



FY2026 PROPOSED & FY2027 PROJECTED BUDGETS

Overview

April 21, 2025

Summary of Topics

- Review significant components of the proposed FY2026 and projected FY2027 budget
- Key dates of the budget cycle and FY2026 tax billing timeline
- Proposed levy increase for FY2026 and FY2027
- Discuss the two-tiered tax program and participation level
- Discuss the tax levy categories
- Review proposed tax rates
- Impact of tax rate change to average assessed residential property
- General Fund revenues
- General Fund expenditures

Key Dates

Formally receive budget

Departmental Budget Workshops

First Public Hearing

Second Public Hearing/Final Adoption
if needed

Third Public Hearing/Final Adoption

April 9, Council Mtg

April 21, Budget Overview,
Personnel, Capital, Civic Support,
General Gov't and City Manager

April 22, Police, Fire, Maritime, Parking

April 24, School Department

April 29, Resilience & Sustainability, Public
Services, Planning, Zoning &
Building Inspections

April 30, Water & Water Pollution Control

May 14

May 28

June 11 (if needed)

ERP Implementation Critical to Tax Bill Preparation

- We are respectively asking the Council to approve as soon as reasonably possible the tax rates for the fiscal year 2026 tax billings. This year will be the first year tax billings will be processed through the City's new tax billing software.
- Tax bills are scheduled to be generated the week of June 16th to ensure the City's 3rd party printer can accommodate the early July mailing so that tax payers have a reasonable amount of time to pay the 1st quarter due date of August 5.

Proposed Tax Levy Increase

FY 2025 Certified Tax Levy	88,919,387
FY 2026 Tax Levy Increase %	3.95%
FY 2026 Tax Levy Increase \$	3,512,315
FY 2026 Proposed Tax Levy	92,431,702
FY 2026 Proposed Tax Levy	92,431,702
FY 2027 Tax Levy Increase %	2.50%
FY 2027 Tax Levy Increase \$	2,310,793
FY 2027 Proposed Tax Levy	94,742,495

Residential Two-Tier Tax Terminology

Owner-Occupied: Residential Taxpayer that has been approved based on application submitted during the open application period

Non Owner-Occupied: Residential Taxpayer that is not eligible and/or did not submit an application during the open application period

Average assessed value: Average value of all residential properties in a particular year

Residential Two-Tier (cont.)

How does this work?

- The tax rates were calculated for residential in total and commercial to determine what rates were needed to bring in the desired tax levy.
- We split the assessed valuation of residential property into owner occupied properties and non-owner occupied properties.
- The exemption of \$284,433 (FY26) was given to each owner occupied property and the total value of the exemptions was subtracted from the value of owner occupied property in total.
- We then determined what tax rate on non-owner occupied properties would be needed to restore the levy back to the initial determined need.

Two-Tier Residential (cont.)

- ▶ The two-tiered residential tax program has seen continued growth of owner occupied applicants and approvals

Budget Year	% of Owner Occupied	# of Owner Occupied	Owner Occupied Exemption
FY2024	36%	2,996	\$350 M
FY2025	45%	3,696	\$1.051B
FY2026	51%	4,169	\$1.185B

- ▶ January 2nd to March 17th was an application period for all owner-occupied properties. Next application period will be January 2028.
- ▶ For Budget Year 2026 there has been 473 properties added to the owner occupied program which amounts to approximately \$450 million in gross assessed value and \$134 million in owner occupied exemption

Real Estate Tax Levy Explanation

- ▶ The City's property tax roll is defined by the following categories:
 - ▶ Residential
 - ▶ Owner Occupied
 - ▶ Non-Owner Occupied
 - ▶ Commercial
 - ▶ Tangible Property - business furniture, fixtures & equipment

Real Estate Tax Levy Explanation (cont.)

Restrictions and Guardrails:

- ▶ The City cannot exceed a 4.0% increase to the tax levy with the following exceptions:
 - ▶ Debt service increase
 - ▶ Non-property tax revenue loss
 - ▶ Substantial tax base growth requiring expanded services
- ▶ The commercial rate is tied to 1.5 x the lowest residential rate (owner occupied)
- ▶ General Assembly has locked in the tangible property rate at \$14.88 and given a \$50,000 exemption for business furniture, fixtures and equipment

Real Estate Tax Levy Explanation (cont.)

How is the tax levy funded:

	% of Tax Levy FY2026	% of Tax Levy FY2025	% of Tax Levy FY2024	% of Tax Levy FY2023
Resident Owner Occupied	23.01%	20.37%	22.05%	
Resident Non Owner Occupied	<u>52.46%</u>	<u>54.99%</u>	<u>50.82%</u>	
Total Residential	75.47%	75.36%	72.87%	72.80%
Commercial	22.40%	22.46%	24.47%	24.66%
Tangible	<u>2.13%</u>	<u>2.18%</u>	<u>2.66%</u>	<u>2.54%</u>
	100.00%	100.00%	100.00%	100.00%
Total Levy	\$92,413,703	\$88,919,387	\$85,780,645	\$82,949,013

Real Estate Tax Levy Explanation (cont.)

	Adopted Rates FY2025	Proposed Rates FY2026	\$ Change
Resident Owner Occupied	\$ 6.975	\$ 7.284	\$0.309
Resident Non Ower Occupied	\$ 8.221	\$ 8.863	\$0.642
Commercial	\$ 10.463	\$ 10.926	\$0.463
Tangible	\$ 14.880	\$ 14.880	\$0.0

Real Estate Tax Levy Explanation (cont.)

How Will Proposed Rates Impact the Average Assessed Home Owner's Tax Bill

	Resident Owner Occupied Levy	Resident Non Owner Occupied Levy
Adopted FY 2024	\$ 6,280	\$ 8,141
Adopted FY 2025	\$ 6,282	\$ 9,743
Proposed FY 2026	\$ 6,561	\$ 10,504

Comparison of Residential to Prior Years

	Proposed FY 2026	Actual FY 2025	Actual FY2024
Average Assessed Value (AAV) \$	1,185,137	1,185,137	744,813
Owner Occupied Proposed Exemption %	24%	24%	15%
Owner Occupied Proposed Exemption \$	(284,433)	(284,433)	(111,722)
AAV Net of Proposed Exemption (in \$ thous)	900.704	900.704	633.091
Owner Occupied Tax Levy Rate \$	7.284	6.975	9.92
AAV Proposed Owner Occupied Tax Levy \$	6,561	6,282	6,280
Change from Prior Year \$	279	2	(878)

REVENUES

	FY2026	FY2027
Meals & Beverage Tax	No change - remains at \$3.5M	Decrease of \$150k based on State projection
Hotel Tax	No change - remains at \$3.5M	Decrease of \$50k based on State projection
State Aid	Decrease of \$179k due to maturing school related debt	Increase of \$6.7M due to lump sum catch-up for Pell/Rogers
Parking Tickets	Increase of \$400K to \$1.3M due to adjusted rate schedule	Decrease of \$200K to \$1.1M due to expectation new rates will deter violations
Building & Electrical Inspections	Increase of \$168K to \$1.8M based on actuals	Decrease of \$352K to \$1.4M based on departmental projection
Investment & Interest Income	Increase of \$2.5M to \$3.7M based on projections	Decrease of \$1.4M to \$2.4M based on projections

General Fund Budget Increase

	FY2025	FY2026	FY2027
Proposed Expenditures	115,073,223	122,351,059	129,107,450
Dollar Change	3,619,682	7,277,836	6,756,391
Percentage Increase	3.2%	6.3%	5.5%
Property Tax Revenue	89,168,951	92,431,702	94,742,495
Revenues Other Than Tax	18,704,242	22,719,349	27,364,955
Revenues Other Than Tax	7,200,000 (6.2%)	7,200,000 (5.9%)	7,000,000 (5.4%)

Budget Drivers Expenditure Increases

	FY2025	FY2026	FY2027
Salaries, OT, Holiday Pay	2,187,754	2,487,907	1,653,253
Benefits	767,884	1,194,389	728,488
School Department	556,492 (2%)	1,150,223 (4%)	598,116 (2%)
Capital Budget	(2,045,060)	531,794	551,650

Questions

Back-Up Slides

PROPOSED TAX RATES REVISTED

	Adopted FY2024	Adopted FY2025	Proposed FY2026
Owner Occupied	\$ 9.92	\$ 6.975	\$ 7.284
Non-Owner Occupied	\$ 10.93	\$ 8.221	\$ 8.863
Commercial	\$ 14.88	\$ 10.463	\$ 10.926
Tangible	\$ 14.88	\$ 14.880	\$ 14.880
Owner Occupied Exemption	\$ 111,722	\$ 284,433	\$284,433

PROPOSED RATES

The FY2026 Proposed Budget includes an exemption for owner occupied approved applicants of 24% of the average assessed value which is consistent with prior year (next revaluation will be 12/31/2026). FY2024 budget included an exemption for owner occupied of 15% of the average assessed value.

The average assessed valuation for the proposed FY2026 budget is \$1,185,137 which is consistent with last year. FY2024 average assessed valuation was \$744,813 (next revaluation will be 12/31/2026).

The 24% exemption would reduce owner occupied properties by \$284,433 in FY2026 compared to \$284,433 in FY2025 and \$111,722 in FY2024