

Adopted Operating and Capital Budget FY 2012

Revenue Analysis

**ADOPTED BUDGET FY 2012
GENERAL FUND REVENUE ANALYSIS
SUMMARY TABLE**

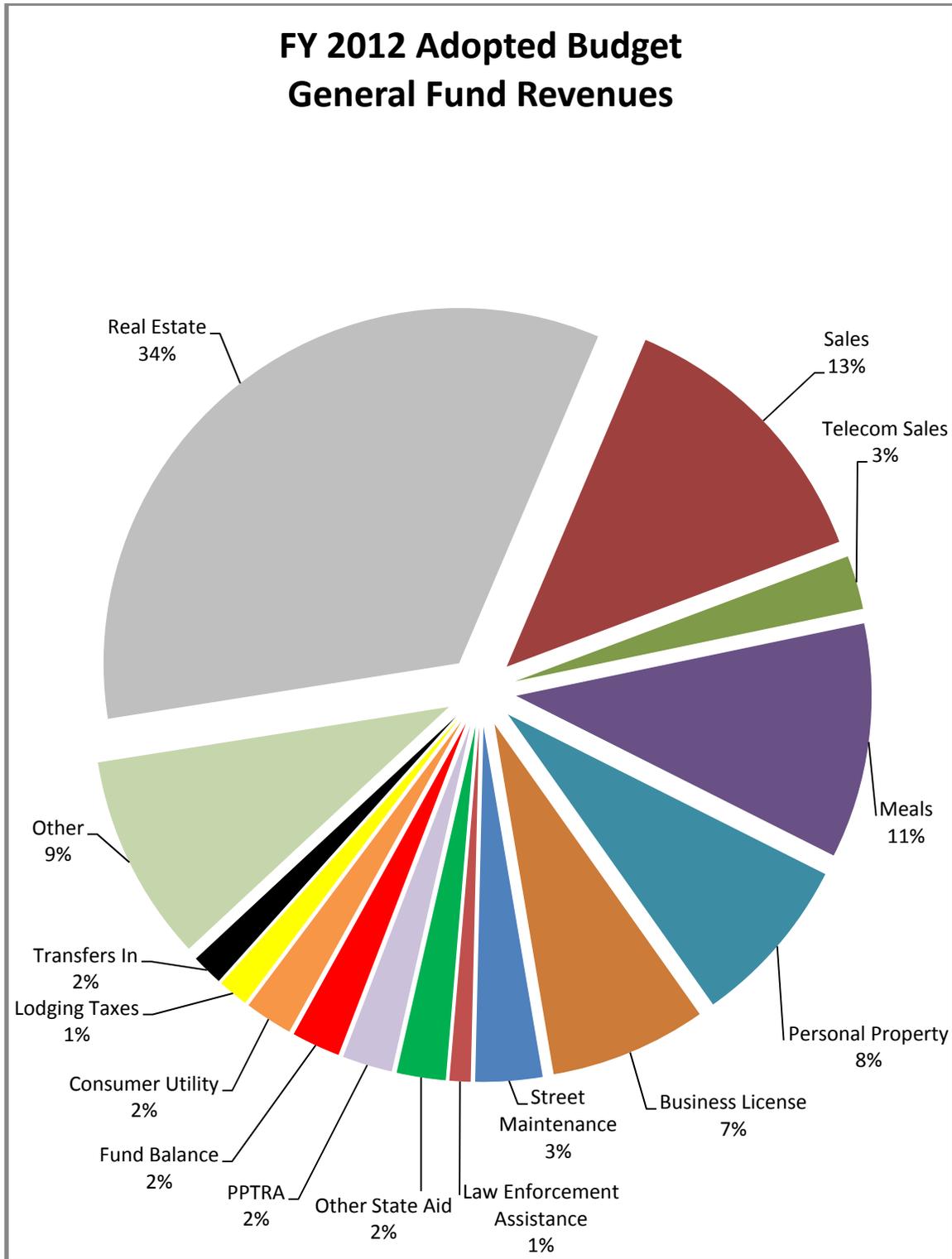
	FY 2009 Actual	FY 2010 Actual	FY 2011 Original	FY 2011 Estimate	FY 2012 Adopted
Real Estate ¹	23,027,762	23,721,622	23,983,000	23,841,200	25,653,000
Personal Property	5,424,927	5,715,913	5,670,600	6,610,600	5,890,600
Sales Tax	10,032,438	10,043,091	9,400,000	10,200,000	9,750,000
Telecommunications Sales Tax	1,897,210	1,836,247	1,850,000	1,880,000	1,850,000
Meals Tax	7,080,021	8,132,542	7,920,000	8,840,000	8,100,000
Business License Tax	5,847,174	5,893,073	5,095,000	5,525,000	5,395,000
Consumer Utility Tax	1,517,109	1,677,699	1,650,000	1,650,000	1,650,000
PPTRA ² Funds	1,728,833	1,728,833	1,725,000	1,725,000	1,725,000
Lodging Taxes	1,050,586	1,084,542	1,050,000	1,175,000	1,060,000
Street Maintenance Assistance	2,182,155	2,178,799	2,120,000	2,270,000	2,300,000
State Law Enforcement Assistance	852,213	778,345	750,000	760,000	725,000
Other Intergovernmental Revenues	2,264,522	1,584,975	1,816,530	1,763,400	1,686,440
Other Revenues	7,654,391	7,833,307	6,757,685	7,716,550	7,139,170
Transfers from Other Funds	1,377,016	1,433,000	1,832,590	1,832,590	1,085,400
Use of Fund Balance ³	-	-	500,000	-	1,675,000
Total General Fund Revenues	71,936,357	73,641,986	72,120,405	75,789,340	75,684,610

¹ Including Public Service Corporation Taxes

² Personal Property Tax Relief Act funds – state funds granted to localities to provide Personal Property Tax Relief.

³ Transfers from Fund Balances are not recorded as revenue at the close of the year. See the Fund Balance Summary for details concerning the City use of fund balance in prior periods.

**ADOPTED BUDGET FY 2012
GENERAL FUND REVENUE ANALYSIS
SUMMARY CHART**



**ADOPTED BUDGET FY 2012
GENERAL FUND REVENUE ANALYSIS
DISCUSSION & ANALYSIS**

The following Discussion and Analysis will highlight some of the major developments for some of the major revenue sources in the General Fund.

REAL ESTATE TAXES

The real estate tax rate was increased for FY 2012 to \$0.72 per \$100 valuation. The total real estate revenue forecast for FY 2012 is **\$24,780,000**.

The forecast for delinquent real estate tax collections was increased to **\$300,000**. The FY 2011 forecast was \$160,000. However, the amount of delinquent tax payments rose significantly in both FY 2010 and FY 2011, and this trend is anticipated to continue in FY 2012.

As a note on the real estate tax, the General Property Re-assessment that would have been performed in FY 2011, with an effective date of July 1, 2011 (for revenues that would be set in FY 2012) will be performed during FY 2012 as a cost-saving measure. The new assessment will be effective on July 1, 2012 (FY 2013).

Real Estate Tax Rate		
Fiscal Year	Rate	Notes
FY 2005	\$0.89	
FY 2006	\$0.89	
FY 2007	\$0.89	
FY 2008	\$0.53	Re-assessment
FY 2009	\$0.56	
FY 2010	\$0.68	Re-assessment
FY 2011	\$0.68	
FY 2012	\$0.72	

PUBLIC SERVICE CORPORATION – REAL ESTATE TAXES

Unlike the 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.

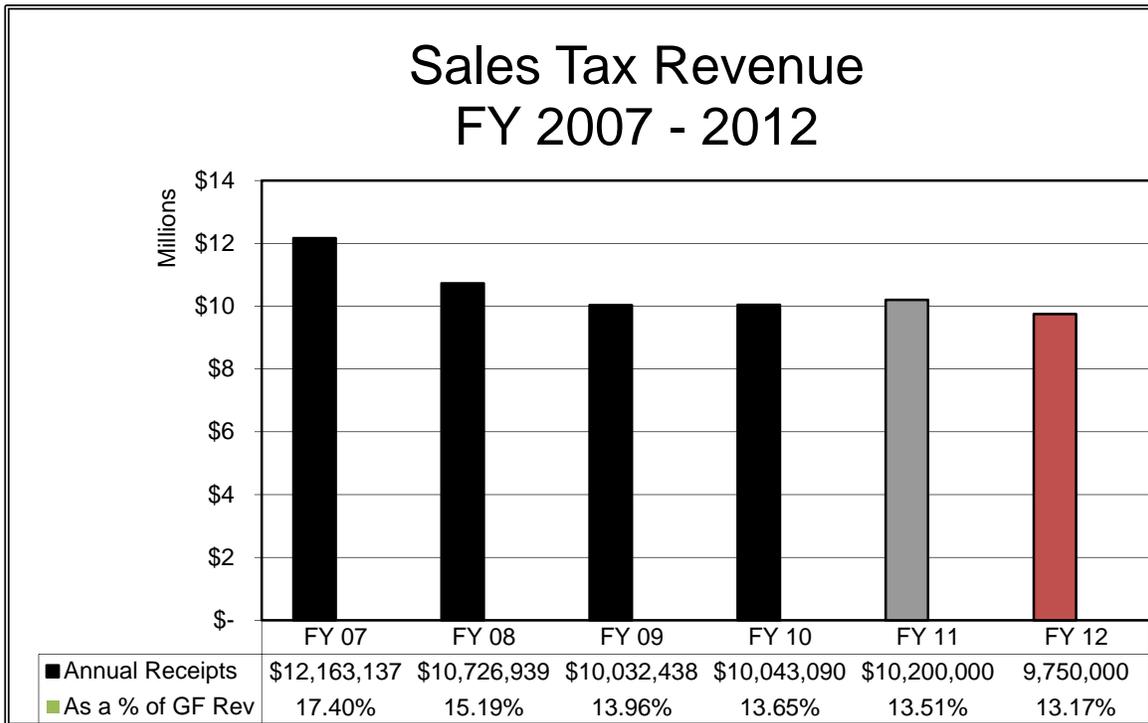
The forecast for FY 2012 is for **\$570,000**.

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% 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 have been declining to levels that are less than the City received as far back as FY 2004 (July 2003-June 2004). In that year, the City received \$11.5 million in sales tax revenues. The highest year for collections in the last few years was FY 2006, when the City collected \$12.85 million in revenue. Since that year, the City’s sales tax receipts have declined, partly as a result of overall economic conditions, but partly also as a result of increased regional competition. The City’s experience in FY 2009, FY 2010, and FY 2011 indicates that the rapid declines during FY 2007 and FY 2008 have leveled off, and revenue receipts have stabilized.



This chart shows sales tax revenues over the last several years. In FY 2007, the City received \$12,163,137. In FY 2011, the final estimate, pending August receipts is for revenue of \$10,200,000. The FY 2012 forecast is conservatively estimated to be **\$9,750,000**, which is an increase of \$350,000 from the FY 2011 estimate of \$9,400,000.

In addition, it should be noted that the decline in sales tax revenues means that other revenues must increase if the City is to stay even in its revenue collections. The sales tax’s share of the General Fund revenues fell from just over 19% in FY 2005 and FY 2006 to just over 13% as forecast in the current year.⁴

TELECOMMUNICATIONS SALES TAX

In FY 2007, the City began receiving the new statewide Telecommunications Sales Tax. The Telecommunications Sales Tax replaced the following taxes: Cable

⁴ For the purpose of this calculation, fund balance usage is not counted as revenue.

Franchise Fees, Consumer Utility Taxes on landline and wireless telephone 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 services.

The following table of the new telecommunications sales tax, alongside the taxes it replaced. The Consumer Utility Taxes for electric and natural gas services remains in place, and that revenue will continue at a reduced level. Cable Franchise Fees and local E-911 taxes will no longer be collected. (The E-911 tax here should not be confused with the state-collected charges for E911 services distributed by the Wireless E911 Board. That revenue, which goes to assist the operations of the E911 Center, is forecast to be \$200,000 in FY 2011.)

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimate	FY 2012 Budget
Cable Franchise	-	-			
Local E911	-	-			
Consumer UT	1,527,028	1,517,109	1,677,699	1,650,000	1,650,000
Telecommunications Sales Tax	2,019,101	1,897,210	1,836,247	1,880,000	1,850,000
Total These Sources	3,546,129	3,414,319	3,513,946	3,530,000	3,500,000

Collections have stabilized somewhat since the inception of the tax. Receipts rose in FY 2011, after falling in FY 2010. The FY 2012 forecast is for **\$1,850,000**.

**PERSONAL PROPERTY TAXES, MACHINERY & TOOLS TAXES, AND PPTRA
(PERSONAL PROPERTY TAX RELIEF ACT) GRANTS**

The City is estimating **\$5,750,600** in personal property collections during Fiscal Year 2012. In addition, the City is estimating **\$140,000** in delinquent personal property tax collections. These amounts do not include the state’s personal property tax relief payments, which is \$1.725 million.

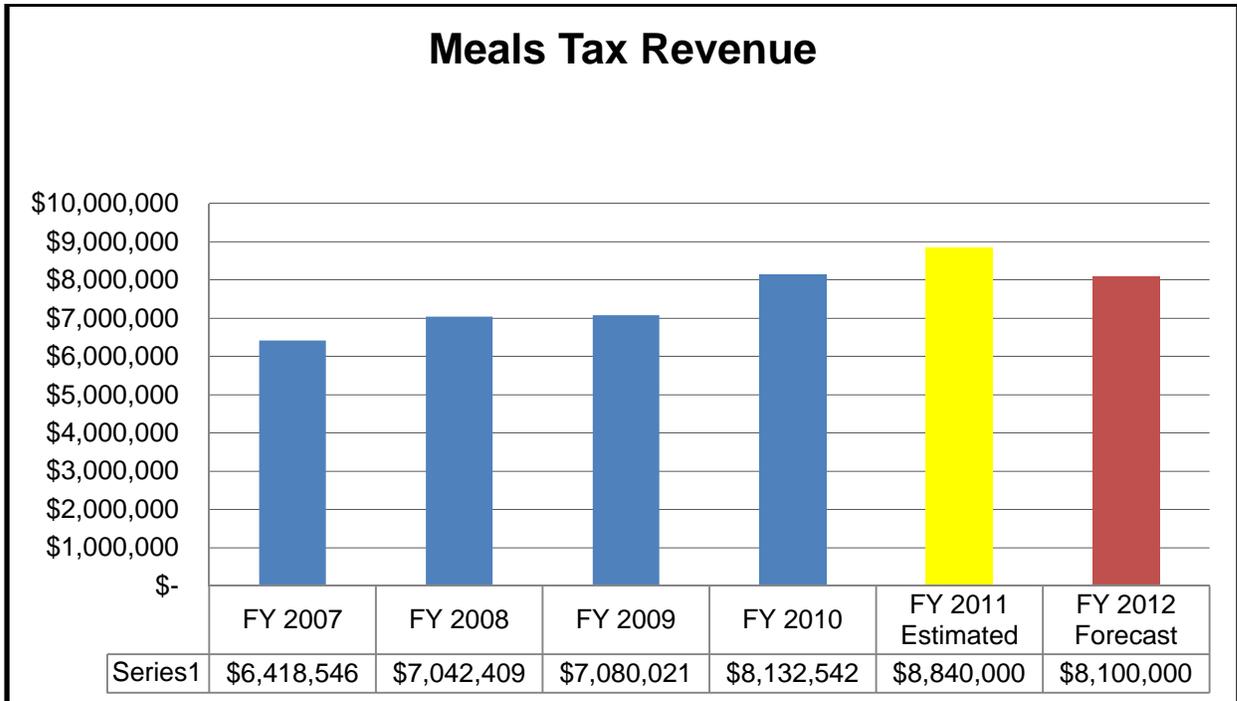
The City also receives Machinery & Tools taxes from industries and businesses located in the City. The Machinery & Tools tax is a property tax on certain classes of business property used for manufacturing, mining, water well drilling, processing and re-processing, radio or television broadcasting, dairy, and laundry or dry cleaning. This property is assessed separately from regular business personal property under state law. The City’s Machinery & Tools tax revenues increased in FY 2010, and are forecast to increase in FY 2011, as new investments in manufacturing facilities in the City have opened production. The City is forecasting a total of **\$180,250** for Machinery & Tools taxes for FY 2012.

This table presents these taxes on a fiscal year basis, which matches the City’s budget and audit cycles.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Budget	FY 2012 Budget
Personal Property Taxes	5,639,709	5,424,927	5,715,913	5,670,600	5,890,600
Machinery & Tools	70,185	77,947	158,033	180,250	180,250
PPTRA	1,728,623	1,728,833	1,725,000	1,725,000	1,725,000
Total These Sources	7,438,517	7,231,707	7,598,946	7,575,850	7,795,850

MEALS TAX

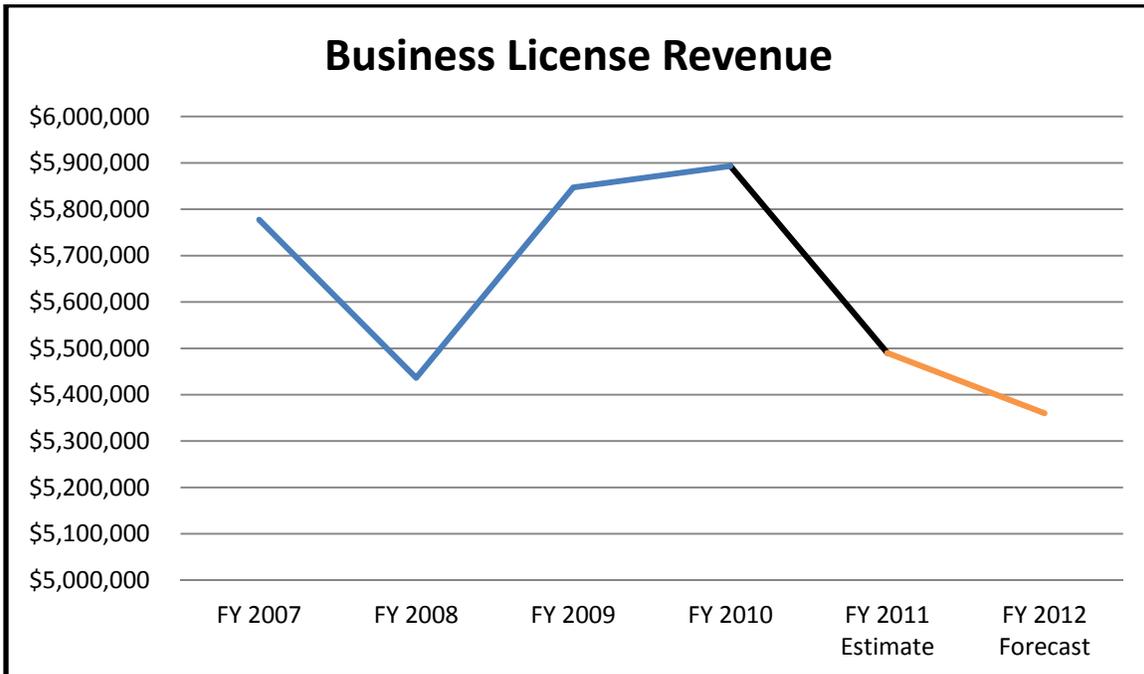
The City Council increased the Meals Tax rate from 5% to 6%, effective August 1, 2009, in order to raise additional revenues for City operations and reduce the real estate tax increase that was being considered as an option to raise revenues. The City has also been fortunate in having several restaurants open during the course of FY 2010, replacing other restaurants which closed during the course of the year. The rate increase has resulted in increased revenue for the City, as activity increased over the last half of FY 2010. The trend of increased activity continued throughout FY 2011. The FY 2012 budget increases the amount of the estimate of meals tax to **\$8,100,000**.



BUSINESS LICENSE TAX

The vast majority of business license taxes in the City are paid in March of the year, based on the gross receipts in the prior calendar year. From FY 2007 to FY 2008, the revenue declined significantly, due to prevailing economic conditions. At that time, the City Commissioner of the Revenue and the City Treasurer increased their audit and collection efforts for this tax. The increased efforts by these offices resulted in increased compliance and increased collections of late and overdue amounts.

During FY 2011, in a result to better distinguish delinquent activity from current payments, the City established a delinquent business license revenue line. The budget forecast for FY 2012 for delinquent business license tax collections is \$150,000. The budget forecast for current business license taxes for FY 2012 is \$5,200,000, which reflects the City’s belief that business license collections will level off now that the Commissioner’s and Treasurer’s increased collection activities have been in effect for some time. The forecast for penalties on overdue business licenses remains conservatively estimated at \$10,000. The total forecast from this source in FY 2012 is **\$5,360,000**.



	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Budget
Business License	5,384,256	5,688,778	5,814,793	5,280,000	5,200,000
Business License Penalties	14,613	121,267	44,152	30,000	10,000
Business License – Delinquent	Included in BL Taxes	Included in BL Taxes	Included in BL Taxes	180,000	150,000

BANK FRANCHISE TAX

Banks are assessed a Bank Franchise Tax in lieu of a Business License Tax in accordance with Virginia law. The rate is 80 percent of the state rate (usually \$1 per \$100) of net capital of each bank located in the City, apportioned according to the amount the deposits each branch in the City contributes to the total deposits of the bank. (See Code of Virginia §58.1-1200 *et seq.* for further details.) Filings are due to the Commissioner by March 1, with payment owed on or before June 1 of any year.

This revenue source grew strongly in the period from FY 2005 through FY 2007. Unfortunately, the City's revenue for FY 2008 from this source declined 19% from FY 2007, and is 9% below the revenue result from FY 2005. As a result, the City lowered its revenue forecast for this source in FY 2009; and maintained a lowered forecast in the FY 2010 budget.

The FY 2010 estimated revenue increased significantly from the FY 2008 and FY 2009 levels. Some of the increase may be attributable to the opening of new bank branches in the City, which should impact revenues going forward. Nevertheless, this revenue source has varied significantly in the past several years, and the City's forecast in FY 2011 was kept at a lower level, consistent with revenue performance in FY 2008 and FY 2009. FY 2011 actual revenue has maintained a higher level, and the FY 2012 forecast was conservatively raised to **\$600,000**, as a result.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Budget
Bank Franchise Tax	459,020	469,004	758,805	750,000	600,000

CONSUMER UTILITY TAX

The Consumer Utility Tax rate for natural gas and electric customers in the City rose by \$1.00 per month beginning July 1, 2009. This action helped to balance the budget in FY 2010. Estimated budget revenues in FY 2011 reflect the increased revenue level from the FY 2010 tax rate increase. The forecast for FY 2012 is **\$1,650,000**.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimate	FY 2012 Budget
Consumer Utility Taxes	1,527,028	1,517,109	1,677,699	1,650,000	1,650,000

RECORDATION TAX

The Commonwealth of Virginia imposes a tax of \$0.25 per \$100 on land transfers, and the City also collects at a rate that is 1/3 of that charged by the state (or \$0.083 per \$100). The slumping economy and the declining real estate market have affected this revenue state-wide. Recordation taxes as a revenue source may vary significantly from year-to-year with economic conditions and, in the City, whether or not there are sales of large valuable parcels in a given year. In FY 2009, the revenue from this source declined significantly, a trend which continued in FY 2010. Activity increased in FY 2011, with a final estimate of \$450,000. The City budget forecast for FY

2012 is for **\$500,000**. This level would represent an increase in activity from the last two years, but remain well short of revenue generated during FY 2007 and FY 2008.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimate	FY 2012 Budget
Recordation Tax	715,884	460,084	406,123	460,000	500,000

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. 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.

Also in FY 2011, the state re-allocated a Clerk of Circuit Court position to the City of Fredericksburg, which increased the state assistance for that office. In terms of the City budget, this action offset other reductions in funding for constitutional officers. The City will continue to face cuts in state assistance related to the “Aid to Localities” program of the state.

Major Intergovernmental Sources	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimate	FY 2012 Forecast
Street Maintenance	2,104,006	2,182,155	2,178,799	2,270,000	2,300,000
Law Enforcement Assistance (HB 599)	925,632	852,213	778,345	760,000	725,000
Constitutional Officers & Registrar	1,784,665	1,588,338	1,567,996 ⁵	1,580,000	1,515,000

⁵ Includes federal payments for Sheriff services, under the American Reinvestment and Recovery Act. The Commonwealth used the federal stimulus funds to offset their contribution to local governments for these services. Federal funding is no longer

State Reductions

The Commonwealth of Virginia informed localities during their budget process for FY 2009 that the state would be reducing its allocations for state aid for a variety of programs in order to achieve \$50 million in savings to the state budget. For the FY 2011-FY 2012 state biennium, the aid to localities program expanded to \$60 million, resulting in deeper cuts. The state Department of Planning and Budget identified the eligible programs, which included aid to the City’s constitutional officers, aid for law enforcement (known commonly as “HB 599” after the original legislation), Comprehensive Services Act funding, and state-shared revenues for the Grantor’s Tax and the Rolling Stock taxes. The identified items also included items that the City serves as fiscal agent for, but does not include as part of its budget, including items such as state aid for the Central Rappahannock Regional Library. Not included in the state reductions were state assistance received by the City for Personal Property Tax Relief, aid for education, and aid for street maintenance.

The City could elect to take the proportional reductions from each identified program, pay the state the identified amount, or mix and match between programs. Because the City allocation includes items that are not funded by the City, the City will elect to have the proportional reductions taken from each identified program. There is one exception – the community corrections program run by the Rappahannock Regional Jail wishes to pay the state back directly for the cut to that program. Here is a simplified table for the reductions in state support, showing the reductions given in FY 2010, FY 2011, and FY 2012, which shows the impact to the various programs of these cuts.

City Program	FY 2010 Cut	FY 2011 Cut	FY 2012 Cut	Comments
Voter Registrar	2,105	2,094	1,998	
Sheriff	18,566	23,292	21,460	Constitutional Officer
Commissioner of the Revenue	3,221	3,091	3,122	Constitutional Officer
Commonwealth Attorney	19,741	25,365	25,239	Constitutional Officer
Circuit Court Clerk	6,365	10,214	10,389	Constitutional Officer
Treasurer	2,168	1,464	1,471	Constitutional Officer
Regional Library	3,736	3,269	3,329	State aid for libraries; not included in City budget
Rolling Stock Taxes	294	477	476	
Grantor’s Tax	5,664	3,996	6,053	
CSA	30,270	67,650	63,213	Reduction in state revenue to the CSA Fund; programs are still mandatory
Community Corrections	37,813	52,497	50,412	City is fiscal agent only

City Program	FY 2010 Cut	FY 2011 Cut	FY 2012 Cut	Comments
HB 599	38,119	44,110	43,340	State aid to the City Police Department
Total Reductions	167,539	237,519	233,562	

LODGING TAX

The City lodging tax rate, at 6%, remains unchanged in FY 2012. In FY 2010, the City raised the rate from 5.5% to 6%, in order to offset declines in other revenue sources. Revenues increased as a result of both the rate increase and a full year of operations from the new Courtyard by Marriott downtown, which opened during the summer of 2009. Lodging tax collections have been strong in the City during FY 2011, as economic activity has increased. The City also benefitted from special events in FY 2011, such as the Boy Scout Jamboree and the Marine Corps Historic Half Marathon. The Marine Corps Historic Half Marathon, scheduled in May, will provide ongoing economic activity to the City's hotels and restaurants, the City revenues will benefit as a result. The City is conservatively forecasting revenue for FY 2012 of **\$1,060,000**, which is a slight increase from the FY 2011 estimate.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Budget
Lodging Tax	918,952	1,050,586	1,084,542	1,175,000	1,060,000

TOBACCO TAX

The City of Fredericksburg currently charges a \$0.31 per pack tax on cigarettes sold in the City. This rate has been in place since FY 2006. Tax receipts had been fairly steady from FY 2006 through FY 2008; however, from FY 2008 to FY 2010 the City's revenue from this source declined. As a result of these trends, the City lowered its estimate for revenue from this source to \$500,000 in FY 2010, and maintained that forecast for the FY 2011 budget. In spite of the underlying trend and an increase in the federal cigarette tax, in FY 2011 the revenue from this source increased. Given the volatility of this source, the FY 2012 budget forecast maintains a conservative revenue level of **\$500,000**.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Budget
Tobacco Tax	593,940	530,216	503,322	554,700	500,000

ADMISSIONS TAX

The City imposes a tax on admissions to amusements and events, at 6%. The forecast in FY 2012 is for **\$300,000**.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Budget
Admissions Tax	288,477	335,918	319,137	340,000	300,000

EMERGENCY MEDICAL SERVICE TRANSPORTATION FEES

The City of Fredericksburg initiated a fee program to recover costs associated with the provision of these services. Currently, the City and the Fredericksburg Rescue Squad combine to provide these services to city residents. The fees, which were initiated in October of 2007, are billed on a “soft billing” policy, and no citizen is denied service based upon ability to pay. However, insurance providers, which often include medical transportation in their policies, are billed for the cost to the community of providing emergency medical transport. The fees are only charged for services related to transportation – if a citizen is treated on site or no treatment is necessary, there is no charge.

The City’s two first full years of collection – FY 2009 and FY 2010 – have seen revenues increase slightly as the City and its collection agent standardize processes for billing and collections. However, FY 2011 has seen a decline in the rate of collections, as the City has seen fewer transports and is transporting more patients without any type of insurance. The FY 2012 budget forecast of **\$636,000** will need to be closely monitored during the year, to see if collections return to FY 2009 and FY 2010 levels or continue at the slightly lower rates seen in FY 2011.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Budget
EMS Fees	287,570	651,257	681,346	600,000	636,000

PUBLIC RIGHT-OF-WAY USE FEE

FY 2008 was the first year the City imposed the Public Right-of-Way Use Fee, which is an amount that is billed to telephone customers. The original intent of the Public Right-of-Way Use Fee was to replace telephone company franchise fees on a statewide basis. The fee is calculated by the Virginia Department of Transportation based upon a statewide formula (for FY 2011, it is \$0.76 per line, a decrease of \$0.13 per line from FY 2010, and roughly the same as in FY 2009). Revenue had remained relatively stable for FY 2009 and FY 2010; however, revenue increased substantially during FY 2011. The FY 2012 forecast remains conservatively set at **\$90,000**. Should recent trends of an increase in this revenue hold, then the City should be able to increase the revenue forecast for FY 2013.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Budget
Public R-O-W Use Fee	56,520	84,300	103,805	160,000	90,000

BUILDING AND PLANNING FEES

The City charges a wide variety of permit fees related to building inspections, site plan applications, other planning and zoning revenues, and various other regulatory permits. The most significant of these are building permit fees and site plan review fees.

The City raised its building permit fees in February 2008, and adopted a new fee related to traffic impact analysis in June 2008. In spite of the fee increases, a decline in

construction activity caused a significant decrease in permit revenue during FY 2008. The City has not increased building permit fees since FY 2008.

During FY 2009, building permit revenues rebounded, although site plan fees continued to decline. The estimated revenues during FY 2010 increased significantly, largely due to several large construction projects, including Eagle Village and the large Print Innovators. Construction activity in the City continued with several major projects during FY 2011, and revenues rose substantially. These included several new medical office buildings and apartment complexes. These projects are now underway or are nearing completion. The FY 2012 budget forecast remains conservative.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Budget
Building Permit Fees	428,718	531,500	640,199	775,000	525,000
Site Plan Review Fees	97,668	73,673	86,378	60,000	65,000

SOLID WASTE FEES

Solid waste fees have not been raised by the City since FY 2009, when they were raised by 5%. This source of income has remained relatively stable throughout the recent economic turbulence. The current fee is \$15.75 per month for single-family homes and \$12.60 for high-density units, such as condominiums, and is billed bi-monthly. The forecast for FY 2012 is **\$724,500**.

The City’s landfill, which is the Rappahannock Regional “R-Board” Landfill shared with Stafford County, has given indications that solid waste hauled by the City will be charged tipping fees, which has not been the case in the past. The City included an amount in the budget of \$40,000 in the Public Works Department as an allowance for an eventual decision to charge tipping fees. The Landfill has indicated that any decision to charge tipping fees would be a multi-year gradual process, to give the jurisdictions a chance to phase in these costs. The City may need to consider an increase in the solid waste fee in FY 2013 to meet the increased cost of service associated with tipping fees.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Budget
Solid Waste Fees	685,738	718,968	721,210	724,500	724,500

RECREATION FEES

The City charges fees for various recreation programs, including dance and art classes, sports programs, and boat rental at Motts Reservoir. By City Code, the authority to charge these fees is vested in the City’s Recreation Commission, which is a body appointed by the City Council to oversee the City’s recreation programs. Several of the more self-sufficient recreation programs, including the First Fridays events, the Starfires Drill Team, and the Soapbox Derby, have been moved into the City Grants Fund beginning in FY 2005 to more easily track revenues and expenditures related to these items. Other programs remain in the General Fund, with the goal of having fees help support the operations and maintenance costs associated with the Supervision division of

the Department of Parks, Recreation, and Public Facilities. Recreation Fees show a significant shortfall in FY 2008, as participation rates for many programs declined. Staff believes this to be related to the decline in the economy and increased offerings from other agencies throughout the area. The forecast for FY 2012 remains **\$350,000** for recreation fees, which reflects an expectation of lowered activity in this area due to the recession.

The boat rental fees at Motts Run Reservoir are accepted in the General Fund, and are shown in the table below. Motts Run staff and supplies are supported in the Parks Maintenance budget in the General Fund, and these fees go to offset those expenditures.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Budget
Recreation Fees	458,392	457,468	406,313	385,000	350,000
Marina Fees – Motts Run	58,638	30,203	31,614	38,000	20,000

TRANSFERS FROM OTHER FUNDS

The City in FY 2012 made use of the following transfers from other funds in the General Fund:

- ❖ \$300,000 from the Water Fund – for overhead
- ❖ \$300,000 from the Wastewater Fund – for overhead
- ❖ \$85,400 from the School Operating Fund – prior agreement concerning early retirement benefits for teachers
- ❖ \$400,000 from Special Revenue Funds (pays the City back for the construction of the Fall Hill Avenue & Silver Parkway intersection improvements; plus Cowan Boulevard debt service – City portion).

USE OF FUND BALANCES

In order to balance the FY 2012 budget, the City budgeted \$675,000 in undesignated unreserved fund balance. In addition, the City budgeted \$1,000,000 of fund balance designated for capital to support the City's transfer to capital funds in the General Fund during FY 2012. The transfer to capital (\$1,403,025) and the General Fund Contingency (\$521,530) exceeds the uses of balance in the FY 2012 budget.

**ADOPTED BUDGET FY 2012
SOCIAL SERVICES FUND REVENUE ANALYSIS
SUMMARY TABLE**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Budget	FY 2012 Budget
Local Income	105	1,442	26,597	-	-
Revenue from the Commonwealth	1,315,962	1,484,878	1,535,784	1,581,550	1,517,187
Revenue from the Federal Government	2,093,224	2,079,346	2,267,902	2,583,740	2,365,666
Transfer from Other Funds	805,544	933,022	832,080	823,000	893,215
Insurance Recovery	-	-	-	-	-
Fund Balance	-	-	-	-	-
Total	4,214,835	4,498,688	4,662,363	4,988,290	4,694,754

REVENUE FROM OTHER GOVERNMENTS

The Social Services Fund is funded to a large degree by the state and federal governments, which provide aid to the locality to administer various federal and state human services programs. The state also provides assistance for salary reimbursement for DSS employees. The Department of Social Services provides revenue estimates for the budget in this regard based upon historical trends and program budget information available from the state and federal governments.

TRANSFER FROM OTHER FUNDS

This revenue source consists of transfer from the General Fund to support Department of Social Services operations. In FY 2012, the City increased its support for the Social Services Fund. The total transfer in FY 2012 from the General Fund is \$893,215.

**ADOPTED BUDGET FY 2012
SCHOOL OPERATING FUND – REVENUE ANALYSIS
SUMMARY TABLE**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Original Budget	FY 2012 Budget
Local School Income	426,838	332,976	407,376	265,000	301,400
Revenue from the Commonwealth	6,944,509	6,578,327	6,216,582	6,673,703	7,360,366
Revenue from the Federal Government	565,271	551,188	1,221,797	550,000	-
Transfer from the General Fund	23,728,000	24,728,000	24,028,000	24,028,000	24,928,000
Fund Balance	-	-	-	250,000	100,000
Total	31,664,618	32,190,491	31,873,755	31,766,703	32,689,766

LOCAL SCHOOL INCOME

The largest source of local school income is tuition charged to students attending City schools who live outside the City. These amounts are set by the School Board and are forecasted every year by the Fredericksburg City Public Schools. The schools also receive small amounts of miscellaneous funds from items such as facility rentals, gate receipts, etc.

REVENUE FROM THE COMMONWEALTH

The Commonwealth of Virginia shares resources for education with local school districts based upon complex formulas involving measures of ability to pay, school enrollment, overall population, and funding availability. These funds are based upon local and state forecasts of school enrollment and, for most state sources, the state’s measure of ability to pay – known as the Local Composite Index. The City’s LCI score is the highest in the region and one of the highest in the state (which means the City has more ability to pay according to the state formula, and as a result, receives less state funding).

TRANSFER FROM THE GENERAL FUND

The Transfer from the General Fund is the largest source of education funds for the School Operating Fund. It is also the largest expenditure in the City’s General Fund. As the following graph shows, the relative weight of the Transfer from the General Fund is increasing. In FY 2012, the local transfer constitutes 76.2% of the revenues for the School Operating Fund. State support for City schools, the second largest source of revenue, stands at 22.5%.

The Transfer from the General Fund to the School Operating Fund does not include the debt service the City incurred from the construction of the two new schools. The City pays \$3.3 million in FY 2012 for this debt service, which is transferred from the General Fund directly to the City’s Debt Service Funds, and is not included in the operating fund for the Schools.

**ADOPTED BUDGET FY 2012
CITY GRANTS FUND REVENUE ANALYSIS
SUMMARY TABLE**

	FY 2009 Actual	FY 2010 Actual	FY 2011 Original Budget	FY 2011 Amended Budget	FY 2012 Adopted Budget
Local Income	162,227	247,450	221,030	235,077	164,030
Revenue from Other Localities	302,208	272,098	356,400	356,400	322,000
Revenue from the Commonwealth	259,454	307,128	137,237	137,237	175,000
CDBG Funds	202,849	245,574	231,856	231,856	209,360
Revenue from the Federal Government	293,638	419,750	107,039	441,619	264,765
Interfund Transfers	451,915	381,744	287,363	291,112	308,095
Fund Balance	-	-	-	453,281	47,500
Total	1,672,291	1,873,743	1,340,925	2,146,582	1,490,750

OVERALL NOTES

The City Grants Fund is designed to account for various federal, state, and local grant activities of the City. Most grants are awarded outside the City budget cycle, and if so, the City Council is asked to consider amending the City Grants Fund budget to appropriate the necessary funds to engage in the grant activities. Grant activities will also cross fiscal year boundaries, and if so, City Council is asked to consider amendments to continue activities once year-end accounts are settled. As a result of these activities, the amended budget for the City Grants Fund is usually significantly higher than the original adopted budget, as is shown in the table above for FY 2011.

The City is fortunate to receive significant grant assistance for public safety, economic development, cultural, and other program areas from federal, state, and regional partners.

LOCAL INCOME

The City tracks several local programs through the City Grants Fund. The most notable of these are Department of Parks, Recreation, and Public Facilities programs such as the Soapbox Derby and Starfires Drill Team. Revenues for these items are based upon historical attendance and donation trends. The FY 2012 budget represents a decline because of the elimination of the Finally Fridays program in Parks and Recreation.

REVENUE FROM OTHER LOCALITIES

These revenues are the revenues received from Spotsylvania County and Stafford County for the Regional Group Tourism program. In addition, beginning in FY 2007, the City replaced Spotsylvania County as the fiscal agent for the Regional Tourism Marketing program. The contributions of the various localities are set by agreement. Other contributions for other programs in this fund (for example, the Discovery Days special event) will also occur from time to time.

REVENUE FROM THE COMMONWEALTH

These include a variety of grant programs, including the Virginia Commission for the Arts and various public safety programs. Information on forecasting is gathered from projections from the Commonwealth and conservative projections based upon past awards for ongoing programs.

CDBG FUNDS

The Community Development Block Grant funds are forecasted with the assistance of the City's program coordinator, who evaluates information received on the program from the federal government. The City anticipates a decrease in support for the program from the federal government in FY 2012, and likely going forward.

INTERFUND TRANSFERS

These are transfers based upon program matching requirements, as indicated in grant award documents or other program information. These funds come from the City's General Fund. The following table breaks down the transfer from the General Fund by City Grants Program.

Program	FY 2012 Transfer from General Fund
Victim Witness	59,900
Virginia Domestic Violence	23,775
Bryne JAG	3,750
JAG AFIS Renewal	8,270
Arts Commission	6,500
CDBG	37,900
Farmer's Market	7,000
Regional Group Tourism	40,000
Regional Tourism Marketing	121,000
Total General Fund Transfer	308,095

**ADOPTED BUDGET FY 2012
WATER FUND REVENUE ANALYSIS
SUMMARY TABLE**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Budget	FY 2012 Budget
Water Sales	2,075,242	2,104,372	2,136,606	2,357,815	2,380,000
Other Income – Water	928,213	771,529	880,728	448,600	422,000
Fund Balance	-	-	-	640,000	680,000
Total	3,003,455	2,875,901	3,017,334	3,446,415	3,482,000

WATER SALES

By far, the single largest source of funds in the Water Fund is water sales, which comes from the regular bi-monthly bills to customers for water service. The City’s water and wastewater charges are based upon a base fee, which is a certain set amount per bill based on the service size, plus a commodity charge, which is a rate charged based upon actual consumption. The City raised water rates by 2% for both the base rate and the commodity charge in the FY 2010 budget. Rates were not increased in conjunction with the FY 2011 budget. In FY 2012, the City maintained the same base rate but raised the commodity charge from \$1.85 per \$1000 gallons to \$1.90 per thousand gallons.

OTHER INCOME – WATER

This category represents other fees in the water fund, interest income, and other miscellaneous revenue sources. Historical years also reflect water availability fees, which are mostly budgeted in the Water Capital Fund, but some portion is budgeted in the Water Operating Fund. The Water Capital Fund and the Water Operating Fund are combined at the end of the year for audit purposes. As an Enterprise Fund, assets built through the Water Capital Fund are added to the balance sheet and depreciated over time.

**ADOPTED BUDGET FY 2012
WASTEWATER FUND REVENUE ANALYSIS
SUMMARY TABLE**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Budget	FY 2012 Budget
Wastewater Sales	3,251,553	3,432,452	3,628,030	3,925,000	3,960,000
Other Income – Wastewater	821,955	1,052,966	1,047,817	692,000	740,000
Fund Balance	-	-	-	1,670,967	1,600,000
Total	4,073,508	4,485,418	4,675,847	6,287,967	6,300,000

WASTEWATER SALES

By far the single largest source of funds in the Wastewater Fund is sewer sales, which comes from the regular bi-monthly bills to customers for water service. Historical trend data and projections of growth in the community are the source for this forecast. The City adopted a rate increase of 8% for FY 2009, and a 5% increase in FY 2010. No increase was adopted at the beginning of FY 2011. In FY 2012, the City increased the commodity charge only from \$3.86 per 1000 gallons to \$4.00 per 1000 gallons.

OTHER INCOME – WASTEWATER

This category represents other fees in the water fund, interest income, and other miscellaneous revenue sources. Historical years also reflect water availability fees, which are mostly budgeted in the Wastewater Capital Fund, but some portion is budgeted in the Wastewater Operating Fund. The Wastewater Capital Fund and the Wastewater Operating Fund are combined at the end of the year for audit purposes.

**ADOPTED BUDGET FY 2012
TRANSIT FUND REVENUE ANALYSIS
SUMMARY TABLE**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2010 Budget	FY 2012 Budget
Fares	116,662	159,741	271,610	275,898	387,225
Revenue from the Federal Government	4,499,810	1,559,865	2,877,164	1,828,646	1,832,095
Revenue from the Commonwealth	1,162,031	614,547	715,348	421,052	757,500
Local Revenues (including partnerships & other governments)	1,648,366	2,622,148	1,526,239	1,694,347	1,751,217
Fund Balance	-	-	-	525,000	450,000
Total	7,426,869	4,956,301	5,390,361	4,744,943	5,178,037

FARES

The fares for the Transit system are set at \$0.75 per ride on most trips; however, fares are higher on some of the VRE commuter routes. Fares were increased beginning in July, 2011 from \$0.50 to the current \$0.75 per ride in order to raise additional revenue for the system.

REVENUES FROM OTHER GOVERNMENTS

The Transit Department receives much of its funding from the federal and state governments. The Department receives information about funding allocations from the Federal Transit Administration and the Virginia Department of Rail and Public Transportation. The construction of the new FRED Transit Station distorted FRED revenues in FY 2008, as capital construction grants are combined with the FRED operating fund at the close of the year due to the enterprise nature of FRED.

LOCAL REVENUES

These revenues include partnerships with the University of Mary Washington and Mary Washington Hospital, and local contributions from surrounding counties to support the cost of service to those localities. Routes are run outside of the City in Caroline County, King George County, Stafford County, and Spotsylvania County. County contributions are set based upon budget requests for the service sent to the county governments as part of their annual budget process. The City contributes to the service as well, generally from surplus motor fuels taxes.

**ADOPTED BUDGET FY 2012
PARKING FUND REVENUE ANALYSIS
SUMMARY TABLE**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Adopted
Parking Garage Fees	106,916	130,281	192,462	162,650	172,650
Motor Fuels Tax	321,975	321,777	321,058	320,386	319,820
Other Revenues	70,010	43,894	29,641	10,000	10,000
Transfer from General Fund	30,000	-	-	-	-
Contributed Capital	-	-	-	-	-
Transfer from Capital	-	-	-	-	-
Fund Balance	-	-	-	-	-
Total	528,901	495,952	542,861	643,036	650,630

PARKING FEES

The City bases its estimate on the history of the parking in the garage and a growth projection as more customers learn of the location and convenience to the historic downtown and to the Virginia Railway Express station, located within easy walking distance of the garage. The Sophia Street Parking Garage opened in November of 2005.

The new downtown hotel has been open since June of 2009, and there is an agreement to lease 80 spaces from the garage to the hotel. Revenues from parking fees have increased beginning in FY 2010, and the budget forecast for FY 2012 has been increased as a result of this new activity.

MOTOR FUELS TAXES

The City intends to use its surplus motor fuels taxes to pay for the debt service payments on the garage. For FY 2012, the revenue estimate is equal to the scheduled debt service payments for the Fiscal Year.

TRANSFER FROM THE GENERAL FUND

The transfer from the General Fund is the transfer necessary to cover the cost of operations once the parking fees and the other sources of revenue have been projected. The City will not transfer funds from the General Fund in FY 2012.

FUND BALANCE

The Parking Fund is an Enterprise Fund. The City will budget an amount of fund balance equal to the anticipated depreciation charge on the assets of the Fund, most notably the Sophia Street Parking Garage.

**ADOPTED BUDGET FY 2012
COMPREHENSIVE SERVICES ACT FUND REVENUE ANALYSIS
SUMMARY TABLE**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Budget	FY 2012 Budget
Revenue from the Commonwealth	775,788	697,604	837,367	687,270	747,500
Transfer from Other Funds	-	-	-	-	-
Transfer from the General Fund	749,835	769,427	665,550	563,240	620,000
Fund Balance	-	-	-	-	50,000
Total	1,525,623	1,467,031	1,502,917	1,250,510	1,417,500

REVENUE FROM THE COMMONWEALTH

The Commonwealth transfers funds to cities and counties in the state under the Comprehensive Services Act to assist children in need of special services. The program is coordinated at the local level by a CSA Coordinator, who works in the Department of Social Services. The grant is projected based upon the total program budget and information from the Commonwealth as to likely reimbursement levels.

The CSA Program is affected by the decision of the state to reduce transfers to local governments for FY 2011 and FY 2012. The City will have its state aid available for this program reduced by \$63,213 in FY 2011. Actual reimbursements depend upon program demands.

TRANSFER FROM THE GENERAL FUND

The Transfer from the General Fund represents the City's contribution to meet the mandates of the Comprehensive Services Act. The City's transfer increased in FY 2012, from \$563,240 to \$620,000. The City also plans to use \$50,000 of the CSA Fund Balance in FY 2012 to help meet increased costs in the CSA Fund.

**ADOPTED BUDGET FY 2012
MOTOR FUELS TAXES REVENUE ANALYSIS
SUMMARY TABLE**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Projected ⁶
Motor Fuels Taxes	1,607,800	1,341,567	1,354,464	1,918,400	1,496,530
Interest Allocated to City	218,256	88,354	12,495	8,550	-
Total	1,826,056	1,429,921	1,359,756	1,692,950	1,496,530

MOTOR FUELS TAXES

The City of Fredericksburg is a member of a regional transportation commission set up by the Commonwealth of Virginia to support commuter rail into the District of Columbia. The member localities are allowed to charge a 2% surcharge on motor fuels taxes. The proceeds must be used to support the Virginia Railway Express and the administrative function of the Potomac and Rappahannock Transportation Commission. Any surplus proceeds may be used by the locality for any transportation purpose. The PRTC projects total revenues for the motor fuels tax for each locality.

The City budgets some use of motor fuels taxes for transportation purposes, but does not budget the entire projected tax receipts. All receipts are kept at the PRTC; the City must send a resolution designated the use of the funds, then a request for reimbursement once the funds are spent. The tables below represent the new uses of the motor fuels taxes by the City for FY 2012.

The City has also budgeted the use of motor fuels taxes in the capital funds for ongoing projects; however, these uses have already been encumbered in prior years.

Motor fuels tax revenues have been extremely variable over the last several months of FY 2010, as a new method of collection has been implemented in accordance with state law. The taxes are now collected at the wholesale rather than retail level. This variability should be eliminated over the coming months as the new collection methods are normalized.

The City uses motor fuels taxes for three major programs: FRED Transit operating subsidy; VRE subsidy; and Sophia Street Parking Garage Debt Service. The City also uses this source for a variety of smaller scale transportation projects and needs. In the past, the City has also used motor fuels tax surplus revenues to supplement the annual paving program. However, the City has made reductions to the use of motor fuels taxes in order to align the uses with the expected revenues. Barring a major increase in fuel prices, further reductions will be necessary in order to achieve this purpose.

⁶ Gasoline tax projection from the PRTC as of July 2011 report

**ADOPTED BUDGET FY 2012
SCHOOL GRANTS FUND REVENUE ANALYSIS
SUMMARY TABLES**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Budget
Local School Revenues	619,132	679,518	619,256	492,684	551,684
Revenue from the Commonwealth	449,495	527,452	544,624	694,750	711,000
Revenue from the Federal Government	2,837,055	2,881,036	4,106,218	3,988,923	3,734,943
Transfer from the General Fund	230,000	230,000	195,500	195,500	170,000
Fund Balance				200,000	
Total	4,135,682	4,318,006	5,465,598	5,571,857	5,167,627

LOCAL SCHOOL REVENUES

The School Grants Fund serves to account for a variety of federal and state grants, many of which involve regional programs for which the Fredericksburg City Schools and the City serve as fiscal agent. The School Grants Fund also serves as the home of the cafeteria service for the Fredericksburg City Schools. The Local School Revenues category includes cafeteria sales, forecasts for which are provided by the Fredericksburg City Schools. In addition, the very generous grant for anti-truancy efforts of the Sunshine Lady Foundation to the City Schools is also included in Local School Revenues.

REVENUE FROM OTHER GOVERNMENTS

These categories reflect the federal and state funding for specific programs, such as Head Start, that are accounted for through the School Grants Fund. These programs are distinct from the general state support for education, which is accounted for in the School Operating Fund. These revenue forecasts are provided by the Fredericksburg City Schools.