

Major Highlights of the Budget

General Fund Revenues

Proposed Tax Rate Increases

- **Meals Tax** – This budget proposes increasing the meals tax rate from **5%** to **6%** effective July, 1, 2019. The meals tax is paid by consumers of prepared hot foods sold for immediate consumption on and off a premises including restaurant and grocery store food bars. This tax does not apply to foods purchased for home consumption and preparation, which is taxed at 2.5%. Meals tax revenue continues to grow, producing \$11.3 million in 2016 to a projection of \$11.8 in 2019; and even before the proposed increase to 6%, revenues were expected at \$12.1 million in FY 20.
- **Lodging Tax** – This budget proposes an increase in the lodging (transient occupancy tax or TOT) from **7%** to **8%** effective July 1, 2019. Considered a consumption tax, the TOT is paid by all overnight guests at area hotels, bed and breakfasts and short-term air bnb type facilities. This revenue source has grown over the years and a portion of this revenue supports the Charlottesville Albemarle Convention and Visitors Bureau, which receives 30% of the first 5% of actual lodging tax revenues (joint agreement with Albemarle County). The remaining funds support the City's operating General Fund budget.

Other Revenues

- **Real Estate Taxes**- This budget keeps the City's Real Estate Tax rate at 95 cents per 100 dollars of assessed value. However, the rate has been advertised at 97 cents per 100 dollars to give flexibility to City Council as they revise the budget before it is adopted in April. The two additional pennies would provide an additional \$1.6 million in new revenue should City Council go in this direction. The revenue increase for real estate, based on the current rate of 95 cents per 100 dollars assessed value, is \$5 million in new revenue over FY 19.
- **Personal Property Tax** revenue is projected to increase by \$670,800 due mainly to increased motor vehicle stock in the City and an overall increase in the value of vehicles.
- **Sales and Use Tax** is projected to grow by \$336,609, or almost 3% over FY 19.
- **Business Licenses Taxes** revenue is increasing by \$300,000.
- **City/County Revenue Sharing** is decreasing by \$1.5 million from FY 19. This is chiefly due to the large increase in commercial real estate growth the City experienced in 2017. The formula is based in part on the total real estate assessments of both localities. Since the City's total assessed value grew substantially in that year, much more so than the County's, the City's "contribution" grew resulting in a reduction in the transfer to the City.

Balancing the Budget

- City departments submitted a total of \$84.6 million in base budget requests for FY 20, which was 4.08% greater than FY 19 adopted departmental budgets. City departments were asked to identify areas in their budgets to reduce equal to at least 3% of their total budget request. As a result, this budget proposes \$1,139,821 in department reductions. But, because the majority of department budgets still grew, an average of 3.11%, most of these reductions reduce the budget growth that departments included as part of their FY 20 budget, rather than from FY 19. And, of the over \$5 million in new requests requested by departments, \$435,358 are funded as part of this budget proposal and are summarized throughout the budget document.