

# CITY OF CHARLOTTESVILLE

*“A World Class City”*

Office of the City Manager  
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July 1, 2012

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

Dear Mayor and Council:

I am proud to report that the City of Charlottesville as an organization has fared fairly well during the economic downturn that has plagued our nation over the course of the last five years. We have managed to weather the storm without significantly cutting our services or raising the tax rates of our residents and businesses while also investing in the initiatives and services that make Charlottesville a highly desirable place to live. This is the result of hard work on the part of our City Council, budget team and City employees, the investments made by the private sector in our City and the commitment our residents have to enhancing the quality of life for all who live and work in Charlottesville.

City Council's Adopted Budget for Fiscal Year 2012-2013 does not recommend significant cuts in the services our residents have come to expect or an increase in our tax rates. And although this is good news in these dreary economic times, there is a cautionary tale that must be addressed in the very near future. It concerns a fundamental change in how the State is going to fund public education now and into the future.

As was the case in FY 2012, the City's largest new investment is in our schools. In FY 2013, the schools will receive a \$3.4 million increase from the City, which includes a \$670,314 reserve set aside in FY 2012, \$1,498,000 in funds that were previously dedicated to their capital budget but will now be used for operational expenses, and \$1.28M realized from other local revenues and expenditure reductions. The negative effect of the budget currently being considered in the General Assembly has been overwhelming for the schools at approximately \$4.2 million in reductions to the City's school system projected for FY 13, or 7.6% of the schools general fund budget. Approximately half of this deficit is due to declines in state revenues while the other half is from increases in the Virginia Retirement System costs proposed by the Governor. Charlottesville is also drastically affected, unlike most divisions, from a change in how sales tax is distributed to schools. Sales tax will continue to be distributed based on the count of children aged 5 -19 who live in the City, but the State will now count students aged 18 and 19 who attend UVA in the district of where their parents reside, costing Charlottesville about \$1.2 million in reduced sales tax distribution. Despite the concerns of many who value public education, the state of Virginia is slowly but surely reducing its support for local schools. In the last ten years, state funding as a

percentage of the schools budget has dropped from 34% down to 25%. Concurrently, the City of Charlottesville's local contribution, as a percentage of the schools budget, has increased from 65% to 76% in that same period. The schools have also taken actions to reduce their budget to make up for lost state revenue and since FY 2009, have made \$1.2M in budget cuts, equivalent to 2.14% of their general fund budget.

While the City has been able to step in to close annual school deficits over the last couple of years, and proposes to do so again for next fiscal year, we must recognize that the state cuts coupled with declining real estate revenue and continued demands for quality services must result in a thorough review of our future expenditures and revenue streams. We, as a community, need to come together to ensure that our City schools have the highest standards and quality that are desired and expected.

With these challenges in mind, City Council adopted a budget for Fiscal Year 2012-2013 on April 10, 2012, a total **General Fund Budget** of **\$146,269,910**, a **2.07%** increase over FY 2012.

### **Revenue Projections**

The story of FY 2013 projected revenue is mixed at best, with some revenue sources performing better than expected and others not as well. Overall, predicting revenue trends continues to prove to be a challenge at best. The major revenue sources for the City's budget are described in more detail below:

- Real Estate assessments for CY 2012 are showing residential property decline by over 3%, the most dramatic decline in the past 30 years. However, when factoring existing commercial and new construction, the overall decrease to assessments is 1.22%. As a result, revenue will decline by \$362,441 in FY 2013. **With the adopted rate of .95 per \$100 of assessed value rate, 98% of the City's homeowners will see their real estate taxes remain the same (59%) or go down (39%) in FY 2013.**
- Personal Property Tax revenue is expected to decrease by \$245,867 based on projected assessments on personal property and the purchase of fewer new cars and vehicles.
- Combined, Meals and Lodging Tax revenue is expected to increase by \$954,134. A portion of this increase is based on Council passing a revised ordinance that changes the date that businesses submit their meals and lodging taxes to the City, from the 30<sup>th</sup> of the month to the 20<sup>th</sup>. This change will result in a one time revenue windfall of approximately \$345,000 in FY 2013. The remainder of the increase is the result of positive performance and upward trending in both of these revenue sources.
- Sales and Use Tax revenues are expected to increase by \$394,000 in FY 2013 based on recent positive trends.
- Regarding State revenue that comes to the City for non-school operations, there has been no news of reductions to Constitutional Officer reimbursements, state highway

assistance, or state aid for police protection and the State Flex Cuts were actually reduced from \$60M to \$50M statewide, all good news for now.

- Recreation income is projected to increase by \$162,115 mostly due to the re-opening of Carver Recreation Center in fall 2012 which will offer new and expanded programing along with banquet facilities that are highly desired in the region.
- City/County Revenue Sharing is decreasing by \$568,864 due to a decline in Albemarle County's 2010 real estate assessments, is the year on which the FY 2013 formula is based.

### **Balancing the Budget**

Council's Adopted FY 2013 Budget continues to provide high quality City services with an eye toward sustainability and maintaining the investment in our community's needs. At the same time however, we were faced with some very large expenditure needs that had to be offset, in part, by some expenditure reductions since revenues could not meet the City's needs and requirements:

- In FY 2013, the schools will receive a \$3.4 million increase from the City, which includes a \$670,314 reserve set aside in FY 2012, \$1,498,000 in funds that were previously dedicated to their capital budget but will now be used for operational expenses, and \$1.28M realized from other local revenues and expenditure reductions.
- This budget fully funds the City's Actuarial Retirement Contribution for the retirement fund and our cost of providing a competitive health care plan to our employees, which is increasing by 12.5% based on premium payment trends, a total of \$1.2M in new money required for FY 2013.
- While the City has made great strides in the purchase of replacement vehicles that are hybrids and alternative fuel, we cannot avoid the increases in the cost of fuel, which has climbed sharply since this time last year. In FY 2013, the budgeted cost per gallon is increasing from \$2.50 per gallon to \$3.50, resulting in an increase of \$238,735 citywide.
- The City's debt service payment is increasing by \$350,000. This fully funds the City's obligations towards past debt issuances and ensures that the City maintains a debt service to budget ratio of 8% or less.
- This budget provides a 3% one-time bonus to regular full and part time employees and long term temporary employees who are employed as of January 1, 2012. This one-time bonus helps offset budget increases in FY 2014 since it does not add to base salaries and still provides a much appreciated thank you to all the hard work our employees do every day.

- We were able to reduce department contributions to the Equipment Replacement Fund by over \$230,000 by analyzing current replacement needs and existing balances in the accounts.
- The General Fund contribution to the Capital Improvement Program (CIP) is reduced by over \$519,000 in FY 2013. The FY 2013 CIP focuses on what we are currently doing, rather than adding new projects, and includes a 5% reduction built in for most major maintenance projects that are budgeted annually.
- The budget reduces the City's local match requirement for the Comprehensive Services Act by \$300,000, better aligning the cost with actual expenses and taking into consideration savings occurring with continued community wraparound services, which can be achieved at a lower cost than residential placement.
- With the new Agency Budget Review Team prioritization process in place for FY 2013, the City was able to redirect dollars to high priority areas and produce savings of over \$80,000 in total contributions to nonprofits and outside agencies.

### **City Council Priorities**

In 2012, City Council adopted a new set of priorities for 2012-2014:

- Reduce poverty by increasing sustainable employment among less skilled and educated residents
- Provide a comprehensive support system for children
- Build an interconnected network of multi-modal transportation including bikeways, trails and transit system
- Thoroughly research the feasibility of a City Market District in Downtown
- Redevelop the City's corridors
- Cultivate healthy streams and rivers through effective Stormwater management practices

In this budget, there are program expansions that align with Council's priorities, which include:

- Council included funding, \$50,000, for a summer youth program. The City will ask for proposals from various non and for profit organizations to provide this program. Staff will return to Council with a recommendation and report before the program is to begin in mid June 2012.
- There is \$50,000 included in the Adopted Budget for "Living Wage" adjustments, to be determined during the fiscal year. This funding was included following many discussions about the living wage and what the City can do for its lowest paid regular employees. Staff will return to Council with a recommendation in the early part of FY 2013.
- Continuing the City's involvement and support of the Jefferson School City Center, which includes \$548,000 in new funds for FY 2013, the new and improved Carver Recreation Center is anticipated to open fall 2012. The Carver Recreation Center will

become even more of an integral part of the Charlottesville Parks and Recreation Department's offerings and a vital community asset for generations. Carver Recreation Center will be one component to providing a comprehensive support system for children and families, as well making a significant contribution to what are anticipated to be an important cultural center in Charlottesville.

- Starting in FY 2012, City Council approved expansion of Charlottesville Area Transit service to include additional holiday service (Free Trolley and Route 7) on several Sundays. In addition, JAUNT will provide this same level of service and this budget has included additional funds for this purpose. This expanded service will be continued into FY 2013, at an additional cost of approximately \$25,000 between the two agencies. This enhanced service will provide, among other benefits, more transit options for those who need to work on these designated days.
- Providing support for the Fontaine Avenue Fire Station, anticipated to be fully operational by spring 2013, which will enhance the City's public safety functions and the City's ability to provide quick response in the southwest portion of the City.
- Continuing investment in the Charlottesville Housing Fund, with funding proposed at \$1.4 million in FY 2013, \$650,000 of which was dedicated to the Housing Authority in FY 2012 for redevelopment of the housing authority sites. This directly benefits those who are in most need of affordable housing.
- Providing a new investment in Stormwater technology that will deliver a more efficient and effective means of targeting and making Stormwater system repairs, at a cost of \$135,000. This continues to build upon Council's Green City Vision, resulting in cleaner streams and rivers.

### **Into the Future**

We believe that this proposed budget keeps the City in a strong position now and into the future, but looming budget issues such as the school's ongoing funding needs must be addressed soon. With that said, I'm confident our solid financial foundation coupled with our commitment to providing innovative services that make a difference in our community will help us achieve the goals established by the City Council.

Sincerely,



Maurice Jones  
City Manager

## City Council Amendments to the FY 2013 Proposed General Fund Budget

<b>Manager's Recommended FY 13 Revenue Estimates</b>	<b>\$ 146,183,446</b>
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### Amendments to FY 13 Revenue Estimates

#### ***Increase Revenues***

FY 2012 Carryover - Council Priorities Initiatives	120,464
School Community Service Officers Contract	10,609
Sales and Use Tax	204,000
Lodging Tax	25,500
First Tee Revenue	18,000
Misc. Revenues	2,891

#### ***Decrease Revenues***

Recreation Revenue	(95,000)
Tax on Bank Stock	(100,000)
Utility Services Consumer Tax	(100,000)

<b>Total Revenue Amendments</b>	<b>\$ <u>86,464</u></b>
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<b>Total Amended FY 13 General Fund Revenue Estimates</b>	<b>\$ <u>146,269,910</u></b>
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<b>Manager's Recommended FY 13 Expenditures</b>	<b>\$ 146,183,446</b>
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### Amendments to FY 13 Expenditures

#### ***Increase Expenditures***

##### **Compensation and Benefits**

Living Wage Adjustments TBD	50,000
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##### **Nonprofit and Outside Agencies**

###### Agency Budget Review Team Review

The Paramount Theater/Arts Education Program	16,700
Music Resource Center	6,800
Literacy Volunteers	9,463
PHAR/Internship Program	25,000

###### Contractual Agency/Budget Office Review

JABA/Adult Care Center Scholarships	12,000
Commission on Children and Families	10,500

##### **Council Priorities**

Summer Youth Program Request for Proposals	50,000
Department of Justice/City of Promise Grant Match	15,000

***Decrease Expenditures***

**City Department Budgets**

The First Tee (8,999)

**Compensation and Benefits**

3% Bonus Pool (50,000)

**Debt Service**

General Fund Contribution to Debt Service Fund (50,000)

**Total Expenditure Amendments** \$ **86,464**

**Total Amended FY 13 General Fund Expenditures** \$ **146,269,910**

**City Council Amendments to the  
FY 2013 Proposed Capital Budget**

**Manager's Recommended FY 13 Capital Budget Revenues** \$ **16,374,114**

***Increase Capital Budget Revenue***

CY 2013 Bond Issuance 850,000

**Total Capital Budget Revenue Amendments** \$ **850,000**

**Total Amended FY 13 Capital Budget Revenue Estimates** \$ **17,224,114**

**Manager's Recommended FY 13 Capital Budget Expenditures** \$ **16,374,114**

***Decrease Capital Budget Expenditures***

Undergrounding Utilities (100,000)

Charlottesville Housing Fund (Unallocated) (100,000)

***Increase Capital Budget Expenditures***

Charlottesville Housing Fund (CRHA Allocation) 100,000

Fire Apparatus Replacement 850,000

Bicycle Infrastructure 100,000

**Total Capital Budget Expenditure Amendments** \$ **850,000**

**Total Amended FY 13 Capital Budget Expenditures** \$ **17,224,114**

**City Council Amendments to the  
FY 2013 Proposed Community Attention Fund**

<b>Manager's Recommended FY 13 Comm. Attn. Fund Revenue</b>	<b>\$ 5,151,069</b>
<i>Increase Comm. Attn. Fund Revenue</i>	
Transfer from Community Attention Fund Balance	120,000
<b>Total Comm. Attn. Fund Revenue Amendments</b>	<b>\$ 120,000</b>
<b>Total Amended FY 13 Comm. Attn. Fund Revenue Estimates</b>	<b>\$ 5,271,069</b>

<b>Manager's Recommended FY 13 Comm. Attn. Fund Expenditures</b>	<b>\$ 5,151,069</b>
<i>Increase Comm. Attn. Fund Expenditures</i>	
Bank On Initiative	35,000
Offender Aid and Restoration - Coming Home to Work	85,000
<b>Total Comm. Attn. Expenditure Fund Amendments</b>	<b>\$ 120,000</b>
<b>Total Amended FY 13 Comm. Attn. Fund Expenditures</b>	<b>\$ 5,271,069</b>

**FY 2013 Operating Revenue Changes**  
**(Operating Budget FY 2012 to Operating Budget FY 2013)**

<b><u>Local Taxes</u></b>	
Real Estate Tax	(362,441)
Personal Property Tax (local portion)	(245,867)
Utility Services Consumer Tax	(135,850)
Virginia Communications Sales and Use Tax	48,960
Tax on Bank Stock	150,000
Sales and Use Tax	394,000
Lodging Tax	243,059
Meals Tax	711,075
<b><u>Licenses and Permits</u></b>	
Business, Professional, Occupational License Fee	35,332
Other Permits	100,000
<b><u>Intergovernmental Revenue</u></b>	
State Highway Assistance	143,317
Reimbursement Constitutional Officers	75,216
Misc. Intergovernmental Revenue	98,443
<b><u>Charges for Services</u></b>	
Parking Garage Revenue	400,000
Internal City Services	120,620
Utility Cut Permits	25,000
Recreation Programs Income (includes The First Tee)	162,115
PILOT: Utilities	42,500
<b><u>Misc. Revenue</u></b>	
Interest Earned	(100,000)
Other Misc. Revenue	(56,771)
<b><u>FY 2012 Carryover Funds</u></b>	
City Council Priority Initiatives	120,464
Local Contribution to Schools	670,314
<b><u>Transfers from Other Funds</u></b>	
Charlottesville/Albemarle Convention and Visitor's Bureau	42,600
Risk Management Fund	250,000
Landfill Fund	228,723
<b><u>City/County Revenue Sharing</u></b>	
Operating Budget Portion	385,911
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<b><u>Net Operating Revenue Changes</u></b>	<b>3,546,720</b>

**FY 2013 Designated Revenue Changes**  
**(Designated Budget FY 2012 to Designated Budget FY 2013)**

Contracted Services with City Schools (Building Maintenance and Pupil Transportation)	134,402
City/County Revenue Sharing: Transfer to Capital Improvement Program	(519,505)
City/County Revenue Sharing: Transfer to Facilities Repair Fund	50,000
Meals Tax Revenue: Transfer to Debt Service	237,025

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**Net Designated Revenue Changes** **(98,078)**

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**FY 2013 Economic Downturn Fund Revenue Changes**  
**(FY 2012 to FY 2013)**

Economic Downturn Fund	(485,270)
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**Net Economic Downturn Fund Expenditure Changes** **(485,270)**

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**Total General Fund Revenue Changes** **2,963,372**

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**FY 2013 Operating Expenditure Changes**  
**(Operating Budget FY 2012 to Operating Budget FY 2013)**

<b><u>City Schools</u></b>	
City Contribution to Schools (includes reserve set aside in FY 2012)	1,956,037
FY 2012 School Reserves	(670,314)
<b><u>City Council Priority Initiatives</u></b>	
City Council Priority Initiatives	(146,154)
Summer Youth Program Request for Proposals	50,000
Department of Justice/City of Promise Grant Local Match	15,000
<b><u>Salary, Benefits and Staffing</u></b>	
Health Care (Employer) Contribution	460,921
Retirement Fund (Employer) Contribution	863,335
Living Wage Adjustments	50,000
3% One Time Bonus	775,000
Citywide Attrition Savings	(300,000)
<b><u>Service Enhancements</u></b>	
Carver Recreation Center at Jefferson School City Center	548,962
<b><u>Contributions to Outside Agencies/Interagency Transfers</u></b>	
Contributions to Public Safety Agencies (Jail, Juvenile Detention, SPCA, E-911)	64,959
Contribution to Jefferson/Madison Regional Library	56,086
Region 10 - Healthy Transitions Re-Entry Program	42,500
Contribution to JAUNT	139,186
The Paramount Theater/Arts Education Program	16,700
Music Resource Center	6,800
Literacy Volunteers	9,463
PHAR/Internship Program	25,000
JABA/Adult Care Center Scholarships	12,000
Commission on Children and Families	10,500
Transfer to Charlottesville Area Transit	201,428
The First Tee	(8,999)
Transfer to Department of Social Services	(250,000)
Comprehensive Services Act Local Match Requirement	(300,000)
<b><u>Transfer to Debt Service Fund</u></b>	
Contribution from General Fund	350,000

**Other Changes**

Fixed Costs	
HVAC Fees	55,896
Equipment Replacement Fund Contributions	(237,034)
Information Technology User Fees	35,481
GIS User Fees	16,419
Vehicle Fuel (\$2.50 to \$3.50 per gallon)	238,735
Misc. Savings	(541,187)

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**Net Operating Expenditure Changes** **3,546,720**

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**FY 2013 Designated Expenditure Changes**  
**(Designated Budget FY 2012 to Designated Budget FY 2013)**

Contracted Services with City Schools (Building Maintenance and Pupil Transportation)	134,402
Transfer to Capital Improvement Program	(519,505)
Transfer to Facilities Repair Fund	50,000
Transfer to Debt Service Fund (Meals Tax Revenue Portion)	237,025

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**Net Designated Expenditure Changes** **(98,078)**

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

Economic Downturn Fund	(485,270)
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**Net Economic Downturn Fund Expenditure Changes** **(485,270)**

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**Total General Fund Expenditure Changes** **2,963,372**

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