

Equipment Replacement Fund

The City's fleet consists of 685 vehicles and pieces of equipment. The Equipment Replacement Fund is targeted at reducing the operating costs of the vehicle fleet through preventive maintenance programs and a scheduled replacement program. It has three major objectives:

1. To objectively evaluate equipment purchases from an economic perspective (maintenance costs versus capitalization of new vehicles).
2. To stabilize the fluctuations in the annual budget due to equipment and vehicle purchases.
3. To function as a major component in the City's comprehensive fleet management program. A program which includes an annual evaluation of the replacement needs of the City's fleet and annual budgeting of the funds necessary to accomplish this replacement.

<u>Fund Detail</u>	<u>FY05 - 06 Budget</u>	<u>FY06 - 07 Budget</u>
Beginning Fund Balance	\$0	\$0
<u>Revenues</u>		
Transfer from General Fund	<u>602,581</u>	<u>904,585</u>
Total Revenues	\$602,581	\$ 904,585
<u>Expenditures</u>		
Equipment Replacement Expenditures	<u>602,581</u>	<u>670,000</u>
Total Expenditures	\$602,581	\$ 670,000
Net Gain/Loss*	0	234,585
Ending Fund Balance	\$0	\$234,585

*Reserve for future equipment purchases

Facilities Repair Fund

The Facilities Repair program provides funding to preserve the City's investment in over \$60 million in non-school facilities, which have annual maintenance requirements. A schedule of routine preventive maintenance/repair and minor facility rehabilitation reduces the need for future, more expensive replacement. The budget proposes a plan of action to limit major expenses or major inconveniences in the near future. This annual funding is based upon three to five-year replacement schedules developed by City staff. The repair of the taxpayer's investment in the City's facilities remains the best defense against the enormous cost of total construction/renovation of the City's aging, but still very valuable, public facilities.

<u>Fund Detail</u>	<u>FY05 - 06 Budget</u>	<u>FY06 - 07 Budget</u>
Beginning Fund Balance	\$0	\$0
<u>Revenues</u>		
Transfer from General Fund	<u>400,000</u>	<u>450,000</u>
Total Revenues	\$400,000	\$ 450,000
<u>Expenditures</u>		
Facilities Management	<u>400,000</u>	<u>450,000</u>
Total Expenditures	\$400,000	\$ 450,000
Net Gain/Loss	0	0
Ending Fund Balance	\$0	\$0

Retirement Fund

The Charlottesville Supplemental Retirement Fund, or Pension Plan, is designed to provide City employees with a pension to supplement social security benefits upon retirement. City employees who work at least twenty hours per week for a minimum of thirty-six weeks per year are enrolled in the plan, although they are not vested until they have completed five years of service. The City offers new employees a choice to opt into a Defined Contribution plan rather than the City's pension plan.

The Retirement Fund is a trust fund supported by contributions paid by the City. No employee contributions are made. The City's rate of contribution into the fund for FY 2006-2007 is 23.88% of general government and 32.72% of public safety employees' salary.

The Charlottesville Pension Plan is administered by a 9-member commission, which consists of one City Council member, the City Manager, department heads specified by the City Code, three employee-at-large members, and a City retiree.

<u>Fund Detail</u>	<u>FY05 - 06</u> <u>Budget</u>	<u>FY06 - 07</u> <u>Budget</u>
Beginning Fund Balance	\$ 69,623,216	\$ 71,360,466
<u>Revenues</u>		
Investment Income	1,500,000	1,500,000
Contributions from All Funds	<u>7,000,000</u>	<u>8,200,000</u>
Total Revenues	\$ 8,500,000	\$ 9,700,000
<u>Expenditures</u>		
Payments to Retirees	4,800,000	5,580,000
Life Insurance payment to benefit retirees	0	68,400
Administrator's Salary and Expenses	125,000	128,750
Investment Counsel Fees	325,000	350,000
Actuarial Study and Services	40,000	40,000
Health care costs	1,328,250	1,465,050
Disability Insurance	120,000	108,000
City Attorney Fees	4,500	6,000
City Link Recurring Costs	0	24,941
Miscellaneous	<u>20,000</u>	<u>25,000</u>
Total Operating Expenditures	\$ 6,762,750	\$ 7,796,141
Net Gain/Loss	1,737,250	1,903,859
Ending Fund Balance	\$ 71,360,466	\$ 73,264,325

Risk Management Fund

The City maintains a Risk Management Fund to account for all insurance revenues and expenditures. Premium costs are allocated to the various operating funds and accounts (for example, General Fund operating departments, such as Police, Fire, Public Works, etc.), and are distributed within each department/division budget under the "Insurance" line item. The Risk Management Fund has the following objectives:

- a) Protect the City of Charlottesville to the extent possible by eliminating or reducing conditions that could result in financial loss.
- b) Preserve the City's assets and public service capabilities from loss, destruction, or depletion.
- c) Minimize the total long-term cost to the City of all activities related to the identification, prevention, and control of accidental losses and their consequences.
- d) Maintain procedures to identify, analyze, and predict exposures to financial loss, and employ proven risk management techniques to minimize and provide funding for losses.
- e) Establish an exposure-free work and service environment in which City personnel, as well as members of the public, can enjoy safety and security in the course of their daily pursuits.
- f) Centralize and coordinate all costs associated with the City's risk management program.
- g) Maintain a comprehensive risk financing program to review liability and risk transfer opportunities and determine the feasibility of self-insurance in lieu of the purchase of traditional insurance coverages.

<u>Fund Detail</u>	<u>FY05 - 06 Budget</u>	<u>FY06-07 Budget</u>
Beginning Fund Balance	\$ 250,000	\$ 256,599
<u>Revenue</u>		
Income from Investments	19,583	20,000
Contributions from Other Funds	<u>1,755,167</u>	<u>2,092,130</u>
Total Revenues	\$ 1,774,750	\$ 2,112,130
<u>Expenditures</u>		
Insurance Premium Cost	857,062	985,000
Unreimbursed Loss Cost	700,000	917,861
Administrative Cost	<u>211,089</u>	<u>204,626</u>
Total Expenditures	\$ 1,768,151	\$ 2,107,487
Net Gain/Loss	6,599	4,643
Ending Fund Balance	\$ 256,599	\$ 261,242

Debt Service Fund

The City's Debt Service Fund provides the funds necessary to retire the City's general government outstanding bonded indebtedness. General obligation bonds are used to pay the cost of various public improvements.

The City's current level of bonded indebtedness (at June 30, 2005) is indicated by four key financial indicators: net bonded debt of \$41,220,825, a ratio of debt to assessed value of 1.15%, net bonded debt per capita of \$1,012, and a ratio of Debt Service to total General Fund expenditures of 5.52%. All of these indicators of the City's debt position are very positive and consequently the City has received the highest bond rating (AAA) from the two major rating agencies, Moody's and Standard & Poors. Both Moody's and Standard & Poors confirmed this AAA bond rating in November 2004. Charlottesville is the smallest city in the country to have a AAA rating.

The City's legal debt limit, as authorized by the Code of Virginia is 10% of the total assessed value of real estate, which is subject to local taxation. In 2005, the legal debt limit was \$359,544,950. The City's current general obligation indebtedness is \$66,615,375, which includes debt being repaid by the City's utility funds.

<u>Fund Detail</u>	<u>FY05 - 06 Budget</u>	<u>FY06 - 07 Budget</u>
Beginning Fund Balance	\$ 3,183,360	\$ 3,946,163
<u>Revenues</u>		
General Fund Transfer	5,400,000	5,450,000
CIDA-SNL Loan	450,000	461,906
Meals Tax Revenue	1,522,500	1,568,175
Fire Department Transfer	0	250,000
County Fire Service Fees	375,000	264,000
City Link Loan - Transfer from City Link	0	352,679
Total revenues	\$ 7,747,500	\$ 8,346,760
<u>Expenditures</u>		
Bonds-		
1996	287,875	275,376
1998	1,182,329	829,498
2000	385,313	369,938
2001	217,820	213,108
2003	2,063,431	1,783,132
2004	1,578,759	1,552,459
2006	0	1,000,000
Subtotal	\$ 5,715,527	\$ 6,023,511
Literary Loans-		
CHS	103,000	0
Greenbrier	8,844	8,520
Johnson	14,484	14,485
Burnley-Moran	16,579	16,062
Subtotal	\$ 142,907	\$ 39,067
Lease-purchase agreements	364,407	263,737
SunTrust note-2002	298,856	1,588,031
Gas fund loan	443,000	0
CityLink Loan from Utilities	0	352,680
Administrative Costs	20,000	20,000
Subtotal	\$ 1,126,263	\$ 2,224,448
Total Expenditures	\$ 6,984,697	\$ 8,287,026
Net Gain/Loss	762,803	59,734
Ending Fund Balance	\$ 3,946,163	\$ 4,005,897

Health Care Fund

The Health Care Fund is the funding source for the City's health related benefits provided to participants in the City's health care programs. The City self-insures its medical and dental insurance plans. This means the City is responsible for paying all claims and expenses generated by the program participants. Each year an actuarial analysis is conducted to determine the expected revenue requirements for the next fiscal year. The analysis evaluates prior year claims, participation levels and any proposed plan design changes to determine the required level of funding to cover claims costs. The Fund also pays for the associated Wellness initiatives which are an integral part of the City's medical cost containment strategy. One goal for the Fund is to maintain a minimum fund balance as a reserve to cover claims cost if they exceed the projected amount.

<u>Fund Detail</u>	<u>FY05 - 06 Budget</u>	<u>FY06-07 Budget</u>
Beginning Fund Balance	\$1,138,555	\$ 1,113,102
<u>Revenues</u>		
Cost Center Contributions	4,222,126	4,777,269
Employee/Retiree HC payroll deductions	2,054,239	2,474,400
Retirement fund contribution	1,328,250	1,465,050
Agencies and individuals	1,409,071	1,300,000
Employee and retiree payments for Physical Fitness Clubs	180,000	180,000
Flexible spending account forfeitures	10,000	0
Total revenues	\$9,203,686	\$10,196,719
<u>Expenditures</u>		
<u>Medical expenses</u>		
Southern Health	8,172,187	8,937,000
Delta Dental	450,000	506,783
Total medical and dental expenses	\$8,622,187	\$9,443,783
<u>Other expenses</u>		
City contribution for Fitness Program	300,000	300,000
Employee Assistance Program	17,600	17,600
Palmer Cay Consultants	60,000	60,000
Health Screening	40,000	40,000
Flu Shots	10,000	10,000
On-site nurse program	7,000	7,000
Life Choice operating expenses - supplies	2,000	2,000
Medical Insurance Opt-out payment	30,000	30,000
Flex-Ben (Flexible and COBRA administration)	20,000	25,000
Human Resource Staff	118,852	138,600
City Link Recurring Cost	0	33,593
Telephone charges	1,500	1,500
Total other expenses	\$606,952	\$665,293
Total expenses	\$9,229,139	\$10,109,076
Net Gain/Loss	(25,453)	87,643
Fund Balance - Current Year	\$1,113,102	\$ 1,200,745
Palmer Cay Recommended Reserve	\$1,200,000	\$1,200,000

Explanation of Changes: Southern Health, the City's health care provider, has projected a 7.6% increase in cost for FY 2007. This budget proposes an increase of 7.5% to be paid from the subscriber and a 10% increase in the employer contribution. In addition, retiree spouses over the age of 65 will pay \$50/month more for health care, a total of \$200 per month.