

CITY OF CHARLOTTESVILLE  
"A World Class City"

Office of The City Manager

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July 1, 2009

Mayor and Members of City Council  
City Hall  
Charlottesville, VA 22902

Dear Mayor and Council:

Last year's budget was framed around a quote found on the Free Speech Wall: "It was the best of times, it was the worst of times." As conflicted as this statement might be, it has rung true time and time again. This statement reflects that we have left the good times behind and we now face new economic times that deal very real challenges. Specifically, the current state of the economy has been volatile and depressing – revenues are either down or stagnant in all resource areas and real estate assessments are relatively flat on average. This budget cycle has been one of the most difficult to prepare and balance in recent history. However, we knew we had to face this budget challenge head on and have been planning for several years for a downturn in the local real estate economy.

Because of the City's sound financial planning and decision making we made in previous fiscal years, the City is much better off than most other localities in our region and around the Commonwealth. We predicted and prepared for the turning of the economy by (a) planning for the future, (b) budgeting conservatively with sustainability in mind, and (c) wisely using funds we knew were going to be one-time revenues. That combination of responsible decision making and planning has made all the difference in preparing and adopting the budget for FY 2010.

The **City Council Adopted Budget for Fiscal Year 2009 – 2010** has a total operating budget of **\$126,972,791**, a decrease of **.32%** when compared to the current year's budget. In addition, there is a designated portion of the budget, totaling **\$12,674,884**, a decrease of **6.92%** from the current year's budget, which is funded from specific revenue sources, such as school funding for pupil transportation and building maintenance, City/County Revenue Sharing funds for the Capital Improvement Program, Equipment Replacement Fund and the Facilities Repair Fund, and a portion of Meals Tax revenue designated for Debt Service.

## **Balancing the Budget**

Much of the challenge in developing the FY 2010 Adopted Budget was balancing revenues and expenditures. Decisions need to reflect a recognition of those challenges that will be faced in the future and ensure that down the road, decisions made today are sustainable. Therefore, we took several steps to develop a budget that is conservative yet forward thinking:

- The public will see no changes in the way City services and programs are provided, yet the majority of homeowners will pay the same or less in local taxes;
- Several staffing changes were made, resulting in a net reduction of **8.5** General Funded Full Time Equivalent (FTE) positions; a net total of 14.8 FTE positions are eliminated City wide. The following are not position freezes, but are **permanent** reductions in positions:
  - Eliminates 2 full time positions through departmental reorganization in Parks and Recreation, a Volunteer Coordinator and a Gardener, resulting in savings of over \$108,245;
  - Completely eliminates the proposal for a City administered EMS/Ambulance Service, resulting in net savings (after accounting for billing revenue) of over \$300,000 and reduces the City's FTE count by 7 positions (6 medics and one Administration Assistant) which were created but never filled;
  - Eliminates an Intern position in the City Manager's Office, a funding reduction of \$11,440;
  - Eliminates chipping and leaf temporary staff in Public Works, total savings of \$28,312, proposing instead to use inmate labor for these functions, which they are currently doing; and
  - Eliminates four intern positions in Neighborhood Development Services, resulting in savings of \$24,000.
- There are no pay raises for City employees in this Adopted Budget. While this was a difficult decision, as we greatly value our staff and their contribution to the community, the long term positive effects - job security, avoiding elimination of filled positions, and future affordability during difficult and unpredictable economic times – are a far greater priority. We are pleased to report that employees will experience no increase in their health care plan premiums, co-pays or deductibles;
- All fixed costs were carefully reviewed and in many cases, were reduced;

- Maintains the same level of criteria for the Tax and Rent Relief Programs and the Homeowner Tax Grant Program, but reduces the budgets for these programs by \$84,748 to reflect actual costs; and
- Across all city departments, budgets were streamlined and reduced to better reflect the actual cost of doing business or to take advantage of areas where a service can be provided in a more cost efficient manner, resulting in total cost savings of over \$600,000.

### **Council Priority Initiatives**

This budget includes funding for a few new and expanded programs that are a high priority of City Council. Between the Operation and Capital Budgets, there is over **\$2 M** for Council Priority Initiatives.

- Expansion of the Youth Internship Program with a total budget of \$85,373. This program expansion is a combination of a summer internship and a piloted year-round internship program. A new pilot program will place ten students during the school year; the summer program will be expanded to accommodate 70 students. Community Attention, with funding approval, is prepared to execute this expanded program.
- Fare free transit on Charlottesville Transit System for VIEW participants, with total funding of \$63,000. Active participants, approximately 250, in the Department of Social Service's welfare-to-work program, VIEW, would be eligible for free public transit service for transportation related to employment, job training or other work preparation activities.
- \$50,000 for a facilitated conversation regarding a Community Dialogue on Race, which would attempt to engage our residents in an on-going discussion to better understand each other, our backgrounds, our history, our perceptions and how past actions continue to affect life in Charlottesville today, and be based on successful models from other localities who have engaged their citizens in this manner of discussion. The funding would cover the cost of hiring an experienced facilitation team to assist in establishing goals and objectives for the dialogue, train volunteer facilitators and provide guidance on turning the dialogue to action. Additional expenses include a one year, part time contract employee to serve as a coordinator for the initiative, travel expenses, printing and supplies, rental of meeting spaces and marketing. The contract employee would report to the City Manager.
- Includes \$112,100 for various workforce initiatives, including training access through the Housing Authority, a Buford/Charlottesville High School summer workforce program, World of Work offered at Walker and Buford, CATEC Transportation for Work and Charlottesville High School Medical Sciences Club.

In the FY 2010 Adopted Capital Budget, several projects are identified as Council Priority Initiatives:

- City Wide Stormwater Initiatives provides for \$600,000 in Capital Improvement Program funding each year over the next three fiscal years, for the strategic inspection and rehabilitation of the existing public stormwater infrastructure. This funding will be reevaluated annually with the Capital Improvement Budget with the long term goal to shift this to a self supporting utility.
- Through the Home Energy Conservation Grant Program the City will invest \$125,000 to fund an energy conservation program. The intent of the program is to save money on utilities for low income and other families using this program; facilitate low income families to be able to afford energy saving measures; and reduce use of nonrenewable energy. The Home Energy Conservation Grant Program is a grant/loan program for residential owner-occupied housing that would fund energy conservation measures for the recipients by either providing a grant to low income families, or a low interest loan to non low income families, as incentive for energy conservation.
- An additional \$25,000 for bicycle infrastructure which will be designated for new bicycle lanes, improvements to existing bicycle lanes, signage, and any other necessary improvements to the bicycle infrastructure of the City.
- Funds \$100,000 for the purpose of Park Land Acquisition. These funds will be used to pursue land acquisition opportunities that will preserve open space, protect natural resources and improve riparian buffers and provide future trail connections.
- \$50,000 of additional funding was added to urban tree preservation and planting, designated specifically for the purchase and planting of new trees throughout the City of Charlottesville.
- Continues the investment in the Charlottesville Housing Fund, with funding proposed at \$1 million per year. This will insure the continuation of funding for this important Council initiative. Past uses for these funds have included \$850,000 for the preservation of affordable rental units by Dogwood housing; \$420,000 to Habitat for Humanity for the construction of affordable housing units; \$279,000 to Albemarle Housing Improvement Program for the substantial rehabilitation of homes owned by low income families; and \$150,000 to the Workforce Housing Fund to assist low income individuals with down payment and closing cost assistance.

### **Economic Downturn Fund**

This budget includes a \$2.8 million Economic Downturn Fund. This represents 1.96% of the FY 2010 total General Fund Adopted Budget. In the current FY 2009 budget, we have seen our revenues decline by over \$3.5 million, or 2.5%, of our adopted budget. It is not possible to accurately predict what the economy will do in the foreseeable future, so we feel that it is fiscally prudent for future financial stability to make this recommendation. We believe the trend will continue downward with more declining

City revenues and that it is wise to anticipate this as part of our short and long term financial planning.

Recently, the City's Financial Advisor, Morgan Keegan, relayed a story to staff that made us more closely reflect upon our financial future. When they were visiting Standards and Poor with another highly rated Virginia issuer in preparation for an upcoming bonds sale, the S&P analyst said "I used to think that for an issuer to be rated AAA they had to be bullet proof, but in reality they just need to be able to dodge bullets." Morgan Keegan then reiterated to City staff that "In these difficult economic times, management plays even a more critical role in maintaining a municipality's financial stability. By taking actions such as establishing an Economic Downturn Fund within the Proposed Budget, the City's management is again demonstrating the leadership that is expected amongst the highest rated localities in the United States."

### **Final Thoughts**

The FY 2010 City Council Adopted Budget continues to reflect the successful themes of the past: conservative and responsible budgeting, a focus on Council priorities and a commitment to the needs of our community, while respecting our obligation to live within our means. Finally, this budget leaves our City in strong fiscal standing and health while preserving services and programs during difficult economic times.

Sincerely,

A handwritten signature in black ink that reads "Gary O'Connell". The signature is written in a cursive style with a large, stylized initial "G".

Gary O'Connell  
City Manager

**FY 2010 Operating Revenue Changes**  
**(Operating Budget FY 2009 to Operating Budget FY 2010)**

**Operating Revenue Increases**

Real Estate Tax	64,490
Virginia Communications Sales and Use Tax	128,730
Payment in Lieu of Taxes: Utilities Funds	191,216
Fire Department Operations (Payment from Albemarle County)	542,000
Misc. Licenses and Permits	10,000
Misc. Intergovernmental Revenues	185,083
Misc. Charges for Services	174,568
City/County Revenue Sharing: Operating Budget	2,211,129

**Operating Revenue Decreases**

Personal Property Tax (local portion)	(427,000)
Public Service Corporation Tax	(79,780)
Sales and Use Tax	(402,000)
Meals Tax	(446,750)
Lodging Tax	(300,000)
Utility Taxes	(19,738)
Business License Tax	(100,000)
Vehicle Licensing Fees	(23,200)
Various Building Permits	(150,000)
State Highway Assistance	(111,686)
State Aid for Police Protection	(104,841)
Court Revenue	(300,000)
Parking Garage Revenue	(150,000)
EMS Ambulance Service (Billing Portion)	(414,375)
EMS Ambulance Service (Carryover Portion from FY 2008)	(551,747)
Interest Earned	(304,833)
Misc. Local Taxes	(3,468)
Other Misc. Revenue	(20,152)

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**Net Operating Revenue Changes** **(402,354)**

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**FY 2010 Designated Revenue Changes**

**(Designated Budget FY 2009 to Designated Budget FY 2010)**

**Designated Revenue Decreases**

Contracted Services with City Schools (Building Maintenance and Pupil Transportation)	(309,236)
City/County Revenue Sharing: Transfer to Capital Improvement Program	(228,882)
City/County Revenue Sharing: Transfer to Equipment Replacement Fund	(373,124)
Meals Tax Revenue: Transfer to Debt Service	(31,250)

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**Net Designated Revenue Changes** **(942,492)**

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**Total General Fund Operating and Designated Revenue Changes** **(1,344,846)**

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**FY 2010 Operating Expenditure Changes**  
**(Operating Budget FY 2009 to Operating Budget FY 2010)**

**Council Priority Initiatives**

City Council Priority Initiatives (unallocated)	5,994
Fare Free Transit for VIEW Participants	63,000
Expanded Youth Internship Program	22,131
Community Dialogue on Race	50,000
Efficiency Study Recommendations	60,000
Workforce Initiatives	
CRHA Training Access	50,000
Buford/CHS: Summer Workforce Program	35,000
Walker/Buford: World of Work Academy	15,000
CATEC: Transportation for Work Experiences	9,600
CHS: Medical Sciences Club	2,500

**City Schools**

City Contribution to Schools	428,081
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**Salary, Benefits and Staffing**

Fire Department - Elimination of proposed EMS/Ambulance service medics and Administrative Secretary positions (7 positions eliminated)	(527,623)
Parks and Recreation - Elimination of two (2) positions - Volunteer Coordinator and Gardner	(108,245)
City Manager's Office - Elimination of Intern Position	(11,440)
Public Works/Public Service - Elimination of Chipping and Leaf Collection Temporary Positions	(28,312)
Neighborhood Development Services - Elimination of four (4) Intern positions	(24,000)
FY 2010 Salary Accrual	150,000
Health Care Contribution	(13,353)
Retirement Fund Contribution	105,971
Life Insurance Contribution	50,070

**Contributions to Outside Agencies/Interagency Transfers**

Contributions to Outside Agencies, Civic Organizations and Organizational Memberships	(45,197)
Reserved: Contribution to SPCA	39,350
Reserved: Contribution to QCC Farms!	15,000
Contributions to Regional Jail, Blue Ridge Juvenile Detention Center and ECC	240,148
Contribution to Jefferson/Madison Regional Library	32,872
Transfer to Charlottesville Transit Service	(196,537)
Transfer to Department of Social Services and Community Attention	(278,871)
Transfer to Charlottesville/Albemarle Convention and Visitor's Bureau	30,034
Local Match Requirement - Comprehensive Services Act	550,000

**Other Changes**

Transfer to Debt Service	542,000
Fixed Costs	
HVAC Fees	(11,686)
Information Technology Support Services Fees (including computer and infrastructure replacement fees)	(26,242)
Telephone Charges	(50,724)
Risk Management Fees (Workers Compensation and General Insurance)	30,925
Vehicle Fuel, Maintenance and Wash Facility Support	159,907
Warehouse Charges	2,908
Savings in Cost of Utilities (due to energy efficiency measures and improved infrastructure)	(110,055)
Rent/Tax Relief Programs/Homeowners Tax Grant Relief Program	(84,748)
Landfill Remediation	(750,000)
EMS/Ambulance Service Operational Expenses	(225,302)
Other City Department Budget Savings	(600,510)

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<b>Net Operating Expenditure Changes</b>	<b>(402,354)</b>
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**FY 2010 Designated Expenditure Changes**  
**(Designated Budget FY 2009 to Designated Budget FY 2010)**

Contracted Services with City Schools (Building Maintenance and Pupil Transportation)	(309,236)
Transfer to Capital Improvement Program	(228,882)
Transfer to Equipment Replacement Fund	(373,124)
Transfer to Debt Service Fund (Meals Tax Revenue Portion)	(31,250)
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<b><u>Net Designated Expenditure Changes</u></b>	<b>(942,492)</b>
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<b><u>Total General Fund Operating and Designated Expenditure Changes</u></b>	<b>(1,344,846)</b>

## City Council Amendments to the FY 2010 Proposed Budget

Manager's Recommended FY 10 Revenue Estimates \$ 142,556,639

**Amendments to FY 10 Revenue Estimates**

***Increase Revenues***

State Aid for Police Protection	161,207
Reimbursement for Constitutional Officers	225,717
Interest Earned	95,167
Dog Tags	5,000
Misc. Revenue (Returned Check Fees/Parking Admin. Ticket Fees)	15,000

***Decrease Revenues***

Personal Property Tax (Revised Projections)	(204,000)
Lodging Tax (Revised Projections)	(77,000)
Meals Tax (Revised Projections)	(161,250)
Sales Tax (Revised Projections)	(173,000)

**Total Revenue Amendments \$ (113,159)**

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**Total Amended FY 10 Revenue Estimates \$ 142,443,480**

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Manager's Recommended FY 10 Expenditures \$ 142,556,639

**Amendments to FY 10 Expenditures**

***Increase Expenditures***

**Administrative Adjustments**

Partnership for Children (CYFS Program)	37,874
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**Capital Improvement Program Adjustments (Gen. Fund Contribution)**

Urban Tree Planting and Preservation	50,000
Parkland Acquisition	100,000
Bicycle Infrastructure	25,000

**Outside Agencies (Funding Held in Reserve)**

SPCA	39,350
QCC Farms!	15,000

**Outside Agencies**

CYFS: Real Dads	21,895
Mohr Center	82,661

**Department Operations**

McIntire Pool - Operations and Staffing	23,000
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**Workforce Initiatives**

CRHA Training Access	50,000
Buford/CHS: Summer Workforce Program	35,000
Walker/Buford: World of Work Academy	15,000
CATEC: Transportation for Work Experiences	9,600
CHS: Medical Sciences Club	2,500

<b>City Council Priority Initiatives</b>	
City Council Priority Initiatives (Efficiency Study Reserve)	60,000
<b>Decrease Expenditures</b>	
<b>Administrative Adjustments</b>	
Contribution to PVCC (Road Improvements)	(22,100)
Contribution to Regional Jail	(59,459)
Jefferson Area CHIP	(37,874)
Contribution to City Schools (40% of reduction in PPT Revenue)	(81,600)
<b>Capital Improvement Program Adjustments (Gen. Fund Contribution)</b>	
Non Bondable Contingency	(175,000)
<b>City Council Priority Initiatives</b>	
City Council Priority Initiatives (amount remaining: \$5,994)	(244,006)
<b>Department Operations</b>	
Performance Management Analyst Position	(60,000)
<b>Total Expenditure Amendments</b>	<b>\$ (113,159)</b>
<b>Total Amended FY 10 Expenditures</b>	<b>\$ 142,443,480</b>