COMMONWEALTH OF VIRGINIA
COUNTY OF HENRICO

John A. Vithoulkas
County Manager

March 10, 2026

The Honorable Board of Supervisors
County of Henrico
Virginia

Honorable Members of the Board:

I am proud to present to you the FY27 Manager's Proposed Operating and Capital Budget. The plan, as presented, builds on the commitments and progress made in the past 5 years while recognizing the shifting economic winds. The budget maintains the County's position as a local government pay leader in Central Virginia while focusing on the core of local government – public safety and education – and investing in the County's key infrastructure. All of this is accomplished with the lowest monthly tax burden of large communities in Virginia, headlined with **a real estate tax rate of 83 cents per $100 assessed value**.

Budgets over the past six years have taken considerable resource growth and allowed this local government to tackle the hard issues such as addressing the mental health of all students and affordable housing in our community. While we will continue to seek to solve the tough issues, the resources available in FY27 are not as robust with a cooling real estate market, the adverse impacts of the recalculation of the State's funding formula for Henrico, and continued uncertainty in macro-economic conditions. The FY27 budget acknowledges this shift with utilizing **nearly $59 million in savings to balance**.

In continuing to be the local government pay leader in Central Virginia, the budget provides a **3% merit-based salary increase for all employees** for both general government and Henrico County Public Schools (HCPS). The budget also continues to provide budget structure for overtime and hourly pay, particularly for public safety. Over 83 percent of the operating budget growth is allocated to education and public safety – maintaining this County's focus on the core services of government.

Finally, the budget supports the maintenance and expansion of key infrastructure with a capital budget that exceeds $343 million. This includes the continuation of the 2022 general obligation bond referendum projects, expansion of maintenance programs, and **$50 million to secure safe and resilient drinking water throughout the entire county.**

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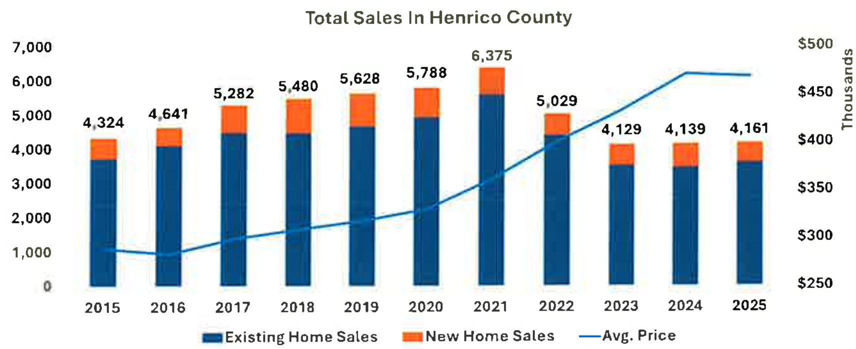
Budget Overview & Fiscal Sustainability

FY27 General Fund Revenues				
Category	**FY26 Approved**	**FY27 Proposed**	**FY26 to FY27**	**FY26 to FY27**
General Property Taxes	$738,050,000	$767,550,000	$29,500,000	4.0%
Other Local Taxes	225,360,000	234,610,000	9,250,000	4.1%
Permits, Fees, and Licenses	8,503,000	8,503,500	500	0.0%
Fines & Forfeitures	1,675,000	1,680,000	5,000	0.3%
Use of Money & Property	10,158,500	16,243,500	6,085,000	59.9%
Charges for Services	3,127,500	2,939,500	(188,000)	(6.0%)
Miscellaneous Revenues	6,627,500	6,602,500	(25,000)	(0.4%)
Total Local Revenues	$993,501,500	$1,038,129,000	$44,627,500	4.5%
State Aid for Schools	$429,410,000	$429,935,000	$525,000	0.1%
State Gasoline Tax	64,500,000	64,500,000	0	0.0%
All Other State & Federal	52,172,000	53,412,000	1,240,000	2.4%
Total State and Federal Revs.	$546,082,000	$547,847,000	$1,765,000	0.3%
Total General Fund Revs.	**$1,539,583,500**	**$1,585,976,000**	**$46,392,500**	3.0%
Transfers/Cash Reserves	($183,868,826)	($186,088,959)	($2,220,133)	1.2%
TOTAL NET REVENUES	**$1,355,714,674**	**$1,399,887,041**	**$44,172,367**	**3.3%**

Projected revenues in the FY27 proposed budget total $1.6 billion, an increase of $46.4 million or 3.0% when compared to the FY26 approved budget. Nearly the entire increase is attributable to local revenues as they reflect a $44.6 million increase while State & Federal revenues only increased $1.8 million.

General Property taxes account for $767.6 million of the proposed FY27 budget and reflect an increase of $29.5 million, or 4.0% when compared to the FY26 budget. Of this total, $550.0 million reflects the estimate for real estate taxes and is based on January 1, 2026, assessments and a rate of 83 cents per $100 assessed value.

Assessments, as of January 1, 2026, increased by $2.2 billion or 3.4% compared to 2025 assessments. Reassessments, both residential and commercial, increased by 1.8% each. New construction, both residential and commercial properties, increased the land book by $1.2 billion in 2022. It should be noted that of the increase in new construction, $629.9 million is the value of new data centers.



The residential reassessment reflects current market conditions where activity remains lower than recent history despite mortgage rates that are down a full percent from the same time last year and back to levels last seen in the fall of 2022. However, average prices remain elevated – nearly even with 2024's level that had increased 43% since 2020.

The commercial tax base, both reassessments and new construction, reflect an increase of $1.2 billion or 6.2% compared to 2025 assessments. While the office sector realized a 6.3% decrease in 2025, a reflection of the evolving environment of the office market, it is offset by growth in all other sectors but particularly a 5.9% increase in apartment values.

The remaining local revenue increase of $26.6 million can be accounted for in seven other resources. In each case, a review of the current year collection trend shows that the estimate for FY27 will be met or exceeded in the current fiscal year – a trademark of Henrico's fiscal prudence. The conservative revenue estimates keeps the County in an advantageous position to address an economic shock that will more quickly impact these resources than other County revenues.

FY26 Performance vs. FY27 Estimates			
	FY26 Approved	FY26 Projection	FY27 Projection
Personal Property Taxes	$176,500,000	$193,400,000	$188,000,000
Sales & Use Tax	$99,000,000	$100,000,000	$100,500,000
Meals Tax	$35,000,000	$42,000,000	$40,000,000
Business License Tax	$50,000,000	$51,000,000	$51,000,000
Hotel/Motel Tax (Including TID)	$20,000,000	$22,500,000	$21,250,000
Interest Earnings	$9,000,000	$25,000,000	$15,000,000
Recordation Tax	$5,000,000	$8,500,000	$5,300,000

While a couple of the revenue increases are dedicated to specific areas – Hotel/Motel Taxes to EDA to be transferred to the Greater Richmond Convention Center Authority and Meals Tax revenues entirely dedicated to HCPS expenses – all local revenue increases are necessary to meet the lack of revenues that are anticipated from the Commonwealth in FY27. State revenues in FY27 total $547.5 million, a $1.8 million or 0.3% increase compared to the FY26 budget. Most of the funding from the State is for our school system - $429.6 million, which only reflects a $525,000 increase when compared to the estimate for FY26. In fact, the estimate for FY26 reported by the Virginia Department of Education in May 2025 after the General Assembly adopted the budget amendments for the 2024-2026 biennium was significantly higher than the amount included in the approved budget. However, once student

FY26 State Aid For Education Timeline		
FY26 Approved Budget	$	429,410,000
General Assembly Adopted - May 2025	$	438,177,046
Governor's Proposed - December	$	427,949,098
FY27 Initial Revenue Estimate	$	441,835,250
FY27 Manager's Proposed Budget	$	429,550,000
Reduction in FY27 Revenue Estimate	$	(12,285,250)

enrollments were revised to reflect an estimate closer to the September 30 membership, a significant reduction from the State was communicated, which required revisions for both FY26 revenue estimates and FY27 projections.

Exacerbating the reductions based on membership for FY26 is the County's 'ability to pay' calculation through the State's Local Composite Index increased for the 2026-2028 biennium. This was the result of many factors in the overly complicated formula that determines the State's share of funding for Education for each school division, most of which were the result of Henrico's resilient and robust local economy when compared to other areas in the Commonwealth. While, at this writing, both chambers of the General Assembly have added additional resources for K-12 Education to their versions of the State budget, at this time the versions are different enough that altering the current FY27 projection would not be wise.

The remainder of state revenues for FY27 reflect a status quo approach. State Highway Maintenance payments to Henrico show no change at $64.5 million. Reimbursements from the Compensation Board for the Commonwealth's Attorney's Office reflect an increase of $1.1 million because of an increase in the number of positions reimbursed by the State in the current fiscal year while other constitutional offices are essentially flat. In fact, the few adjustments to the remainder of State revenues are offset by a reduction to the Communications Sales & Use Tax – the once $14 million/year collection of four local revenues that was taken over by the State and is now estimated at $8.3 million in FY26.

Expense Savings to Balance

Gross Costs In FY27 Budget	**$ 102,513,093**
Savings	
3% Reduction of FY26 Approved	$ (39,838,037)
VRS Rate Reductions	$ (18,502,689)
Miscellaneous Reductions	$ (500,000)
Net Costs	**$ 44,172,367**

The budget being presented to the Board of Supervisors includes significant investments in both the operating and capital budgets. The General Fund budget alone includes over $102.5 million in costs – many of which are the result of service commitments that include maintaining competitive compensation and benefits and providing employees with the equipment and training needed to meet the community's needs. However, in the limited revenue growth environment noted, significant savings is required to balance the needs of our community.

To achieve these savings, two main approaches were taken. The first was the inclusion of the lower rates certified by the Virginia Retirement System (VRS) Board for the 2026-2028 biennium. Schools realized very significant savings between the 2.01% reduction of the certified teacher rate and the conversion of maintenance staff, bus drivers, and school cafeteria employees to the statewide non-professional pool.

While the initial rate for general government employees was lower before accounting for the conversion of the HCPS staff from the general government pool to the statewide pool, the rate for County employees was still reduced 1.24% for a savings of $4.6 million in FY27.

The second approach was to allocate a reduction target to every agency's budget in the amount of 3% of the FY26 approved budget. The total savings to be achieved by this reduction in the General Fund is nearly $40 million – with $22.9 million allocated to HCPS and $16.9 million allocated to general government agencies. For general government agencies, I am confident this target can largely be met through vacancy savings and targeted sustainable reductions that have been identified through the Fiscal Wellness Committee that was convened during FY26. For HCPS, the Superintendent has already identified a path to achieve the division's savings target and will be able to meet this goal during FY27.

Pay Raise: Attract, Retain, Invest

The engine of this local government is the people employed to serve Henrico's residents. Their expertise, creativity, and dedication to their craft is critical to providing the outstanding quality of life in this community. We see it time and again that, when the call to serve is made, our people respond. Over the past few years, Henrico has committed to being the local government pay leader in this region. This budget continues that push.

The FY27 budget builds on the progress made since 2021 in employee compensation with a 3% pay increase for all eligible general government and HCPS employees. In addition, the County's share of health care premiums increased by $8.5 million, or 7.8% to minimize the impact of health care inflation on employees. Finally, the budget for FY27 also continues a multi-year effort to right-size overtime budgets for public safety agencies, particularly Police, Sheriff, and Fire. A total of $3.2 million is included in these three agencies to reduce the need to cover the unbudgeted overtime costs with salary savings or year-end budget amendments.

Salary Increase Budget Increases, FY22 through FY27, GF Only				
	Schools	Public Safety	General Government	Total
FY22 Salary Increase	$ 32,850,000	$ 18,875,620	$ 7,648,864	$ 59,374,484
FY23 Salary Increase	$ 22,500,000	$ 7,245,286	$ 5,610,603	$ 35,355,889
FY24 Salary Increase	$ 36,908,380	$ 11,931,847	$ 12,985,349	$ 61,825,576
FY25 Salary Increase	$ 34,000,000	$ 13,018,274	$ 8,092,882	$ 55,111,156
FY26 Salary Increase	$ 36,200,000	$ 13,449,375	$ 7,785,287	$ 57,434,662
FY27 Salary Increase	$ 18,300,000	$ 6,660,919	$ 4,432,860	$ 29,393,779
Total FY22 through FY27	**$ 180,758,380**	**$ 71,181,321**	**$46,555,845**	**$ 298,495,546**
			Total Budget Growth Since FY21	**$ 500,775,887**
			Salary Increases as a Percent of Budget Growth Since FY21	**59.6%**

Over the past six years, the investment in employee compensation has been significant – nearly $298.5 million. Compared to the total increase in the budget during that time, salary increases account for 59.6% of the growth. As such, employees who have been employed with Henrico County since February 2021 have, on average, seen their salaries increase by 55%. This, especially combined with the consistent absorption of health care increases on behalf of the workforce, is what makes Henrico second-to-none when it comes to public employers in central Virginia.

Education & Public Safety

Educating the County's future and keeping everyone safe are core functions of any local government. On an annual basis, this Board consistently bolsters these core functions as no less than 76% of budget growth has been allocated since FY24. The FY27 budget is no exception as over 83% of General Fund budget growth is reflected in education and public safety.

The FY27 proposed budget for HCPS, including the General Fund, school cafeteria, grants, and debt service, totals $971.0 million. The General Fund portion of the HCPS budget totals $798.1 million, reflecting a $25.1 million or 3.3% increase over the FY26 budget. In addition to the salary increases noted above, the budget reflects the completion of four bond projects in FY27. These include the renovation of Adams Elementary School – the last project from the 2016 GO Bond Referendum, the replacements of Jackson-Davis Elementary School and RC Longan Elementary School, and the opening of the Environmental Center Living Building at Wilton. The FY27 budget also accounts for additional English Language Learner (ELL) teachers to meet the growing population of students whom English is not the primary language spoken in their homes. With the savings achieved through the VRS rate reductions, HCPS was able to add special education teachers and instructional assistants, trades positions for mechanical repairs, and positions to support a Cybersecurity Specialty Center at Henrico High School.

The FY27 budget continues the innovative approach to youth mental health care - the **Henrico CARES** program. Born out of the Youth Violence Committee, CARES seeks to address the growing number of children recognized with a mental health disorder by providing access to high quality mental health care that is easily accessible and comprehensive to all youth and their families in Henrico County. The budget includes an additional $534,585 for five counselor positions and $144,000 for the expansion of telehealth services to middle school students.

All the operating budget investments are for naught if the buildings do not meet the standards expected by our community. For the past three years, too many times there have been reports of air conditioning or heating systems failing at critical points. With that, the capital budget for FY27 allocates $20 million for mechanical improvements. This includes $14 million in General Fund resources and $6 million of Meals Tax Reserve funding. To ensure this funding is utilized in a manner to avoid the issues of the past, a new HVAC maintenance contract for both HCPS and general government is currently under negotiation that will have a focus on school systems.

Other items in the proposed capital budget include the continuation of the $340.5 million referendum program for HCPS with construction funding for a new elementary school in the Fairfield magisterial district and planning and design for the replacement of Highland Springs Elementary School. Finally, the budget continues the $9.0 million of meals tax revenues for maintenance projects to be approved by the Board of Supervisors for the school system, $6.0 million for school bus replacements, $2.0 million for classroom technology efforts, and $1.0 million for playground replacements – all vital maintenance programs for our school system.

In the area of public safety, the FY27 budget picks up 7 new positions and over $779,000 for the Division of Fire to improve EMS response times and outcomes. These include 2 positions for a Medical Technician Transport Unit at Firehouse 8 that was approved in September 2025 and 5 positions for a new Medic Unit staffed at Firehouse 9 that was approved in December 2025. Finally, the Division of Fire will begin distributing whole blood to critical trauma patients to bring hospital-level resuscitation to a response scene.

For the Police Division, the budget continues to push the use of technology to improve community safety by providing enhanced investigative tools and equipment. Since FY22, over $2.4 million has been invested in new software, equipment, and investigative tools for police officers to utilize and the results are undeniable – during that same time, the part 1 crime rate has decreased 26.3%. The 2025 rate of 18.79 crimes per 1,000 residents is 13.5% less than the previous all-time low from 2024.

The capital budget for public safety totals $41.8 million, highlighted by the full funding of a Public Safety Training facility. With a budget of $27 million, this will construct several buildings to assist both Police and Fire with simulating environments they will encounter within the community in a controlled environment. The capital budget also begins what hopes to be an ongoing effort to provide much needed maintenance to both jail facilities. The FY27 budget allocates $4 million for maintenance needs at Jail West and $2 million for maintenance needs at Jail East. Finally, it also includes the continuation of Fire's apparatus replacement program and Police's vehicle replacement program.

Infrastructure Maintenance & Expansion

The regional water crisis in January 2025 taught us many lessons – the value of maintaining the infrastructure we have and how valuable communication and cooperation are with our regional counterparts. Over the past year many conversations have been had and, while a regional solution would be desirable, our residents in Eastern Henrico deserve the peace of mind their water will be clean and available when they turn on a spigot. In December, the Board of Supervisors took the first step to provide that peace of mind through awarding a contract to design a water transmission line to Eastern Henrico from the Water Treatment Plant in Western Henrico. The continuation of funding this project is included in the $134.9 million total proposed capital budget for Water & Sewer that will also maintain infrastructure, meet consent orders, and expand the capacity of the current system. The capital allocation, along with the $138.1 million operating budget, can be funded within a proposed 5% annual increase for water & sewer service rates. The average impact of this increase will be $3.85 per month.

The FY27 proposed capital budget, outside of water & sewer, is $208.8 million to maintain current facilities and build several new facilities. The budget includes $85.5 million for 2022 Bond Referendum projects. The proposed budget represents the fourth of six planned issuances of bonds, with the second issue making Henrico **one of only four quad-AAA rated counties in the nation** that "can maintain better credit characteristics than the U.S. in a stress scenario." The third issuance of G.O. bonds is currently planned for the coming fall.

FY27 GO Bond Projects		
New Fairfield ES	$	40,000,000
Replacement of Highland Springs ES	$	6,000,000
Public Safety Training Facility*	$	27,000,000
Drainage Projects	$	10,000,000
Kain Road Park (Bond Project Reserve)	$	2,500,000
Total	**$**	**85,500,000**

*Includes all funding sources, including GO Bonds, EDA Public Safety Bonds, and Bond Project Reserve.

The capital budget allocates significant pay-as-you-go resources for general government maintenance in FY27. $10.0 million is included to maintain mechanical systems in County facilities along with $2.3 million for park maintenance. The capital budget also includes $1.0 million for improvements at the Varina Farm property, $3.0 million for the upgrade of fuel sites in the County, $4.0 million for the start of turf replacement program at all of the high schools and Glover Park, and $300,000 for a maintenance program at the Henrico Sports and Events Center.

There is a significant focus on technology infrastructure needs in the FY27 budget. The capital budget also includes $3.7 million for technology infrastructure maintenance, including planned upgrades to the

County's Geographic Information Systems (GIS) technology and identified upgrades to the County's community development system. The operating budget includes nearly $793,000 for increases to the County's various systems in addition to the aforementioned upgrades to policing technology.

Revenues from the Central Virginia Transportation Authority (CVTA) remain an important funding source for the County's transportation and mobility projects in FY27. A total of $31.5 million of the CVTA local allocation is projected for the capital budget, with $27.5 million allocated for transportation projects, $2.5 million specifically for pedestrian and bike improvements, and $1.5 million in in FY27 to continue the street light initiative on major county highways the Board initiated in September. In addition to CVTA revenues, additional funding for sidewalks will continue in FY27 as the annual total allocated to increasing our community's walkability remains $7.8 million.

The FY27 budget continues the County's environmental efforts in a few ways. First, the capital budget includes $1.8 million for wetland and stream mitigation efforts, which the Board heard about at the September 2024 Board Retreat. The budget continues the County's MS/4 efforts with $2.3 million for stormwater improvements that comes from General Fund revenues and not a stormwater utility tax, allowing Henrico to remain the only large locality in the Chesapeake Bay watershed to not impose one. The budget continues BMP maintenance efforts within the community, stream restoration projects, and dam maintenance and repairs. $250,000 that supports the H.E.A.R.T Committee efforts is being moved to the new Sustainability Division budget within General Services in FY27 and an additional $250,000 is in the budget for the Energy Management program for energy efficient improvements in the capital budget. Finally, the FY27 capital budget includes $10 million of G.O. bonds for drainage improvements across the County.

Keeping Course

At its core, the FY27 budget balances the ability to meet the needs and desires of this great community with the resources available to do so. Those resources are not just the revenues generated – they include the innovative, energetic, and empathetic staff that accomplish this great task. Often in the past few years we have found ourselves up against a wall facing a great challenge and every time Henrico employees have shown they will not be deterred and we come through the other side better for the adversity. It is what makes Henrico a desirable destination, and we will continue to meet the challenges presented to move this community forward.

With all that said, I want to take a moment to thank Superintendent Amy Cashwell and her staff for their efforts in helping to craft this fiscal plan. Schools and general government have worked in lockstep throughout this process and this budget would not be possible without their support.

I would also like to thank the budget staff for their effort in developing this spending plan. Without their countless hours of hard work and dedication, this plan would not have been possible.

In closing, I would like to thank you, our dedicated Board of Supervisors, for your input and guidance through this most important process. Staff and I stand ready to assist you as you consider this budget.

Respectfully submitted,

John A. Vithoulkas
County Manager