



CITY OF CHARLOTTESVILLE

OPERATING & CAPITAL IMPROVEMENT

**BUDGET**

**ADOPTED FISCAL YEAR 2025/2026**



To be a place where everyone thrives.

[www.charlottesville.gov/budget](http://www.charlottesville.gov/budget)

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# Budget Work Session

January 30, 2025



# Agenda

- Budget Guidelines and Financial Policies
- First Glance at FY 2026 Revenue Projections
- Budget Drivers
- Tax Rate Discussion and Advertisement



# Budget Guidelines

1. Review major local tax rates annually
2. Develop operational budgets within projected available revenues
3. Provide sufficient funding to staff operations to meet the priorities of management and Council
4. Incorporate the Council's Strategic Plan Outcome Areas
5. Allocate at least 40% of new City real estate and property tax revenue to schools
6. Invest strategically in employees by providing adequate pay and benefits
7. Continue to conduct and fund outside non-profit agencies through the Vibrant Community Fund process
8. Continue to develop and fund Intergovernmental & Fundamental Agreements that support the indirect operations of the local jurisdiction through designated allocations
9. Transfer at least 3% of general fund expenditures to the Capital Improvement Fund (CIP)



# Financial Policies

1. **Maintain a minimum General Fund balance of at least 14% of General Fund budget.** This policy provides the City with sufficient working capital and a margin of financial safety to address unforeseen, one-time expenditure emergencies or significant unforeseen declines in revenues in a specific fiscal year. In the event of a drawdown, the reserve must be replenished to the 14% level within three years.
2. **Maintain a minimum Downturn Reserve Fund balance of no less than 3% of General Fund budget.** Drawdown of this reserve can occur in the event that revenues decline by more than 1.5% of current fiscal year estimate and will be limited to less than half of the balance of the Downturn Reserve Fund. In the event of a drawdown, the reserve must be replenished to the 3% level within three years.
3. **Maintain sufficient working capital in the utility funds (Water, Wastewater, Gas, Stormwater).**



## Financial Policies (cont'd)

4. **Stabilize all non-general funds by ensuring they have a positive fund balance.**
5. **Debt service as a percentage of the general fund total expenditure budget has a ceiling of 10%, with a target of 9%.** In calculating compliance with this ratio, the City will exclude debt serviced by dedicated revenues, i.e. self-supporting debt.
6. **Transfer an amount equivalent to 1 percent of the meals tax rate to the Debt Service Fund**



# FY 2026 Revenues – First Glance

	FY 2025 Adopted Budget	FY 2026 Proposed	\$ Change	FY 2025 Revised*
<b>Local Taxes</b>				
Real Estate Tax - <i>Still Under Review</i>	\$ 108,438,706	\$ 116,421,750	\$ 7,983,044	\$ 110,638,044
Personal Property Tax - <i>Still Under Review</i>	13,304,762	13,910,607	605,845	13,910,607
Penalty/Interest on Delinquent Taxes	850,000	900,000	50,000	880,000
Public Service Tax	1,746,954	1,961,548	214,594	1,961,548
Utility Taxes	4,700,000	4,800,000	100,000	4,800,000
Virginia Communications Sales and Use Tax	2,082,500	2,082,500	-	2,082,500
Tax on Bank Stock	1,171,353	1,171,353	-	1,171,353
Tax on Wills & Deeds	550,000	600,000	50,000	600,000
<b>Sales &amp; Use Tax</b>	<b>15,810,000</b>	<b>14,500,000</b>	<b>(1,310,000)</b>	<b>14,000,000</b>
Rolling Stock Tax	18,040	17,000	(1,040)	18,040
<b>Transient Occupancy Tax</b>	<b>9,562,500</b>	<b>9,100,000</b>	<b>(462,500)</b>	<b>9,100,000</b>
<b>Meals Tax</b>	<b>18,217,044</b>	<b>18,200,000</b>	<b>(17,044)</b>	<b>18,100,000</b>
Short-Term Rental	60,000	61,000	1,000	61,000
Cigarette Tax	<b>550,000</b>	<b>450,000</b>	<b>(100,000)</b>	450,000
Vehicle Daily Rental Tax	135,000	135,000	-	135,000
Plastic Bag Tax	<b>100,000</b>	<b>70,000</b>	<b>(30,000)</b>	70,000
Total	\$ 177,296,859	\$ 184,380,758	\$ 7,083,899	177,978,092



# FY 2026 Revenues – First Glance

	<u>FY 2025</u> <u>Adopted Budget</u>	<u>FY 2026</u> <u>Proposed</u>	<u>\$ Change</u>	<u>FY 2025</u> <u>Revised*</u>
<b><u>Licenses and Permits</u></b>				
Business & Professional Licenses	\$ 10,100,000	\$ 10,100,000	\$ -	\$ 10,100,000
Building and Related Permits	855,000	912,000	57,000	1,570,000
Other Permits and Licenses	306,000	245,100	(60,900)	276,000
Total	<u>\$ 11,261,000</u>	<u>\$ 11,257,100</u>	<u>\$ (3,900)</u>	<u>11,946,000</u>
<b><u>Intergovernmental Revenue</u></b>				
PPTRA Revenue (State Personal Property Tax)	\$ 3,498,256	\$ 3,498,256	\$ -	\$ 3,498,256
State Highway Assistance	5,591,341	5,742,410	151,069	5,629,814
Reimbursement/Constitutional Offices	2,453,159	2,430,032	(23,127)	2,453,159
State Aid for Police Protection	2,640,188	2,734,706	94,518	2,681,084
Other Intergovernmental Revenue	636,525	745,272	108,747	725,790
City-County Revenue Sharing Agreement	9,640,199	11,083,437	1,443,238	9,640,199
Total	<u>\$ 24,459,668</u>	<u>\$ 26,234,113</u>	<u>\$ 1,774,445</u>	<u>24,628,302</u>



# FY 2026 Revenues – First Glance

	<u>FY 2025 Adopted Budget</u>	<u>FY 2026 Proposed</u>	<u>\$ Change</u>	<u>FY 2025 Revised*</u>
<b><u>Charges for Service</u></b>				
Recreation Income	\$ 1,189,113	\$ 1,200,000	\$ 10,887	\$ 1,200,000
EMS Billing Revenue	1,015,000	1,015,000	-	1,015,000
Payment in Lieu of Taxes	7,288,205	7,856,471	568,266	7,856,471
Reimbursable Overtime	395,000	559,400	164,400	559,400
Waste Disposal Fees	1,200,000	1,210,000	10,000	1,210,000
Other Charges for Services	2,027,199	2,012,818	(14,381)	2,027,202
Total	<u>\$ 13,114,517</u>	<u>\$ 13,853,689</u>	<u>\$ 739,172</u>	<u>13,868,073</u>
<b><u>Miscellaneous Revenues</u></b>				
Interest Income	\$ 3,000,000	\$ 2,700,000	\$ (300,000)	\$ 3,000,000
Rent	225,000	-	(225,000)	225,000
Other Miscellaneous Revenue	400,000	417,350	17,350	1,075,000
Total	<u>\$ 3,625,000</u>	<u>\$ 3,117,350</u>	<u>\$ (507,650)</u>	<u>4,300,000</u>



# FY 2026 Revenues – First Glance

	<u>FY 2025 Adopted Budget</u>	<u>FY 2026 Proposed</u>	<u>\$ Change</u>	<u>FY 2025 Revised*</u>
<b><u>Designated Revenues</u></b>				
Meals Tax Designated for the Debt Service Fund	\$ 3,036,174	\$ 3,000,000	\$ (36,174)	\$ 3,000,000
City-County Revenue Share - Transfer to the CIP	\$ 7,798,529	\$ 8,792,096	\$ 993,567	\$ 7,798,529
School Contracted Services	9,479,054	9,886,245	407,191	9,479,054
Total	<u>\$ 20,313,757</u>	<u>\$ 21,678,341</u>	<u>\$ 1,364,584</u>	<u>20,277,583</u>
			<b><u>\$ 10,450,550</u></b>	<b><u>\$ 2,927,249</u></b>
		<b>% Change</b>		<b>4.15%</b>

*\*Projected as of January 30, 2025*



# Expenditure Drivers

## Employee Compensation and Benefits

- *Collective Bargaining - \$4.5M*
  - ✓ *Police, Fire and Transit – contract year 2 - \$2.6M*
  - ✓ *Teamsters – contract year 1 - \$1.9M*
- *Unaffiliated Pay Adjustment - TBD*
- *City cost increase for employee benefits - \$900k*

## Schools – Local Contribution - **\$4.9M increase**

- *per 40% Formula - \$3.4M*

## Other Notable Drivers

- *Jail Renovation - \$1M increase*
- *Carlton Mobile Home Park - \$1.3M increase*
- *Debt Service - \$1.5M increase*



# Real Estate Tax Rate Advertisement

*First Tax Rate Public Hearing*

**March 17, 2025**

**6:30 PM**

\*Virginia Code Section 58.2-3321 which will set the date for a public hearing on the tax rate. This advertisement must be placed in the *Daily Progress* at least 7 days before the date of the public hearing.

**February 14<sup>th</sup>  
Proposed Budget Balanced**





## Important Budget Dates

### Work Sessions

March 6

March 13

March 27

April 10

### Public Hearings

March 17  
*(Tax Rates)*

April 7  
*(Budget)*

### Community Budget Forum

March 20

### Budget Adoption

April 14



# Questions and Discussion

[www.Charlottesville.gov/budget](http://www.Charlottesville.gov/budget)

