

CITY OF CHARLOTTESVILLE
"A World Class City"

Office of The City Manager

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July 1, 2011

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

Dear Mayor and Council:

As we approached the summer of 2010, there was increasing concern that the budget process for Fiscal Year 2011-2012 would be unlike any we had experienced in nearly two decades. With declining revenue and continued cuts in state funding on the horizon, there was growing anxiety over whether the City could continue to provide the same level of high quality services our residents, visitors and businesses have grown to expect. We were preparing, if necessary, to closely examine the types of actions that so many localities around the country have been forced to take in order to balance their budgets. Deep cuts to services, reductions in workforce, furloughs and tax increases have made local headlines around the state and nation. Fortunately for our City, those actions were not warranted, at least, not yet.

Although our revenues did decline in Fiscal Year 2010, we were able to avoid reductions in services as a result of the sound fiscal management of the City Council and prudent financial oversight of our departments. As the economy slowly inches forward, revenue projections continue to be relatively weak for localities, including ours.

Our largest new investment is a \$1.069 million increase to our City school division, which continues to witness dramatic cuts on the State level. In addition, the City is setting aside \$670,314 in a reserve account for the schools, the purpose of which is to address operating and capital needs in FY 13 and beyond. This amount is equivalent to what the school's ended up receiving in additional revenue from the State after the General Assembly completed their budget negotiations.

Therefore, it is my pleasure to present the **City Council Adopted Budget for Fiscal Year 2011 – 2012**, a total **General Fund Budget** of **\$143,306,538**, a **1.82%** increase over FY 2011.

There are three components to the General Fund Budget:

- **Operating Budget** funds the City's day to day activities and services, including the City's contribution to the City Schools, and totals **\$130,263,733** for FY 2012, a **3.38%** increase over FY 2011.
- **Designated Budget, \$12,557,535**, a **5.04%** increase from the current year's budget, 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.
- **Economic Downturn Fund**, budgeted at **\$485,270**, helps offset possible reductions in revenue or outside funding that may occur during FY 2012.

Adopted Revenue Projections

FY 2012 Adopted Revenues are projected to increase from FY 2011. The major revenue sources for the City's budget are described in more detail below:

- Real Estate assessments for CY 2011 are seeing residential and commercial decrease slightly with an increase due to new construction. This results in an overall increase in assessments of .63%. This is projected to generate \$798,671 in new revenue for FY 2012;
- Personal Property Tax revenue is expected to increase by \$143,867 based on projected assessments on personal property;
- Combined, Meals and Lodging Tax revenue is expected to produce \$403,241 in new revenue based on recent trends showing that these revenues are picking up;
- Sales and Use Tax revenues are expected to increase by \$127,156 in FY 2012 based on recent positive trends;
- Business, Professional and Occupational License revenue is projected to increase by \$287,093 due to new assessments that have been added to the overall base;
- State revenues continue to trend downward, the largest decrease being State Aid to Police Protection projected at \$73,055 in less revenue than FY 2011; and
- City/County Revenue Sharing is decreasing in by \$364,846, or 1.98%, due to a decrease in Albemarle County's 2009 real estate assessments which is the year on which the FY 2012 formula is based.

Balancing the Budget

The FY 2012 Adopted Budget continues to provide high quality services with an eye toward sustainability. Therefore, this budget that takes into consideration decreases in both local tax revenue and state and federal funding while still investing in our community's needs:

- We are proud to announce there are no reductions in direct services provided to residents, visitors and businesses. We will continue to offer the types of services our residents have grown to expect such as a nationally accredited fire and police departments, a myriad of recreational opportunities through Parks and Recreation, free leaf pick-up and timely snow removal from Public Works and continued assistance for those in need through Social and Human Services;
- There are no increases in our tax rates or fees;
- After two years without a raise, we are providing a 2% cost of living increase and a pool of funds to provide Market Rate adjustments where necessary. We are fortunate to have dedicated employees who serve their community well. They have struggled like many in our community to meet their financial obligations during these difficult economic times. Additionally other public sector employees in our area will be receiving raises next fiscal year. This COLA adjustment allows the City to remain competitive in the recruitment and retention of our staff;
- The City continues to realize savings in both vehicle fuel and maintenance as we continue to replace older vehicles on a regular schedule with hybrid and mixed fuels vehicles;
- As part of the City's involvement with the preservation and renovation of the Jefferson School the City has entered into an agreement with the Jefferson School Partnership for the lease, insurance and real estate taxes associated with the Carver Recreation Center space. The new Carver Rec. Center will be a much improved useable space with expanded programs and additional functions;
- This budget fully funds the City's Actuarial Retirement Contribution for the Defined Benefit general and public safety employees, and fully funds our cost of providing a competitive health care plan to our employees;
- Reflects an increase in funding to the Regional Jail, the Emergency Communications Center and the Blue Ridge Juvenile Detention Center, total new funds of \$496,613; and
- A closer review of the Ivy Landfill remediation resulted in a reduction of this budget while still meeting the agreement and the City's required funding responsibility towards the remediation.

Council Priority Strategic Initiatives

This budget includes funding for a few expanded programs that are a high priority of City Council. Between the Proposed Operating and Capital Budgets, there is over **\$14.2** million dedicated to Council Priority Strategic Initiatives.

- Includes a Council Priority Initiatives pool of funds budgeted at \$146,154, established to 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;
- This budget provides \$90,000 to extend the Dialogue on Race initiative for at least one year. These funds will support the program coordinator position for an additional year and provide funding for projects that will be implemented by the Steering Committee within the next year;
- Includes additional funding to expand the City's exceptionally successful Summer Youth Internship Program, provided through Community Attention. The program will serve 40 more youth for a total of 130. In addition, a long term plan is being developed to expand the program further in hopes that every eligible youth can be placed in an internship opportunity;
- There is a significant investment in infrastructure needs in next year's Capital Improvement Program including the new Fontaine Fire Station (\$8.75M) and the Old Lynchburg Road project (\$3M);
- Continues the investment in the Charlottesville Housing Fund, with funding in the amount of \$1.41 for FY 2012;
- Continues to invest in bicycle infrastructure (\$100,000), trails and greenways (\$79,568), parkland acquisition (\$100,000) and the energy conversation program (\$125,000);
- \$300,000 is included for the design and construction of new sidewalks; and
- Provides \$51,500 for urban tree preservation and planting, a portion of which could support recommendations that may result from the City's new Tree Commission.

Economic Downturn Fund

The Adopted Budget continues funding of the Economic Downturn Fund but at a lower funding level than the previous two fiscal years, \$485,270, to help offset possible

reductions in revenue or outside funding. Despite some positive signs on the revenue side, the economic recovery continues at a slower than anticipated pace.

Looking to the Future

As a result of the City's sound financial planning and prudent decision making, the City is in a strong position to take on the challenges we face in the near future. Those include a host of looming major capital needs such as the reconfiguration of the City's schools system, sewer infrastructure rehabilitation and the possible expansion of the City's Circuit Court, plus the City Council and City Manager's focus on assertively addressing the complex issues associated with poverty in our community.

Coupled with declining revenue from the State, these needs will challenge us in ways we have not seen in two decades. However with a solid financial foundation and new, innovative approaches to partnering with businesses, non-profits and the public at large, I am confident we will witness great progress in the years to come.

Sincerely,

A handwritten signature in black ink that reads "Maurice Jones". The signature is written in a cursive, flowing style.

Maurice Jones
City Manager

FY 2012 Operating Revenue Changes
 (Operating Budget FY 2011 to Operating Budget FY 2012)

Local Taxes	
Real Estate Tax	798,671
Personal Property Tax (local portion)	143,867
Public Service Corporation Tax	221,916
Utility Taxes	55,550
Virginia Communications Sales and Use Tax	127,500
Tax on Bank Stock	337,000
Sales and Use Tax	127,156
Lodging Tax	178,941
Meals Tax	168,300
Other Local Taxes	(137,614)
Licenses and Permits	
Business, Professional, Occupational License Fee	287,093
Vehicle Licenses	(800)
Intergovernmental Revenue	
State Highway Assistance	136,466
State \$60M "Flex Cuts"	76,467
State Aid for Police Protection	(73,055)
Misc. Intergovernmental Revenue	(89,523)
Charges for Services	
Court Revenue	(150,000)
Internal City Services	69,519
Recreation Programs Income	429,467
The First Tee	93,000
PILOT: Utilities	31,099
Waste Disposal Fees	(50,000)
Misc. Charges for Services	(15,100)
Misc. Revenue	
Misc. Revenue	1,958
County Fire Service Fees	
Transfer to Debt Service Fund	108,000
City/County Revenue Sharing	
Operating Budget Portion	1,386,510
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Net Operating Revenue Changes	4,262,388
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FY 2012 Designated Revenue Changes
(Designated Budget FY 2011 to Designated Budget FY 2012)

Contracted Services with City Schools (Building Maintenance and Pupil Transportation)	(12,322)
City/County Revenue Sharing: Transfer to Capital Improvement Program	671,005
City/County Revenue Sharing: Transfer to Equipment Replacement Fund	(211,826)
City/County Revenue Sharing: Transfer to Facilities Repair Fund	100,000
Meals Tax Revenue: Transfer to Debt Service	56,100
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<u>Net Designated Revenue Changes</u>	602,957

FY 2012 Economic Downturn Fund Revenue Changes
(FY 2011 to FY 2012)

Economic Downturn Fund	(2,310,535)
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<u>Net Economic Downturn Fund Expenditure Changes</u>	(2,310,535)

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<u>Total General Fund Revenue Changes</u>	2,554,810
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FY 2012 Operating Expenditure Changes
(Operating Budget FY 2011 to Operating Budget FY 2012)

City Schools	
City Contribution to Schools	1,069,638
Schools Reserve Account	670,314
City Council Priority Initiatives	
City Council Priority Initiatives	(103,846)
Salary, Benefits and Staffing	
Health Care (Employer) Contribution	355,927
Retirement Fund (Employer) Contribution	309,180
Citywide Market Rate Adjustments	200,000
2% COLA Increase (Includes Benefits)	745,527
Citywide Attrition Savings	(150,000)
Program Expansions and New Funding	
Transfer to Community Attention for Summer Youth Internship Program	36,361
Community Dialogue on Race	90,000
Voting Registrar (costs associated with representing and election costs that are no longer paid for by the State)	44,900
Traffic Sign Material (to comply with new Federal reflective mandates)	60,000
Contributions to Outside Agencies/Interagency Transfers	
Contribution to SPCA (based on revised contract and new funding formula)	45,142
Contributions to Regional Jail, Blue Ridge Juvenile Detention Center and Emergency Communications Center (911)	496,613
Contribution to Jefferson/Madison Regional Library	23,917
Transfer to Charlottesville/Albemarle Convention and Visitor's Bureau	47,268
Transfer to Charlottesville Area Transit	154,274
Transfer to Greyhound Operations	(17,054)
Contribution to PHAR (Council Admen dement)	25,000
Contribution to Legal Aid Society (Council Amendment)	42,346
Contribution to The Paramount Theatre (Council Amendment)	32,500
City Membership to National League of Cities (Council Amendment)	4,000
250th City Anniversary Celebration Matching Grant (Council Amendment)	25,000
Contribution to Charlottesville Community Design Center (Council Amendment)	(27,560)
Transfer to Debt Service Fund	
Contribution from General Fund	200,000
County Fire Service Fees	108,000
Other Changes	
Carver Recreation Center Lease Payments to Jefferson School (3 months prorated - includes rent, insurance and real estate tax payments)	118,143
Fixed Costs	
IT User Fees	48,721
Technology Infrastructure Replacement Fees	21,545
Fleet Management - Vehicle Fuel and Maintenance	(114,850)
General Insurance - Risk Management	(14,645)
ly Landfill Remediation	(250,000)
Misc. Departmental Savings	(33,973)
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<u>Net Operating Expenditure Changes</u>	4,262,388

FY 2012 Designated Expenditure Changes
(Designated Budget FY 2011 to Designated Budget FY 2012)

Contracted Services with City Schools (Building Maintenance and Pupil Transportation)	(12,322)
Transfer to Capital Improvement Program	671,005
Transfer to Equipment Replacement Fund (Unallocated Pool)	(211,826)
Transfer to Facilities Repair Fund	100,000
Transfer to Debt Service Fund (Meals Tax Revenue Portion)	56,100

Net Designated Expenditure Changes **602,957**

FY 2012 Economic Downturn Fund Expenditure Changes
(FY 2011 to FY 2012)

Economic Downturn Fund	(2,310,535)
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Net Economic Downturn Fund Expenditure Changes **(2,310,535)**

Total General Fund Expenditure Changes **2,554,810**

City Council Amendments to the FY 2012 Proposed General Fund Budget

Manager's Recommended FY 12 Revenue Estimates	\$	142,938,401
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Amendments to FY 12 Revenue Estimates

Increase Revenues

Tax on Bank Stock		198,740
State Aid for Police Protection (HB 599)		144,768
State Recordation Tax Receipts		89,607
City/County Revenue Sharing: Transfer to Capital Improvement Program		560,000

Decrease Revenues

Personal Property Tax		(52,578)
Parks and Recreation Revenue		(12,400)
City/County Revenue Sharing: Operating Budget		(328,486)
City/County Revenue Sharing: Economic Downturn Fund		(231,514)

Total Revenue Amendments	\$	<u>368,137</u>
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Total Amended FY 12 General Fund Revenue Estimates	\$	143,306,538
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Manager's Recommended FY 12 Expenditures	\$	142,938,401
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Amendments to FY 12 Expenditures

Increase Expenditures

Transfer to Reserve Account

General Fund Contribution to Reserve Account Designated for City Schools		670,314
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General Fund Contribution to Capital Improvement Program

Charlottesville Affordable Housing Fund		410,000
Bicycle Infrastructure		50,000
CHS Turf Field		100,000

Outside Agencies

Albemarle/Charlottesville Regional Jail		42,211
PHAR		25,000
Legal Aid Justice Center		42,346
The Paramount Theatre		32,500

Organizational Memberships

National League of Cities		4,000
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Department Budgets	
Police Department - HVAC Fees	2,206
Community Events and Festivals	
250th Anniversary Celebration (Matching Grant)	25,000

Decrease Expenditures

City Schools	
Local Contribution to City Schools	(670,314)
Economic Downturn Fund	
Economic Downturn Fund	(231,514)
Department Budgets	
Public Works/Market St. Parking Garage - HVAC Fees	(2,206)
Council Priority Initiatives	
Council Priority Initiatives	(103,846)
Outside Agencies	
Charlottesville Community Design Center	(27,560)

Total Expenditure Amendments **\$ 368,137**

Total Amended FY 12 General Fund Expenditures **\$ 143,306,538**

City Council Amendments to the FY 2012 Proposed Capital Budget

Manager's Recommended FY 12 Capital Budget Revenues **\$ 23,446,555**

Increase Capital Budget Revenue

General Fund Contribution to the Capital Improvement Program	560,000
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Total Capital Budget Revenue Amendments **\$ 560,000**

Total Amended FY 12 Capital Budget Revenue Estimates **\$ 24,006,555**

Manager's Recommended FY 12 Capital Budget Expenditures **\$ 23,446,555**

Increase Capital Budget Expenditures

Charlottesville Affordable Housing Fund	410,000
Bicycle Infrastructure	50,000
CHS Turf Field	100,000

Total Capital Budget Expenditure Amendments **\$ 560,000**

Total Amended FY 12 Capital Budget Expenditures **\$ 24,006,555**

City Council Amendments to the
FY 2012 Proposed Warehouse Fund Budget

Manager's Recommended FY 12 Warehouse Fund Expenditures	\$ 142,830
<i>Increase Warehouse Fund Expenditures</i>	
Utilities (Gas, Water, Wastewater, Electric)	12,098
Total Warehouse Fund Expenditure Amendments	\$ <u>12,098</u>
Total Amended FY 12 Warehouse Fund Expenditures	\$ <u><u>154,928</u></u>