



CITY OF  
CHARLOTTESVILLE

STAY SAFE



OPERATING & CAPITAL IMPROVEMENT  
**BUDGET**  
PROPOSED FOR THE FISCAL YEAR  
**2023/2024**



STAY HEALTHY

STAY POSITIVE



February 2, 2023

# BUDGET WORK SESSION

## FY 2024 BUDGET DEVELOPMENT

# Agenda

---

- 1. Key Dates**
- 2. Budget Guidelines**
- 3. Financial Policies**
- 4. FY 24 Revenue Growth**
- 5. FY 24 Expenditure Drivers**
- 6. Council Budget Priorities**

**\*\* Note:** This document may be reproduced upon request in an alternative format by contacting the Budget Office at 434-970-3202 or by emailing [budget@charlottesville.gov](mailto:budget@charlottesville.gov).

# Key Dates

---

- **Feb 8**
  - Real Estate Tax Rate (and rollback rate) advertisement will be sent to paper for publication per State requirement that must occur 30 days before the real estate tax rate public hearing (publish on Feb 15)
  - Other changes to local taxes require a 7 day advertisement and separate public hearing
- **March 6** - Proposed City Operating and Capital Budget and Adopted School Budget Formally Presented to Council
- **March 20** - First Tax Rate Public Hearing
- **March 22** – First Budget Public Hearing
- **April 3** - Second Budget Public Hearing/Budget and Tax Levy First Reading
- **April 11** - Budget and Tax Levy Second Reading and Final Approval



# Scheduled Worksessions

---

- Mar 9**      **Budget Worksession #1**  
*(FY 24 Revenues & Expenditures)*
- Mar 16**     **Budget Worksession #2**  
*(Outside and Non Profit Agencies)*
- Mar 30**     **Budget Worksession #3**  
*(Capital Improvement Program)*
- Apr 6**      **Budget Worksession #4**  
*(Budget Wrap-up)*

[Link to detailed calendar](#)



# Budget Guidelines

---

1. Annually review major local tax rates.
2. Develop operational budgets within projected available revenues.
3. Incorporate the Council's Strategic Vision Areas and Strategic Plan Goals
4. Continue the strong commitment to education by allocating up to 40% of new City real estate and property tax revenue to schools.
5. Invest strategically in employees by providing adequate pay, benefits, training
6. Fund no new programs or major expansion of existing programs without fully offsetting revenues or reductions in expenditures.



# Budget Guidelines

---

7. Balance reinvestment in the City's existing infrastructure and facilities and creation of new opportunities for investing in the future of the City.
8. Conduct the Vibrant Community Fund process, to evaluate agency requests for program congruence with Council's strategic areas.
9. Transfer at least 3% of general fund expenditures to the Capital Improvement Fund (CIP).
10. **Budget a reserve for Council Strategic Initiatives.**
11. Budget a Fund Balance Target Adjustment pool of funds to help ensure that the City continues to meet the important financial policy of maintaining an unappropriated fund balance in the General Fund.



# Long-Term 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).**



# Long-Term Financial Policies

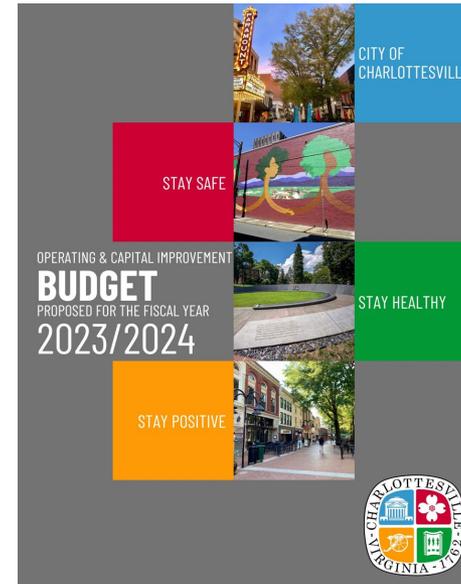
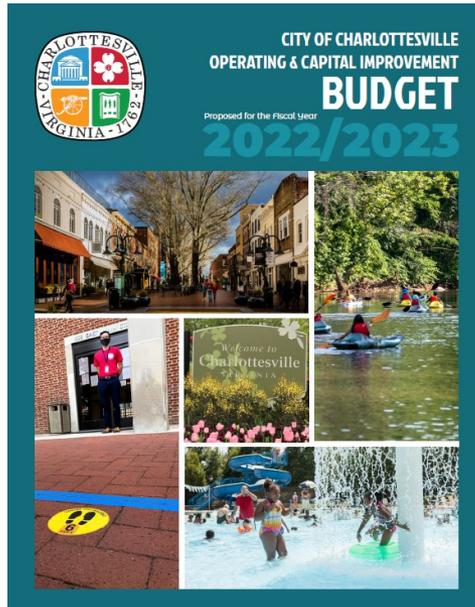
---



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 24 Revenue Growth



FY 2023 Adopted Budget  
\$212,889,991



FY 2024 Proposed Budget\*  
\$226,701,302



\$ Change  
\$13,945,943  
Increase



# FY 24 Projected Revenue

<u>Local Taxes</u>	FY 2023	FY 2024	\$ Change
	<u>Adopted Budget</u>	<u>Projection*</u>	
Real Estate Tax	\$ 89,487,993	\$ 99,403,417	\$ 9,915,424
Personal Property Tax	12,000,000	12,500,000	500,000
Public Service Tax	1,589,086	1,630,567	41,481
Utility Taxes	4,600,000	4,600,000	-
Virginia Communications Sales and Use Tax	2,125,000	2,125,000	-
Tax on Bank Stock	1,200,000	1,157,411	(42,589)
Tax on Wills & Deeds	725,000	725,000	-
Sales & Use Tax	13,900,000	14,400,000	500,000
Transient Room Tax	7,000,000	7,400,000	400,000
Meals Tax	14,075,026	15,000,000	924,974
Cigarette Tax	550,000	550,000	-
Vehicle Daily Rental Tax	82,500	170,000	87,500
Plastic Bag Tax	-	40,000	40,000



# FY 24 Projected Revenue

	FY 2023 <u>Adopted Budget</u>	FY 2024 <u>Projection*</u>	<u>\$ Change</u>
<b><u>Licenses and Permits</u></b>			
Business & Professional Licenses	\$ 8,700,000	\$ 8,700,000	-
Vehicle Licenses	\$ 890,000	\$ -	(890,000)
Building and Related Permits	\$ 1,330,000	\$ 949,000	(381,000)
Other Permits	\$ 150,000	\$ 216,000	66,000
<b><u>Intergovernmental Revenue</u></b>			
State Highway Assistance	\$ 4,263,654	\$ 4,645,517	381,863
Reimbursement/Constitutional Offices	\$ 1,755,297	\$ 1,961,537	206,240
State Aid for Police Protection	\$ 2,238,352	\$ 2,460,982	222,630
Other Intergovernmental Revenue	\$ 1,187,175	\$ 1,096,026	(91,149)
City-County Revenue Sharing Agreement	\$ 15,545,227	\$ 15,715,740	170,513



# FY 24 Projected Revenue

**Charges for Service**

Recreation Income	\$ 1,472,699	\$ 1,509,269	36,570
EMS Billing Revenue	\$ 900,000	\$ 765,000	(135,000)
Payment in Lieu of Taxes	\$ 6,268,888	\$ 6,746,568	477,680
Reimbursable Overtime	\$ 331,579	\$ 229,100	(102,479)

**Transfers from Other Funds**

Transfer from Parking Enterprise Fund	\$ 500,000	\$ -	(500,000)
---------------------------------------	------------	------	-----------

**Miscellaneous Revenues**

Interest Income	\$ 580,000	\$ 1,050,000	470,000
-----------------	------------	--------------	---------

**Designated Revenues**

Meals Tax Designated for the Debt Service Fund	\$ 2,564,974	\$ 2,727,272	162,298
School Contracted Services	\$ 7,806,634	\$ 9,291,621	1,484,987

<b>Total Change</b>	<b>\$13,945,943</b>
---------------------	---------------------

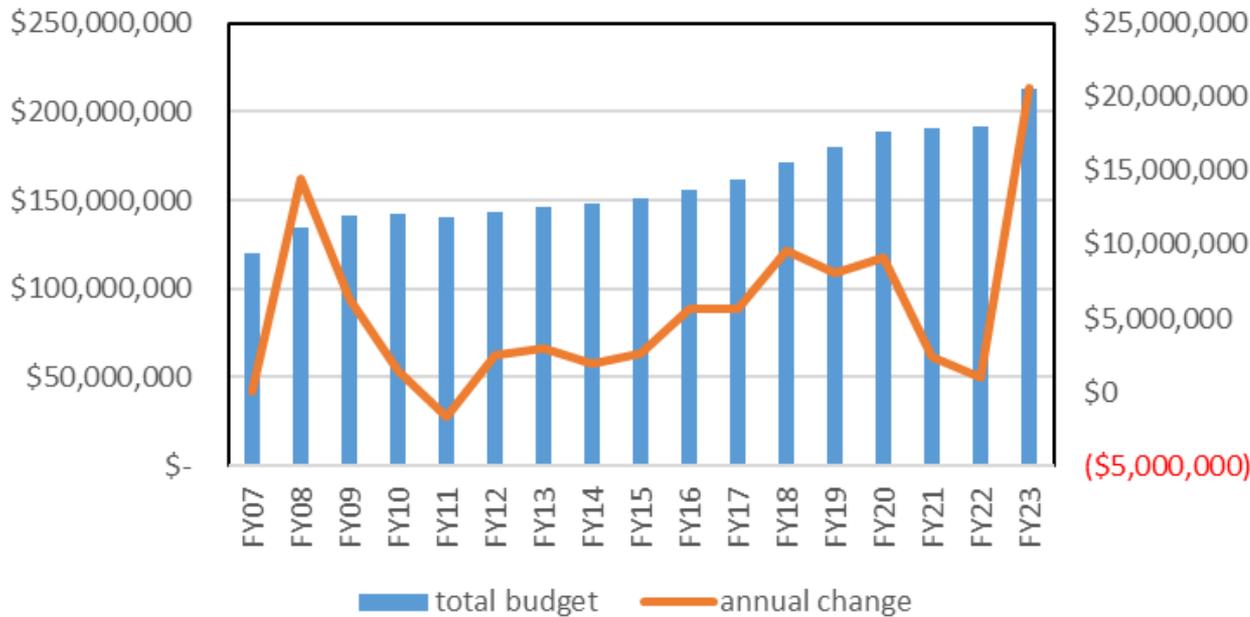
*\*Projected as of January 23, 2023*

<b>% Change</b>	<b>7.23%</b>
-----------------	--------------



# FY 24 Projected Revenue

General Fund Budget Growth



	<u>Total Budget</u>	<u>\$ Change</u>
FY07	\$ 120,145,206	-
FY08	134,662,800	\$ 14,517,594
FY09	140,992,521	6,329,721
FY10	142,443,480	1,450,959
FY11	140,751,728	(1,691,752)
FY12	143,306,538	2,554,810
FY13	146,269,910	2,963,372
FY14	148,167,862	1,897,952
FY15	150,742,327	2,574,465
FY16	156,391,435	5,649,108
FY17	162,017,737	5,626,302
FY18	171,657,127	9,639,390
FY19	179,725,535	8,068,408
FY20	188,800,371	9,074,836
FY21	191,195,873	2,395,502
FY22	192,212,843	1,016,970
FY23	212,889,291	20,676,448



# Amended FY 23 Budget

---

<b>FY 23 Adopted Budget</b>	\$ 212,889,291	
On-going Expenses added using one-time Funds	\$ 3,300,000	
<b>Amended Budget Base for FY 24</b>	<b>\$ 216,189,291</b>	
Additional Amendments - FY 22 Year-End Surplus	\$ 22,914,915	<i>*One-Time Expenses</i>
<b>FY 23 Total Budget as Amended</b>	<b>\$ 239,104,206</b>	
<b>* FY 24 Projected Revenue</b>	<b>\$ 226,701,302</b>	



# FY 24 Expenditure Drivers

---

## Increases already included:

On-going expenses funded by one-time funds - **\$3.3M**

- *Additional Staffing for Fire, Human Resources, Human Rights - \$1.6M*
- *CAT and School bus driver pay increases - \$688k*
- *Restoring pre-COVID funding levels for Facilities Repair - \$200k*
- *Restoring pre-COVID funding levels for Vehicle Replacement - \$829k*

Schools – Local Contribution - **\$4.2M**

- *per 40% Formula*

Intergovernmental/Multi-Jurisdictional Agency Increases - **\$911k**

**\$13.9M New Revenue - \$8.4M Cost Known Increases =  
\$5.5M Remaining**



# FY 24 Expenditure Drivers

---

## Increases Being Considered:

### Employee Compensation and Benefits - **\$3.7M** increase

- *July 1, 2023 4% Merit - \$2.4M*
- *Retiree 2% COLA - \$1M*
- *City cost increase for employee healthcare - \$277,905*
- *No changes or cost increases related to Health Insurance for Employees*

### Vibrant Community Fund - **\$200k** increase

- *Based on previous feedback from Council*

### Meals Tax Transfer to Debt Service – **\$826k**

- *Meals Tax Transfer - \$162k increase (per financial policy)*
- *Capacity Transfer - \$664k increase*



# FY 24 Expenditure Drivers

---

## Other Items:

- *Collective Bargaining*
- *Services for the Unhoused*
- *Climate Action*
- *City Share of Regional Projects*
  - *Jail Renovations*
  - *RWSA Baling Facility (CIP)*
- *Fund for Pathways/Emergency Assistance*
- *Departmental New Requests*
  - *\$6M estimated total*
  - *27 new positions*



# Capital Budget Overview

	PROPOSED CIP - DRAFT					
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Totals
<b>Sources of Funds:</b>						
General fund transfer	\$ 9,390,407	\$ 9,623,029	\$ 10,022,514	\$ 10,300,601	\$ 10,587,028	\$ 49,923,579
Year- End Surplus	8,632,134	895,316	-	-	-	\$ 9,527,450
Bond issues	79,073,907	14,726,587	13,095,174	7,565,095	10,639,212	\$ 125,099,975
Contribution from Schools	2,716,933	200,000	200,000	200,000	200,000	\$ 3,516,933
Other	40,000	2,940,000	40,000	40,000	40,000	\$ 3,100,000
Total sources	\$ 99,853,381	\$ 28,384,932	\$ 23,357,688	\$ 18,105,696	\$ 21,466,240	\$ 191,167,937
<b>Uses of funds:</b>						
Education	\$76,780,672	\$5,337,504	\$5,757,489	\$4,900,000	\$4,900,000	\$97,675,665
Economic development	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Capital Projects	\$1,738,877	\$1,457,083	\$1,696,794	\$1,459,155	\$1,493,929	\$7,845,838
Public safety and justice	\$1,306,215	\$303,800	\$898,918	\$1,484,065	\$1,550,768	\$5,543,766
Transportation and access	\$7,169,936	\$8,861,545	\$4,724,487	\$4,632,476	\$4,600,293	\$29,988,737
Parks and recreation	\$1,947,681	\$1,015,000	\$1,015,000	\$1,015,000	\$1,015,000	\$6,007,681
Affordable Housing	\$10,620,000	\$11,120,000	\$8,975,000	\$4,325,000	\$7,616,250	\$42,656,250
General government	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$1,450,000
CIP Contingency	\$0	\$0	\$0	\$0	\$0	\$0
Total uses	\$ 99,853,381	\$ 28,384,932	\$ 23,357,688	\$ 18,105,696	\$ 21,466,240	\$ 191,167,937



# Capital Improvement Program

## Debt Affordability

"Planning"					"Consequences"			
Fiscal Year	Bond Issue Amount <sup>(1)</sup>	Annual Debt Service <sup>(2)</sup>	General Fund Expenditure Budget <sup>(3)</sup>	Ratio of Debt Service to Total General Fund Expenditures	General Fund Transfer <sup>(4)</sup>	\$ Increase	Additional Funds To Be Added	Debt Service Fund Balance <sup>(5)</sup>
2016	11,125,466	9,128,798	156,391,435	5.84%	9,279,578	-		11,962,480
2017	11,140,000	10,103,067	162,018,737	6.24%	9,817,330	537,752		11,880,013
2018	4,610,000	10,615,335	171,657,127	6.18%	10,371,750	554,420		11,905,368
2019	9,520,000	10,375,167	179,725,535	5.77%	11,003,348	631,598		12,830,074
2020	-	10,743,891	188,863,920	5.69%	11,049,584	46,236		13,410,785
2021	22,655,000	10,684,789	191,195,873	5.59%	10,354,393	(695,191)		13,225,476
2022	18,350,000	11,542,935	192,212,843	6.01%	11,215,048	860,655		12,987,105
2023	15,000,000	13,174,455	212,889,291	6.19%	13,072,874	1,857,826	3,894,224	16,687,786
2024	35,000,000	13,681,939	216,082,630	6.33%	13,736,827	663,953	-	16,742,674
2025	46,000,000	15,759,829	219,323,870	7.19%	14,543,091	806,264	-	15,525,936
2026	30,250,000	18,473,156	222,613,728	8.30%	15,403,178	860,086	-	12,455,957
2027	15,000,000	20,549,227	225,952,934	9.09%	16,320,802	917,624	-	8,227,533
2028	15,000,000	20,731,635	229,342,228	9.04%	17,299,937	979,136	-	4,795,835
2029	15,000,000	21,039,002	232,782,361	9.04%	18,344,836	1,044,899	-	2,101,669
2030	15,000,000	21,152,166	236,274,097	8.95%	19,460,046	1,115,210	-	409,549
2031	15,000,000	21,528,737	239,818,208	8.98%	20,650,431	1,190,386	-	(468,757)
2032	15,000,000	21,903,326	243,415,481	9.00%	21,921,198	1,270,766	-	(450,885)
2033	15,000,000	22,817,062	247,066,713	9.24%	23,277,913	1,356,715	-	9,965
2034	15,000,000	22,890,168	250,772,714	9.13%	24,726,533	1,448,620	-	1,836,365



# Funding for Council Priorities

---

## Affordable Housing

- \$10.6M CIP

## Buford School Reconfiguration Project

- Fully Funded

## Climate Change

- Gas Decarbonization Study
- Transit Alternative Fuel Study
- EV Charging Infrastructure
- Leveraging Existing CIP \$\$ for Grants and other opportunities for Energy Performance Improvements

## ADA Transition Plan

- \$500k in the CIP

***What else would Council like to see in FY 24??***



# Public Hearing Notice

---



*First Tax Rate Public Hearing*  
**March 20, 2023**  
6:30 PM

**February 8<sup>th</sup> – Legal Ad Finalized**  
*February 15 – Ad to be Published*

\*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 30 days before the date of the public hearing.



# Major Taxes

What Does Incremental Increase Generate Based on FY 24 Estimated Revenue			
Tax Rate	Revenue Type	Rate Increase	Revenue Increase
\$0.96/\$100	Real Estate Tax	\$0.01	\$1,035,452
6.5%	Meals Tax	1.0%	\$2,727,272
\$4.20/\$100	Property Tax	\$0.01	\$29,762
8.0%	Lodging Tax	1.0%	\$925,000



# Questions and Discussion

---



# Wrap-up and Public Comment

---

City Manager's Proposed Budget Formally  
Presented to City Council:

*March 6<sup>th</sup> 6:30PM Council Chambers*

Next Budget Worksession:

*March 9<sup>h</sup> 6PM CitySpace*

