



FY2027 PROPOSED BUDGET

Overview

April 7, 2026

Summary of Topics

- Review significant components of the proposed FY2027 budget
- Key dates of the budget cycle and FY2027 tax billing timeline
- Proposed levy increase for 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 8, Council Mtg

March 30, Police, Fire, Parking, Maritime

April 7, Budget Overview, Personnel,
Capital, Civic Support, General Gov't
and City Manager

April 9, Resilience & Sustainability, Public
Services, Planning, Zoning &
Building Inspections

April 15, School Department

April 16, Water & Water Pollution Control

May 6

May 13

May 27 (if needed)

Tax Bill Preparation

- Tax rates must be approved by City Council prior to billing
- FY2027 will be the second year using the City's tax billing software
- Tax bills scheduled for generation the week of June 16 to support early July mailing by third-party printer
- Timeline ensures taxpayers have adequate time to meet the 1st quarter due date of August 5

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

Proposed Tax Levy Increase

FY 2026 Adopted Tax Levy	\$92,013,782
FY 2027 Proposed Tax Levy Increase %	1.87%
FY 2027 Proposed Tax Levy Increase \$	\$1,725,257
FY 2027 Proposed Tax Levy	\$93,739,039

- FY 2027 proposed tax levy totals \$93.7M, an increase of \$1.73M from FY2026
- 1.87% levy increase, reflects a reduction from the 3.48% increase in FY2026
- Continues a measured approach to managing tax levy growth

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?

- Qualifying owner-occupied properties may apply for reduced rates through Newport's Two-Tiered Tax Program
- Non-renewal application period (2027): Jan 4 - Feb 26
- All participants must renew within the period (2028): Jan 3 - Feb 29

Two-Tier Residential (cont.)

- ▶ We are entering year four of the two-tiered residential tax program. It appears growth of owner occupied applicants and approvals has stabilized.

Budget Year	% of Owner Occupied	# of Owner Occupied	Owner Occupied Exemption
FY 2024	36%	2,996	\$350 M
FY 2025	45%	3,696	\$1.051 B
FY 2026	51%	4,169	\$1.185 B
FY 2027	52%	4,352	\$1.237 B

- ▶ 183 properties added to the owner-occupied program for FY2027, compared to 473 in the prior year
- ▶ The additional 183 properties represents approximately \$52M in owner-occupied exemptions, compared to an additional \$134M in the prior year

Real Estate Tax Levy Explanation (cont.)

How is the tax levy funded:

	Proposed Budget	Adopted Budget	Adopted Budget	Adopted Budget
	% of Tax Levy	% of Tax Levy	% of Tax Levy	% of Tax Levy
	FY2027	FY2026	FY2025	FY2024
Resident Owner Occupied	22.37%	22.35%	20.37%	22.05%
Resident Non Owner Occupied	<u>52.71%</u>	<u>52.67%</u>	<u>54.99%</u>	<u>50.82%</u>
Total Residential	75.07%	75.02%	75.36%	72.87%
Commercial	22.53%	22.53%	22.46%	24.47%
Tangible	<u>2.39%</u>	<u>2.45%</u>	<u>2.18%</u>	<u>2.66%</u>
	100.00%	100.00%	100.00%	100.00%
Total Levy	\$93,739,039	\$92,013,782	\$89,168,980	\$85,780,645

Real Estate Tax Levy Explanation (cont.)

Description	Proposed Rates FY2027	Adopted Rates FY2026	\$ Change
Resident Owner Occupied	\$ 7.316	\$ 7.177	\$0.139
Resident Non Owner Occupied	\$ 8.858	\$ 8.689	\$0.169
Commercial	\$ 10.974	\$ 10.766	\$0.208
Tangible	\$ 14.880	\$ 14.880	\$0.000
	Note: Proposed FY27 rates may slightly adjust prior to first reading of the budget based on certification of the tax roll.		

Comparison of Owner Occupied Residential to Prior Years

	Proposed FY 2027	Actual FY 2026	Actual FY 2025	Actual FY2024
Average Assessed Value (AAV) \$	1,185,137	1,185,137	1,185,137	744,813
Owner Occupied Proposed Exemption %	24%	24%	24%	15%
Owner Occupied Proposed Exemption \$	(284,433)	(284,433)	(284,433)	(111,722)
AAV Net of Proposed Exemption (in \$ thous)	900.704	900.704	900.704	633.091
Owner Occupied Tax Levy Rate \$	7.316	7.177	6.975	9.92
AAV Proposed Owner Occupied Tax Levy \$	6,589	6,464	6,282	6,280
Change from Prior Year \$	125	182	2	(878)

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
Adopted FY 2026	\$ 6,464	\$ 10,298
Proposed FY 2027	\$ 6,589	\$ 10,498

Fiscal Year 2027 Proposed Revenues

General Fund Revenue Summary

Description	2027 Proposed Budget	2026 Adopted Budget	\$ Change	2025 Actual
Total Local Taxes	104,520,534	99,165,782	5,354,752	96,656,571
Total State and Federal Aid	5,308,368	5,147,335	161,033	5,738,850
Total Service Charges/Fees	15,391,937	13,775,827	1,616,110	16,138,509
Total Use of Money and Property	4,011,650	3,779,165	232,485	4,632,350
Total Contributions & Sale of Prop	203,550	203,550	-	337,645
Total Other Sources (Uses) of Funds	4,070,697	198,594	3,872,103	69,922
TOTAL GENERAL FUND REVENUE	133,506,736	122,270,253	11,236,483	123,573,847

Budget Drivers Revenue Increases

Summary Description	Detail Description	\$ Change from 2027 Proposed to 2026 Adopted
Local Taxes	Tax Levy	1,725,257
Local Taxes	Rooms Tax	3,468,495
Charges for Services	Traffic Camara Tickets	900,000
Charges for Services	Building Permits	323,478
Other Sources	Committed Fund Balance	3,870,052

Rooms Tax: Impact of January 1, 2026 Legislation

Feature	Pre-2026	January 1, 2026	Proposed 2027 Budget	Proposed \$ Change Prior
State Hotel Tax	5% (Newport receives 25%)	5% (Newport receives 25%)	\$2,200,000	\$0
Whole-Home STR Tax	Exempt	5% (Newport receives 25%)	\$1,168,495	\$1,168,495
Local Hotel Tax	1% (Newport receives 100%)	2% (Newport receives 100%)	<u>\$3,800,000</u>	<u>\$1,900,000</u>
		TOTAL	\$7,168,495	\$3,068,495

II. Law Effective January 1, 2026

- Amended § 44-18-36.1 - Hotel Tax and Whole Home Short-Term Rental Tax

Local Hotel Tax Increase: The local hotel tax increases from one percent (1%) to two percent (2%).

New Whole-Home Short-Term Rental Tax: A new five percent (5%) tax is imposed on the short-term rental of an entire residential dwelling (house, condominium, or similar dwelling) rented for thirty (30) days or fewer.

Projecting FY2027 Rooms Tax \$7.1 million which is an increase \$3.4 million over prior year

Housing Aid for Rogers/Pell Construction and Impact of Regionalization

Category	No Regionalization w/ Incentives	Regionalization w/ Incentives
Total Debt Service (to 6/30/2027)	\$22,772,027	\$22,772,027
RIDE Reimbursement %	55.0%	81.0%
Eligible Reimbursement	\$12,524,615	\$18,445,342
Pay-Go Received from RIDE	(\$7,927,272)	(\$7,927,272)
Total Catch-up Reimbursement	\$4,597,343	\$10,518,070
Catch-up (less Pay-Go)	\$4,529,870	\$10,418,700
Total Catch-up	\$9,127,213	\$20,936,770
Governor's Proposal: Catch-up Spread Over 3 Years		
Year	No Regionalization w/ Incentives	Regionalization w/ Incentives
Catch-up Year 1	\$3,042,404	\$6,978,923
Catch-up Year 2	\$3,042,404	\$6,978,923
Catch-up Year 3	\$3,042,404	\$6,978,923

Projected Timeline for Pell/Rogers Housing Aid



Short Term Investments and Market Volatility

- ▶ FY2027 budget includes \$3.9 million in Short Term Investments
- ▶ Investments allocated across Treasury Notes, Bank Interest Accounts, and Mortgage-Backed Securities
- ▶ The Federal Reserve is expected to maintain relatively stable rates in 2026 with modest declines beginning later in the year, followed by gradual easing into 2027—likely resulting in slowly declining investment income over time
- ▶ If the Fed cuts interest rates by more than 50 basis points, income levels will come in lower than expected, the City may need to implement a spending and/or hiring freeze, or utilize reserves to balance the budget

Fiscal Year 2027 Proposed Expenditures

General Fund Expenditures Summary

Description	Proposed	Adopted	\$ Change
Salaries, Overtime and Holiday Pay	36,495,342	33,904,520	2,590,822
Transfer for School Budget	31,102,042	29,905,810	1,196,232
General Fund Services	18,307,723	17,731,062	576,661
Contribution to Police & Fire Pensions	12,949,261	12,524,521	424,740
Debt Service	11,143,398	9,206,358	1,937,040
Benefits other than Police & Fire Pensions	10,578,269	9,686,371	891,898
Capital Budget Transfers	6,243,533	3,123,273	3,120,260
Transfer to OPEB Trust	5,857,318	5,439,738	417,580
Transfer to Equipment Replacement	829,850	789,850	40,000
Total General Fund Budget	133,506,736	122,311,503	11,195,233

Questions

Back-Up Slides

Comparative Budget Cycle Delivery Schedule

Capital Improvement Program (CIP)				
Milestone	FY2025 Date	FY2026 Date	Difference	Timing vs Prior Year
CIP Workshop	Jan 29, 2025	Jan 7, 2026	22 days	4.4 weeks early
CIP Document Delivered to Council	Feb 26, 2025	Dec 31, 2025	57 days	11.4 weeks early
CIP Formally Received by Council	Feb 26, 2025	Jan 28, 2026	29 days	5.8 weeks early
CIP Public Hearing	Mar 12, 2025	Feb 11, 2026	29 days	5.8 weeks early
CIP Adopted (in concept)	Mar 26, 2025	Mar 24, 2026	2 days	0.4 weeks late
Proposed Budget				
Milestone	FY2025 Date	FY2026 Date	Difference	Timing vs Prior Year
Budget Sent Electronically to Council	N/A	Mar 12, 2026	26 days early	5.2 weeks early
Budget Posted to Website	Apr 7, 2025	Mar 27, 2026	11 days	2.2 weeks early
Budget Hard Copy Delivered to Council	Apr 8, 2025	Mar 26, 2026	13 days	2.6 weeks early
Budget Workshops	Apr 21-30, 2025	Mar 30-Apr 16, 2026	23 days	4.6 weeks early

Rooms Tax Comparison for \$300 Stay

Hotel / Room Rental

2025: Tax \$3 @ 1%
 2026: Tax \$6 @ 2%
 Change: **+\$3.00**

Whole-Home STR

2025: Tax \$0
 2026: Tax \$15
 Change: $+\$15 \times 25\% = \mathbf{+\$3.75}$
 Note: The 1% local tax increase also applies

Feature	Pre-2026	January 1, 2026
State Hotel Tax	5%	5%
Whole-Home STR Tax	Exempt	5%
Local Hotel Tax	1%	2%

Housing Aid for Rogers/Pell Construction and Impact of Regionalization

Category	No Regionalization w/ Incentives	Regionalization w/ Incentives
Total Debt Service (to 6/30/2027)	\$22,772,027	\$22,772,027
RIDE Reimbursement %	52.5%	78.5%
Eligible Reimbursement	\$11,955,314	\$17,876,041
Pay-Go Received from RIDE	(\$7,927,272)	(\$7,927,272)
Total Catch-up Reimbursement	\$4,028,043	\$9,948,770
Catch-up (less Pay-Go)	\$3,963,636	\$9,739,220
Total Catch-up	\$7,991,678	\$19,687,989
Governor's Proposal: Catch-up Spread Over 3 Years		
Year	No Regionalization w/ Incentives	Regionalization w/ Incentives
Catch-up Year 1	\$2,663,892	\$6,562,663
Catch-up Year 2	\$2,663,892	\$6,562,663
Catch-up Year 3	\$2,663,892	\$6,562,663

Federal Reserve Interest Rate Outlook

- ▶ **Overall Outlook**
- ▶ Federal Reserve expected to maintain a 'higher for longer' policy with gradual easing
- ▶ Q2 2026
 - ▶ Rates likely remain stable as the Fed evaluates inflation and economic conditions
- ▶ Q3 2026
 - ▶ Potential for first modest rate cut (-0.25%) as inflation moderates
- ▶ Q4 2026
 - ▶ Gradual easing continues; total cuts in 2026 expected to be limited (0.25%-0.50%)
- ▶ 2027 Outlook
 - ▶ Continued gradual rate reductions, but rates remain above historic lows
- ▶ Budget Implications
 - ▶ Interest income expected to remain stable in the near term but gradually decline as rates ease
 - ▶ Lower reinvestment yields may impact future revenue projections

PROPOSED TAX RATES REVISTED

Description	Proposed FY2027	Adopted FY2026	Adopted FY2025	Adopted FY2024
Owner Occupied	\$ 7.316	\$ 7.177	\$ 6.975	\$ 9.92
Non-Owner Occupied	\$ 8.858	\$ 8.689	\$ 8.221	\$ 10.93
Commercial	\$ 10.974	\$ 10.766	\$ 10.463	\$ 14.88
Tangible	\$ 14.880	\$ 14.880	\$ 14.880	\$ 14.88
Owner Occupied Exemption	\$ 284,433	\$ 284,433	\$ 284,433	\$ 111,722

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.
- Consistent with prior year, the exemption of \$284,433 (FY27) 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.

PROPOSED RATES

The FY2027 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 FY2027 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 FY2027 compared to \$284,433 in FY2026 and FY2025 and \$111,722 in FY2024