

Major Highlights of the Budget

General Fund Revenues

The FY 19 Budget keeps the City's Real Estate Tax rate at 95 cents per 100 dollars of assessed value. There are no other tax or fee changes as part of this budget. The major revenue changes for the City's budget are described in detail below:

- CY 18 Real Estate assessments are growing at a modest pace, with residential properties growing an average of 6.7% and commercial by 2.6%. Information on assessments can be found under the City Assessor link at www.charlottesville.org. Revenue is projected to increase \$3.7 million in FY 19.
- Transient Occupancy (Lodging) revenue continues to grow and is expected to increase by \$130,000 in FY 19. As more hotels come on line in the next year, we expect this revenue source to remain strong.
- Personal Property Tax revenue is projected to increase by \$169,200 due mainly to increased motor vehicle stock in the City and an overall increase in the value of vehicles.
- Meals Tax and Sales & Use Tax Revenues are projected to decrease by a total of \$397,709, some of this being the result the events of last summer, of which we are starting rebound, but also because of retail development projects in the County. Staff continues to keep an eye on these revenue trends because while FY 18 may have trended down from FY 17, these revenues are still tracking higher than FY 16.
- Business Licenses Taxes revenue is increasing by \$102,535.
- City/County Revenue Sharing is decreasing by \$159,125.
- In FY 18, City Council established a fee schedule for Emergency Medical Services vehicle transport services and appropriated the necessary funds to establish such a program. FY 19 is the first full year of this program, and it is expected to generate \$1.4 million in revenue.
- In Parks and Recreation, there are several user fee changes in a couple of areas:
 - For adult softball, registration fees will increase \$90, from \$540 to \$630 per team for the spring, and in the fall, fees will increase \$75, or from \$425 to \$500 per team.
 - The youth basketball fee for City residents will increase by \$10, from \$20 to \$30 per youth, and \$15 for non-residents, from \$30 to \$45 per youth.
 - This budget includes charging rental fees for Washington Park Recreational Center on weekends only: \$250 fee for the center and \$80 to rent only the shelter. It is the City's only indoor/outdoor shelter, so it is a unique space that the public and community can use in a way it has not been used in the past. This will generate approximately \$15,000 in additional revenue.

General Fund Expenditure Highlights and Alignment to the Strategic Plan Priorities

At their annual retreat on January 19, 2018, City Council identified five priority areas: *Affordable Housing, Race and Equity, Workforce Development, Economic Development, and Safety and Security*. The new expenditures that fall under these priorities are listed first.

Strategic Plan Priority Areas



Affordable Housing

- \$3.4 million is budgeted in the CIP for the Charlottesville Affordable Housing Fund, keeping the commitment to double the fund from FY 17 levels, totaling \$17.0 million in the 5-year plan.
- \$500,000 is budgeted each year in the 5-year CIP for Public Housing Redevelopment, keeping the commitment to increase this fund from \$250,000 when it was first implemented in FY 18.
- \$179,500 in additional funding is budgeted for the Charlottesville Housing Affordability Program (CHAP) that will increase maximum house values eligible for relief from \$365,000 to \$375,000. In addition, the grant amounts are being increased in FY 19 to the following:

<u>Income</u>	<u>Grant Amount</u>
\$0 - \$20,000	\$1,000
\$20,001 - \$35,000	\$750
\$35,001 - \$50,000	\$500

In previous years, homeowners were required to be fully paid by the December 5th billing. Starting with this year's program, homeowners will only need to be in an active payment plan as determined by the City Treasurer.



Race and Equity

- \$500,000 is included in the City Council Strategic Initiatives Fund for the African American Heritage Center at the Jefferson School. This will be year two of a two year funding commitment made by City Council that started in FY 18.
- \$38,000 is budgeted for the Office of Human Rights to convert an existing Community Outreach position to full-time status, in order to increase engagement with the community.



Workforce Development and Economic Development

- \$106,400 is budgeted for the Residents on the Job Program, managed by the Charlottesville Redevelopment and Housing Authority (CRHA). This program supports low-income residents in apprenticeships to rehabilitate 23 public housing units and train residents for jobs in the construction field.
- An \$89,000 increase is budgeted in the General Fund transfer to the Human Services Fund to increase student stipends for the Community Attention Youth Internship Program (CAYIP) from \$5/hour to \$8/hour, in addition to supporting a capacity increase from 120 to up to 150 youth.
- \$72,000 is budgeted for a new Minority Business Development Coordinator position. Primary responsibilities include coordinating a minority and women owned business program, providing outreach and technical assistance to emerging businesses and developing training and workshops related to minority business development. This position will work closely with the Minority Business Procurement Coordinator (added in FY 18) to present a robust Minority Business Program for the city.



Safety and Security

- \$94,000 in new funding is included in the Capital Improvement Programs for Downtown Pedestrian Intersection Lighting, addressing concerns of Downtown Mall business owners that the current lighting is inadequate.
- In FY 18, City Council established a fee schedule for Emergency Medical Services vehicle transport services and appropriated the necessary funds to establish such a program. FY 19 is the first full year of this program, and is budgeted at approximately \$1.05 million. Revenue for this program is budgeted at \$1.4 million. This initiative aligns with several recommendations in the City's Efficiency Study: ensure an adopted EMS service level standard is met and to partner with the Charlottesville Albemarle Rescue Squad on medical calls.

Other Budget Areas



City Schools

- Continues a strong commitment to the schools, providing \$2.7 million in new operational funding as well as significant investments in their capital program including HVAC replacement and \$1.0 million a year for the schools' strategic capital initiatives.



City Council

- \$100,000 in the City Council Strategic Initiatives Fund will be used to fund a pilot Participatory Budgeting initiative.
- \$225,000 will be used to fund two new positions and two reclassifications for the following staff:
 - Reclassify the Clerk of Council to a Chief of Staff position to serve as lead aide on implementing Council projects, and reclassify the Administrative Assistant position to Regular full-time. The position reports to the Chief of Staff and will administer Boards & Commissions and provide general administrative support.
 - New position - Council Research & Policy Analyst to provide research and policy analysis for City Council members.
 - New position - Council Outreach Coordinator to provide coordination and support for Council-driven community relations and outreach initiatives, community engagement, media relations, and communications for Council members.

City Department Additions / Service Enhancements



- \$122,000 is budgeted for an Assistant City Attorney to provide support for the legal representation of City departments, commissions and elected officials.
- \$116,000 is budgeted for the Parks and Recreation Department to hire two FTEs to support the new skate park, which will open mid-year.
- \$50,000 is budgeted in the Parks and Recreation Department for proactive tree maintenance and management at City parks, schools, and public rights of way.
- In order to respond to the highest priorities of the Neighborhood Development Services supplemental Efficiency Study conducted by Novak Consulting, \$100,000 has been set aside to fund a support, planning, or engineering position in the department.





- Beginning in FY 19, Information Technology (IT) Operations will be part of the General Fund to help create operational efficiencies and to recognize that IT has become a core function in how the City does business and more strategic in that it's not only about keeping our current technology functioning, but visioning future needs and implementing these initiatives. The cost of this transition is being offset by the removal of Information Technology Fees (\$1.7 million) from the General Fund departments and the collection of revenues generated from user fees charged out to Non General Fund departments and received from outside agencies, such as the Library and Regional Jail (over \$874,000). This also addresses a recommendation in the City's Efficiency Study to adjust the existing cost allocation model to more equitably distribute IT services costs among departments.

Other Budget Changes and Efficiencies

- Currently Washington Park Pool and Onesty Family Aquatic Center have different opening/closing hours. It would be more efficient operationally, and less confusing for patrons, to have the same hours of operation for each outdoor facility. This proposal will have both pools operating hours from 11am – 7pm all season, which begins Memorial Day weekend and ends on Labor Day. This will create savings of approximately \$28,000. Additionally, the delayed weekday opening at Onesty Family Aquatic Center will allow additional time for two classes, which can yield additional revenue.
- The Public Works Department is providing savings of \$282,000 by eliminating funding for vacant positions of four Maintenance Worker III positions and one Auto Service Mechanic III. The department will take the next year to better align staffing and operational needs in this area and will find efficiencies needed to see if these changes could be made permanently.
- Charlottesville Area Transit will change service on Route 9 (YMCA) from 17 hours per day Monday through Saturday to 13 hours per day (7:00 AM to 8:00 PM) due to general lack of ridership on this portion of the route, which was added in FY 18 to help accommodate the new Brooks Family YMCA. Sunday service will remain the same. Ridership dropped over 29% for the five-month period of August – December 2017, with individual monthly decreases between 22.5% and 40%. The YMCA stop does not register in the top ten stops on this route. This will result in a savings of approximately \$63,000.

Outside and Nonprofit Agencies/Initiatives

- Includes \$50,000 as a reserve intended to support arts and culture planning and coordination.
- 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 19 for the City to support these agencies is approximately \$266,000.

Compensation and Benefits

- Provides a 3% cost of living adjustment (COLA) increase starting July 1, 2018, which is necessary in order to remain competitive in the region and reduces the cost of providing additional compression adjustments because of increasing the living wage in FY 18.
- Includes funding of \$160,000 for compression adjustments needed because of the increase in the living wage that was implemented in FY 18.
- The living wage in FY 19 will increase to \$14.40 at a cost of approximately \$115,000, the first year of a two-year plan to raise the living wage to \$15.00 per hour.
- Funds a projected 3.5% increase in per employee health care fund expenses, to cover the

costs for medical claims, administration, and reinsurance. The cost to the General Fund for the increase is approximately \$270,000. Employees will see no increase in premiums in FY 19.

- Fully funds the City's Actuarial Retirement Contribution for the Retirement Fund, which is budgeted at \$10.4 million in FY 19.

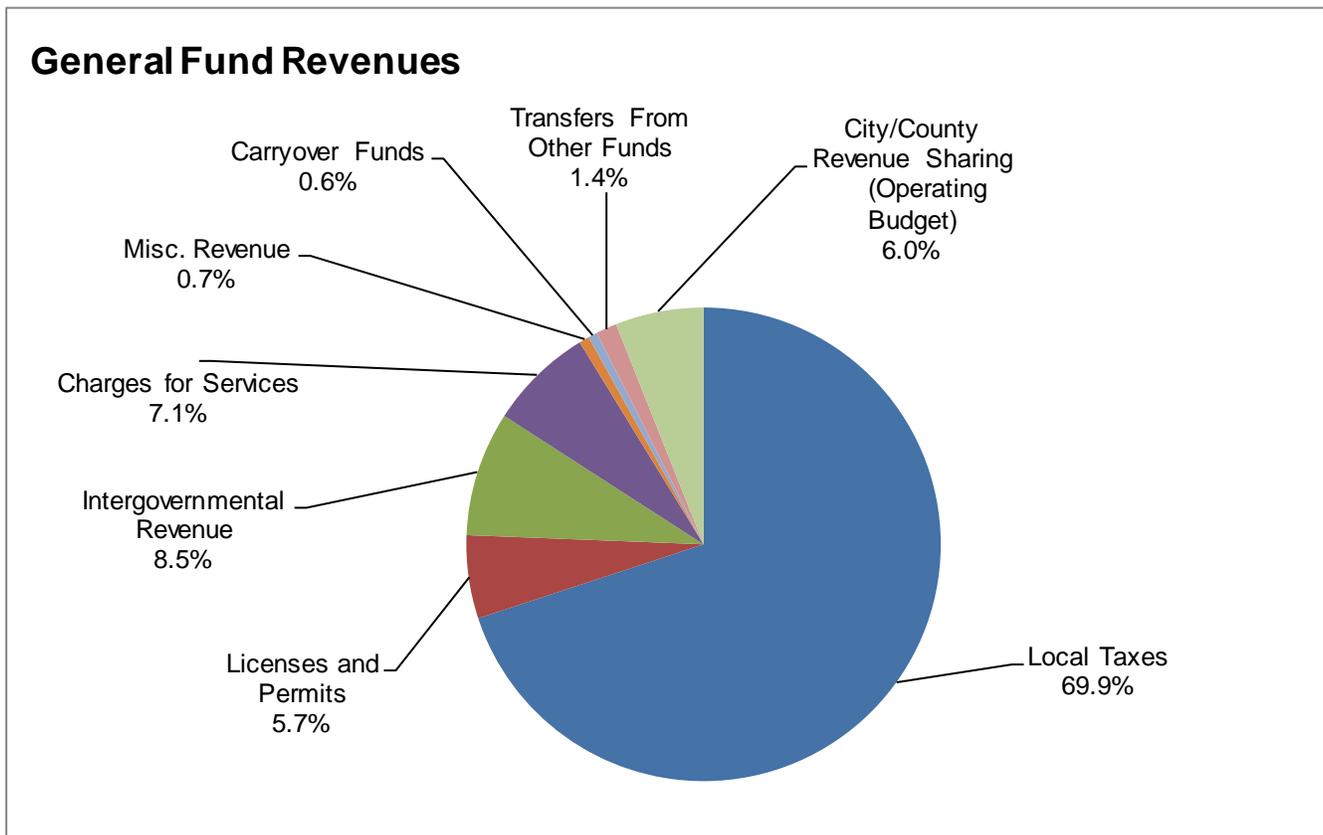
Interagency Transfers

- The General Fund transfer to the Debt Service fund is increasing by \$592,788, and the General Fund contribution to the CIP is increasing by \$209,602, based on the FY 19 capital improvement program, in addition to programming \$2.2 million from the CIP Contingency Fund to help cash fund many of the capital projects.
- A transfer of \$149,000 from the General Fund to the Golf Fund is included to subsidize a projected shortfall in golf course revenues, resulting from a nationwide trend of decreasing golf rounds played.



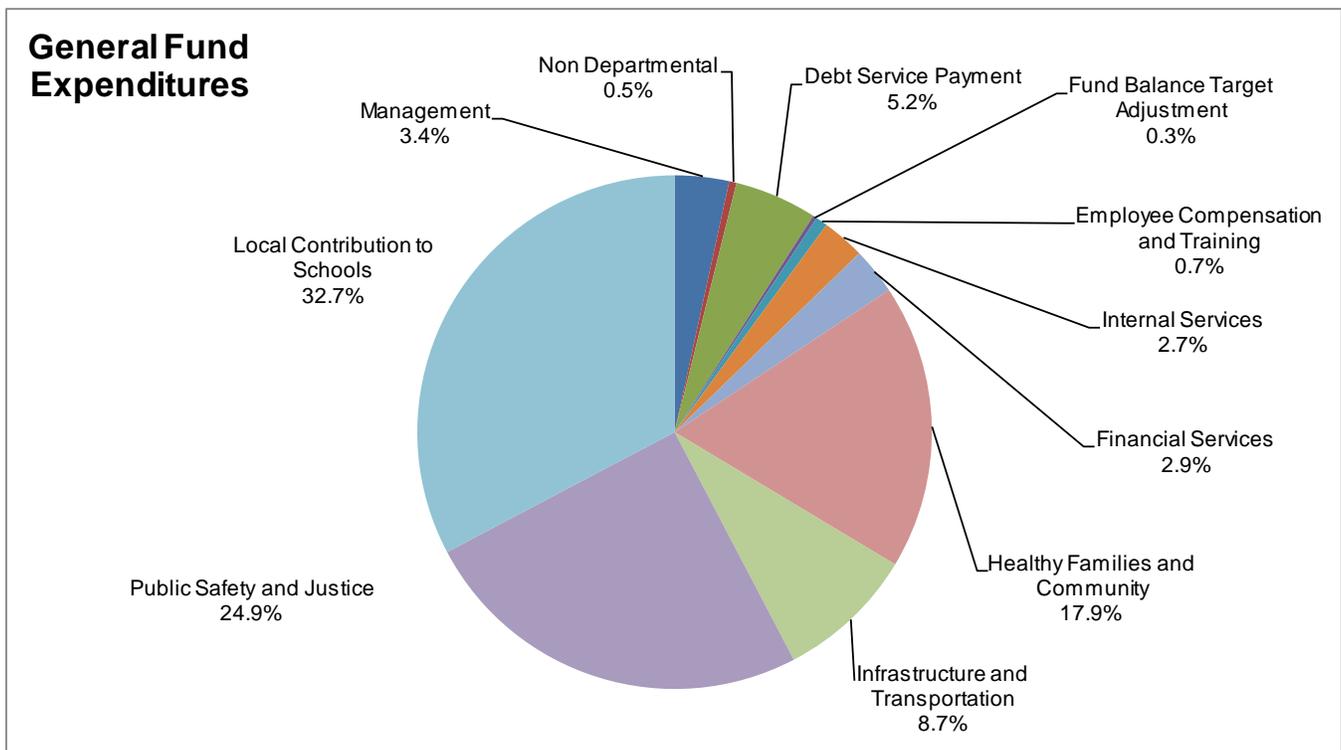
General Fund Revenue Summary

	FY 2016 Actual	FY 2017 Actual	FY 2018 Budget	FY 2019 Budget	Increase/ (Decrease)	% Change
General Fund Revenue						
Local Taxes	\$99,169,850	\$106,575,490	\$111,582,691	\$115,372,867	\$3,790,176	3.4%
Licenses and Permits	8,888,996	10,272,626	9,237,965	9,365,500	127,535	1.4%
Intergovernmental Revenue	12,396,191	12,538,836	12,567,695	14,029,441	1,461,746	11.6%
Charges for Services	11,942,886	11,763,565	10,460,121	11,764,971	1,304,850	12.5%
Parking Fines	479,397	396,721	0	0	0	
Misc. Revenue	1,087,095	1,291,284	890,000	1,143,000	253,000	28.4%
Carryover Funds	0	0	0	1,006,659	1,006,659	
Transfers From Other Funds	825,000	0	2,073,475	2,350,000	276,525	13.3%
City/County Revenue Sharing (Operating Budget)	10,908,668	10,491,920	10,290,321	9,921,594	(368,727)	(3.6%)
TOTAL OPERATING BUDGET	\$145,698,083	\$153,330,442	\$157,102,268	\$164,954,032	\$7,851,764	5.0%



General Fund Expenditure Summary

	FY 2016 Actual	FY 2017 Actual	FY 2018 Budget	FY 2019 Budget	Increase/ (Decrease)	% Change
General Fund Expenditures						
Management	\$3,889,966	\$4,358,838	\$5,044,252	\$5,619,852	\$575,600	11.4%
Non Departmental	870,164	1,011,891	846,654	763,415	(83,239)	(9.8%)
Debt Service Payment	7,137,578	7,450,497	7,968,000	8,560,788	592,788	7.4%
Fund Balance Target Adjustment	0	0	413,148	413,148	0	0.0%
Employee Compensation and Training	1,007,787	272,220	2,826,822	1,224,884	(1,601,938)	(56.7%)
Internal Services	1,356,806	1,465,277	1,516,437	4,436,259	2,919,822	192.5%
Financial Services	4,354,359	4,589,383	4,899,787	4,828,113	(71,674)	(1.5%)
Healthy Families and Community	25,321,414	26,243,149	28,428,514	29,601,810	1,173,296	4.1%
Infrastructure and Transportation	12,964,641	13,877,877	14,332,863	14,381,520	48,657	0.3%
Public Safety and Justice	35,431,615	38,008,287	39,495,187	41,126,041	1,630,854	4.1%
Local Contribution to Schools	47,342,848	49,330,604	51,330,604	53,998,202	2,667,598	5.2%
TOTAL OPERATING BUDGET	\$139,677,179	\$146,608,024	\$157,102,268	\$164,954,032	\$7,851,764	5.0%



Explanation of FY 2019 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.

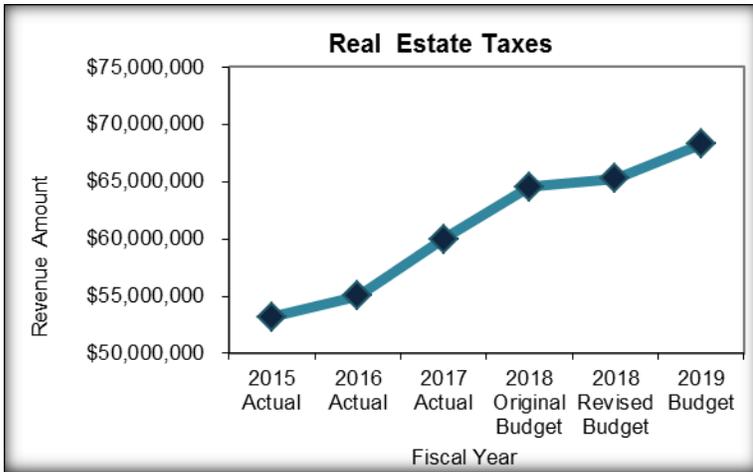
- Informed/Expert Judgment (e.g. the advice of a department head)
- Deterministic Techniques (e.g. formulaic revenues)
- Time Series Techniques (e.g. moving averages and predictive statistics)
- Estimates from the Commonwealth of Virginia (e.g. transfer payments)
- Long Term Forecasting (e.g. looking 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 87.0% of the total General Fund revenue collected by the City of Charlottesville.

Revenue Source	FY 2019 Projection	% of General Fund Total Revenues
Real Estate Taxes	\$68,267,343	38.0%
City/County Revenue Sharing	15,696,360	8.7%
Meals Tax	11,817,375	6.6%
Sales & Use Taxes	11,663,391	6.5%
Personal Property Taxes	8,629,200	4.8%
State Assistance	7,802,195	4.3%
Business & Professional Licenses	7,400,000	4.1%
Payment in Lieu of Taxes: Utilities	5,776,201	3.2%
Transient Occupancy Tax	5,100,000	2.8%
Utility Services Consumer Tax	4,699,842	2.6%
PPTRA	3,498,256	1.9%
Virginia Communications Sales & Use Tax	3,000,000	1.7%
Recreation Income	1,765,246	1.0%
Public Service Corporation Taxes	1,350,000	0.8%
TOTAL	\$156,465,409	87.1%

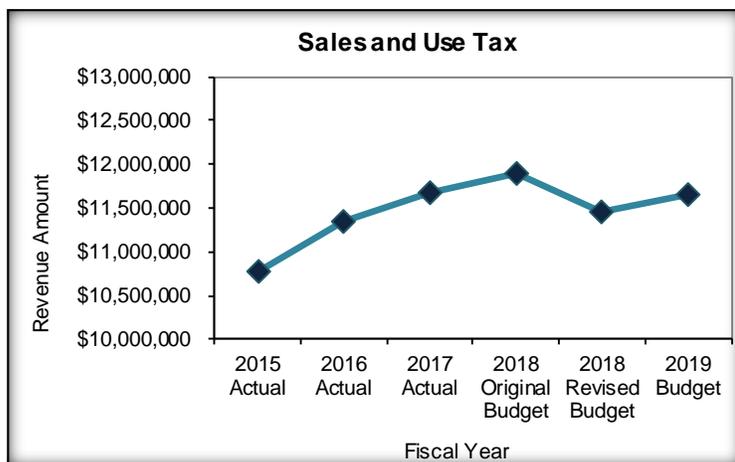
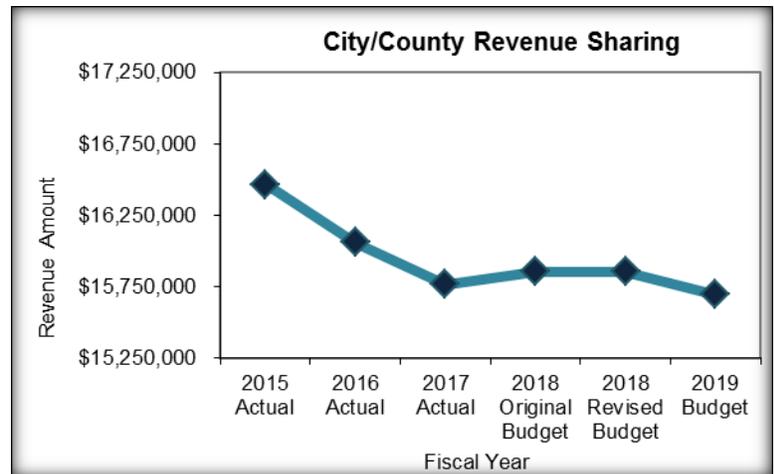
In the following section, a graph has been presented for each of the major revenues listed in the above chart. This provides a graphical representation of the trend data that was used when the revenue projections were made for FY 19. The data in the graphs represents the amount of actual revenue collected for FY 15 – FY 17, along with the originally budgeted amounts and revised revenue estimates for FY 18, all of which were important factors in projecting the revenues for FY 19.

Major Local Revenue – Descriptions and Trend Data

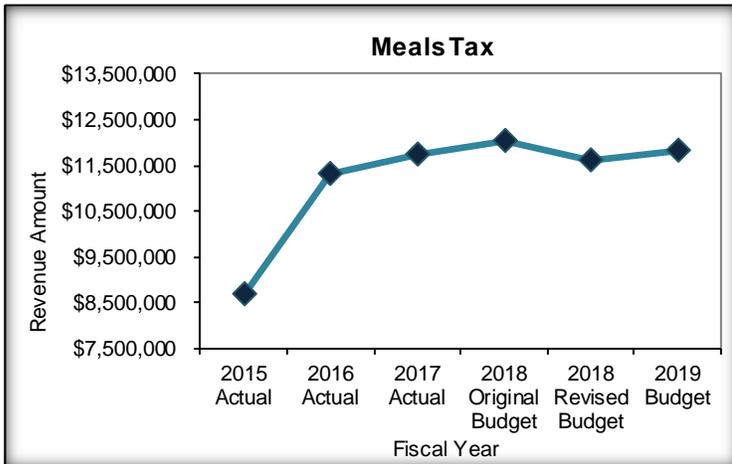


Real Estate Taxes are the largest source of revenue for the City. They are *ad valorem* taxes based on the assessed value of real property owned by businesses, individuals, and corporations. They are assessed at 100% valuation, with tax rates being applied per \$100 of assessed value. **The adopted tax rate for FY 19 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 16 when estimating the FY 19 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.

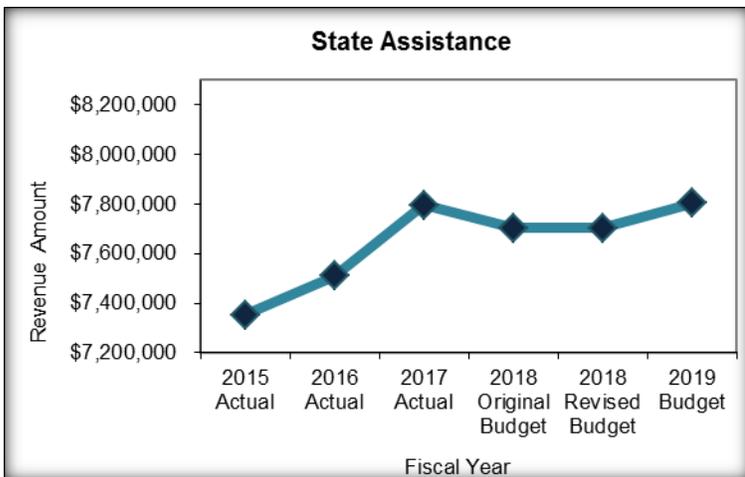
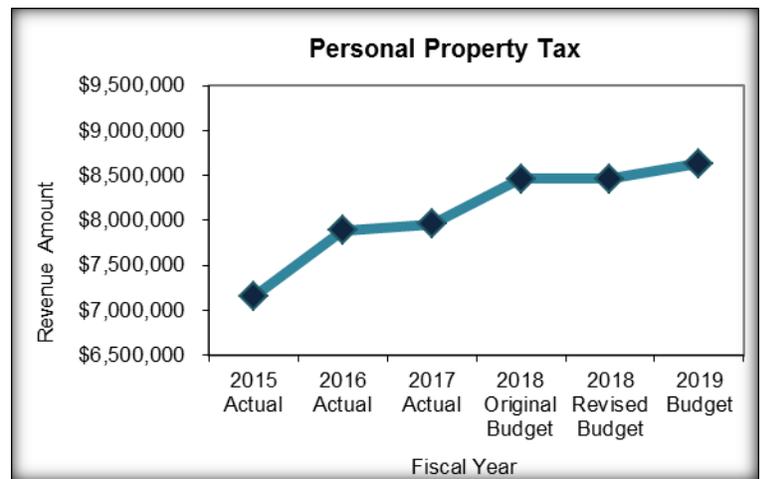


Sales and Use Taxes are revenues received by the City from 1-cent of the 5.3-cent State sales tax generated within the City. Starting July 1, 2013, an additional .3% was collected that is dedicated to statewide transportation projects. This was approved by the General Assembly during their 2013 session. Growth in this revenue has been positive the past few years however, FY 18 projections have been revised to show a 3.8% decrease from the original budget projections due to a variety of factors. Staff continues to keep an eye on this revenue trend because while FY 18 may have trended down from FY 17, these revenues are still tracking higher than FY 16. **The Sales Tax rate is 5.3% for general sales purchases and 2.5% for non-prepared foods (implemented July 1, 2005).**

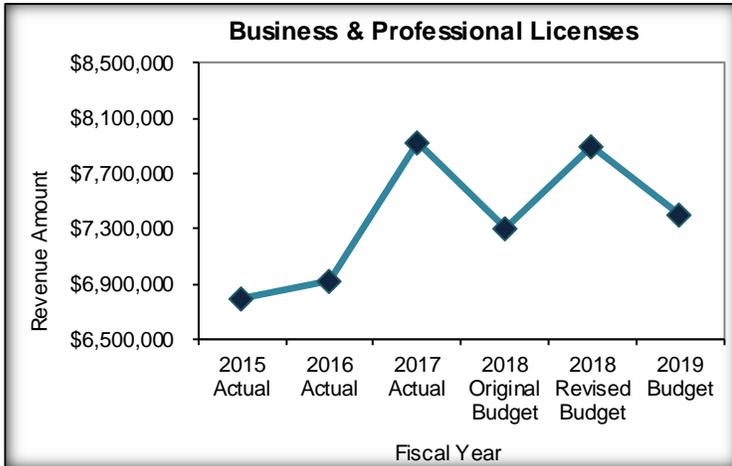


Meals Tax is assessed on the sales price of prepared food and beverages sold in the City. 1-cent of the tax rate is dedicated to the Debt Service Fund to pay off the future debt of bond issuances used to pay for capital projects. The remaining is dedicated to the General Fund. Between FY 11 and FY 17, this tax has shown consistent growth. In FY 16, the City's Meals Tax rate, increased from 4% to 5%, resulting in a larger than average increase in Meals Tax revenue. FY18 revised budget projections are showing a 3.5% decrease from the original budget projections, but are starting to rebound, and Meals Tax revenues are still tracking higher than FY 16. **The adopted rate will remain at 5% in FY 19.**

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 19 Personal Property Tax revenue is projected to increase by 2.0% from the FY 18 original budget amount. This projected increase is due mainly 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 19 is unchanged at \$4.20 per \$100 of assessed value.**

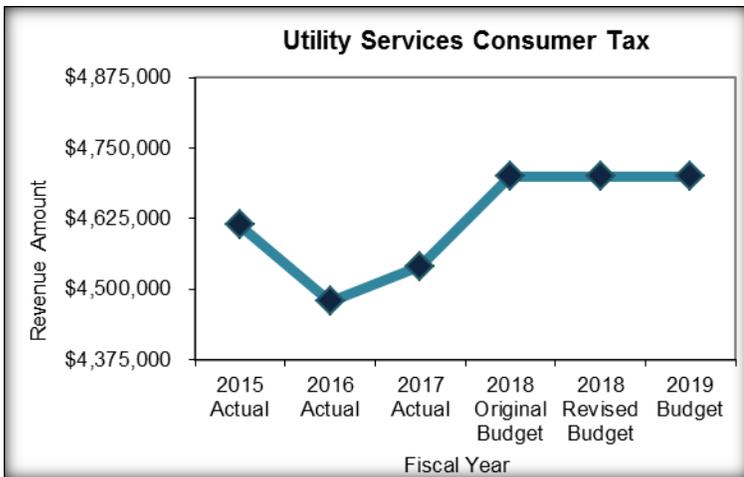
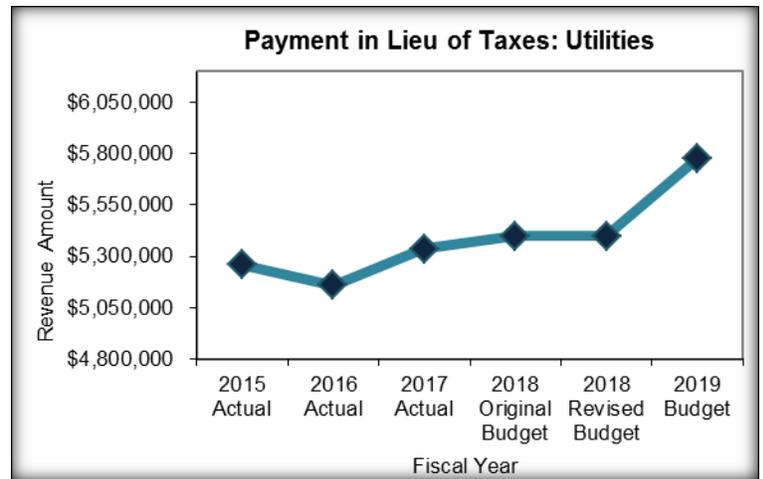


State Assistance consists of four major revenue items: **Constitutional Officer Reimbursement**, which is determined by the State Compensation Board on an annual basis for the elected official offices, including the Treasurer, Commissioner of Revenue, Sheriff, Clerk of the Circuit Court, and Commonwealth's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

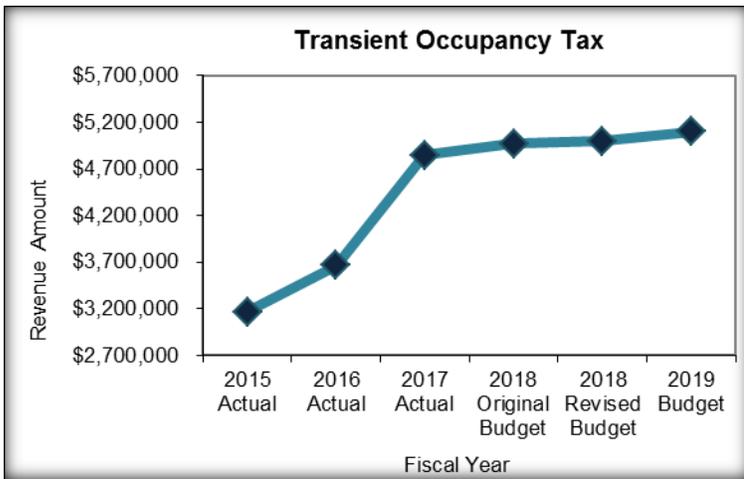


Licenses and Permits are a category of revenues collected from permits and privilege fees required by the City. The largest of these sources is the **Business and Professional Licenses**, which is a local license fees on the privilege of doing business within the City. These fees are based on the gross receipts of the business applying for the license. Business and Professional Licenses are estimated to bring in \$7.4 million in FY 19, which represents a 1.4% increase from the FY 18 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 19, this revenue item is estimated to generate approximately \$5.77 million in revenue, a 7.0% increase from the FY 18 original budgeted figure.

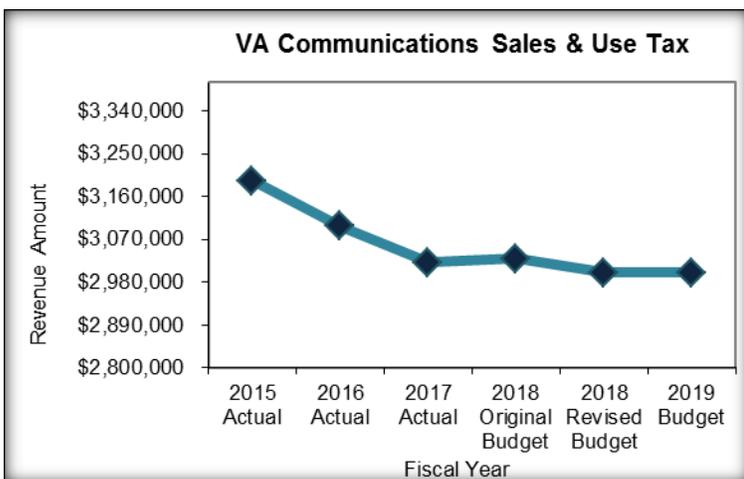
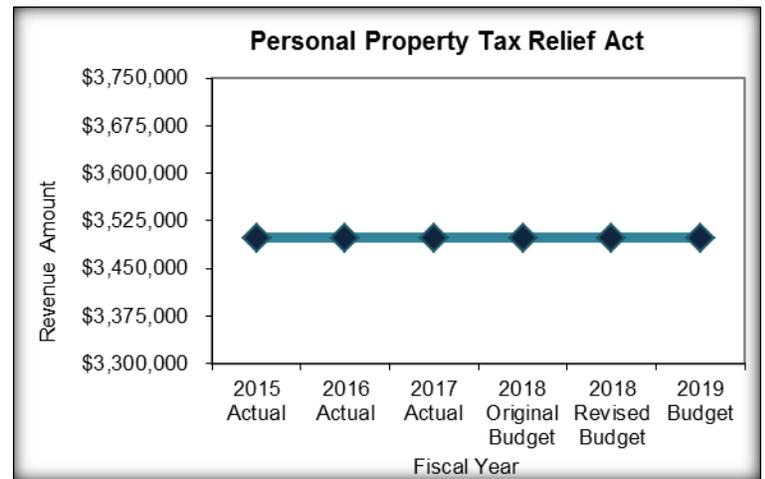


The **Utility Services Consumer Tax** is collected on the sale of goods and services from the following utility services: electric service, gas service, and water service. Beginning in January 2007, Telephone and Cable taxes previously recorded under Utility Taxes were rolled into a new revenue stream called the Virginia Communications Sales and Use Tax. For FY 19, revenue from these taxes is projected to remain level from the FY18 estimates due mainly to mild weather.

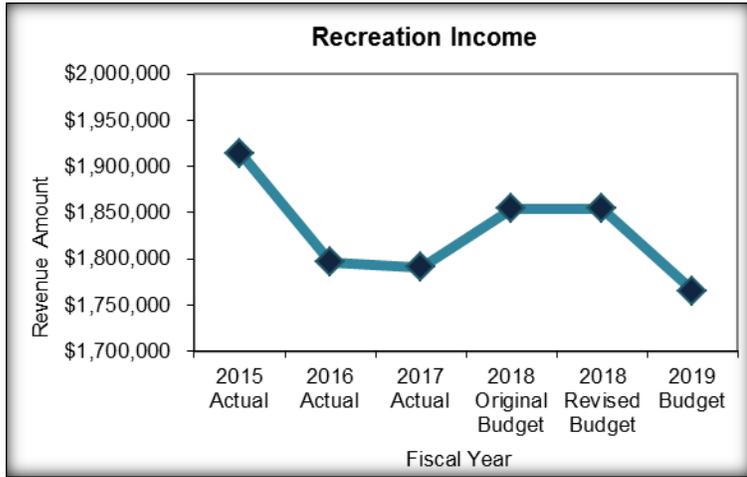


Transient Occupancy Tax, often called the lodging tax, consists of taxes assessed on the use of rooms in hotels, motels, and boarding houses. The actual revenue collected in FY 17 was an increase of over \$1.18 million (32.3%) from the prior fiscal year. This is due to several factors: 1) In the Adopted 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 19, this strong performance is expected to continue and the Transient Room tax is projected to see a 2.6% increase from the FY 18 original budget projections. **The adopted tax rate will remain at 7% in FY 19.**

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.

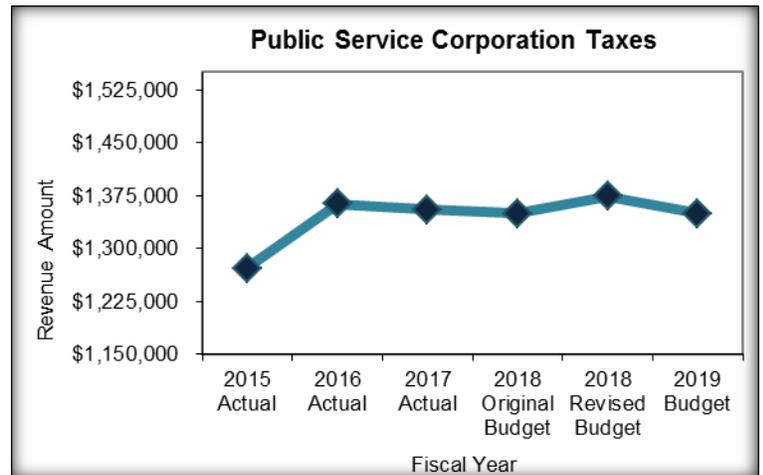


Effective January 2007, the consumer tax on telephone service, the E-911 service tax, the tax on Cable service, and the Cable Franchise fee were rolled into one revenue stream called the **Virginia Communications Sales & Use Tax**. The tax is levied in the amount of 5% of the sales price of each communications service. This is a State administered local tax and the City is reimbursed on a monthly basis. This tax continues to see a steady decline over the past several years and is projected to decrease again in FY19 by approximately 1%. The increase in cell phone usage and internet entertainment providers for television services as opposed to traditional land line phone service and cable television service are can explain this steady decline.



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 19 budgeted amount for these revenues are expected to remain level from the FY 18 original budget.



Adopted Tax and Fee Rates (Including Legal Caps)

	Adopted Fiscal Year 2018-2019	Adopted Fiscal Year 2017-2018
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.

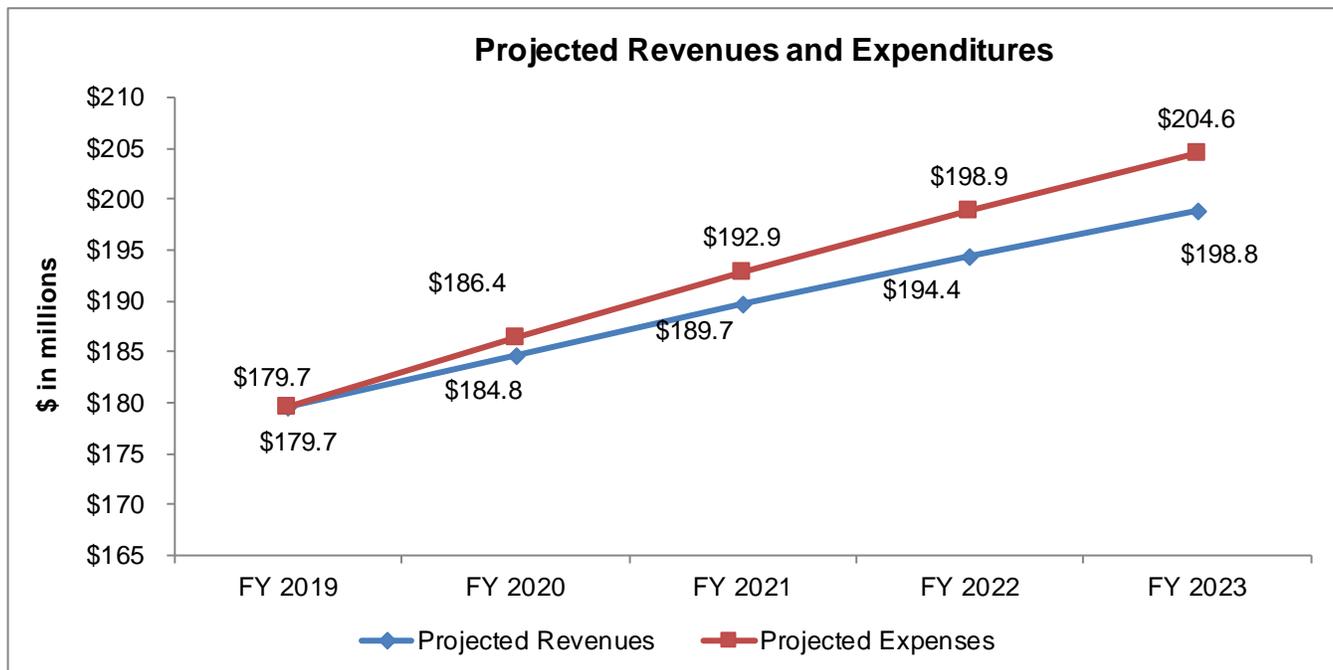
Long Term Revenue and Expenditure Planning and Forecasts

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.

FY 19 is showing revenue and expenditure growth in the General Fund, partly due to the Information Technology Department moving to the General Fund from an Internal Services Fund, as well as a new EMS revenue recovery strategy. Real Estate Taxes are the largest revenue driver, contributing a \$3.7 million increase due to new construction and general assessment increases. Other major revenue sources are showing small changes and are expected to grow at modest rates over the next few years.

FY 19 is the second year with an increased debt limit 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 19 to FY 23 in the General Fund.



Major Revenue Sources

	<u>FY 2019</u> <u>Budget</u>	<u>FY 2020</u> <u>Projected</u>	<u>FY 2021</u> <u>Projected</u>	<u>FY 2022</u> <u>Projected</u>	<u>FY 2023</u> <u>Projected</u>
Real Estate Tax	\$ 68,267,343	\$ 71,680,710	\$ 74,906,342	\$ 77,902,596	\$ 80,629,187
% change	5.8%	5.0%	4.5%	4.0%	3.5%
City County Revenue Sharing	\$ 15,696,360	\$ 16,010,287	\$ 16,330,493	\$ 16,657,102	\$ 16,990,244
% change	-1.0%	2.0%	2.0%	2.0%	2.0%
Meals Tax	\$ 11,817,375	\$ 12,053,723	\$ 12,294,797	\$ 12,540,693	\$ 12,791,507
% change	-1.7%	2.0%	2.0%	2.0%	2.0%
Sales and Use Tax	\$ 11,663,391	\$ 11,780,025	\$ 11,897,825	\$ 12,016,803	\$ 12,136,971
% change	-2.0%	1.0%	1.0%	1.0%	1.0%
Personal Property Tax	\$ 8,629,200	\$ 8,801,784	\$ 8,977,820	\$ 9,157,376	\$ 9,340,524
% change	2.0%	2.0%	2.0%	2.0%	2.0%
Business Licenses	\$ 7,400,000	\$ 7,548,000	\$ 7,698,960	\$ 7,852,939	\$ 8,009,998
% change	1.4%	2.0%	2.0%	2.0%	2.0%
Transient Occupancy Tax	\$ 5,100,000	\$ 5,202,000	\$ 5,306,040	\$ 5,412,161	\$ 5,520,404
% change	2.6%	2.0%	2.0%	2.0%	2.0%
Utility Tax	\$ 4,699,842	\$ 4,793,839	\$ 4,889,716	\$ 4,987,510	\$ 5,087,260
% change	0.0%	2.0%	2.0%	2.0%	2.0%
Other Revenues	\$ 46,452,024	\$ 46,916,545	\$ 47,385,710	\$ 47,859,567	\$ 48,338,163
	10.8%	1.0%	1.0%	1.0%	1.0%
Total Revenues	\$ 179,725,535	\$ 184,786,912	\$ 189,687,702	\$ 194,386,748	\$ 198,844,258
% change	4.7%	2.8%	2.7%	2.5%	2.3%

Major Expenditure Sources

	<u>FY 2019</u> <u>Budget</u>	<u>FY 2020</u> <u>Projected</u>	<u>FY 2021</u> <u>Projected</u>	<u>FY 2022</u> <u>Projected</u>	<u>FY 2023</u> <u>Projected</u>
Local Contribution to Schools	\$ 53,998,202	\$ 55,432,582	\$ 56,793,250	\$ 58,063,574	\$ 59,227,469
% change	5.2%	2.7%	2.5%	2.2%	2.0%
Employee Salaries and Benefits* +	\$ 54,512,970	\$ 56,966,054	\$ 59,244,696	\$ 61,318,260	\$ 63,157,808
% change	7.1%	4.5%	4.0%	3.5%	3.0%
Health Care +	\$ 5,725,143	\$ 6,583,914	\$ 7,439,823	\$ 8,258,204	\$ 9,084,024
% change	8.4%	15.0%	13.0%	11.0%	10.0%
Outside and Nonprofit Agency Funding	\$ 15,954,723	\$ 16,273,817	\$ 16,599,294	\$ 16,931,280	\$ 17,269,905
% change	2.0%	2.0%	2.0%	2.0%	2.0%
Transfer to Debt Service	\$ 10,924,263	\$ 11,642,116	\$ 12,365,929	\$ 13,089,980	\$ 13,814,272
% change	5.3%	6.6%	6.2%	5.9%	5.9%
Transfer to Capital Improvement Program	\$ 5,374,766	\$ 5,624,766	\$ 5,874,766	\$ 6,124,766	\$ 6,374,766
% change	4.1%	4.7%	4.4%	4.3%	4.1%
Fund Balance Target Adjustment	\$ 413,148	\$ 575,000	\$ 800,000	\$ 800,000	\$ 800,000
% change	0.0%	39.2%	39.1%	0.0%	0.0%
Other Expenditures	\$ 32,822,320	\$ 33,314,655	\$ 33,814,375	\$ 34,321,590	\$ 34,836,414
	-13.6%	1.5%	1.5%	1.5%	1.5%
Total Expenditures	\$ 179,725,535	\$ 186,412,905	\$ 192,932,132	\$ 198,907,654	\$ 204,564,659
% change	4.7%	3.7%	3.5%	3.1%	2.8%

*Includes cost of living adjustments. Excludes health care costs.

+ FY 2019 includes costs for moving the Department of Information Technology from an Internal Services Fund to the General Fund.

FY 2019 - 2023 Revenue Projections

These revenue sources comprise approximately 74% of the General Fund budget in FY 19:

Real Estate Tax: Real Estate assessments have increased in each of the last five assessment cycles, and are anticipated to increase approximately 5.8% for FY 19. Staff anticipates this rate of increase to be moderate in the future.

City/County Revenue Sharing: In FY 19 this will decrease by approximately \$159,000 over FY 18, which is reflective of City real estate assessments growing at a faster rate than County real estate assessments. Future projections show a slight increase, due to the total value of assessments increasing the County.

Meals Tax: Staff is tracking the meals tax revenue by month, and FY 18 revenues are down 2.74% through the first six months of the fiscal year, largely because of increased competition from the urban ring and the events of the summer of 2017. For FY 19, staff is projecting a 1.68% decline in revenue when compared to the adopted FY 18 budget.

Sales and Use Tax: FY 18 has been a difficult year for forecasting sales and use tax revenue. Through the first ten months of FY 18, sales and use tax revenue is down 2.14%. Staff believes this is largely driven by competition from development in the urban ring of surrounding Albemarle County, as well as the events of the summer of 2017. FY 18 projections have been adjusted downward accordingly. Retail development remains strong in the City, and for FY 19, staff is predicting flat to 1.86% growth (when compared to FY 18 revised revenues), and continuing to grow at 1% in the long term.

Personal Property Tax: As both the value and number of cars continues to increase, staff anticipates personal property tax revenue to continue to grow at approximately 2% a year for the next several fiscal years. While the state provides some relief to individual taxpayers through a block grant, the relief percentage received by each taxpayer will continue to decline as more vehicles are registered in the City over time.

Business License Tax: Business License Taxes continue to perform well in FY 18, and a 1.41% increase is projected for FY 19. This also accounts for recent license changes benefitting small businesses that will reduce revenue by approximately \$90,000. Future years show a 2% growth due to continued economic growth in the City.

Transient Occupancy Tax: The lodging tax revenue is showing real growth before accounting for possible revenues as new hotels come online in the next year. For the first six months of FY 18, real revenue growth is 3.56% after accounting for last year's rate increase, although lodging tax revenue has been more volatile in FY 18 than in prior years. Current projections account for a 2.6% increase in FY 19, with future years showing a 2% growth.

Utility Tax: The revenue source, which includes utility taxes collected from City's gas and water operations and consumer utility tax for electric services, is trending to remain flat in FY 19. This is driven most notably by weather and therefore, mild weather means the City collects less revenue.

FY 2019 - FY 2023 Expenditure Projections

These expenditure categories comprise approximately 82% of the General Fund budget in FY 19:

Local Contribution to Schools: The Budget Guidelines state that the schools receive a target amount that equates to 40% of new real estate and personal property tax revenue. The FY 19 Budget includes an amount larger than the target to meet the increasing needs of the Schools. For future years, this figure reflects the local contribution based only on the Budget Guideline.

Employee Salaries and Benefits: This is the total budget for employee salaries and benefits (which includes retirement, FICA, and life insurance). The figure also includes any cost of living increase provided, which is determined each budget year. In FY 19, this figure includes moving the IT Department from an Internal Services Fund to the General Fund. In future years, this figure is expected to be higher than general cost of living increases due to continuing adjustments being made for compression, position reclassifications, and the addition of new positions.

Health Care: This is the total budget for the General Fund contribution to the City's Health Care Fund. Historically, this increase has been in the range of 9% - 15%, and is predicted to continue growing due to the rising cost of health care and general uncertainty regarding national health care policies.

Outside and Nonprofit Agency Funding: Includes all contributions to outside agencies in the categories of: Community events and festivals; Children, Youth and Family Oriented Programs; Education and the Arts; Housing Programs; Public Safety Agencies; Transportation; Organizational Memberships and Workforce Development Agencies. While funding for Agency Budget Review Team (ABRT) agencies is somewhat discretionary, the City has several contracts in place with agencies such as the Regional Jail, Juvenile Detention Center, Emergency Communications Center, Jefferson Madison Regional Library. The funding costs for these contractual agencies generally increase over time, as costs of services increase and as we see shifts in the behavior and demographic of the area.

Transfer to 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. The estimate for FY 19 reflects the required transfer from the General Fund to fund the capital budget and corresponding debt that the City currently plans to issue.

Transfer to Capital Improvement Program: This represents the five year CIP as currently proposed. These contributions should keep the City in compliance with the Budget Guideline to transfer at least 3% of general fund expenditures to the Capital Improvement Program Fund.

Fund Balance Target Adjustment: This pool of funds provides the City with a cushion at the end of a fiscal year to help us achieve the fund balance policy of 17%. The FY 19 budgeted figure is what would be required to ensure we meet the policy and is projected to increase in future years as the budget increases.

