

HENRICO COUNTY FY24 MANAGER'S PROPOSED BUDGET HIGHLIGHTS

OVERVIEW

The FY24 Proposed Budget funds core service priorities expected by residents, enhances economic development efforts, and strengthens competitive compensation for the County's employees, while maintaining the lowest tax burden of any large locality in Virginia.

- The budget is balanced within the current **real estate tax rate of 85 cents**.
 - Maintains reduction in rate approved in 2022.
 - 2 cent Real Estate Tax Relief Credit proposed for 2023, returning \$11.2M of previously collected surplus real estate tax revenue for tax relief.
 - Over 102,000 checks will be sent to taxpayers.
- The personal property tax rate for vehicles is proposed to be reduced 10 cents to \$3.40 per \$100 assessed value.
 - Real Estate Tax Relief Credit, Tax Relief for the Elderly & Disabled, and reduction of personal property tax rate for vehicles will provide \$26.3M in tax relief in 2023, on top of over \$50M in tax relief in 2022.
- The budget provides an **8.2% pay increase** to remain the region's pay leader among local governments.
 - **Largest across-the-board salary increase in 33 years.**
- The FY24 Proposed Budget allocates **over 78%** of budget growth to the County's core service priorities: Education and Public Safety.
 - The FY24 Proposed Budget strategically allocates an additional **\$71.6 million** in resources to both Schools and Public Safety.
- The FY24 Proposed Capital budget includes **\$316.8 million in new and improved public buildings and facilities**, including the first round of bonds from the \$511.4 million GO Bond Referendum in November 2022.
 - \$114.3 million in 2022 GO Bond projects, including the replacements of Jackson-Davis Elementary and Longan Elementary, the construction of the Environmental Living Center, planning for the replacement of Quiocassin Middle School, the replacement of Firehouse 6, the start of the development of the Three Chopt Area Park, and the beginning of the drainage program.
 - \$30 million for road and pedestrian improvements, largely through CVTA.
 - \$15 million for the construction of a new Police South Station, which will replace a leased facility with a county-owned facility.
 - Over \$100 million in Water & Sewer infrastructure improvements including funding for sewer improvements in the Westwood area and planning for improvements in the Innsbrook area.

REVENUE HIGHLIGHTS/TAX RELIEF

- General Fund revenue growth in FY24 is 8.2% when compared to FY23 approved budget.
- Real estate tax revenues in the Proposed Budget reflect an overall increase of \$55 million from the current approved budget, reflects an 85 cent/\$100 assessed value real estate tax rate adopted in 2022.
- The total real estate land book increased by \$6.6 billion, or 13.2%.

Budget Highlights

- Residential reassessments increased by 13.6%, with an additional \$326.9 million in new construction.
 - Despite rising interest rates for mortgages, demand still outpaces housing supply in both Henrico and nationally.
 - New construction added 1,234 homes to the County's housing stock.
- Commercial reassessments increased by 5.8% with new commercial construction totaling \$662.7 million.
 - While all categories of commercial properties saw increases, the value of warehouse/industrial property increased nearly 30%.
 - Value of hotel properties continues to improve, however is still 87.6% of the value of hotels in 2020.
 - Apartment values increased 9.7% with 35 additional properties added to the book.
 - Office properties grew nearly 16%, shopping centers grew 12.5%.
 - Shopping centers still less than 2020 value (98.6% of 2020 total)
- The budget for the County's REAP program is increased by \$500,000 in FY24 for a total of \$11.5 million.
 - Eligibility parameters and tax relief provided already most expansive in Central Virginia
 - Full relief up to \$3,000 for elderly and permanently disabled with income under \$75,000 and net worth under \$500,000.
- Personal Property estimate increasing \$6 million to \$145 million for FY24, reflects a **decrease of 10 cents in the personal property tax rate for qualifying vehicles.**
 - Vehicle valuations, overall, have declined but are still above levels seen 2-3 years ago..
 - The reduction of the personal property rate for vehicles equals **an additional \$3.6 million** in permanent tax relief.
 - Rate reduction will apply to over 350,000 accounts for qualifying vehicles.
- The total value of proposed tax relief for 2023 is **\$26.3 million**, which is on top of the over \$50 million in tax relief provided in 2022.
- Sales Tax estimate for FY24 is \$88.2 million
 - FY23 estimate around \$90 million, though if there is an economic downturn sales tax would be one of the first County revenues to show it.
 - December 2022 sales collection for Henrico was \$11.3 million – largest month ever recorded.
- Hotel/Motel Tax increased to \$18,750,000 with the anticipation of the approval of the new Tourism Improvement District for Richmond Region Tourism.
 - All revenues dedicated to EDA, who sends all receipts to Greater Richmond Convention Center Authority.
 - Current projection for FY23 Hotel/Motel Tax collections, not including the new district, is \$18 million.
- State revenues for FY24 total \$453 million
 - Increase of \$31.1 million compared to FY23 approved budget.
 - State Aid for Education (\$29.4 million increase)
 - Based on estimates provided with the Governor's budget; information released from the competing budget proposals in the General Assembly confirms current estimates are sound.
 - Maintain conservative posture on most other State revenue sources.

Budget Highlights

- Highway Maintenance (Gas Tax) payments budgeted at \$50.8 million, current year projection over \$53 million.
- Compensation Board reimbursements reflect 3% growth over FY23 Budget.
- \$1 million increase in Law Enforcement State Aid (HB599) offset by the continued degradation of Communications Sales & Use Tax revenues from the State.

EXPENDITURE HIGHLIGHTS

- The total FY24 Manager's Proposed General Fund Budget is \$1,155.0 million.
 - An increase of \$91.4 million, or 8.6%.
 - \$71.6 million, or 78.5% of the General Fund budget growth is dedicated to Education and Public Safety, which reflect over 78% of the total budget.
- In an effort that addresses employee recruitment and retention, the FY24 budget proposes a salary increase of 8.2%.
 - All starting salaries will increase by 8.2%.
 - Teacher starting salaries rising to \$54,602 (an increase of \$4,138)
 - Police officer and fire fighter starting salaries rising to \$57,646.
 - Sheriff Deputy and Communication Officer starting salaries increasing to \$52,487.
 - From FY22 to the FY24 Proposed Budget, **over 60% of the County's General Fund Budget Growth has been dedicated to Salary Increases.**
 - The FY24 budget picks up 70% of the costs for health care premiums for employees.
 - Average increase to an employee is \$24/month, follows two years of no increase to the employees.
 - Minimum wage for all County, HCPS employees will increase to \$15/hour.
- In addition to the salary increase, the FY24 budget allocates \$2 million for the beginning of the **Home Purchase Assistance Program**.
 - Program would provide forgivable loans of \$10,000 to \$20,000, depending on household income, for homes purchased in Henrico County. Loan would become a grant after the employee stays in the home for five years.
 - To be eligible, employees must have worked for the General Government or HCPS for 12 months and be a first-time home buyer.
- Education: Total, All Funds Budget of \$817.8 million.
 - General Fund Budget for Education totals \$650.4 million, an increase of \$47.7 million or 7.9%.
 - HCPS General Fund Budget reflects 56.3% of the total budget.
 - Incremental increases for Schools, outside the salary increase cited above, include:
 - The continued implementation of Career Ladders (career development for teachers)
 - A total increase of 50 FTEs in the General Fund budget.
 - Highlights include 8 positions for ACE Center programing, 20 part-time Instructional Assistants to full-time, 10 Community Resource Coordinators, and 5 ELL Teachers.
 - Expansion of the Achievable Dream Academy into 8th grade.
 - Additional costs related to moving the Adult Education Center to Regency Square.

Budget Highlights

- The FY24 budget also accounts for additional diesel costs and additional student software costs.
- Capital Budget funds \$86 million for four bond projects: Jackson-Davis Elementary Replacement (\$32.5 million), Longan Elementary Replacement (\$31.5 million), the Environmental Education Center Living Building (\$12 million), and the planning for the replacement of Quiocassin Middle School (\$10 million).
- Over \$5 million allocated to renovate/replace the HVAC system at Freeman High School.
- \$20.5 million for maintenance projects via meals tax funding for maintenance (\$9 million), School Bus Replacement funding (\$6 million), maintenance funding for roof & mechanical projects (\$2.5 million), technology improvement funding (\$2 million) and playground replacements (\$1 million).
- Public Safety initiatives included in the FY24 Proposed Budget include:
 - 10 additional police officers in FY24, bringing the total of new officers to 30 towards the goal of 50 police officers over 4 years.
 - FY24 budget also picks up the addition of 10 School Resource Officers created by reallocating vacant positions from other agencies.
 - Additional officers are in response to an increase in violent crime.
 - The proposed budget continues the 3-year phase-in of new positions to outfit Firehouse 23.
 - 11 positions are proposed for FY24 will be placed into service throughout the County to have ready-to-serve staff on day 1.
 - The FY24 budget recognizes the first appropriations to combat substance use disorder supported by allocations from opioid settlements distributed by the Opioid Abatement Authority.
 - 2 Peer Recovery Specialists for the Sheriff's Office.
 - A division director for the Substance Use Division of MH/DS.
 - Enhances funding for fire apparatus with an increase of \$1.3 million
 - Total for fire apparatus and police vehicles now \$8.8 million.
 - Public Safety capital projects for FY24 total \$28.3 million
 - Construction funding for a new Police South Station (\$15 million)
 - The replacement of Firehouse #6 (\$13.3 million, 2022 GO Bond Referendum project).
- Economic Development/Revitalization Efforts in FY24 budget
 - FY24 budget includes \$2 million for Neighborhood Revitalization projects for targeted efforts in coordination with various community groups.
 - \$750,000 included for the Henrico Investment Program, which provides targeted incentives for rehabilitation in specific commercial corridors.
 - A new position is funded for the Sports & Entertainment Authority to oversee the operations at the Henrico Sports & Events Center.
 - The budget recognizes the creation of a Tourism Improvement District in the greater Richmond area, funded with an additional 2% hotel/motel tax.
 - The FY24 budget provides \$5 million in General Fund Revenue to the Water & Sewer fund for economic development projects and to assist with connection fees for water & sewer infill projects.
 - The General Fund support for the Water & Sewer fund will help in offsetting the **Hotel Water & Sewer Connection Holiday**.
 - Purpose of the holiday is to encourage hotel development in Henrico versus neighboring localities.

Budget Highlights

- Holiday will be for 36 months retroactive to January 1, 2023 and will be for newly constructed hotels and the redevelopment of older hotel sites.
- Looking to increase the number of hotel rooms in Henrico from 9,334 to 10,000.
- The FY24 Budget continues and expands the County's environmental stewardship.
 - The Capital Budget includes \$6.6 million for stormwater pollution reduction efforts and drainage/flood mitigation efforts.
 - \$2.5 million for the first appropriation of the \$50 million bond-funded drainage improvement program.
 - Funding will go towards planning and prioritizing potential drainage projects over the coming 6 years.
 - \$2.3 million will continue ongoing efforts, with significant balance being built up in this program that allows reallocation.
 - \$18.8 million allocated to this program since FY16.
 - \$500,000 will be allocated to Land Acquisition efforts based on criteria established by Public Works.
 - \$1.5 million allocated since FY22.
 - \$750,000 is allocated to identifying streams in need of rehabilitation.
 - \$2.3 million allocated since FY22.
 - \$500,000 is allocated for minor drainage projects.
 - \$1.5 million allocated since FY22.
- To assist with the various environmental efforts underway, 4 additional positions for Public Works are recommended in the FY24 budget.
- The Water & Sewer fund operating budget for Public Utilities will grow \$6.0 million, or 5.4% in FY24.
 - 6 new positions supported by the FY24 budget, 3 of the positions to support the water testing program.
 - Capital budget for the Water & Sewer fund totals \$100.9 million to support the maintenance and expansion of the water & sewer system.
 - Both operating and capital budgets supported by a 5% increase in water & sewer rates.

CAPITAL BUDGET SUMMARY

- The FY24 Proposed Capital Budget totals \$316.8 million, including \$114.3 million in the first allocation of 2022 GO Bond projects.
 - In addition to the education, public safety, and drainage projects, the FY24 budget includes \$10 million for the Three Chopt Area Park project and \$2.5 million for phase III of the development of Tuckahoe Creek Park.
- FY24 continues to include revenues generated by the Central Virginia Transportation Authority (CVTA).
 - FY24 estimate is \$27.5 million for the local portion, will be allocated to the county's sidewalk/pedestrian improvement efforts and to a variety of roadway projects. An additional \$2.5 million of local funding is also provided for sidewalks.
 - 10-year CIP for Public Works totals over \$2.2 billion, including drainage, roadway, highway, pedestrian, and multimodal projects.
- The FY24 capital budget enhances many of the County's maintenance efforts:

Budget Highlights

- \$7.5 million for various maintenance efforts for General Services and \$2 million for maintenance efforts in the County's parks.
- \$1.7 million for IT infrastructure maintenance/expansion, including the mapping effort for the county's GIS systems.
- \$1.3 million is included to build a Henrico Visitor Center at Four Mile Creek Park.