

Major Highlights of the Budget

General Fund Revenues

Proposed Tax Rate Increases

- **Meals Tax** – This budget proposes increasing the meals tax rate from **5%** to **6%** effective July, 1, 2019. The meals tax is paid by consumers of prepared hot foods sold for immediate consumption on and off a premises including restaurant and grocery store food bars. This tax does not apply to foods purchased for home consumption and preparation, which is taxed at 2.5%. Meals tax revenue continues to grow, producing \$11.3 million in 2016 to a projection of \$11.8 in 2019; and even before the proposed increase to 6%, revenues were expected at \$12.1 million in FY 20.
- **Lodging Tax** – This budget proposes an increase in the lodging (transient occupancy tax or TOT) from **7%** to **8%** effective July 1, 2019. Considered a consumption tax, the TOT is paid by all overnight guests at area hotels, bed and breakfasts and short-term air bnb type facilities. This revenue source has grown over the years and a portion of this revenue supports the Charlottesville Albemarle Convention and Visitors Bureau, which receives 30% of the first 5% of actual lodging tax revenues (joint agreement with Albemarle County). The remaining funds support the City's operating General Fund budget.

Other Revenues

- **Real Estate Taxes**- This budget keeps the City's Real Estate Tax rate at 95 cents per 100 dollars of assessed value. However, the rate has been advertised at 97 cents per 100 dollars to give flexibility to City Council as they revise the budget before it is adopted in April. The two additional pennies would provide an additional \$1.6 million in new revenue should City Council go in this direction. The revenue increase for real estate, based on the current rate of 95 cents per 100 dollars assessed value, is \$5 million in new revenue over FY 19.
- **Personal Property Tax** revenue is projected to increase by \$670,800 due mainly to increased motor vehicle stock in the City and an overall increase in the value of vehicles.
- **Sales and Use Tax** is projected to grow by \$336,609, or almost 3% over FY 19.
- **Business Licenses Taxes** revenue is increasing by \$300,000.
- **City/County Revenue Sharing** is decreasing by \$1.5 million from FY 19. This is chiefly due to the large increase in commercial real estate growth the City experienced in 2017. The formula is based in part on the total real estate assessments of both localities. Since the City's total assessed value grew substantially in that year, much more so than the County's, the City's "contribution" grew resulting in a reduction in the transfer to the City.

Balancing the Budget

- City departments submitted a total of \$84.6 million in base budget requests for FY 20, which was 4.08% greater than FY 19 adopted departmental budgets. City departments were asked to identify areas in their budgets to reduce equal to at least 3% of their total budget request. As a result, this budget proposes \$1,139,821 in department reductions. But, because the majority of department budgets still grew, an average of 3.11%, most of these reductions reduce the budget growth that departments included as part of their FY 20 budget, rather than from FY 19. And, of the over \$5 million in new requests requested by departments, \$435,358 are funded as part of this budget proposal and are summarized throughout the budget document.

General Fund Expenditure Highlights

Strategic Plan Priority Areas



Affordable Housing

- This budget includes \$10.3M in FY 20, and over \$32.5M in the five year capital program for several affordable housing initiatives, including redevelopment of public housing sites, housing rehabilitation, supplemental rental assistance and Friendship Court infrastructure improvements and Phase I redevelopment.
- \$285,500 in additional funding is budgeted for the Charlottesville Housing Affordability Program (CHAP) that will provide the following relief for these income ranges and adjusts the top income threshold from \$50,000 to \$65,000/year.
- In addition, the Tax Relief for Elderly and Disabled programs income threshold will also increase to \$65,000.

Income	Relief Amount
\$0-\$12,500	Full Relief
\$12,501-\$20,000	\$1,000
\$20,001-\$35,000	\$750
\$35,001-\$55,000	\$500
\$55,001-\$65,000	\$375



Race and Equity

- The City Manager’s Advisory Workgroup on Organizational Equity has convened to review an internal equity assessment by department and to create recommendations to the City Manager’s Office. Recommendations are expected in April 2019 with a final report in May 2019. Should these recommendations have budget impact, City Council will be provided with guidance on how any initiatives should be funded and the timeline of such actions.



Workforce Development and Economic Development

- The FY 20 Proposed Budget continues to invest in the various programs that support both of these priorities, including the Downtown Job Center, Growing Opportunities (GO) workforce development programs, job fairs and community events, and work done by staff to promote Charlottesville as a premier location for business and collaborate with entrepreneurs and existing businesses seeking to grow here.



Safety and Security

- Centralized Safety Coordinator (Risk Management) – effective January 1, 2020 at a cost of \$43,020 (\$25,382 General Fund; \$17,638 Risk Management Fund) - This position is critical to bringing the City into compliance with requirements for providing safe work environments for employees and to allow the City to identify and then mitigate existing risks and hazards within City workplaces. The Centralized Safety Coordinator would report directly to the Risk Management Specialist within the Procurement and Risk Management division of the Finance Department. The Centralized Safety Coordinator would be responsible for developing citywide safety programs and implementing associated training and ensuring compliance across the various work divisions and departments of the City.
- Security Manager (Police Department) – effective July 1, 2019 at a cost of \$132,729 – This position is vital to improving the City’s security management profile and making the City’s infrastructure more secure. The Security Manager would be responsible for developing and executing the City’s security plan, security operations policies, procedures, and protocols. Responsibilities also include implementing programs that improve the City’s security management profile, and involvement in the City’s Capital Improvement Process as it relates to infrastructure security. The position would also serve as the security expert for the City’s Committee on Safety and Emergency Preparedness.



Other Budget Areas

Compensation and Benefits

- Effective July 1, 2019, the living wage will increase from \$14.40 to \$15.00 an hour. This budget also provides a 4.17% cost of living adjustment (COLA) to all employees which is necessary in order to remain competitive in the region and reduces the cost of providing additional compression adjustments as a result of increasing the living wage in FY 19. The total cost for these adjustments is \$2.6M in addition to another \$95,000 to increase the living wage for temporary employees to \$15.00 an hour. Finally, this budget covers a full year of a FY 19 midyear 4.83% salary increase provided to all sworn police officers.
- The Health Care Fund is showing a savings for FY 20 due to a favorable claims year. Actual claims have been lower than projected and therefore the budget shows a savings of \$400,000 in health care costs. Employees will see no change in premiums.
- The City's Human Resources Department has contracted with BenefitFocus to provide an online employees benefits and self-service portal. Initial funding to implement this system was allocated as part of the FY 2017 year end appropriation, and in FY 20 funding is included in the amount of \$55,000 to cover the annual operating cost.

City Schools

- This budget continues a very strong commitment to the City Schools, providing \$3.37 million in new operating funding, which is the largest single increase in over a decade.
- Through the City's Capital Improvement Program (CIP), this budget continues funding \$1.25 million a year in an unallocated fund that the schools can use for priority capital improvement initiatives of their choice, in addition to the over \$1.9 million for general capital improvement dollars and HVAC replacement funds a year. In addition, the FY 20 CIP includes \$3 million in pre-construction funds for the schools reconfiguration project, which will prepare architecture and engineering services and determine preliminary designs and costs.

General Fund Transfers to Debt Service and Capital Improvement Program (CIP)

- The General Fund contribution to the Debt Service Fund is increasing by \$850,000 to support the five year CIP and to keep the City within its debt limit policies.
- The City's cash contribution from the General Fund to the CIP is increasing by over \$1.3 million, in addition to the FY 18 year end surplus in the amount of \$3.2 million. Combined this meets the City's financial policy target of 3% General Fund as cash to the CIP, and is actually over 5%.

Service Enhancements and Efficiencies

- **DMV Select (City Treasurer's Office)** for an additional \$25,099 and projected \$31,374 in revenue. Across the State, the Virginia Department of Motor Vehicles partners with public and private entities to open DMV Select offices to better serve residents. These offices perform services such as as vehicle registrations, license plate renewal, and vehicle transfers. The Charlottesville DMV Office is the second busiest in the State and they approached the City to create a DMV Select in the lobby of City Hall. The additional funds cover the reclassification of a part time position to full time to help cover the work of additional transactions expected.

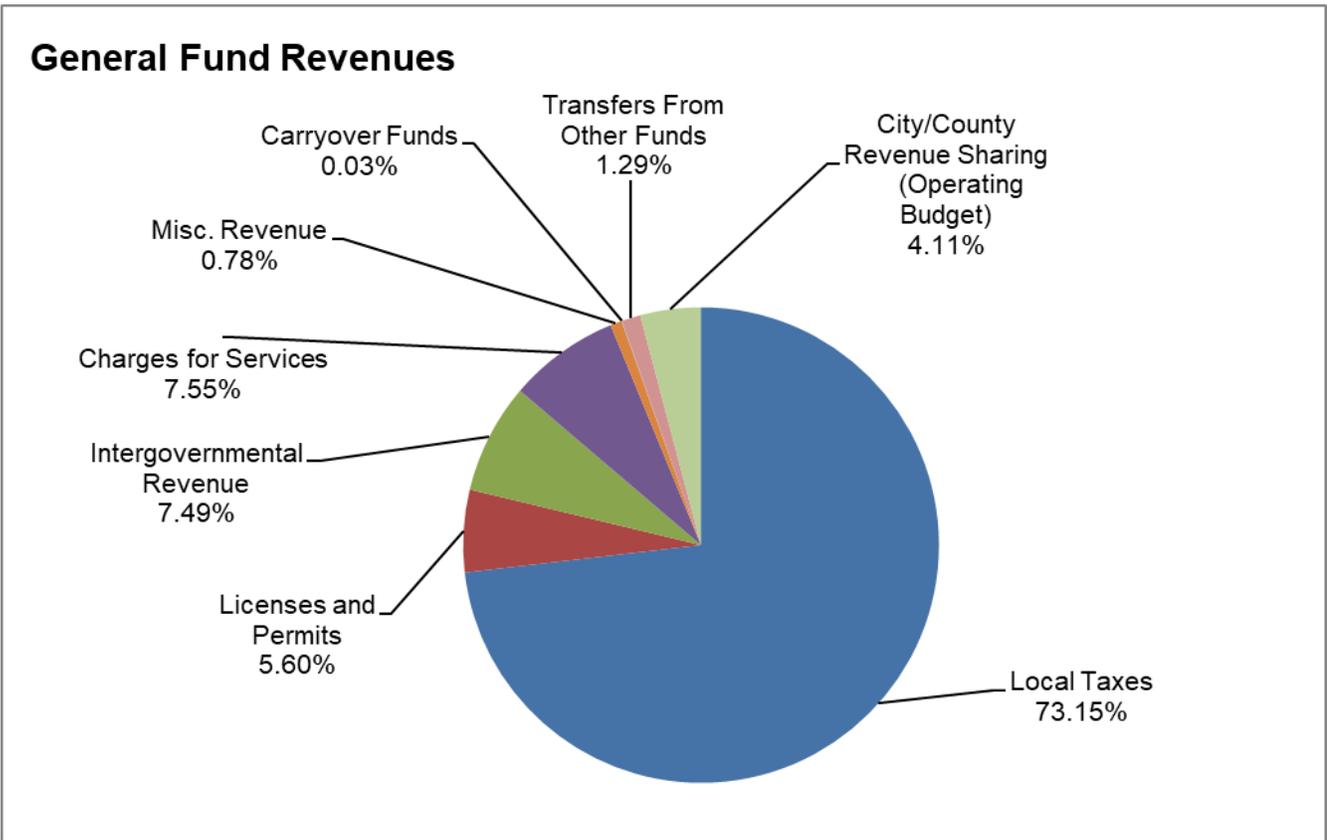
- **Support Services Manager Position (Neighborhood Development Services)** effective January 1, 2020 with an additional cost of \$56,670. The NDS Efficiency Study recommended adjustments to NDS's supervisory structure and function assignments. Recommendation #1 calls for the creation of a "Support Services Manager position" to help relieve management pressure from the Assistant Director. The study noted that it is unusual for an Assistant Director to be responsible for supervising so many positions (15), particularly when these positions are front-line and not middle managers. By reassigning internal services functions to Support Services Manager, it will create the capacity for the Assistant Director to provide enhanced services in a variety of ways. The Assistant Director will be able to provide a much better and greater oversight for the development review process and special projects, as well as assist the Director with broad strategic decision-making process.
- **Transfer of General Fund Stormwater Operations to Utilities Department** resulting in \$373,563 in savings to the General Fund. When the stormwater fee was implemented in 2013, a portion of the operations remained in the General Fund within Public Works. This budget proposes moving those costs and personnel to the Utilities Department which will allow the department to fund all operational expenses through fee collection without requesting additional General Fund dollars. No stormwater fee increase is forecast in the coming year as a result of this change and the level of service provided to residents will be improved with the change and additional staff persons.
- **Conversion of four Relief Transit Drivers to Regular FTE's** (Charlottesville Area Transit) at a cost of \$34,118. Adding more regular drivers will allow the transit system to have better consistency in terms of keeping buses on the roads and routes on time.

Outside and Nonprofit Agencies

- For FY 20, the funding for all agencies that would have been evaluated through Agency Budget Review Team are frozen at FY 2019 levels due to the City reevaluating their process during this time.
- There is funding for Offender Aid and Restoration's Therapeutic Docket diversion initiative, \$55,000, which was funded the previous year outside the regular budget process. There is an offsetting revenue of \$44,000 which represents the remainder of funds set aside in the City Council Strategic Initiatives account for diversion initiatives.
- Of the agencies evaluated by the Office of Budget and Performance Management, major changes are summarized below:
 - JAUNT – increase of \$173,869
 - Jefferson Madison Regional Library – increase of \$89,861
 - Albemarle/Charlottesville Regional Jail – decrease of \$125,212
 - Blue Ridge Juvenile Detention Center (BRJDC) – decrease of \$128,709
 - Emergency Communications Center – decrease of \$41,613

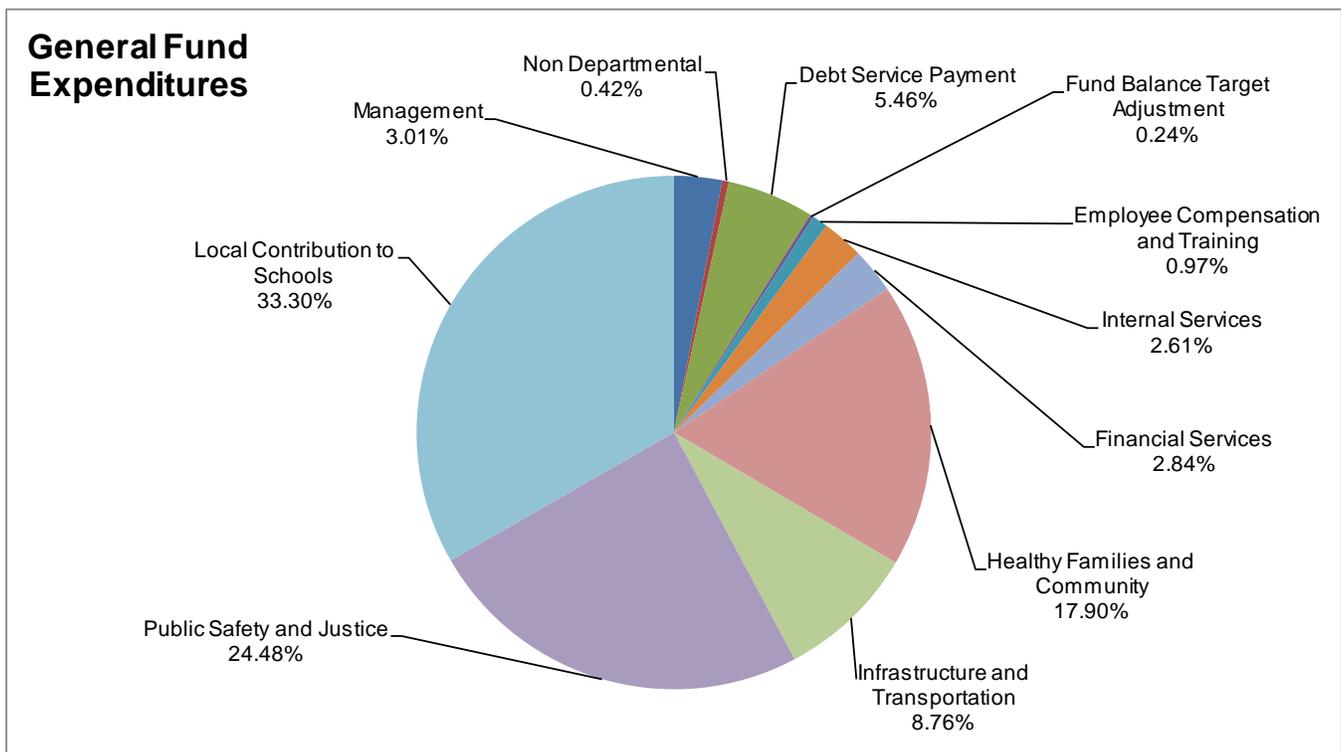
General Fund Revenue Summary

	FY 2017 Actual	FY 2018 Actual	FY 2019 Budget	FY 2020 Budget	Increase/ (Decrease)	% Change
General Fund Revenue						
Local Taxes	\$106,575,490	\$112,471,770	\$115,372,867	\$126,030,812	\$10,657,945	9.2%
Licenses and Permits	10,272,626	10,688,145	9,365,500	9,648,500	283,000	3.0%
Intergovernmental Revenue	12,538,836	12,431,502	12,589,441	12,896,320	306,879	2.4%
Charges for Services	11,763,565	10,409,438	13,204,971	13,011,843	(193,128)	(1.5%)
Parking Fines	396,721	0	0	0	0	
Misc. Revenue	1,291,284	1,694,803	1,143,000	1,344,000	201,000	17.6%
Carryover Funds	0	0	1,006,659	44,000	(962,659)	(95.6%)
Transfers From Other Funds	0	2,073,475	2,350,000	2,222,579	(127,421)	(5.4%)
City/County Revenue Sharing (Operating Budget)	10,491,920	10,290,321	9,921,594	7,086,443	(2,835,151)	(28.6%)
TOTAL OPERATING BUDGET	\$153,330,442	\$160,059,454	\$164,954,032	\$172,284,497	\$7,330,465	4.4%



General Fund Expenditure Summary

	FY 2017 Actual	FY 2018 Actual	FY 2019 Budget	FY 2020 Budget	Increase/ (Decrease)	% Change
General Fund Expenditures						
Management	\$4,358,838	\$5,202,745	\$5,619,852	\$5,188,406	(\$431,446)	(7.7%)
Non Departmental	1,011,891	1,200,074	763,415	723,415	(40,000)	(5.2%)
Debt Service Payment	7,450,497	7,968,000	8,560,788	9,410,788	850,000	9.9%
Fund Balance Target Adjustment	0	0	413,148	413,148	0	0.0%
Employee Compensation and Training	272,220	854,482	1,224,884	1,677,747	452,863	37.0%
Internal Services	1,465,277	1,473,085	4,436,259	4,502,573	66,314	1.5%
Financial Services	4,589,383	4,823,396	4,828,113	4,898,103	69,990	1.4%
Healthy Families and Community	26,243,149	28,252,234	29,601,810	30,844,624	1,242,814	4.2%
Infrastructure and Transportation	13,877,877	13,856,781	14,381,520	15,088,596	707,076	4.9%
Public Safety and Justice	38,008,287	42,165,631	41,126,041	42,170,474	1,044,433	2.5%
Local Contribution to Schools	49,330,604	51,330,604	53,998,202	57,366,623	3,368,421	6.2%
TOTAL OPERATING BUDGET	\$146,608,024	\$157,127,033	\$164,954,032	\$172,284,497	\$7,330,465	4.4%



Explanation of FY 2020 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.

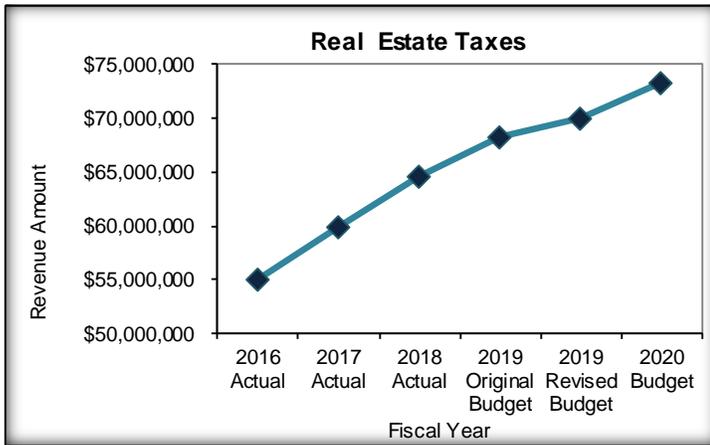
- Informed/Expert Judgment (e.g. the advice of a department head)
- Deterministic Techniques (e.g. formulaic revenues)
- Time Series Techniques (e.g. moving averages and predictive statistics)
- Estimates from the Commonwealth of Virginia (e.g. transfer payments)
- Long Term Forecasting (e.g. looking 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 88.1% of the total General Fund revenue collected by the City of Charlottesville.

Revenue Source	FY 2020 Projection	% of General Fund Total Revenues
Real Estate Taxes	\$73,337,626	38.8%
Meals Tax	14,932,800	7.9%
City/County Revenue Sharing	14,199,607	7.5%
Sales & Use Taxes	12,000,000	6.4%
Personal Property Taxes	9,300,000	4.9%
State Assistance	8,054,627	4.3%
Business & Professional Licenses	7,700,000	4.1%
Transient Occupancy Tax	6,535,753	3.5%
Payment in Lieu of Taxes: Utilities	5,975,560	3.2%
Utility Services Consumer Tax	4,926,600	2.6%
PPTRA	3,498,256	1.9%
Virginia Communications Sales & Use Tax	2,800,000	1.5%
Recreation Income	1,694,683	0.9%
Public Service Corporation Taxes	1,428,230	0.8%
TOTAL	\$166,383,742	88.1%

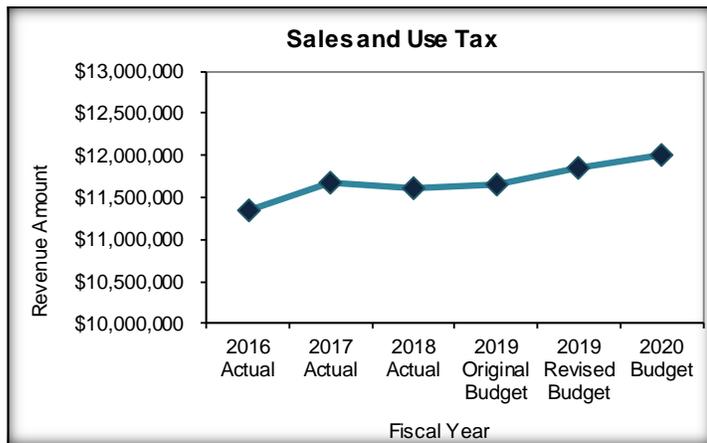
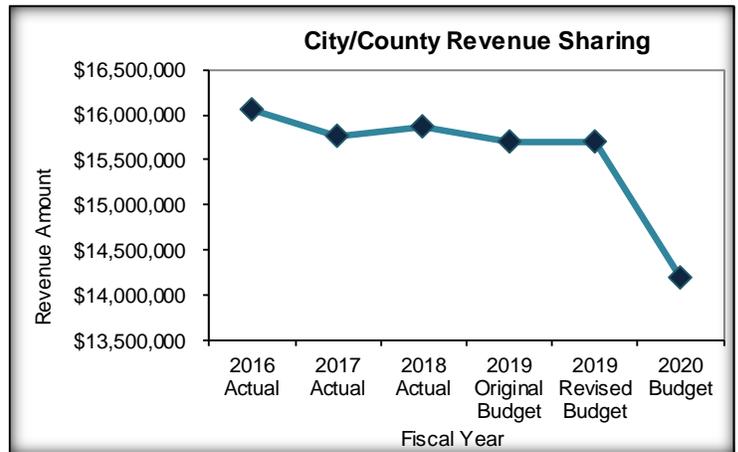
In the following section, a graph has been presented for each of the major revenues listed in the above chart. This provides a graphical representation of the trend data that was used when the revenue projections were made for FY 20. The data in the graphs represents the amount of actual revenue collected for FY 16 – FY 18, along with the originally budgeted amounts and revised revenue estimates for FY 19, all of which were important factors in projecting the revenues for FY 20.

Major Local Revenue – Descriptions and Trend Data

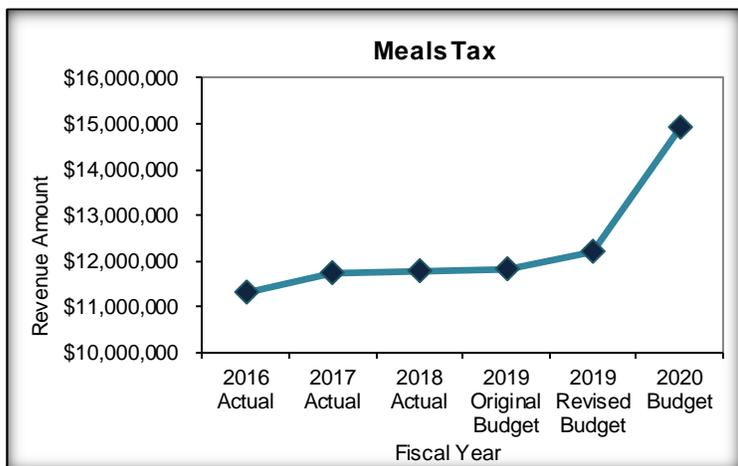


Real Estate Taxes are the largest source of revenue for the City. They are *ad valorem* taxes based on the assessed value of real property owned by businesses, individuals, and corporations. They are assessed at 100% valuation, with tax rates being applied per \$100 of assessed value. **The proposed tax rate for FY 20 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 FY 20 transfer from the County is calculated in part from the CY 17 total assessed values for real property for the City and County. 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.

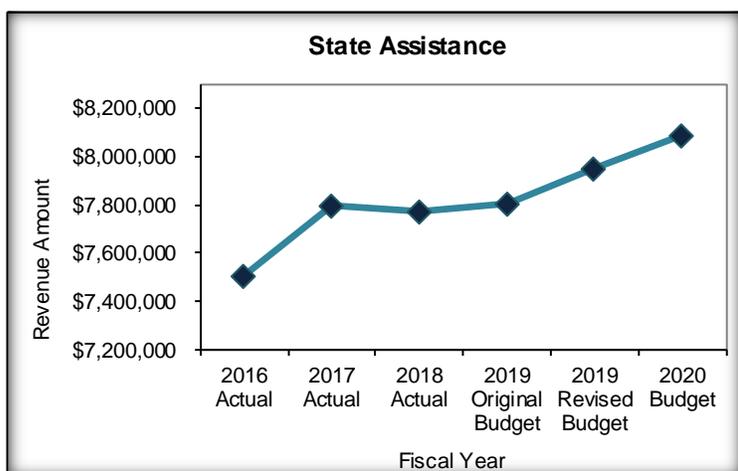
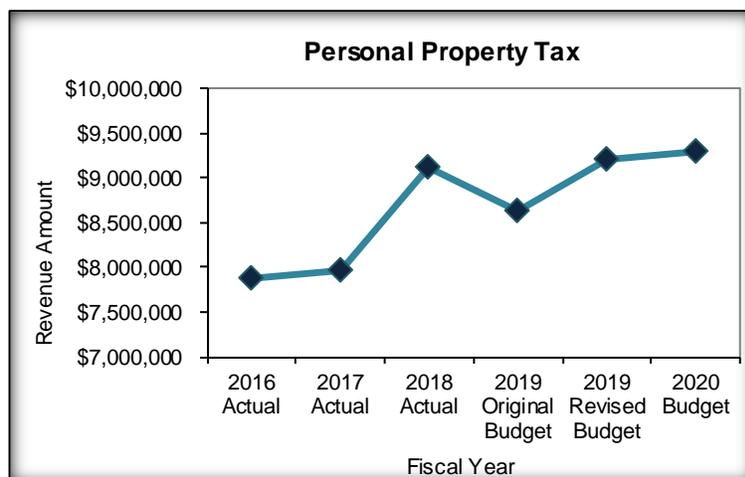


Sales and Use Taxes are revenues received by the City from 1-cent of the 5.3-cent State sales tax generated within the City. Starting July 1, 2013, an additional .3% was collected that is dedicated to statewide transportation projects. This was approved by the General Assembly during their 2013 session. Growth in this revenue has been positive the past few years however, due to continued strong performance FY 19 projections have been revised to show a 2.0% increase from the original budget projections. Staff continues to keep an eye on this revenue trend because while FY 18 may have trended down from FY 17, these revenues are beginning to show continued improvement in actual collections. **The Sales Tax rate is 5.3% for general sales purchases and 2.5% for non-prepared foods (implemented July 1, 2005).**

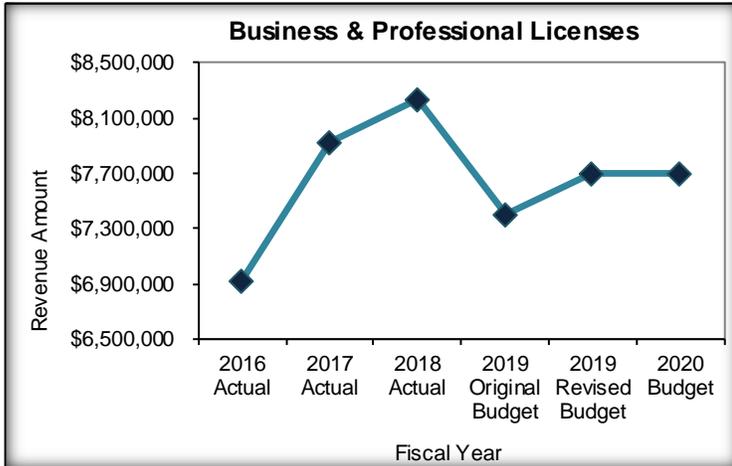


Meals Tax is assessed on the sales price of prepared food and beverages sold in the City. 1-cent of the tax rate is dedicated to the Debt Service Fund to pay off the future debt of bond issuances used to pay for capital projects. The remaining is dedicated to the General Fund. Between FY 11 and FY 18, this tax has shown consistent growth. FY19 revised budget projections are showing a 3.2% increase from the original budget projections, and even before the proposed tax rate increase revenues in FY 20 were expected to increase to \$12.1 million. **The FY 20 tax rate is proposed to be increased from 5% to 6%.**

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 20 Personal Property Tax revenue is projected to increase by 7.8% from the FY 19 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 proposed tax rate for FY 20 is unchanged at \$4.20 per \$100 of assessed value.**

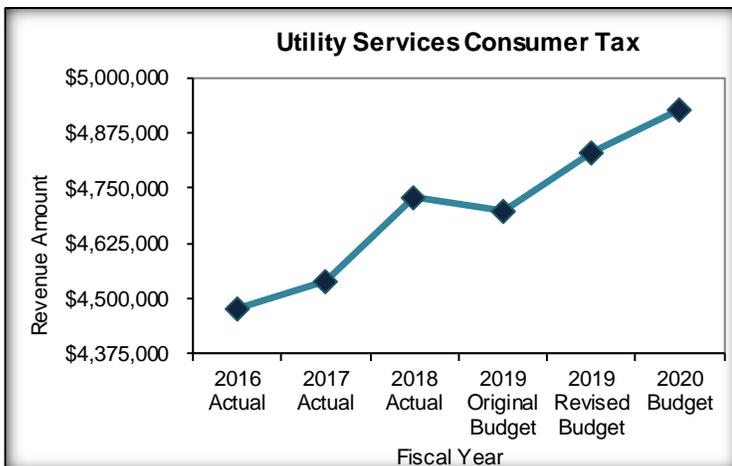
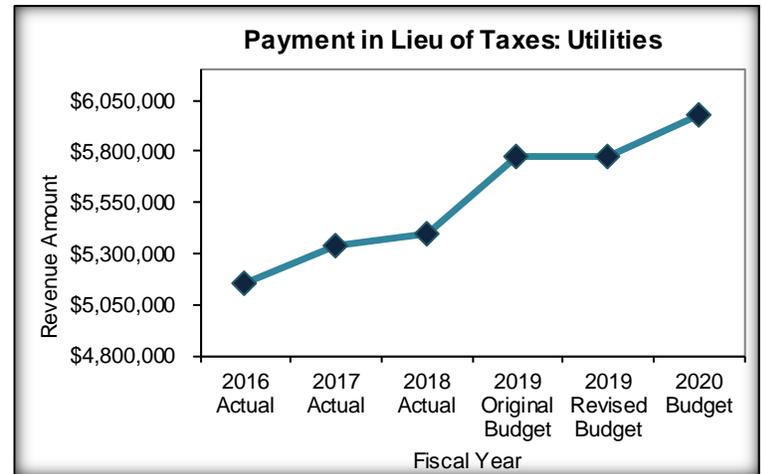


State Assistance consists of four major revenue items: **Constitutional Officer Reimbursement**, which is determined by the State Compensation Board on an annual basis for the elected official offices, including the Treasurer, Commissioner of Revenue, Sheriff, Clerk of the Circuit Court, and Commonwealth's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

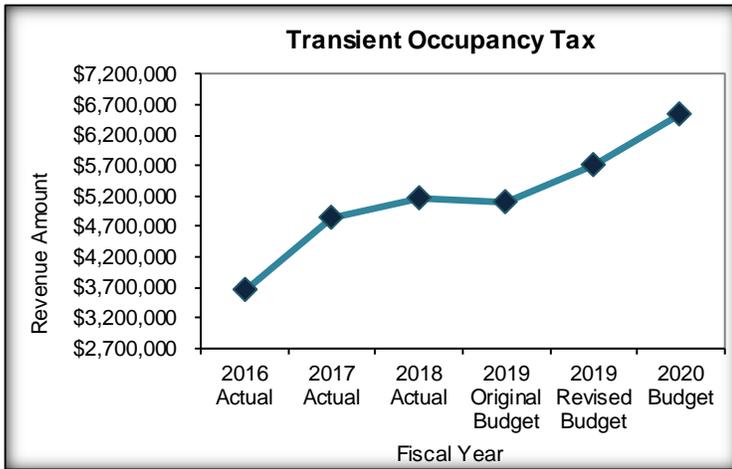


Licenses and Permits are a category of revenues collected from permits and privilege fees required by the City. The largest of these sources is the **Business and Professional Licenses**, which is a local license fees on the privilege of doing business within the City. These fees are based on the gross receipts of the business applying for the license. Business and Professional Licenses are estimated to bring in \$7.7 million in FY 20, which represents a 4.1% increase from the FY 19 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 20, this revenue item is estimated to generate approximately \$5.97 million in revenue, a 3.5% increase from the FY 19 original budgeted figure.

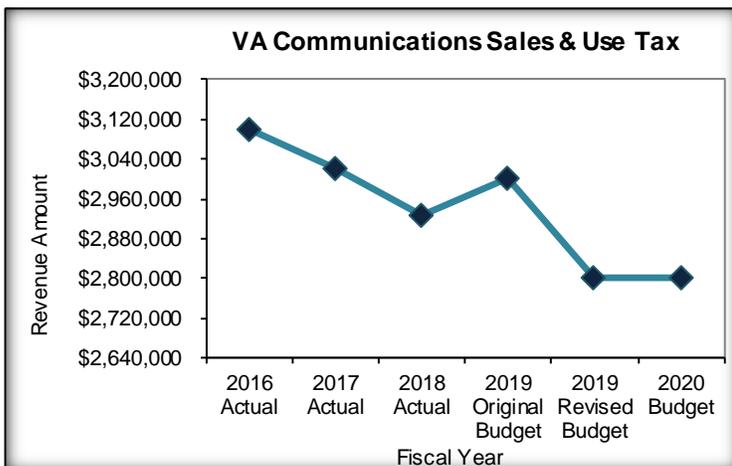
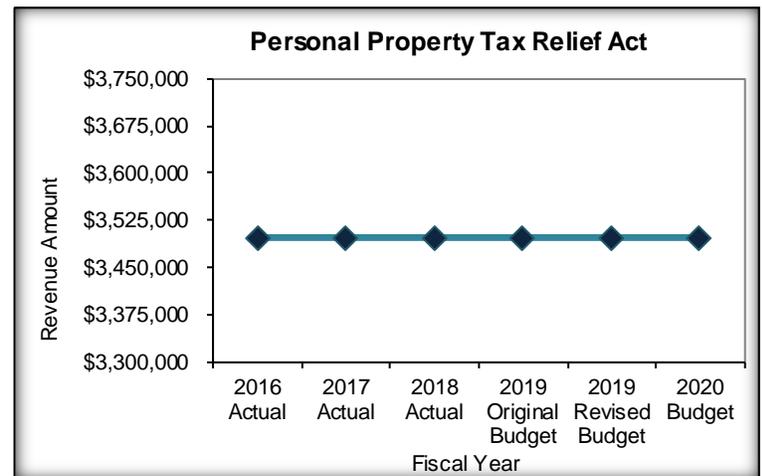


The **Utility Services Consumer Tax** is collected on the sale of goods and services from the following utility services: electric service, gas service, and water service. Beginning in January 2007, Telephone and Cable taxes previously recorded under Utility Taxes were rolled into a new revenue stream called the Virginia Communications Sales and Use Tax. For FY 20, revenue from these taxes is projected to increase by 2.0% from the FY19 estimates.

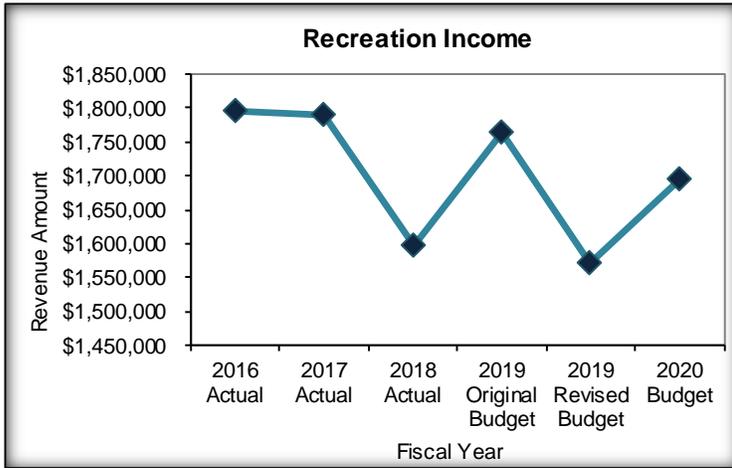


Transient Occupancy Tax, often called the lodging tax, consists of taxes assessed on the use of rooms in hotels, motels, and boarding houses. The actual revenue collected in FY 17 was an increase of over \$1.18 million (32.3%) from the prior fiscal year. This is due to several factors: 1) In the Adopted 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 20, this strong performance is expected to continue and the Transient Room tax was projected to see a 12.1% increase from the FY 19 original budget projections before the tax rate increase. **The FY 20 tax rate is proposed to be increased from 7% to 8%.**

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.

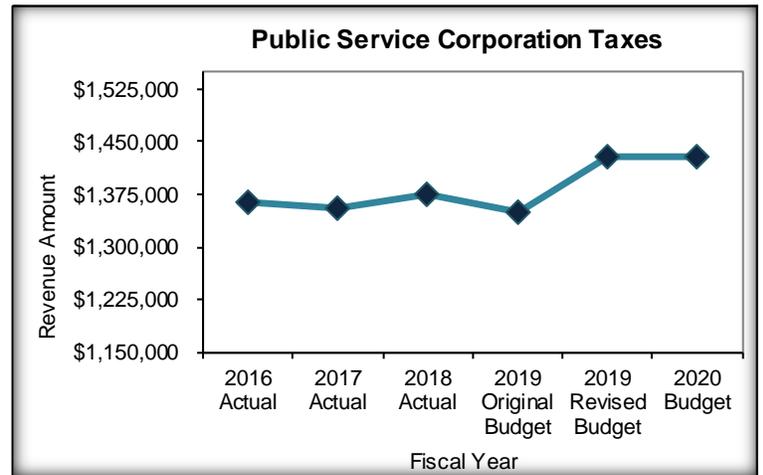


Effective January 2007, the consumer tax on telephone service, the E-911 service tax, the tax on Cable service, and the Cable Franchise fee were rolled into one revenue stream called the **Virginia Communications Sales & Use Tax**. The tax is levied in the amount of 5% of the sales price of each communications 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 by approximately 6.7%. 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 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 such as computer equipment, furniture and office equipment, and central office equipment owned by railroads, utilities, pipelines, and other businesses required to register with the State Corporation Commission. The FY 19 budgeted amount for these revenues are expected to remain level from the FY 18 original budget.



Proposed Tax and Fee Rates (Including Legal Caps)

	Proposed Fiscal Year 2019-2020	Adopted Fiscal Year 2018-2019
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	6.0%	5.0%
	<i>58.1-3840 (no cap for City)</i>	
Transient Occupancy (Lodging) Tax	8.0%	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.

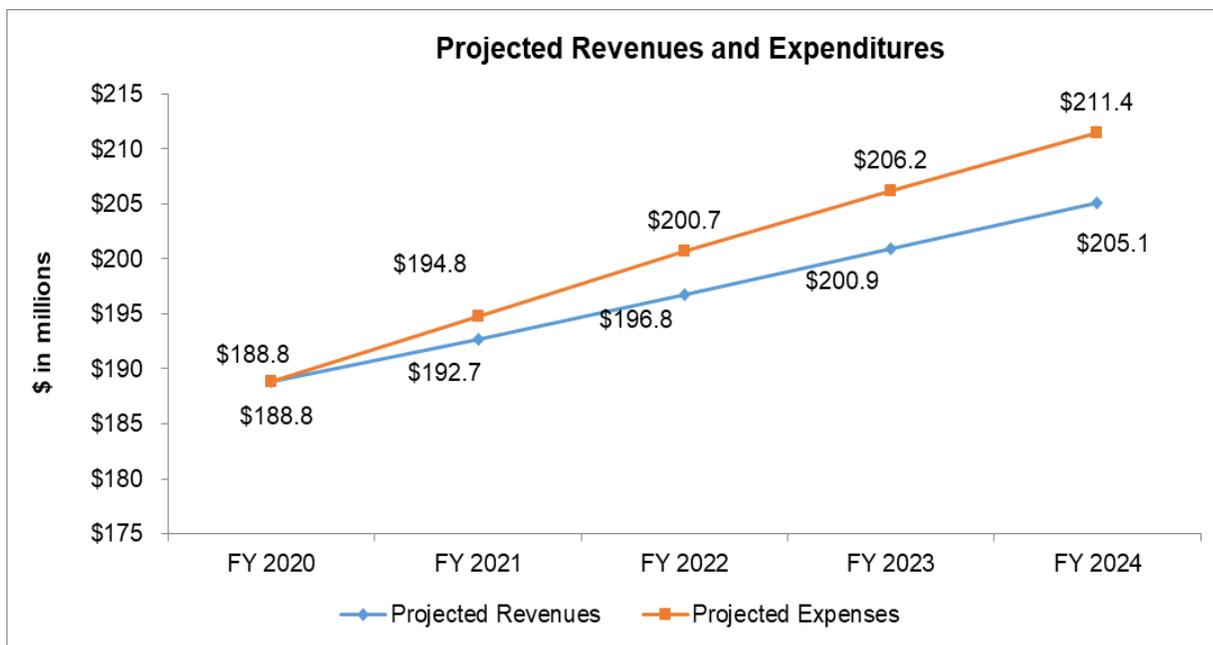
Long Term Revenue and Expenditure Planning and Forecasts

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 20 is showing revenue and expenditure growth in the General Fund, largely due to proposed tax increases for both meals and lodging tax, increased cash contribution to the Capital Projects fund for affordable housing and employee compensation. Real Estate Taxes are the largest revenue driver, contributing a \$5.1 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 20 will also see an increase in funding for debt service payments 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 20 to FY 24 in the General Fund.



Major Revenue Sources

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
	<u>Budget</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Real Estate Tax	\$ 73,337,625	\$ 75,537,754	\$ 77,803,886	\$ 80,138,003	\$ 82,542,143
% change	7.4%	3.0%	3.0%	3.0%	3.0%
City County Revenue Sharing	\$ 14,199,607	\$ 14,483,599	\$ 14,773,271	\$ 15,068,737	\$ 15,370,111
% change	-9.5%	2.0%	2.0%	2.0%	2.0%
Meals Tax	\$ 14,932,800	\$ 15,231,456	\$ 15,536,085	\$ 15,846,807	\$ 16,163,743
% change	26.1%	2.0%	2.0%	2.0%	2.0%
Sales and Use Tax	\$ 12,000,000	\$ 12,120,000	\$ 12,241,200	\$ 12,363,612	\$ 12,487,248
% change	2.9%	1.0%	1.0%	1.0%	1.0%
Personal Property Tax	\$ 9,300,000	\$ 9,486,000	\$ 9,675,720	\$ 9,869,234	\$ 10,066,619
% change	7.8%	2.0%	2.0%	2.0%	2.0%
Business Licenses	\$ 7,700,000	\$ 7,854,000	\$ 8,011,080	\$ 8,171,302	\$ 8,334,728
% change	4.1%	2.0%	2.0%	2.0%	2.0%
Transient Occupancy Tax	\$ 6,535,753	\$ 6,666,468	\$ 6,799,797	\$ 6,935,793	\$ 7,074,509
% change	28.2%	2.0%	2.0%	2.0%	2.0%
Utility Tax	\$ 4,925,600	\$ 5,024,112	\$ 5,124,594	\$ 5,227,086	\$ 5,331,628
% change	4.8%	2.0%	2.0%	2.0%	2.0%
Other Revenues	\$ 45,868,986	\$ 46,327,676	\$ 46,790,953	\$ 47,258,862	\$ 47,731,451
	-1.2%	1.0%	1.0%	1.0%	1.0%
Total Revenues	\$ 188,800,371	\$ 192,731,065	\$ 196,756,587	\$ 200,879,436	\$ 205,102,180
% change	5.0%	2.1%	2.1%	2.1%	2.1%

Major Expenditure Sources

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
	<u>Budget</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Local Contribution to Schools	\$ 57,366,623	\$ 58,321,075	\$ 59,303,416	\$ 60,314,468	\$ 61,355,078
% change	6.2%	1.7%	1.7%	1.7%	1.7%
Employee Salaries and Benefits*	\$ 57,716,438	\$ 60,313,678	\$ 62,726,225	\$ 64,921,643	\$ 66,869,292
% change	5.9%	4.5%	4.0%	3.5%	3.0%
Health Care +	\$ 5,766,163	\$ 6,140,964	\$ 6,509,421	\$ 6,867,440	\$ 7,210,812
% change	0.7%	6.5%	6.0%	5.5%	5.0%
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	\$ 11,899,588	\$ 12,724,476	\$ 13,549,613	\$ 14,375,001	\$ 15,200,643
% change	8.9%	6.9%	6.5%	6.1%	6.1%
Transfer to Capital Improvement Program	\$ 6,713,164	\$ 6,975,164	\$ 7,225,164	\$ 7,475,164	\$ 7,725,164
% change	24.9%	3.9%	3.6%	3.5%	3.3%
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	\$ 32,970,524	\$ 33,465,082	\$ 33,967,058	\$ 34,476,564	\$ 34,993,712
	-15.4%	1.5%	1.5%	1.5%	1.5%
Total Expenditures	\$ 188,800,371	\$ 194,789,255	\$ 200,680,191	\$ 206,161,559	\$ 211,424,606
% change	5.0%	3.2%	3.0%	2.7%	2.6%

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

FY 2020 - 2024 Revenue Projections

These revenue sources comprise approximately 76% of the General Fund budget in FY 20:

Real Estate Tax: Real Estate assessments have increased in each of the last five assessment cycles, and the tax revenue is anticipated to increase approximately 7.4% for FY 20. Staff anticipates this rate of increase to be moderate in the future.

City/County Revenue Sharing: In FY 20 this will decrease by approximately \$1,496,753 over FY 19, 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 19 revenues are up 2.74% through the first six months of the fiscal year. For FY 20, staff is recommending a rate increase of 1% from 5% to 6%. The tax increase is estimated to provide an additional \$2.5M in revenue.

Sales and Use Tax: Retail development remains strong in the City, and for FY 20, staff is predicting 2.89% growth (when compared to FY 19 adopted 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 19, and a 4.05% increase is projected for FY 20. Future years show a 2% growth due to continued economic growth in the City.

Transient Occupancy Tax: The lodging tax revenue continues to show real growth as new hotels come online. For FY 20 staff is recommending a rate increase of 1% which would take the rate from 7% to 8%. The tax increase is projected to provide an additional \$816,969 in revenue. Current projections which include the proposed tax increase and expected growth account for a 28.2% increase in FY 20. Growth in the future years show 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 20. This is driven most notably by weather and therefore, mild weather means the City collects less revenue.

FY 2020 - FY 2024 Expenditure Projections

These expenditure categories comprise approximately 83% of the General Fund budget in FY 20:

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 20 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 20, this figure also includes a mid-year pay adjustment given to all sworn police positions in FY 19. 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% we are gradually lowering the projection to more realistically reflect the cost burden to the City. If costs continue to rise in future years, sustainability strategies will be put in place to help reduce costs either by making plan changes or requiring a greater cost share with employees. With the continued general uncertainty regarding national health care policies, departmental healthcare budgets will remain flat but for FY 20. However, because in FY 19, we continue to see lower than expected payouts for claims a lump sum savings of \$400,000 has been included in the FY 20 budget to better reflect of the savings currently being experienced.

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 20 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 20 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.

