

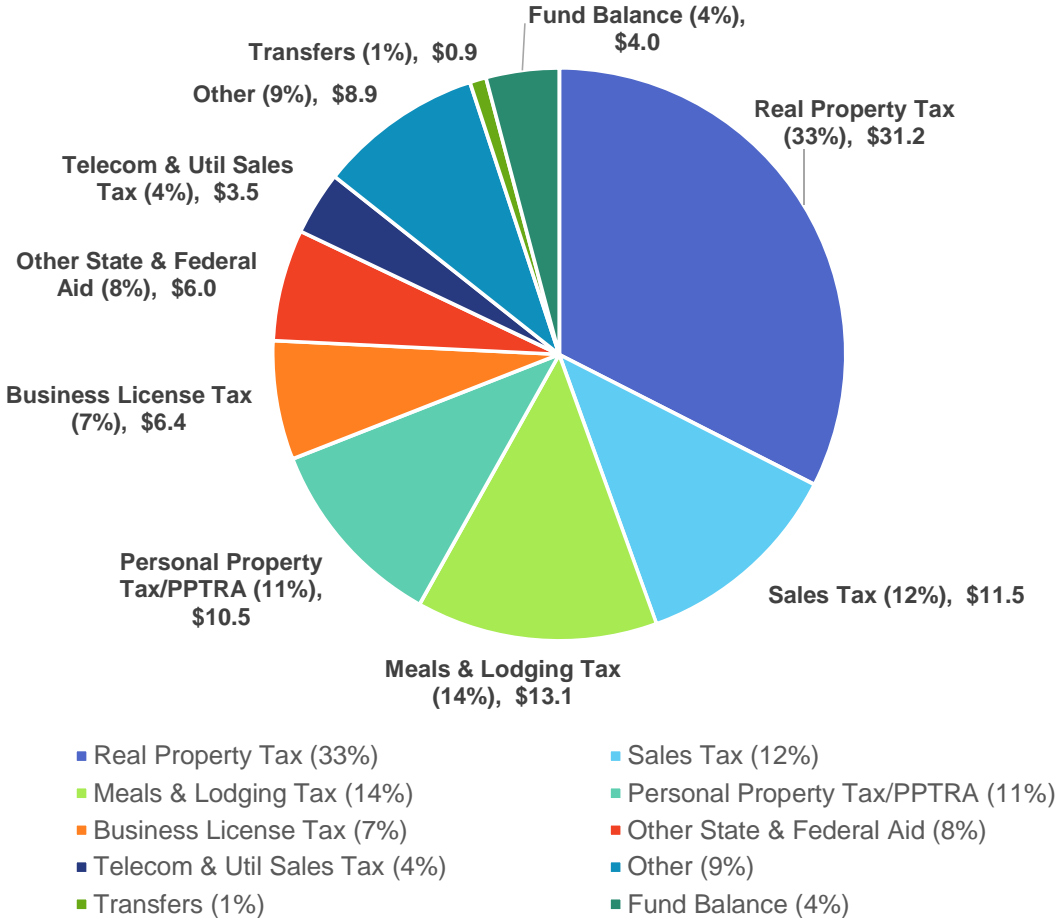
GENERAL FUND SUMMARY

| | FY 2016 Actual | FY 2017 Actual | FY 2018 Budget | FY 2019 Recommend | Change FY18- FY19 | % Change FY18-FY19 |
|-----------------------------|-------------------|-------------------|-------------------|----------------------|----------------------|-----------------------|
| <u>Sources</u> | | | | | | |
| Real Property Tax | 29,172,523 | 30,044,758 | 30,990,000 | 31,225,000 | 235,000 | 0.8% |
| Sales Tax | 11,176,401 | 11,376,302 | 11,350,000 | 11,500,000 | 150,000 | 1.3% |
| Meals Tax | 10,693,375 | 11,141,603 | 11,100,000 | 11,500,000 | 400,000 | 3.6% |
| Lodging Tax | 1,432,190 | 1,524,371 | 1,450,000 | 1,600,000 | 150,000 | 10.3% |
| Personal Property Tax | 8,502,227 | 8,622,738 | 8,675,000 | 8,778,000 | 103,000 | 1.2% |
| PPTRA | 1,728,833 | 1,728,833 | 1,725,000 | 1,728,000 | 3,000 | 0.2% |
| Business License Tax | 6,101,499 | 6,320,104 | 6,100,000 | 6,445,000 | 345,000 | 5.7% |
| Street Maintenance | 2,710,907 | 2,799,781 | 2,950,000 | 2,950,000 | - | 0.0% |
| Other State & Federal Aid | 2,315,949 | 2,319,110 | 2,367,100 | 2,288,100 | (79,000) | -3.3% |
| Law Enforcement Assistance | 778,544 | 803,612 | 810,000 | 810,000 | - | 0.0% |
| Telecommunication Sales Tax | 1,724,961 | 1,682,625 | 1,750,000 | 1,650,000 | (100,000) | -5.7% |
| Consumer Utility Tax | 1,810,911 | 1,808,256 | 1,850,000 | 1,800,000 | (50,000) | -2.7% |
| Other | 8,939,313 | 9,025,609 | 8,787,900 | 8,920,900 | 133,000 | 1.5% |
| Transfers | 613,500 | 613,500 | 900,000 | 900,000 | - | 0.0% |
| Fund Balance | - | - | 2,670,000 | 3,955,000 | 1,285,000 | 48.1% |
| Total | 87,701,133 | 89,811,202 | 93,475,000 | 96,050,000 | 2,575,000 | 2.75% |
| <u>Uses</u> | | | | | | |
| City Council | 232,629 | 238,847 | 247,480 | 248,010 | 530 | 0.2% |
| City Manager | 742,266 | 814,983 | 928,164 | 942,368 | 14,204 | 1.5% |
| Clerk of the Council | 113,224 | 117,448 | 114,662 | 112,330 | (2,332) | -2.0% |
| Clerk of the Circuit Court | 714,942 | 783,129 | 849,715 | 850,260 | 545 | 0.1% |
| Commissioner of the Revenue | 939,977 | 972,241 | 1,013,048 | 1,069,234 | 56,186 | 5.5% |
| Commonwealth's Attorney | 1,313,614 | 1,329,459 | 1,346,955 | 1,441,104 | 94,149 | 7.0% |
| Courts | 177,433 | 185,486 | 213,434 | 206,510 | (6,924) | -3.2% |
| Economic Development | 1,122,426 | 953,236 | 960,533 | 1,036,278 | 75,745 | 7.9% |
| Fire | 6,197,988 | 6,510,680 | 7,045,311 | 7,085,554 | 40,243 | 0.6% |
| Fiscal Affairs | 806,989 | 841,140 | 915,368 | 929,803 | 14,435 | 1.6% |
| General Assessment | 172,529 | 4,288 | 1,000 | 275,000 | 274,000 | 27400.0% |
| HR | 371,107 | 357,012 | 372,965 | 433,705 | 60,740 | 16.3% |
| Insurance | 758,137 | 858,574 | 1,413,000 | 969,000 | (444,000) | -31.4% |
| IT | 1,290,109 | 1,257,026 | 1,455,285 | 1,609,362 | 154,077 | 10.6% |
| Legal Services | 364,869 | 337,615 | 376,169 | 380,169 | 4,000 | 1.1% |
| Planning | 852,245 | 680,458 | 710,766 | 759,990 | 49,224 | 6.9% |
| Building | 813,297 | 754,093 | 805,960 | 806,287 | 327 | 0.0% |
| ARB/BZA | 100,142 | 19,895 | 3,400 | 5,200 | 1,800 | 52.9% |
| Parks, Recreation & Events | 2,593,448 | 2,681,776 | 2,682,593 | 2,850,643 | 168,050 | 6.3% |
| Police | 9,151,624 | 9,331,332 | 9,627,248 | 9,824,304 | 197,056 | 2.0% |
| Public Facilities | 2,166,543 | 2,245,767 | 2,630,681 | 2,894,750 | 264,069 | 10.0% |
| Public Works | 7,767,881 | 8,341,703 | 6,969,322 | 6,910,908 | (58,414) | -0.8% |
| Safety | 100,460 | 105,873 | 117,811 | 129,390 | 11,579 | 9.8% |
| Sheriff | 2,135,099 | 2,182,350 | 2,217,199 | 2,300,266 | 83,068 | 3.7% |
| Transportation Division | | 81,213 | 154,080 | 157,292 | 3,212 | 2.1% |
| Treasurer | 792,093 | 767,893 | 838,927 | 883,973 | 45,047 | 5.4% |
| Voter Registrar | 252,940 | 268,323 | 226,191 | 307,136 | 80,945 | 35.8% |
| Schools | 27,610,210 | 27,760,210 | 28,560,210 | 29,060,210 | 500,000 | 1.8% |
| Correction & Detention | 4,371,923 | 4,576,070 | 4,794,450 | 4,192,000 | (602,450) | -12.6% |
| Outside Agencies | 2,957,864 | 3,164,971 | 3,168,170 | 3,019,744 | (148,426) | -4.7% |
| OPEB | 968,579 | 75,000 | - | - | - | -- |
| Debt Service | 7,108,076 | 7,319,846 | 8,149,008 | 8,300,000 | 150,992 | 1.9% |
| Transfers | 5,401,744 | 5,321,981 | 4,565,895 | 6,059,221 | 1,493,326 | 32.7% |
| TOTAL | 90,462,407 | 91,239,918 | 93,475,000 | 96,050,000 | 2,575,000 | 2.75% |

GENERAL FUND REVENUE SUMMARY

| | FY 2016 Actual | FY 2017 Actual | FY 2018 Budget | FY 2019 Recommended | Variance FY18 - FY19 | % Change FY18-FY19 |
|--|----------------------|----------------------|----------------------|------------------------|-------------------------|-----------------------|
| Real Property Tax | \$ 29,172,523 | \$ 30,044,758 | \$ 30,990,000 | \$ 31,225,000 | \$ 235,000 | 0.76% |
| Sales Tax | 11,176,401 | 11,376,302 | 11,350,000 | 11,500,000 | 150,000 | 1.32% |
| Meals Tax | 10,693,375 | 11,141,603 | 11,100,000 | 11,500,000 | 400,000 | 3.60% |
| Lodging Tax | 1,432,190 | 1,524,371 | 1,450,000 | 1,600,000 | 150,000 | 10.34% |
| Personal Property Tax | 8,502,227 | 8,622,738 | 8,675,000 | 8,778,000 | 103,000 | 1.19% |
| PPTRA | 1,728,833 | 1,728,833 | 1,725,000 | 1,728,000 | 3,000 | 0.17% |
| Business License Tax | 6,101,499 | 6,320,104 | 6,100,000 | 6,445,000 | 345,000 | 5.66% |
| Street Maintenance | 2,710,907 | 2,799,781 | 2,950,000 | 2,950,000 | - | 0.00% |
| Other State & Federal Aid | 2,315,949 | 2,319,110 | 2,367,100 | 2,288,100 | (79,000) | -3.34% |
| Law Enforcement Assistance | 778,544 | 803,612 | 810,000 | 810,000 | - | 0.00% |
| Telecommunication Sales Tax | 1,724,961 | 1,682,625 | 1,750,000 | 1,650,000 | (100,000) | -5.71% |
| Consumer Utility Tax | 1,810,911 | 1,808,256 | 1,850,000 | 1,800,000 | (50,000) | -2.70% |
| Other | 8,939,313 | 9,025,609 | 8,787,900 | 8,920,900 | 133,000 | 1.51% |
| Transfers | 613,500 | 613,500 | 900,000 | 900,000 | - | 0.00% |
| Fund Balance | - | - | 2,670,000 | 3,955,000 | 1,285,000 | 48.13% |
| Total | \$ 87,701,133 | \$ 89,811,202 | \$ 93,475,000 | \$ 96,050,000 | \$ 2,575,000 | 2.75% |

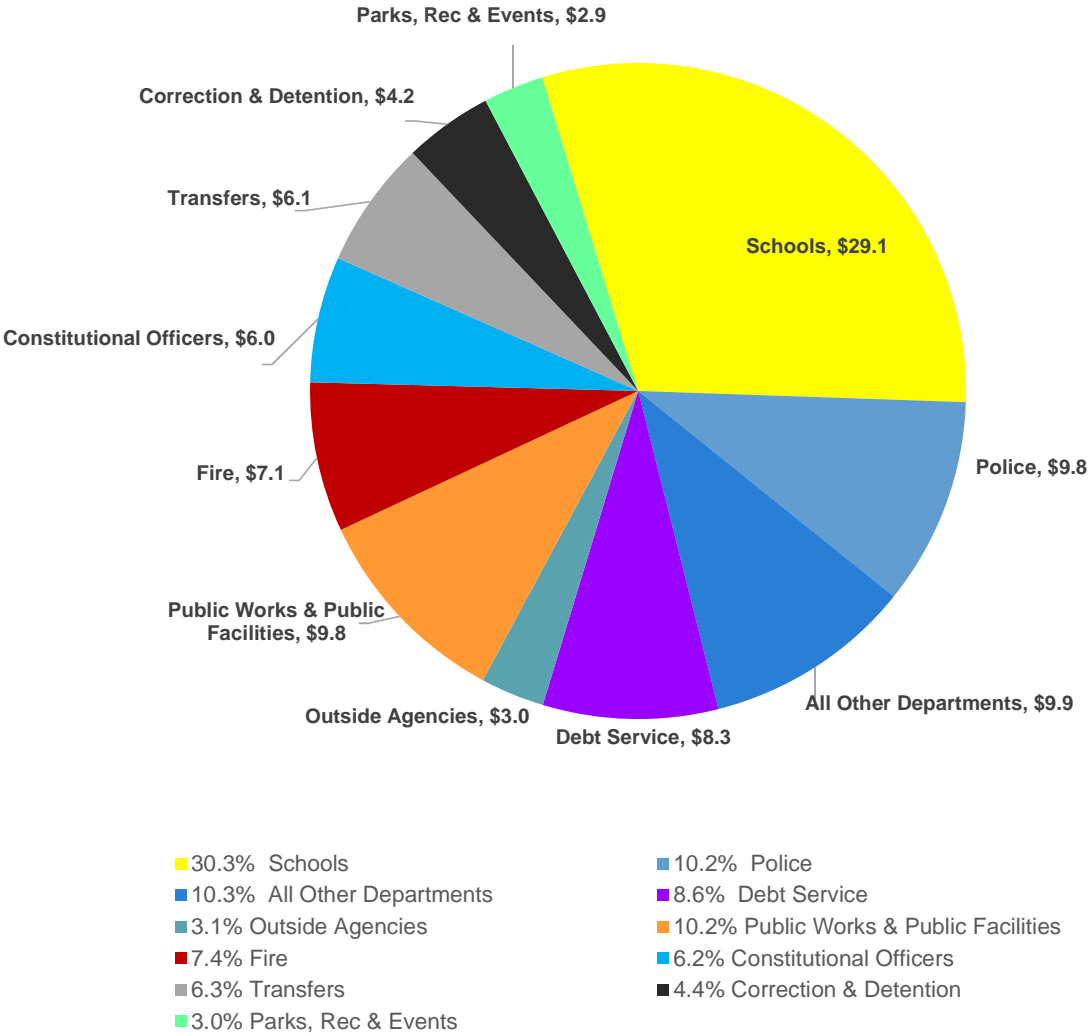
GENERAL FUND REVENUE SUMMARY (\$ Millions)

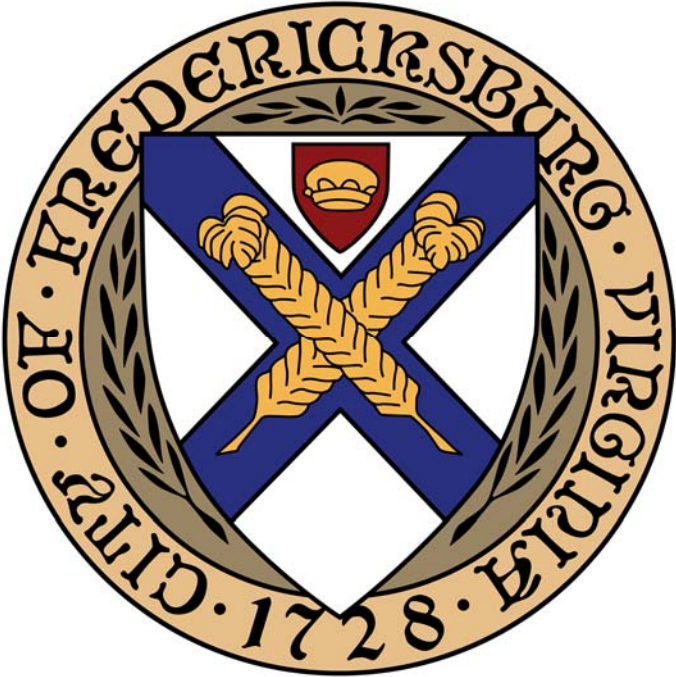


| FY 2019 Recommended Budget - General Fund Expenditure Summary by Department | | | | | | | |
|---|----------------|----------------|----------------|-------------------|-------------------|--------------------|----------|
| Department | FY 2016 Actual | FY 2017 Actual | FY 2018 Budget | FY 2019 Requested | FY 2019 Recommend | FY19-FY18 Variance | % Change |
| City Council | 232,629 | 238,847 | 247,480 | 258,490 | 248,010 | 530 | 0.2% |
| City Manager | 742,266 | 814,983 | 928,164 | 1,042,238 | 942,368 | 14,204 | 1.5% |
| Clerk of the Council | 113,224 | 117,448 | 114,662 | 120,840 | 112,330 | (2,332) | -2.0% |
| Clerk of the Circuit Court | 714,942 | 783,129 | 849,715 | 878,560 | 850,260 | 545 | 0.1% |
| Commissioner of the Revenue | 939,977 | 972,241 | 1,013,048 | 1,101,114 | 1,069,234 | 56,186 | 5.5% |
| Commonwealth's Attorney | 1,313,614 | 1,329,459 | 1,346,955 | 1,525,486 | 1,441,104 | 94,149 | 7.0% |
| Courts | 177,433 | 185,486 | 213,434 | 254,745 | 206,510 | (6,924) | -3.2% |
| Economic Development | 1,122,426 | 953,236 | 960,533 | 1,049,533 | 1,036,278 | 75,745 | 7.9% |
| Fire | 6,197,988 | 6,510,680 | 7,045,311 | 7,992,246 | 7,085,554 | 40,243 | 0.6% |
| Fiscal Affairs | 806,989 | 841,140 | 915,368 | 979,698 | 929,803 | 14,435 | 1.6% |
| General Assessment | 172,529 | 4,288 | 1,000 | 275,000 | 275,000 | 274,000 | 27400.0% |
| HR | 371,107 | 357,012 | 372,965 | 476,913 | 433,705 | 60,740 | 16.3% |
| Insurance | 758,137 | 858,574 | 1,413,000 | 980,250 | 969,000 | (444,000) | -31.4% |
| IT | 1,290,109 | 1,257,026 | 1,455,285 | 1,642,952 | 1,609,362 | 154,077 | 10.6% |
| Legal Services | 364,869 | 337,615 | 376,169 | 384,560 | 380,169 | 4,000 | 1.1% |
| Planning | 852,245 | 680,458 | 710,766 | 786,640 | 759,990 | 49,224 | 6.9% |
| Building | 813,297 | 754,093 | 805,960 | 853,713 | 806,287 | 327 | 0.0% |
| ARB/BZA | 100,142 | 19,895 | 3,400 | 2,200 | 5,200 | 1,800 | 52.9% |
| Parks, Recreation & Events | 2,593,448 | 2,681,776 | 2,682,593 | 3,121,023 | 2,850,643 | 168,050 | 6.3% |
| Police | 9,151,624 | 9,331,332 | 9,627,248 | 10,335,019 | 9,824,304 | 197,056 | 2.0% |
| Public Facilities | 2,166,543 | 2,245,767 | 2,630,681 | 3,144,721 | 2,894,750 | 264,069 | 10.0% |
| Public Works | 7,767,881 | 8,341,703 | 6,969,322 | 7,895,221 | 6,910,908 | (58,414) | -0.8% |
| Safety | 100,460 | 105,873 | 117,811 | 180,919 | 129,390 | 11,579 | 9.8% |
| Sheriff | 2,135,099 | 2,182,350 | 2,217,199 | 2,395,503 | 2,300,266 | 83,068 | 3.7% |

| FY 2019 Recommended Budget - General Fund Expenditure Summary by Department | | | | | | | |
|---|-------------------|-------------------|-------------------|----------------------|----------------------|-----------------------|--------------|
| Department | FY 2016 Actual | FY 2017 Actual | FY 2018 Budget | FY 2019 Requested | FY 2019 Recommend | FY19-FY18 Variance | % Change |
| Transportation Division | | 81,213 | 154,080 | 160,010 | 157,292 | 3,212 | 2.1% |
| Treasurer | 792,093 | 767,893 | 838,927 | 966,966 | 883,973 | 45,047 | 5.4% |
| Voter Registrar | 252,940 | 268,323 | 226,191 | 316,519 | 307,136 | 80,945 | 35.8% |
| Schools | 27,610,210 | 27,760,210 | 28,560,210 | 30,360,210 | 29,060,210 | 500,000 | 1.8% |
| Correction & Detention | 4,371,923 | 4,576,070 | 4,794,450 | 4,591,046 | 4,192,000 | (602,450) | -12.6% |
| Outside Agencies | 2,957,864 | 3,164,971 | 3,168,170 | 3,284,191 | 3,019,744 | (148,426) | -4.7% |
| OPEB | 968,579 | 75,000 | - | - | - | - | |
| Debt Service | 7,108,076 | 7,319,846 | 8,149,008 | 8,840,000 | 8,300,000 | 150,992 | 1.9% |
| Transfers | <u>5,401,744</u> | <u>5,321,981</u> | <u>4,565,895</u> | <u>7,846,252</u> | <u>6,059,221</u> | <u>1,493,326</u> | <u>32.7%</u> |
| TOTAL | 90,462,407 | 91,239,918 | 93,475,000 | 104,042,776 | 96,050,000 | 2,575,000 | 2.75% |

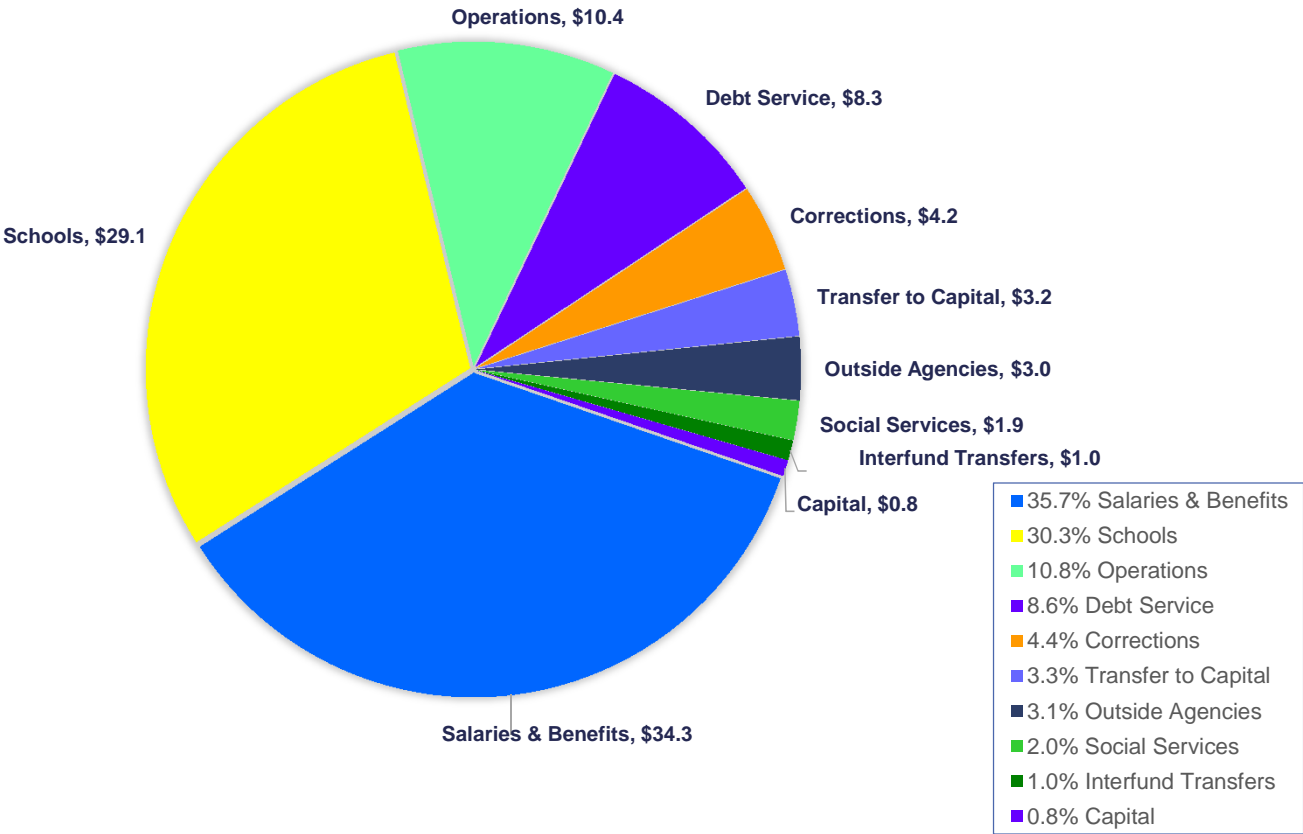
FY 2019 Recommended Budget General Fund Expenditures by Department





| FY 2019 Recommended Budget - General Fund Expenditure Summary by Category | | | | | | | |
|---|-------------------|-------------------|-------------------|--------------------|-------------------|--------------------|--------------|
| Department | FY 2016 Actual | FY 2017 Actual | FY 2018 Budget | FY 2019 Requested | FY 2019 Recommend | FY19-FY18 Variance | % Change |
| Salaries & Wages | 22,042,662 | 21,695,569 | 22,757,819 | 24,259,365 | 23,389,792 | 631,973 | 2.8% |
| Fringe Benefits | 10,803,377 | 10,653,632 | 11,254,988 | 11,581,980 | 10,915,300 | (339,688) | -3.0% |
| Dues & Membership | 55,648 | 53,268 | 63,530 | 63,070 | 62,430 | (1,100) | -1.7% |
| Joint Operations | 223,501 | 1,397,134 | 288,000 | 356,000 | 302,000 | 14,000 | 4.9% |
| Materials & Supplies | 1,748,979 | 1,764,678 | 1,910,937 | 2,210,339 | 2,008,680 | 97,743 | 5.1% |
| Other Non-Personal | 156,786 | 158,661 | 160,920 | 179,820 | 173,820 | 12,900 | 8.0% |
| Purchased Services | 3,945,301 | 3,547,864 | 4,081,409 | 5,106,443 | 4,767,963 | 686,554 | 16.8% |
| Travel & Training | 221,810 | 208,504 | 260,920 | 303,266 | 278,770 | 17,850 | 6.8% |
| Utiles, Comma, Rentals, Etc. | 2,395,409 | 2,515,074 | 2,625,329 | 2,888,603 | 2,788,509 | 163,179 | 6.2% |
| Correction & Detention | 4,371,923 | 4,576,070 | 4,794,450 | 4,591,046 | 4,192,000 | (602,450) | -12.6% |
| Outside Agencies | 2,957,864 | 3,164,971 | 3,168,170 | 3,284,191 | 3,019,744 | (148,426) | -4.7% |
| Interfund Transfers - DSS CSA | 1,832,640 | 1,742,706 | 1,715,275 | 2,268,854 | 1,880,000 | 164,725 | 9.6% |
| Transfer to Capital | 3,007,000 | 2,947,650 | 2,000,000 | 4,500,000 | 3,180,000 | 1,180,000 | 59.0% |
| Interfund Transfers - Other | 562,104 | 631,625 | 850,620 | 1,077,398 | 959,221 | 108,601 | 12.8% |
| Transfer to Schools | 27,610,210 | 27,760,210 | 28,560,210 | 30,360,210 | 29,060,210 | 500,000 | 1.8% |
| Transfer to Debt Service | 7,108,076 | 7,319,846 | 8,149,008 | 8,840,000 | 8,300,000 | 150,992 | 1.9% |
| Capital Outlay | <u>1,419,115</u> | <u>1,102,457</u> | <u>833,415</u> | <u>2,172,192</u> | <u>771,562</u> | <u>(61,853)</u> | -7.4% |
| TOTAL | 90,462,407 | 91,239,918 | 93,475,000 | 104,042,776 | 96,050,000 | 2,575,000 | 2.75% |

FY 2019 RECOMMENDED BUDGET
GENERAL FUND EXPENDITURES BY CATEGORY
(\$MILLIONS)



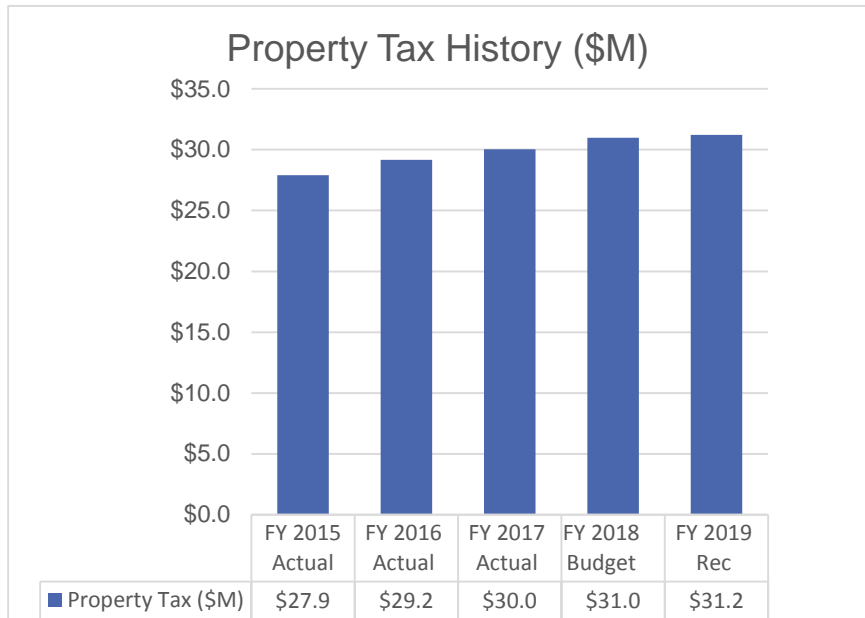
GENERAL FUND REVENUE DISCUSSION & ANALYSIS

The following Discussion and Analysis will highlight some of the major developments for certain revenue sources in the General Fund. The City’s base revenues, including everything but the use of fund balance, were forecasted to be \$92,095,000 – an increase of 1.42% over the prior year’s original budget forecast of \$90,805,000.

The FY 2019 General Fund forecast for all sources, including revenue and use of fund balance, is \$96,050,000. This represents a 2.75% increase over the FY 2018 original adopted budget of \$93,475,000.

Real Estate Taxes

The City’s largest revenue source is the real property tax. The FY 2019 City Manager’s Recommended Budget maintains the current real estate property tax rates. The current tax rate for general government purposes of 79 cents per \$100 of valuation. An additional 1 cent per \$100 of real estate value is levied for storm water purposes. The revenue generated from the 79 cent General Fund levy is forecasted to generate \$31.2 million. This is an increase of 0.8% or \$235,000 which includes a \$210,000 increase in current collections and a \$25,000 increase in delinquent collections. The property tax base is forecast to grow by \$34 million due to new construction in the City.



Real property in the City is reassessed on a four-year cycle. The last reassessment was effective July 1, 2016 for FY 2017. Funding for the next reassessment is included in the FY 2019 Recommended Budget.

| PROPERTY TAX RATES | | | | |
|--------------------|--------------------|------------|----------------|---------------|
| Fiscal Year | General Government | Stormwater | Total Tax Rate | |
| 2014 | \$0.74 | | \$0.74 | |
| 2015 | \$0.79 | | \$0.79 | |
| 2016 | \$0.82 | | \$0.82 | |
| 2017 | \$0.77 | | \$0.77 | Re-assessment |
| 2018 | \$0.79 | \$0.01 | \$0.80 | |
| 2019 | \$0.79 | \$0.01 | \$0.80 | Proposed |

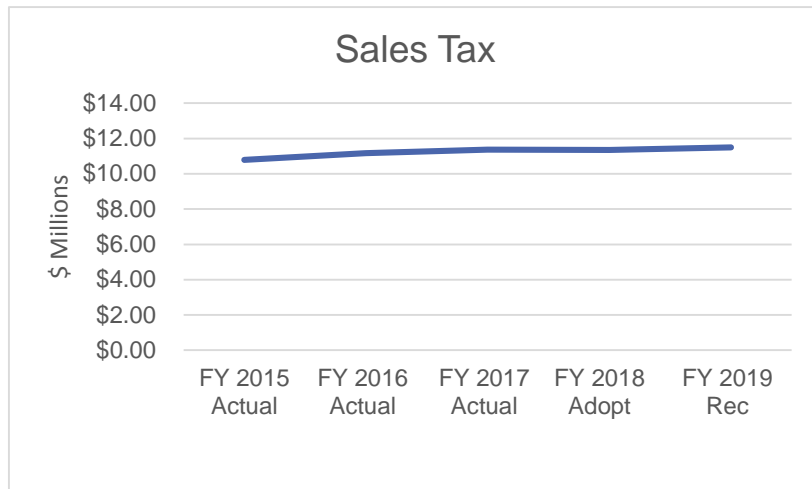
The re-assessment will take place beginning in FY 2019 and continuing through FY 2020. The new property values will be used to set the property tax rate effective July 1, 2020 for FY 2021. The corresponding table is a history of the City’s property tax rates.

Public Service Corporation – Real Estate Taxes

Unlike most property in the City, several companies (known as Public Service Corporations) are exempt from the process of the general property re-assessment. These companies, which include utilities and railroads, have assessments of value done by the State Corporation Commission on a statewide basis, with the results given to localities for real estate tax billing in August of every year for the upcoming calendar year. The values are also discounted to the localities' current assessment to value ratio that is calculated by the Department of Taxation. There is a limited amount of business personal property owned by the Public Service Corporations that is sited and taxed by the City, based upon values provided by the state. The values provided by the state are then taxed by the City using the City's tax rates for the entire locality. The forecast for FY 2019 is \$820,000, a 3.5% decline over the FY 2018 budget.

Sales Taxes

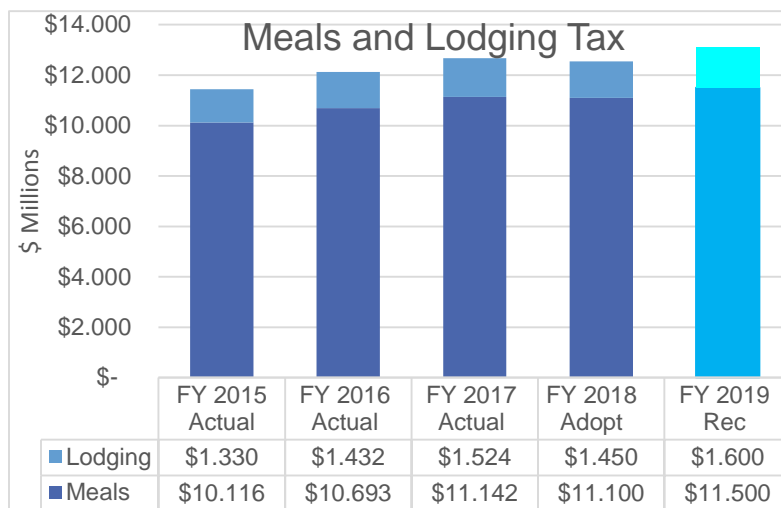
The Commonwealth of Virginia allows a local option sales tax of 1%, which is collected along with the state sales tax of 4.3% and remitted to the localities by the state Department of Taxation, based upon the location of the sale. Sales taxes, meals taxes, and BPOL taxes all fluctuate with the City's economic conditions.



The City's sales tax collections are growing at a slow rate after declining for several years. The FY 2019 budget of \$11.50 million is a modest increase of 1.3% over the FY 2018 budget and a 1.1% increase over FY 2017 actual collections.

Meals and Lodging Tax

Tax collections for the City's Meals Tax and Lodging Tax have been strong over the past few years. Both the meals tax and the lodging tax are set at 6% in the City, and the Recommended Budget maintains these rates. The City is fortunate to have a strong base of hotels. The City



also has a successful restaurant community that meets high demand from both residents and visitors. In the four year period from FY14 to FY17, meals tax increased by \$1.4 million or 14% and lodging tax increased by \$326,000 or 33%. The trend in meals tax collections is expected to continue in the near future.

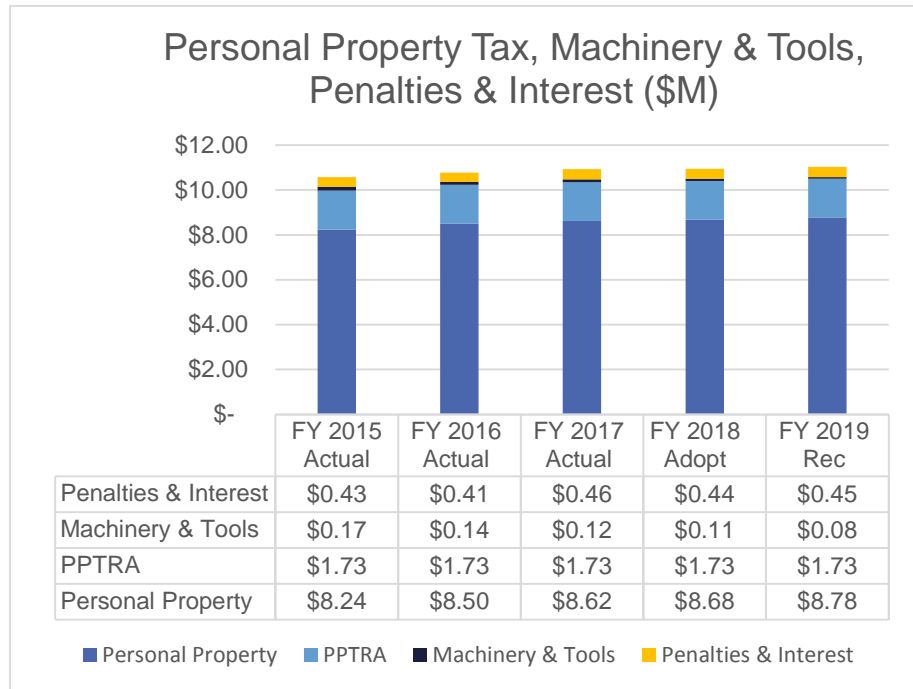
Meals Tax collections are budgeted at \$11.5 million in FY 2019, an increase of \$400,000 or 3.6% over the FY 2018 budget. Lodging tax is estimated at \$1.6

million, an increase of \$150,000 or 10.3% over FY 2018. Collections to date are consistent with budgeted revenues.

Personal Property, Machinery & Tools, & PPTRA (Personal Property Tax Relief Act)

Tangible personal property, such as cars, trucks, trailers, and boats, are subject to the City's Personal Property Tax. Unlike the real estate tax, personal property taxes are assessed and billed on a calendar year basis.

The tax rate remains the same for FY 2019 at \$3.40 per \$100 in assessed value. Personal Property is forecasted to be \$8.8 million, a 1.8% increase over FY 2018.



The City also receives Machinery & Tools taxes from industries and businesses located in the City. The Machinery & Tools tax is a property tax on certain classes of business property used for manufacturing, mining, water well drilling, processing and re-processing, radio or television broadcasting, dairy, and laundry or dry cleaning. This property is assessed separately from regular business personal property under state law. The tax rate for machinery and tools is \$.80 per \$100 of value. The FY 2019 forecast is \$76,000, which is a decrease of \$35,000 and a continuation of the downward trend for this revenue source.

Under the state's Personal Property Tax Relief Act, the City will receive a set grant to be used for Personal Property Tax Relief. The rate of relief is calculated by the Commissioner of the Revenue and approved by the City Council. As in past years, the PPTRA grant amount is budgeted at \$1.73 million for FY 2019.

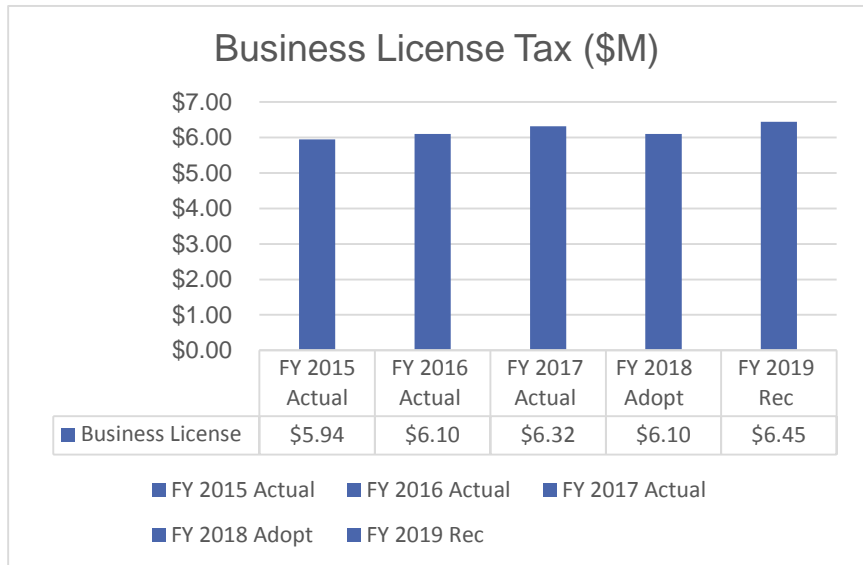
Overall the personal property tax, the machinery & tools tax, and the PPTRA relief from the Commonwealth is forecasted to total \$11.0 million, a 0.8% increase over FY 2018.

Business License Tax

Businesses operating in the City are required to obtain a business license. This license must be renewed every year. The business license tax is based on the gross receipts in the prior

calendar year. The vast majority of revenues are received in March.

Revenues from this source fluctuate from year to year based on business activity. However, the recent trend, based on actual revenues has been positive. The FY 2019 budget forecast of \$6.45 million is a 5.7% increase over the FY 2018 budget of \$6.1 million.



Consumer Utilities Tax and Telecommunications Sales Tax

In FY 2007, the City began receiving the Telecommunications Sales Tax. The Telecommunications Sales Tax replaced the following taxes: Cable Franchise Fees, Consumer Utility Taxes on landline and wireless telephone s service, and the local E-911 tax. The statewide sales tax begins to tax services that were heretofore not taxed, including satellite television, paging services, and Voice-over Internet Protocol (VOIP) telephone service. The Consumer Utility Taxes is for electric and natural gas services.

Budget forecasts for FY 2019 reflect current collection trends. As a result telecommunication revenues are forecast to decline by 1.9%. Consumer utility tax is forecast to decrease by 0.5%.

| \$Million | FY 2015 Actual | FY 2016 Actual | FY 2017 Actual | FY 2018 Adopt | FY 2019 Rec |
|------------------------------|----------------|----------------|----------------|---------------|---------------|
| Telecommunications Sales Tax | \$1.78 | \$1.72 | \$1.68 | \$1.75 | \$1.65 |
| Consumer's Utility Taxes | \$1.86 | \$1.81 | \$1.81 | \$1.85 | \$1.80 |
| TOTAL | \$3.64 | \$3.54 | \$3.49 | \$3.60 | \$3.45 |

EMS Fees

The budget forecast for EMS fees for FY 2019 includes a slight increase in the total fee revenue. The forecast of \$910,000 is 1.1% higher than the FY 2018 forecast of \$900,000.

| \$Million | FY 2015 Actual | FY 2016 Actual | FY 2017 Actual | FY 2018 Adopt | FY 2019 Rec |
|-----------|----------------|----------------|----------------|---------------|-------------|
| EMS Fees | \$0.84 | \$0.85 | \$0.86 | \$0.90 | \$0.91 |

Refuse Collection Fees

The budget forecast for refuse collection fees for FY 2019 is \$1,100,000, which represents an increase of 7.32% over the FY 2018 forecast of \$1,025,000. This revenue source has grown in recent years as the number of customers has increased.

| \$Million | FY 2015 Actual | FY 2016 Actual | FY 2017 Actual | FY 2018 Adopt | FY 2019 Rec |
|------------------------|-------------------|-------------------|-------------------|------------------|----------------|
| Refuse Collection Fees | \$0.97 | \$0.99 | \$1.00 | \$1.03 | \$1.10 |

Select Community Planning & Building Fees

The City Manager's Recommended Budget for FY 2019 includes some slight variations in major categories of Community Planning and Building Fees. Effective July 1, 2017, the City implemented development review fee increases in several categories, including subdivision review, special use permits, site plan review permits, and a variety of other development review fees. These revenues may vary significantly from year to year based upon the amount of construction activity and the size and scope of development proposals that are brought for review.

| \$Million | FY 2015 Actual | FY 2016 Actual | FY 2017 Actual | FY 2018 Adopt | FY 2019 Rec |
|---------------------|-------------------|-------------------|-------------------|------------------|----------------|
| Building Permits | \$0.348 | \$0.402 | \$0.415 | \$0.450 | \$0.450 |
| Rezoning | \$0.007 | \$0.005 | \$0.002 | \$0.007 | \$0.002 |
| Sign Permits | \$0.004 | \$0.004 | \$0.008 | \$0.012 | \$0.012 |
| Subdivision Review | \$0.039 | \$0.013 | \$0.008 | \$0.020 | \$0.025 |
| Special Use Permits | \$0.000 | \$0.003 | \$0.002 | \$0.010 | \$0.005 |
| Site Plan Review | \$0.066 | \$0.097 | \$0.136 | \$0.075 | \$0.080 |
| Total | \$0.463 | \$0.525 | \$0.571 | \$0.574 | \$0.574 |

Intergovernmental Revenues

The intergovernmental revenues for the General Fund consist almost exclusively of state-shared rather than federal revenues. The City obtains budget estimates for some revenue forecasts from the state – for example, for the law enforcement assistance funds commonly known as the “HB 599” funds. In addition, the City also forecasts Street Maintenance payments based upon a combination of historical trends and additions to the lane mileage for new streets or roads. Street Maintenance payments constitute the largest source of intergovernmental revenue in the General Fund, as the Virginia Department of Transportation shares maintenance funds with the City for the maintenance of streets and roads on a per-lane mile basis.

| \$Million | FY 2015 Actual | FY 2016 Actual | FY 2017 Actual | FY 2018 Adopted | FY 2019 Rec |
|----------------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| Street Maintenance | \$2.607 | \$2.711 | \$2.800 | \$2.950 | \$2.950 |
| Shared - Constitutional Officers | \$1.699 | \$1.746 | \$1.730 | \$1.800 | \$1.810 |
| Law Enforcement Asst. (HB 599) | \$0.755 | \$0.779 | \$0.804 | \$0.810 | \$0.810 |
| Other State Aid | \$0.511 | \$0.529 | \$0.500 | \$0.537 | \$0.448 |
| Federal Aid | \$0.039 | \$0.042 | \$0.089 | \$0.030 | \$0.030 |
| Total Intergovernmental | \$5.611 | \$5.805 | \$5.923 | \$6.127 | \$6.048 |

The City also receives state funds to support costs for the City's constitutional officers, which perform duties both for the City and for the state. The City's constitutional officers include the

Commissioner of the Revenue, the Treasurer, the Commonwealth's Attorney, the Sheriff, and the Clerk of the Circuit Court. For the purposes of this table, the Voter Registrar and the Medical Examiner function are also included. The decline in Other State Aid is related to a change in the funding formula for Wireless E911 revenues, which focuses more on population rather than call volume.

Transfers from Other Funds

The revenues in the FY 2019 Recommended Budget include the transfers from other funds to the General Fund totaling \$900,000. A transfer of \$300,000 from the Water Utility Fund and \$300,000 from the Wastewater Utility Fund are related to overhead. In addition there is a \$300,000 transfer from the Schools to support debt service on the bonds issued for the Walker Grant Center. FY 2019 is the second of five years that this transfer will occur.

ANALYSIS OF FUND BALANCE USE IN THE GENERAL FUND

The City Manager's Recommended Budget for FY 2019 includes a total use of General Fund Balance in the amount of \$3,350,000. This recommended use is within the City's financial policies for the use of fund balance.

The City's total General Fund Balance at the close of FY 2017 was \$24,275,393. The fund balance consists of five categories: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

| General Fund Balance FY 2017 Year End | |
|---------------------------------------|------------------------|
| <u>Category</u> | |
| Non-spendable | \$427,347.00 |
| Restricted | \$100,466.00 |
| Committed | |
| Future Capital Projects | \$6,198,550.00 |
| Other Committed | \$698,652.00 |
| Subtotal: Committed | \$6,897,202.00 |
| Assigned | |
| Detention Stabilization | \$976,619.00 |
| Other Assigned | \$19,653.00 |
| Subtotal: Assigned | \$996,272.00 |
| Unassigned | \$15,854,106.00 |
| Total General Fund Balance | \$24,275,393.00 |

Use of Assigned Fund Balance

The Recommended Budget includes a total of \$3,180,000 of the Fund Balance Assigned for Capital to transfer to the City's capital funds for cash-funded capital projects for FY 2019.

| Fund Balance Assigned for Capital – Analysis | Budget | Actual |
|--|------------------|-------------|
| FY 2017 (includes GF & School) | - | \$6,198,550 |
| FY 2018 – Budget As Amended | \$2,275,000 | - |
| FY 2019 – Recommended Budget | \$3,190,000 | - |
| <i>Balance in Assignment (Based on Budget)</i> | <i>\$733,550</i> | - |

Use of Unassigned Fund Balance

The Recommended Budget also includes a total of \$775,000 of the Unassigned Fund Balance for two separate purposes. The General Property Re-assessment, which is budgeted at

\$275,000, is included in the General Fund using fund balance. The Recommended Budget also includes an amount of \$500,000 as a Contingency in the General Fund.

| Unassigned Fund Balance - Analysis | Budget | Actual |
|--|---------------------|--------------|
| FY 2017 | - | \$15,854,106 |
| FY 2018 – Budget As Amended | \$470,000 | - |
| FY 2019 – Recommended Budget | \$775,000 | - |
| <i>Unassigned Fund Balance (Based on Budget)</i> | <i>\$14,609,106</i> | - |

The level of Unassigned Fund Balance in the General Fund will remain compliant with the Council's current policy target of 12% of the prior year revenues in FY 2018 and FY 2019. If the City Council raised the target to 15% of the prior year revenues, the level of Unassigned Fund Balance in the Recommended Budget would still be compliant with the new target.

| Policy Test – Unassigned Fund Balance | | |
|--|--------------|--------------|
| | Budget | Actual |
| FY 2017 Unassigned Fund Balance | | \$15,854,106 |
| Budgeted Use of Balance in FY 2018 & 19 Budget | \$1,245,000 | - |
| Test: Deduct Use of Balance in FY 18 & 19 Budget | \$14,609,106 | - |
| | | |
| | Target | Test Margin |
| Current Policy Target – 12% of PY Revenues | \$10,701,788 | \$3,907,318 |
| Proposed Policy Target – 15% of PY Revenues | \$13,377,235 | \$1,231,871 |

Addition to Fund Balance Assignment for Regional Detention Stabilization

The Recommended Budget also includes an addition, in accordance with the City Council's financial policies, to the Fund Balance Assigned for Regional Detention Stabilization of \$605,000 based upon a decrease in funding for the Regional Detention Facilities.

| Historical Analysis for Assignment for Regional Detention Stabilization | |
|---|-------------|
| Initial Assignment | \$1,250,000 |
| FY 2017 Use for Juvenile Center True-up | (\$273,381) |
| FY 2018 Initial Use – Based on RRJ Increase | (\$275,000) |
| FY 2018 – Credit for Positive True-Up RJC | \$100,316 |
| Projected Balance at Close of FY 2018 | \$801,935 |
| Add: FY 2019 Budget | \$605,000 |
| Projected Balance at the Close of FY 2019 | \$1,406,935 |

Total Use of Fund Balance

The City has drawn on fund balance reserves in the past several years, primarily to fund one-time capital projects, plus a one-time contribution to establish a trust fund for Other Post-Employment Benefits in FY 2016. Historically, the City uses less fund balance at the close of the fiscal year than planned for in the budget. Nevertheless, staff and Council will need to carefully monitor the use of fund balance in the upcoming fiscal years to ensure sufficient balances are available to meet operational and capital needs, and to fund the planned cash-funded capital maintenance and improvement projects for the next several years.

Actual Use of General Fund Balance

| | Total Sources | Total Uses | Change in Fund Balance | Total General Fund Balance |
|---------|---------------|--------------|------------------------|----------------------------|
| FY 2014 | \$81,043,840 | \$81,244,910 | (\$201,070) | \$27,285,105 |
| FY 2015 | \$85,408,565 | \$84,555,654 | \$852,911 | \$28,471,009 |
| FY 2016 | \$87,700,184 | \$90,466,738 | (\$2,766,554) | \$25,704,455 |
| FY 2017 | \$89,810,850 | \$91,239,912 | (\$1,429,062) | \$24,275,393 |

