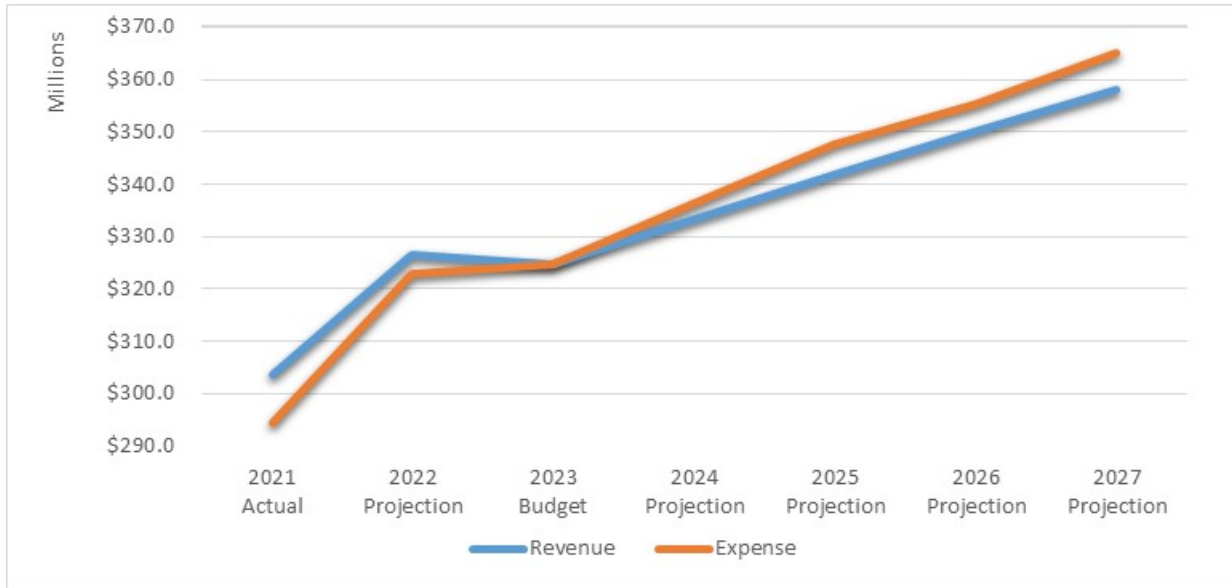


## Five Year Operating Plan



(millions)	2021 Actual	2022 Projection	2023 Budget	2024 Projection	2025 Projection	2026 Projection	2027 Projection
Revenue	\$303.5	\$326.5	\$324.8	\$333.3	\$341.9	\$350.0	\$358.1
Expense	294.5	322.8	324.8	336.4	347.6	355.2	365.0
Variance	9.1	3.6	0.0	(3.1)	(5.7)	(5.3)	(6.9)

Assumption	Percentage and Time Period
Operating Expenditure Growth	Predominantly 2% in FY 24-27
Real Estate Tax Growth	FY24 4%; FY25 3.9%; FY26 3.1%; FY27 2.9%; FY28 3.5%
Personal Property Tax Growth	3% FY 24-FY27
Prepared Food and Beverage Tax Growth	2% in FY 24-27
Most Other Revenue Growth	4% in FY 23; 3% FY 24-FY26
Salary Increases	Final Phase of Public Safety Step Plan implementation in FY24. 3% raise FY24 – FY27

## Five Year Operating Plan (continued)

The City of Roanoke anticipates annual growth of 2% across most operating expenditures from FY 2024 to FY 2027. The adopted General Fund budget grew by 5.6% between FY 2022 and FY 2023. Trends in previous years have shown rates of growth and with an economic rebound expected following the pandemic, a 2% to 3% growth rate is assumed.

As noted in the Personnel Summary section of this document, the City of Roanoke strives to provide merit wage increases each year. However, this has not been possible every year during prior recessions or the recent COVID-19 pandemic. Fortunately, the FY2022-2023 budget does include a wage increase of 5% as well as the continued implementation of a step plan for public safety personnel. The City anticipates salary increases of 3% each year from FY 2024 through FY 2027 as well as fully implementing the step plan in FY24. However continued levels of raises and salary increases likely will be contingent upon the economy's continued growth and the alignment of revenues with future inflationary pressures.

Real Estate tax is the single largest revenue source for the City of Roanoke. In the 5 year period spanning FY 2015 through FY 2020, the compound annual growth rate was rather modest at 2.6%.; however, a surge in property values and new construction in recent years has led to an actual growth rate around 5.1% in FY 2021 and 2.4% in FY 2022 (final number TBD at close of FY 2022). FY 2023 budget is expected to increase over FY 2022 projections by 7.1%. The recent trends in residential real estate are expected to slow as the Federal Reserve works to reign in inflation with interest rate hikes. New construction and commercial real estate could see less aggressive growth going forward. Based on these assumptions, real estate tax revenues are projected to grow 4.0% in FY 2024, 3.9% in FY 2025, 3.1% in FY 2026, 2.9% in FY 2027, and 3.5% in FY 2028.

Revenues for Personal Property Taxes were projected to increase 4.4% in FY 2022; However, this revenue source has exceeded expectations and has grown at a surprisingly high rate of 22.2% (projected) in FY 2022. This increase was driven primarily by rising vehicle values, particularly in the used vehicle market and sales in general, which were likely bolstered by the various stimulus programs coupled with supply chain issues resulting in lower vehicle inventories. Current supply issues in the automotive industry and uncertainty regarding future economic recovery point to the possibility of a retraction or slowdown in the values we've seen this year. With this in mind, personal property tax revenue is projected to increase about 11% from FY 2022 to FY 2023. From there, a modest and steady growth is projected of 3% from FY 2024 to FY 2027, based largely on historical growth trends.

Revenues from Prepared Food and Beverage Taxes were impacted heavily at the onset of the COVID-19 pandemic. Once mask mandates were eased and vaccination rates increased and declining infection rates, this tax revenue experienced a rapid improvement in the spring of 2021. Despite the surge at the end of FY 2021, revenues had not yet recovered to FY 2018 (pre-pandemic) levels. FY 2022 projections are expected to exceed budget projections by \$3.5 million or 23.6%. It is possible that we will continue to see revenue surplus in this area for FY 2023 due to conservative

revenue estimates along with a healthy economy and continued inflationary pressures. Beyond FY 2023, this revenue source is expected to grow a conservative 2% in FY 2024 through FY 2027.

The City has taken a conservative approach to budgeting and applies the same conservatism to financial planning through the operating budget, the CIP, and this Five Year Operating Plan. The City has taken steps to strengthen its reserves and protect against an economic downturn with a comprehensive rewrite of its' Reserve Policy in August 2018. This policy was revisited and reaffirmed in the Fall 2022. The City of Roanoke will continue to monitor this five year plan as fiscal circumstances change with ongoing monthly and annual reviews.