

Major Highlights of the Budget

General Fund Revenues

- Real Estate assessments for CY 2017 are showing residential property assessments increase by 4.16% and commercial assessments increase by 29.45%; including the value of new construction, the overall assessment increase is 15.14%. As a result, revenue is projected to increase **\$7.0 million** in FY 2018.
- Transient Occupancy (Lodging) revenue is expected to increase by **\$1.0 million** in FY 2018 due to an increase in the number of hotels in the City, increased occupancy rates, and an increase in the average daily room rate.
- Personal Property Tax revenue is projected to increase by **\$791,302** due mainly to increased motor vehicle stock in the City and an overall increase in the value of vehicles.
- Meals Tax revenue continues to show strong growth and is projected to increase by **\$718,750**.
- Sales and Use Tax revenue is expected to increase by **\$400,000** and Business Licenses Taxes revenue is increasing by **\$141,477**.
- Payment in Lieu of Taxes is projected to be up by **\$61,793**.
- Parks and Recreation revenue is expected to decrease by **(\$101,164)** in FY 2018 due to expected reductions in Aquatics and Recreation Center revenue.
- City/County Revenue Sharing is increasing slightly by **\$88,401** due in part to the increase in Albemarle County's CY 2015 real estate assessments, which is the year on which the FY 2018 formula is based.

Parking Enterprise Fund



One of the highest priorities of City Council, in FY 17 council approved the creation of a parking function and appropriated **\$500,000** in initial startup funding. Funds left over from this initial amount will be carried over into FY 18 as part of the FY 17 year end appropriation. FY 18 represents the first full fiscal year of this budget which primarily covers the costs associated with the Parking Manager position and operations.

Parking revenues will be recorded as part of the Parking Enterprise Fund resulting in a decrease of **(\$1,905,000)** in General Fund parking related revenue items. These funds will be transferred back to the General Fund, minus the amount necessary to cover parking related expenses, which is included in the **\$1,723,475** transfer to the General Fund from the Parking Enterprise Fund.

General Fund Expenditure Highlights and Alignment to the Strategic Plan



City Schools

- Continues a strong commitment to the schools, providing **\$2.0 million** in new operational funding as well as significant investments in their capital program including a new track and **\$1.0 million** a year for the school's strategic capital initiatives.



City Council Strategic Initiatives

- Provides new funding of **\$575,000** for the City Council Strategic Initiatives fund to address issues of equity as well workforce development initiatives.
 - **\$450,000** of this will fund the African American Heritage Center at the Jefferson School, year one of a two year commitment made by City Council.
 - **\$20,000** of this will be used to fund the continuation of a GED program that was funded by City Council in FY 15, when this program was managed by the Adult Learning Center and Housing Authority.
 - The remainder of the funds, **\$155,000**, will be used to fund Council priorities that have been identified but require further research and coordination, including diversion programs, skilled trades training programs, and a Black Youth Achievement Coordinator position.



City Department Additions / Service Enhancements

- New funding of **\$153,216** is budgeted for Charlottesville Area Transit to fund a route adjustment to accommodate riders at the newly built YMCA. Additionally, as a result of the new Fifth Street Station route, FY 18 includes the first full year of operations at a cost of **\$241,747**.
- The City's Efficiency Study recommended that Parks and Recreation create a comprehensive community wide Parks and Recreation Master Plan. The FY 18 budget includes an additional **\$25,000** to assist with the development of a master plan that will serve as a strategic cornerstone for program service levels and infrastructure needs, as well as serve as a roadmap for the departments' budgetary and strategic decisions.
- FY 18 includes **\$37,089** in new funding for a pilot project to augment the current community recreation centers operating hours at Tonsler Park, Westhaven and Friendship Court.

Reclassified and New Positions

This budget adds new positions, several of which are recommendations of the City's Efficiency Study, and all align with the FY 18 – FY 20 Strategic Plan. The positions are:



\$119,465 for a Community Engagement/Placemaking/Design position, a Council priority to engage neighborhoods in the planning and design process.



\$92,500 for an IT Support Technician, as part of the City's Efficiency Study recommendation that would support specialized IT and data analysis needs for the Police Department, Fire Department, and Sheriff's Office.



\$68,461 for a Traffic Officer to help address growing concerns by the community for traffic safety.



\$58,580 for one regular and two seasonal Maintenance Workers in order to fund the remainder of the resources required for ongoing maintenance of the added landscaping at the John Warner Parkway / U.S. 250 Bypass Interchange project.



\$26,226 for a part-time Downtown Job Center Assistant to ensure that Downtown Job Center operations are maintained and services are available on a regular and consistent basis.



\$40,000 for a part-time Customer Service Representative in the Treasurer's Office as a result of significant increases in the number of transactions processed over the counter and new programs. The position will allow other staff to have more time to actively manage cash flow needs and realize additional interest earnings in the General Fund.



\$20,679 for a new part-time School Bus Aide that City Schools have approved and will fund.



A new federally mandated Safety Training Coordinator is budgeted in the Charlottesville Area Transit fund for **\$65,000** to assist with coordinating and implementing effective safety and security training procedures, processes and programs.

In FY 18, the following positions will be reclassified:



\$23,811 to reclassify an existing part-time Historic Preservation Planner to full-time status to help facilitate increased workloads of the historic preservation program.



\$28,771 to reclassify a vacant Section 3 Coordinator position to a VDOT Project Coordinator in order to meet the increased demands of managing and reporting for VDOT projects.

Outside and Nonprofit Agencies

- 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 18 for the City to support these agencies is increasing by approximately **\$100,000**.
- Agency Budget Review Team (ABRT) programs will receive increases in FY 18. **\$76,538** will be provided for new programs, and a total increase of **\$31,149** will be provided for “excellent” programs.



Compensation and Benefits

- Provides a 2% cost of living increase starting July 1, 2017, which is necessary in order to remain competitive in the region and to help offset the increase in health care costs, at a cost of approximately **\$870,000**.
- Funds a projected 9% increase in health care fund expenses, which includes projected costs for medical claims, administration, and reinsurance. The premium for City employees is increasing by 3%. The cost to the General Fund for the increase is approximately **\$476,000**.
- Fully funds the City’s Actuarial Retirement Contribution for the Retirement Fund, which requires **\$1.1 million** additional funds from the General Fund.
- Includes funding of **\$1.3 million** to for adjustments made as a result of a citywide market salary study, additional equity adjustments, and salary adjustments for public safety employees.
- Budgets an estimated **\$510,000** to increase city and contracted employees’ wages to the City’s Living Wage, to be \$13.79 as of July 1, 2017.

Interagency Transfers

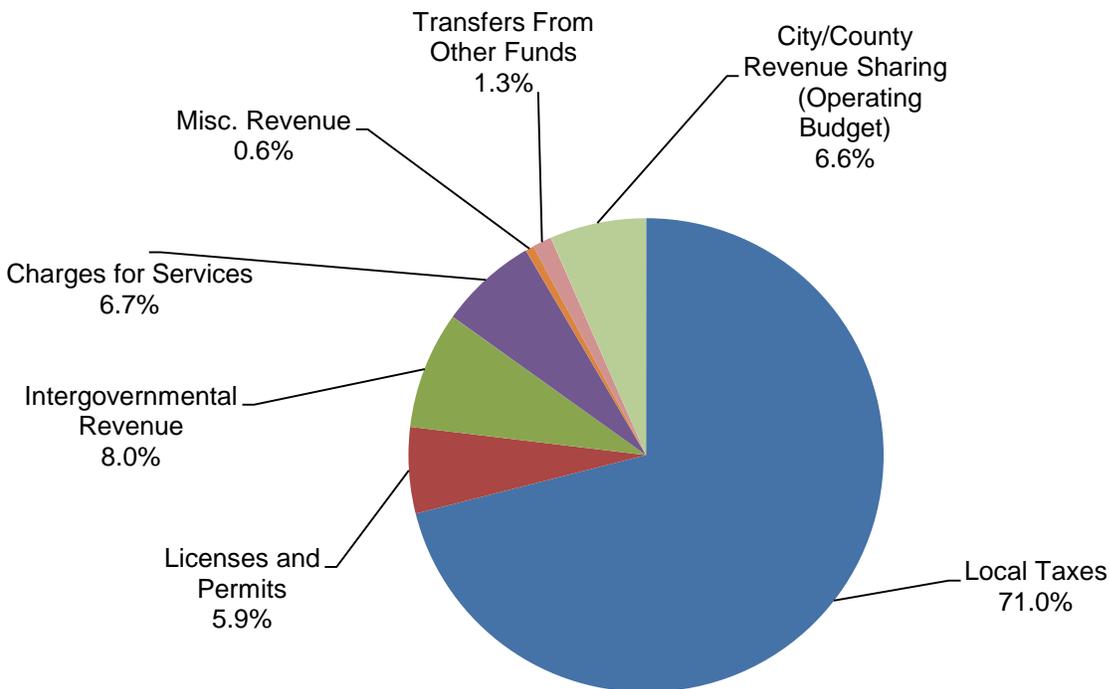
- The General Fund transfer to the Debt Service fund is increasing by **\$643,750**, and the General Fund contribution to the CIP is increasing by **\$290,000**, based on the FY 18 capital improvement program. In addition, this budget includes a transfer of **\$203,239** to the CIP Contingency Fund.
- A transfer of **\$133,006** is included to the Golf Fund to subsidize a projected shortfall in golf course revenues, resulting from a nationwide trend of decreasing golf rounds played. A recommendation of the Efficiency Study is to establish annual cost goals for the golf course which staff has been doing and will continue to do.



General Fund Revenue Summary

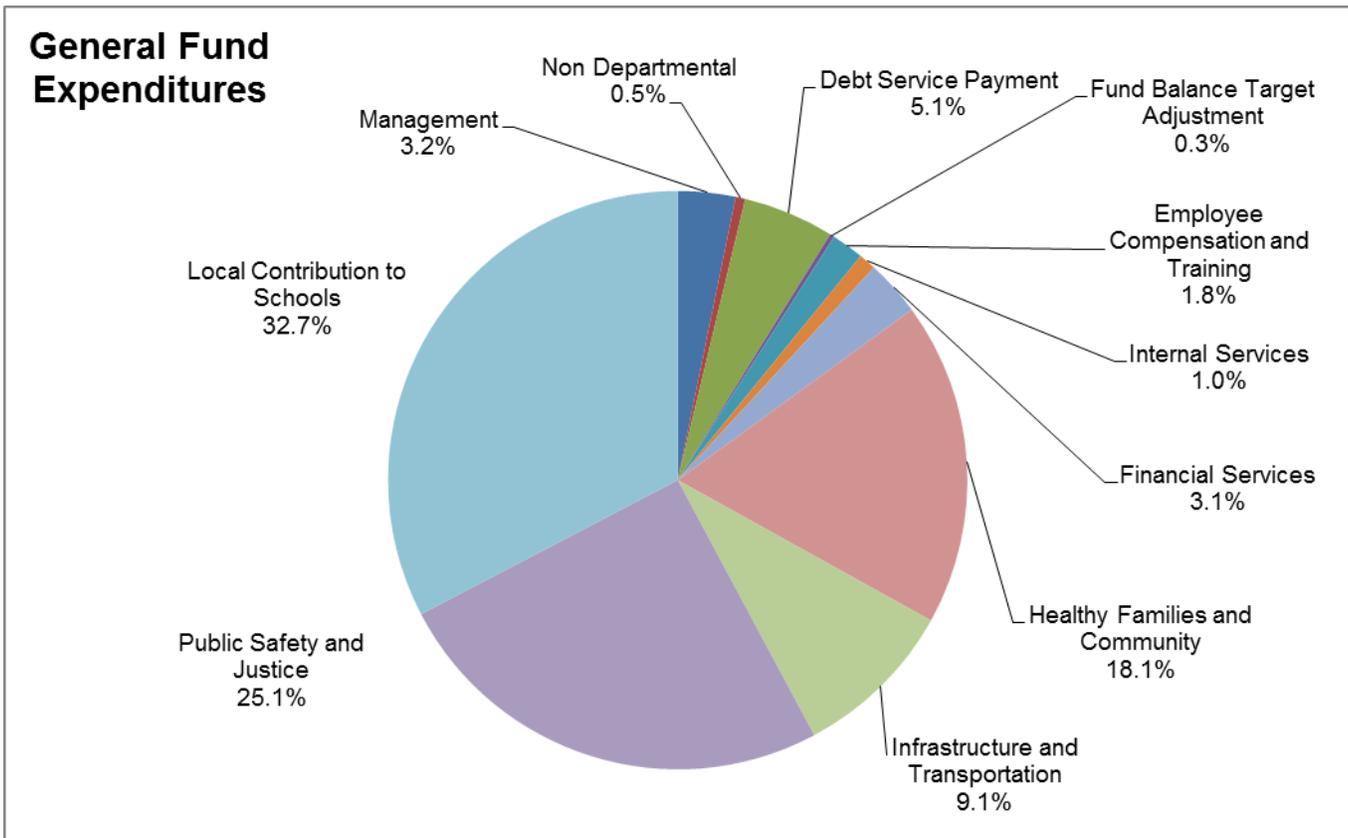
	FY 2015 Actual	FY 2016 Budget	FY 2017 Budget	FY 2018 Budget	Increase/ (Decrease)	% Change
General Fund Revenue						
Local Taxes	\$93,004,599	\$99,169,850	\$101,650,460	\$111,582,691	\$9,932,231	9.8%
Licenses and Permits	8,853,751	8,888,996	9,080,523	9,237,965	157,442	1.7%
Intergovernmental Revenue	12,181,877	12,396,191	12,473,267	12,567,695	94,428	0.8%
Charges for Services	12,167,235	11,942,886	12,187,131	10,460,121	(1,727,010)	(14.2%)
Parking Fines	473,536	479,397	450,000	0	(450,000)	(100.0%)
Misc. Revenue	1,081,554	1,087,095	943,000	890,000	(53,000)	(5.6%)
Carryover Funds	0	0	332,727	0	(332,727)	(100.0%)
Transfers From Other Funds	575,000	825,000	500,000	2,073,475	1,573,475	314.7%
City/County Revenue Sharing (Operating Budget)	11,467,895	10,908,668	10,491,920	10,290,321	(201,599)	(1.9%)
TOTAL OPERATING BUDGET	\$139,805,447	\$145,698,083	\$148,109,028	\$157,102,268	\$8,993,240	6.1%

General Fund Revenues



General Fund Expenditure Summary

	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2018 Budget	Increase/ (Decrease)	% Change
General Fund Expenditures						
Management	\$3,728,151	\$3,889,966	\$4,243,274	\$5,044,252	\$800,978	18.9%
Non Departmental	1,197,846	870,164	908,415	846,654	(61,761)	(6.8%)
Debt Service Payment	6,465,000	7,137,578	7,468,000	7,968,000	500,000	6.7%
Fund Balance Target Adjustment	0	0	494,611	413,148	(81,463)	(16.5%)
Employee Compensation and Training	1,005,284	1,007,787	1,035,000	2,826,822	1,791,822	173.1%
Internal Services	1,395,441	1,356,806	1,417,216	1,516,437	99,221	7.0%
Financial Services	4,325,124	4,354,359	4,684,748	4,899,787	215,039	4.6%
Healthy Families and Community	25,300,550	25,321,414	27,195,730	28,428,514	1,232,784	4.5%
Infrastructure and Transportation	11,913,125	12,964,641	13,821,713	14,332,863	511,150	3.7%
Public Safety and Justice	35,355,198	35,431,615	37,509,717	39,495,187	1,985,470	5.3%
Local Contribution to Schools	45,632,399	47,342,848	49,330,604	51,330,604	2,000,000	4.1%
TOTAL OPERATING BUDGET	\$136,318,118	\$139,677,179	\$148,109,028	\$157,102,268	\$8,993,240	6.1%



Explanation of FY 2018 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.

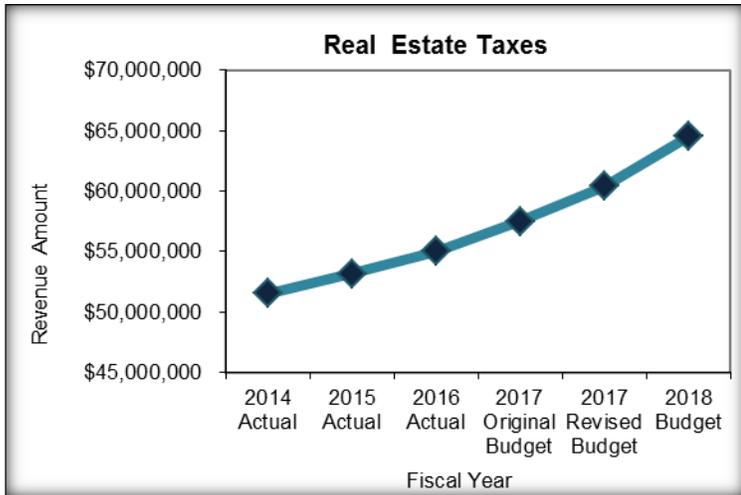
- Informed/Expert Judgment (e.g. the advice of a department head)
- Deterministic Techniques (e.g. formulaic revenues)
- Time Series Techniques (e.g. moving averages and predictive statistics)
- Estimates from the Commonwealth of Virginia (e.g. transfer payments)
- Long Term Forecasting (e.g. looking 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 88.9% of the total General Fund revenue collected by the City of Charlottesville.

Revenue Source	FY 2018 Projection	% of General Fund Total Revenues
Real Estate Taxes	\$64,526,658	37.6%
City/County Revenue Sharing	15,855,485	9.2%
Sales & Use Taxes	11,900,000	6.9%
Meals Tax	12,018,750	7.0%
Personal Property Taxes	8,460,000	4.9%
State Assistance	7,702,105	4.5%
Business & Professional Licenses	7,297,465	4.3%
Payment in Lieu of Taxes: Utilities	5,397,765	3.1%
Transient Occupancy Tax	4,970,000	2.9%
Utility Services Consumer Tax	4,699,842	2.7%
PPTRA	3,498,256	2.0%
Virginia Communications Sales & Use Tax	3,030,000	1.8%
Recreation Income	1,854,528	1.1%
Public Service Corporation Taxes	1,350,000	0.8%
TOTAL	\$152,560,854	88.9%

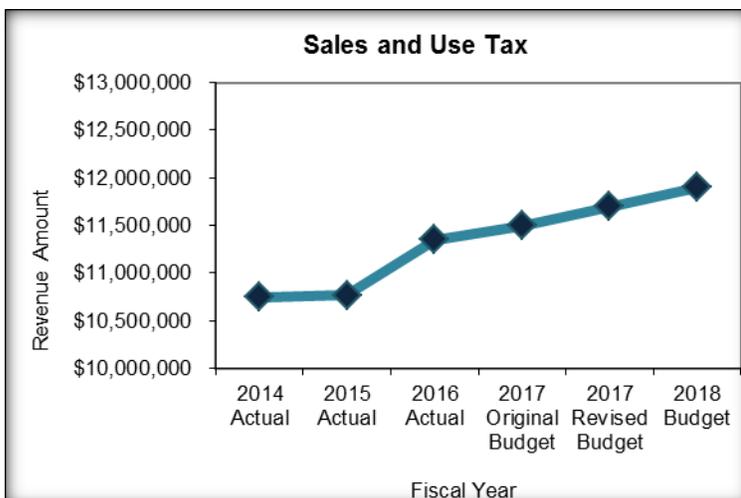
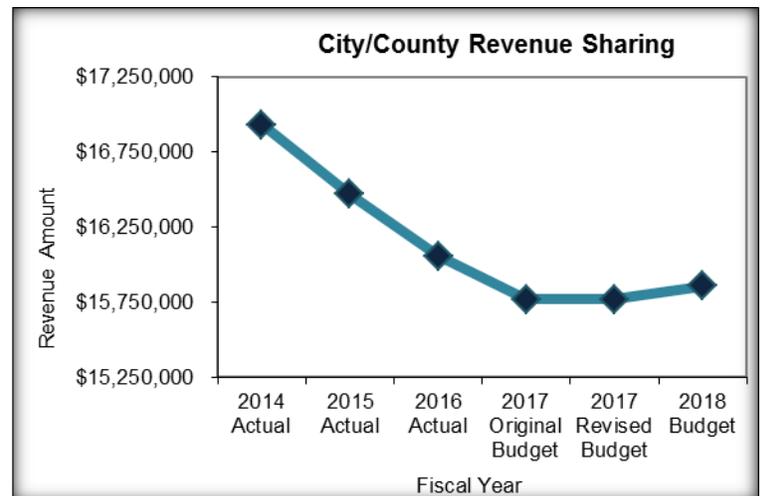
In the following section, a graph has been presented for each of the major revenues listed in the above chart. This provides a graphical representation of the trend data that was used when the revenue projections were made for FY 18. The data in the graphs represents the amount of actual revenue collected for FY 14 – FY 16, along with the originally budgeted amounts and revised revenue estimates for FY 17, all of which were important factors in projecting the revenues for FY 18.

Major Local Revenue – Descriptions and Trend Data

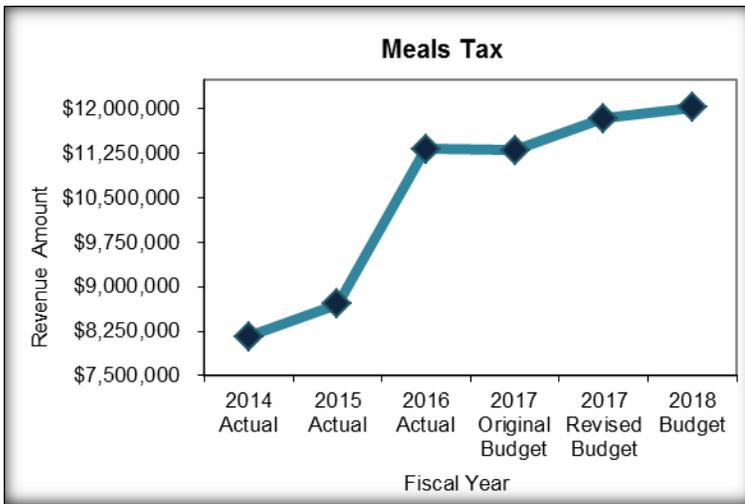


Real Estate Taxes are the largest source of revenue for the City. They are *ad valorem* taxes based on the assessed value of real property owned by businesses, individuals, and corporations. They are assessed at 100% valuation, with tax rates being applied per \$100 of assessed value. **The adopted tax rate for FY 18 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 15 when estimating the FY 18 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.

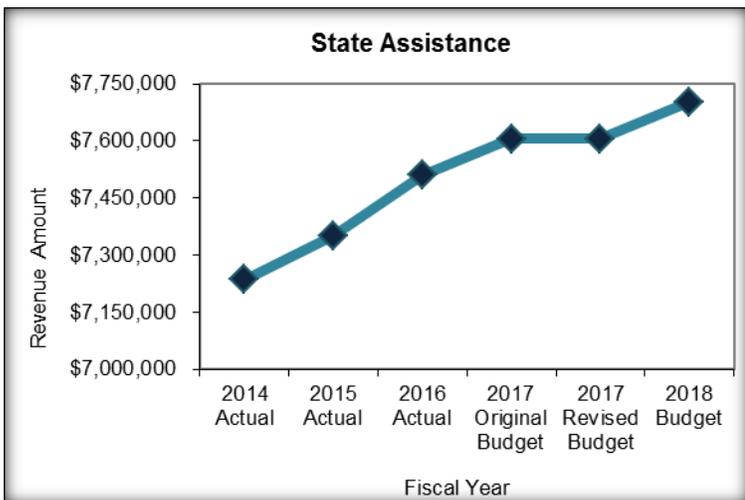
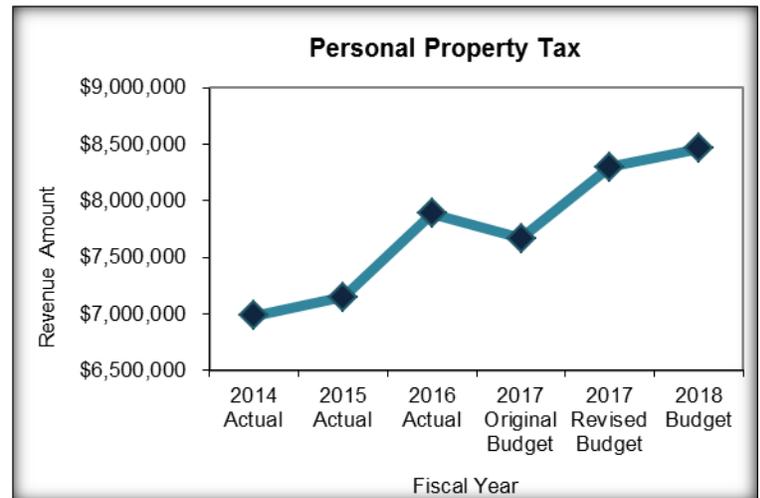


Sales and Use Taxes are revenues received by the City from 1-cent of the 5.3-cent State sales tax generated within the City. Growth in this revenue has been positive the past few years and will continue to be strong as confidence in the economy improves. Starting July 1, 2013, an additional .3% was collected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

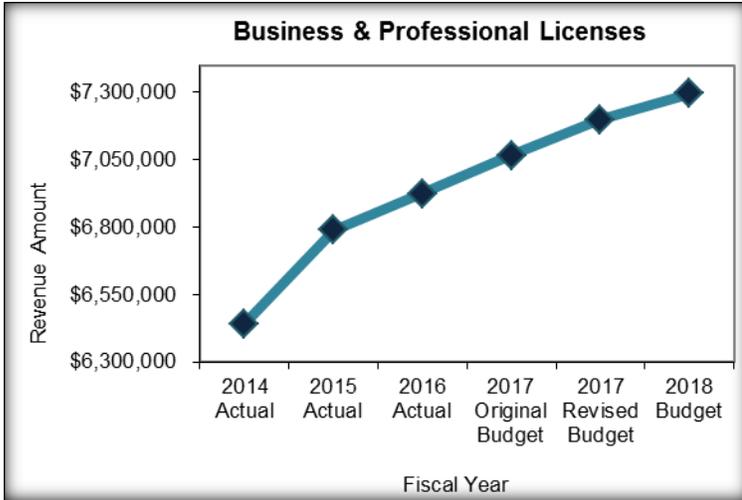


Meals Tax is assessed on the sales price of prepared food and beverages sold in the City. 1-cent of the tax rate is dedicated to the Debt Service Fund to pay off the future debt of bond issuances used to pay for capital projects. The remaining is dedicated to the General Fund. Since FY 11 it has shown consistent growth and that trend is projected to continue in FY 18. The FY 16, the City's Meals Tax rate, increased from 4% to 5%, resulting in a larger than average increase in Meals Tax revenue. **The adopted rate will remain at 5% in FY 18.**

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 18 Personal Property Tax revenue is projected to increase by 10.3% from the FY 17 original budget amount (a 1.9% increase from the FY 17 revised budget amount). This projected increase is due to a higher number of new vehicle purchase and increase in the overall value of vehicles registered in the City. **The adopted tax rate for FY 18 is unchanged at \$4.20 per \$100 of assessed value.**

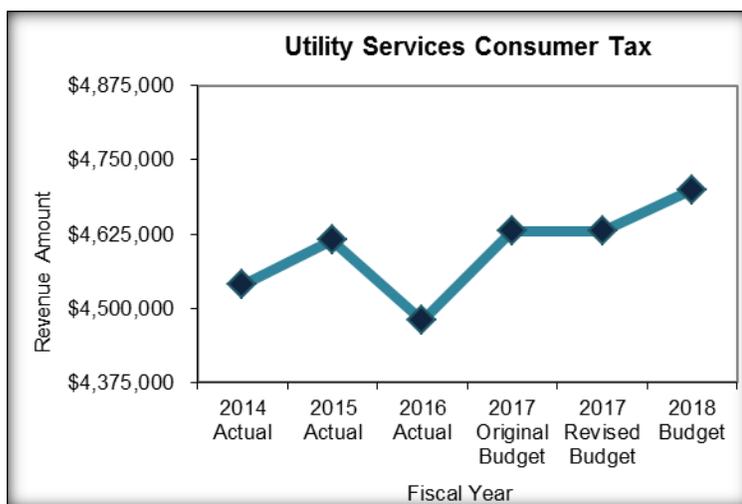
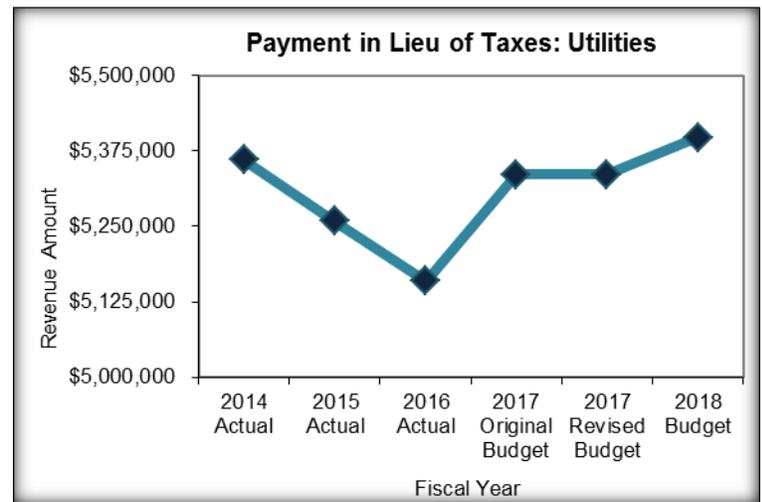


State Assistance consists of four major revenue items: **Constitutional Officer Reimbursement**, which is determined by the State Compensation Board on an annual basis for the elected official offices, including the Treasurer, Commissioner of Revenue, Sheriff, Clerk of the Circuit Court, and Commonwealth's 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 15 but has been discontinued since FY 16.

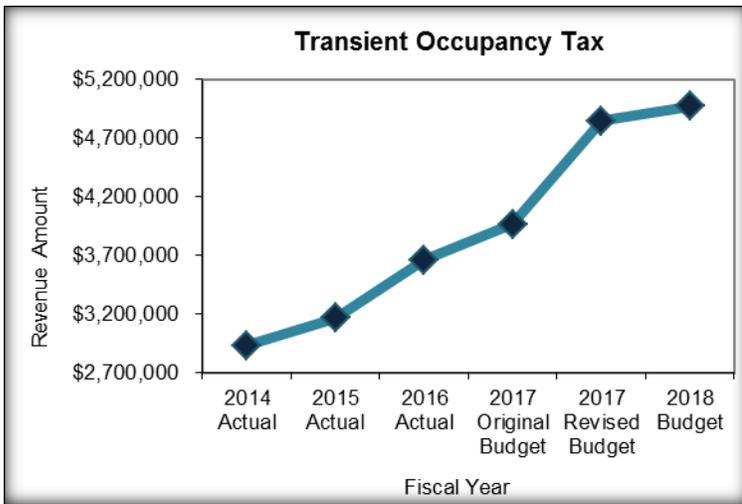


Licenses and Permits are a category of revenues collected from permits and privilege fees required by the City. The largest of these sources is the **Business and Professional Licenses**, which is a local license fees on the privilege of doing business within the City. These fees are based on the gross receipts of the business applying for the license. Business and Professional Licenses are estimated to bring in over \$7.2 million in FY 18, which represents a 3.3% increase from the FY 17 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 18, this revenue item is estimated to generate approximately \$5.39 million in revenue, a 1.2% increase from the FY 17 original budgeted figure.



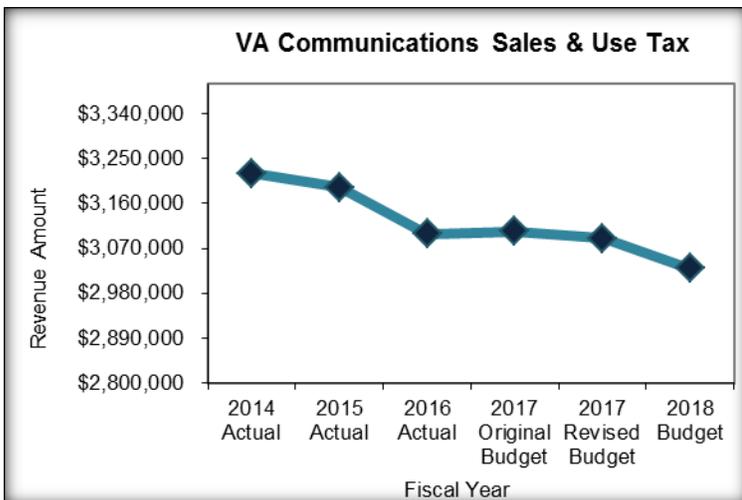
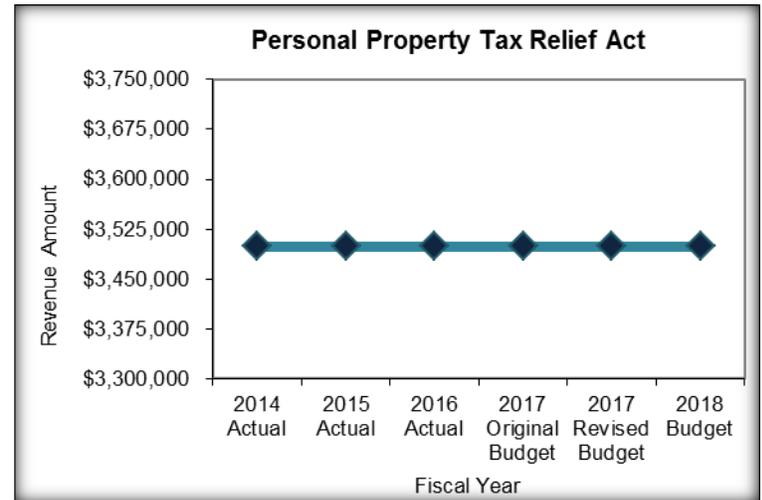
The **Utility Services Consumer Tax** is collected on the sale of goods and services from the following utility services: electric service, gas service, and water service. Beginning in January 2007, Telephone and Cable taxes previously recorded under Utility Taxes were rolled into a new revenue stream called the Virginia Communications Sales and Use Tax. For FY 18, revenue from these taxes is projected to increase by only 1.5% due mainly to mild weather.



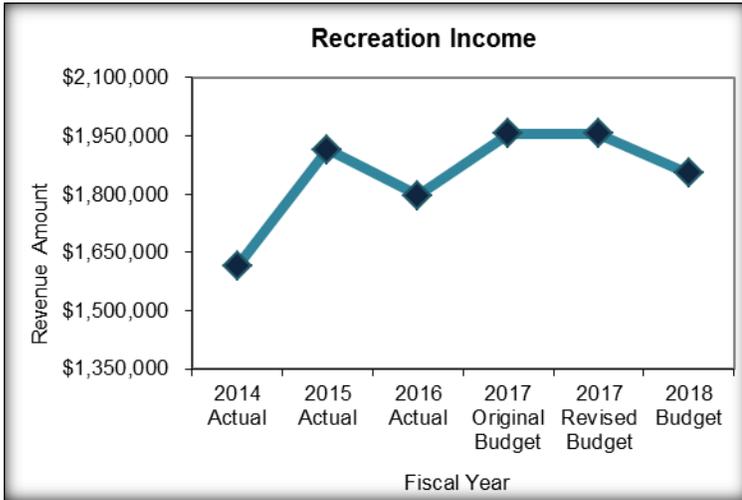
Transient Occupancy Tax, often called the lodging tax, consists of taxes assessed on the use of rooms in hotels, motels, and boarding houses. In FY 17, revised revenue projections are showing an increase of over \$1.79 million (32.2%) from the prior fiscal year. This is due to several factors: 1) In the Adopted FY 17 Budget, City Council adopted an increase in the tax rate from 6% to 7%; 2) Several new hotels have open in the City since the original revenue projections; 3) The estimated room occupancy rates, and average daily room rates for the City continue to increase. For FY 18, Transient Room tax is projected to see a 2.6% increase from the FY 17 revised budget projections.

The rate will remain at 7% in FY 18.

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.

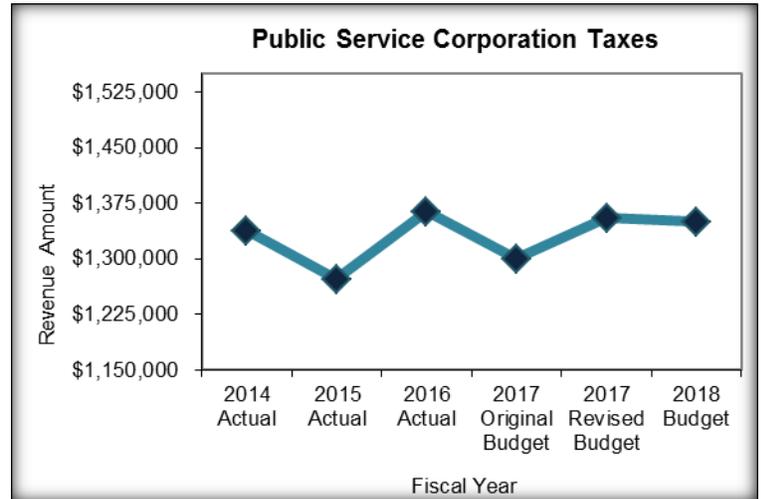


Effective January 2007, the consumer tax on telephone service, the E-911 service tax, the tax on Cable service, and the Cable Franchise fee were rolled into one revenue stream called the **Virginia Communications Sales & Use Tax**. The tax is levied in the amount of 5% of the sales price of each communications 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 decrease in FY 17 budgeted amount for these revenues was 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. The FY 18 budgeted amount for these revenues are expected to remain level from the FY 17 revised budget.



Adopted Tax and Fee Rates (Including Legal Caps)

	Adopted Fiscal Year 2017-2018	Adopted Fiscal Year 2016-2017
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%	7.0%
	<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.

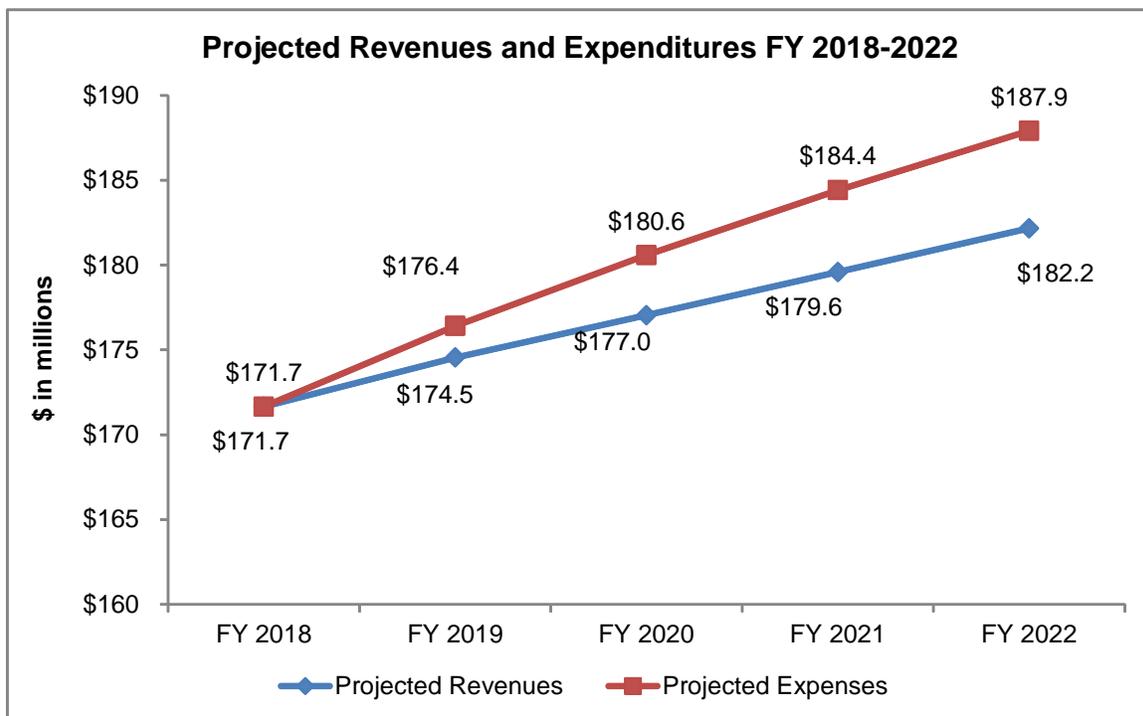
Long Term Revenue and Expenditure Planning and Forecasts

At the beginning of each budget process, City staff develops 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 consider the long-term outlook when making 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.

The City projects significant revenue growth in FY 18, primarily due to commercial real estate assessments, which contributes to the increase in real estate tax revenues of \$7.0 million. In addition, Transient Occupancy Tax revenues is expected to increase by \$1.0 million, due to the increase in the number of hotels in the City, increased occupancy rates, and an increase in the average daily room rate. Other revenue sources such as Personal Property Tax and Meal Tax are also showing significant growth in FY 18, but are expected to grow at a more moderate rate over the next few years.

The FY 18 Adopted Budget includes the revision of the debt limit upwards to support the City’s capital needs. In future years, City Council will again need to carefully address revenue policies such as tax rates and debt limits, coupled with adjustments in capital spending. Operating departments 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.

The chart below illustrates projected revenues and expenditures from FY 18 to FY 22 in the General Fund.



Major Revenue Sources

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Real Estate Tax	\$ 64,526,658	\$ 66,474,385	\$ 67,471,500	\$ 68,483,573	\$ 69,510,826
% change	12.2%	3.0%	1.5%	1.5%	1.5%
City County Revenue Sharing	\$ 15,855,485	\$ 15,617,364	\$ 15,929,712	\$ 16,248,306	\$ 16,573,272
% change	0.6%	-1.5%	2.0%	2.0%	2.0%
Meals Tax	\$ 12,018,750	\$ 12,259,125	\$ 12,504,308	\$ 12,754,394	\$ 13,009,482
% change	6.4%	2.0%	2.0%	2.0%	2.0%
Sales and Use Tax	\$ 11,900,000	\$ 12,078,500	\$ 12,259,678	\$ 12,443,573	\$ 12,630,226
% change	3.5%	1.5%	1.5%	1.5%	1.5%
Personal Property Tax	\$ 8,460,000	\$ 8,629,200	\$ 8,801,784	\$ 8,977,820	\$ 9,157,376
% change	10.3%	2.0%	2.0%	2.0%	2.0%
Other Revenues	\$ 58,896,234	\$ 59,485,196	\$ 60,080,048	\$ 60,680,849	\$ 61,287,657
	1.0%	1.0%	1.0%	1.0%	1.0%
Total Revenues	\$ 171,657,127	\$ 174,543,770	\$ 177,047,029	\$ 179,588,514	\$ 182,168,840
% change	5.9%	1.7%	1.4%	1.4%	1.4%

FY 2018- 2022 Revenue Projections

These five revenue sources comprise approximately 66% of the General Funds' operating budget in FY 18:

Real Estate Tax: The total value of taxable property, including the value of new construction, increased by 15.14% for the 2017 tax year. Assessments for existing residential property increased in value by 4.16% and assessment for existing commercial property increased in value by 29.45%. There were some one-time adjustments made in the FY 18 revenue projections, so this level of increase is not expected for future years.

City/County Revenue Sharing: In FY 18 this revenue increased by 0.6%, which is reflective of County property assessments that were generally flat in CY 2015, the year which the FY 18 revenue formula is based. Future projections show a slight decrease, then a long-term increase due to projected increasing real property assessments in the County.

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.

Sales and Use Tax: FY 18 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.

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 19 – 22 are 2% per year.

Major Expenditure Sources

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Local Contribution to Schools % change	\$ 51,330,604 4.1%	\$ 52,177,375 1.6%	\$ 52,645,255 0.9%	\$ 53,120,498 0.9%	\$ 53,603,222 0.9%
Employee Salaries % change	\$ 29,474,153 2.9%	\$ 30,063,636 2.0%	\$ 30,664,909 2.0%	\$ 31,278,207 2.0%	\$ 31,903,771 2.0%
Outside and Nonprofit % change	\$ 15,523,463 1.8%	\$ 15,833,932 2.0%	\$ 16,150,611 2.0%	\$ 16,473,623 2.0%	\$ 16,803,096 2.0%
Employee Retirement % change	\$ 10,571,881 12.2%	\$ 11,629,069 10.0%	\$ 12,443,104 7.0%	\$ 12,940,828 4.0%	\$ 13,199,645 2.0%
Transfer to Debt Service % change	\$ 10,371,750 6.6%	\$ 11,019,825 6.2%	\$ 11,618,862 5.4%	\$ 12,218,879 5.2%	\$ 12,819,896 4.9%
Employee Health Care % change	\$ 5,280,927 9.9%	\$ 5,809,020 10.0%	\$ 6,389,922 10.0%	\$ 6,869,166 7.5%	\$ 7,212,624 5.0%
Transfer to Capital Improvement Program % change	\$ 5,165,164 5.9%	\$ 5,500,900 6.5%	\$ 5,858,458 6.5%	\$ 6,239,258 6.5%	\$ 6,644,810 6.5%
Other Expenditures	\$ 43,939,185 9.9%	\$ 44,378,577 1.0%	\$ 44,822,363 1.0%	\$ 45,270,586 1.0%	\$ 45,723,292 1.0%
Total Expenditures % change	\$ 171,657,127 5.9%	\$ 176,412,333 2.8%	\$ 180,593,482 2.4%	\$ 184,411,045 2.1%	\$ 187,910,355 1.9%

FY 18 - FY 22 Expenditure Projections

Local Contribution to Schools: The Budget Guidelines state that the schools should receive a target amount that equates to 40% of new real estate and local and state personal property tax revenue. The FY 18 Adopted figure reflects the request from the Schools for their continuing operations, which is lower than the Budget Guideline, whereas in previous fiscal years, the amount has been significantly higher. For future years, this figure reflects the local contribution based on the Budget Guideline.

Employee Salaries: This represents the total amount needed to cover full-time and part-time employees' salaries, and assumes a 2% cost of living adjustment each year.

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, Regional Jail, Juvenile Detention Center, 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.

Employee Retirement: The increase reflects the actuarial recommendation for FY 18 retirement rates for the general employee and public safety Defined Benefit plan. The FY 18 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.

Other Expenditures: The Adopted FY 18 budget includes some significant increases in other expenditures that are not anticipated over the long term. FY 18 includes increases due to Market Study and other equity adjustments in salaries, as well as Living Wage adjustments.

