

HENRICO COUNTY FY25 MANAGER'S PROPOSED BUDGET HIGHLIGHTS

OVERVIEW

The FY25 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**.
- The budget provides a **4.8% pay increase** across the Board, with \$16.9 million allocated to support additional increases in critical shortage areas.
- The FY25 Proposed Budget allocates **over 76%** of budget growth to the County's core service priorities: Education and Public Safety.
 - The FY25 Proposed Budget strategically allocates an additional **\$74.9 million** in resources to both Schools and Public Safety.
- The FY25 Proposed Capital budget includes **\$327.2 million** in new and improved public buildings and facilities.
 - \$110.8 million for 2022 Bond Referendum projects.
 - \$36.5 million in maintenance projects for both HCPS and General Government, including a \$7.5 million increase for School Mechanical & Roof program.
 - \$30 million for road and pedestrian improvements, largely through CVTA.
 - \$120.0 million in Water & Sewer infrastructure improvements across the County.

REVENUE HIGHLIGHTS/TAX RELIEF

- General Fund revenue growth in FY25, compare to FY24 projections.
- Real estate tax revenues in the Proposed Budget reflect an overall increase of \$30.0 million from the current approved budget.
- The total real estate land book increased by \$3.1 billion.
 - Residential reassessments increased by 5.4%.
 - Demand still outpaces supply in spite of mortgage rate increases over the past year.
 - Commercial reassessments increased by 2.4%.
 - Value of hotel properties, which decreased by 50% in 2021, increased 13.2% but are still short of their 2020 value.
 - Warehouses/industrial properties increased 5.9%; general commercial increased 4.5%
 - Apartment values, after increasing 106% between 2017 to 2023, saw a reassessment decrease of 0.4%
 - Office reassessments decreased another 1.7%.
 - Shopping centers still less than 2020.
 - New construction increased the land book by \$351.5 million, or 2.1%.

Budget Highlights

- FY25 Budget picks up the new RECAP program, which expands real estate tax relief to cap taxes for participants with income up to \$105,000, net worth up to \$700,000.
 - Will explore bringing eligibility parameters up to \$125,000 and \$750,000 in 2025.
 - Eligibility parameters and tax relief provided already most expansive in Central Virginia
 - REAP participants receive full relief up to \$3,200 for elderly and permanently disabled with income under \$75,000 and proposed net worth under \$500,000.
 - \$1.5 million is added to tax relief to account for the new program and anticipated new participation in the County's REAP Program.
- Personal Property estimate increasing \$11.0 million to \$145.0 million for FY25.
- Sales Tax estimate for FY25 is \$96.5 million
 - FY24 estimate around \$94.6 million.
- Business, Professional, and Occupational License (BPOL) tax estimate is \$49.5 million. Represents \$3.5 million growth in budget estimate but accounts for an increase in the deduction amount to \$1,000,000.
 - FY23 collections totaled \$51.2 million.
 - The estimated cost to double the deduction is \$3 million, growth will cover increase.
 - Over a 4-year phase in of increasing deduction to \$500,000, revenues grew each year except FY21 (COVID).
- Meals Tax increased to \$35 million, additional \$7 million funds portion of debt service of first issuance of 2022 G.O. Bonds.
 - FY23 collections exceeded \$38.1 million and FY24 collections are growing at 4.9% year-to-date.
- State revenues for FY25 total \$489.2 million.
 - Increase of \$35.4 million compared to FY24 approved budget.
 - State Aid for Education (\$28.8 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.
 - Gas Tax payments budgeted at \$56 million, current year allocation over \$61.3 million.
 - Compensation Board reimbursement estimates are less than FY23 collections.

EXPENDITURE HIGHLIGHTS

- The total FY25 Manager's Proposed General Fund Budget is \$1,254.7 million.
 - An increase of \$97.6 million, or 8.4%.
- Employee Recruitment, Retention Efforts
 - The FY25 budget continues its recruitment and retention efforts with a 4.8% salary increase for all eligible employees. In addition to the across-the-board adjustment, the budget allows for additional adjustments in critical shortage areas, particularly in the areas of Education and Public Safety.
 - Currently there are 528 vacancies across General Government, 285 of which are in Public Safety agencies.
 - HCPS has 607 full-time vacancies, of which 359 are teaching positions being filled with Board Substitutes.

Budget Highlights

- The number of vacancies contributes to excess overtime, employee burnout.
- 'Critical Shortage' adjustments allow for targeted adjustments for market competitiveness, such as the adjustments recently announced for Bus Drivers – one of 46 such adjustments done outside of the budget process since FY21.
 - Bus drivers account for \$2.0 million of the critical shortage adjustment.
- A total of \$56.4 million is dedicated to salary increases in the General Fund.
 - Over the last four years, salary increases have accounted for nearly 60% of the County's budget growth.
 - The total of salary increases in the last four fiscal years (\$211 million) accounts for nearly 17% of the FY25 Budget.
- To further address overtime issues, \$2.6 million is allocated to public safety overtime in the first of a multi-year effort to realign the budget with overtime actuals.
 - Additionally, the budget recognizes 14 additional firefighter positions to help reduce the need for overtime within Fire.
 - First 7 positions approved by the Board in December amendment, full year costs recognized in FY25 budget along with additional 7 positions.
- Education: Total, All Funds Budget of \$880.8 million.
 - General Fund Budget for Education totals \$704.0 million, an increase of \$53.7 million or 8.3%.
 - Incremental increases for Schools, outside the salary increases cited above, include:
 - Implementation of the Henrico CARES initiative, a recommendation out of the Youth Violence Committee.
 - A partnership with MH/DS and private providers, the goal of the CARES initiative is to provide **every student with** the mental health resources they need.
 - 1st year costs for both HCPS and MH/DS total \$1.7 million, with 5 positions added for HCPS and 4 for MH/DS.
 - Security enhancements at all schools, including 75 school security officers approved by the Board in the September amendment.
 - In addition to the security officers, School Board has added 97 additional positions to provide additional learning/classroom support and English Language Learning teachers.
 - General Fund picks up cost of 62 positions funded with federal stimulus funding over the last 3 years.
- Public Safety initiatives included in the FY25 Proposed Budget include:
 - The proposed budget completes a 3-year phase-in of new positions to outfit Firehouse 23, slated to open next winter.
 - Final 12 positions are proposed for FY25. 22 positions have been added to the prior two budgets and placed in service throughout the County to be ready once station opens.
 - Enhancing Police technology – over \$2.1 million allocated to new and refreshed technology in the FY25 budget.
 - Fixed cost increases for current costs.
 - Maintains funding for public safety vehicles and apparatus replacements at \$8.8 million.
 - Marcus Alert
 - Public Safety capital projects for FY25 total \$9.4 million

Budget Highlights

- \$3.8 million for planning/land acquisition for the replacement of Firehouse #1, approved in 2022 Bond Referendum.
- \$2.8 million for planning for the Animal Adoption Center, approved in 2022 Bond Referendum.
- \$1.4 million for upgrades to the current animal shelter.
- \$1.3 million for upgrades to Jail East.
- \$100,000 to study operations at Jail West.
- Enhancements to Recreation & Park operations as FY25 will recognize the addition of four new sites to the Recreation & Parks inventory.
 - \$2.7 million and 10 positions included in the FY25 budget in anticipation of increased maintenance and programming needs with the opening of Taylor Farm Park, the acquisition of the St. Gertrude fields, the opening of the Pouncey Tract Park Pickleball courts, and the opening of the shelter/restroom facility at Four Mile Creek Park to serve users of the Capital Trail.
- Economic Development/Revitalization Efforts in FY25 budget
 - Continues to build out the Sports and Entertainment Authority by providing additional marketing resources, part-time position to enhance outreach.
 - FY25 budget continues to provide \$2 million for Neighborhood Revitalization projects for targeted efforts in coordination with various community groups.
 - \$750,000 is included for the Henrico Investment Program, which provides targeted incentives for rehabilitation in specific commercial corridors.
 - The FY25 budget provides \$6 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 FY25 Budget prioritizes efforts to maintain and improve the physical environment of the community.
 - The Capital Budget includes \$4.1 million for stormwater pollution reduction efforts.
 - \$2.3 million will continue ongoing efforts, with significant balance being built up in this program that allows reallocation.
 - \$500,000 will be allocated to Land Acquisition efforts based on criteria established by Public Works.
 - \$750,000 is allocated to identifying streams in need of rehabilitation.
 - \$500,000 is allocated for minor drainage projects.
- Public Works
 - 12 new positions to handle ever increasing number of capital projects.
 - The number of projects managed by Public Works has grown from 4 in FY11 to 119 in FY24 with a construction value over \$600 million.
 - In-house positions save significant costs over contracting for the same service.
 - The FY25 Proposed Capital Budget continues to include revenues generated by the Central Virginia Transportation Authority (CVTA).
 - FY25 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.
 - This \$30.0 million will be leveraged to draw down State/Federal resources for projects.

Budget Highlights

- 10-year CIP for Public Works totals over \$2.2 billion, including drainage, roadway, highway, pedestrian, and multimodal projects.
- Outreach & Engagement Agency
 - Moves six positions focused on reaching out to a growing and more diverse population from three separate agencies to simplify accessibility and improve coordination and collaboration in a consolidated, more efficient manner.
- The Water & Sewer fund budget for Public Utilities in FY25 totals \$131.0 million and will meet the needs of operating the County's water & sewer system.
 - Operating and capital needs to be supported by a 5% increase in water & sewer rates.
- "A County With A Heart"
 - \$120,000 for flexible funding in Social Services, Sheriff, and Community Revitalization to support assisting people in need.
 - Behavioral Health Docket Administrator position in General District Court.
 - Services over the years provided not because we have to, but because it was right to do so.
 - PFAS
 - Acquisition of Varina Farm

CAPITAL BUDGET SUMMARY

- The FY25 Proposed Capital Budget totals \$327.2 million, including \$110.8 million for 2022 Bond Projects.
- Facility/System Maintenance and Enhancement
 - \$10.0 million for various maintenance efforts for General Services.
 - \$2.2 million for IT systems, including the County's GIS systems.
 - \$2.0 million for Park maintenance.
 - \$120.0 million for maintenance and expansion of the Water and Sewer system.