

Major Highlights of the Budget

General Fund Revenues

- Real Estate assessments for CY 2016 are showing residential property assessments increase by 2.56% and when including commercial and new construction, the overall assessment increase is 4.5%. As a result, revenue is projected to be up \$3.1M in FY 2017.
- Personal Property Tax revenue is expected to increase by \$399,794 in FY 2017.
- Sales and Use Tax revenues are expected to increase by \$318,034 in FY 2017.
- Meals Tax revenues are projected to be up by \$589,250 in FY 2017 as well as Business Licenses Taxes up by \$297,152.
- City/County Revenue Sharing is decreasing in by \$291,584 due to a decline in Albemarle County's 2014 real estate assessments, which is the year on which the FY 2017 formula is based.

Change in Tax Rate – Transient Occupancy (Lodging) Tax

- The FY 2017 Adopted Budget includes a 1% increase in the City's Transient Occupancy Tax rate, from 6% to 7%. This is estimated to bring in additional revenue of \$566,667 to help the City fund the increase for the schools that is not covered by the 40% target formula.

General Fund Expenditures

Major expenditure changes that have direct alignment with the Strategic Plan are described on **pg. A-12, New Funding Alignment with Strategic Plan Initiatives.**

- Continues a very strong commitment to the schools, providing **\$1.987** million in new funding, \$587,220 above the funding target of 40% of new real estate and personal property tax revenue as stated in the Budget Guidelines.
- Fully funds the City's Actuarial Retirement Contribution for the Retirement Fund, which requires \$971,949 in additional funds.
- Funds a projected 12% increase in health care premium costs. The City is funding a higher share of this, 15%, in order to reduce the increase that our employees would experience, which will be 9%. The City has not seen a double digit increase in health care costs for 10 years. We will, in the near future, examine possible changes in our healthcare plan offerings that may result in lower costs now and in the future. The cost of the increase for FY 2017 is \$692,957.
- Provides a 2% cost of living increase starting July 1, 2016, which is necessary in order to remain competitive in the region and to help offset the large increase in health care costs, at a cost of approximately \$850,000.
- The City funds several contractual/partnership agencies, including the regional jail, juvenile detention center, the library system, the emergency communications center, and paratransit services for the region. The increase in FY 2017 for the City to support these agencies is increasing by \$374,388.

- The General Fund transfer to the Debt Service fund is increasing by \$568,000, and the General Fund contribution to the capital improvement programs increases by \$125,164, all based on the adopted capital improvement program.
- This budget adds \$100,000 to cover the cost of replacing and stocking ammunition for the Police Department. Conflicts around the world have contributed to a deficit of ammunition, causing the Police Department to deplete any cache of supplies that were in place. This, along with high demand and the rising cost of metal, has increased the overall cost of the ammunition the Police Department needs for training and operational needs, especially once the new firing range is fully operational.
- \$75,217 is budgeted for the 2016 Presidential election this fall. These costs reflect anticipated higher rates of voter interest (phone calls, applications, inquiries, visits), voter registration applications, absentee voting (by mail and in person), and election day voting expected in a presidential year in a state that is already being cited by political pundits as one of three states in the U.S. that could swing the election to either side.

Reclassified and New Positions

- This budget adds \$34,460, to fund a part-time Administrative Assistant to the Clerk of Council, who will assist with citizen and Council requests, respond to inquiries, and assist with meeting and special event logistics.
- A Redevelopment Specialist will be added to the City Manager's Office, budgeted at \$120,000 for salary and benefits. The position will coordinate the activities related to the implementation of the Strategic Investment Area (SIA) Plan.
- An Outreach and Education Specialist in the Office of Human Rights will be converted from a full time to part-time position, a savings of \$40,100. An additional \$5,000 has been added to the OHR budget to cover any possible legal services that may be required.

City Department Budget Reductions (details found on *pgs. vi-vii* following the City Manager's Budget Message)

City departments identified over \$241,850 in the **No Service Impact** category by looking at previous year actuals and making adjustments, or by determining they did not need that level of operating funds to provide the same level of service. These include reductions in office supplies, travel, advertising, food and meals, furniture and equipment, dues and subscriptions, and printing, just to name a few.

Departments identified \$9,750 in the **Minimal Service Impact** category. This comprises the conversion of ten planting beds from annual to perennial beds and entire elimination of annuals at several other locations around the City and school properties.

Additionally, departments cumulatively reduced their budgets by \$205,810 due to **reduced fuel costs** for FY 2017. Original estimates projected fuel costs at \$3.10 per gallon, which was later revised to \$2.50 per gallon.

In the **Moderate Service Impact** category, **\$276,000** in savings was identified:

- **Changes to CAT Route 7: (\$172,000)** - Currently Route 7, which serves the Downtown Transit Station and all major shopping centers, operates seven buses per hour; the reduction will reduce that to six buses per hour. This reduction will change the scheduled lead time between buses from one bus every 15 minutes to one bus every 20 minutes.
- **Downtown Mall Ambassador Program: (\$104,000)** – The reduction will eliminate the program in FY 2017, a program started in FY 2014 to assist visitors in the Downtown Mall area and be a visible resource for those visiting our City by providing directions and information about local businesses and attractions. Since that time, the City’s strategy has been to hire more full time police officers, some of which would be assigned to the Downtown Mall (eight additional officers were approved in FY 2016 with more to be phased in over time).

There are several vacant positions that will be de-funded in FY 2017 and re-evaluated the following fiscal year as to their need and purpose. So if these positions are reinstated, these savings are one time in nature:

- **Paralegal – Commonwealth Attorney: (\$56,689)** - This is a Compensation Board (State) funded position but the State has not funded this for many years.
- **Section 3 Coordinator – Neighborhood Development Services: (\$69,000)** - With CRHA redevelopment still several years away, the FY 2017 budget maintains the position but eliminates the funding until definitive plans are agreed upon.

FY 2017 Capital Improvement Program Highlights

Revenue

- \$4,875,164 General Fund contribution
- \$47,500 in PEG Fee revenue
- \$22,500 contribution from Albemarle County for shared projects
- \$200,000 contribution from the City Schools for the small cap program
- \$15,260,322 in CY 2017 bonds

...for total FY 2017 Revenue of **\$20.4 million**

Expenditures

- \$1,920,491 for City School Facilities
- \$1,345,491 for City Facilities
- \$6,919,734 for Transportation and Access
- \$2,924,921 for Parks and Recreation
- \$5,147,747 for Public Safety and Justice
- \$150,000 for Economic Development Strategic Initiatives
- \$125,000 for Neighborhood and Citywide Stormwater Initiatives
- \$47,500 for Technology Infrastructure
- \$1,699,602 for the Charlottesville Affordable Housing Fund
- \$125,000 for Other Governmental Commitments

...for total FY 2017 Expenditures of **\$20.4 million**

Capital Improvement Program Alignment with Strategic Plan

The FY 2017 – 2021 Capital Improvement Program (CIP) budget includes funding for several projects that align directly with a strategic plan initiative.

Goal 1: Enhance the self-sufficiency of our residents

1.3 Increase affordable housing options

Partner with developers and incentivize affordable property growth

The FY 2017 Adopted Budget continues funding for the **Charlottesville Affordable Housing Fund** at \$1,699,602. Charlottesville Affordable Housing Fund dollars are specifically targeted toward assisting with creation of new low income housing opportunities.

Goal 2: Be a safe, equitable, thriving and beautiful community

2.3. Provide reliable and high quality infrastructure

Build the bicycle network such that all households are within a half mile of a trail or designated bicycle facility & Build the pedestrian network such that all households are within an eighth of a mile of a sidewalk or trail

The FY 2017 CIP includes an additional \$200,000 for the **Bicycle Infrastructure** project. The funds will be used to implement recommendations from the Bicycle and Pedestrian Master Plan. Also Included in the proposed budget are two projects related to building the pedestrian network, **New Sidewalks** (\$200,000) and **Trail and Greenway Development** (\$77,109). The New Sidewalk project attempts to remedy the gaps throughout the sidewalk infrastructure of the City. And the Trail and Greenway Development project works towards the acquisition, development and construction of trails and greenways throughout the City.

Complete West Main Street Project

The proposed CIP continues funding for the **West Main Improvements** project at \$3,500,000 for FY 2017. Funding of a significant urban design and streetscape improvement project for the West Main Street Corridor Improvements that could include changes to the street profile, green infrastructure, trees and street furniture.

Implement SIA Improvements

SIA Immediate Implementation will receive \$290,000 in the FY 2017 CIP. This funding is intended to facilitate completion of projects outlined in the Strategic Investment Area Plan completed in December, 2013. Examples of capital projects in the plan include 2nd Street Extension to Ix Building with improved streetscape, day lighting of Pollacks Branch, improved connectivity and walkability, and improvement to the Monticello Avenue streetscape.

2.5: Provide natural and historic resource stewardship

Implement an energy savings plan to achieve measurable progress on the 10% emission reduction goal.

The FY 2017 Adopted CIP includes \$100,000 for the **City Solar PV Program**. This project is the phased installation of solar photovoltaic panels on the roofs of various City facilities. Upon completion of each system, the City will begin to generate some of the electricity needed to run its facilities.

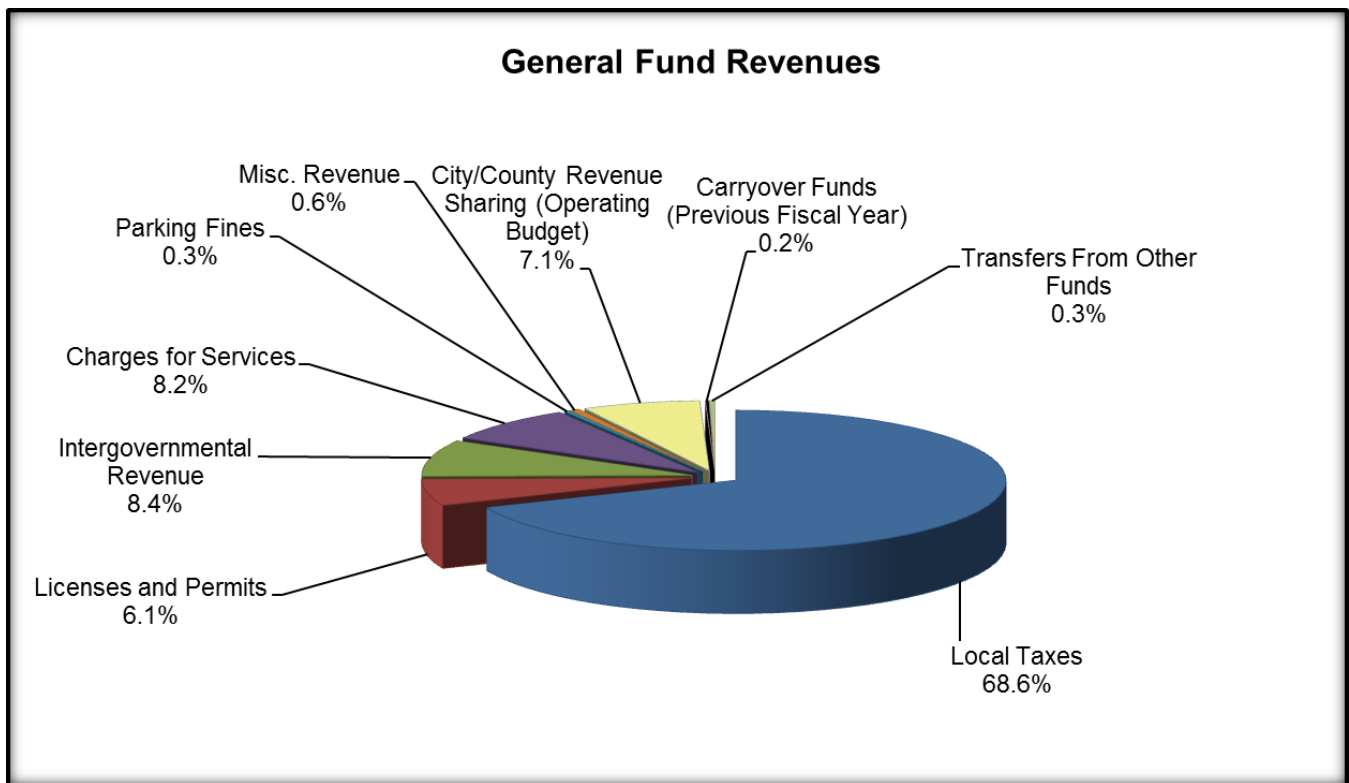
2.6. Engage in robust and context sensitive urban planning

Complete Small Area Plans

As part of the FY 2017 Adopted CIP, **Small Area Plans** will receive \$50,000. The Comprehensive Plan Update identified several specific areas of the city where planning and design issues or investment opportunities may warrant additional study through the development of specific small area plans in the coming years.

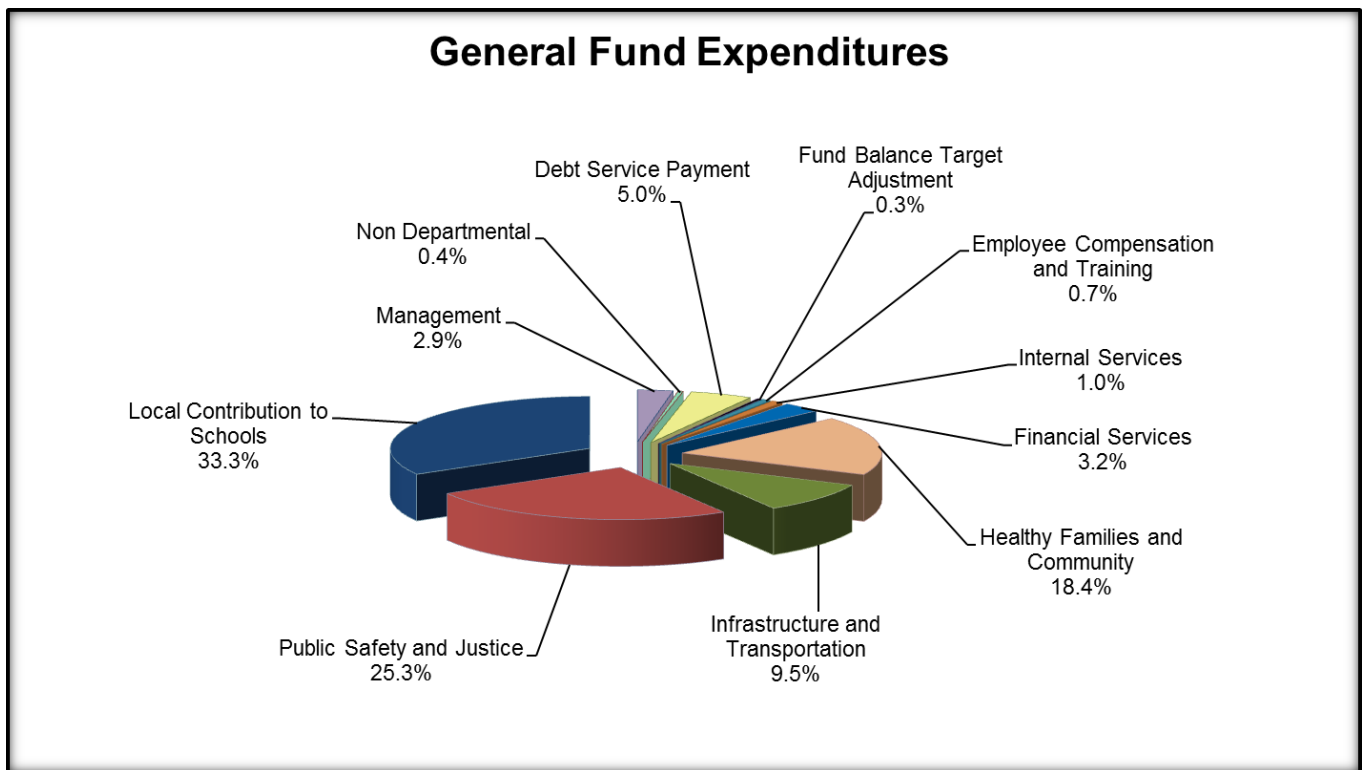
General Fund Revenue Summary

	FY 2014-2015 Actual	FY 2015-2016 Budget	FY 2016-2017 Budget	Increase/ (Decrease)	% Change
General Fund Revenue					
Local Taxes	\$93,004,599	\$96,739,283	\$101,650,460	\$4,911,177	5.1%
Licenses and Permits	8,722,170	8,603,371	9,080,523	477,152	5.5%
Intergovernmental Revenue	12,181,877	12,337,927	12,473,267	135,340	1.1%
Charges for Services	12,298,815	12,065,992	12,187,131	121,139	1.0%
Parking Fines	473,536	450,000	450,000	0	0.0%
Misc. Revenue	1,081,554	928,000	943,000	15,000	1.6%
Carryover Funds (Previous Fiscal Year)	0	141,659	332,727	191,068	134.9%
Transfers From Other Funds	575,000	675,000	500,000	(175,000)	-25.9%
City/County Revenue Sharing (Operating Budget)	11,467,895	10,908,668	10,491,920	(416,748)	-3.8%
TOTAL OPERATING BUDGET	\$139,805,447	\$142,849,900	\$148,109,028	\$5,259,128	3.7%



General Fund Expenditure Summary

	FY 2014-2015 Actual	FY 2015-2016 Budget	FY 2016-2017 Budget	Increase/ (Decrease)	% Change
General Fund Expenditures					
Management	\$3,728,151	\$4,040,976	\$4,243,274	\$202,298	5.0%
Non Departmental	874,723	460,415	608,415	148,000	32.1%
Debt Service Payment	6,494,950	7,018,000	7,468,000	450,000	6.4%
Fund Balance Target Adjustment	0	390,159	494,611	104,452	26.8%
Employee Compensation and Training	1,005,284	959,105	1,035,000	75,895	7.9%
Internal Services	1,395,441	1,403,041	1,417,216	14,175	1.0%
Financial Services	4,325,124	4,532,820	4,684,748	151,928	3.4%
Healthy Families and Community	25,300,549	26,985,539	27,195,730	210,191	0.8%
Infrastructure and Transportation	12,236,248	13,655,680	14,121,713	466,033	3.4%
Public Safety and Justice	35,355,198	36,061,317	37,509,717	1,448,400	4.0%
Local Contribution to Schools	45,632,399	47,342,848	49,330,604	1,987,756	4.2%
TOTAL OPERATING BUDGET	\$136,348,068	\$142,849,900	\$148,109,028	\$5,259,128	3.7%



Explanation of FY 2017 Revenues

Services provided by the City of Charlottesville are funded by a variety of revenue sources: local, state, federal, and other intergovernmental revenue. When preparing revenue estimates for the budget, a team of staff reviewed prior year revenue activity, current year to date activity, and future factors that will affect the City’s economic vitality. City staff uses a variety of revenue projection techniques in order to ensure the accuracy of the revenue projections.

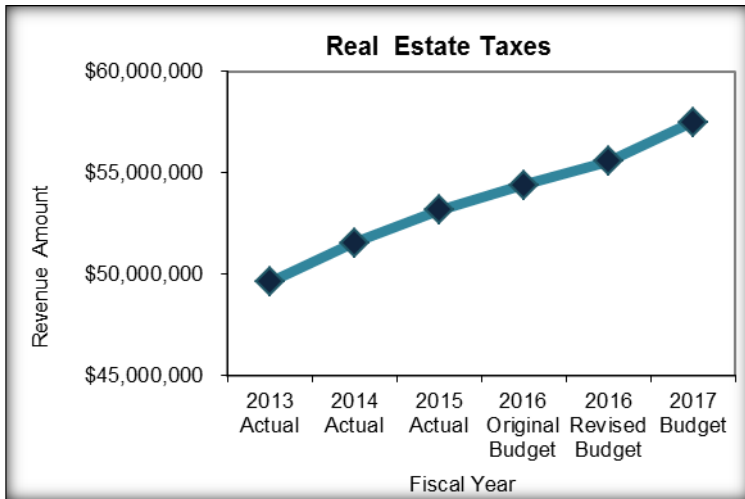
- Informed/Expert Judgment (e.g. the advice of a department head)
- Deterministic Techniques (e.g. formulaic revenues)
- Time Series Techniques (e.g. moving averages and predictive statistics)
- Estimates from the Commonwealth of Virginia (e.g. transfer payments)
- Long Term Forecasting (e.g. looking five years out at the start of the budget process in order to better plan for future revenue conditions and expenditure needs)

In practice, most revenue projections combine two or more of these techniques. Generally, the amount of revenue available to the City depends on current and future economic activity. Below is a listing of the major revenue sources (individually approximately 1% or more of the total City revenue) for the City of Charlottesville, which make up 87.8% of the total General Fund revenue collected by the City of Charlottesville.

Revenue Source	FY 2017 Projection	% of General Fund Total Revenues
Real Estate Taxes	\$57,492,709	35.5%
City/County Revenue Sharing	15,767,084	9.7%
Sales & Use Taxes	11,500,000	7.1%
Meals Tax	11,300,000	7.0%
Personal Property Taxes	7,668,698	4.7%
State Assistance	7,656,443	4.7%
Business & Professional Licenses	7,065,523	4.4%
Payment in Lieu of Taxes: Utilities	5,335,972	3.3%
Utility Services Consumer Tax	4,630,386	2.9%
Transient Occupancy Tax	3,966,667	2.4%
PPTRA	3,498,256	2.2%
Virginia Communications Sales & Use Tax	3,104,000	1.9%
Recreation Income	1,955,692	1.2%
Public Service Corporation Taxes	1,300,000	0.8%
TOTAL	\$142,241,430	87.8%

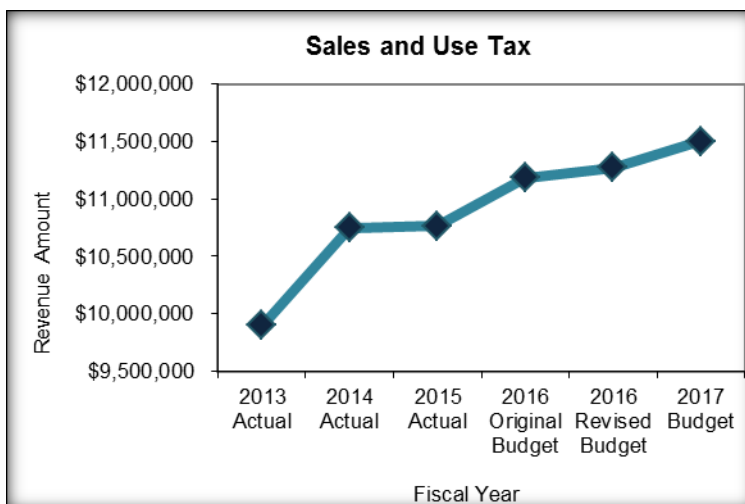
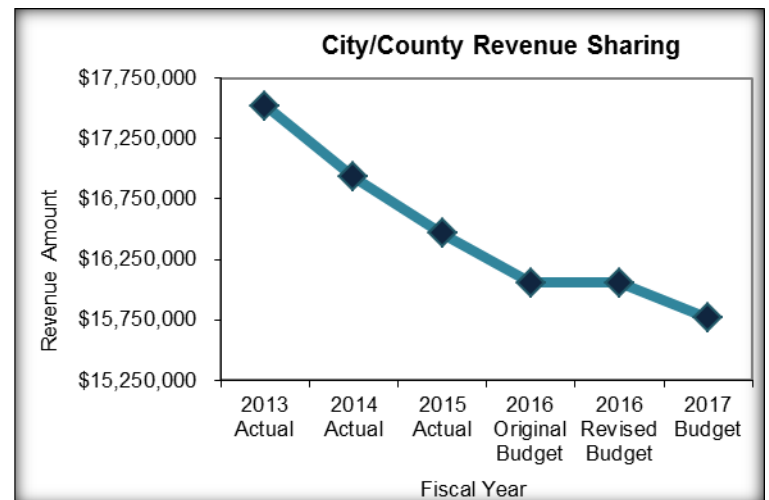
In the following section, a graph has been presented for each of the major revenues listed in the above chart. This provides a graphical representation of the trend data that was used when the revenue projections were made for FY 2017. The data in the graphs represents the amount of actual revenue collected for FY 2013-2015, along with the originally budgeted amounts and revised revenue estimates for FY 2016, all of which were important factors in projecting the revenues for FY 2017.

Major Local Revenue – Descriptions and Trend Data

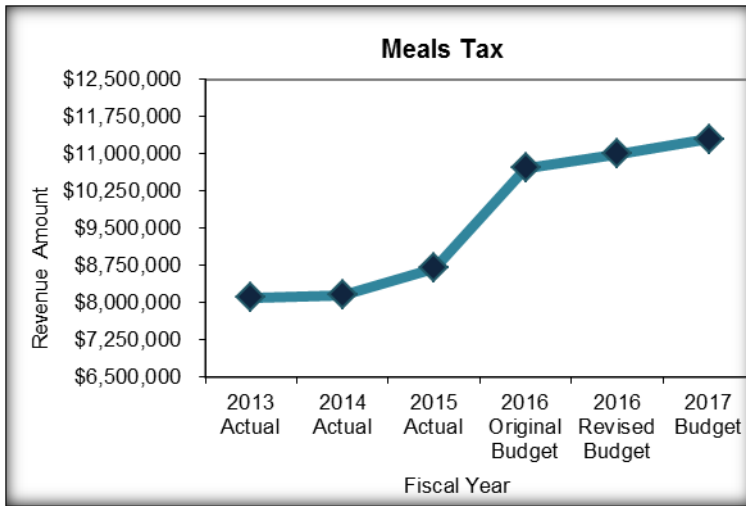


Real Estate Taxes are the largest source of revenue for the City. They are *ad valorem* taxes based on the assessed value of real property owned by businesses, individuals, and corporations. They are assessed at 100% valuation, with tax rates being applied per \$100 of assessed value. **The adopted tax rate for FY 2017 is \$.95 per \$100 of assessed value.**

City/County Revenue Sharing is based on an agreement between the City of Charlottesville and the County of Albemarle dated February 17, 1982. The agreement requires the County to contribute a portion of its real property tax base to the City in exchange for the City's agreement to forgo annexation of any County property. The amount from the County is equal to 1/10 of 1% of the County's total assessed property values for CY 2014 when estimating the FY 2017 payment. The majority of this revenue is dedicated to projects and operations that benefit City and County residents alike, including replacement of transit infrastructure and transportation improvements, enhancements to parks and recreation facilities and programs, public safety enhancements, and road and infrastructure maintenance.

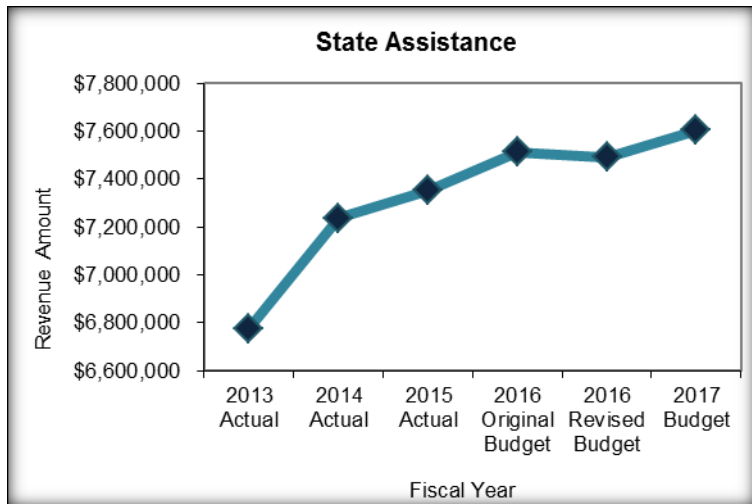
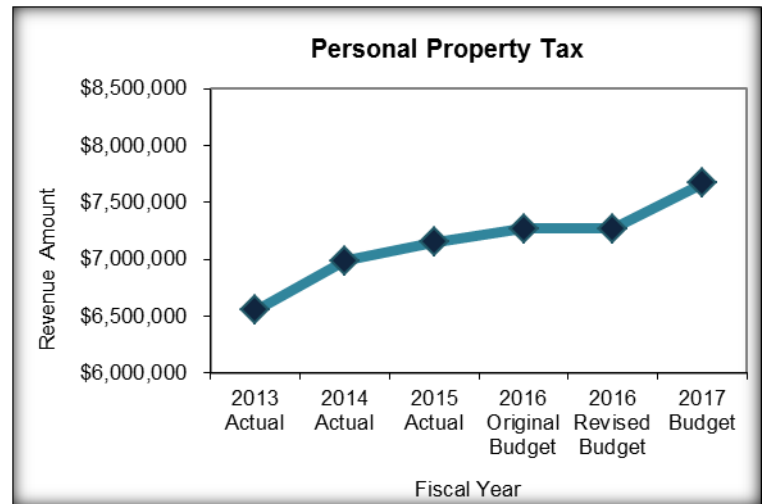


Sales and Use Taxes are revenues received by the City from 1-cent of the 5-cent State sales tax generated within the City. Growth in this revenue has been positive the past few years and will continue to be strong as confidence in the economy improves. Starting July 1, 2013, an additional .3% was collected that is dedicated to statewide transportation projects. This was approved by the General Assembly during their 2013 session. **The adopted Sales Tax rate is 5.3% for general sales purchases and 2.5% for non-prepared foods (implemented July 1, 2005).**

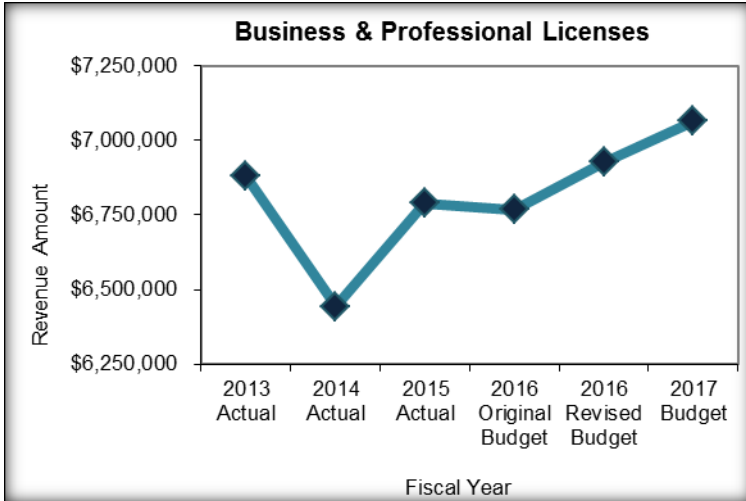


Meals Tax is assessed on the sales price of prepared food and beverages sold in the City. 1-cent of the tax rate is dedicated to the Debt Service Fund to pay off the future debt of bond issuances used to pay for capital projects. The remaining is dedicated to the General Fund. Since FY 2011 it has shown consistent growth and that trend is projected to continue in FY 2017. The FY 2016, there was an increase in the City's Meals Tax rate, from 4% to 5%. The adopted rate will remain at 5% in FY 2017.

Personal Property Taxes are levied on vehicles owned by individuals and businesses, as well as tangible property owned by businesses. In the fall of 2005, City Council approved changing the valuation method of personal property from average loan value to trade in value. FY 2017 Personal Property Tax revenue is projected to increase by 5.5% from the FY 2016 revised budget amount. **The adopted tax rate for FY 2017 is unchanged at \$4.20 per \$100 of assessed value.**

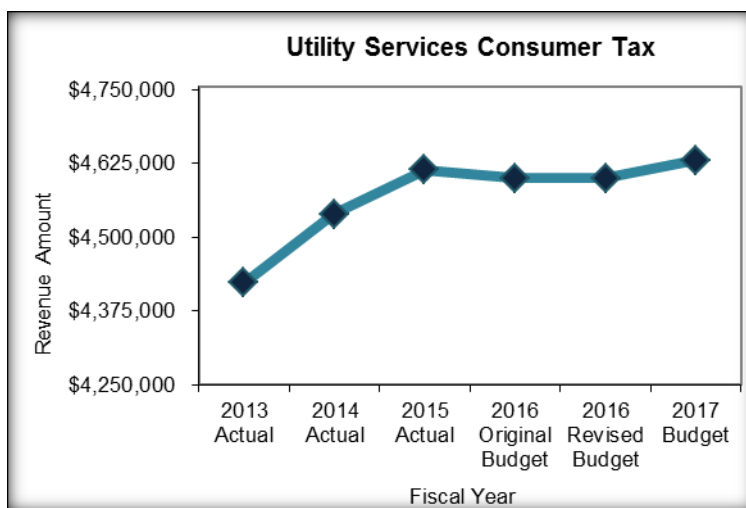
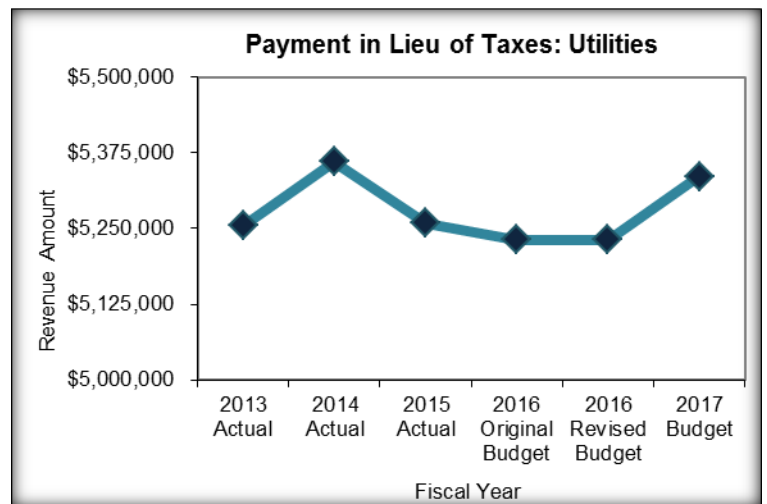


State Assistance consists of four major revenue items: **Constitutional Officer Reimbursement**, which is determined by the State Compensation Board on an annual basis for the elected official offices, including the Treasurer, Commissioner of Revenue, Sheriff, Clerk of the Circuit Court, and Commonwealth's Attorney; **State Highway Assistance** is highway maintenance funds received from the State based on a formula which includes road type, lane miles, and rate of payment per lane mile; **State Aid for Police Protection**, where the amount of revenue received by the localities is based upon a proportional formula that uses the adjusted crime rate index for the locality as its base; and **State Flex Cuts (Local Aid to Commonwealth)** where localities can decide to reduce individual revenue items from the State, or reimburse the State in one lump sum. This was reinstated for FY 2015 but discontinued in FY 2016.

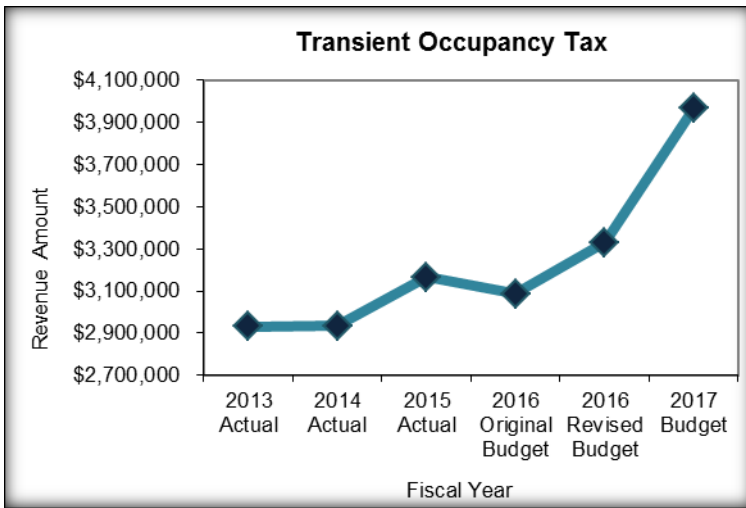


Licenses and Permits are revenues collected from permits and privilege fees required by the City. The largest of these sources is the **Business and Professional Licenses**, which is estimated to bring in over \$7.07 million in FY 2017, which represents a 4.4% increase from the FY 2016 original budgeted figure.

Payment in Lieu of Taxes: Utilities covers the property taxes and business licenses that city-owned water, sewer, and gas operations would pay if they were private businesses. The payment in lieu of taxes for the utilities is calculated by a predetermined formula. In FY 2017, this revenue item is estimated to generate approximately \$5.34 million in revenue, a 2.0% increase from the FY 2016 original budgeted figure.

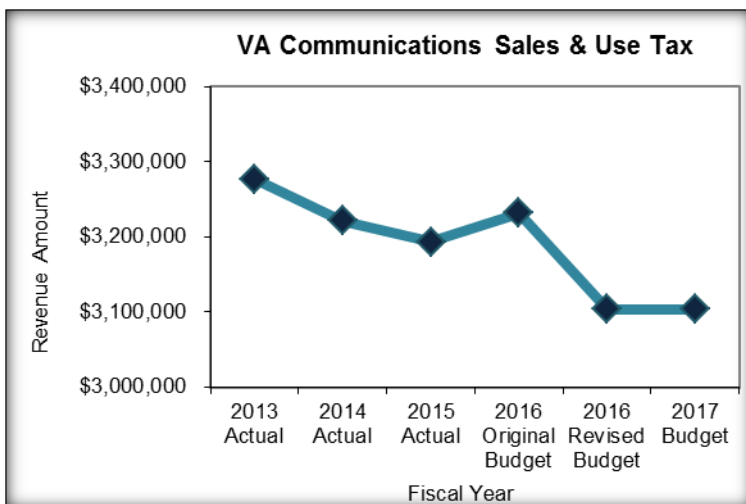
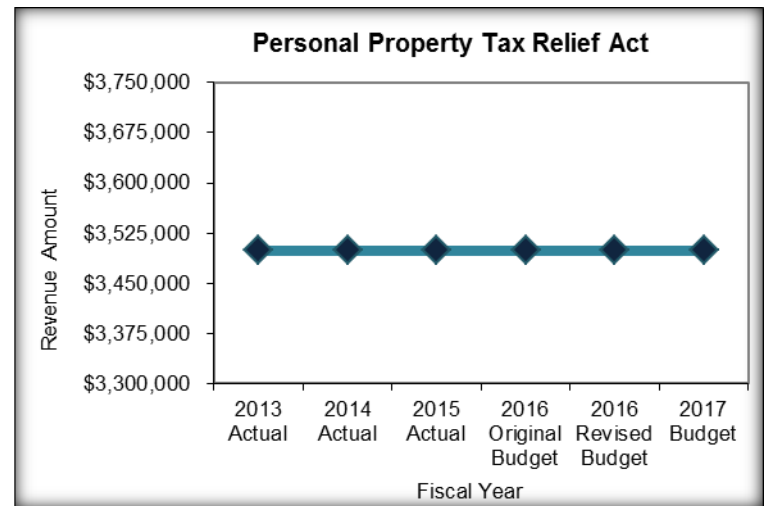


The **Utility Services Consumer Tax** is collected on the sale of goods and services from the following utility services: electric service, gas service, and water service. Beginning in January 2007, Telephone and Cable taxes previously recorded under Utility Taxes were rolled into a new revenue stream called the Virginia Communications Sales and Use Tax. For FY 2017, revenue from these taxes is projected to increase by only 0.66% due mainly to mild weather.

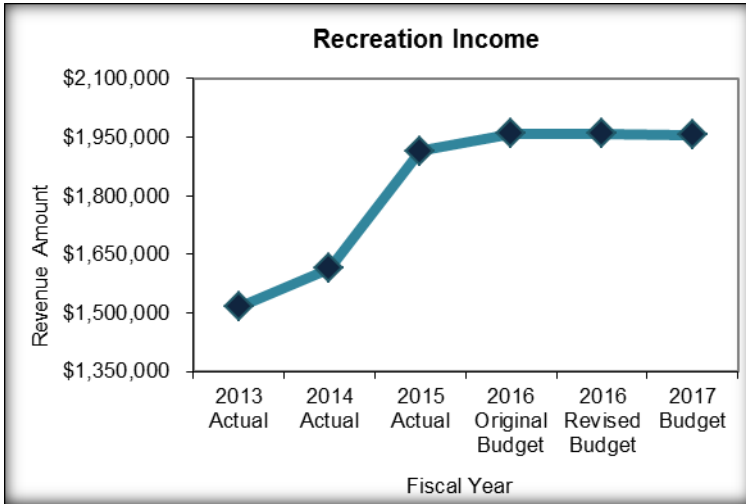


Transient Occupancy Tax, often called the lodging tax, consists of taxes assessed on the use of rooms in hotels, motels, and boarding houses. In FY 2016, revised revenue projections are showing an increase of over \$163,000 (5.17%) from the prior fiscal year. For FY 2017, Transient Room tax is projected to see a 19.1% increase from the FY 2016 revised budget projections. **In the Adopted FY 2017 Budget, City Council adopted an increase in the tax rate from 6% to 7%, generating an estimated \$566,667 in additional revenue.**

PPTRA is the State reimbursement to the localities for those vehicles that qualify for reduced personal property tax rates under the Personal Property Tax Relief Act. SB 5005 establishes what amounts to a fixed, annual block grant to localities, the proceeds of which must be used to provide relief to the owners of qualifying vehicles. The state's obligation to localities is capped, and localities determine how relief will be distributed.

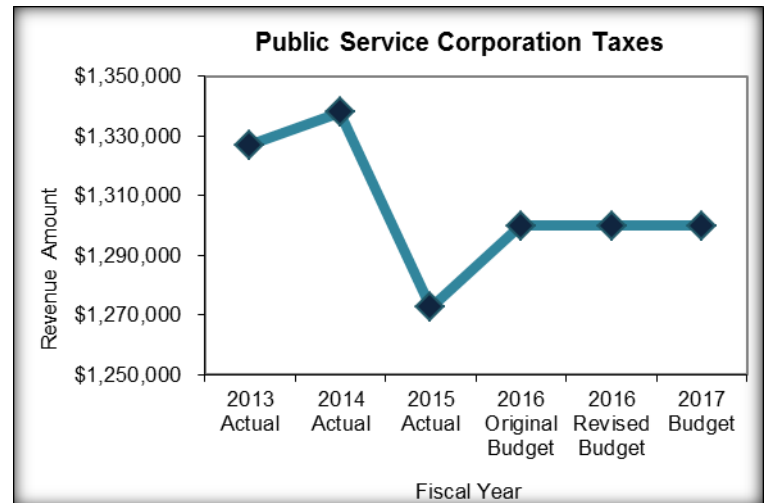


Effective January 2007, the consumer tax on telephone service, the E-911 service tax, the tax on Cable service, and the Cable Franchise fee were rolled into one revenue stream called the **Virginia Communications Sales & Use Tax**. The tax is levied in the amount of 5% of the sales price of each communications service. This is a State administered local tax and the City is reimbursed on a monthly basis.



Recreation Income is derived from a variety of sources, including access pass fees to recreation centers, summer pass fees to outdoor pools, daily admissions to indoor and outdoor recreational facilities, as well as multiple fee-based recreation programs held at a variety of facilities. Additional income is received from the rental of recreational facilities, picnic shelters, garden plots, etc. and participation fees for adult league sports such as volleyball and softball.

Public Service Corporation Taxes are levied on the real estate and tangible property owned by railroads, utilities, pipelines, and other businesses required to register with the State Corporation Commission. The FY 2017 budgeted amount for these revenues are expected to remain level from the FY 2016 original budget due to adjustments made to the depreciation method for computer equipment, furniture and office equipment, and central office equipment which decreased the assessments over the prior year.



Adopted Tax and Fee Rates (Including Legal Caps)

	Adopted Fiscal Year 2016-2017	Adopted Fiscal Year 2015-2016
Real Estate Tax	\$0.95/\$100 Assessed Value	\$0.95/\$100 Assessed Value
	<i>58.1-3321 - no cap, but effective tax rate increases must be publicly advertised 30 days prior to hearing.</i>	
Personal Property Tax	\$4.20/\$100 Assessed Value	\$4.20/\$100 Assessed Value
	<i>No cap; 58.1-3008- authorizes different rates for different classes</i>	
	<i>58.1-3524- Beginning Tax Year 2006, PPTRA requires reduced rates on qualifying vehicles, applied to value < \$20,000</i>	
Machinery and Tools Tax	\$4.20/\$100 Assessed Value	\$4.20/\$100 Assessed Value
	<i>No cap; 58.1-3008- authorizes different rates for different classes</i>	
Mobile Home Tax	\$0.95/\$100 Assessed Value	\$0.95/\$100 Assessed Value
	<i>58.1-3522 - assess in line w/real estate tax; 58.1-3280 - assess @ fair market value</i>	
Sales Tax - General ⁽¹⁾	5.3%	5.3%
	<i>58.1-605 (B)- Cap: rate may not exceed 1% (included in the 5.3% cap)</i>	
Sales Tax - Food (Excludes prepared food) ⁽²⁾	2.5%	2.5%
	<i>58.1-611.1 - Cap: rate may not exceed 1% (included in the 2.5% cap)</i>	
Restaurant/Meals Tax	5.0%	5.0%
	<i>58.1-3840 (no cap for City)</i>	
Transient Occupancy (Lodging) Tax	7.0%	6.0%
	<i>58.1-3840 (no cap for City)</i>	
Cigarette Tax	\$.55 per pack	\$.55 per pack
	<i>58-1.3830 (no cap for City)</i>	
E-911 Fee ⁽³⁾	\$.75/phone line	\$.75/phone line
	<i>Collected by State as part of Communications Sales and Use tax</i>	
Cable Franchise Fee ⁽³⁾	5%	5%
	<i>Collected by State as part of Communications Sales and Use tax</i>	
	<i>15.2-2108.1:1: no new or renewed cable franchise entered after 1/1/2007 may include a franchise fee (see 2006 House Bill 568)</i>	
PEG Fee (Cable)	\$.35/month	\$.35/month
Utility Services Consumer Tax (Gas, Water, Electric)	10%	10%
	<i>Collected by State as part of Communications Sales and Use tax</i>	
Utility Services Consumer Tax (Telephone and Cable) ⁽³⁾	5%	5%
	<i>Collected by State as part of Communications Sales and Use tax</i>	
Refuse Collection	<i>15.2-928--No Cap</i>	
Trash Sticker Fee	12 Gallon - \$1.05 each 31 Gallon - \$2.10 each	12 Gallon - \$1.05 each 31 Gallon - \$2.10 each
Trash Decal Fees ⁽⁴⁾		
32 Gallon Can	\$94.50 Annually	\$94.50 Annually
45 Gallon Can	\$125.00 Annually	\$125.00 Annually
64 Gallon Can	\$189.00 Annually	\$189.00 Annually
96 Gallon Can	\$283.50 Annually	\$283.50 Annually
Large Item Pickup Fee	\$35 for first occurrence; \$50 for second occurrence; \$100 for third and subsequent occurrences	\$35 for first occurrence; \$50 for second occurrence; \$100 for third and subsequent occurrences
Motor Vehicle License Fee	Up to 4,000 lbs. - \$28.49 4,000 - 6,500 lbs. - \$33.49 Over 6,500 lbs. - \$33.49 Motorcycles - \$8.49	Up to 4,000 lbs. - \$28.49 4,000 - 6,500 lbs. - \$33.49 Over 6,500 lbs. - \$33.49 Motorcycles - \$8.49
	<i>46.2-752(A) - Cap: may not exceed amount of state license fee</i>	
Courthouse Maintenance Fee	\$2.00 per court case	\$2.00 per court case
	<i>17.1-281 - Cap: \$2.00</i>	
Courtroom Security Fee	\$10.00 per conviction	\$10.00 per conviction
	<i>53.1-120 - Cap: \$10.00</i>	

- (1) Of this 5.3% collected by the State, 1% is returned to the locality to support public education and .3% was approved during the 2013 General Assembly session to be dedicated to transportation projects.
- (2) This second Sales Tax rate for non-prepared foods (i.e., grocery stores) was adopted by the State as of July 1, 2005.
- (3) Starting in January 2007, these taxes are rolled into one revenue: the **Virginia Communications Sales and Use Tax**. The tax rates are set by the State in an effort to streamline communications taxes. The revenue is collected by the State and the City is reimbursed on a monthly basis. It is still considered a local tax.
- (4) These rates are based on purchasing the decals after July 1st and prior to September 30th of each year. If purchased after September 30th the City offers prorated rates based upon date of purchase.

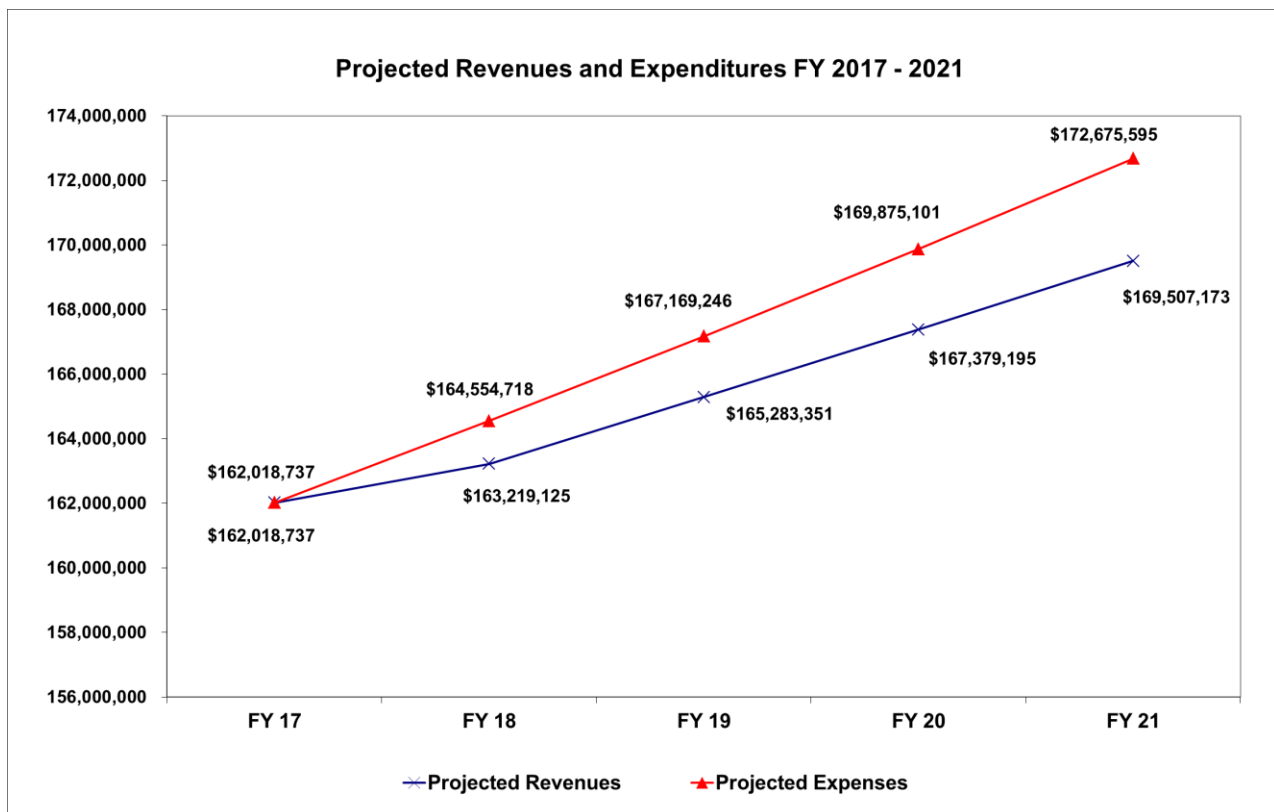
Long Term Revenue and Expenditure Planning and Forecasts

Long Range Forecasts

In the fall of each year, City staff presents to City Council and the public a five-year projection of revenues and expenditures. This is a planning document to help Council make more informed decisions in more than a single year timeframe and to reach into the future when considering budget and policy decisions. Five-year operational forecasts for the City of Charlottesville typically show a gap in which projected expenditures exceed projected revenues. This gap is a result of assumptions that revenue policies stay unchanged or are continued on a trajectory known at the time of the forecast, and that operational costs reflect ongoing and continuing programs and services. Through careful policy analysis of tax and fee rates, financial policies, departmental cost cutting measures, and program changes or reductions, this projected gap is closed during each budget cycle to arrive at a balanced budget for that year that is then presented to City Council for consideration and finally adoption.

The City experienced significant revenue growth in FY 16, when an additional one-cent was added to the Meals Tax rate, resulting in \$2.142M in additional revenues to pay for the increase to the City Schools, public safety officers, and capital and infrastructure needs. In FY 17, the increase of the Transient Occupancy Tax rate from 6% to 7% is projected to increase revenues by \$566,667 which again helped close a gap in funding for City schools.

City Council will need to carefully re-address tax rates and consider revising debt limits, coupled with adjustments in capital spending, as their priority to fund a more robust capital improvement program drives future budgets. Operating departments on the other hand will need to continue finding efficiencies and reduce departmental costs or find additional sources of revenue, with adjustments in fees for instance, in order to mitigate the forecasted gap each year.



Major Revenue Sources

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Real Estate Tax	\$ 57,492,709	\$ 58,355,100	\$ 59,230,426	\$ 60,118,883	\$ 61,020,666
% change	5.7%	1.5%	1.5%	1.5%	1.5%
City County Revenue Sharing	\$ 15,767,084	\$ 15,845,919	\$ 15,925,149	\$ 16,004,775	\$ 16,084,799
% change	-2.8%	0.5%	0.5%	0.5%	0.5%
Sales and Use Tax	\$ 11,500,000	\$ 11,672,500	\$ 11,847,588	\$ 12,025,301	\$ 12,205,681
% change	2.8%	1.5%	1.5%	1.5%	1.5%
Meals Tax	\$ 11,300,000	\$ 11,526,000	\$ 11,756,520	\$ 11,991,650	\$ 12,231,483
% change	27.8%	2.0%	2.0%	2.0%	2.0%
Personal Property Tax	\$ 7,668,698	\$ 7,822,072	\$ 7,978,513	\$ 8,138,084	\$ 8,300,845
% change	5.5%	2.0%	2.0%	2.0%	2.0%
Other Revenues	\$ 58,290,246	\$ 57,997,534	\$ 58,545,155	\$ 59,100,502	\$ 59,663,699
	-0.3%	-0.5%	0.9%	0.9%	1.0%
Total Revenues	\$ 162,018,737	\$ 163,219,125	\$ 165,283,351	\$ 167,379,195	\$ 169,507,173
% change	3.6%	0.7%	1.3%	1.3%	1.3%

FY 2017- 2021 Revenue Projections

These five revenue sources comprise approximately 64% of the General Funds' operating budget in FY 17:

Real Estate Tax: The total value of taxable property, including the value of new construction, increased by 4.5% for the 2016 tax year. Assessments for existing residential property increased in value by 2.56% with a projected 1.5% increase going forward.

City/County Revenue Sharing: In FY 17 this revenue decreased by approximately \$292,000, which is reflective of County property assessments which were still declining in CY 2014, the year which the FY 17 revenue formula is based. Future projections show a slight increase, due to increasing real property assessments in the County.

Sales and Use Tax: FY 17 anticipates that this revenue will continue to trend upward. While this revenue trend has been difficult to predict, it has seen consistent growth the past several years, indicating consumer confidence in the economy.

Meals Tax: The tax rate was increased in FY 16 by \$0.01. This revenue source remains strong mostly due to continued growth based on consistent monthly trend analysis.

Personal Property Tax (Local): In addition to changes in personal property tax assessments, this revenue may also grow as the burden is shifted from the State (which has in essence eliminated Car Tax Relief) to the taxpayer. Percentages are revised and approved by Council annually. Growth projections in FY 18 – 21 are 2% per year.

Major Expenditure Sources

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Local Contribution to Schools	\$ 49,330,604	\$ 49,736,910	\$ 50,149,617	\$ 50,568,828	\$ 50,994,646
% change	4.2%	0.8%	0.8%	0.8%	0.8%
Employee Salaries and FICA	\$ 31,164,134	\$ 31,787,417	\$ 32,423,165	\$ 33,071,629	\$ 33,733,061
% change	2.1%	2.0%	2.0%	2.0%	2.0%
Transfer to Debt Service	\$ 9,728,000	\$ 10,323,200	\$ 10,919,304	\$ 11,516,330	\$ 12,114,297
% change	6.2%	6.1%	5.8%	5.5%	5.2%
Employee Retirement	\$ 9,423,161	\$ 9,705,856	\$ 9,997,031	\$ 10,296,942	\$ 10,605,851
% change	11.5%	3.0%	3.0%	3.0%	3.0%
Outside and Nonprofit Agency Funding	\$ 8,543,719	\$ 8,714,593	\$ 8,888,885	\$ 9,066,663	\$ 9,247,996
% change	6.6%	2.0%	2.0%	2.0%	2.0%
Other Expenditures	\$ 53,829,119	\$ 54,286,742	\$ 54,791,243	\$ 55,354,709	\$ 55,979,745
% change	1.8%	0.9%	0.9%	1.0%	1.1%
Total Expenditures	\$ 162,018,737	\$ 164,554,718	\$ 167,169,246	\$ 169,875,101	\$ 172,675,595
% change	3.6%	1.6%	1.6%	1.6%	1.6%

FY 2017- 2021 Expenditure Projections

Local Contribution to Schools: The Budget Guidelines as drafted now state that the schools receive a target amount that equates to 40% of new real estate and local and state personal property tax revenue. The FY 17 Adopted figures show the target amount in addition to funds budgeted above the target amount. For future years, this figure reflects the local contribution based only on the Budget Guideline.

Employee Salaries and FICA: This represents the total amount needed to cover employees' salaries and FICA.

Debt Service: These are funds required to pay off the City's long term debt and is based on the 5-year Capital Improvement Program balanced with the City's debt service policy.

Employee Retirement: The increase reflects the actuarial recommendation for FY 17 retirement rates for the general employee and public safety Defined Benefit plan. **The FY 17 Adopted Budget fully funds the recommended actuarial rate.** In future years, while it's difficult to predict the increases, the costs will continue to rise as employee salaries rise and the City continues to have a need to fully fund retirement at the actuarial rate.

Outside Agency Funding: The biggest cost drivers of this category are funding to agencies that the City is contractually obligated to support and are based on pre-determined variables such as population, CPI, and citizen activities. These include payments to the Health Department, Library, Jails, SPCA, and Emergency Communications Center. While it is difficult to forecast the funding needs of outside agencies and nonprofits, they are predicted to increase as the needs of the community increase over time.