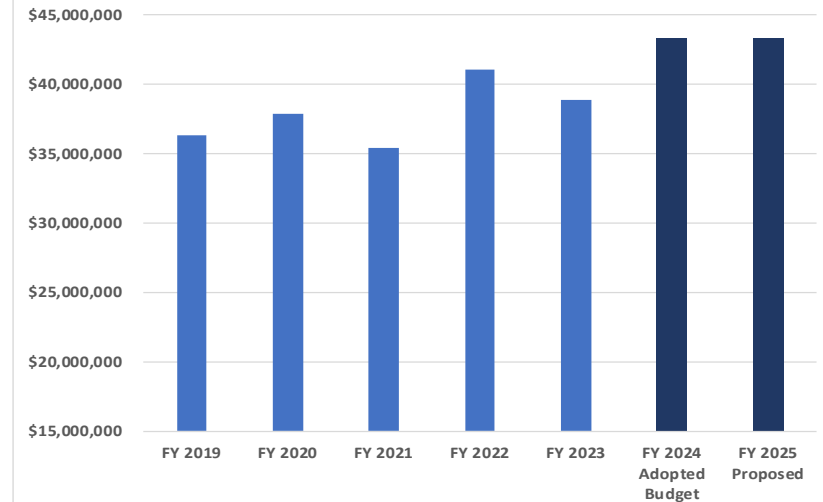
Consumer Utility Tax



Personal Property Tax (current)



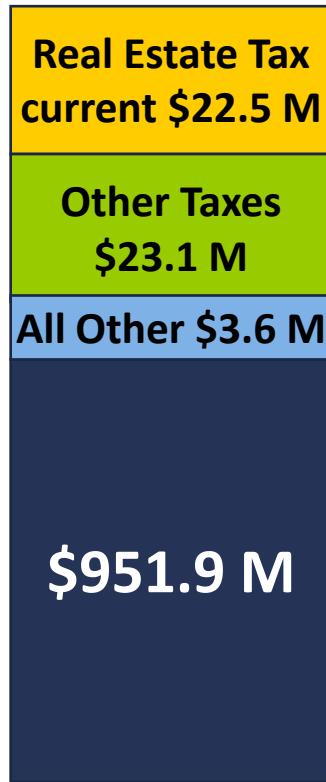
Business Licenses



FY 2025 GENERAL FUND REVENUE BUDGET: \$1.0 BILLION

FY 2025 Proposed \$1.0 B

FY 2024 Adopted



Admissions, Lodging, and Meals \$9.8
TID Fee \$2.0
Sales tax \$4.9
Delinquent and other taxes \$6.4

Interest and other local revenue \$17.9
State and Federal \$7.9
*Transfers In **-\$22.3***

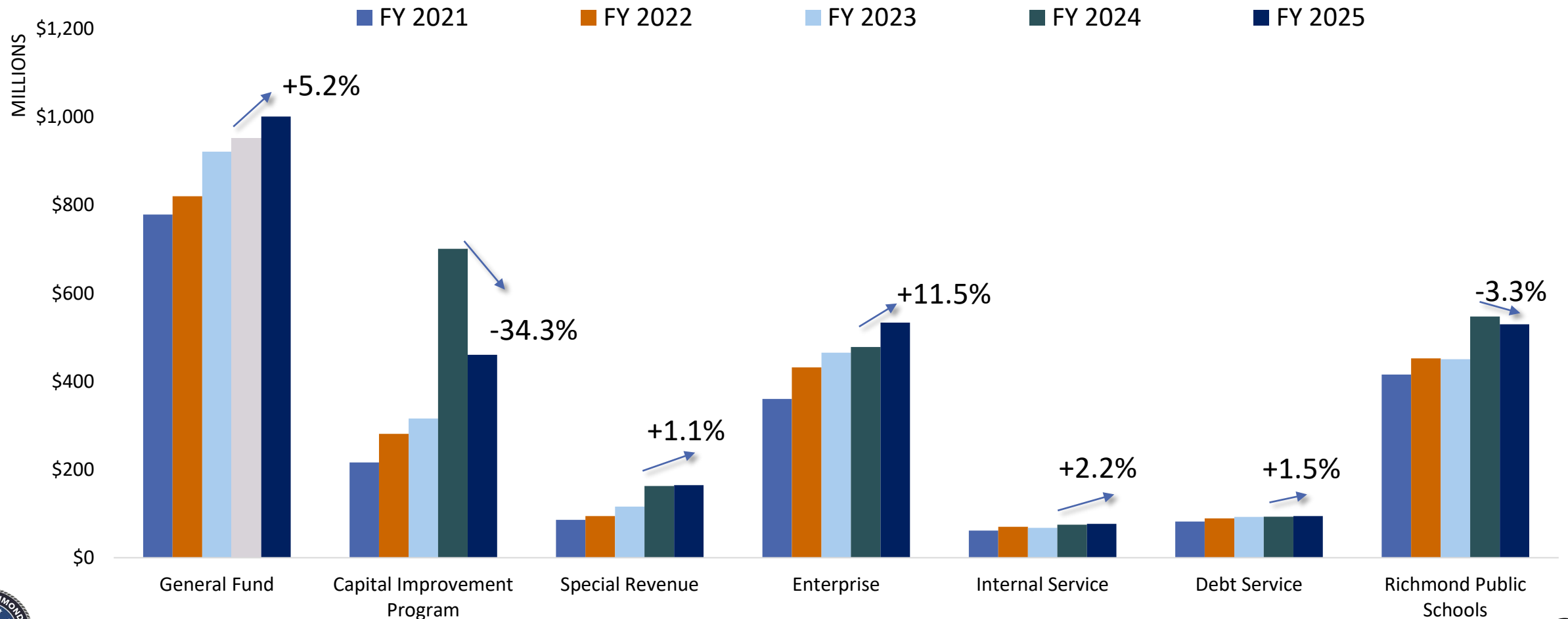
- Overall 5.2 percent growth from FY 2024.
- Real estate tax revenue accounts for nearly 46 percent of the growth.
 - Assumes 4.0 percent growth in taxable assessed value from FY 2024.
- Moderate growth in consumer taxes (ALM and sales) and delinquent taxes.
 - TID fee (\$2.0 M) reflects putting it in the General Fund budget for the first time.
- Other local revenue drivers include:
 - Interest income growth (\$12 M)
 - PDR permit fees growth (\$3.9 M)
 - Solid waste fee increase (\$1.0 M)
- State and Federal growth reflects state salary increases and DSS reimbursement.



Numbers may not sum to total due to rounding. ALM = Admissions, Lodging, and Meals. TID = Tourism Improvement District. PDR = Planning and Development Review. DSS = Department of Social Services.

PROPOSED FY 2025 \$2.9 BILLION REVENUE BUDGET

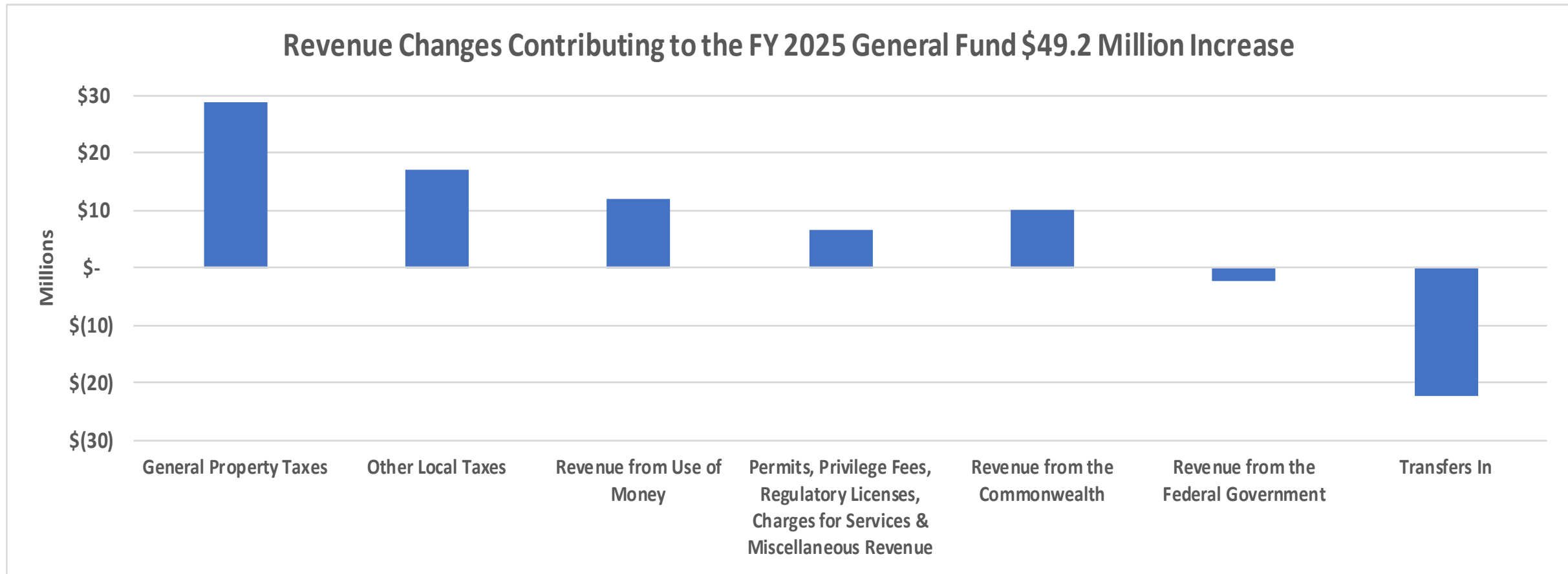
Revenue from FY 2021 – FY 2025, Percent Change From FY 2024



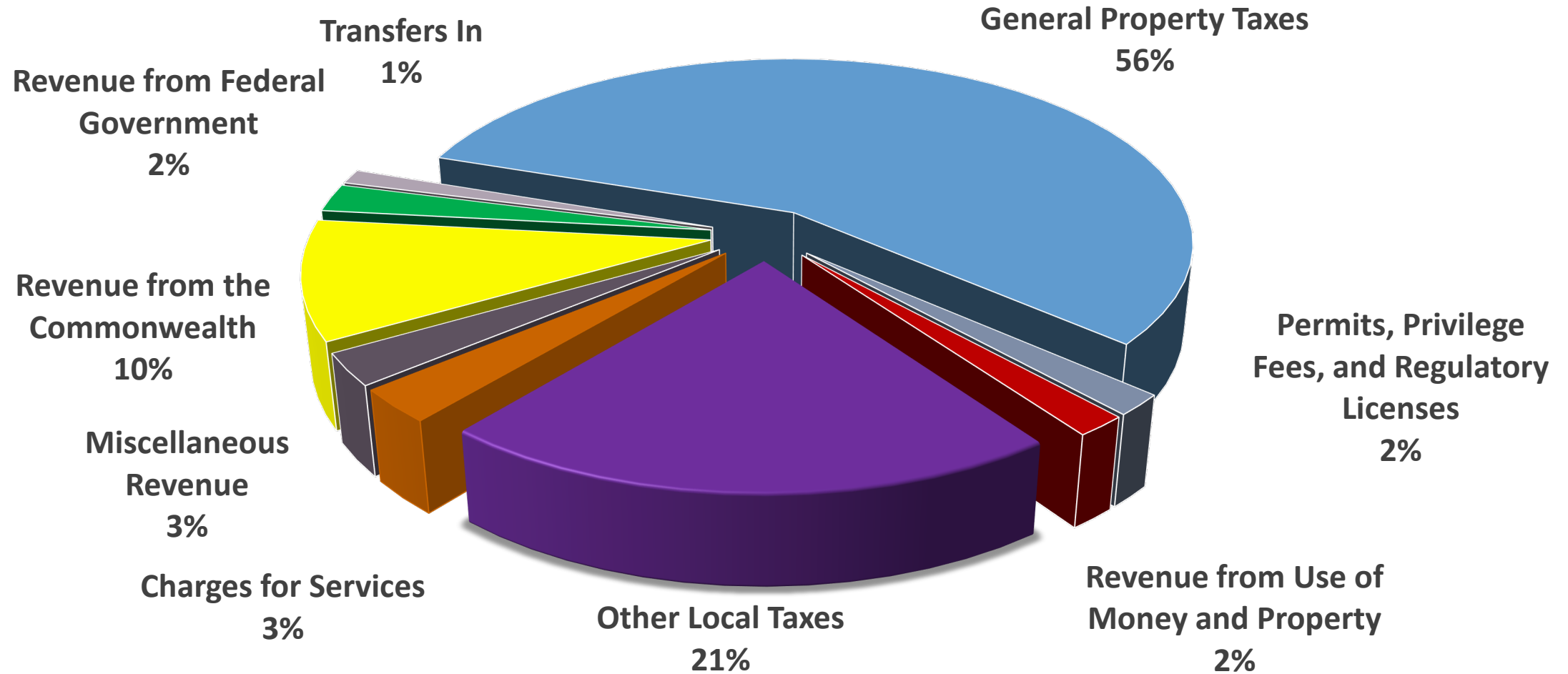
FY 2021-2023 are actuals, and FY 2024-FY 2025 are adopted or proposed budget amounts.



REVENUE CHANGES BY SOURCE FOR FY 2025 GENERAL FUND



SOURCES OF THE FY 2025 GENERAL FUND



GENERAL FUND REVENUE TIMELINE

January

- Real Estate Value Established
- Real Estate Taxes (1st Half)

March

- Business Personal Property Filing
- Business License Renewal

June

- Real Estate Tax (2nd Half)
- Personal Property Taxes

Monthly

- Local Sales/Use Tax, Admissions, Lodging, and Meals Tax





DISCUSSION