



CITY OF CHARLOTTESVILLE

To be a place where everyone thrives

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March 2, 2026

Mayor and Members of City Council
City Hall
Charlottesville, VA 22902

Honorable Juandiego Wade, Mayor
Honorable Natalie Oschrin, Vice Mayor
Honorable Jen Fleisher, Council Member
Honorable Michael Payne, Council Member
Honorable Lloyd Snook, Esq., Council Member

Dear Mayor Wade and Members of City Council:

Today I present to the Charlottesville City Council (Council) a proposed budget for the fiscal year beginning July 1, 2026. As stated in Section 19 of the City Charter, this is a requirement for the City Manager.

Over the past few weeks, I have sought to confirm the priorities councilors expect to see reflected in this budget. That process revealed a commitment to including some increased expenditures that would cause the budget to not balance without additional revenues or more significant cuts to expenditures. To resolve the pressure, the budget does incorporate a \$0.02/\$100 real estate tax increase as indicated by Council priorities in this budget. This increase accounts produces an additional \$2.6M. The revised proposed General Fund revenue and expenditure estimates both total \$279,643,398 which represents a total increase of 5.43% or \$14.4 million over the FY26 Budget.

The tax rates proposed are as follows:

Lodging Tax Rate: 9.0% - **No Change**

Meals Tax Rate: 7.0% - **No Change**

Personal Property Tax Rate: \$4.40/\$100 – **No Change**

Real Estate Tax Rate: an **increase of \$0.02** going from \$0.98/\$100 to \$1.00/\$100

This budget serves to implement Council’s vision for the City of Charlottesville: *To be a place where everyone thrives*. Reflected in this budget are investments and programming that illustrate Council’s Commitment to Community Prosperity and goals that emphasize a focus on engaging the public, collaborating internally, and delivering and reporting success of the local government regularly.

There are larger investments during each budget cycle and this core set of priorities are described as Budget Drivers. While all investments are critical, these significant allocations stand out. The FY27 Budget Drivers are:

1. Support for Schools
2. Transforming Transportation
3. Investing in Housing Affordability

These budget drivers are among the Strategic Outcome Areas identified by Council and reflect the *what* and *how* this local government will work to impact the lives of its residents. This budget has integrated the other priorities and therefore, the hope is Council will see the same and resist any significant adjustments to a tightly crafted budget.

The City of Charlottesville (the City) continues to experience positive economic factors. As of January 2026, the City unemployment rate was 2.9%. The City continues to outpace both the state (3.6%) and federal (4.4%) trends, thus demonstrating that our local economy remains strong. The City’s tax base is split 40% Commercial to 60% Residential with 1,748 commercial properties and 13,472 residential properties.

The 2026 real estate assessments identify the following results:

- \$548,762 Average Value of Residential Property
- 4.74% Increased Residential Assessment
- 2.29% Increased Commercial Assessment
- 6.65% Annual Rate of Appreciation Over 10 Years
- Citywide Retail Vacancy Rate is 4.43% while the Downtown Area is 4.17%

Sales, meals, and lodging taxes slowed multiple months in 2025, but a recovery was noticed in December and continues into 2026. The projections have been adjusted during both periods as the revenue projections are meant to inform the budgeting process through adoption and would be the basis for a budget amendment should things change in a sustained manner.

The Budget is a financial spending plan for the City government, within a one-year span of time (“fiscal year”). The City’s Charter requires a balanced budget (i.e., the total proposed General Fund expenditures – including capital expenditures – cannot exceed the total estimated general fund income for the ensuing fiscal year). Council must not only approve a budget for each fiscal year, but they must formally “appropriate” City revenues to be expended in accordance with the budget. Also specified in Section 19 of the City Charter, Council must act by approving an Annual Appropriation Ordinance. Local taxes must be levied in an amount necessary to meet the appropriation.

The City Manager's Proposed Budget for Fiscal Year 2027 is balanced.

Balancing the Budget

The budget includes \$6.29 million in base budget increases for City offices and departments, a 4.97% rise over FY26. Increases in personnel costs make up \$3.86 million or 61.37% of the total increase. Departments also submitted more than \$3.0 million in new requests.

The FY27 budget anticipates a continued level of staff vacancies and therefore incorporates the associated cost savings directly into the budget. A total of \$4.7 million in vacancy savings has been built into the base spending plan, removing these funds as a potential source of year-end surplus. This approach relies on disciplined management and reflects a deliberate and meaningful reduction in General Fund expenditures.

Revenue Projections

Real Estate Taxes – this budget reflects a \$0.02 increase in the real estate tax rate at \$1.00 per 100 dollars of assessed value. Based on the new rate, the projected revenue increase for real estate tax revenue is \$6.4 million in new revenue over FY26 .

Meals Tax – this budget maintains the current meals tax rate at 7.0%. The revenue increase for meals tax revenue is projected to produce \$22.6 million representing \$1.4 million in new revenue for FY27.

Lodging Tax – this budget maintains the lodging tax rate at 9%. The revenue increase for transient occupancy lodging tax revenue is projected to produce \$9.7 million representing \$565,448 in new revenue for FY27.

Sales and Use Tax has experienced some volatility from month to month in the current year but is projected to produce \$15.7 million in FY27 representing \$1.2 million in new revenue for FY27.

Other Revenues

Personal Property Tax revenue is budgeted to increase by \$200,000 or 1.33% based mostly on high valuations for motor vehicles.

Business Licenses Taxes revenue is currently projected to remain flat with no increase projected in FY 27. The revenue projection amounts to a healthy \$10.8 million figure.

Public Service Corporation Tax is projected to increase 4.4% or \$86,716 over prior year. The revenue projection amounts to \$2 million.

Cigarette Tax collections are projected to be level at \$450,000. This is outside of any control as human behavior dictates these results and the tax is intended to reduce tobacco usage.

City/County Revenue Sharing revenue is budgeted at \$21,880,000 and represents a \$1.7 million or 8.5% increase over the FY26. This revenue is based on a formula per the terms of the revenue sharing agreement with Albemarle County which was first enacted in 1982. The formula is based in part on the total real estate assessments of both localities.

Major Operational and Capital Expenditures

The investments through this budget are the foundation for the provision of high quality City services. This proposed budget prioritizes the fair and equitable employment practices of the City government through collective bargaining and compensating a professional workforce. The budget addresses Council's priorities and strives to support the realization of Council's vision of Charlottesville being a place where everyone thrives.

The FY2027 Proposed Budget invests in many of Council's priorities as follows:

Education

Charlottesville supports a broad and well-integrated set of educational opportunities that includes Charlottesville City Schools (CCS), other youth serving organizations, career technical education (CTE) providers, and Piedmont Virginia Community College (PVCC).

Per Va. Code §§ 22.1-94 and 22.1-115 the amount appropriated for public schools may be a specified total [bottom line] amount, or Council may elect to segregate its school appropriation into the following major classifications: (i) instruction, (ii) administration, (iii) pupil transportation, (iv) operation and maintenance, (v) school food services and other noninstructional operations, (vi) facilities, (vii) debt and fund transfers, (viii) technology, and (ix) contingency reserves. Over the years, Council has always elected to appropriate a specified total [bottom line] amount to the schools during the annual budget process.

Operating Support

Council continues to maintain a strong commitment to Charlottesville City Schools (CCS). This budget provides the requested \$2.6 million in increased operating support.

This operating increase includes the addition of \$362,847 in increased expenditures for pupil transportation and school building maintenance services.

CCS Board and Superintendent submitted an FY27 Budget of \$129,377,481 which reflects an increase of 3.15% (\$4,076,114). The budget includes the system's second of two collective bargaining agreements; the new contract is with support professional staff. The financial impact of both contracts for FY27 is \$3.8M and more than \$13 million over three years.

Capital Improvement Planning

Through the City's Capital Improvement Program (CIP):

- The FY27 budget provides \$7 million to continue priority capital improvement initiatives as chosen by schools leadership. This budget maintains \$1.4 million per year in an unallocated fund that the schools leadership manages in partnership with city capital development staff.
- The FY27 budget includes \$1.3 million per year in a lump sum contribution to CCS for a total of \$6.5 million in ongoing maintenance and improvements.
- The five-year CIP was revised to allocate \$1.25 million for City Schools HVAC Repair for a total of \$6.25 million at address this critical building maintenance on a rolling schedule.
- A total of \$55.25 million is allocated in the 5-year CIP for school-related projects.
- Charlottesville Middle School (Formerly Buford Middle School) construction continues with a completion and full reopening at the start of the FY26-27 school year.
- Walker Pre-K Center is in design and with an expected opening during the 2029-30 School Year.

During the annual joint work session, it was noted that a deeper conversation is warranted for developing a comprehensive agreement to fully outline the multiple contracted service relationships – facilities development, facilities maintenance, parks & recreation, safe routes to schools, and pupil transportation – that exist between the City and schools. It was also noted that questions on operations commitments, budget allocations, capital planning, and the need for broader school facilities should also be a part of the more complicated and possibly controversial discussions that should strive to set this relationship for years to come.

Transportation

Charlottesville provides a regional transportation system that increases mobility options and is reliable and affordable to all.

This budget reflects a significant new investment in transit with the addition of 10 additional drivers, 5 support staff for enhanced operations, and the absorption of the collective bargaining contract increase and offset for zero-fare continuing. This is a \$2.2 million additional investment in CAT for FY27, with the county contributing its share of \$3.1 million and the city contributing \$6.1 million towards the total FY27 CAT budget of \$16.77 million. In addition, Council has committed to an annual increased investment for the next four years to realize the optimization study results which provide 30 minute service across the system and sustains 15 minute service on the Downtown Trolley and peak hours for the highest ridership routes.

This budget continues the creation of New Sidewalks through a new effort launched last year with increased allocations in the 5-year CIP totalling \$11.6 million dollars to prioritize the recommendations of the City's Transportation Planning Manager. These funds will be deployed to deliver three tiers of projects from shovel ready construction to plan and design.

This budget provides \$1 million for the local match required to replace CAT buses as scheduled. The first two battery-electric buses (BEB) have been ordered and the next two will be ordered as this budget is being adopted. This is the pilot transition approved previously by council. CAT has added charging infrastructure to support the new electric buses for both pupil and public transit services.

This budget increases right of way acquisition resources to support the addition and enhancement of bus shelters across the system.

Affordable Housing

Charlottesville defines access to livable housing as a human right and works to ensure housing choices and mobility are provided for all who seek it through implementation of the Affordable Housing Plan.

This budget includes \$11.5 million in FY2027, and over \$41.6 million in the five-year capital program for multiple affordable housing initiatives.

There is continued funding for competitive applications to the Charlottesville Affordable Housing Fund (CAHF) and Housing Opportunity Program Support and to support the continuation of the Charlottesville Supplemental Rental Assistance Program (CSRAP) to support low-income households maintain affordability of rental units in the region.

The annual debt payments for the acquisition of Carlton Mobile Home Park were adjusted to accurately reflect the payment schedule. While no new funds were added to the CIP, the annual payments will continue through FY30.

A \$250,000 annual payment originally planned for FY27–FY30 CIP was adjusted to FY28-FY31 with the intent to offset lost revenue to the Salvation Army should they convert their Cherry Avenue Thrift Store to homeless shelter facility for families.

An annual subsidy of \$500,000 is allocated in this budget to support the operations of a low barrier shelter. In FY26 the funds were redistributed to support other sheltering priorities while the work to vision a one stop shelter facility was being developed. If the new facility is not opened in the fiscal year, the funds will be alternatively used to support the needs of the unhoused population.

The Blue Ridge Area Coalition will continue to receive an annual operating grant of \$250,000. These funds are to support the lead agency in its efforts to interrupt homelessness and serve the critical needs of the unhoused residing in Charlottesville city limits.

The City's Rental and Tax Relief programs have been increased by \$290,000 to offset the impact of the increased residential tax assessment.

Other Budget Priorities

Public Safety

Charlottesville provides comprehensive, trusted public safety services and treats everyone with respect and dignity.

ANCHOR (Assistant with Navigation, Crisis Help, and Outreach Resources), the City's co-response team launched in July 2024 and will be extended two additional years by funding provided in this budget. Both recurring funds and one-time surplus dollars will be deployed to further expand the services offered by this collaborative group of police officers, firefighters, and mental health professionals who work together to respond to calls involving individuals experiencing behavioral health crises.

Significant operational increases for ACRJ (Albemarle-Charlottesville Regional Jail), Region Ten and the Charlottesville Albemarle SPCA have been integrated into this budget.

Organizational Excellence

Charlottesville's well-trained and dedicated staff deliver excellent services to the community.

Collective Bargaining

Council adopted a Collective Bargaining Ordinance in 2022, authorizing the designation of up to six distinct bargaining units. The first three bargaining units, covering eligible employees in the Charlottesville Police Department (CPD), Charlottesville Fire Department (CFD), and Charlottesville Area Transit (CAT), have contracts that took effect on July 1, 2024. The fourth bargaining unit, Labor and Trades, which covers eligible employees in Public Works (PW), Public Utilities, Parks & Recreation (P&R), Police, has a contract that took effect on July 1, 2025. This budget reflects the following collective bargaining agreement impacts:

- CFD: Pay scale adjustment with anniversary date realignment (2.9%) + step increase (2%)
- CPD: Pay scale adjustment with anniversary date realignment (4%) + step increase (3%)
- CAT: Pay scale adjustment of 3-5% (based on position) + step increase for operators (2%)

- PW/P&R/Utilities/Miscellaneous Personnel: 2% step increase

A renegotiated Police collective bargaining agreement will go in effect on July 1, 2026 and is a three year contract ending in FY29. The Labor and Trades contract has three years remaining while the Fire and Transit contracts will be renegotiated for FY28. For FY27, the total budget impact of all four collective bargaining agreements is \$1.35 million with an estimated total budgetary impact of just over \$17 million between FY25 and FY29.

Unaffiliated Compensation

The City operates with two distinct categories of employees: affiliated (union) and unaffiliated (non-union). This budget includes funding to support a step increase (2%) and an additional payscale adjustment of 2% for all unaffiliated employees at a financial impact of \$2.8 million.

A 1 % COLA is also funded for retirees.

To maintain a strong healthcare program for employees, the contribution to the Healthcare Fund is increasing by \$1.84 million. As the City maintains a self-managed health plan portfolio, the required contributions vary annually and are based on usage and cost of services.

An increase of \$317,061 was also added to the Worker's Compensation Insurance Premiums Fund to keep up with activity.

Key Additional Investments

Operating Investments

\$14,000 to secure CONNECT Charlottesville, a cloud-based public engagement resource to support the prioritization of community engagement with reporting loops on the work of the local government.

\$15,000 to support the return of an Employee Engagement Program aimed at recognizing staff and building culture in the City as a place to work.

Key positions were added at a cost of \$510,000, The gain in personnel capacity includes the following positions:

1. Safe Routes to Schools Coordinator
2. Tax Specialist
3. Part-Time Police Officer for the Drug Court
4. ANCHOR Clinicians (2)

Capital Improvement Planning

- \$500,000 was added to the 5-year CIP to support remediation work with Dominion Power regarding the many ADA conflicts around the city. These funds will be used for right of way acquisitions to make pole relocation possible as accessibility is prioritized.

- \$2.5 million added to 5-year CIP to support the implementation of the Parks & Recreation Master Plan. Initial improvements are focused on existing parks facilities that prioritize safety and access.
- \$4.3 million added to the 5-year CIP to further support the Downtown Mall Tree Plan.
- \$1.2 million to replace the roof on the city-owned building that is home to the McGuffey Center. This is schedule for replacement in CY30.

General Fund Transfers to Debt Service and CIP

- The General Fund contribution to the Debt Service Fund is \$15.85 million. This transfer amount complies with the City’s financial policies including the policy to transfer the equivalent of \$0.01 of the total meals tax revenue. The funds are allocated to help pay the debt service costs required 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 \$8.4 million in FY 2027. Per the City’s financial policy, 3% of the total General Fund is used to fund the cash portion of the CIP.
- Council’s Strategic Initiatives Fund will increased by \$130,845 to provide Council with a total of \$500,000 for discretionary spending throughout the fiscal year.

Outside and Nonprofit Agency Partnerships

Charlottesville creates avenues for meaningful collaborations with partners and key stakeholders, such as the County, UVA, and nonprofits to magnify positive community outcomes.

For FY27, the Vibrant Community Fund (VCF) was funded with \$2.3 million to provide direct assistance to non-governmental organizations focused on Education and Youth, Public Health and Safety, Economic Impact and Jobs, and Arts and Culture.

Arts events are considered for funding by the City Manager who maintains a non-recurring discretionary fund support community enrichment activities that add to an overall high quality of life for all residents. The fund was initially started with \$500,000 from the FY23 surplus.

The City has a host of funding agreements with Intergovernmental (22) and Fundamental (9) organizations. These agencies/organizations submit annual funding requests to the Office of Budget and Grants Management. The applications are reviewed and staff recommendations are provided for consideration. The allocations are determined in the budget balancing process and some of the major changes are summarized below:

Intergovernmental

- Albemarle-Charlottesville Regional Jail (ACRJ) – \$719,764 increase
- Blue Ridge Regional Detention Center - \$178,689 decrease
- Blue Ridge Health District - \$58,385 increase
- Emergency Communications Center (ECC) - \$64,878 increase
- Region Ten - \$234,000 increase

- Jaunt – No increase
- Jefferson-Madison Regional Library (JMRL) – \$208,284 increase
- SPCA - \$137,589 increase
- Virginia Cooperative Extension - \$11,408 increase

Fundamental

- Charlottesville Free Clinic - \$4,860 increase
- Charlottesville Public Housing Association of Residents (PHAR) - \$57,000 increase
- Child Health Partnership - \$8,864 increase
- Foothills Advocacy Center - \$3,150 increase
- Shelter for Help in Emergency - \$8,568 increase
- BRACH – fundamental application level funded at \$250,000, overall decrease of \$150,714 because Council awarded additional funds in FY26 to help offset lost grant funds.
- CRHA - \$163,000 increase
- Jefferson African American Heritage Center - \$6,846 increase
- Offender Aid and Restoration (OAR) - \$101,957 increase

A synopsis of the proposed FY27 Budget will be published in The Daily Progress, and a public hearing will be conducted at the Community Budget Forum scheduled for March 19, 2026. After conclusion of the Budget Public Hearing, Council may add new items, increase/decrease, or strike out items of expenditure. At the end of Council's review of the proposed Budget, and any Council modifications, the total anticipated expenditures for FY27 may not exceed the total estimated revenues for the upcoming year.

Virginia Code 152-2504 requires the following documents/information to accompany the proposed Budget: (1) a statement of the contemplated revenue and disbursements, liabilities, reserves and surplus or deficit of the locality as of the date of the preparation of the budget; and (2) an itemized and complete financial balance sheet for the locality at the close of the last preceding fiscal year.

Outside of the proposed budget for FY27, the City maintains two one-time funding sources: the American Rescue Plan and the CIP Contingency Fund, the latter of which is supported by surplus funds in accordance with the City's financial policy. These funds are available to address any additional efforts prioritized by this local government and to mitigate financial impacts that would force an insolvent budget situation.

American Rescue Plan

The City will complete its reporting on the American Rescue Plan (ARP) funding received at the end of 2026. The Director of Finance will prepare and submit the final reports to document the expenditure of all funds expended according to the guidelines issued by the US Treasury. The \$18 million received has been used to support critical community priorities such as:

- \$3 million expansion of homeless shelter and services through The Salvation Army

- \$1 million direct community assistance programming through The Pathways Fund
- \$4 million public safety priorities:
 - Launching of Anchor, the City’s co-response model to de-escalate law enforcement contact while facing individuals in crisis
 - Priority equipment replacement and expansion for police and fire services
 - Critical recruitment and retention incentives to rebuild citywide capacity
- \$2 million public facility improvements to include schools and City building safety and security
- \$2 million internal services (cybersecurity, personnel & enterprise records management)

Fiscal Year End

The year-end audit for Fiscal Year 2025 identified a surplus of appropriations over expenditures by a total of \$8,502,178. In February 2026, Council, by Resolution, amended the City Budget adopted for Fiscal Year 2025 as a Year-End Appropriation. This balance was transferred to the CIP Contingency in alignment with the City’s fiscal practice of using surplus dollars to fund committed capital investment projects and other priority expenditures.

FedWatch

These remain as challenging times for every local government and Charlottesville is not immune. While we have seen a limited impact to financial operations, we remain concerned that the disruptions are still evolving. Measures have been taken to anticipate the potential impacts of any interruption of expected federal and state (federal oriented pass through) funding that may not materialize. It is important to ensure the least interruption of service. The primary concern is supporting the ability to retain all personnel, even those attached to grant-funded activities. The internal assessment to date produces a high degree of confidence the City government can weather changes it may face, but there is concern for the external pressure to cover the gaps non-governmental entities will face as unlikely and unsettling.

Budgeting requires discipline and careful planning. It is not a perfect science, it is more of an art of forecasting and anticipating the ebb and flow of local government. The City budget is complex with total funds exceeding \$500 million with a locally administered transportation infrastructure portfolio, a public transit system, and a gas utility embedded within its core operations. The responsible management of multiple budgets and a mature 5-Year Capital Improvement Program are the foundation of good government locally. The investments made through this budget will build a service-oriented infrastructure and deliver quality public service to meet and exceed the expectations of Council, City residents, visitors, and business and property owners.

I serve as City Manager for the City of Charlottesville with a commitment to lead with integrity, and I maintain a passion for all people and a discipline to responsibly manage the people’s money. I welcome the challenge that comes with this opportunity and I am pleased by the rewards that result from the work. This City has a talented team of professionals who are committed to serving our whole community and to positively impact their lives daily.

Sincerely,



Samuel Sanders, Jr.
City Manager