

REVENUE SHARING

DESCRIPTION AND OVERVIEW

An Annexation and Revenue Sharing Agreement dated February 17, 1982, between the County of Albemarle and the City of Charlottesville was approved in a public referendum on May 18, 1982. The agreement required the County and the City to annually contribute portions of their respective real property tax bases and revenues to a Revenue and Economic Growth Sharing Fund. Distribution of the fund and the resulting net transfer of funds will be made on each January 31 while this agreement remains in effect.

During the time this agreement is in effect, the City will not initiate any annexation procedures against the County. Also, pursuant to this agreement, a committee was created to study the desirability of combining the governments and the services currently provided. The agreement became effective on July 1, 1982 and remains in effect until:

- The County and City are consolidated into a single political subdivision; or
- The concept for independent cities presently existing in Virginia is altered by the State law in such a manner that real property in the City becomes part of the County’s tax base; or
- The County and City mutually agree to cancel or change the agreement.

FINANCIAL DATA

Description	<u>FY 08/09</u> <u>Budget</u>	<u>FY 09/10</u> <u>Recommended</u>	<u>Dollar</u> <u>Inc/(Dec)</u>	<u>Percent</u> <u>+/-</u>
Revenue Sharing with the City of Charlottesville: In FY 09/10, the County will pay \$18,038,878 to the City of Charlottesville in fulfillment of the revenue sharing agreement provisions, an increase of \$4.4 million over the FY 08/09 payment. This payment is at the agreed-upon cap of 10% of the total assessed property values based on the 2007 calendar year.	\$13,633,950	\$18,038,878	\$4,404,928	32.31%

The history of payments made over the extent of the agreement is provided on the following table.

HISTORY OF REVENUE SHARING PAYMENTS MADE TO THE CITY

FISCAL YEAR	AMOUNT OF PAYMENT	DOLLAR INCREASE	PERCENT INCREASE
1982-83	\$1,293,552	N/A	N/A
1983-84	1,530,991	237,439	18.40%
1984-85	1,579,753	48,762	3.20%
1985-86	1,875,179	295,426	18.70%
1986-87	1,942,509	67,330	3.59%
1987-88	2,277,953	321,399	16.40%
1988-89	2,368,027	90,074	4.00%
1989-90	2,693,120	325,093	13.70%
1990-91	2,802,360	109,240	4.10%
1991-92	3,277,350	474,990	17.00%
1992-93	3,426,000	148,650	4.50%
1993-94	4,319,236	893,236	26.10%
1994-95	4,475,120	155,884	3.60%
1995-96	5,049,991	574,871	12.90%
1996-97	5,170,853	120,862	2.40%
1997-98	5,518,393	347,540	6.70%
1998-99	5,587,013	68,620	1.20%
1999-00	5,853,794	266,781	4.80%
2000-01	6,093,101	239,307	4.10%
2001-02	6,482,712	389,611	6.40%
2002-03	6,692,811	210,099	3.20%
2003-04	7,726,021	1,033,210	15.40%
2004-05	8,004,461	278,440	3.60%
2005-06	9,742,748	1,738,287	21.70%
2006-07	10,134,816	392,068	4.02%
2007-08	13,212,401	3,077,585	30.37%
2008-09	\$13,633,950	\$421,549	3.19%
2009-10	\$18,038,878	\$4,404,928	32.31%
TOTAL	\$160,803,093		1294.52%

Total percent increase compares FY 2009-10 payment to FY 1982-83 payment.

TRANSFERS

DESCRIPTION AND OVERVIEW

Transfers of funds from the General Fund to several other County Funds are made each year to pay for public school operations, school debt service and capital projects, general government debt service and capital projects, and stormwater management improvement projects.

SCHOOL TRANSFER

Description	FY 08/09 Approp	FY 09/10 Recommended	Dollar Inc/(Dec)	Percent +/-
General Fund Transfer to School Operations - Recurring: Albemarle County's School Operations are financed from several sources of funding including local, state and federal revenues and from local tax revenues. The local tax revenues are provided to the School Division by a transfer of funds from the County General Fund. This transfer provides about 2/3 of the money needed to operate the schools each year, other than school self-sustaining funds, and accounts for about 45% of the County's yearly General Fund expenditures.	\$101,225,059	\$100,688,571	(\$536,488)	-0.5%
TOTAL, SCHOOL OPERATIONS	\$101,225,059	\$100,688,571	(\$536,488)	-0.5%

TRANSFER TO CAPITAL AND DEBT

The transfer to Capital Projects and Debt Service had previously been made up of three components – 1) an increase in the base from the previous year by the overall rate of revenue growth; 2) an additional one-half percentage of operating budget growth; and 3) two cents of the tax rate. As a result of the economic downturn and reduced real estate assessed values, the methodology described above was changed beginning with the transfer calculation in FY 09/10. The transfer is now calculated using the percentage change in local tax revenues net of revenue sharing and the revenue shortfall contingency. The base for this calculation is the revised FY 08/09 transfer which equated to approximately \$0.15 cents of the real estate tax rate. To address the challenging financial circumstances facing the County, the Board approved the reduction of the equivalent of three cents of the real estate tax rate from the transfer calculation and designated that two cents of the reductions be made in transportation and urban infrastructure capital projects and the local portion of the Acquisition of Conservation Easement Program. This calculation totals \$19.8 million. Debt service requirements for the schools and local government are then subtracted, leaving \$2.1 million for pay-as-you-go projects to be divided between schools, stormwater, and general government.

Description	FY 08/09 Approp	FY 09/10 Recommended	Dollar Inc/(Dec)	Percent +/-
General Fund Transfer to School Debt Service: In addition to the funds for School operational costs, a transfer from the General Fund is made each year to the School Debt Service Fund to make the interest and principal payments on money borrowed by the County for construction and major renovations of school buildings and for other school capital projects.	\$12,913,103	\$14,956,864	\$2,043,761	15.8%
General Fund Transfer to General Government Debt Service: A transfer from the General Fund to the General Government Debt Service Fund is made each year to make the interest and principal payments on funds borrowed by the County for capital projects that relate to General Government functions. FY 09/10 Recommended Budget includes \$856,284 in debt service for anticipated debt to be issued during FY 08/09.	1,930,644	2,784,935	854,291	44.2%
SUBTOTAL, DEBT SERVICE	\$14,843,747	\$17,741,799	\$2,898,052	19.5%

(TRANSFERS CONTINUED)

Description	FY 08/09 Approp	FY 09/10 Recommended	Dollar Inc/(Dec)	Percent +/-
General Fund Transfer to Capital Improvement Fund: A transfer from the General Fund to the Capital Improvements Fund is made each year to fund General Government capital projects which are funded on a "pay-as-you-go" basis and to build up fund reserves to cover future project costs and increased debt service requirements.	\$8,427,962	\$816,815	(\$7,611,147)	-90.3%
General Fund Transfer to School Capital Improvement Fund: A transfer from the General Fund to the School Capital Improvements Fund is made to fund the portion of School capital projects which are funded on a "pay-as-you-go" basis.	1,000,000	1,034,000	34,000	3.4%
General Fund Transfer to Stormwater Management Fund: A transfer from the General Fund to the Stormwater Management Fund is made each year to fund Stormwater Management improvement projects which are funded on a "pay-as-you go" basis.	800,000	250,000	(550,000)	-68.8%
SUBTOTAL, CAPITAL FUNDS	\$10,227,962	\$2,100,815	(\$8,127,147)	-79.5%
TOTAL, TRANSFERS TO DEBT AND CAPITAL	\$25,071,709	\$19,842,614	(\$5,229,095)	-20.9%

RESERVES

DESCRIPTION AND OVERVIEW

Amounts are set aside as reserves for contingencies and unexpected expenses that arise during the year.

FINANCIAL DATA

Description	FY 08/09 Budget	FY 09/10 Recommended	Dollar Inc/(Dec)	Percent +/-
Board of Supervisors Contingency Reserve: The Contingency reserve allows the Board to provide funds for unanticipated additional priority needs.	\$447,118	\$100,000	(\$347,118)	-77.6%
Salary Contingency Reserve: The Salary Contingency reserve provides for general salary reclassifications that occur throughout the fiscal year. Generally, this reserve is 0.3% of salaries and allows for both individual reclassifications and department-wide reclassifications, equating to approximately \$200,000. In FY 08/09 this amount was reduced due to two large departments that underwent salary studies in FY 07/08 which resulted in reclassifications that used the allotted amounts for both FY 07/08 and FY 08/09. For FY 09/10 the recommended reserve is \$100,000.	20,000	100,000	80,000	400.0%
Merit Pool Contingency: The Merit Pool Contingency provides funding for salary increases resulting from merit reviews and will be distributed to the various departments after the actual merit calculations are performed. No merit pool is budgeted for FY 09/10.	224,000	0	-224,000	-100.0%
Total Rewards Pool: This funding was set aside to be used by departments to fund the Total Rewards Program. These funds are budgeted within department budgets for FY 09/10.	25,000	0	-25,000	-100.0%
Revenue Shortfall Contingency: During the Five-Year Financial Plan, the Board directed the County Executive to build his FY 09/10 Recommended Budget setting aside the equivalent of 2.5 cents on the real estate tax rate.	1,614,072	3,911,424	2,297,352	142.3%
Anticipated Salary Savings: This reserve anticipates additional salary savings primarily through expansion of the County's hiring freeze. These assumed savings are based on anticipated turnover and recognition that certain essential County positions will need to be filled.	0	-589,054	-589,054	

(RESERVES CONTINUED)

Description	FY 08/09 Budget	FY 09/10 Recommended	Dollar Inc/(Dec)	Percent +/-
VERIP One-Time Payout: This funding was set aside to be used to fund one-time payouts to employees retiring under the early retirement incentive program approved by the Board of Supervisors and School Board. Funding for this one-time payout will be from the General Fund Balance.	0	140,000	140,000	
TOTAL, RESERVES	\$2,330,190	\$3,662,370	\$1,332,180	57.2%

REFUNDS

DESCRIPTION AND OVERVIEW

An amount is appropriated each year to pay refunds owed by the County. The increase reflects historical actual refunds.

FINANCIAL DATA

Description	FY 08/09 Budget	FY 09/10 Recommended	Dollar Inc/(Dec)	Percent +/-
Refunds	\$169,500	\$169,500	\$0	0.0%