



July 1, 2010

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

Dear Mayor and Council:

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When written in Mandarin the word "crisis" is composed of two characters - one represents danger and the other represents opportunity.

This was certainly the sentiment and focus in preparing the FY 2011 Adopted Budget. As you are aware, revenues are severely down in all areas – local and State alike – and there are no reliable trends that can accurately predict when things might turn around. Big unknowns remain, such as final State funding decisions regarding City schools and other local support that continue to dwindle at an alarming rate. On the other hand however, with crisis comes the opportunity to the test City's resilience. This budget illustrates this resilience fortified by past financial decisions made by Council that considered the potential for difficult times ahead. The City, as the adopted budget shows, benefited greatly from these actions taken in previous years; and the proposed budget continues this very trend, preparing for more difficult times ahead.

The **City Council Adopted Budget for Fiscal Year 2010 – 2011** has a total operating budget of **\$126,001,345**, a decrease of **.77%** when compared to the current year's budget. In addition, there is a designated portion of the budget, totaling **\$11,954,578**, a decrease of **5.68%** 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 2011 Adopted Budget was balancing revenues and expenditures given the decreases in local revenues and state funding, and the needs to maintain quality services. Decisions need to reflect a recognition of these challenges that will be faced in the future and ensure that decisions made today are sustainable. Therefore, we took several steps to develop a budget that is conservative yet forward thinking.

Revenues

The City has always budgeted revenues conservatively. We believe this has kept us in a positive position overall – few surprises at year end, realistic and sustainable budgets. We recognized that several revenues may continue to trend down in FY 2011 and adjustments have been made to accommodate those trends. Some of the major revenue changes include:

- Perhaps the area of most concern is real estate taxes, and Charlottesville is not immune to the trend of declining assessments currently being experienced in most parts of the nation. In FY 2011, total assessments are projected to decline by .76% coupled with no growth through new construction. That translates to a loss in revenue of almost \$800,000;
- Other revenues that reflect the larger economic picture include sales and use, lodging and meals taxes and parking garage revenues. In total, FY 2011 projects these revenues to decline by over \$950,000;
- As part of the 2010-2012 Adopted Biennial State Budget, the City can anticipate up to \$624,000 in State “flex cuts”. At this time, it’s unknown what areas may be impacted, although the assumption is that it will work in a similar fashion as the last round of “flex cuts”. When the State imposed the \$50M in “flex cuts” during the last budget biennium, the City was given three choices and of these, we chose Option #1:
 1. Reduce all State funded areas as proposed by the Department of Planning and Budget, which included Constitutional Officers, CSA, Libraries, etc.;
 2. Reduce one State funded area;
 3. Send the State a check in the amount owed.
- Parks and Recreation is projecting to collect \$433,000 more in revenue than the previous fiscal year principally due to a full operational season of Onesty Family Aquatic Center and the fall opening of the Smith Family Aquatic Center.

Expenditures

- There are no reductions in direct services provided to citizens;
- For a second year, there are no pay raises for City employees. We greatly value our staff and their contribution to the community, and 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, especially in the areas of vehicle maintenance (benefits of a stepped up replacement program) and fuel (benefits of lower fuel prices and Hybrid purchases where possible), these costs were reduced;
- Major maintenance projects for City buildings and facilities were carefully examined and as a result, we were able to reduce the General Fund contribution for one year and still make progress towards maintenance goals;
- A closer review of the Ivy Landfill remediation and refuse/recycling collection contract dollars resulted in a reduction of these budgets while still meeting the agreement and contractual requirements;
- Numerous smaller reductions to City departments totaled over \$190,000 in savings.

Joint City/County Efficiency Study Recommendation – CSA Administration

In May 2009, Charlottesville City Council and the Albemarle County Board of Supervisors conducted separate worksessions on the recommendations of their respective organizational efficiency studies. Both studies recommended evaluating the reassignment of administrative support functions for the Comprehensive Services Act (CSA) from the Commission on Children and Families (CCF) to the respective City and County Departments of Social Services. A staff committee was then named by the City Manager and County Executive to explore this further.

Included in this FY 2011 Adopted Budget are the following which are based on the final recommendation of the staff committee:

- A CSA Coordinator will be located in the City Department of Social Services (DSS). A parallel coordinator will be housed in the Albemarle County DSS. All CSA administrative support will be managed jointly by the two DSS agencies;
- Local funds that had previously been appropriated to CCF for this purpose are proposed to be included in the DSS operating budget, a total of \$52,352 in local dollars (State dollars will also follow the position);
- The FY 2011 Adopted Budget reduces the City’s contribution to CCF to \$85,117 which will fund two full time positions and an operating budget to coordinate the ABRT process, manage work groups as requested by the joint Community Policy & Management Team, and provide research and data collection expertise, among other things.

A separate recommendation included in the City's *Quality of Service and Efficiency Study* is also included in this budget, which transfers juvenile justice services, the State and local funding for this function and the fiscal administrative responsibilities of the VJCCCA Grant, back to the City. The employee in this role is already a City employee and will be moved from the Commission on Children and Families to Community Attention as of July 1st.

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 **\$2.6M** in Council Priority Initiatives.

- Includes a Council Priority Initiatives pool budgeted at \$265,000, much of which is “reserved” for specific priorities:
 - \$110,000 set aside for transit enhancements/improvements – a decision on how these funds are to be used will follow a summer transit summit;
 - \$100,000 set aside for future consideration of trash/recycling service options that are currently being explored by staff and the solid waste authority;
 - The remaining funds in this pool provide a means for Council to initiate new programs or expand existing programs related to the Community Priorities established by Council. Examples of programs that Council could consider include youth development opportunities, job development services, workforce development, transit enhancements, pedestrian safety, education programs, diversity initiatives, green city initiatives, infrastructure improvement, housing, sustainability and other programs which help achieve Council's priorities.

- Provides full operational funding for the new Smith Family Aquatic Center, a full year of operations for the Onesty Family Aquatic Center and continued operations of the McIntire Wading Pool. The additional funding required is completely offset by increased revenue projections anticipated by increased usage of these new pools.

In the FY 2011 Adopted Capital Budget, several projects are identified as Council Priority Initiatives:

- Invests \$1.2M in the Charlottesville Housing Fund, with an additional \$200,000 to be allocated from Community Development Block Grants Fund in a separate action of Council;
- \$300,000 is included for the design and construction of new sidewalks;
- Citywide stormwater initiatives provides for \$350,000 in the Capital Improvement Program for the strategic inspection and rehabilitation of the existing public

stormwater infrastructure. This amount of funding is less than what was appropriated and planned in previous years (\$600,000 for three years starting in FY 2010). This is because at the end of FY 2009, the Gas Utility had a stormwater account with a \$339,000 balance. These funds are being included in the FY 2011 Gas Fund capital budget and used to supplant the overall stormwater program accordingly;

- New funding in the amount of \$200,000 for Belmont Commercial Corridor Improvements, which will include improvements to the streetscape, vehicular safety and parking issues, all of which are related to the new businesses in the “Downtown Belmont” area;
- \$250,000 for park land acquisition will be used to pursue land acquisition opportunities to preserve open space, protect natural resources and improve riparian buffers and provide future trail connections;
- Urban Tree Preservation and Planting and Trails and Greenway Development is proposed at \$127,250;
- Sets aside \$50,000 designated for new and improved bicycle infrastructure in and around the City.

Economic Downturn Fund

We are recommending continuing funding the \$2.8 million Economic Downturn Fund that was created in FY 2010. This represents 1.98% of the adopted FY 2011 total General Fund Budget. In the current FY 2010 budget, we estimate that revenues will be short by at least \$1.3 million, which absorbs 50% of the FY 2010 Economic Downturn Fund. It is not possible to accurately predict what the economy will do in the foreseeable future, so we believe that it is fiscally prudent for future financial stability to continue this funding. 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.

We also shared this story in last year’s proposed budget, but we believe it is worth repeating. When the City’s Financial Advisor, Morgan Keegan, 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 Adopted Budget, the City’s management is again demonstrating the leadership that is expected amongst the highest rated localities in the United States.”

Final Thoughts

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 both anticipated 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 insightful decision making and planning has made all the difference in preparing the FY 2011 City Council Adopted Budget.

Sincerely,

A handwritten signature in cursive script that reads "Maurice Jones".

Maurice Jones,
Acting City Manager

City Council Amendments to the FY 2011 Proposed General Fund Budget

Manager's Recommended FY 11 Revenue Estimates	\$	140,751,728
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Amendments to FY 11 Revenue Estimates

Increase Revenues

State Aid for Police Protection		211,448
Reimbursement for Constitutional Officers		251,477
Parking Garage Revenues		50,000
BPOL		111,075

Decrease Revenues

\$60 M State Flex Cuts		(624,000)
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Total Revenue Amendments	\$	_____ -
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Total Amended FY 11 General Fund Revenue Estimates	\$	140,751,728
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Manager's Recommended FY 11 Expenditures	\$	140,751,728
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Amendments to FY 11 Expenditures

Increase Expenditures

City Council Priority Initiatives

Reserved for Transit Initiatives		110,000
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Outside Agencies

PACEM		10,000
Foothills Child Advocacy Center		25,000

Operating Department

Police Department - Overtime dedicated to Internet Crimes Against Children (ICAC) investigations		10,000
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Decrease Expenditures

General Fund Contribution - Charlottesville Transit Service

Allocated to Council Priority Initiatives		(110,000)
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City Council Priority Initiatives

Allocated to PACEM, Foothills and ICAC overtime		(45,000)
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Total Expenditure Amendments	\$	_____ -
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Total Amended FY 11 General Fund Expenditures	\$	140,751,728
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**City Council Amendments to the
FY 2011 Proposed Capital Budget**

Manager's Recommended FY 11 Capital Expenditures	\$ 33,854,150
<i>Increase Capital Expenditures</i>	
Bicycle Infrastructure	50,000
Affordable Housing	200,000
<i>Decrease Expenditures</i>	
Mall Renovations at The Omni Hotel	(200,000)
Citywide Traffic Improvements	(50,000)
Total Capital Expenditure Amendments	\$ -
Total Amended FY 11 Capital Expenditures	\$ 33,854,150

FY 2011 Operating Revenue Changes
 (Operating Budget FY 2010 to Operating Budget FY 2011)

Operating Revenue Increases

Personal Property Tax (local portion)	51,000
Lodging Tax	2,000
Payment in Lieu of Taxes: Utilities Funds	75,014
Tax on Bank Stock	113,000
BPOL	505,575
Recreation Income	433,779
Interest Earned	154,833
Misc. Charges for Services	8,700
Parking Fines	95,000
Misc. Revenue	25,000
City/County Revenue Sharing: Operating Budget	1,042,280

Operating Revenue Decreases

State \$60M "Flex Cuts"	(624,000)
Real Estate Tax	(799,450)
Virginia Communications Sales and Use Tax	(239,500)
Tax on Wills and Deeds	(50,000)
Sales and Use Tax	(552,156)
Meals Tax	(99,000)
Utility Taxes	(67,772)
Various Building Permits	(45,630)
State Aid for Police Protection	(202,333)
Compensation Board Reimbursement for Constitutional Officers	(223,416)
Misc. Intergovernmental Revenues	(59,035)
Parking Garage Revenue	(300,000)
Misc. Local Taxes	(14,000)
Other Misc. Revenue	(201,335)

Net Operating Revenue Changes **(971,446)**

FY 2011 Designated Revenue Changes
 (Designated Budget FY 2010 to Designated Budget FY 2011)

Designated Revenue Decreases

Contracted Services with City Schools (Building Maintenance and Pupil Transportation)	(806)
City/County Revenue Sharing: Transfer to Capital Improvement Program	(326,500)
City/County Revenue Sharing: Transfer to Facilities Repair Fund	(300,000)
Meals Tax Revenue: Transfer to Debt Service	(93,000)

Net Designated Revenue Changes **(720,306)**

Total General Fund Operating and Designated Revenue Changes **(1,691,752)**

FY 2011 Operating Expenditure Changes
(Operating Budget FY 2010 to Operating Budget FY 2011)

Council Priority Initiatives

Allocated from Council Priority Initiatives	
Contribution to PACEM	10,000
Contribution to Foothills Child Advocacy Center	25,000
Overtime for Police Department - Internet Crimes Against Children	10,000
Reserved funding within Council Priority Initiatives	
Transit System Initiatives	110,000
Trash Disposal/Recycling Options	100,000

City Schools

City Contribution to Schools	(129,089)
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Salary, Benefits and Staffing

Health Care (Employer) Contribution	26,709
Retirement Fund (Employer) Contribution	420,926

Contributions to Outside Agencies/Interagency Transfers

Contribution to the Commission on Children and Families (CSA Coordination and Juvenile Justice Coordinator)	(219,091)
Contribution to SPCA (based on revised contract and new funding formula)	119,298
Contribution to The Paramount Theatre	32,000
Contribution to JAUNT	45,510
Contributions to Regional Jail, Blue Ridge Juvenile Detention Center and ECC	74,940
Contribution to Jefferson/Madison Regional Library	2,863
Transfer to Department of Social Services	(149,029)
Transfer to Community Attention	47,600
Transfer to Charlottesville/Albemarle Convention and Visitor's Bureau	(47,432)
Transfer to Greyhound Operations	75,000
Local Match Requirement - Comprehensive Services Act	(350,000)

Other Changes

Parks and Recreation Operational Costs for Smith Aquatic Center, a full year of Onesty Family Aquatic Center and continued operation of McIntire Wading Pool	410,070
Transfer to Debt Service	(300,000)
Public Works General Fund Street Paving (reflected in FY 2011 Proposed Capital Improvement Program)	(500,000)
Contract - Collection of Trash and Recycling	(248,928)
Fixed Costs	
HVAC Fees	30,767
Vehicle Fuel, Maintenance and Wash Facility Support	(125,860)
ly Landfill Remediation	(250,000)
Other Departmental Budget Savings	(192,700)

Net Operating Expenditure Changes **(971,446)**
